



## PALADIN ENERGY LTD

ACN 061 681 098

Ref: 169103

13 May 2010

Company Announcements Office  
Australian Securities Exchange  
20 Bridge Street  
SYDNEY NSW 2000

By Electronic Lodgement

Dear Sir/Madam

### March 2010 Quarterly Financial Report and MD&A

Attached please find Quarterly Financial Report for the nine months ended 31 March 2010 including Report to Shareholders, Management Discussion and Analysis, Interim Financial Statements and Certifications as required in accordance with Canadian reporting requirements.

Yours faithfully  
Paladin Energy Ltd

**GILLIAN SWABY**  
Company Secretary



## PALADIN ENERGY LTD

ACN 061 681 098

### NEWS RELEASE

### For Immediate Distribution

#### FINANCIAL REPORT FOR THE NINE MONTHS ENDING 31 MARCH 2010

**Perth, Western Australia – 13 May 2010: Paladin Energy Ltd** ("Paladin" or "the Company") (**TSX:PDN / ASX:PDN**) announces the release of its Financial Report for the nine months ending 31 March 2010. The Financial Report is appended to this News Release.

#### Results

- Record total uranium oxide ( $U_3O_8$ ) production of 1,157,375lb for the March quarter compared to 685,874lb for the comparative period. For the first time quarterly production has exceeded 1Mlb. Record total production of 2,873,284lb achieved for the nine months up from 2,010,410lb for the comparative period.
- Langer Heinrich Mine delivered full quarter production at Stage 2 nameplate capacity with a 10% increase in production over the December 2009 quarter.
  - Stage 3 construction to 5.2Mlb per annum remains on track for year end commissioning. Project now 30% complete and remains within approved budget.
  - Stage 4 feasibility study resource upgrade drilling for expansion to 10Mlb per annum commenced in January and is progressing as planned.
- Kayelekera uranium production step-change achieved with resin transfer bottleneck remedied.
  - Production 228,998lb for the quarter ended 31 March 2010 increasing from 145,315lb for previous quarter.
  - April production increases to 156,000lb.
  - Operation remains on track for nameplate production in June 2010 quarter.
  - Mineral resource upgrade expands project life by 2 years.
- Langer Heinrich Mine cost of sales for the nine months to 31 March 2010 remained at US\$26/lb in line with the nine month period to 31 March 2009. This represents an improved performance given the 15% strengthening in the Namibian dollar exchange rate during this period.
- Sales volumes of 1,043,000lb for the quarter ended 31 March 2010 at an average of US\$50.49/lb compared to 453,000lb at an average of US\$54.47/lb for the comparative period. Total sales volume for the nine months reached 2,841,000lb averaging US\$53.80/lb. This represents a significant increase over the 1,576,000lb sold in the nine months ended 31 March 2009 averaging US\$56.43/lb.
- Long term contracting strategy continues to be implemented with signing of a long term contract totalling 0.7Mlb commencing in 2011. This builds on the 4Mlb long term contract commencing in 2012 announced in the December 2009 quarter.

- Profit and Loss

|                                     | 3mths to<br>31 March 10<br>US\$M | 9mths to<br>31 March 10<br>US\$M |
|-------------------------------------|----------------------------------|----------------------------------|
| Revenue                             | 53.3                             | 154.5                            |
| Gross Profit                        | 14.0                             | 43.6                             |
| Exploration and Evaluation Expenses | (3.2)                            | (12.7)                           |
| Corporate and Other                 | (10.4)                           | (23.0)                           |
| Finance Costs                       | (5.3)                            | (16.1)                           |
| Loss before Income Tax              | (4.9)                            | (8.2)                            |
| Income Tax Expense                  | (2.0)                            | (18.1)                           |
| Loss after Income Tax               | (6.9)                            | (26.3)                           |
| Non controlling interests           | (0.1)                            | 0.3                              |
| Net Loss after Tax                  | (7.0)                            | (26.0)                           |

- Gross profit for the March quarter up by US\$3.2M over the comparative period reflecting higher sales volumes.
- Net loss for nine months, which includes a non-cash tax charge of US\$18.1M, narrowed to US\$26.0M from US\$482.3M in the comparative period.
- Strong balance sheet at 31 March 2010 with US\$400.6M in cash invested with Australian banks with a minimum AA Standard & Poor's credit rating.

Conference Call and Investor Update scheduled for 07:00 Perth & Hong Kong, Tuesday 18 May 2010.  
19:00 Toronto, Monday 17 May 2010 / 24:00 (midnight) London, Monday 17 May 2010.

Details are included in a separate news release.

The documents comprising the Financial Report for the nine months ending 31 March 2010, including the Report to Shareholders, Management Discussion and Analysis, Financial Statements and Certifications are attached and will be filed with the Company's other documents on Sedar (<http://www.sedar.com>) and on the Company's website (<http://www.paladinenergy.com.au>).

For additional information, please contact:

**John Borshoff**

Managing Director/CEO

Tel: +61-8-9381-4366 or Mobile: +61-419-912-571

Email: [john.borshoff@paladinenergy.com.au](mailto:john.borshoff@paladinenergy.com.au)

**Garry Korte**

Chief Financial Officer

Tel: +61-8-9381-4366 or Mobile: +61-409-875-910

Email: [garry.korte@paladinenergy.com.au](mailto:garry.korte@paladinenergy.com.au)

**Greg Taylor**

Investor Relations Contact

Tel: +905 337-7673 or Mobile: +416-605-5120 (Toronto)

Email: [greg.taylor@paladinenergy.com.au](mailto:greg.taylor@paladinenergy.com.au)



# **PALADIN ENERGY LTD**

A.C.N. 061 681 098

## **FINANCIAL REPORT**

**FOR THE NINE MONTHS ENDING**

**31 MARCH 2010**

## PALADIN ENERGY LTD

### Table of Contents – Third Quarter Report 31 March 2010

---

|                                                     | <b>Page</b> |
|-----------------------------------------------------|-------------|
| Report to Shareholders .....                        | 3           |
| Management Discussion and Analysis.....             | 11          |
| Consolidated Income Statement.....                  | 26          |
| Consolidated Statement of Comprehensive Income..... | 27          |
| Consolidated Statement of Financial Position.....   | 28          |
| Consolidated Statement of Changes in Equity.....    | 29          |
| Consolidated Statement of Cash Flows.....           | 30          |
| Notes to Consolidated Financial Statements.....     | 31          |

## PALADIN ENERGY LTD

### Report to Shareholders

Third Quarter Report – 31 March 2010

(All figures are in US dollars unless otherwise indicated)

#### SAFETY

Paladin continues to make significant improvements in its site safety performances with Kayelekera Mine being Lost Time Injury (LTI) free for the quarter. Langer Heinrich Mine experienced one LTI in January resulting in 4 days of lost work.

Implementation of the National Occupational Safety Association (NOSA) system continued at both operations with the input of all personnel, equipment and incident safety information into a site-wide Miracles software database. Implementation of NOSA is continuous and involves all aspects of the programme including personnel training, specific monitoring and 3<sup>rd</sup> party auditing.

#### QUARTERLY URANIUM SALES

Sales were 1,043,000lb U<sub>3</sub>O<sub>8</sub> generating revenue of US\$52.7M, representing an average sales price of US\$50.49/lb U<sub>3</sub>O<sub>8</sub>. (For comparison the unweighted average Ux spot price for the quarter was US\$42.35/lb U<sub>3</sub>O<sub>8</sub>.)

#### New Sales Contract

Paladin has concluded a new medium term contract for the delivery of approximately 700,000lb U<sub>3</sub>O<sub>8</sub> between the period 2011 to 2013 on undiscounted market price terms subject to appropriate floor and ceiling price conditions.

#### PALADIN GLOBAL PRODUCTION

|                      | Sept Qtr | Dec Qtr | Mar Qtr   |
|----------------------|----------|---------|-----------|
| LHM Production lb    | 654,513  | 841,995 | 928,377   |
| KM Production lb     | 74,086   | 145,315 | 228,998   |
| Totals Production lb | 728,599  | 987,310 | 1,157,375 |

Paladin, for the first time, has exceeded 1,000,000lb U<sub>3</sub>O<sub>8</sub> for its quarterly global production.

#### LANGER HEINRICH MINE (LHM), Namibia

##### Production

Production to Stage 2 nameplate levels was realised prior to calendar year end 2009 in the December month. For the March quarter a record 928,370lb U<sub>3</sub>O<sub>8</sub> were produced versus nameplate design of 925,000lb. All circuits are running to design capacity, although research work related to the Ion Exchange circuit continues to provide opportunities to increase production and lower unit costs through optimisation. The operation has identified additional low cost modifications that are currently being implemented (to be completed during the 1<sup>st</sup> half of CY2010).

Production was marginally impacted by Namwater's supply line in both late January and early February. LHM management is investigating an increase in site reservoir volume (lined pond), which would mitigate the problem by providing 6 days of reserve from the current 2 days reserve capacity position.

## PALADIN ENERGY LTD

### Report to Shareholders

Third Quarter Report – 31 March 2010  
(All figures are in US dollars unless otherwise indicated)

#### Mining

The mining and plant ore feed during the previous two quarters was as follows:

|                      | Oct     | Nov     | Dec     | Jan     | Feb     | Mar     |
|----------------------|---------|---------|---------|---------|---------|---------|
| <b>Ore mined (t)</b> | 353,748 | 596,257 | 553,499 | 699,292 | 586,395 | 814,430 |
| <b>Grade (ppm)</b>   | 631     | 786     | 822     | 811     | 703     | 789     |

|                                       |         |         |         |         |         |         |
|---------------------------------------|---------|---------|---------|---------|---------|---------|
| <b>Additional low grade mined (t)</b> | 246,352 | 154,605 | 176,880 | 138,489 | 176,328 | 189,905 |
| <b>Grade (ppm)</b>                    | 326     | 305     | 270     | 300     | 258     | 276     |

|                        |      |      |      |      |      |      |
|------------------------|------|------|------|------|------|------|
| <b>Waste/Ore ratio</b> | 1.22 | 0.85 | 1.02 | 0.49 | 0.73 | 0.46 |
|------------------------|------|------|------|------|------|------|

The mining activities for the quarter followed the latest mine plans with reconciliation between actual and resource modeling continuing with excellent correlation.

#### Process Plant

Tonnage through the process plant has continually increased over the past two quarters culminating in a record tonnage of over 187,000t in March.

Performance of the front end circuits has improved steadily over the period with the up-graded Stage 2 recycle circuit giving a scrubbing efficiency of 90%.

Leaching circuits continue at extraction rates of over 95%. Further improvements in regards to both higher extractions and lower energy costs are anticipated as a tank insulation programme advances. To date approximately 20% of this programme is complete.

Counter-Current Decantation (CCD) is operating as expected. A campaign of replacing underflow pump gland seals with mechanical sealed units is reducing fresh water consumption and improving Ion Exchange performance.

Ion Exchange performance improved during the quarter, enabling plant wash efficiency to climb above 80%. Two high priority projects currently in the implementation phase, namely CO<sub>2</sub> injection into the Bi-Carbonate solution and a system to remove resin from the fixed columns for cleaning are anticipated to improve wash efficiency further.

The new packaging dryer was successfully commissioned during the quarter resulting in record drying tonnage in March of 170t of product (U<sub>3</sub>O<sub>8</sub> basis) drummed at very low moistures.

#### Tailings

The construction of the current Tailings Storage Facility (TSF1) is complete with tailings being deposited into this facility expected to continue until late 2010.

The extension to this TSF has also progressed well with construction expected to be complete during the June quarter. At the planned production rates this will provide additional storage capacity until at least mid 2011. Design work for the first in pit Tailings Facility (TSF2) is

## PALADIN ENERGY LTD

### Report to Shareholders

Third Quarter Report – 31 March 2010

*(All figures are in US dollars unless otherwise indicated)*

progressing well with Metago Environmental Engineering in possession of a significant amount of hard data on testwork from actual plant tailings.

Conceptual and construction drawings are well advanced, with a planned start of construction to initiate immediately after mining of the western reaches of Pit D.

In-pit tails deposition is scheduled to commence in mid 2011.

#### Stage 3 Expansion Project

The Stage 3 expansion project, designed to take annual production from the current 3.7Mlb U<sub>3</sub>O<sub>8</sub> to 5.2Mlb U<sub>3</sub>O<sub>8</sub>, is progressing well. The project is now at an overall 29% state of completion and remains within the Board approved budget. Construction of the critical earthworks areas is nearing completion and civil works are in progress at site following the award of the major earthworks and civil works packages.

Major long-lead equipment supply packages have been awarded and fabrication and manufacture of these (such as the scrubber and crusher) are either on or ahead of schedule. Engineering design is well advanced in all sections.

The project labour requirements are being conducted with a high component of Namibian sourced work force and use of Namibian established companies is being maximised where appropriate.

#### Stage 4 Feasibility Study Resource Upgrade Drilling

A drilling programme to upgrade the bulk of the existing uranium resources to the Indicated and Measured JORC categories started in late January, and is progressing as planned. This programme is expected to be completed in early May. Of a 36,000m RC drilling programme 22,374m had been completed by the end of March. The upgraded resource will be used for reserve estimations to back the Stage 4 expansion programme of LHM which is planned to expand the annual production to 9Mlb U<sub>3</sub>O<sub>8</sub>. Investigations are continuing into process options for treatment of low grade material which will yield a further 1Mlb pa.

### KAYELEKERA MINE (KM), Malawi

#### Production

|                | Dec Qtr | March Qtr |
|----------------|---------|-----------|
| Production /lb | 145,315 | 228,998   |

As expected, KM was able to show a significant quarter over quarter improvement in production resulting from continued plant debottlenecking and mine-wide material handling improvements. KM production ramp-up, although slower than initially forecasted, has produced a steady improvement in performance, particularly over the past 6 weeks. With March production exceeding 100,000lb/month and April's production achieved slightly in excess of the forecast 150,000lb, KM operation remains positioned to achieve nameplate and commercial levels in the June quarter.

Several months ago, a highly regarded performance/process improvement firm was commissioned to assist KM site personnel with the implementation of a programme designed to ensure world class practices are utilised to operate the plant. This initiative is proving highly successful ensuring both sustained continual increases in production, and providing a very efficient form of training for any new operations staff.

## PALADIN ENERGY LTD

### Report to Shareholders

Third Quarter Report – 31 March 2010

(All figures are in US dollars unless otherwise indicated)

#### Mining

|                    | Oct    | Nov    | Dec    | Jan    | Feb    | Mar    |
|--------------------|--------|--------|--------|--------|--------|--------|
| Operating time hrs | 282    | 359    | 433    | 423    | 320    | 485    |
| Mill feed, dry t   | 27,272 | 33,541 | 42,608 | 47,021 | 33,942 | 63,676 |
| Grade (ppm)        | 1,592  | 1,858  | 1,537  | 1,315  | 1,537  | 1,284  |

#### Process Plant

In early February the loaded resin screen was fitted with a stainless steel cloth to increase effective screening area and at the same time several modifications to the contactor side of the circuit were completed. These activities significantly improved RIP and Elution operations as described in the December quarterly report, and the resin handling/treatment circuit is no longer considered a bottleneck.

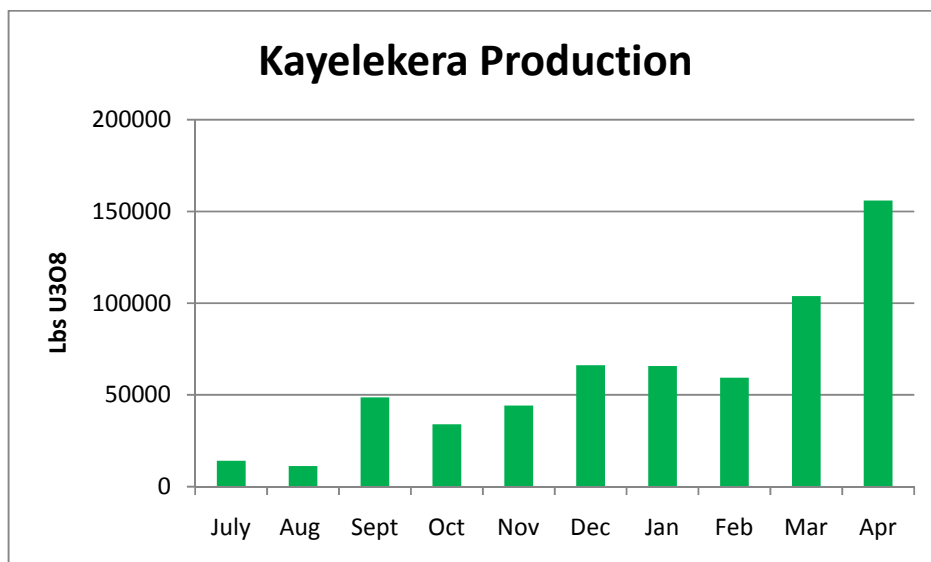
The mechanical downtime of various circuits has improved significantly from past quarters and continuous improvement, most evident in the crushing/grinding circuit, is expected to increase plant availability further. Several delays were experienced from problems with mineral sizer teeth, feed conveyor belts and mill liners. Installation and commissioning of a new jaw crusher is complete and, other than the mid-quarter rain related delays with earthworks construction, is now fully capable of backing up the mineral sizer. A new feed conveyor belt and mill liner changeout will be scheduled for May to bring availability to at least design levels.

Leaching continues to perform reasonably well, although improvements to extraction rates are expected with time and focus. A good deal of laboratory investigation has been completed to assist site metallurgists in this area.

The back end of the plant (uranium precipitation and packaging) is operating satisfactorily, however, despite regular operation at nameplate production levels the drying circuit availability needs to be improved in order to maintain this throughput.

#### Post Quarter Trends

With March production increasing by 75% over previous month to 103,920lb and April production increasing by 50% to 155,980lb, the operation remains on track to deliver nameplate production by quarter end. In May, a four day shutdown will be required to re-line the ball mill, and once complete the feed tonnage is expected to increase as per design.



### Exploration/Resource Upgrade

Following the completion of the initial phase of the final drill out of the Kayelekera orebody to the west of the current pit, an updated resource estimation has been undertaken and is detailed below. It is expected that the final phase of drilling will commence during July and will be followed by a resource and reserve update.

Mineral Resources for the Kayelekera deposit quoted at a 300ppm U<sub>3</sub>O<sub>8</sub> cut off grade:

| Category                        | Tonnes            | Grade<br>ppm U <sub>3</sub> O <sub>8</sub> | Metal<br>t U <sub>3</sub> O <sub>8</sub> | Metal<br>Mlb U <sub>3</sub> O <sub>8</sub> |
|---------------------------------|-------------------|--------------------------------------------|------------------------------------------|--------------------------------------------|
| Measured                        | 3,512,000         | 1,241                                      | 4,357                                    | 9.61                                       |
| Indicated                       | 17,220,000        | 769                                        | 13,242                                   | 29.19                                      |
| <b>Measured &amp; Indicated</b> | <b>20,732,000</b> | <b>849</b>                                 | <b>17,599</b>                            | <b>38.80</b>                               |

| Category        | Tonnes<br>t      | Grade<br>ppm U <sub>3</sub> O <sub>8</sub> | Metal<br>t U <sub>3</sub> O <sub>8</sub> | Metal<br>Mlb U <sub>3</sub> O <sub>8</sub> |
|-----------------|------------------|--------------------------------------------|------------------------------------------|--------------------------------------------|
| <b>Inferred</b> | <b>5,496,000</b> | <b>625</b>                                 | <b>3,433</b>                             | <b>7.57</b>                                |

**Resources have been depleted for mining to the end of March 2010**

At the end of March 2010 an additional 308,289t at a grade of 956ppm U<sub>3</sub>O<sub>8</sub> for a total of 295t (0.65Mlb) U<sub>3</sub>O<sub>8</sub> were contained in ROM stockpiles. While the majority of the overall resource increase is attributed to the substantial increase in Inferred category material (up 63.0% to 3,433t U<sub>3</sub>O<sub>8</sub>) there has still been a small (6%) increase in Measured and Indicated category metal content. The resource increase is primarily due to the inclusion of wide spaced drilling undertaken on the western margins of the existing resource. It is expected that the resource definition drilling due to commence in July will convert a substantial portion of the Inferred category resources located in the western portion of the orebody into Measured and Indicated resources. At this time, as there has been negligible change in Measured and Indicated Mineral Resources, an updated Ore Reserve estimation is not warranted. The Mineral Resource estimate is based on downhole gamma radiometric logging using appropriately calibrated and validated gamma probes to produce

## PALADIN ENERGY LTD

### Report to Shareholders

Third Quarter Report – 31 March 2010

(All figures are in US dollars unless otherwise indicated)

equivalent  $U_3O_8$  grades. This methodology is the same as that used for mining grade control and resource estimation at both KM and LHM.

#### ISA URANIUM JOINT VENTURE, Queensland - (Paladin Energy Ltd 50%, Summit Resources (Aust) Pty Ltd 50% Operator)

Drilling in the Mount Isa region is currently concentrating on the main Valhalla orebody and at the Odin prospect to the north of Valhalla. Ongoing exploration and research work is evaluating geophysical targets for uranium mineralisation with no surface expression. Results of this work have been successfully applied at the Odin prospect.

##### Odin Prospect

At the Odin prospect, approximately 500m north of the Valhalla orebody, drilling has identified new uranium mineralisation which exhibited no surface radiometric or geological expression. This target was identified through interpretation of magnetic data acquired through ground and helicopter surveys. The mineralisation was identified in 5 of the 7 exploration holes drilled to date. The geometry is still not clearly defined but is currently interpreted to include 3 or more north-south striking sub-vertical and sub-parallel albitite lenses of 5 to 15m true thickness. Drill intersections include:

| Drillhole No. | From (m) | To (m) | Interval (m) | Grade* $eU_3O_8$ |
|---------------|----------|--------|--------------|------------------|
| VR0289        | 29       | 49     | 20           | 541              |
|               | 53       | 57     | 4            | 425              |
|               | 62       | 75     | 13           | 447              |
| VR0290        | 48       | 78     | 30           | 536              |
|               | 119      | 122    | 3            | 286              |
|               | 140      | 149    | 9            | 511              |
|               | 154      | 158    | 4            | 318              |
|               | 164      | 169    | 5            | 540              |
|               | 179      | 186    | 7            | 370              |
| VR0291        | 7        | 13     | 6            | 531              |
|               | 34       | 38     | 4            | 786              |
| VR0294        | 39       | 49     | 10           | 376              |
|               | 61       | 65     | 4            | 521              |
|               | 103      | 117    | 14           | 387              |
|               | 126      | 166    | 40           | 752              |
|               | 340      | 344    | 4            | 250              |
| VR0295        | 35       | 49     | 14           | 569              |

*\*grade determined by down hole radiometric gamma logging  
Cut-off >3m@250ppm $U_3O_8$*

##### Valhalla Deposit

At the Valhalla deposit 1 diamond hole was completed in the quarter as part of a 5 hole programme to test for down plunge extension of the known mineralisation. This drillhole (diamond drill hole VRD078) targeted mineralisation at and below 600m vertical depth. The drillhole intersected two substantial mineralised zones of 15m and 51m true width respectively between 580m and 630m vertical depth. Details are shown below:

## PALADIN ENERGY LTD

### Report to Shareholders

Third Quarter Report – 31 March 2010

(All figures are in US dollars unless otherwise indicated)

| Drillhole No.  | From (m)   | To (m)     | Interval (m) | Grade* eU <sub>3</sub> O <sub>8</sub> |
|----------------|------------|------------|--------------|---------------------------------------|
| <b>VRD0278</b> | <b>688</b> | <b>712</b> | <b>24</b>    | <b>355</b>                            |
| Including:     |            |            |              |                                       |
|                | 688        | 691        | 3            | 867                                   |
|                | 700        | 707        | 7            | 466                                   |
| <b>VRD0278</b> | <b>738</b> | <b>817</b> | <b>77</b>    | <b>930</b>                            |
| Including:     |            |            |              |                                       |
|                | 738        | 747        | 9            | 711                                   |
|                | 750        | 774        | 24           | 803                                   |
|                | 786        | 817        | 31           | 1478                                  |

*\*Grade determined by down hole radiometric gamma logging*

**Cut-off >3m@250ppm U<sub>3</sub>O<sub>8</sub>**

Drilling is currently continuing at Odin and Valhalla "Deeps" to more clearly define the geometry of the newly identified uranium mineralisation and test for further mineralisation extensions.

## CORPORATE

### Performance Share Rights

5,026,000 performance share rights were granted to staff pursuant to the Paladin Energy Ltd Employee Share Rights Plan and Contractor Performance Share Rights Plan.

Vesting conditions include 50% being granted on time based considerations and the balance subject to performance considerations to be measured 1 September 2012.

## URANIUM MARKET COMMENTS

The Ux spot price moved in a range from US\$44.50/lb U<sub>3</sub>O<sub>8</sub> in January 2010 to a low of US\$40.50/lb U<sub>3</sub>O<sub>8</sub> in early March before recovering to US\$42.00/lb U<sub>3</sub>O<sub>8</sub> at the end of the quarter. The long term price indicator fell by US\$4/lb U<sub>3</sub>O<sub>8</sub> over the quarter to US\$58/lb U<sub>3</sub>O<sub>8</sub>.

The wider implications of the forecast strong growth in civil nuclear power over the next forty years are being recognised by many governments. In France, which is already a world leader in nuclear power, President Sarkozy has created an International Nuclear Energy Institute to provide an international training centre to increase significantly the number of nuclear science and technology professionals which will be urgently needed worldwide. EDF, which plans to build at least four new nuclear plants in the UK, announced a recruiting drive for 10,000 staff to support the new programme.

In the United States, Secretary of Energy Steve Chu inaugurated a Blue Ribbon Commission on America's Nuclear Future to undertake a comprehensive review of all back-end issues including waste management and disposal in light of the anticipated renaissance in nuclear technology in the United States. In the European Union waste management strategies are well advanced with Finland planning to open its deep geological repository for direct disposal of spent fuel in 2020 to be followed by Sweden in 2023 and France in 2025.

## **PALADIN ENERGY LTD**

### **Report to Shareholders**

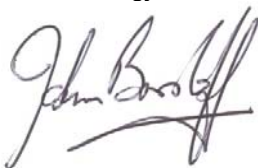
Third Quarter Report – 31 March 2010

*(All figures are in US dollars unless otherwise indicated)*

---

Globally, there is growing evidence of a resurgent civil nuclear power sector which will inevitably place increased pressure on uranium production which is rising too slowly to meet anticipated demand early in the next decade. For example, in Japan, a governmental White Paper has called for the construction of a further 14 reactors while Italy, a country which had phased-out its commercial nuclear programme in the 1980's, has signed a series of agreements under which France will support the construction of as many as eight reactors with construction commencing as early as 2013.

Yours faithfully  
Paladin Energy Ltd



**JOHN BORSHOFF**  
Managing Director/CEO

## **PALADIN ENERGY LTD**

### **Management Discussion and Analysis**     *For the Nine Months Ended 31 March 2010* *(All figures are in US dollars unless otherwise indicated)*

---

The following Management Discussion and Analysis ("MD&A") for Paladin Energy Ltd ("Company") should be read in conjunction with the Report to Shareholders and the Consolidated Financial Statements for the nine months ended 31 March 2010. The effective date of this report is 13 May 2010.

The financial information presented in this MD&A has been extracted from the attached financial statements.

In addition to these Australian requirements further information has been included in the Consolidated Financial Statements for the nine months ended 31 March 2010 in order to comply with applicable Canadian securities law, as the Company is listed on the Toronto Stock Exchange.

Additional information relating to the Company, including the Company's most recent Annual Report for the year ended 30 June 2009 and other public announcements are available at [www.paladinenergy.com.au](http://www.paladinenergy.com.au).

### **FORWARD LOOKING STATEMENTS**

Some of the statements contained in this MD&A, including those relating to strategies and other statements, are predictive in nature, and depend upon or refer to future events or conditions, or include words such as "expects", "intends", "plans", "anticipates", "believes", "estimates" or similar expressions that are forward looking statements. Forward looking statements include, without limitation, the information concerning possible or assumed further results of operations as set forth herein. These statements are not historical facts but instead represent only expectations, estimates and projections regarding future events and are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations generally.

The forward looking statements contained in this MD&A are not guarantees of future performance and involve certain risks and uncertainties that are difficult to predict. The future results of the Company may differ materially from those expressed in the forward looking statements contained in this MD&A due to, among other factors, the risks and uncertainties inherent in the business of the Company.

### **OVERVIEW**

The Company operates in the minerals resources industry with a principal business focus on development and operation of uranium projects in Africa and Australia, as well as evaluation and acquisition opportunities throughout the world. The Company is incorporated under the laws of Western Australia with a primary share market listing on the Australian Securities Exchange and additional listings on the Toronto Stock Exchange in Canada; Munich, Berlin, Stuttgart and Frankfurt Stock Exchanges in Europe; and the Namibian Stock Exchange in Africa.

## PALADIN ENERGY LTD

### **Management Discussion and Analysis**

*For the Nine Months Ended 31 March 2010  
(All figures are in US dollars unless otherwise indicated)*

---

The main activities undertaken during the nine months ended 31 March 2010 were:

- Record quarterly production of 1,157,375lb U<sub>3</sub>O<sub>8</sub> for the quarter ended 31 March 2010 increasing from 987,310lb in the December 2009 quarter. For the first time quarterly production has exceeded 1Mlb U<sub>3</sub>O<sub>8</sub>.
- LHM delivers full quarter production at Stage 2 nameplate capacity with a 10% increase in production over the December 2009 quarter.
- Significant improvements in site safety performances continue to have a positive impact.
- Major new production expansion plans for Africa (increasing from 8.5Mlb pa to 13.8Mlb pa) to clearly establish Paladin as a Tier 1 producer.
  - Stage 4 LHM expansion targeting 10Mlb pa (includes 1Mlb heap leach) with nameplate production planned by mid 2014.
  - KM optimisation to 3.8Mlb pa planned for late 2012.
- KM production step-change achieved, resin transfer bottleneck remedied.
  - Production 228,998lb for the quarter ended 31 March 2010 increasing from 145,315lb for previous quarter.
  - April production exceeds 150,000lb.
  - Operation remains on track for nameplate production in June 2010 quarter.
  - Mineral resource upgrade expands project life by 2 years.
- Revenue of US\$52.7M from a sales volume of 1,043,000lb U<sub>3</sub>O<sub>8</sub> for the quarter ended 31 March 2010 at an average realised sales price of US\$50.49/lb.
- Execution of Paladin's long term contracting strategy with the signing of substantial long term contracts totalling 0.7Mlb commencing 2011 and 4Mlb commencing in 2012.
- US\$374M private placement completed in September 2009.

# PALADIN ENERGY LTD

## Management Discussion and Analysis

For the Nine Months Ended 31 March 2010  
(All figures are in US dollars unless otherwise indicated)

### SUMMARISED INCOME STATEMENT

|                                                                                  | Three Months Ended<br>31 March |               | Nine Months Ended<br>31 March |                |
|----------------------------------------------------------------------------------|--------------------------------|---------------|-------------------------------|----------------|
|                                                                                  | 2010<br>US\$M                  | 2009<br>US\$M | 2010<br>US\$M                 | 2009<br>US\$M  |
| <b>Revenue</b>                                                                   | <b>53.3</b>                    | <b>25.0</b>   | <b>154.5</b>                  | <b>91.7</b>    |
| <b>Gross profit</b>                                                              | <b>14.0</b>                    | <b>10.8</b>   | <b>43.6</b>                   | <b>39.2</b>    |
| Exploration and evaluation expenses                                              | (3.2)                          | (1.8)         | (12.7)                        | (8.2)          |
| Other expenses and income                                                        | (10.4)                         | (6.4)         | (23.0)                        | (24.4)         |
| Impairment of exploration and evaluation                                         | -                              | -             | -                             | (753.8)        |
| Impairment of available-for-sale financial assets                                | -                              | -             | -                             | (26.0)         |
| Finance costs                                                                    | (5.3)                          | (6.9)         | (16.1)                        | (24.3)         |
| Share of loss of an associate                                                    | -                              | -             | -                             | (1.0)          |
| Income tax (expense)/benefit                                                     | (2.0)                          | (2.6)         | (18.1)                        | 220.2          |
| Loss after tax                                                                   | (6.9)                          | (6.9)         | (26.3)                        | (578.3)        |
| Non controlling interests                                                        | 0.1                            | (0.1)         | (0.3)                         | (96.0)         |
| <b>Loss after tax attributable to the ordinary equity holders of the Company</b> | <b>(7.0)</b>                   | <b>(6.8)</b>  | <b>(26.0)</b>                 | <b>(482.3)</b> |
|                                                                                  | <b>US\$</b>                    | <b>US\$</b>   | <b>US\$</b>                   | <b>US\$</b>    |
| Loss per share - basic & diluted                                                 | (0.01)                         | (0.01)        | (0.04)                        | (0.78)         |

#### Three Months Ended 31 March 2010

References to 2010 and 2009 refer to the equivalent three months ended 31 March 2010 and 2009 respectively.

*Revenue* increased from US\$25.0M to US\$53.3M in 2010 as a result of increased sales of uranium of US\$52.7M (2009: US\$24.7M). Total sales volume for the quarter was 1,043,000lb U<sub>3</sub>O<sub>8</sub> (2009: 453,000lb). LHM sold 893,000lb U<sub>3</sub>O<sub>8</sub> and KM sold 150,000lb U<sub>3</sub>O<sub>8</sub>. All sales for 2009 relate to Stage 1 of LHM. Total production for the quarter was 1,157,375lb U<sub>3</sub>O<sub>8</sub> (2009: 685,874lb). LHM produced 928,377lb U<sub>3</sub>O<sub>8</sub> and KM produced 228,998lb U<sub>3</sub>O<sub>8</sub>. All production for 2009 relates to Stage 1 of LHM. The average realised uranium sales price in 2010 was US\$50/lb U<sub>3</sub>O<sub>8</sub> (2009: US\$54/lb).

## PALADIN ENERGY LTD

### **Management Discussion and Analysis**

*For the Nine Months Ended 31 March 2010*

*(All figures are in US dollars unless otherwise indicated)*

*Gross Profit* in 2010 of US\$14.0M is higher than in 2009 (US\$10.8M) as a consequence of increased uranium sales. The cost of sales for LHM in 2010 remained at US\$26/lb U<sub>3</sub>O<sub>8</sub> (2009: US\$26/lb). Overall cost of sales has been impacted by higher costs associated with lower production volumes during the ramp-up of production at KM.

*Exploration and Evaluation Expenditure* of US\$3.2M in 2010 related predominantly to the Valhalla/Skal, Isa North, Bigirlyi, Angela, LHM and KM projects. Of this total, US\$0.8M was spent on the Valhalla/Skal joint venture project, US\$0.9M on the Isa North project and US\$0.4M on the Angela joint venture project.

*Other Expenses and Income* has increased from US\$6.4M to US\$10.4M predominantly as a consequence of higher corporate and marketing costs and a higher foreign exchange loss.

*Finance Costs* have decreased by US\$1.6M to US\$5.3M despite increased average borrowings year on year due to a proportion of the interest payable on the convertible bonds and project finance being capitalised as part of the construction of KM. Finance costs relate primarily to interest payable on the US\$250.0M convertible bonds issued 15 December 2006, the US\$325.0M convertible bonds issued 11 March 2008, US\$145M project finance for KM and US\$47.5M for LHM.

*Income Tax Expense* of US\$2.0M is predominantly attributable to the de-recognition of additional deferred tax assets arising in respect of movements in available for sale reserves and capital raising costs and to the profits reported by LHM. At this stage a deferred tax credit is not being raised on Australian exploration and corporate expenditure resulting in the group tax charge being higher than the tax equivalent amount of the group profit or loss.

*Non controlling interest* debit of US\$0.1M has been recorded in 2010 attributable to the 18.0% interest in Summit held by third parties and the 15% interest in Paladin (Africa) Ltd (PAL) held by the Government of Malawi.

The *Loss after Tax attributable to the ordinary equity holders of the Company* for 2010 of US\$7.0M has remained relatively unchanged from the loss after tax for 2009 of US\$6.8M.

#### Nine Months Ended 31 March 2010

References to 2010 and 2009 refer to the equivalent nine months ended 31 March 2010 and 2009 respectively.

*Revenue* increased from US\$91.7M to US\$154.5M in 2010 as a result of increased sales of uranium of US\$152.9M (2009: US\$89.0M). Total sales volume for the nine months was 2,841,000lb U<sub>3</sub>O<sub>8</sub> (2009: 1,576,000lb). LHM sold 2,191,000lb U<sub>3</sub>O<sub>8</sub> and KM sold 650,000lb U<sub>3</sub>O<sub>8</sub>. All sales for 2009 relate to Stage 1 of LHM. Total production for the nine months was 2,873,284lb U<sub>3</sub>O<sub>8</sub> (2009: 2,010,410lb). LHM produced 2,424,885lb U<sub>3</sub>O<sub>8</sub> and KM produced 448,399lb U<sub>3</sub>O<sub>8</sub>. All production for 2009 relates to Stage 1 of LHM. The average realised uranium sales price in 2010 was US\$54/lb U<sub>3</sub>O<sub>8</sub> (2009: US\$56/lb).

Delivery quantities under sales contracts are not evenly distributed from month to month. This will result in fluctuations between production and sales in any one quarter. During the period Paladin Nuclear material was loaned to KM to fulfil a portion of scheduled deliveries under sales contracts.

*Gross Profit* in 2010 of US\$43.6M is higher than in 2009 (US\$39.2M) as a consequence of increased uranium sales. The cost of sales for LHM in 2010 remained at US\$26/lb U<sub>3</sub>O<sub>8</sub> (2009: US\$26/lb). Overall cost of sales has been impacted by higher costs associated with lower production volumes during the ramp-up of production at KM.

## PALADIN ENERGY LTD

### Management Discussion and Analysis

For the Nine Months Ended 31 March 2010

(All figures are in US dollars unless otherwise indicated)

*Exploration and Evaluation Expenditure* of US\$12.7M in 2010 related predominantly to the Valhalla/Skal, Isa North, Bigriyi, Angela, LHM and KM projects. Of this total, US\$3.0M was spent on the Valhalla/Skal joint venture project, US\$2.4M on the Isa North project and US\$3.0M on the Angela joint venture project.

*Other Expenses and Income* has decreased from US\$24.4M to US\$23.0M predominantly as a consequence of the US\$7.8M insurance recovery relating to the heat exchangers at LHM. This was partially offset by higher corporate and marketing costs due to the recognition of a non-recurring provision of US\$6.4M and a foreign exchange loss of US\$4.6M compared to a foreign exchange gain of US\$1.3M in 2009.

*Finance Costs* have decreased by US\$8.2M to US\$16.1M despite increased average borrowings year on year due to a proportion of the interest payable on the convertible bonds and project finance being capitalised as part of the construction of KM. Finance costs relate primarily to interest payable on the US\$250.0M convertible bonds issued 15 December 2006, the US\$325.0M convertible bonds issued 11 March 2008, US\$145M project finance for KM and US\$47.5M for LHM.

*Income Tax Expense* of US\$18.1M is predominantly attributable to the de-recognition of additional deferred tax assets arising in respect of movements in available for sale reserves and capital raising costs and to the profits reported for LHM and KM. At this stage a deferred tax credit is not being raised on Australian exploration and corporate expenditure, resulting in the group tax charge being higher than the tax equivalent amount of the group profit or loss. The current period non-cash deferred tax charge has been increased by US\$7.3M due to a prior period under provision for foreign exchange movements.

*Non controlling interest* credit of US\$0.3M has been recorded in 2009 attributable to the 18.0% interest in Summit held by third parties and the 15% interest in Paladin (Africa) Ltd (PAL) held by the Government of Malawi.

The *Loss after Tax attributable to the ordinary equity holders of the Company* for 2010 of US\$26.0M was lower than the loss after tax for 2009 of US\$482.3M predominantly as a result of the recognition in 2009 of an impairment of the Mount Isa exploration and evaluation asset of US\$527.6M net of the deferred tax liability and of the recognition of an impairment of available-for-sale investments of US\$26.0M.

#### Summary of Quarterly Financial Results

|                                  | 2010<br>Mar Qtr<br>US\$M | 2009<br>Dec Qtr<br>US\$M | 2009<br>Sep Qtr<br>US\$M | 2009<br>Jun Qtr<br>US\$M |
|----------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Total revenues                   | 53.3                     | 62.6                     | 38.6                     | 23.2                     |
| Profit/(loss) after tax          | (7.0)                    | 0.4                      | (19.4)                   | 2.1                      |
| Basic and diluted loss per share | (0.01)                   | -                        | (0.03)                   | -                        |
|                                  | 2009<br>Mar Qtr<br>US\$M | 2008<br>Dec Qtr<br>US\$M | 2008<br>Sep Qtr<br>US\$M | 2008<br>Jun Qtr<br>US\$M |
| Total revenues                   | 25.0                     | 14.2                     | 52.5                     | 38.9                     |
| Loss after tax                   | (6.8)                    | (470.8)                  | (4.8)                    | (1.9)                    |
| Basic and diluted loss per share | (0.01)                   | (0.76)                   | (0.01)                   | (0.01)                   |

## **PALADIN ENERGY LTD**

### **Management Discussion and Analysis** *For the Nine Months Ended 31 March 2010* *(All figures are in US dollars unless otherwise indicated)*

---

Total revenue for the quarters ended December and March have increased when compared to the equivalent comparative quarter as a result of higher sales of uranium.

Total revenues for the quarters ended September and June are lower than the comparative quarters due to lower sales of uranium.

All contracted sales are made in accordance with delivery schedules agreed with each customer from time to time and, as a result, delivery quantities and revenues are not evenly distributed between quarters.

Loss after tax has remained relatively unchanged for the quarter ended March when compared to the equivalent comparative quarter.

Profit after tax for the quarter ended December is a turnaround from the comparative quarter predominantly as a result of the recognition in 2008 of an impairment of the Mount Isa exploration and evaluation asset of US\$527.6M net of the deferred tax liability.

Loss after tax has increased for the quarter ended September when compared to the equivalent comparative quarter as a consequence of the decrease in gross profit due to the lower contracted sales and the increase in the non-cash tax charge.

A profit after tax was recorded for the June 2009 quarter due to the loss before tax for the quarter being offset by a tax benefit recognised for LHM. Total revenues for the quarter ended June decreased when compared to the equivalent comparative quarter as a consequence of lower contracted sales.

#### **Loss Per Share**

The Loss per Share noted on the Income Statements reflects the underlying result for the specific reported periods and the additional shares issued in 2010 compared to 2009.

#### **Segment Disclosure (refer to Note 3)**

The profit before tax and finance costs of US\$32.8M in the Namibian segment of the Company remained relatively unchanged when compared to 2009. In the Malawian segment the Company reflected a profit before tax and finance costs of US\$7.6M reflecting KM's first contracted sales. Operating costs to 31 March 2010 have been capitalised as KM ramps up production, net of product sold. The 2009 loss for KM relates to exploration and evaluation expenditure and corporate costs. In the Australian geographical segment the Company reflected the remaining Income Statement activities, which for 2010 comprises mainly exploration, marketing and corporate costs.

## PALADIN ENERGY LTD

### Management Discussion and Analysis

For the Nine Months Ended 31 March 2010  
(All figures are in US dollars unless otherwise indicated)

#### SEGMENT GROSS PROFIT

|                                              | MARCH 2010 QUARTER |             |                  | DECEMBER 2009 QUARTER |             |                  |
|----------------------------------------------|--------------------|-------------|------------------|-----------------------|-------------|------------------|
|                                              | LHM                | KM          | TOTAL            | LHM                   | KM          | TOTAL            |
| Volume Sold (lb)                             | 893,000            | 150,000     | 1,043,000        | 595,000               | 500,000     | 1,095,000        |
| Average Sales Prices/lb                      |                    |             | US\$50.5/lb      |                       |             | US\$57/lb        |
| Revenue                                      |                    |             | US\$52.7M        |                       |             | US\$61.9M        |
| Cost of Sales (C1)                           | US\$23.1M          | US\$8.6M    | US\$31.7M        | US\$15.8M             | US\$27.2M   | US\$43.0M        |
| Cost of Sales/lb (C1)                        | US\$26/lb          | * US\$57/lb | US\$30/lb        | US\$26/lb             | * US\$54/lb | US\$39/lb        |
| Profit after C1 Costs                        |                    |             | US\$21.0M        |                       |             | US\$18.9M        |
| Other Revenue and Costs, mainly depreciation |                    |             | US\$7.0M         |                       |             | US\$4.2M         |
| <b>GROSS PROFIT</b>                          |                    |             | <b>US\$14.0M</b> |                       |             | <b>US\$14.7M</b> |

\* Cost of sales for KM are expected to be higher during production ramp up while volumes are lower and are forecast to reduce as volumes increase to design capacity.

Sales of 1,043,000lb at an average of US\$50.5/lb generated revenue of US\$52.7M in the quarter ended 31 March 2010. This compares with sales of 1,095,000lb at an average of US\$57/lb with revenue of US\$61.9M in the quarter ended 31 December 2009.

Cost of Sales for LHM in the quarter ended 31 March 2010 remained at US\$26/lb with the average cost of sales reducing to US\$30/lb. This reflects a strong production performance from LHM as well as a greater proportion of overall sales from LHM.

KM costs of sales in the quarter ended 31 March 2010 comprise 51,000lb of production at US\$71/lb and 99,000lb of material loaned from Paladin Nuclear Ltd at US\$53/lb. In the quarter ended 31 December 2009 KM cost of sales were made from up of 69,000lb of production at US\$66/lb and 431,000lb of loaned material at US\$53/lb. The Paladin Nuclear Ltd material has been used to manage variations in production and sales delivery schedules during KM ramp up of production.

Notwithstanding the slightly lower sales volumes and average price, the profit after C1 costs increased from US\$18.9M in the quarter ended 31 December 2009 to US\$21.0M in the quarter ended 31 March 2010. This is directly attributable to the reduced average cost of sales.

## PALADIN ENERGY LTD

### Management Discussion and Analysis

For the Nine Months Ended 31 March 2010  
(All figures are in US dollars unless otherwise indicated)

#### SUMMARISED STATEMENT OF COMPREHENSIVE INCOME

|                                                        | Three Months Ended<br>31 March |               | Nine Months Ended<br>31 March |               |
|--------------------------------------------------------|--------------------------------|---------------|-------------------------------|---------------|
|                                                        | 2010<br>US\$M                  | 2009<br>US\$M | 2010<br>US\$M                 | 2009<br>US\$M |
| Net profit/(loss) after tax from operations            | (6.9)                          | (6.9)         | (26.3)                        | (578.3)       |
| Net (loss)/gain on available for sale financial assets | (17.6)                         | 6.0           | (22.2)                        | 7.0           |
| Foreign currency translation                           | 18.5                           | (7.9)         | 81.0                          | (385.5)       |
| Income tax on items of other comprehensive income      | 3.2                            | (0.2)         | 5.5                           | 0.1           |
| Total comprehensive income/(loss) for the period       | (2.8)                          | (9.0)         | 38.0                          | (956.7)       |

#### Three months Ended 31 March 2010

References to 2010 and 2009 refer to the equivalent three months ended 31 March 2010 and 2009 respectively.

*Net Loss after Tax from Operations* is discussed under the Income Statement section and is a decrease from the loss in the comparative period.

*Net Loss on Available for Sale Financial Assets* in 2010 of a US\$17.6M primarily relates to the revaluation decrement in Deep Yellow Ltd (DYL) (net of tax and foreign exchange movements) attributable to the decrease in DYL share price.

*Foreign Currency Translation* relates to the foreign currency translation reserve movement as a result of the translation of subsidiaries with Australian dollar functional currencies into the Company presentation currency of US dollars on an ongoing basis and for the comparative period.

#### Nine months Ended 31 March 2010

References to 2010 and 2009 refer to the equivalent nine months ended 31 March 2010 and 2009 respectively.

*Net Loss after Tax from Operations* is discussed under the Income Statement section and is a decrease from the loss in the comparative period.

*Net Loss on Available for Sale Financial Assets* in 2010 of US\$22.2M primarily relates to the revaluation decrement in Deep Yellow Ltd (DYL) (net of tax and foreign exchange movements) attributable to the decrease in DYL share price.

*Foreign Currency Translation* relates to the foreign currency translation reserve movement as a result of the translation of subsidiaries with Australian dollar functional currencies into the Company presentation currency of US dollars on an ongoing basis and for the comparative period.

## PALADIN ENERGY LTD

### Management Discussion and Analysis

For the Nine Months Ended 31 March 2010  
(All figures are in US dollars unless otherwise indicated)

| SUMMARISED STATEMENT OF FINANCIAL POSITION | 31 March 2010<br>Unaudited<br>US\$M | 30 June 2009<br>Audited<br>US\$M |
|--------------------------------------------|-------------------------------------|----------------------------------|
| Total current assets                       | 532.0                               | 182.0                            |
| Total non current assets                   | 1,504.2                             | 1,281.5                          |
| Total assets                               | 2,036.2                             | 1,463.5                          |
| Total current liabilities                  | 109.5                               | 91.3                             |
| Total non current liabilities              | 885.7                               | 741.0                            |
| Total liabilities                          | 995.2                               | 832.3                            |
| <b>Net Assets</b>                          | <b>1,041.0</b>                      | <b>631.2</b>                     |

Current Assets have increased to US\$532.0M at 31 March 2010 due to an increase in cash and trade receivables which is partially offset by a decrease in inventories.

Cash and cash equivalents has increased to US\$400.6M at 31 March 2010 as a result of US\$363.0M net proceeds from the share placement and US\$145.0M proceeds from the drawdown of KM project finance facilities and by US\$34.5M cash inflow from LHM and KM operations. This has been partially offset by expenditure on the construction of KM and Stage 2 and 3 expansion at LHM, exploration and evaluation project expenditure, additional NGM share investment, finance costs and corporate costs for the nine months ended 31 March 2010.

The cash and cash equivalents are currently invested over a range of maturities with Australian banks with a minimum AA Standard & Poor's credit rating.

Trade and other receivables have increased from US\$29.0M to US\$52.2M during the nine months ended 31 March 2010. Trade receivables have increased by US\$12.3M reflecting higher sales volumes and the timing of deliveries as compared to June 2009. Prepayments and sundry debtors have increased primarily as a result of the ramp-up of operations at KM. This has been partially offset by a decrease in GST/VAT receivable.

Inventories have decreased from US\$85.8M to US\$78.4M at 31 March 2010 despite the record 2,873,284lb U<sub>3</sub>O<sub>8</sub> production volumes being larger than the 2,841,000 U<sub>3</sub>O<sub>8</sub> sales volumes due to inventory produced at KM being recognised as part of mine development as a result of the ramp-up of operations at KM.

Finished goods, at cost, as at 31 March 2010 have increased by US\$9.1M to US\$47.7M.

Finished goods, at net realisable value, at 31 March 2010 have decreased from US\$28.1M to US\$Nil as the uranium held by Paladin Nuclear Ltd, the Company's marketing entity, was loaned to KM to fulfil contracted sales.

Non Current Assets have increased to US\$1,504.2M at 31 March 2010 primarily as a result of the foreign exchange movement on the Australian dollar denominated exploration assets, capital expenditure at LHM and KM and an increase in inventories. Following a review of KM's capitalised construction work in progress there was a reallocation of US\$23.8M to mine development to more accurately reflect the nature of the expenditure.

## PALADIN ENERGY LTD

### Management Discussion and Analysis

For the Nine Months Ended 31 March 2010  
(All figures are in US dollars unless otherwise indicated)

*Current Liabilities* have increased from US\$91.3M to US\$109.5M at 31 March 2010 primarily as a result of an increase in interest bearing loans and borrowings as a result of the drawdown of KM project finance facilities and the recognition of a non-recurring provision of US\$6.4M which has been partially offset by lower trade and other payables due to reduced construction activities at KM.

*Non Current Liabilities* have increased from US\$741.0M to US\$885.7M at 31 March 2010 primarily as a result of the US\$145.0M the drawdown of KM project finance facilities and an increase in deferred tax liabilities. The deferred tax liabilities have increased due to the foreign exchange movement on the translation of the fair value adjustment upon the acquisition of the Summit Group in Australia and also as a result of the deferred tax charge on the profits reported for LHM and KM.

### Segment Disclosure (refer to Note 3)

In the Statement of Financial Position as at 31 March 2010, the Company reflected an increase in the Australian segment assets for the nine months predominantly as a result of the foreign exchange movement on the Australian dollar denominated exploration assets. For the Namibian segment an increase occurred in the nine months in assets predominantly due to the Stage 2 and Stage 3 expansion as well as operations and exploration and evaluation activities for LHM. For the Malawian segment, an increase occurred in the nine months in the assets predominantly as a result of mine construction and commencement of production.

### SUMMARISED STATEMENT OF CHANGES IN EQUITY

|                                                        | Nine Months Ended<br>31 March |               |
|--------------------------------------------------------|-------------------------------|---------------|
|                                                        | 2010<br>US\$M                 | 2009<br>US\$M |
| Total equity at the beginning of the financial period  | 631.2                         | 1,429.3       |
| Total comprehensive income/(loss) for the period       | 38.0                          | (956.7)       |
| Recognised value of unlisted employee options          | 7.7                           | 8.5           |
| Contributions of equity, net of transaction costs      | 364.1                         | 21.5          |
| <b>Total Equity at the End of the Financial Period</b> | <b>1,041.0</b>                | <b>502.6</b>  |

*Total Comprehensive Income for the Nine months Ended 31 March 2010* is discussed under the Statement of Comprehensive Income section.

*Recognised Value of Unlisted Employee Options* in 2010 of US\$7.7M. During the period no employee options were exercised or granted, 1,449,000 were forfeited during the nine months with exercise prices ranging from A\$4.50 to A\$5.37 per share and 1,000,000 expired with an exercise price of A\$5.50. During the nine months 5,026,900 performance share rights were granted with vesting dates ranging from 1 September 2010 to 25 November 2012.

*Contributions of Equity* in 2010 of US\$364.1M increase relates to the share placement of 93,450,000 shares of US\$363.0M and US\$1.1M net proceeds from external parties from Summit Resources Ltd renounceable rights issue. The number of fully paid ordinary shares on issue at 31 March 2010 is 717,142,802, an increase of 93,450,000 during the nine month period.

Share options of 12,778,455 remain outstanding at 31 March 2010 to the employees and consultants directly engaged in corporate, mine construction, operations, exploration and evaluation work.

## PALADIN ENERGY LTD

### Management Discussion and Analysis

For the Nine Months Ended 31 March 2010  
(All figures are in US dollars unless otherwise indicated)

#### SUMMARISED STATEMENT OF CASH FLOWS

|                                                | Three Months Ended<br>31 March |               | Nine Months Ended<br>31 March |               |
|------------------------------------------------|--------------------------------|---------------|-------------------------------|---------------|
|                                                | 2010<br>US\$M                  | 2009<br>US\$M | 2010<br>US\$M                 | 2009<br>US\$M |
| Net cash outflow from operating activities     | (4.0)                          | (10.6)        | (26.5)                        | (6.8)         |
| Net cash outflow from investing activities     | (29.5)                         | (35.9)        | (136.9)                       | (180.0)       |
| Net cash inflow from financing activities      | 0.4                            | 2.7           | 495.4                         | 0.1           |
| Net (decrease)/increase in cash held           | (33.1)                         | (43.8)        | 332.0                         | (186.7)       |
| Cash at the beginning of the financial period  | 432.6                          | 192.2         | 66.2                          | 337.5         |
| Effects of exchange rate changes               | 1.1                            | 0.4           | 2.4                           | (2.0)         |
| <b>Cash at the End of the Financial Period</b> | <b>400.6</b>                   | <b>148.8</b>  | <b>400.6</b>                  | <b>148.8</b>  |

#### Three months Ended 31 March 2010

*Net Cash Outflow from Operating Activities* was US\$4.0M in 2010 primarily due to payments to suppliers and employees of US\$52.4M relating to the mine operations at LHM and KM, exploration and evaluation project expenditure of US\$3.0M and interest payments of US\$9.5M on project finance facilities and convertible bonds which was partly offset by uranium sales receipts of US\$60.2M.

*Net Cash Outflow from Investing Activities* was US\$29.5M in 2010 as a result of mine construction at KM and Stage 2 expansion at LHM. The net cash outflow of US\$35.9M in 2009 was as a result of mine construction at KM, Stage 2 expansion at LHM and the acquisition of shares in NGM Resources Ltd of US\$0.3M.

*Net Cash Inflow from Financing Activities* of US\$0.4M in 2010 is attributable to net proceeds from external parties from the Summit Resources Ltd rights issue of US\$1.1M which was partly offset by additional equity raising costs from the Paladin Energy Ltd share placement in September 2009. The net cash inflow of US\$2.7M in 2009 was attributable to proceeds from the conversion of share options.

*Net Decrease in Cash* in 2010 was US\$33.1M, as compared to the net decrease in cash over the previous corresponding period in 2009 of US\$43.8M. The change is predominantly the result of lower cash outflows from investing activities and lower cash outflows from operating activities.

*Effect of Exchange Rate Changes* on cash balances is a gain of US\$1.1M for 2010.

## **PALADIN ENERGY LTD**

### **Management Discussion and Analysis**

*For the Nine Months Ended 31 March 2010  
(All figures are in US dollars unless otherwise indicated)*

#### Nine months Ended 31 March 2010

*Net Cash Outflow from Operating Activities* was US\$26.5M in 2010 primarily due to payments to suppliers and employees of US\$139.1M relating to the mine operations at LHM and KM, exploration and evaluation project expenditure of US\$12.5M and interest payments of US\$24.6M on project finance facilities and convertible bonds which was partly offset by uranium sales receipts of US\$140.6M and a net insurance recovery relating to heat exchangers at LHM of US\$7.7M.

*Net Cash Outflow from Investing Activities* was US\$136.9M in 2010 as a result of mine construction at KM, Stage 2 and 3 expansion at LHM and the acquisition of shares in NGM of US\$1.5M. The net cash outflow of US\$180.0M in 2009 was as a result of mine construction at KM, Stage 2 expansion at LHM, the acquisition of additional investments in Deep Yellow Ltd of US\$11.2M and third party uranium purchases of US\$6.0M.

*Net Cash Inflow from Financing Activities* of US\$495.4M in 2010 is attributable to the US\$363.0M net proceeds from the share placement and US\$145.0M proceeds from the drawdown of KM project finance facilities which was partly offset by a US\$6.6M repayment of project finance facilities for LHM and US\$7.2M KM project finance facility establishment costs. The net cash inflow of US\$0.1M in 2009 was attributable to US\$5.6M repayment of project finance facilities for LHM which has been partly offset by US\$5.2M proceeds from the exercise of 2,060,000 unlisted employee options and US\$1.1M net proceeds from external parties from the Summit Resources Ltd renounceable rights issue.

*Net Increase in Cash* in 2010 was US\$332.0M, as compared to the net decrease in cash over the previous corresponding period in 2009 of US\$186.7M. The change is predominantly the result of the net proceeds from the share placement of the US\$363.0M, the drawdown of KM project financing facilities of US\$145.0M and lower cash outflows from investing activities which has been partly offset by higher cash outflows from operating activities.

*Effect of Exchange Rate Changes* on cash balances is a gain of US\$2.4M for 2010.

### **LIQUIDITY AND CAPITAL RESOURCES**

The Company's principal source of liquidity as at 31 March 2010 is cash of US\$400.6M (30 June 2008: US\$66.2M). The cash is currently invested over a range of maturities with Australian banks with a minimum AA Standard & Poor's credit rating.

The Company's principal sources of cash for the nine months ended 31 March 2010 were uranium sales receipts, interest received from cash investments, proceeds from a share placement and drawdown of borrowings.

The Company has in place LHM project finance facilities of US\$47.5M which have been fully drawn down.

For KM, the Company has financing totalling US\$167.0M, consisting of a six year Project Finance Facility of US\$145M, a Standby Cost Overrun Facility of US\$12M and a Performance Bond Facility of US\$10M. At 31 March 2010, US\$145M had been drawn. US\$2M was available to be issued under the Performance Bond Facility and the Standby Costs Overrun Facility remains undrawn.

## PALADIN ENERGY LTD

### Management Discussion and Analysis

For the Nine Months Ended 31 March 2010  
(All figures are in US dollars unless otherwise indicated)

The following is a summary of the Group's outstanding commitments as at 31 March 2010:

|                               | <b>Total</b> | <b>Less than 1 yr</b> | <b>1 to 5yrs</b> | <b>5yrs+ or unknown</b> |
|-------------------------------|--------------|-----------------------|------------------|-------------------------|
| <b>Payments due by period</b> | <b>US\$M</b> | <b>US\$M</b>          | <b>US\$M</b>     | <b>US\$M</b>            |
| Tenements                     | 19.2         | 2.2                   | 16.9             | 0.1                     |
| Mine construction             | 35.0         | 35.0                  | -                | -                       |
| Operating leases              | 6.5          | 1.1                   | 4.0              | 1.4                     |
| Manyingee acquisition costs   | 0.7          | -                     | -                | 0.7                     |
| <b>Total commitments</b>      | <b>61.4</b>  | <b>38.3</b>           | <b>20.9</b>      | <b>2.2</b>              |

In relation to the Manyingee Uranium Project, the acquisition terms provide for a payment of A\$0.75M (US\$0.7M) by the Company to the vendors when all project development approvals are obtained.

In addition to the outstanding commitments above, the Company acquired a call option on 19 June 1998 in relation to the purchase of the Oobagooma Uranium Project and, in turn, granted a put option to the original holder of the project. Both the call and put options have an exercise price of A\$0.75M (US\$0.7M) and are subject to the Western Australian Department of Minerals & Energy granting tenements comprising two exploration licence applications. The A\$0.75M (US\$0.7M) is payable by the Company within 10 business days of the later of the grant of the tenements or the exercise of either the call or put option. The options will expire three months after the date the tenements are granted.

The Company has no other material off balance sheet arrangements.

As at 13 May 2010 Paladin had 717,142,802 fully paid ordinary shares issued and outstanding. The following table sets out the fully paid ordinary outstanding shares and those issuable under the Company Executive Share Option Plan, the Company Employee Performance Share Rights Plan and in relation to the Convertible Bonds:

| <b>As at 13 May 2010</b>                                      | <b>Number</b>      |
|---------------------------------------------------------------|--------------------|
| Outstanding shares                                            | 717,142,802        |
| Issuable under Executive Share Option Plan                    | 12,778,455         |
| Issuable under Employee Performance Share Rights Plan         | 5,026,900          |
| Issuable in relation to the US\$250 million Convertible Bonds | 32,530,904         |
| Issuable in relation to the US\$325 million Convertible Bonds | 49,317,147         |
| <b>Total</b>                                                  | <b>816,796,208</b> |

### CRITICAL ACCOUNTING ESTIMATES

The preparation of the financial report requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of the following: carrying value or impairment of inventories, financial investments, property, plant and equipment, intangibles, mineral properties and deferred tax assets; carrying value of rehabilitation, mine closure, sales contracts provisions and deferred tax liabilities; calculation of share-based payments expense and assessment of reserves. Actual results could differ from these estimates.

## **PALADIN ENERGY LTD**

### **Management Discussion and Analysis**

*For the Nine Months Ended 31 March 2010  
(All figures are in US dollars unless otherwise indicated)*

---

## **FINANCIAL INSTRUMENTS**

At 31 March 2010 the Company has exposure to interest rate risk which is the risk that the Company's financial position will be adversely affected by movements in interest rates that will increase the cost of floating rate project finance debt or opportunity losses that may arise on fixed rate convertible bonds in a falling interest rate environment. Interest rate risk on cash and short-term deposits is not considered to be a material risk due to the historically low US dollar interest rates of these financial instruments.

The Company's main foreign currency translation risk is for monetary assets and liabilities of the Namibian and Malawian operations. These are deemed to have a functional currency of US dollars, and the Company has adopted a presentation currency of US dollars therefore eliminating any foreign currency translation risk for non-monetary assets and liabilities. The Company also has significant foreign currency translation risk for non-monetary assets and liabilities of the Australian exploration and evaluation operations as these are deemed to have a functional currency of Australian dollars, and the Company has adopted a presentation currency of US dollars. The Company has no significant monetary foreign currency assets and liabilities apart from Namibian dollar cash, receivables, payables, deferred tax liabilities and provisions and Australian dollar cash, payables and deferred tax liabilities.

The Company currently does not engage in any hedging or derivative transactions to manage interest rate or foreign currency risks.

The Company's credit risk is the risk that a contracting entity will not complete its obligation under a financial instrument that will result in a financial loss to the Company. The carrying amount of financial assets represents the maximum credit exposure. The Company trades only with recognised, credit worthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

The Company's treasury function is responsible for the Company's capital management, including management of the long term debt and cash as part of the capital structure. This involves the use of corporate forecasting models which enable analysis of the Company's financial position including cash flow forecasts to determine the future capital management requirements. To ensure sufficient funding for operational expenditure and growth activities, a range of assumptions are modelled so as to provide the flexibility in determining the Company's optimal future capital structure.

## **OTHER RISKS AND UNCERTAINTIES**

### **Risk Factors**

The Company is subject to other risks that are outlined in the Annual Information Form 51-102F2 which is available on SEDAR at [www.sedar.com](http://www.sedar.com)

## **TRANSACTIONS WITH RELATED PARTIES**

During the nine months ended 31 March 2010 no payments were made to Director related entities. Directors of the Company receive standard personal based compensation.

## **PALADIN ENERGY LTD**

### **Management Discussion and Analysis**

*For the Nine Months Ended 31 March 2010  
(All figures are in US dollars unless otherwise indicated)*

---

#### **DISCLOSURE CONTROLS**

The Company has applied its Disclosure Control Policy to the preparation of the Consolidated Financial Report for the nine months ended 31 March 2010, associated Management Discussion and Analysis and Report to Shareholders. An evaluation of the Company's disclosure controls and procedures used has been undertaken and concluded that the disclosure controls and procedures were effective.

#### **INTERNAL CONTROLS**

The Company has designed appropriate internal controls over financial reporting (ICFR) and ensured that these were in place for the nine months ended 31 March 2010. An evaluation of the design of ICFR has concluded that it is adequate to prevent a material misstatement of the Company's Consolidated Financial Report as at 31 March 2010.

During the nine months the Company continued to have an internal audit function externally contracted to Deloitte Touche Tohmatsu. Internal audit reports and follow-up reviews were completed during the nine months and the Company continues to address their recommendations. The resultant changes to the internal controls over financial reporting have improved and will continue to improve the Company's framework of internal control in relation to financial reporting.

#### **SUBSEQUENT EVENTS**

Since the end of the quarter, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this report, that has significantly or may significantly affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in subsequent periods.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**CONSOLIDATED INCOME STATEMENT**  
EXPRESSED IN US DOLLARS

|                                                                                       | Notes       | Three Months Ended<br>31 March |               | Nine Months Ended<br>31 March |               |
|---------------------------------------------------------------------------------------|-------------|--------------------------------|---------------|-------------------------------|---------------|
|                                                                                       |             | 2010<br>US\$M                  | 2009<br>US\$M | 2010<br>US\$M                 | 2009<br>US\$M |
| <b>Revenue</b>                                                                        |             |                                |               |                               |               |
| Revenue                                                                               | <b>4(a)</b> | 53.3                           | 25.0          | 154.5                         | 91.7          |
| Cost of sales                                                                         |             | (31.7)                         | (11.4)        | (93.4)                        | (42.0)        |
|                                                                                       |             | 21.6                           | 13.6          | 61.1                          | 49.7          |
| Depreciation and amortisation                                                         |             | (5.1)                          | (1.8)         | (11.7)                        | (6.8)         |
| Product distribution costs                                                            |             | (1.2)                          | (0.3)         | (2.7)                         | (0.9)         |
| Royalties                                                                             |             | (1.3)                          | (0.7)         | (3.1)                         | (2.8)         |
| <b>Gross profit</b>                                                                   |             | 14.0                           | 10.8          | 43.6                          | 39.2          |
| Other income                                                                          | <b>4(b)</b> | -                              | -             | 9.6                           | 1.3           |
| Exploration and evaluation                                                            | <b>10</b>   | (3.2)                          | (1.8)         | (12.7)                        | (8.2)         |
| Administration and marketing                                                          |             | (9.2)                          | (6.2)         | (27.8)                        | (21.6)        |
| Other expenses                                                                        | <b>4(c)</b> | (1.1)                          | (0.2)         | (4.6)                         | (3.7)         |
| Impairment of exploration and evaluation                                              |             | -                              | -             | -                             | (753.8)       |
| Impairment of available-for-sale financial assets                                     |             | -                              | -             | -                             | (26.0)        |
| Finance costs                                                                         | <b>4(d)</b> | (5.3)                          | (6.9)         | (16.1)                        | (24.3)        |
| Movement in financial assets held for trading                                         |             | (0.1)                          | -             | (0.2)                         | (0.4)         |
| Share of loss of an associate                                                         |             | -                              | -             | -                             | (1.0)         |
| <b>Loss before income tax</b>                                                         |             | (4.9)                          | (4.3)         | (8.2)                         | (798.5)       |
| Income tax (expense)/benefit                                                          |             | (2.0)                          | (2.6)         | (18.1)                        | 220.2         |
| <b>Net loss after tax from operations</b>                                             |             | (6.9)                          | (6.9)         | (26.3)                        | (578.3)       |
| Net profit/(loss) attributable to:                                                    |             |                                |               |                               |               |
| Non controlling interests                                                             | <b>15</b>   | 0.1                            | (0.1)         | (0.3)                         | (96.0)        |
| Members of the parent                                                                 |             | (7.0)                          | (6.8)         | (26.0)                        | (482.3)       |
|                                                                                       |             | (6.9)                          | (6.9)         | (26.3)                        | (578.3)       |
| <b>Loss per share</b>                                                                 |             |                                |               |                               |               |
| Loss after tax from operations attributable to ordinary equity holders of the Company |             | <b>US\$</b>                    | <b>US\$</b>   | <b>US\$</b>                   | <b>US\$</b>   |
| - basic and diluted                                                                   |             | (0.01)                         | (0.01)        | (0.04)                        | (0.78)        |

The above Consolidated Income Statement should be read in conjunction with the accompanying notes.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
EXPRESSED IN US DOLLARS

|                                                                     | Three Months Ended<br>31 March |               | Nine Months Ended<br>31 March |               |
|---------------------------------------------------------------------|--------------------------------|---------------|-------------------------------|---------------|
|                                                                     | 2010<br>US\$M                  | 2009<br>US\$M | 2010<br>US\$M                 | 2009<br>US\$M |
| <b>Net loss after tax from operations</b>                           | (6.9)                          | (6.9)         | (26.3)                        | (578.3)       |
| <b>Other comprehensive income</b>                                   |                                |               |                               |               |
| Net (loss)/gain on available-for-sale financial assets              | (17.6)                         | 6.0           | (22.2)                        | 7.0           |
| Foreign currency translation                                        | 18.5                           | (7.9)         | 81.0                          | (385.5)       |
| Income tax on items of other comprehensive income                   | 3.2                            | (0.2)         | 5.5                           | 0.1           |
| <b>Other comprehensive income/(loss) for the period, net of tax</b> | 4.1                            | (2.1)         | 64.3                          | (378.4)       |
| <b>Total comprehensive income/(loss) for the period</b>             | (2.8)                          | (9.0)         | 38.0                          | (956.7)       |
| Total comprehensive income/(loss) attributable to:                  |                                |               |                               |               |
| Non controlling interests                                           | 2.1                            | (0.7)         | 8.5                           | (155.2)       |
| Members of the parent                                               | (4.9)                          | (8.3)         | 29.5                          | (801.5)       |
|                                                                     | (2.8)                          | (9.0)         | 38.0                          | (956.7)       |

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
EXPRESSED IN US DOLLARS

|                                        | Notes | 31 March<br>2010<br>Unaudited<br>US\$M | 30 June<br>2009<br>Audited<br>US\$M |
|----------------------------------------|-------|----------------------------------------|-------------------------------------|
| <b>ASSETS</b>                          |       |                                        |                                     |
| <b>Current assets</b>                  |       |                                        |                                     |
| Cash and cash equivalents              | 5     | 400.6                                  | 66.2                                |
| Trade and other receivables            | 6     | 52.2                                   | 29.0                                |
| Inventories                            | 7     | 78.4                                   | 85.8                                |
| Financial assets held for trading      |       | 0.8                                    | 1.0                                 |
| <b>TOTAL CURRENT ASSETS</b>            |       | <b>532.0</b>                           | <b>182.0</b>                        |
| <b>Non current assets</b>              |       |                                        |                                     |
| Trade and other receivables            | 6     | 0.3                                    | 2.2                                 |
| Inventories                            | 7     | 37.4                                   | 24.9                                |
| Other financial assets                 |       | 57.4                                   | 69.2                                |
| Deferred borrowing costs               |       | -                                      | 8.2                                 |
| Property, plant and equipment          | 8     | 518.2                                  | 457.8                               |
| Mine development                       | 9     | 136.4                                  | 54.2                                |
| Exploration and evaluation expenditure | 10    | 729.6                                  | 635.5                               |
| Deferred tax asset                     |       | -                                      | 3.9                                 |
| Intangible assets                      | 11    | 24.9                                   | 25.6                                |
| <b>TOTAL NON CURRENT ASSETS</b>        |       | <b>1,504.2</b>                         | <b>1,281.5</b>                      |
| <b>TOTAL ASSETS</b>                    |       | <b>2,036.2</b>                         | <b>1,463.5</b>                      |
| <b>LIABILITIES</b>                     |       |                                        |                                     |
| <b>Current liabilities</b>             |       |                                        |                                     |
| Trade and other payables               |       | 59.8                                   | 67.1                                |
| Unearned revenue                       |       | 0.2                                    | 0.2                                 |
| Interest bearing loans and borrowings  | 12    | 40.3                                   | 14.2                                |
| Provisions                             | 13    | 9.2                                    | 9.8                                 |
| <b>TOTAL CURRENT LIABILITIES</b>       |       | <b>109.5</b>                           | <b>91.3</b>                         |
| <b>Non current liabilities</b>         |       |                                        |                                     |
| Unearned revenue                       |       | 0.1                                    | 0.2                                 |
| Interest bearing loans and borrowings  | 12    | 685.6                                  | 572.0                               |
| Deferred tax liabilities               |       | 164.9                                  | 136.5                               |
| Provisions                             | 13    | 35.1                                   | 32.3                                |
| <b>TOTAL NON CURRENT LIABILITIES</b>   |       | <b>885.7</b>                           | <b>741.0</b>                        |
| <b>TOTAL LIABILITIES</b>               |       | <b>995.2</b>                           | <b>832.3</b>                        |
| <b>NET ASSETS</b>                      |       | <b>1,041.0</b>                         | <b>631.2</b>                        |
| <b>Equity</b>                          |       |                                        |                                     |
| Contributed equity                     | 14(a) | 1,474.6                                | 1,111.6                             |
| Reserves                               |       | 95.1                                   | 31.9                                |
| Accumulated losses                     |       | (607.2)                                | (581.2)                             |
| Parent interests                       |       | 962.5                                  | 562.3                               |
| Non controlling interests              | 15    | 78.5                                   | 68.9                                |
| <b>TOTAL EQUITY</b>                    |       | <b>1,041.0</b>                         | <b>631.2</b>                        |

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
EXPRESSED IN US DOLLARS

|                                                                         | Contributed<br>Equity<br>US\$M | Available<br>for Sale<br>Reserve<br>US\$M | Share-<br>Based<br>Payments<br>Reserve<br>US\$M | Convertible<br>Bond non-<br>Distrib-<br>utable<br>Reserve<br>US\$M | Foreign<br>Exchange<br>Revaluation<br>Reserve<br>US\$M | Premium on<br>Acquisition<br>Reserve<br>US\$M | Accumu-<br>lated<br>Losses<br>US\$M | Owners<br>of the<br>Parent<br>US\$M | Non<br>Controlling<br>Interests<br>US\$M | Total<br>US\$M |
|-------------------------------------------------------------------------|--------------------------------|-------------------------------------------|-------------------------------------------------|--------------------------------------------------------------------|--------------------------------------------------------|-----------------------------------------------|-------------------------------------|-------------------------------------|------------------------------------------|----------------|
| <b>Balance at 1 July 2008</b>                                           | <b>1,088.4</b>                 | <b>7.5</b>                                | <b>17.8</b>                                     | <b>38.9</b>                                                        | <b>155.0</b>                                           | <b>14.9</b>                                   | <b>(101.0)</b>                      | <b>1,221.5</b>                      | <b>207.8</b>                             | <b>1,429.3</b> |
| Changes in equity for the<br>nine months to 31 March<br>2009            |                                |                                           |                                                 |                                                                    |                                                        |                                               |                                     |                                     |                                          |                |
| Share-based payment                                                     | -                              | -                                         | 8.5                                             | -                                                                  | -                                                      | -                                             | -                                   | 8.5                                 | -                                        | 8.5            |
| Exercise of unlisted<br>employee options                                | 2.8                            | -                                         | (2.8)                                           | -                                                                  | -                                                      | -                                             | -                                   | -                                   | -                                        | -              |
| Contributions of equity, net<br>of transactions costs                   | 20.4                           | -                                         | -                                               | -                                                                  | -                                                      | -                                             | -                                   | 20.4                                | 1.1                                      | 21.5           |
| Total comprehensive loss<br>for the nine months, net of<br>tax          | -                              | (4.6)                                     | -                                               | -                                                                  | (314.6)                                                | -                                             | (482.3)                             | (801.5)                             | (155.2)                                  | (956.7)        |
| <b>Balance at 31 March 2009</b>                                         | <b>1,111.6</b>                 | <b>2.9</b>                                | <b>23.5</b>                                     | <b>38.9</b>                                                        | <b>(159.6)</b>                                         | <b>14.9</b>                                   | <b>(583.3)</b>                      | <b>448.9</b>                        | <b>53.7</b>                              | <b>502.6</b>   |
| <b>Balance at 1 July 2009</b>                                           | <b>1,111.6</b>                 | <b>32.5</b>                               | <b>25.9</b>                                     | <b>38.9</b>                                                        | <b>(80.3)</b>                                          | <b>14.9</b>                                   | <b>(581.2)</b>                      | <b>562.3</b>                        | <b>68.9</b>                              | <b>631.2</b>   |
| Changes in equity for the<br>nine months to 31 March<br>2010            |                                |                                           |                                                 |                                                                    |                                                        |                                               |                                     |                                     |                                          |                |
| Share-based payment                                                     | -                              | -                                         | 7.7                                             | -                                                                  | -                                                      | -                                             | -                                   | 7.7                                 | -                                        | 7.7            |
| Contributions of equity, net<br>of transactions costs                   | 363.0                          | -                                         | -                                               | -                                                                  | -                                                      | -                                             | -                                   | 363.0                               | 1.1                                      | 364.1          |
| Total comprehensive<br>income/(loss) for the nine<br>months, net of tax | -                              | (10.3)                                    | -                                               | -                                                                  | 65.8                                                   | -                                             | (26.0)                              | 29.5                                | 8.5                                      | 38.0           |
| <b>Balance at 31 March 2010</b>                                         | <b>1,474.6</b>                 | <b>22.2</b>                               | <b>33.6</b>                                     | <b>38.9</b>                                                        | <b>(14.5)</b>                                          | <b>14.9</b>                                   | <b>(607.2)</b>                      | <b>962.5</b>                        | <b>78.5</b>                              | <b>1,041.0</b> |

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
EXPRESSED IN US DOLLARS

|                                                                     | Three Months Ended<br>31 March |               | Nine Months Ended<br>31 March |               |
|---------------------------------------------------------------------|--------------------------------|---------------|-------------------------------|---------------|
|                                                                     | 2010<br>US\$M                  | 2009<br>US\$M | 2010<br>US\$M                 | 2009<br>US\$M |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                         |                                |               |                               |               |
| Receipts from customers                                             | 60.2                           | 24.7          | 140.6                         | 104.4         |
| Payments to suppliers and employees                                 | (52.4)                         | (26.2)        | (139.1)                       | (80.1)        |
| Exploration and evaluation expenditure                              | (3.0)                          | (1.4)         | (12.5)                        | (8.6)         |
| Insurance recovery relating to heat exchangers                      | -                              | -             | 7.7                           | -             |
| Interest received                                                   | 0.7                            | 0.4           | 1.4                           | 2.6           |
| Interest paid                                                       | (9.5)                          | (8.1)         | (24.6)                        | (25.1)        |
| <b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>                   | (4.0)                          | (10.6)        | (26.5)                        | (6.8)         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                         |                                |               |                               |               |
| Payments for property, plant and equipment                          | (29.5)                         | (44.4)        | (135.4)                       | (171.6)       |
| Payments for available-for-sale financial assets                    | -                              | (0.3)         | (1.5)                         | (11.4)        |
| Proceeds from sale of property, plant and equipment                 | -                              | -             | -                             | 0.2           |
| Payments for uranium                                                | -                              | -             | -                             | (6.0)         |
| Payments for controlled entities net of cash acquired               | -                              | 8.8           | -                             | 8.8           |
| <b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>                   | (29.5)                         | (35.9)        | (136.9)                       | (180.0)       |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                         |                                |               |                               |               |
| Proceeds from rights issue                                          | 1.1                            | -             | 1.1                           | 1.1           |
| Proceeds from exercise of share options                             | -                              | 2.8           | -                             | 5.2           |
| Proceeds from share placement                                       | -                              | -             | 374.2                         | -             |
| Equity fundraising costs                                            | (0.7)                          | -             | (11.1)                        | (0.1)         |
| Project finance facility establishment costs                        | -                              | (0.1)         | (7.2)                         | (0.5)         |
| Repayment of borrowings                                             | -                              | -             | (6.6)                         | (5.6)         |
| Drawdown of borrowings                                              | -                              | -             | 145.0                         | -             |
| <b>NET CASH INFLOW FROM FINANCING ACTIVITIES</b>                    | 0.4                            | 2.7           | 495.4                         | 0.1           |
| <b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>         | (33.1)                         | (43.8)        | 332.0                         | (186.7)       |
| Cash and cash equivalents at the beginning of the financial period  | 432.6                          | 192.2         | 66.2                          | 337.5         |
| Effects of exchange rate changes on cash and cash equivalents       | 1.1                            | 0.4           | 2.4                           | (2.0)         |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b> | 400.6                          | 148.8         | 400.6                         | 148.8         |

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED 31 MARCH 2010**  
**EXPRESSED IN US DOLLARS**

**NOTE 1. CORPORATE INFORMATION**

The financial report of Paladin Energy Ltd (the Company) for the nine months ended 31 March 2010 was authorised for issue in accordance with a resolution of the Directors on 7 May 2010.

Paladin Energy Ltd is a company limited by shares incorporated and domiciled in Australia whose shares, are publicly traded on the Australian Securities Exchange with additional listings on the Toronto Stock Exchange in Canada; Munich, Berlin, Stuttgart and Frankfurt Stock Exchanges in Europe; and the Namibian Stock Exchange in Africa.

The nature of the operations and principal activities of the Group are described in the Management Discussion and Analysis on pages 11 to 25.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of preparation**

This general purpose condensed financial report for the nine months ended 31 March 2010 has been prepared in accordance with Australian Accounting Standards Board (AASB) 134 *Interim Financial Reporting*, International Financial Reporting Standard, IAS 34 *Interim Financial Reporting* and the Corporations Act 2001.

In addition to these Australian requirements further information has been included in the Consolidated Financial Statements for the nine months ended 31 March 2010 in order to comply with applicable Canadian securities law, as the Company is listed on the Toronto Stock Exchange.

This financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2009 and any public announcements made by Paladin Energy Ltd during the interim reporting period in accordance with the continuous disclosure requirements of ASX listing rules.

The accounting policies adopted are consistent with those of the previous financial year unless otherwise stated.

From 1 July 2009 the Company has adopted all Australian Accounting Standards and Interpretations for annual periods on or after 1 July 2009 including:-

**AASB 8 (IFRS 8) Operating Segments**

AASB 8 replaced AASB 114 (IAS 14) *Segments Reporting* upon its effective date. The Company concluded that the operating segments determined in accordance with AASB 8 are the same as the geographic segments previously identified under AASB 114. AASB 8 disclosures are shown in note 3, including the related revised comparative information.

**AASB 101 (IAS 1) Presentation of Financial Statements**

The revised Standard separates owner and non owner changes in equity. The statement of changes in equity includes only details of transaction with owners, with non owner changes in equity presented in a reconciliation of each component of equity and included in the new statement of comprehensive income. The statement of comprehensive income presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED 31 MARCH 2010**  
**EXPRESSED IN US DOLLARS**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Basis of preparation (continued)**

**AASB 123 (IAS 23) Borrowing Costs**

The revised AASB 123 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The Company's previous policy was to capitalise borrowing costs.

The Company has not elected to early adopt any new accounting standards and interpretations.

The financial report is presented in United States dollars and all values are rounded to the nearest hundred thousand dollars (US\$100,000) unless otherwise stated under the option available to the Company under Australian Securities and Investments Commission (ASIC) Class Order 98/100. The Company is an entity to which the class orders applies.

**NOTE 3. SEGMENT INFORMATION**

**Identification of reportable segments**

The Company has adopted AASB 8 (IFRS 8) Operating Segments with effect for 1 July 2009. AASB 8 requires operating segments to be identified on the basis of the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The Company has identified its operating segments to be Australia, Namibia and Malawi, on the basis of geographical location and different regulatory environments.

Discrete financial information about each of these operating segments is reported to the chief operating decision makers on at least a monthly basis.

The accounting policies used by the Group in reporting segments internally are the same as those contained in note 2 to the accounts and in the prior period.

Corporate charges comprise non-segmental expenses such as corporate office expenses. A proportion of the corporate charges are allocated to Namibia and Malawi with the balance remaining in Australia.

The following items are not allocated to segments as they are not considered part of the core operations of any segment:

- Interest revenue
- Finance costs

The following tables present revenue, expenditure and asset information regarding geographical segments for the nine months ended 31 March 2010 and 31 March 2009.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED 31 MARCH 2010**  
EXPRESSED IN US DOLLARS

**NOTE 3. SEGMENT INFORMATION (continued)**

| <b>Nine months ended<br/>31 March 2010</b>                          | <b>Australia<br/>US\$M</b> | <b>Namibia<br/>US\$M</b> | <b>Malawi<br/>US\$M</b> | <b>Consolidated<br/>US\$M</b> |
|---------------------------------------------------------------------|----------------------------|--------------------------|-------------------------|-------------------------------|
| Sales to external customers                                         | -                          | 109.2                    | 43.7                    | 152.9                         |
| Other revenue                                                       | 0.2                        | -                        | -                       | 0.2                           |
| <b>Total segment revenue</b>                                        | <b>0.2</b>                 | <b>109.2</b>             | <b>43.7</b>             | <b>153.1</b>                  |
| Unallocated revenue                                                 |                            |                          |                         | 1.4                           |
| <b>Total consolidated revenue</b>                                   |                            |                          |                         | <b>154.5</b>                  |
| (Loss)/profit before income tax and<br>finance costs                | (32.5)                     | 32.8                     | 7.6                     | 7.9                           |
| Finance costs                                                       |                            |                          |                         | (16.1)                        |
| Loss from continuing operations<br>before income tax expense        |                            |                          |                         | (8.2)                         |
| Income tax benefit/(expense)                                        | 3.7                        | (19.9)                   | (1.9)                   | (18.1)                        |
| <b>Loss from continuing operations<br/>after income tax expense</b> |                            |                          |                         | <b>(26.3)</b>                 |
| <b>Segment assets/total assets</b>                                  | <b>1,039.9</b>             | <b>361.9</b>             | <b>634.4</b>            | <b>2,036.2</b>                |

| <b>Nine months ended<br/>31 March 2009</b>                          | <b>Australia<br/>US\$M</b> | <b>Namibia<br/>US\$M</b> | <b>Malawi<br/>US\$M</b> | <b>Consolidated<br/>US\$M</b> |
|---------------------------------------------------------------------|----------------------------|--------------------------|-------------------------|-------------------------------|
| Sales to external customers                                         | -                          | 89.0                     | -                       | 89.0                          |
| Other revenue                                                       | 0.1                        | -                        | -                       | 0.1                           |
| <b>Total segment revenue</b>                                        | <b>0.1</b>                 | <b>89.0</b>              | <b>-</b>                | <b>89.1</b>                   |
| Unallocated revenue                                                 |                            |                          |                         | 2.6                           |
| <b>Total consolidated revenue</b>                                   |                            |                          |                         | <b>91.7</b>                   |
| (Loss)/profit before income tax and<br>finance costs                | (802.0)                    | 32.6                     | (3.8)                   | (773.2)                       |
| Finance costs                                                       |                            |                          |                         | (24.3)                        |
| Share of loss of associate                                          |                            |                          |                         | (1.0)                         |
| Loss from continuing operations<br>before income tax expense        |                            |                          |                         | (798.5)                       |
| Income tax benefit/(expense)                                        | 236.0                      | (14.4)                   | (1.4)                   | 220.2                         |
| <b>Loss from continuing operations<br/>after income tax benefit</b> |                            |                          |                         | <b>(578.3)</b>                |
| <b>Segment assets/total assets</b>                                  | <b>765.1</b>               | <b>294.5</b>             | <b>360.2</b>            | <b>1,419.8</b>                |

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED 31 MARCH 2010**  
EXPRESSED IN US DOLLARS

**NOTE 4. REVENUE AND EXPENSES**

|                                                                           | Three Months Ended<br>31 March |               | Nine Months Ended<br>31 March |               |
|---------------------------------------------------------------------------|--------------------------------|---------------|-------------------------------|---------------|
|                                                                           | 2010<br>US\$M                  | 2009<br>US\$M | 2010<br>US\$M                 | 2009<br>US\$M |
| <b>(a) Revenue</b>                                                        |                                |               |                               |               |
| Sale of uranium                                                           | 52.7                           | 24.7          | 152.9                         | 89.0          |
| Interest income from non-related parties                                  | 0.5                            | 0.3           | 1.4                           | 2.6           |
| Database licence revenue                                                  | 0.1                            | -             | 0.2                           | 0.1           |
| Total revenue                                                             | 53.3                           | 25.0          | 154.5                         | 91.7          |
| <b>(b) Other income</b>                                                   |                                |               |                               |               |
| Insurance recovery relating to heat exchangers                            | -                              | -             | 7.8                           | -             |
| Foreign exchange gain (net)                                               | -                              | -             | -                             | 1.3           |
| Gain on re-estimation of cash flows attributable to a financial liability | -                              | -             | 1.8                           | -             |
| Total other income                                                        | -                              | -             | 9.6                           | 1.3           |
| <b>(c) Other expenses</b>                                                 |                                |               |                               |               |
| Impairment of inventory                                                   | -                              | -             | -                             | (3.7)         |
| Foreign exchange loss (net)                                               | (1.1)                          | (0.2)         | (4.6)                         | -             |
| Total other expenses                                                      | (1.1)                          | (0.2)         | (4.6)                         | (3.7)         |
| <b>(d) Finance costs</b>                                                  |                                |               |                               |               |
| Interest expense                                                          | (0.9)                          | (2.7)         | (3.0)                         | (11.8)        |
| Accretion relating to convertible bonds (non-cash)                        | (2.8)                          | (2.8)         | (8.3)                         | (8.3)         |
| Mine closure provision discount interest expense                          | (0.6)                          | (0.2)         | (1.7)                         | (0.6)         |
| Facility costs                                                            | (1.0)                          | (1.2)         | (3.1)                         | (3.6)         |
| Total finance costs                                                       | (5.3)                          | (6.9)         | (16.1)                        | (24.3)        |

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED 31 MARCH 2010**  
EXPRESSED IN US DOLLARS

**NOTE 5. CASH AND CASH EQUIVALENTS**

|                                 | <b>31 March<br/>2010<br/>US\$M</b> | <b>30 June<br/>2009<br/>US\$M</b> |
|---------------------------------|------------------------------------|-----------------------------------|
| Cash at bank and in hand        | 29.3                               | 18.8                              |
| Short-term bank deposits        | 371.3                              | 47.4                              |
|                                 | <hr/>                              | <hr/>                             |
| Total cash and cash equivalents | 400.6                              | 66.2                              |

Total cash and cash equivalents includes US\$0.1M restricted to social responsibility projects in Malawi and US\$12.7M in respect of the LHM and KM project finance facilities.

**NOTE 6. TRADE AND OTHER RECEIVABLES**

**Current**

|                           |       |       |
|---------------------------|-------|-------|
| Trade receivables         | 25.5  | 13.2  |
| Prepayments               | 9.6   | 2.7   |
| GST and VAT               | 8.3   | 11.1  |
| Sundry debtors            | 8.8   | 2.0   |
|                           | <hr/> | <hr/> |
| Total current receivables | 52.2  | 29.0  |

**Non Current**

|                               |       |       |
|-------------------------------|-------|-------|
| Sundry debtors                | 0.3   | 2.2   |
|                               | <hr/> | <hr/> |
| Total non current receivables | 0.3   | 2.2   |

**NOTE 7. INVENTORIES**

**Current**

|                                          |       |       |
|------------------------------------------|-------|-------|
| Stores and spares (at cost)              | 23.4  | 12.8  |
| Stockpiles (at cost)                     | 4.5   | 2.3   |
| Work-in-progress (at cost)               | 2.8   | 4.0   |
| Finished goods (at cost)                 | 47.7  | 38.6  |
| Third party uranium purchased:           |       |       |
| Finished goods (at net realisable value) | -     | 28.1  |
|                                          | <hr/> | <hr/> |

|                                                                         |       |       |
|-------------------------------------------------------------------------|-------|-------|
| Total current inventories at the lower of cost and net realisable value | 78.4  | 85.8  |
|                                                                         | <hr/> | <hr/> |

**Non Current**

|                      |       |       |
|----------------------|-------|-------|
| Stockpiles (at cost) | 37.4  | 24.9  |
|                      | <hr/> | <hr/> |

|                                                                             |       |       |
|-----------------------------------------------------------------------------|-------|-------|
| Total non current inventories at the lower of cost and net realisable value | 37.4  | 24.9  |
|                                                                             | <hr/> | <hr/> |

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED 31 MARCH 2010**  
EXPRESSED IN US DOLLARS

**NOTE 8. PROPERTY, PLANT AND EQUIPMENT**

|                                         | <b>31 March<br/>2010<br/>US\$M</b> | <b>30 June<br/>2009<br/>US\$M</b> |
|-----------------------------------------|------------------------------------|-----------------------------------|
| Plant and equipment – at cost           | 259.3                              | 169.4                             |
| Less provision for depreciation         | <u>(31.8)</u>                      | <u>(22.4)</u>                     |
| Total plant and equipment               | <u>227.5</u>                       | <u>147.0</u>                      |
| Land and buildings – at cost            | 9.3                                | 6.4                               |
| Less provision for depreciation         | <u>(0.8)</u>                       | <u>(0.6)</u>                      |
| Total land and buildings                | <u>8.5</u>                         | <u>5.8</u>                        |
| Construction work in progress – at cost | <u>282.2</u>                       | <u>305.0</u>                      |
| Total property, plant and equipment     | <u>518.2</u>                       | <u>457.8</u>                      |

**NOTE 9. MINE DEVELOPMENT**

|                                 |              |              |
|---------------------------------|--------------|--------------|
| Mine development                | 141.4        | 57.4         |
| Less provision for depreciation | <u>(5.0)</u> | <u>(3.2)</u> |
| Total mine development          | <u>136.4</u> | <u>54.2</u>  |

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED 31 MARCH 2010**  
EXPRESSED IN US DOLLARS

**NOTE 10. EXPLORATION AND EVALUATION EXPENDITURE**

The following table details the expenditures on interests in mineral properties by area of interest for the nine months ended 31 March 2010:

| Areas of interest                                     | Valhalla<br>/Skal <sup>(1)</sup><br>US\$M | Isa<br>North<br>US\$M | Fusion<br>US\$M | Angela<br>Pamela<br>US\$M | Bigirlyi<br>US\$M | KM<br>US\$M  | LHM<br>US\$M | Other<br>US\$M | Total<br>Uranium<br>US\$M |
|-------------------------------------------------------|-------------------------------------------|-----------------------|-----------------|---------------------------|-------------------|--------------|--------------|----------------|---------------------------|
| <b>Balance 30 June 2009 (audited)</b>                 | <b>494.4</b>                              | <b>117.7</b>          | <b>8.0</b>      | <b>-</b>                  | <b>14.3</b>       | <b>-</b>     | <b>-</b>     | <b>1.1</b>     | <b>635.5</b>              |
| <b>Acquisition property payments</b>                  | <b>2.8</b>                                | <b>0.7</b>            | <b>-</b>        | <b>-</b>                  | <b>-</b>          | <b>-</b>     | <b>-</b>     | <b>-</b>       | <b>3.5</b>                |
| <b>Project exploration and evaluation expenditure</b> |                                           |                       |                 |                           |                   |              |              |                |                           |
| Labour                                                | 0.9                                       | 0.6                   | 0.2             | 0.2                       | -                 | 0.5          | -            | 0.5            | <b>2.9</b>                |
| Outside services                                      | 0.9                                       | 1.2                   | 0.1             | -                         | -                 | -            | 0.8          | 0.1            | <b>3.1</b>                |
| Joint venture contributions                           | -                                         | -                     | -               | 2.8                       | 0.7               | -            | -            | -              | <b>3.5</b>                |
| Other expenses                                        | 1.2                                       | 0.6                   | 0.1             | -                         | 0.1               | 1.1          | -            | 0.5            | <b>3.6</b>                |
| <b>Total expenditure</b>                              | <b>3.0</b>                                | <b>2.4</b>            | <b>0.4</b>      | <b>3.0</b>                | <b>0.8</b>        | <b>1.6</b>   | <b>0.8</b>   | <b>1.1</b>     | <b>13.1</b>               |
| Exploration expenditure expensed                      | (3.0)                                     | (2.4)                 | (0.4)           | (3.0)                     | (0.8)             | (1.2)        | (0.8)        | (1.1)          | <b>(12.7)</b>             |
| <b>Exploration expenditure capitalised</b>            | <b>-</b>                                  | <b>-</b>              | <b>-</b>        | <b>-</b>                  | <b>-</b>          | <b>0.4</b>   | <b>-</b>     | <b>-</b>       | <b>0.4</b>                |
| <b>Foreign exchange differences</b>                   | <b>70.5</b>                               | <b>16.8</b>           | <b>1.2</b>      | <b>-</b>                  | <b>2.0</b>        | <b>-</b>     | <b>-</b>     | <b>0.1</b>     | <b>90.6</b>               |
| <b>Transferred to Mine Development</b>                | <b>-</b>                                  | <b>-</b>              | <b>-</b>        | <b>-</b>                  | <b>-</b>          | <b>(0.4)</b> | <b>-</b>     | <b>-</b>       | <b>(0.4)</b>              |
| <b>Balance 31 March 2010 (unaudited)</b>              | <b>567.7</b>                              | <b>135.2</b>          | <b>9.2</b>      | <b>-</b>                  | <b>16.3</b>       | <b>-</b>     | <b>-</b>     | <b>1.2</b>     | <b>729.6</b>              |

<sup>(1)</sup> Summit has a 50% interest in the Valhalla/Skal Projects with the other 50% interest held by the Paladin Group. As a consequence of the takeover of the Summit Group, the above table now reflects 100% of the Valhalla/Skal Projects with the non controlling interest reflected on the face of the Consolidated Statement of Financial Position.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED 31 MARCH 2010**  
EXPRESSED IN US DOLLARS

**NOTE 11. INTANGIBLE ASSETS**

|                                                      | <b>31 March<br/>2010<br/>US\$M</b> | <b>30 June<br/>2009<br/>US\$M</b> |
|------------------------------------------------------|------------------------------------|-----------------------------------|
| Cost                                                 | 27.8                               | 27.8                              |
| Accumulated amortisation                             | (2.9)                              | (2.2)                             |
| Net carrying amount of non current intangible assets | <u>24.9</u>                        | <u>25.6</u>                       |

**NOTE 12. INTEREST BEARING LOANS AND BORROWINGS**

|                                                         | <b>Maturity</b> |              |              |
|---------------------------------------------------------|-----------------|--------------|--------------|
| <b>Current</b>                                          |                 |              |              |
| Secured bank loans                                      |                 | <u>40.3</u>  | <u>14.2</u>  |
| <b>Non Current</b>                                      |                 |              |              |
| Unsecured convertible bonds                             | 2011            | 234.4        | 227.5        |
| Unsecured convertible bonds                             | 2013            | 308.7        | 304.6        |
| Secured bank loan                                       | 2012            | 31.5         | 39.9         |
| Secured bank loan                                       | 2015            | <u>111.0</u> | <u>-</u>     |
| Total non current interest bearing loans and borrowings |                 | <u>685.6</u> | <u>572.0</u> |

The above figures include deferred borrowing costs.

On 31 July 2009, the Company announced the completion of all conditions precedent to enable drawdown under the US\$167M KM project finance. The project finance consists of a six year Project Finance Facility of US\$145M, a Standby Cost Overrun Facility of US\$12M and a Performance Bond Facility of US\$10M. The facilities are being provided by Société Générale Corporate and Investment Banking (as inter-creditor agent and commercial lender), Nedbank Capital a division of Nedbank Limited (ECIC lender) and Standard Bank Limited (as ECIC facility agent and lender). The Project Finance Facility bears interest at the London Interbank Offered Rate (LIBOR) plus 3.5%. The facilities are secured over the assets of Paladin (Africa) Ltd.

**NOTE 13. PROVISIONS**

|                              |  |             |             |
|------------------------------|--|-------------|-------------|
| <b>Current</b>               |  |             |             |
| Social responsibility        |  | 0.1         | 7.7         |
| Other provision              |  | 6.4         | -           |
| Employee benefits            |  | <u>2.7</u>  | <u>2.1</u>  |
| Total current provisions     |  | <u>9.2</u>  | <u>9.8</u>  |
| <b>Non Current</b>           |  |             |             |
| Social responsibility        |  | 2.0         | 2.0         |
| Employee benefits            |  | 0.2         | 0.1         |
| Rehabilitation provision     |  | 19.4        | 16.7        |
| Mine closure                 |  | 11.7        | 11.7        |
| Demobilisation provision     |  | <u>1.8</u>  | <u>1.8</u>  |
| Total non current provisions |  | <u>35.1</u> | <u>32.3</u> |

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED 31 MARCH 2010**  
EXPRESSED IN US DOLLARS

**NOTE 14. CONTRIBUTED EQUITY**

**(a) Issued and paid up capital**

| Ordinary shares       | 31 March         |             | 31 March |         |
|-----------------------|------------------|-------------|----------|---------|
|                       | 2010             | 2009        | 2010     | 2009    |
|                       | Number of Shares |             | US\$M    | US\$M   |
| Issued and fully paid | 717,142,802      | 623,692,802 | 1,474.6  | 1,111.6 |

**(b) Movements in ordinary shares on issue**

| Date                         |                        | Number of Shares   | Issue Rate | Exchange   | Total          |
|------------------------------|------------------------|--------------------|------------|------------|----------------|
|                              |                        | Price              | A\$        | US\$ : A\$ | US\$M          |
| Balance 30 June 2008         |                        | 613,497,369        |            |            | 1,088.4        |
| July 2008                    | Option conversions     | 400,000            | 5.50       | 1.04005    | 2.1            |
| September 2008               | Option conversions     | 100,000            | 2.80       | 1.16633    | 0.2            |
| January 2009                 | Option conversions     | 1,560,000          | 2.80       | 1.55581    | 2.8            |
| February 2009                | Fusion acquisition     | 8,135,433          | 2.91       | 1.54760    | 15.3           |
|                              | Transfer from reserves |                    |            |            | 2.8            |
| <b>Balance 31 March 2009</b> |                        | <b>623,692,802</b> |            |            | <b>1,111.6</b> |
| Balance 30 June 2009         |                        | 623,692,802        |            |            | 1,111.6        |
| September 2009               | Share placement        | 93,450,000         | 4.60       | 1.14890    | 374.2          |
|                              | Transaction costs      |                    |            |            | (11.2)         |
| <b>Balance 31 March 2010</b> |                        | <b>717,142,802</b> |            |            | <b>1,474.6</b> |

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED 31 MARCH 2010**  
EXPRESSED IN US DOLLARS

**NOTE 14. CONTRIBUTED EQUITY (continued)**

**(c) Options**

Issued unlisted employee options outstanding to the employees and consultants directly engaged in corporate, mine construction, operations and exploration and evaluation work for the Company are as follows:

|                                     | <b>31 March 2010<br/>Number</b> |
|-------------------------------------|---------------------------------|
| Number of unlisted employee options | <u>12,778,455</u>               |

Consisting of the following:

| <b>Date options granted</b> | <b>Exercisable</b> | <b>Expiry date</b> | <b>Exercise price of options</b> | <b>Number under option</b> |
|-----------------------------|--------------------|--------------------|----------------------------------|----------------------------|
| 1 February 2007             | 1 February 2010    | 1 February 2012    | A\$8.77                          | 2,697,970                  |
| 29 January 2008             | 29 January 2011    | 29 January 2013    | A\$4.50                          | 7,155,485                  |
| 15 February 2008            | 15 February 2011   | 15 February 2013   | A\$5.37                          | 300,000                    |
| 18 April 2008               | 18 April 2011      | 18 April 2013      | A\$4.59                          | 1,075,000                  |
| 14 October 2008             | 14 October 2011    | 14 October 2013    | A\$2.54                          | 750,000                    |
| 11 December 2008            | 11 December 2011   | 11 December 2013   | A\$2.07                          | 300,000                    |
| 24 June 2009                | 24 June 2012       | 24 June 2014       | A\$4.48                          | 500,000                    |
| <b>Total</b>                |                    |                    |                                  | <u>12,778,455</u>          |

**(d) Performance Share Rights**

Issued unlisted employee share rights outstanding to the employees and consultants directly engaged in corporate, mine construction, operations and exploration and evaluation work for the Company are as follows:

|                                          | <b>31 March 2010<br/>Number</b> |
|------------------------------------------|---------------------------------|
| Number of unlisted employee share rights | <u>5,026,900</u>                |

Consisting of the following:

| <b>Date rights granted</b> | <b>Vesting date</b> | <b>Number</b>    |
|----------------------------|---------------------|------------------|
| 25 November 2009           | 25 November 2012    | 300,000          |
| 19 March 2010              | 1 September 2010    | 508,690          |
| 19 March 2010              | 1 September 2011    | 703,035          |
| 19 March 2010              | 1 September 2012    | 1,171,725        |
| 19 March 2010              | 1 September 2012    | 937,380          |
| 19 March 2010              | 1 September 2012    | 1,406,070        |
| <b>Total</b>               |                     | <u>5,026,900</u> |

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED 31 MARCH 2010**  
EXPRESSED IN US DOLLARS

**NOTE 15. NON CONTROLLING INTERESTS**

|                                     | 31 March<br>2010<br>US\$M | 30 June<br>2009<br>US\$M |
|-------------------------------------|---------------------------|--------------------------|
| Non Controlling interests comprise: |                           |                          |
| Share capital                       | 23.1                      | 22.0                     |
| Opening accumulated losses          | (108.3)                   | (12.1)                   |
| Reserves                            | 164.0                     | 155.2                    |
| Current period loss                 | (0.3)                     | (96.2)                   |
|                                     | <hr/>                     | <hr/>                    |
| Total non controlling interests     | 78.5                      | 68.9                     |

The non controlling interests recognised relate to the 18.0% interest in Summit Resources Ltd not held by the Company and the 15% interest in Paladin (Africa) Ltd held by the Government of Malawi.

**NOTE 16. CONTINGENT LIABILITIES**

No change has occurred in the contingent liabilities for the Company from those reported in the Annual Report for the year ended 30 June 2009 except as noted below.

(a) Legal actions

(i) Mount Isa Uranium Joint Venture

On 3 August 2007 the Company's wholly owned subsidiary, Mt Isa Uranium Pty Ltd (MIU) entered into a settlement agreement with respect to proceedings which had been commenced by Summit Resources (Aust) Pty Ltd (SRA) (which had, by the time of the settlement, become ultimately 82.0% owned by the Company) against MIU and the unrelated entity, Resolute Pty Ltd (Summit Proceedings). The Summit Proceedings related to alleged breaches of confidentiality provisions in the Mount Isa Uranium Project joint venture agreement. If successful in the Summit Proceedings, SRA would have been entitled to the transfer of MIU's 50% interest in the Mount Isa Uranium Project joint venture for 85% of its market value.

Areva NC (Australia) Pty Ltd (Areva), being a 10.01% shareholder of the parent company of SRA subsequently applied to the Supreme Court of Western Australia for, relevantly, orders under Section 237 of the Corporations Act 2001, to be granted leave to intervene in and effectively re-open the Summit Proceedings, notwithstanding the settlement (Areva intervention proceedings). The trial of the Areva intervention proceedings was heard over the period from 18 May 2009 to 3 June 2009 and the Court reserved its decision.

In any event, even if the Summit Proceedings are re-opened as a consequence of the Areva intervention proceedings, the Company has always remained confident that the Summit Proceedings could be successfully defended. Further, the Company has the benefit of an indemnity from Resolute Mining Ltd (the parent of Resolute Pty Ltd) and an ultimate 82% interest in SRA. As a consequence, a change in the ownership of the 50% interest in the Mount Isa Uranium joint venture from MIU to SRA would not be of significance to the Company.

On 3 December 2009, Paladin announced that MIU had entered into a conditional agreement with (amongst others) Areva, Resolute Limited and Summit Resources Limited (Settlement Agreement).

The Settlement Agreement relates to the Areva intervention proceedings and is conditional upon the Honourable Chief Justice making orders in the form sought by the parties.

Paladin will make a further announcement to the market once it becomes known whether the Honourable Chief Justice will make the orders sought by the parties. There is no guarantee that such orders will be made, or made in the form sought by the parties.

The Company has recognised a provision for the expected litigation settlement amount.

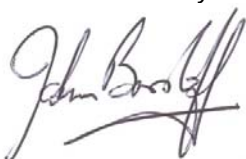
## APPENDIX A

### Form 52-109F2 - Certification of interim filings – full certificate

I, John Borshoff, Managing Director and Chief Executive Officer, Paladin Energy Ltd, certify the following:

1. Review: I have reviewed the interim financial statements and interim MD&A (together, the “interim filings”) of Paladin Energy Limited for the interim period ended 31 March 2010.
2. No misrepresentation: Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the interim filings.
3. Fair presentation: Based on my knowledge, having exercised reasonable due diligence, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.
4. Responsibility: The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings, for the issuer.
5. Design: Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer's other certifying officer and I have, as at the end of the period covered by the interim filings
  - (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that
    - (i) material information relating to the issuer is made known to us by others, particularly during the period in which the annual filings are being prepared; and
    - (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported with the time periods specified in securities legislation; and
  - (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.
- 5.1 Control Framework: The control framework the issuer's other certifying officer and I used to design the issuer's ICFR is the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- 5.2 ICFR – material weakness relating to design: N/A
- 5.3 Limitation on scope of design: N/A
6. Reporting changes in ICFR: The issuer has disclosed in its interim MD&A any change in the issuer's ICFR that occurred during the period beginning on 1 July 2009 to 31 March 2010 that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

Dated: 13 May 2010



**John Borshoff**  
**Managing Director/CEO**

## APPENDIX A

### Form 52-109F2 - Certification of interim filings – full certificate

I, Garry Korte, Chief Financial Officer, Paladin Energy Ltd, certify the following:

1. Review: I have reviewed the interim financial statements and interim MD&A (together, the “interim filings”) of Paladin Energy Limited for the interim period ended 31 March 2010.
2. No misrepresentation: Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the interim filings.
3. Fair presentation: Based on my knowledge, having exercised reasonable due diligence, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.
4. Responsibility: The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings, for the issuer.
5. Design: Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer's other certifying officer and I have, as at the end of the period covered by the interim filings
  - (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that:
    - (i) material information relating to the issuer is made known to us by others, particularly during the period in which the annual filings are being prepared; and
    - (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported with the time periods specified in securities legislation; and
  - (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.
- 5.1 Control Framework: The control framework the issuer's other certifying officer and I used to design the issuer's ICFR is the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- 5.2 ICFR – material weakness relating to design: N/A
- 5.3 Limitation on scope of design: N/A
6. Reporting changes in ICFR: The issuer has disclosed in its interim MD&A any change in the issuer's ICFR that occurred during the period beginning on 1 July 2009 to 31 March 2010 that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

Dated: 13 May 2010



**Garry Korte**  
**Chief Financial Officer**