



**PALADIN RESOURCES LTD**

A.C.N. 061 681 098

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Ref: 36167

24 July 2006

Company Announcements Office  
Australian Stock Exchange Limited  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir / Madam

**Issue of Bidder's Statement – Valhalla Uranium Limited Offer**

We wish to advise that the Company has today lodged a Bidder's Statement with the Australian Securities and Investment Commission in connection with Paladin's offer to acquire all of the issued and outstanding shares of Valhalla Uranium Limited ("Valhalla"), which offer was announced 10 July 2006. Under the terms of the offer, each Valhalla shareholder will receive one share of Paladin in exchange for every 3.16 shares of Valhalla held. The directors of Valhalla have unanimously recommended that Valhalla shareholders accept the Company's offer in the absence of a superior offer.

A copy of the Bidder's Statement is attached.

Yours sincerely  
Paladin Resources Ltd

**GILLIAN SWABY**  
Company Secretary

This is an important document and requires your immediate attention.

If you are in any doubt about how to deal with this document, you should contact your broker, financial adviser or legal adviser immediately.

# Bidder's Statement

containing an Offer by



**PALADIN RESOURCES LTD**  
ACN 061 681 098

to purchase all of your ordinary shares in

**Valhalla Uranium Limited**  
ABN 73 116 370 720

**You will receive one Paladin Share for every 3.16 Valhalla Shares**

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Valhalla Directors unanimously recommend you  
**accept the offer**  
(in the absence of a superior offer)

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Advisors to Paladin



Azure Capital

**Freehills**

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## **Important information**

This Bidder's Statement is issued by Paladin Resources Ltd ABN 47 061 681 098 (**Paladin**) under Part 6.5 of the Corporations Act.

A copy of this Bidder's Statement was lodged with ASIC on 24 July 2006. Neither ASIC nor its officers takes any responsibility for the content of this Bidder's Statement.

## **Investment advice**

In preparing this Bidder's Statement, Paladin has not taken into account the individual objectives, financial situation or needs of individual Valhalla shareholders. Accordingly, before making a decision whether or not to accept the Offer, you may wish to consult with your financial or other professional adviser.

## **Disclaimer as to forward looking statements**

Some of the statements appearing in this Bidder's Statement may be in the nature of forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industry in which Valhalla and Paladin and the members of the Paladin Group operate as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement. None of Paladin, the officers of Paladin, any persons named in this Bidder's Statement with their consent or any person involved in the preparation of this Bidder's Statement, makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward looking statement. The forward looking statements in this Bidder's Statement reflect views held only as at the date of this Bidder's Statement.

## **Disclaimer as to Valhalla and Merged Group information**

The information on Valhalla, Valhalla's securities and Valhalla Group contained in this Bidder's Statement has been prepared by Paladin using publicly available information and limited information made available to Paladin by Valhalla.

The information in this Bidder's Statement concerning Valhalla and the assets and liabilities, financial position and performance, profits and losses and prospects of the Valhalla Group, has not been independently verified by Paladin. Accordingly Paladin does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

The information on the Merged Group contained in this Bidder's Statement, to the extent that it incorporates or reflects information on Valhalla and Valhalla Group, has also been prepared using publicly available information and limited information made available to Paladin by Valhalla. Accordingly, information in relation to the Merged Group is subject to the foregoing disclaimer to that extent.

Further information relating to Valhalla's business may be included in Valhalla's target's statement which Valhalla must provide to its shareholders in response to this Bidder's Statement.

## **Foreign jurisdictions**

The distribution of this Bidder's Statement in jurisdictions outside Australia may be restricted by law, and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. This Bidder's Statement does not constitute an offer in any jurisdiction in which,

or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register or qualify Paladin or to otherwise permit a public offering of Paladin Shares outside Australia. Paladin Shares have not been, and will not be, registered under the United States Securities Act of 1933 (**Securities Act**) and may not be offered or sold in the United States or to, or for the account or benefit of, a U.S. person (as defined in Regulation S under the Securities Act), except in a transaction exempt from the registration requirements of the Securities Act and applicable United States state securities laws.

**Privacy**

Paladin has collected your information from the Valhalla register of shareholders for the purpose of making this Offer and, if accepted, administering your holding of Valhalla Shares. The Corporations Act requires the name and address of shareholders to be held in a public register. Your information may be disclosed on a confidential basis to Paladin's related bodies corporate and external service providers, and may be required to be disclosed to regulators such as ASIC. The registered address of Paladin is Grand Central, 1<sup>st</sup> Floor, 26 Railway Road, Subiaco, Western Australia 6008.

**Defined terms**

A number of defined terms are used in this Bidder's Statement. Unless the contrary intention appears, the context requires otherwise or words are defined in section 13 of this Bidder's Statement, words and phrases in this Bidder's Statement have the same meaning and interpretation as in the Corporations Act.

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Letter from the Chairman of Paladin

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Key dates	
Date of this Bidder's Statement	24 July 2006
Date of Offer	[       ] 2006
Offer closes (unless extended or withdrawn)	5.00pm (Perth, Western Australia time) on [       ] 2006
Key Contacts	
Share registrar for the Offer Computershare Investor Services Pty Limited Level 2, 45 St Georges Terrace Perth Western Australia 6000 Telephone: (+61 8) 9323 2000 Facsimile: (+618) 9323 2033	Paladin Offer Information Line* 1800 105 944

\* For legal reasons, calls to these numbers will be recorded.



24 July 2006

Dear Shareholders

**Takeover bid for Valhalla Uranium Limited (Valhalla)**

The Board of Paladin Resources Ltd (**Paladin**) is delighted to give you the opportunity to participate in the merger of Valhalla's uranium assets with Paladin's own strong portfolio and to welcome you as shareholders in our organisation.

The proposed offer by Paladin, for all the shares in Valhalla, has been unanimously recommended by the directors of Valhalla in the absence of a superior offer. Based on the volume weighted average price (VWAP) for Paladin Shares for the fourteen days prior to the date of this document, the offer provides you with a 31% premium to the value of your Valhalla Shares (based on the thirty day VWAP of Valhalla Shares prior to the announcement of this offer on 10 July 2006). Moreover, you may elect to retain your Paladin Shares or sell them into a highly liquid trading market.

Should you choose to retain your Paladin Shares, you will participate in the operation of the first modern, large scale uranium mine in 25 years, at Langer Heinrich in Namibia, which will commission in September 2006. You will benefit from ongoing exposure to the uranium market, which is expected to be highly attractive for suppliers in the foreseeable future due to the considerable imbalance between supply and demand. You will now get to participate both through increases in the value of your in-the-ground assets as well as through annual earnings growth.

As Paladin shareholders you will have reduced your exposure to Australian uranium mining policy, while retaining material upside if/when that policy shifts. Paladin presently owns two quality uranium deposits in Western Australia. However, you will also have the benefit of a management team with the appropriate mix of uranium specific skills – from geology, processing, construction and marketing through to project finance.

Paladin intends to actively support Valhalla's existing joint venture partners in making the most of the Mt Isa, Ngalia Basin and Pine Creek Project assets. In addition, Paladin will continue to advance its Kayelekera Uranium Project in Malawi scheduled for production start up in mid 2008. Its broad growth strategy is focussed on acquiring additional development opportunities beyond 2009. The Paladin Board has a clear vision to see our company become a major world supplier of uranium, as an international multi-mine producer. We consider that Australia has an important role to play in world uranium supply and as such we are prepared to take a patient approach in progressing Valhalla's uranium assets.

On behalf of the Paladin Board, I encourage you to carefully read the details of our offer and I look forward to shortly welcoming you as a shareholder of Paladin.

Yours sincerely

Mr Rick Wayne Crabb  
Chairman

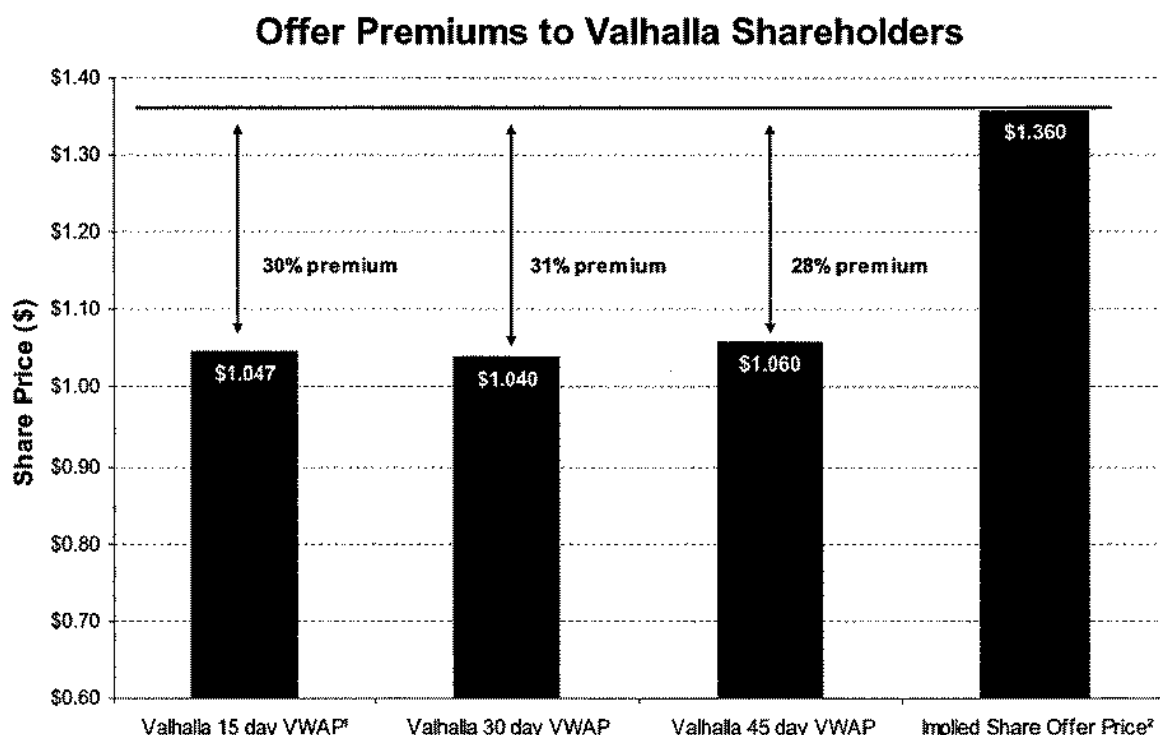
## Why you should accept the Offer

### The Offer presents a significant premium to Valhalla's recent trading value

Valhalla shareholders are being offered full and fair value, as well as the opportunity to become a shareholder of Paladin, a highly regarded and well positioned resources group in the ASX S&P 200 Index.

The consideration comprises 1 Paladin Share for every 3.16 Valhalla Shares. Based on the fourteen day volume weighted average price (VWAP) of Paladin Shares on the ASX prior to the date of this Bidder's Statement, the value of the scrip consideration is \$1.36 per Valhalla Share.

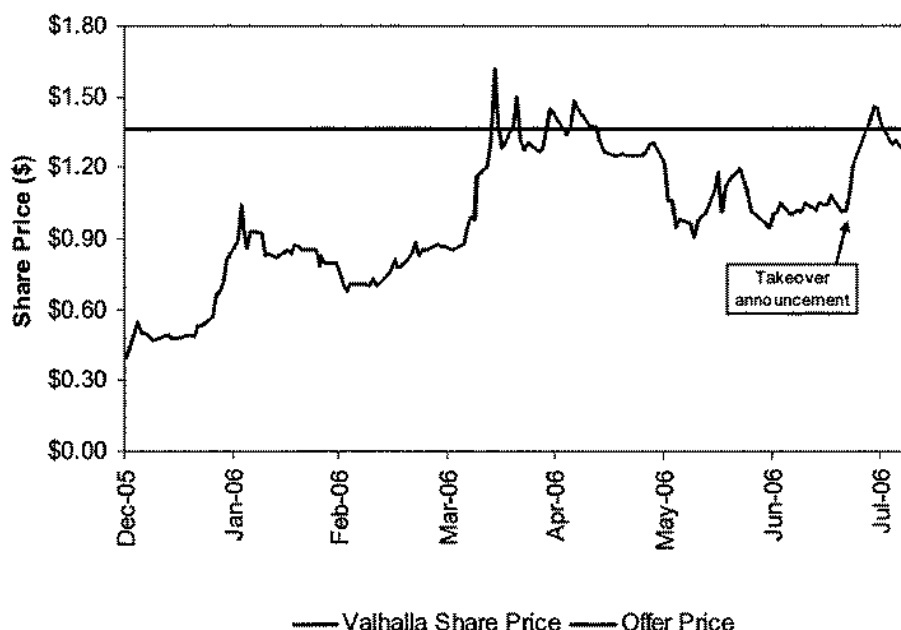
The following charts illustrate the attractive premiums the Offer provides to the levels at which Valhalla Shares have been trading recently. As you can see, the Offer represents an attractive premium of between 28% and 31% on this basis.



Note: 1: VWAP means the volume weighted average price for the stated number of trading days prior to announcement of the Offer on 10 July 2006.

2: Offer Price comprises 1 Paladin Share for every 3.16 Valhalla Shares (based on Paladin VWAP for the 14 days prior to the date of this Bidder's Statement)

### Offer Price Compared with Valhalla Share Price



*\* Note: Implied value of Paladin's offer is based on the 14 day VWAP of Paladin Shares on ASX before the date of this Bidder's Statement.*

### The Offer has been unanimously supported by Valhalla's Directors

In an ASX announcement dated 10 July 2006, Valhalla stated that its directors had unanimously recommended that Valhalla shareholders accept the Offer and that each of the directors intended to accept the Offer in relation to their own holdings, in both cases subject to there being no superior offer being made for Valhalla.

### The Offer gives you the opportunity to become a Paladin shareholder

Valhalla shareholders accepting the Offer will receive consideration in Paladin Shares. This will give you continued exposure to the further growth and development of Paladin's Langer Heinrich and Kayelekera Projects in Southern Africa, as well as participation in the potential development of Paladin's Australian assets, the Manyingee and Oobagooma Projects. Obtaining a shareholding in Paladin would allow Valhalla shareholders to diversify your investment exposure away from Australian uranium mining policy risks.

Paladin is a well respected, S&P/ASX 200 Australian-based resource group with a strong growth focus in uranium resource development. On 1 June 2006, Paladin was also added to the Morgan Stanley Capital International Inc (MSCI) World Capital Index Series for Australia Energy Industry Group sector. Paladin is also listed on the TSX under the symbol "PDN" with subsidiary listings on the Munich Stock Exchange, Berlin-Bremen Stock Exchange, Stuttgart Stock Exchange and Frankfurt Stock Exchange under the symbol "PUR".

Paladin has recently begun drawing down on a US\$71 million loan facility in order to complete construction activities and fund start up of the Langer Heinrich mine and concentrator in Namibia. The project remains on schedule to commence commissioning in September 2006 and make its first sales in early 2007, therefore giving Valhalla shareholders the opportunity to be part of a uranium producing company.

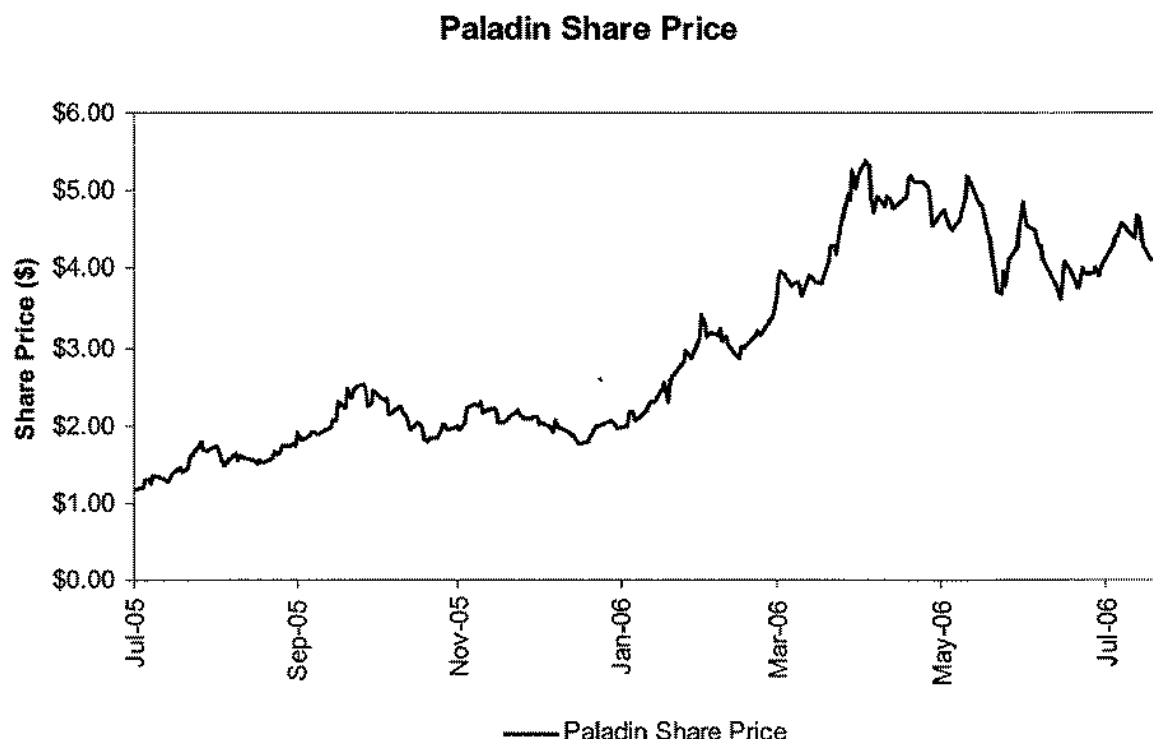


Langer Heinrich will produce 2.6 Mlbs per annum of  $U_3O_8$  which it will sell into a prudent balance of spot market and long term contracts with large nuclear power utilities. The operation has a current planned life of 17 years. Paladin has announced an intention to expand production to 3.7 Mlbs per annum relatively soon after commissioning the current facility, subject to the expansion meeting required economic objectives.

Paladin is also well down the path towards development of its second asset – Kayelekera in Malawi, Southern Africa. The Bankable Feasibility Study is being conducted by GRD Minproc in South Africa, and is nearing planned completion in the second half of 2006, which will keep the project on schedule for the proposed start-up in mid 2008. Kayelekera is expected to produce 2.3 Mlbs per annum of  $U_3O_8$  with a ten year mine life.

Paladin has a management team with a solid track record and proven experience in the uranium industry. This team includes specialists in geology, mining, processing, marketing, project development, financing and corporate governance.

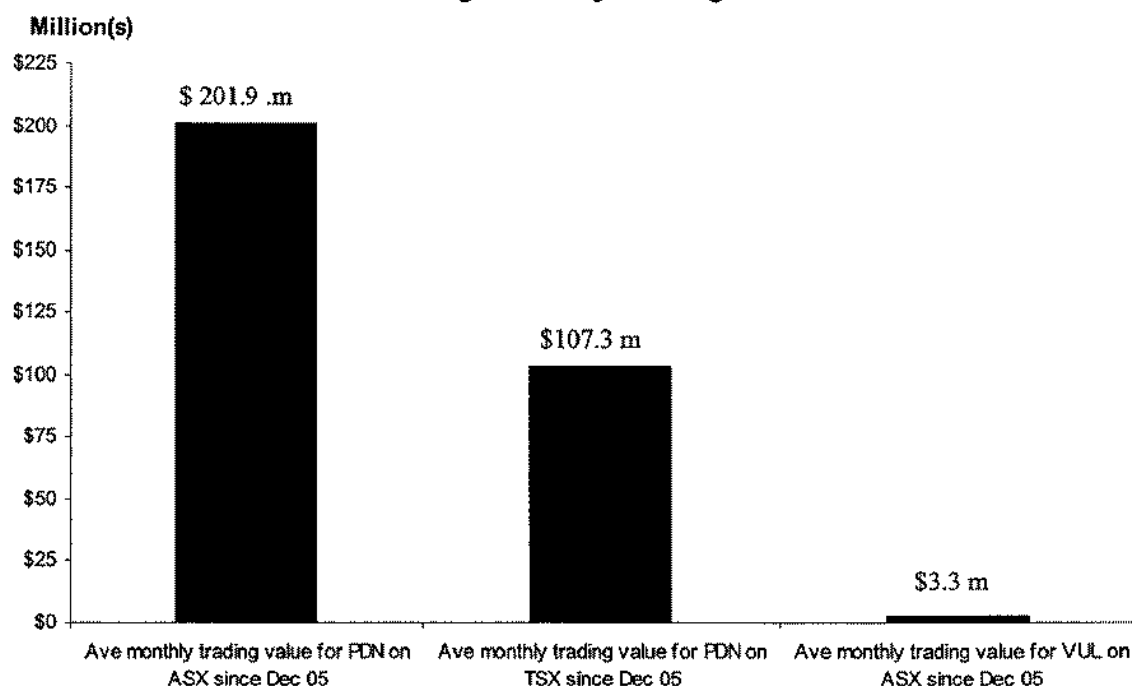
The following chart shows the last sale price of Paladin Shares on the ASX in the 12 months to the Announcement Date.



### Increased marketability of securities

If you accept the Offer, you will benefit from a substantial increase in the marketability of your shares. As shown below the average monthly trading value of Paladin Shares on both the ASX and TSX over the 7 months since Valhalla listed has significantly outweighed the trading value in Valhalla Shares.

### Average Monthly Trading Value



### Retained upside from potential change in Australian policy toward uranium mining

Should Paladin succeed in acquiring Valhalla, the Valhalla shareholders should retain significant exposure to the value uplift associated with changes in Australian policy towards mining of uranium. Post merger, Paladin will have two quality assets in Western Australia – Manyingee and Oobagooma – together with the fifty per cent stake in the Valhalla/Skal deposits in Queensland and the interests in the Ngalia Basin and Pine Creek prospects in the Northern Territory. With exposure to these states/territories, the likelihood of benefiting from political change is increased.

### Valhalla's operations will benefit from merging with Paladin

Paladin's strong balance sheet and upcoming operating cash flow will assist in realising the potential value of Valhalla's uranium assets. It will bring sufficient funding to ensure continued exploration of Valhalla's tenements and to eventually unlock the upside potential at the Valhalla/Skal deposits. Significant capital investment will be required for this project and the full potential of Valhalla's assets will only be realised if these investment funds are available.

There may be synergies associated with combining Valhalla's operations with those of Paladin, including cost savings achievable through the consolidation of corporate costs. In addition, Valhalla's assets are likely to be enhanced by the introduction of Paladin's uranium-specific geology, construction, development, processing and marketing expertise to the key Joint Ventures. Please note, however, that Paladin has no intention of taking over management of the various Valhalla joint ventures from the incumbent managers.

### What happens if you do not accept?

Paladin believes the Offer is full and fair. However, if you choose not to accept the Offer and Valhalla remains a listed company, there are certain risks of which you should be aware:

- There is the chance that State Government policy will not be changed to allow the unlocking of Valhalla's deposits in the near future. Significant amounts of cash will be

required to maintain and grow Valhalla's assets over this non-producing period leaving Valhalla in the position of having to source these funds by one means or another. Not accepting the Paladin Offer does not allow the cash generated from Paladin's soon to be producing assets to support Valhalla through this period.

- If the Offer does not proceed, Valhalla Shares are unlikely to trade at current levels and have the potential to trade at pre-bid levels in the absence of another bidder making an offer.

You should consult your broker or financial adviser to ascertain the impact of the risks outlined above on the value of your Valhalla Shares.

## 1 Summary of the Offer

<b>What Paladin is offering to buy</b>	<p>Paladin is offering to buy all Valhalla's Shares, including Shares that are issued during the Offer Period, on the terms set out in this Bidder's Statement.</p> <p>You may only accept this Offer in respect of all the Valhalla Shares held by you.</p>
<b>What you will receive if you accept the Offer</b>	<p>If you accept the Offer, subject to the satisfaction of the conditions to the Offer, for every 3.16 of Your Shares, you will receive one Paladin Share.</p> <p>If you accept the Offer and you are a Foreign Shareholder, you will not be entitled to receive Paladin Shares as consideration for Valhalla Shares held by you pursuant to the Offer. If you are a Foreign Shareholder, the Paladin Shares which would otherwise have been issued to you will instead be issued to a nominee approved by ASIC, who will sell these shares and remit the net proceeds of the sale of these shares to you. See section 12.7 of this Bidder's Statement for further details.</p>
<b>When you will be paid</b>	<p>Generally, Paladin will issue the Paladin Shares to you under the Offer on or before the earlier of:</p> <ul style="list-style-type: none"> <li>• one month after this Offer is accepted or one month after all of the conditions have been freed or fulfilled (whichever is the later); and</li> <li>• 21 days after the end of the Offer Period.</li> </ul> <p>Full details of when consideration will be provided are set out in section 12.6 of this Bidder's Statement.</p>
<b>No brokerage on acceptances</b>	<p>You will not pay brokerage if you accept the Offer. Any such costs will be borne by Paladin.</p>
<b>Close of the Offer</b>	<p>The Offer closes at 5.00pm (Perth, Western Australia time) on [            ], unless it is extended under the Corporations Act.</p>
<b>There are some conditions to the Offer</b>	<p>The Offer is subject to the following conditions:</p> <ul style="list-style-type: none"> <li>• foreign investment approval;</li> <li>• Paladin becoming entitled to compulsory acquisition of all Valhalla Shares;</li> <li>• no regulatory action restraining the making and completion of the Offer;</li> <li>• no material adverse change in the position of Valhalla;</li> </ul>

	<ul style="list-style-type: none"> <li>• Mt Isa acquiring all the shares in Resolute Limited on certain terms;</li> <li>• no breach, termination or variation to the Mt Isa Agreement;</li> <li>• no change of control rights;</li> <li>• ASX consenting to the release of the Escrow Shares from escrow;</li> <li>• TSX consenting to quotation of Paladin Shares on that exchange;</li> <li>• any party to the Mt Isa Agreement announcing to ASX that the Valhalla deposit has a JORC-compliant resource of not less than 54 million pounds of uranium oxide (U<sub>3</sub>O<sub>8</sub>);</li> <li>• Valhalla providing Paladin with certain access and information for the purposes of due diligence; and</li> <li>• the absence of 'prescribed occurrences'.</li> </ul> <p>The above is only a summary. The full terms of these conditions are set out in section 12.8 of this Bidder's Statement.</p>
<b>How you accept the Offer</b>	<p><b>You may only accept the Offer for all your Valhalla Shares</b></p> <p><b>Issuer sponsored shareholders</b></p> <p>If your Valhalla Shares are held on Valhalla's issuer sponsored subregister (such holdings will be evidenced by an 'I' appearing next to your holder number on the enclosed Acceptance Form), to accept this Offer, you must complete and sign the Acceptance Form enclosed with this Bidder's Statement and return it to the address indicated on the form before the Offer closes.</p> <p><b>CHESS sponsored shareholders</b></p> <p>If your Valhalla Shares are in a CHESS Holding (such holdings will be evidenced by an 'X' appearing next to your holder number on the enclosed Acceptance Form), you may accept the Offer by either:</p> <ul style="list-style-type: none"> <li>• completing and signing the Acceptance Form enclosed with this booklet and returning it to the address indicated on the form; or</li> <li>• calling your broker and instructing your broker to accept the Offer on your behalf,</li> </ul> <p>before the Offer closes.</p> <p><b>Participants</b></p> <p>If you are a Participant, acceptance of this Offer must be initiated in accordance with Rule 14.14 of the ASTC Settlement Rules before the Offer closes.</p> <p>Full details on how to accept the Offer are set out in section 12.3 of this Bidder's Statement.</p>
<b>Where to go for further information</b>	For queries on how to accept the Offer, see the enclosed Acceptance Form or call Computershare Investor Services Pty Limited on (+61 8)

	<p>9323 2000.</p> <p>For queries in relation to your Valhalla shareholding, call Security Transfer Registrars Pty Ltd on (+61 8) 9315 2333.</p> <p>For all other queries in relation to the Offer, please contact the Paladin Offer Information Line on 1800 105 944.</p> <p>Please note that in order to comply with legal requirements, any calls to the above numbers will be recorded. Inquiries in relation to the Offer will not be received on any other telephone numbers of Paladin or its advisers.</p>
<b>Important notice</b>	<p>The information in this section 1 is a <b>summary only</b> of Paladin's Offer and is qualified by the detailed information set out elsewhere in this Bidder's Statement.</p> <p>You should read the entire Bidder's Statement and the target's statement that Valhalla will shortly be sending to you, before deciding whether to accept the Offer.</p>

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## 2 Information on Paladin and Paladin Group

### 2.1 Overview of Paladin

The bidder under the Offer is Paladin.

Paladin operates in the resource industry with a principal business of evaluation and development of uranium projects in Africa and Australia.

### 2.2 Directors of Paladin

Brief profiles of the directors of Paladin as at the date of this Bidder's Statement are as follows:

(a) **Mr Rick Wayne Crabb (Non-Executive Chairman) Age 49**

*B. Juris (Hons), LLB, MBA*

Mr Crabb holds degrees of Bachelor of Jurisprudence (Honours), Bachelor of Laws and Master of Business Administration from the University of Western Australia. He has practiced as a solicitor from 1980 to 2004 specialising in mining, corporate and commercial law. He has advised on all legal aspects including financing, marketing, government agreements and construction contracts for many resource development projects in Australia and Africa. Mr Crabb now focuses on his public company directorships and investments. He has been involved as a director and strategic shareholder in a number of successful public companies. He is presently also a director of Alcaston Mining NL (since 2001), Ashburton Minerals Ltd (since 1999), Ottoman Energy Ltd (since 2004), Port Bouvard Ltd (since 1996), Royal Resources Limited (since 2004) and Thundelarra Exploration Ltd (since 2003).

Mr Crabb was appointed a director on 8 February 1994 and Chairman on 27 March 2003.

(b) **Mr John Borshoff (Managing Director) Age 61**

*B.Sc., F.AusIMM, FAICD*

Mr Borshoff is a geologist who has been involved in the Australian and African exploration and mining industry for 34 years. Mr Borshoff worked for International Nickel and Canadian Superior Mining before joining a German mining group, Uranerz from 1976 to 1991. He became Chief Geologist/Exploration Manager during the period 1981-1986 and served as its chief executive from 1987 to mid 1991 when the German parent of Uranerz made the decision to close its Australian operations. The primary focus of the Uranerz Group was the search and development of uranium with the company operating extensively throughout Australia, North America and Africa.

Mr Borshoff founded Paladin Resources Ltd and was appointed a Director on 24 September 1993. He has extensive knowledge of the uranium industry and experience in company management, strategic planning and administration.

(c) **Mr Sean Reveille Llewelyn (Non-Executive Director) Age 58**  
*LL.B*

Mr Llewelyn first qualified as a solicitor in Australia and subsequently England. His life work however has been in finance and merchant banking having worked for more than 20 years in this capacity in Australia, the UK, the USA and South Africa. His considerable experience has been on derivatives, structured finance and early stage investment relating to the metal markets. He has been involved with the uranium industry for over 12 years and has a comprehensive understanding of its structure and dynamics.

Mr Llewelyn was involved as a key player in the formation of a joint venture company between Anglo Gold and First Rand International to assume marketing responsibility for uranium on behalf of Nuclear Fuels Corporation of South Africa (Nufcor).

Mr Llewelyn was appointed to the Paladin Board on 12 April 2005.

(d) **Mr George Edward Pirie (Non-Executive Director) Age 53**  
*B.Com (Hons)*

Mr Pirie has 24 years experience in the mining business. In 1980 he was with Pamour Porcupine Mines, a division of Noranda and then joined Dome Mines Limited in 1985, holding various positions until April 1999 when he was promoted to Chief Financial Officer for Placer Dome North America, where he was responsible for re-establishing both Placer Dome U.S. and Placer Dome Canada. In January 2000, he joined Placer Dome Canada as Chief Financial Officer and was appointed Acting President and Chief Executive Officer of Placer Dome Canada in October 2001.

He was responsible for the formation of the Porcupine Joint Venture in July of 2002 and was promoted to Executive Vice President of Placer Dome Inc. and President and Chief Executive Officer of Placer Dome Canada in December 2002. Mr Pirie resigned his position with Placer Dome effective 31 December 2004.

Mr Pirie currently serves on several boards including: Ontario Mining Association, Mining Association of Canada, Canadian Mineral Industry Education Foundation, Mirarco Mining Innovation, Co-Chair of the Mining Cluster Initiative for the Ministry of Northern Development & Mines, and effective 4 July 2005 appointed President and Chief Executive Officer of Breakwater Resources Inc.

Mr Pirie was appointed to the Paladin Board on 1 June 2005.

(e) **Mr Ian Urquhart Noble (Non-Executive Director) Age 65**  
*BSc (Metallurgy), ARCST*

Mr Noble has more than 40 years experience covering the mining, chemical and nuclear industries with a strong emphasis in the mining and mineral processing fields. He is an internationally recognised consultant, specialising in hydrometallurgy and comminution, and has been involved in many of the major mining developments within Australia and overseas. He has held senior management positions with both Wright Engineers Australia Ltd and Fluor Australia and took a lead role in the design of Australia's two major uranium processing plants.



Mr Noble's initial involvement with uranium was with Wright Engineers Pty Limited on the Rabbit Lake project in Canada. In Australia, in 1976, he was Lead Engineer on the Ranger Uranium Feasibility Study, followed by a three year involvement in the design & construction phase, initially as Process Engineering Manager, and then a period as Project Engineer for the hydrometallurgical plant, and finally a year on site as Pre-Commissioning and Commissioning Manager. He was subsequently Lead Process Engineer for the design of the then Western Mining Corporation's Olympic Dam Project.

Mr Noble was appointed to the Paladin Board on 29 June 2005.

## **2.3 History, structure and ownership of Paladin Group**

### **(a) History**

Paladin was incorporated on 24 September 1993 in Western Australia.

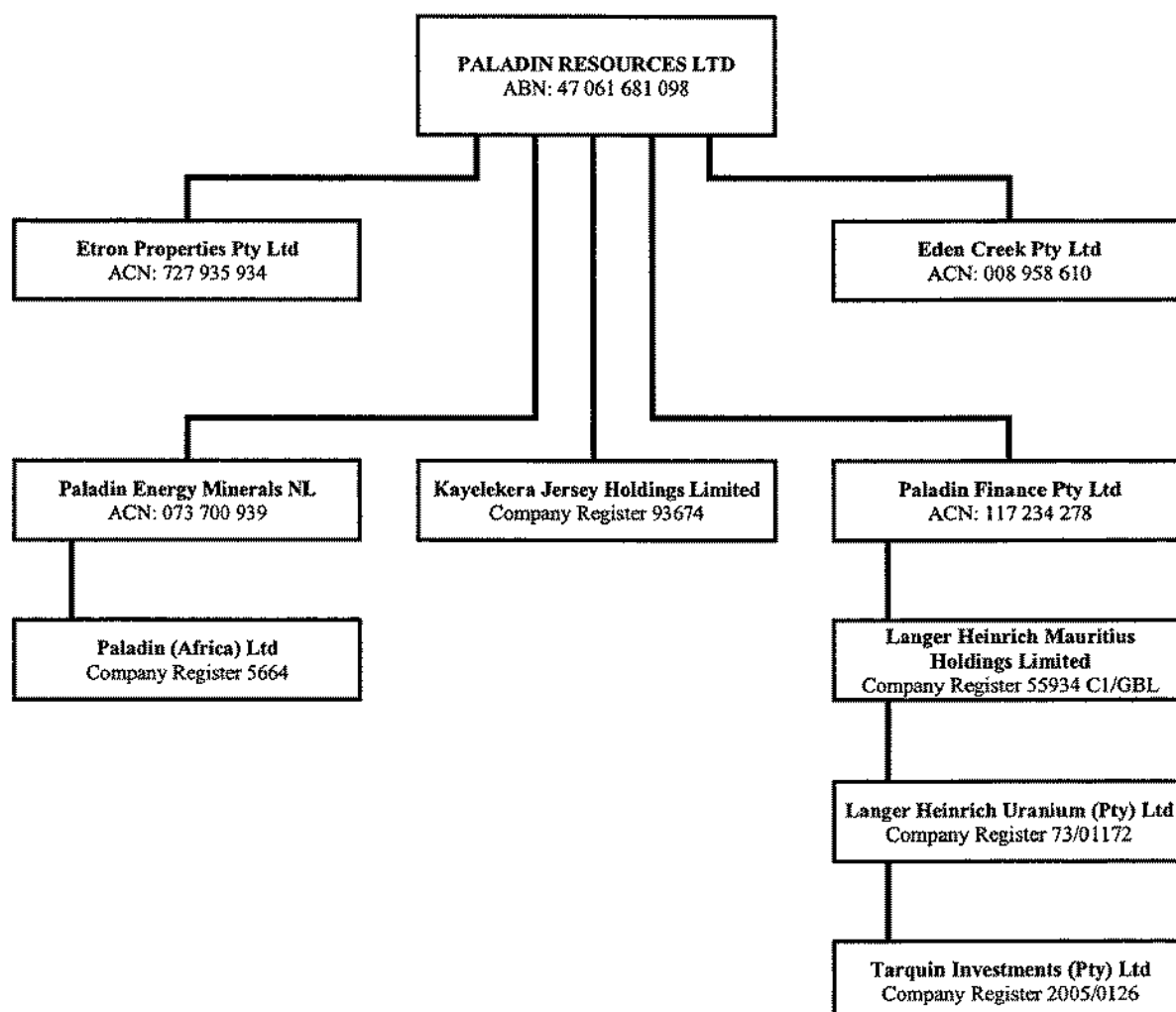
Paladin is listed on several exchanges around the world, with its primary listing on the ASX. Paladin has additional listings on the TSX, and Munich, Berlin, Stuttgart and Frankfurt Stock Exchanges in Europe.

### **(b) Ownership**

Given its multiple listings, Paladin has a diverse shareholder base. To the best of its knowledge, Paladin is not directly or indirectly controlled by another corporation or any person or foreign government, and there are no arrangements which may, at a subsequent date, result in a change in control of Paladin.

**(c) Structure**

The corporate structure of Paladin and the companies it controls is as follows:



All Group Entities 100% owned

## 2.4 Principal activities of Paladin and Paladin Group

### (a) Langer Heinrich Uranium Project

The Langer Heinrich Uranium Project in Namibia is located in the Namib Naukluft Desert, 280 kilometres west of the capital, Windhoek and 80 kilometres east of the major seaport of Walvis Bay.

Paladin purchased the Langer Heinrich Project in August 2002 from the previous owner, Aztec Resources Ltd (formerly Acclaim Uranium NL (**Acclaim**)). The Project is now owned 100% by Paladin through its wholly owned Namibian subsidiary, Langer Heinrich Uranium (Pty) Ltd. The property is comprised of one mining licence covering 44 square kilometres.

The Langer Heinrich uranium deposit was discovered in 1972 by Gencor Limited (**Gencor**), a major South African mining house. Gencor explored the project extensively from 1972 to 1983. Their work included some 27,000 metres of drilling, excavation of 32 exploratory shafts, trial open pit mining and intensive metallurgical test work. Low uranium prices prevented development of the project however, and the property was acquired by Acclaim in 1998. Acclaim undertook further exploration and completed a pre-feasibility study in 1999. Acclaim sold the project in 2002 when it was acquired by Paladin.

Langer Heinrich is a calcrete type uranium deposit associated with valley-fill sediments occurring within an extensive Tertiary palaeodrainage system. The uranium mineralisation takes the form of carnotite which is a secondary oxidized mineral containing both uranium and vanadium. The deposit occurs over a 15-kilometre length of the palaeochannel with seven higher grade pods named as Details 1 to 7.

Following completion of a resource drilling program in 2005 mineral resource specialists Hellman and Schofield Pty Ltd completed revised resource estimates for Langer Heinrich according to the JORC (2004) Code and Canadian National Instrument 43.101 (Standards of Disclosure for Exploration, Development and Mining Properties) (NI 43.101) compliant as set out below:

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

	<b>Mt</b>	<b>Grade % U<sub>3</sub>O<sub>8</sub></b>	<b>Tonnes U<sub>3</sub>O<sub>8</sub></b>
Measured Resources	19.9	0.07	13,250
Indicated Resources	12.4	0.06	6,950
<b>Total</b>	<b>32.3</b>	<b>0.07</b>	<b>20,200</b>
Inferred Resources	40.0	0.06	23,800

A Bankable Feasibility Study (**BFS**) of the Langer Heinrich Project was completed in April 2005 which confirmed that Langer Heinrich could be developed as a profitable uranium mining operation. In July 2005 the Ministry of Mines and Energy in Namibia granted a mining licence to Langer Heinrich Uranium (Pty) Ltd for a 25-year term to July 2030.

Project construction at Langer Heinrich commenced in September 2005 and is progressing to plan, on budget and on schedule for staged commissioning starting on 22 September 2006. By the end of June 2006, the project was 83% complete, with construction work at 62% completion. A construction workforce of 450 is deployed at Langer Heinrich.

The key operations senior management team has been recruited, comprising 90% Namibian citizens, with at least half of the team having prior uranium experience. Recruitment of the remaining operational staff is progressing well.

The mining operation is designed to produce 1,180 tonnes (2.6Mlbs) per annum (**tpa**) of uranium oxide concentrate from 1.5Mt per annum of calcrete associated ores by ore beneficiation, alkaline leaching (heating to

75°C), counter-current decantation, ion exchange, precipitation and calcining to produce saleable  $U_3O_8$ .

The Ore Reserves generated from the Measured and Indicated Resources as delineated at the time the BFS was being conducted determined a scheduled mine life of 11 years and a process plant life of 15 years. Based on mill throughput design, the BFS demonstrates that 1,180tpa of  $U_3O_8$  could be produced for the first 11 years at a head feed grade of 0.0875%  $U_3O_8$  and 401tpa  $U_3O_8$  over the last 4 years, using accumulated low grade stockpiles grading 0.032%  $U_3O_8$ . The successful resource drilling program completed in 2005 demonstrates that additional ore-grade resources are available that have the potential to extend mine and process plant life and defer the processing of low grade stockpiles.

Paladin has been successful in securing three sales contracts with US power utilities for an aggregate of 6.6 million pounds of Langer Heinrich uranium production over the period 2007 to 2012 which is related to the loan period for bank finance. This underlines Paladin's confidence in the success of this project. Pricing in all three contracts is market-related at time of delivery and is subject to escalating floor and ceiling components.

**(b) Kayelekera Project**

The Kayelekera Uranium Project is located in northern Malawi in southern Africa, 650 kilometres north of the country's capital city, Lilongwe and 40 kilometres west of the provincial town of Karonga. The Kayelekera orebody is covered by an Exclusive Prospecting Licence of 157 square kilometres granted in 1998.

In 1998 Paladin acquired an interest in Kayelekera through a joint venture with an unlisted Australian company, Balmain Resources Pty Ltd which then held exploration rights over the Project area. Paladin has since acquired 100% equity in the Project which is held through its wholly owned Malawian subsidiary, Paladin (Africa) Limited.

Kayelekera is a sandstone-hosted uranium deposit within the Karroo Sandstones in the northern part of the North Rukuru Basin of Malawi. Uranium mineralisation occurs mainly as coffinite. Six principal mineralised lenses form the bulk of the uranium mineralization hosted within distinct reduced arkose units and occur to a depth of 100 metres from surface. The lenses are superimposed vertically along a trend lying approximately parallel to the synclinal axis of the fault-bounded structure.

Following completion of a resource drilling program in 2005 mineral resource specialists Hellman and Schofield Pty Ltd completed new resource estimates reported here according to the JORC (2004) Code and NI 43.101 compliant as follows:

At 300ppm $U_3O_8$ Cut-off			
	Mt	Grade % $U_3O_8$	Tonnes $U_3O_8$
Measured Resources	2.20	0.12	2,730
Indicated Resources	13.11	0.08	10,880
<b>Total</b>	<b>15.31</b>	<b>0.09</b>	<b>13,630</b>
Inferred Resources	3.40	0.06	2,040

At 600ppm U<sub>3</sub>O<sub>8</sub> Cut-off

	Mt	Grade % U <sub>3</sub> O <sub>8</sub>	Tonnes U <sub>3</sub> O <sub>8</sub>
Measured Resources	1.58	0.16	2,460
Indicated Resources	6.98	0.12	8,240
<b>Total</b>	<b>8.56</b>	<b>0.12</b>	<b>10,690</b>
Inferred Resources	1.19	0.09	1,110

The Central Electricity Generating Board of Great Britain (CEGB) discovered the high grade Kayelekera sandstone uranium deposit in the early 1980's. CEGB spent US\$9 million working on the project over an 8-year period, culminating in a full feasibility study in 1991 assessing the viability of a conventional open pit mining operation. This study indicated that the project was uneconomic using the mining model adopted and the low uranium prices prevailing at that time. The project was abandoned in 1992.

Since Paladin's entry into the Kayelekera Project in 1998 there has been a fourfold increase in the price of uranium. This, coupled with the availability of more advanced processes for uranium recovery and improvements in investment policies and infrastructure within Malawi, has greatly enhanced the potential viability of the project.

On the basis of the current revival in the uranium market and positive economic returns indicated by a Pre-Feasibility Study updated in February 2005, a BFS was commissioned in May 2005. The focus of the study under the management of GRD Minproc includes detailed verification of the mining and milling concepts planned for adoption in the project and validation (or modification, if required) of all other environmental and mine model parameters used in the 1991 final feasibility study. The cost of this BFS, building on the merits of the existing work, will be in the region of A\$6.5 million and is expected to be completed in December 2006. This will include the Environmental Impact Assessment.

The mining model incorporates open pit mining with a conventional acid leach process and offers little technical difficulty. Importantly this mining concept can be implemented within the framework of the existing environmental, resource and other data that was incorporated and used for the 1991 feasibility work.

Preliminary financial modelling using a mining concept with a base annual production of 1,000 tonnes U<sub>3</sub>O<sub>8</sub> indicates a very viable project. Using this production rate, Paladin estimates that the Kayelekera Deposit can support a 10-year mine life producing approximately 10,000 tonnes U<sub>3</sub>O<sub>8</sub>. Much room exists for project optimisation and, on current assessment, a mining operation with long term uranium sales contracts above US\$36 per pound U<sub>3</sub>O<sub>8</sub> makes Kayelekera a highly attractive project. Work now in progress will establish the capital operating costs to the required level of confidence for the BFS.

Paladin (Africa) Limited has also recently been granted three exclusive prospecting licences in Malawi covering an aggregate 1,139 square kilometres. Two of these are contiguous with the Kayelekera exclusive

prospecting licence while the third lies along the western shore of Lake Malawi. All three cover areas of Karroo Sandstone which hosts the Kayelekera orebody and the three areas are considered prospective for Kayelekera type uranium deposits. Airborne radiometric and geochemical anomalies were identified during previous work in the 1980's. Paladin has not yet commenced work on these properties.

(c) **Manyingee Project**

The Manyingee Uranium Project is located in the north west of Western Australia, 1,100 kilometres north of Perth, the State Capital and 85 kilometres inland from the coastal township of Onslow. The property is comprised of three mining leases covering 13 square kilometres.

Paladin purchased the Manyingee Project in 1998 from Afmeco Mining and Exploration Pty Ltd (AFMEX), a subsidiary company of Cogema of France. Paladin's 100% interest in Manyingee is held through its wholly owned subsidiary, Paladin Energy Minerals NL.

AFMEX (previously named Total Mining Australia Pty Ltd) discovered uranium mineralisation at Manyingee in 1973 during regional exploration. Between 1973 and 1984 400 holes were drilled and this established the extent and continuity of sedimentary uranium mineralisation in permeable sandstone in palaeochannels. Field trials by AFMEX demonstrated that the Manyingee uranium deposit is amenable to extraction by in-situ leaching (ISL).

The Manyingee Project contains JORC (1999) Code compliant resources as follows:

At 300ppm U <sub>3</sub> O <sub>8</sub> Cut-off			
	Mt	Grade % U <sub>3</sub> O <sub>8</sub>	Tonnes U <sub>3</sub> O <sub>8</sub>
Indicated Resources	7.9	0.10	8,080
Inferred Resources	4.2	0.07	2,810

The Manyingee project is currently mothballed due to the negative uranium policies of the State Government and field work has been deferred while priority is given to the Southern African development projects at Langer Heinrich and Kayelekera.

(d) **Oobagooma Project**

The Oobagooma Project is located in the West Kimberley Region of Western Australia, 1,900 kilometres north-north-east of Perth, the State Capital, and 75 kilometres north east of Derby on freehold land owned by the Commonwealth Government and used by the military for training purposes. The area is covered by two applications for exploration licences covering 392 square kilometres. Consent of the Commonwealth Government and the Department of Defence will be required before mining tenements can be granted by the State.

Paladin acquired a call option in 1998 in relation to the purchase of the Oobagooma Project and, in turn, granted a put option to the original holder of the Project. Both options are subject to the exploration licences being granted by the State.

The Oobagooma project area was explored by AFMEX from 1983 to 1986 during which time extensive zones of uranium mineralisation were discovered.

Using geostatistical methods AFMEX calculated a historical estimate of uranium mineralisation at Oobagooma. This work was done before the JORC Code had been formulated and was thus not carried out in accordance with the Code. The AFMEX estimate is follows:

At 300ppm U <sub>3</sub> O <sub>8</sub> Cut-off			
	Mt	Grade % U <sub>3</sub> O <sub>8</sub>	Tonnes U <sub>3</sub> O <sub>8</sub>
	8.2	0.12	9,950

The main exploration effort, once the tenements have been granted, will be to confirm continuity of the uranium mineralisation by infill drilling concentrating on mineralised redox fronts as re-interpreted and allow JORC compliant resource estimates to be made. The style of mineralisation is believed to be amenable to recovery of uranium in a future ISL mining operation.

(e) **Quasar Uranium Joint Venture**

The Joint Venture with Quasar Resources Pty Ltd covers two exploration licences in the northern Frome Basin in South Australia. The two licences cover 1,051 square kilometres. Paladin holds a 15% free carried interest in Exploration Licence 3001 and a 20% free carried interest in Exploration Licence 3078. Quasar is a wholly owned subsidiary of Heathgate Resources Pty Ltd, operator of the Beverley ISL uranium mine which is situated immediately south of the Joint Venture tenements. Quasar is operator and manager of the Joint Venture. Heathgate Resources is an Australian affiliate of General Atomics of the USA.

The exploration licences are considered prospective for palaeochannel uranium mineralisation and Quasar has conducted a number of exploration campaigns on the ground. To date no measurable resources have been identified.

(f) **Uranium Database**

Paladin owns a unique uranium database, compiled over 30 years of investigations by the international uranium mining house Uranerzbergbau in Germany. The database incorporates all aspects of the uranium mining and exploration industry and includes detailed exploration data for Africa and Australia. It can be used to quickly research uranium prospects, deposits and mineralisation on a country by country basis. Paladin continues to evaluate opportunities for acquiring additional uranium projects from this database.

(g) **Deep Yellow Ltd**

In 2005 Paladin sold three non-core Australian uranium projects to Deep Yellow Ltd – an Australian company listed on the ASX. As a result of these sales Paladin now holds 6,550,000 fully paid shares in Deep Yellow

Ltd, 25,000,000 one-cent options expiring on 31 December 2007 and 12,500,000 twelve-cent options expiring on 15 July 2008. Paladin is also entitled to a 2% gross royalty on production from the Napperby and North East Arunta projects in the Northern Territory.

Deep Yellow Ltd is a dedicated uranium exploration company with exploration holdings covering over 75,000 square kilometres in Australia.

## **2.5 Financial information on the Paladin Group**

### **(a) Basis of presentation of historical financial information**

The historical financial information below relates to Paladin on a stand-alone basis and accordingly does not reflect any impact of the Offer. It is a summary only and the full financial accounts for Paladin for the financial periods described below, which include the notes to the accounts, can be found in Paladin's annual reports for those periods.

### **(b) Historical financial information of the Paladin Group**

#### **(1) Balance Sheet**

The summarised historical balance sheet of the Paladin Group as at 31 December 2005 set out below has been extracted from the reviewed consolidated balance sheet of the Paladin Group as at 31 December 2005.



The information set out below should be read in conjunction with the notes accompanying those accounts (copies of which are available from Paladin's website).

### Paladin Summarised Consolidated Balance Sheet

	As At
	31 December
	2005
	A\$000
<b>ASSETS</b>	
<b>Current assets</b>	
Cash and cash equivalents	94,436
Receivables	1,883
<b>TOTAL CURRENT ASSETS</b>	<b>96,319</b>
<b>Non current assets</b>	
Deferred borrowing costs	1,239
Held to maturity investments	-
Available for sale financial assets	4,505
Property, plant and equipment	21,127
Exploration and evaluation expenditure	8,422
<b>TOTAL NON CURRENT ASSETS</b>	<b>35,293</b>
<b>TOTAL ASSETS</b>	<b>131,612</b>
<b>LIABILITIES</b>	
<b>Current liabilities</b>	
Payables	4,175
Unearned revenue	291
Interest bearing liabilities	-
Provisions	157
<b>TOTAL CURRENT LIABILITIES</b>	<b>4,623</b>
<b>Non current liabilities</b>	
Payables	48
Unearned revenue	1,029
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>1,077</b>
<b>TOTAL LIABILITIES</b>	<b>5,700</b>
<b>NET ASSETS</b>	<b>125,912</b>
<b>EQUITY</b>	
Contributed equity	145,450
Reserves	7,409
Accumulated losses	(26,947)
<b>TOTAL EQUITY</b>	<b>125,912</b>

**(2) Income Statement**

The summarised historical income statement of the Paladin Group for the nine months ended 31 March 2006 shown below has been extracted from the unaudited and unreviewed consolidated income statement for the nine months ended 31 March 2006.

The information set out below should be read in conjunction with the notes accompanying those accounts (copies of which are available from Paladin's website).

**Paladin Consolidated Income Statement**

	Nine Months Ended 31 March 2006 A\$000
<b>REVENUE FROM CONTINUING OPERATIONS</b>	<b>2,962</b>
Other income	5,466
Share based payments expense	(2,560)
Interest expense	(16)
Exploration and evaluation expenditure	(2,281)
Write down of convertible note	-
Depreciation and amortisation	(140)
Other expenses	(3,287)
<b>PROFIT / (LOSS) BEFORE INCOME TAX</b>	<b>144</b>
Income tax expense	-
Profit / (Loss) from continuing operations	144
Profit from discontinued operations	-
<b>PROFIT / (LOSS) ATTRIBUTABLE TO MEMBERS OF PALADIN RESOURCES LTD</b>	<b>144</b>
	<b>Cents</b>
Profit / (Loss) per share attributable to ordinary equity holders – basic	0.03
– diluted	0.03

**(c) Management commentary on historical results**

Paladin's current activities are focused on development of its two African projects and exploration/appraisal activities elsewhere. It does not have any existing production assets. The Income Statement and Balance Sheet above reflect this. The accumulated loss figure of A\$26.9 million predominantly reflects historic exploration expenditure and overhead costs. Paladin's policy is to expense exploration expenditure in the period

in which it is conducted until such time as the project is determined to have reached commercial feasibility. When the decision to proceed to development has been made, costs are capitalised. The cash position of AS\$94.4 million at December 2005 has been allocated for the equity portion of Langer Heinrich project costs, the BFS at Kayelekera and the wider business development activities of the group. The increase in the Property Plant and Equipment balance sheet item from June 2005 to December 2005 was driven predominantly by design and early construction activities in Namibia.

## **2.6 Publicly available information about Paladin and documents lodged with ASIC**

Paladin is a listed disclosing entity for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a listed company, Paladin is subject to the listing rules of ASX which require continuous disclosure of any information Paladin has concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

ASX maintains files containing publicly disclosed information about all listed companies. Paladin's file is available for inspection at ASX during normal business hours.

In addition, Paladin is also required to lodge various documents with ASIC. Copies of documents lodged with ASIC by Paladin may be obtained from, or inspected at, an ASIC office.

On request to Paladin and free of charge, Valhalla shareholders may obtain a copy of:

- the annual financial report of Paladin for the year ended 30 June 2005 (being the annual financial report most recently lodged with ASIC before lodgement of this Bidder's Statement with ASIC);
- any half-year financial report lodged with ASIC by Paladin after the lodgement of the annual financial report referred to above and before lodgement of this Bidder's Statement;
- any continuous disclosure notice given to ASX by Paladin since the lodgement with ASIC of the 2005 annual report for Paladin referred to above and before lodgement of this Bidder's Statement with ASIC.

A list of announcements made by Paladin to ASX since 1 July 2005 is contained in Annexure B.

A substantial amount of information about Paladin is available in electronic form from: [www.paladinresources.com.au](http://www.paladinresources.com.au)

## **2.7 Announcement by Paladin in relation to the Offer**

On 10 July 2006, Paladin made a public announcement to ASX in relation to the Offer. A copy of that announcement is contained in Annexure A of this Bidder's Statement.

### 3 Information on Paladin's securities

#### 3.1 Paladin issued securities

As at the date of this Bidder's Statement, Paladin's issued securities consisted of:

- 454,885,713 fully paid ordinary shares; and
- 25,615,000 options to subscribe for ordinary shares in Paladin.

#### 3.2 Recent trading of Paladin Shares

The latest recorded sale price of Paladin Shares on ASX before the Announcement Date was \$4.58 as at close of trading on ASX on 6 July 2006.

The latest recorded sale price of Paladin Shares on ASX before the date on which this Bidder's Statement was lodged with ASIC was \$4.06.

The highest recorded sale price of Paladin Shares on ASX in the last 4 months before this Bidder's Statement was lodged with ASIC was \$5.54.

The lowest recorded sale price of Paladin Shares on ASX in the last 4 months before this Bidder's Statement was lodged with ASIC was \$3.30.

#### 3.3 Rights and liabilities attaching to Paladin Shares

##### (a) Introduction

The rights and liabilities attaching to the Paladin Shares which will be issued as the consideration under the Offer are set out in Paladin's constitution and in the Corporations Act.

The main rights and liabilities attaching to the Paladin Shares are summarised below.

##### (b) Meetings of shareholders and voting rights

Each Paladin shareholder is entitled to receive notice of, attend and vote at general meetings of Paladin and to receive all notices, accounts and other documents required to be sent to shareholders under the constitution of Paladin or the Corporations Act.

At a general meeting, every person present who is a Paladin shareholder or a proxy, attorney or representative of a Paladin shareholder has one vote on a show of hands and one vote on a poll for each fully paid share held (with adjusted voting rights for partly paid shares). Voting at any general meeting of Paladin shareholders is by a show of hands unless a poll is demanded by at least 5 Paladin shareholders entitled to vote on the resolution, Paladin shareholders holding not less than 5% of the total voting rights of all shareholders having the right to vote on the resolution, or the chairman.

##### (c) Dividends

The directors of Paladin may from time to time determine to distribute the profits of Paladin by way of dividend to Paladin shareholders entitled to the dividend. Each Paladin Share has the same dividend rights, subject to any special rights, arrangements or restrictions attached to the shares.

**(d) Winding up**

Subject to any special resolution or special rights attaching to any Paladin Shares or class of shares, Paladin shareholders will be entitled on a winding up to a share in any surplus assets of Paladin in proportion to the shares held by them.

**(e) Transfer of shares**

Paladin shareholders may transfer their Paladin Shares by a written transfer in the usual form or by a proper transfer effected in accordance with the ASTC Settlement Rules and ASX requirements. All transfers must comply with Paladin's constitution, the Listing Rules, the ASTC Settlement Rules and the Corporations Act. The Directors may refuse to register a transfer of shares in circumstances permitted by the Listing Rules or the ASTC Settlement Rules. The Directors must refuse to register a transfer of shares where required to do so by the Listing Rules or the ASTC Settlement Rules.

Paladin Shares are also traded on the TSX and may be transferred in accordance with the practices and procedures applicable to that exchange.

**(f) Alteration of capital**

The procedures set out in sections 246B to 246E of the Corporations Act must be followed for any variation of rights attached to Paladin Shares. Under that section, with the consent in writing of the holders of at least three quarters of the issued shares in the particular class, or the sanction of a special resolution passed at a meeting of the holders of shares in that class, the rights attached to a class of shares may be varied or cancelled. In either case, the holders of not less than ten per cent of the votes in the class of shares whose rights have been varied or cancelled may apply to a court of competent jurisdiction to exercise its discretion to set aside such variation or cancellation.

**(g) Partial takeovers**

The constitution of Paladin requires shareholder approval where a partial off-market takeover offer is made in respect of Paladin Shares. If such a takeover offer is made, the directors of Paladin must ensure that a resolution of shareholders to approve the takeover bid is voted on.

Each Paladin shareholder (other than the offeror or a persons associated with the offeror) who, as at the end of the day on which the first offer is made under the bid, held Paladin Shares has one vote for each Paladin Share held. The vote is decided on a simple majority.

If the resolution is not passed, transfers which would have resulted from the acceptance of an offer will not be registered and the offer will be taken to have been withdrawn.

**(h) Amendment**

The constitution of Paladin may be amended only by a special resolution passed by at least three quarters of the votes cast by Paladin shareholders entitled to vote on the resolution. At least 28 days written notice specifying the intention to propose the resolution must be given.

### 3.4 Paladin option plan

As at the date of this Bidder's Statement, Paladin currently has the following option plan in operation:

#### *Employee Share Incentive Option Plan*

On 23 March 2004, the Directors approved the Employee Share Incentive Option Plan for which up to ten percent of the ordinary shares on issue can be on offer at any one time to directors, employees and consultants directly engaged in corporate, project development, exploration and evaluation work for Paladin. The maximum term of the options is 5 years, with the vesting requirements and exercise price of the options determined by the directors of Paladin at the time of grant. The options are convertible into fully paid ordinary shares of Paladin on a one for one basis and may not be exercised within 12 months of their date of grant, except in the case of a takeover bid or a scheme of arrangement or if otherwise approved by Paladin shareholders. Options are granted at no cost under the plan and carry no dividend or voting rights.

### 3.5 Options

Options have been issued by Paladin under the Employee Share Incentive Option Plan as detailed below, pursuant to the terms of employment agreements, other contracts and grants by the Paladin Board from time to time.

The exercise prices and expiry dates for the Paladin options on issue as at the date of this Bidder's Statement are as follows:

Exercise price	Expiry date	Number issued	Vesting
\$1.00	30 November 2007	8,050,000	Vested
\$1.25	30 November 2007	1,300,000	Vested
\$1.00	20 December 2007	10,250,000	Vested
\$1.50	15 July 2008	200,000	Vested
\$2.80	13 January 2009	1,950,000	13 January 2007
\$2.80	13 January 2009	900,000	13 January 2008
\$5.50	28 April 2009	782,500	31 October 2007
\$5.50	28 April 2009	782,500	31 October 2008
\$5.50	3 July 2009	700,000	5 January 2008
\$5.50	3 July 2009	700,000	5 January 2009

### 3.6 Substantial holders in Paladin Shares and options

As at the date of this Bidder's Statement, so far as known to Bidder based on publicly available information, there are no substantial holders of Paladin Shares and options, except as set out below:

Substantial holder	Number of Paladin Shares	Voting power
Dundee Corporation	45,849,545	10.07%

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## 4 Information on Valhalla and Valhalla Group

### 4.1 Overview of Valhalla

Valhalla is a public company limited by shares that is incorporated in Western Australia and listed on the ASX.

### 4.2 Directors

As at the date of this Bidder's Statement, there are 3 directors of Valhalla. The directors of Valhalla are as follows:

(a) **Peter Ernest Huston (Non-Executive Chairman)**

*B. Juris, LLB (Hons), B.Com., LLM*

Mr Peter Huston was appointed to the Board as Chairman on Valhalla's incorporation in September 2005. After gaining admission in Western Australia as a Barrister and Solicitor, Mr Huston initially practised in the area of corporate and revenue law. Subsequently, he moved into the area of public listings, reconstructions, equity raisings, mergers and acquisitions and advised on a number of major public company float, takeovers and reconstructions. Mr Huston is admitted to appear before the Supreme Court, Federal Court and High Court of Australia. Mr Huston was a partner of the international law firm now known as "Deacons" until 1993 when he retired to establish the boutique investment bank and corporate advisory firm known as "Troika Securities Limited".

(b) **Peter Ross Sullivan (Managing Director)**

*B.E., MBA*

Mr Peter Sullivan was appointed to the Board as a Director on Valhalla's incorporation in September 2005. Mr Sullivan is an engineer and has been involved in the development of resource companies and projects for approximately 20 years. Mr Sullivan has four years experience in corporate finance with an investment bank and two years in a corporate development role with an Australian resource group. Mr Sullivan has considerable experience in the management and strategic development of resource companies.

(c) **Henry Thomas Stuart (Bill) Price (Non-Executive Director)**

*B.Com, FCA, MAICD*

Mr Bill Price was appointed to the Board as a non-executive Director on Valhalla's incorporation in September 2005. Mr Price is a Chartered Accountant with over 35 years experience in the accounting profession. Mr Price has extensive taxation and accounting experience in the corporate and mining sector. In addition to his professional accounting qualifications, Mr Price is a member of the Australian Institute of Company Directors, a registered tax agent and registered company auditor. He is a director and treasurer of Tennis West, and a consultant to the Finance Committee at the Real Estate Institute of Western Australia.

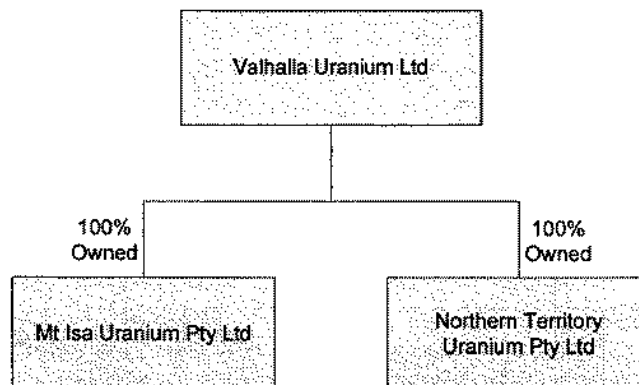
### 4.3 History, structure and ownership of Valhalla Group

#### (a) History

Valhalla was incorporated on 23 September 2005, and was admitted to the Official List of the ASX on 15 December 2005.

#### (b) Structure

The corporate structure of Valhalla and the companies it controls is as follows:



#### (c) Ownership

Resolute holds 83.33% of the Shares on issue in Valhalla. Alliance Life Common Fund Ltd holds approximately 38.7% of the issued capital of Resolute and therefore has a substantial holding in Valhalla.

### 4.4 Principal activities of Valhalla and Valhalla Group

Valhalla has interests in a number of advanced uranium projects in Queensland and the Northern Territory. The projects include a 50% interest in the Valhalla and Skal uranium deposits in Queensland pursuant to the Mt Isa Agreement. Valhalla also has interests in a series of uranium resources and prospects at various stages of evaluation in the Northern Territory.

The most advanced project in Valhalla's portfolio is the Valhalla project, after which the company is named. The Valhalla deposit is located 40 kilometres north of Mount Isa in Queensland. As shown in the October 2005 Independent Geologist report included in Valhalla's prospectus dated 7 November 2005, the Valhalla deposit has a JORC compliant Measured and Indicated Resource of 8.8Mt grading 0.147%  $U_3O_8$  for a total of 28.4Mlbs  $U_3O_8$  and Inferred Resources of 2.7Mt grading 0.135%  $U_3O_8$  for a total of 8.0Mlbs  $U_3O_8$ . In addition, Valhalla's partner, Summit, has reported incremental historical estimates of 9.0Mt at 0.10%  $U_3O_8$  for 20.1Mlbs  $U_3O_8$  estimated Uranium mineralisation. The Skal uranium deposit, 10 kilometres east of Valhalla has also been drill tested with significant contained uranium identified in mineralisation of a similar style to Valhalla. This deposit (as reported by Summit) has a historical estimate of uranium mineralisation of 4.2Mt at between 0.10%  $U_3O_8$  and 0.13%  $U_3O_8$  for 11.0Mlbs  $U_3O_8$ .

Valhalla is also a participating partner in a series of uranium projects in the Ngalia Basin and Pine Creek districts of the Northern Territory. The projects include four uranium and vanadium prospects, in which significant volumes of high-grade



mineralisation have been identified, as well as a series of prospective radiometric targets.

Valhalla holds a 33.33% interest in two tenement applications in the Pine Creek District, together with AFMECO Mining and Exploration Pty Ltd (**AFMEX**), UAL Pty Ltd and S.A.E. Australia Pty Ltd. Beatrice South Exploration Licence Application 3114 of 200 square kilometres is located in the East Alligator River uranium province 250 kilometres east of Darwin and is centred 23 kilometres east of Jabiru. The tenement application was placed in moratorium on 3 January 2001 for a period of 5 years. AFMEX have recently submitted a detailed work programme and proposal submission to the Northern Land Council, with the objective of progressing the application towards grant.

Mt Gilruth Exploration Licence Application 1466 with an area of 500 square kilometres, lies 240 east of Darwin and 70 kilometres south southeast of the Jabiru township. It is just within the Arnhem Land Reserve. The moratorium on this tenement expired in April 2005 and AFMEX submitted a work programme and proposal submission to the Northern Land Council in May 2005.

The most advanced of the Northern Territory projects is at Bigrlyi (in which Valhalla has a 41.7% interest) where some four hundred and thirteen drill holes have been drilled. The Bigrlyi project comprises ten granted exploration retention licences located approximately 390 kilometres northwest of Alice Springs. The project, which is a joint venture with Energy Metals Limited (53.3%) and Southern Cross Exploration (5%), was subject to significant exploration activity in the period 1974 to 1982.

#### **4.5 Publicly available information about Valhalla Group**

Valhalla is a listed disclosing entity for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a listed company, Valhalla is subject to the listing rules of the ASX which require continuous disclosure of any information Valhalla has concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

ASX maintains files containing publicly disclosed information about all listed companies. Valhalla file is available for inspection at ASX during normal business hours.

In addition, Valhalla is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by Valhalla may be obtained from, or inspected at, an ASIC office.

A substantial amount of information about Valhalla is available in electronic form from: [www.valhallauranium.com.au](http://www.valhallauranium.com.au).

#### **4.6 Announcement by Valhalla in relation to the Offer**

On 11 July 2006, Valhalla made a public announcement to ASX in relation to the Offer. A copy of that announcement (not including annexures) is contained in Annexure A of this Bidder's Statement.

## 5 Information on Valhalla's securities

### 5.1 Valhalla's issued securities

According to documents provided by Valhalla to ASX, as at the date of this Bidder's Statement, Valhalla's issued securities consisted of 120,000,000 Shares, of which 20,000,001 Shares are quoted on ASX and 99,999,999 are subject to escrow until 15 December 2007 (**Escrowed Shares**). The Escrowed Shares carry equal dividend and voting rights to those Shares quoted on ASX.

### 5.2 Interests in Valhalla securities

As at the date of this Bidder's Statement:

- Paladin's voting power in Valhalla was nil; and
- Paladin had relevant interests in nil Shares.

As at the date of the Offer:

- Paladin's voting power in Valhalla was [            ]; and
- Paladin had relevant interests in [            ] Shares.

### 5.3 Dealings in Shares

#### (a) Previous four months

Neither Paladin nor any associate of Paladin has provided, or agreed to provide, consideration for Shares under any purchase or agreement during the 4 months before the date of this Bidder's statement.

#### (b) [Period before Offer

Neither Paladin nor any associate of Paladin has provided, or agreed to provide, consideration for Shares under any purchase or agreement during the period starting on the date of this Bidder's statement and ending on the date immediately before the date of the Offer.]

### 5.4 Recent share price performance of Valhalla

The latest recorded sale price of Valhalla Shares on ASX before the Announcement Date was \$1.22 as at close of trading on ASX on 6 July 2006.

The latest recorded sale price of Valhalla Shares on ASX before the date on which this Bidder's Statement was lodged with ASIC was \$1.28.

### 5.5 No pre-Offer benefits

During the period of 4 months before the date of this Bidder's Statement, neither Paladin nor any associate of Paladin gave, or offered to give, or agreed to give a benefit to another person which was likely to induce the other person, or an associate of the other person, to:

- accept the Offer; or
- dispose of Valhalla Shares,

and which is not offered to all holders of Valhalla Shares under the Offer.

[During the period from the date of this Bidder's Statement to the date before the date of the Offer, neither Paladin nor any associate of Paladin gave, or offered to give, or agreed to give a benefit to another person which was likely to induce the other person, or an associate of the other person, to:

- accept the Offer; or
- dispose of Valhalla Shares,

and which is not offered to all holders of Valhalla Shares under the Offer.]

## **5.6 No escalation agreements**

Neither Paladin nor any associate of Paladin has entered into any escalation agreement that is prohibited by section 622 of the Corporations Act.

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## **6 Sources of consideration**

The consideration for the acquisition of the Shares to which the Offer relates will be satisfied wholly by the issue of Paladin Shares.

The maximum number of Paladin Shares which would become payable under the Offer if acceptances are received in respect of Valhalla Shares on issue as at the date of this Bidder's Statement (other than those Valhalla Shares in which Paladin has a relevant interest) is approximately 37,974,683 Paladin Shares.

There is no restriction on the ability of Paladin to issue the maximum number of Paladin Shares which it may be required to issue under the Offer.

## **7 Bidder's intentions in relation to Valhalla**

### **7.1 Introduction**

The intentions of Paladin are set out in this section of the Bidder's Statement. Those intentions have been formed on the basis of facts and information concerning Valhalla, and the general business environment, which are known at the time of preparing this Bidder's Statement. Final decisions will only be reached by Paladin in light of material information and circumstances at the relevant time. Accordingly, the statements set out in this section are statements of current intention only and accordingly may vary as new information becomes available or circumstances change.

### **7.2 Overview and rationale for the Offer**

The proposed acquisition of Valhalla will add up to three potential medium to long term uranium projects to Paladin's portfolio, most importantly the Valhalla/Skal deposits.

The proposed acquisition will provide further diversification in geographical, political and resource terms for Paladin. The Australian assets of Valhalla provide Paladin with greater upside exposure to a potential change in Australian Uranium Mining Policy, as well as retaining geographical diversity in the current Australian political climate.

The proposed acquisition also represents a significant step forward in Paladin's growth strategy. Paladin believes the Valhalla/Skal deposits are competitive ore bodies with significant resources and good grades and will enhance Paladin's goal of providing effective returns to shareholders through a focus on the development of uranium assets.

There may be synergies associated with combining Valhalla's operations with those of Paladin, including cost savings achievable through the consolidation of corporate costs. In addition, Valhalla's assets will gain significant leverage off Paladin's skills and capabilities in uranium specific geology, construction and development, processing and marketing.

### **7.3 Intentions for Valhalla as a wholly owned controlled entity**

This section 7.3 describes Paladin's intentions if Paladin and its associates acquire a relevant interest in 90% or more of the Shares, and so becomes entitled to proceed to compulsory acquisition of outstanding Shares in accordance with Part 6A.1 of the Corporations Act.

In that circumstance, Paladin's current intentions are as follows:

#### **(a) Corporate matters**

Paladin intends to:

- proceed with compulsory acquisition of the outstanding Shares in accordance with the provisions of Part 6A.1 of the Corporations Act;

- thereupon arrange for Valhalla to be removed from the official list of the ASX;
- replace the members of the Board with the nominees of Paladin. Replacement board members have not yet been identified by Paladin and their identity will depend on the circumstances at the relevant time. However, it is expected that the majority of the replacement board members will be members of Paladin's management team;
- terminate the employment arrangement with the existing Managing Director of Valhalla, Mr Peter Sullivan; and
- replace current representatives of Valhalla on each of the joint venture committees with nominees of Paladin.

(b) **General operational review**

After the end of the Offer Period, Paladin intends to conduct an immediate review of Valhalla's operations and assets on both a strategic and financial level to evaluate Valhalla's performance, profitability and prospects on an asset-by-asset basis.

(c) **Specific intentions**

Subject to the detailed findings of the asset-by-asset review mentioned above, Paladin confirms that it intends to continue with the current planned exploration and appraisal activities within each of Valhalla's three key joint ventures. Paladin will continue to support the planning and management of those activities by the joint venture managers and continue to comply with the respective joint venture agreements.

(d) **Impact on Employees**

So far as Paladin is aware, the only employee of Valhalla is Mr Peter Sullivan. As mentioned above, Paladin intends to terminate those arrangements with Mr Sullivan.

To the extent that there are any other employment or shared services arrangements in place with Valhalla, Paladin intends to terminate such arrangements.

## **7.4 Intentions for Valhalla as a part owned controlled entity**

Paladin reserves its right to declare the Offer free from the compulsory acquisition condition (or any other condition) to the Offer. However, Paladin has not decided whether it will free the Offer from the compulsory acquisition condition (or any other condition).

This section 7.4 describes Paladin's intentions if it were to declare the Offer free of the compulsory acquisition condition and if Valhalla becomes a controlled entity of Paladin, but Paladin is not entitled to proceed to compulsory acquisition in accordance with Part 6A.1 of the Corporations Act.

In that circumstance, Paladin's current intentions are as follows:

**(a) Corporate matters**

After the end of the Offer Period, Paladin intends:

- (subject to the Corporations Act and the constitution of Valhalla) to seek to replace some of the members of the board of Valhalla with nominees of Paladin, so that the proportion of such nominees is broadly similar to the voting power of Paladin. If Valhalla remains listed, Paladin would consider the recommendations in the ASX Corporate Governance Guidelines when determining the composition of the board. Replacement board members have not yet been finally decided by Paladin and their identity will depend on the circumstances at the relevant time. However, it is expected that the majority of the replacement board members will be members of the Paladin management team; and
- (subject to the Corporations Act and the ASX Listing Rules) Paladin intends, through its nominees on the Board, to seek to arrange for Valhalla to be removed from the official list of the ASX.

It is possible that, even if Paladin is not entitled to proceed to compulsory acquisition of minority holdings after the end of the Offer Period under Part 6A.1 of the Corporations Act, it may subsequently become entitled to exercise rights of general compulsory acquisition under Part 6D.2 of the Corporations Act: for example, as a result of acquisitions of Shares in reliance on the '3% creep' exception in item 9 of section 611 of the Corporations Act. If so, it intends to exercise those rights.

**(b) General operational review**

After the end of the Offer Period, Paladin intends to propose to the board of Valhalla that an immediate, broad-based review of Valhalla's operations be conducted on both a strategic and financial level, along similar lines to that described in section 7.3(b).

Paladin intends, subject to the approval of the board of Valhalla, to participate in this review.

**(c) Dividends and funding**

No dividends have been paid by Valhalla to date.

Paladin's view is that, given the early stage of development of Valhalla Project, it is unlikely that Valhalla will pay dividends in the short or medium term.

**(d) Limitations in giving effect to intentions**

The ability of Paladin to implement the intentions set out in this section 7.4, will be subject to the legal obligations of Valhalla directors to have regard to the interests of Valhalla and all Valhalla shareholders, and the requirements of the Corporations Act and the ASX Listing Rules relating to transactions between related parties. Paladin will only make a decision on the above mentioned courses of action following legal and financial advice in relation to those requirements.

## 7.5 Other intentions

Subject to the matters described above in this section 7 and elsewhere in this Bidder's Statement and, in particular, the completion of the review of Valhalla's operations referred to in section 7.3(b), it is the intention of Paladin, on the basis of the facts and information concerning Valhalla that are known to it and the existing circumstances affecting the assets and operations of Valhalla at the date of this Bidder's Statement, that:

- the business of Valhalla will be conducted in the same manner as at the date of this Bidder's Statement;
- there will be no redeployment of the fixed assets of Valhalla; and
- the present employees of Valhalla will continue to be employed by Valhalla.



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## **8 Effect of the Offer on Paladin and profile of the Merged Group**

### **8.1 Proforma consolidated financial statements for the Merged Group**

#### **(a) Introduction**

This section provides an overview of the unaudited financial position of Paladin as at 30 June 2006 together with the unaudited proforma balance sheet of the Merged Group, to show the effect of:

- completion of the acquisition of all the Shares by Paladin under the Offer;
- recent equity raisings and finance facilities by Paladin (as appropriate); and
- completion of the Offer.

The balance sheets as at 30 June 2006 have been prepared in accordance with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS).

#### **(b) Summarised Balance Sheets**

Set out below are a summary of the unaudited balance sheet of Paladin and the proforma balance sheets of Valhalla and the consolidated Merged Group, as at 30 June 2006.

## SUMMARISED UNAUDITED BALANCE SHEETS AS AT 30 JUNE 2006

	Paladin Resources Ltd \$ (000's)	Valhalla Uranium Limited \$ (000's)	Consolidated Adjustments \$ (000's)	Merged Group \$ (000's)
<b>Current assets</b>				
Cash and cash equivalents	59,778	5,358	-	65,136
Trade and other receivables	3,695	192	-	3,887
<b>Total current assets</b>	<b>63,473</b>	<b>5,550</b>	<b>-</b>	<b>69,023</b>
<b>Non-current assets</b>				
Other financial assets	7,703	-	-	7,703
Property, plant and equipment	80,442	-	-	80,442
Exploration and evaluation expenditure	8,690	41,978	108,844	159,512
<b>Total non-current assets</b>	<b>96,835</b>	<b>41,978</b>	<b>108,844</b>	<b>247,657</b>
<b>Total assets</b>	<b>160,308</b>	<b>47,528</b>	<b>108,844</b>	<b>316,680</b>
<b>Current liabilities</b>				
Trade and other payables	11,074	-	20	11,094
Unearned revenue	242	-	-	242
Provisions	328	-	-	328
<b>Total current liabilities</b>	<b>11,644</b>	<b>-</b>	<b>20</b>	<b>11,664</b>
<b>Non-current liabilities</b>				
Payables	41	-	-	41
Unearned revenue	979	-	-	979
Provisions	3,585	-	-	3,585
Borrowings	19,334	-	-	19,334
<b>Total non-current liabilities</b>	<b>23,939</b>	<b>-</b>	<b>-</b>	<b>23,939</b>
<b>Total liabilities</b>	<b>35,583</b>	<b>-</b>	<b>20</b>	<b>35,603</b>
<b>Net assets</b>	<b>124,725</b>	<b>47,528</b>	<b>108,824</b>	<b>281,077</b>
<b>Equity</b>				
Issued capital	148,182	47,633	108,719	304,534
Reserves	11,311	-	-	11,311
Accumulated losses	(34,768)	(105)	105	(34,768)
<b>Total equity</b>	<b>124,725</b>	<b>47,528</b>	<b>108,824</b>	<b>281,077</b>

## **8.2 Basis of preparation of the unaudited proforma balance sheets**

For the purposes of preparing the unaudited proforma balance sheets, Paladin has utilised the unaudited balance sheet of Valhalla as at 23 March 2006 extracted from the half year financial report of Valhalla for the period ended 23 March 2006. The half year financial report was reviewed by Ernst & Young in accordance with Australian Auditing Standards and the unqualified review opinion was signed on 1 June 2006. Proforma adjustments and assumptions have been made to present the balance sheet as at 30 June 2006. These adjustments and assumptions are detailed in section 8.3 below.

Paladin has utilised its own unaudited balance sheet as at 30 June 2006, which has been prepared from internal management accounts.

Acquisition accounting entries have then been made, consistent with the terms of the Offer and the assumptions set out in section 8.3 below, in order to arrive at an unaudited proforma consolidated balance sheet of the Merged Group as at 30 June 2006.

The directors of Paladin will undertake a comprehensive assessment of the fair value of the assets and liabilities acquired after the transaction has been completed.

The proforma balance sheets are indicative only. The Paladin directors have drawn their conclusions based on the known facts and other information publicly available. If the facts, circumstances, assumptions or other information should prove to be different to that described, the conclusions may change accordingly.

All adjustments have been made in accordance with Australian Accounting Standards.

## **8.3 Adjustments and assumptions used in preparing the unaudited proforma consolidated balance sheets**

The following adjustments and assumptions have been made in the preparation of the pro forma unaudited consolidated balance sheet of the Merged Group, as set out in section 8.2 above:

- The unaudited balance sheet of Valhalla as at 23 March 2006 has been adjusted to include the known transactions for the period to 30 June 2006, all of which have occurred or are reasonably likely to have occurred.
- The accounting policies applied by Valhalla have been consistently applied in the preparation of the proforma balance sheets, and no review has been made on the appropriateness of these policies or accounting treatments.
- The issue of 37,974,683 Paladin shares at an issue price of 4.06 which is the price at 21 July 2006 to shareholders of Valhalla pursuant to the Offer and before issue costs.
- The excess of the consideration paid over the fair value of Valhalla's non mineral assets resulting from the transaction has been attributed in full to Mining and Exploration Properties. This has resulted in the recognition of exploration expenditure acquired in the proposed transaction of

\$108,844,000. The accounting for the proposed transaction has been treated as the acquisition of an asset as the directors are of the opinion that the proposed transaction does not fall within the scope of AASB 3 "Business Combinations".

- Approximately \$2,195,000 in costs are expected to be incurred by Paladin in relation to the Offer and have been capitalised as a component of the cost of acquiring Valhalla as part of Paladins' investment in Valhalla.
- The recognition, directly in equity as a reduction of issued capital, of related costs of \$20,000 relating to the issue of Paladin Shares pursuant to the Offer.

## 9 Risk factors

### 9.1 Introduction

If the Offer becomes unconditional, Valhalla shareholders who accept the Offer will become Paladin shareholders, and Paladin will acquire an interest in Valhalla. In that event, Valhalla shareholders will continue to be indirectly exposed to the risks associated with having an interest in Valhalla's assets and general economic, share market and industry risks. There are also additional risks relating to the Offer and the Merged Group, to which Valhalla shareholders will be exposed through their holding of Paladin Shares.

### 9.2 Risks relating to the Offer and the Merged Group

#### (a) Issue of Shares as consideration

Valhalla shareholders are being offered consideration under the Offer that consists of a specified number of Paladin Shares, rather than a number of Paladin Shares with a specified market value. As a result, the value of the consideration will fluctuate depending upon the market value of the Paladin Shares. For example, Paladin's share trading range in the past 12 months has been from A\$1.42 to A\$5.54.

#### (b) Joint venture risk

Valhalla owns its interest in the Valhalla and Skal uranium deposits in Queensland through the Mt Isa Agreement. Any failure of the other party to the Mt Isa Agreement, Summit, to meet its obligations, could have a material adverse effect on the Valhalla project.

In addition, the Merged Group will not own the tenements on which the Valhalla and Skal deposits are located. The owner of these tenements may take actions beyond the Merged Group's control which may be contrary to the interests of the Merged Group.

### 9.3 General and industry risks

There are numerous widespread risks associated with investing in any form of business and with investing in the share market generally. There is also a range of specific risks associated with Paladin's business and its involvement in the exploration and mining industry. These risk factors are largely beyond the control of Paladin and its directors because of the nature and location of the existing and proposed business activities of Paladin.

The following summary, which is not exhaustive, represents some of the major risk factors for Paladin.

#### (a) Economic conditions

Economic conditions, both domestic and global, may affect the performance of Paladin.

Adverse changes in such things as the level of inflation, interest rates, exchange rates, government policy (including fiscal, monetary and regulatory policies), consumer spending, employment rates and industrial disruption, amongst others,

are outside the control of Paladin and may result in material adverse impacts on the business and its operating results.

**(b) Share market conditions**

As Paladin is listed on the ASX and TSX, its share price is subject to the numerous influences that may affect both the trends in the share market and the share prices of individual companies, including movements in international and local stock markets, inflation, interest rates, general economic conditions, changes in government, fiscal, monetary and regulatory policies. In the future, these factors may cause Paladin Shares to trade below current prices and may affect the income and expenses of Paladin.

Future earnings, asset values, and the relative attractiveness of Paladin Shares may be affected by changes in law and government policy in the jurisdictions in which the Merged Group will operate, in particular changes to taxation laws (including stamp duty and GST). In addition, accepting the Offer may involve tax considerations that may differ for each Valhalla shareholder. Each Valhalla shareholder is encouraged to seek professional tax advice in connection with accepting the Offer (see also section 10 in respect of tax considerations).

**(c) Speculative nature of mineral exploration and development**

Development of Paladin's mineral exploration properties is contingent upon obtaining satisfactory exploration results. Mineral exploration and development involves substantial expenses and a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to adequately mitigate. The degree of risk increases substantially when a company's properties are in the exploration as opposed to the development phase. There is no assurance that commercial quantities of ore will be discovered on any of Paladin's exploration properties. There is also no assurance that, even if commercial quantities of ore are discovered, a mineral property will be brought into commercial production. In addition, assuming discovery of a commercial ore-body, depending on the type of mining operation involved, several years can elapse from the initial phase of drilling until commercial operations are commenced. Most of the above factors are beyond the control of Paladin.

**(d) Liquidity and future financings**

Further exploration and development of the various mineral properties in which Paladin holds interests depend upon Paladin's ability to obtain financing through joint ventures, debt financing, equity financing or other means. There is no assurance that Paladin will be successful in obtaining the financing required as and when needed. Volatile markets for mineral commodities may make it difficult or impossible for Paladin to obtain debt financing or equity financing on favourable terms or at all. Failure to obtain additional financing on a timely basis may cause Paladin to postpone its development plans, forfeit rights in some or all of its properties or joint ventures or reduce or terminate some or all of its operations.

**(e) Mineral resources and ore reserves**

No assurance can be given that the anticipated tonnages and grades of ore will be achieved during production or that the indicated level of uranium recovery will be realised. Uranium price fluctuations, as well as increased production costs or reduced recovery rates, may render ore reserves containing relatively lower grades

uneconomic and may ultimately result in a restatement of such ore reserves. Moreover, short-term operating factors relating to ore reserves, such as the need for sequential development of ore bodies and the processing of new or different ore types or grades may cause a mining operation to be unprofitable in any particular accounting period.

**(f) Uncertainty relating to inferred mineral resources**

Inferred mineral resources that are not mineral reserves do not have demonstrated economic viability. Due to the uncertainty which may attach to inferred mineral resources, there is no assurance that inferred mineral resources will be upgraded to proven and probable mineral reserves as a result of continued exploration.

**(g) Government regulations**

Paladin's activities are subject to extensive laws and regulations controlling not only the mining of and exploration for mineral properties, but also the possible effects of such activities upon the environment and upon interests of native and/or indigenous peoples. Permits from a variety of regulatory authorities are required for many aspects of mine operation and reclamation. Future legislation and regulations could cause additional expense, capital expenditures, restrictions and delays in the development of Paladin's properties, the extent of which cannot be predicted.

In the context of environmental permitting, including the approval of reclamation plans, Paladin must comply with known standards, existing laws and regulations which may entail greater or lesser costs and delays depending on the nature of the activity to be permitted and how stringently the regulations are implemented by the permitting authority. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect Paladin's operations.

While it is possible that costs and delays associated with compliance with such laws, regulations and permits could become such that Paladin will not proceed with the development or operation of a mine, Paladin is not aware of any material environmental constraint affecting its proposed mining activities or exploration properties that would preclude the economic development or operation of any specific mine or property.

**(h) Volatility of metal prices**

The mining industry is competitive and there is no assurance that, even if commercial quantities of a mineral resource are discovered, a profitable market will exist for the sale of the same. Factors beyond the control of Paladin may affect the marketability of any minerals discovered. Metal prices are subject to volatile price changes from a variety of factors including international economic and political trends, expectations of inflation, global and regional demand, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods.

**(i) Mineral exploration and mining carry inherent risks**

Mining operations are subject to hazards normally encountered in exploration, development and production. These include unexpected geological formations, rock falls, flooding, dam wall failure and other incidents or conditions which could result in damage to plant or equipment or the environment and which could impact production throughput. Although it is intended to take adequate precautions to minimise risk, there is a possibility of a material adverse impact on Paladin's operations and its financial results.

**(j) Competition**

Significant and increasing competition exists for mineral acquisition opportunities throughout the world. As a result of this competition, some of which is with large, better established mining companies with substantial capabilities and greater financial and technical resources, Paladin may be unable to acquire rights to exploit additional attractive mining properties on terms it considers acceptable. Accordingly, there can be no assurance that Paladin will acquire any interest in additional operations that would yield reserves or result in commercial mining operations.

**9.4 Paladin specific risks****(a) Key Personnel**

Recruiting and retaining qualified personnel is critical to Paladin's success. The number of persons skilled in the acquisition, exploration and development of mining properties is limited and competition for such persons is intense. As Paladin's business activity grows, it will require additional key financial, administrative, mining, marketing, and public relations personnel as well as additional staff on the operations side. Paladin will be required to hire additional personnel in Namibia and Malawi. Although Paladin believes that it will be successful in attracting and retaining qualified personnel, there can be no assurance of such success.

**(b) Labour and employment matters**

While Paladin has good relations with its employees, these relations may be impacted by changes in the scheme of labour relations which may be introduced by the relevant governmental authorities. Adverse changes in such legislation may have a material adverse effect on Paladin's business.

**(c) Subsidiaries**

Paladin conducts certain of its operations through subsidiaries and holds certain of its assets in such subsidiaries. Accordingly, any limitation on the transfer of cash or other assets between Paladin and its subsidiaries could restrict Paladin's ability to fund its operations efficiently. Any such limitations, or the perception that such limitations may exist now or in the future, could have an adverse impact on Paladin's valuation and stock price.

**(d) Currency risk**

Paladin's operations incur expenditures in the local currencies of Australia, South Africa, Namibia and Malawi. Revenue from operations and certain other capital and operating costs will be in US dollars. As a result of the use of these different



currencies, Paladin is subject to foreign currency fluctuations which may materially affect its financial position and operating results.

**(e) Dilution**

Paladin may undertake additional offerings of securities in the future. The increase in the number of shares issued and the possibility of sales of such shares may have a depressive effect on the price of shares already on issue. In addition, as a result of the issue of such additional shares, the voting power of Paladin's existing shareholders will be diluted.

**(f) Project specific risk – Langer Heinrich**

The Langer Heinrich mine and concentrator are under construction presently. Paladin and its financiers have carefully determined the required timeframe and funding for this project. However, there is risk that the project will take longer than planned to achieve practical commissioning and or longer than planned to achieve the planned level of uranium oxide production. In extreme circumstances, these potential delays may necessitate additional funding from the parent entity and may lead to additional equity or debt for the group. Furthermore, scope change and/or cost overruns may lead to additional funding requirements. The performance of the Langer Heinrich operation is very much dependent on long term average operating costs. These may differ from those expected by the capital markets and/or Paladin.

**(g) Project specific risk – Kayelekera**

The Bankable Feasibility Study is ongoing for Kayelekera. Until this has been completed and a commitment to develop the ore body has been made, the development of that ore body remains uncertain. Capital and operating cost expectations are yet to be refined to a bankable level of accuracy. In addition, the fiscal regime in Malawi remains a matter for discussion between Paladin and Malawi, leading to some uncertainty on final royalty and tax arrangements.

**(h) Uranium contracts**

The only significant commercial use for uranium is to fuel civil nuclear power plants for the generation of electricity. Any adverse change in policies or laws concerning nuclear power in countries which operate nuclear power plants may negatively affect Paladin.

Paladin has entered into a number of take-or-pay contracts for off-take of  $U_3O_8$  from Langer Heinrich by large and financially sound customers. These contracts provide Paladin with escalating floor prices while allowing Paladin to benefit from some upside should the spot market for  $U_3O_8$  out-perform the floor prices. Paladin faces risk of non-performance on these contracts as well as potential penalties if it fails to meet its obligations in terms of product quality and/or timing of supply.

**(i) Political stability**

Paladin's activities are principally conducted in southern Africa. In southern Africa, Paladin's projects may be subject to the effect of political changes, war and civil conflict, changes in government policy, lack of law enforcement and labour unrest and the creation of new laws. These changes (which may include new or modified taxes or other government levies as well as other legislation) may impact on the profitability and viability of its properties.

In Australia, government policy from time to time may not be favourable to uranium mining and export. To the extent that the capital markets may have placed value on the possibility of a change in Australian State Governments' policy towards new uranium mines, then this value may be reduced by events that lead the capital markets to believe these changes are less likely or will be slower to eventuate.

**(j) Security of tenure**

All tenements in which Paladin has interests are subject to renewal conditions or are yet to be granted, which will be at the discretion of the Federal Ministry and the relevant Ministries in Western Australia, South Australia, Northern Territory, Queensland, Namibia and Malawi. The maintaining of tenements, obtaining renewals, or getting tenements granted, often depends on Paladin being successful in obtaining required statutory approvals for proposed activities. While Paladin anticipates that subsequent renewals will be given as and when sought, there is no assurance that such renewals will be given as a matter of course and there is no assurance that new conditions will not be imposed in connection therewith.

**(k) Foreign operations**

Paladin's operations in Namibia and Malawi are exposed to various levels of political, economic and other risks and uncertainties associated with operating in a foreign jurisdiction. These risks and uncertainties vary from country to country and include, but are not limited to, currency exchange rates, high rates of inflation, labour unrest, renegotiation or nullification of existing concessions, licenses, permits and contracts, changes in taxation policies, restrictions on foreign exchange, changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Changes, if any, in mining or investment policies or shifts in political attitude in any of the countries in which it operates may adversely affect Paladin's operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use, Black Economic Empowerment and mine safety. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure, could result in loss, reduction or expropriation of entitlements.

The occurrence of these various factors adds uncertainties which cannot be accurately predicted and could have an adverse effect on Paladin's operations or profitability.

**(l) Operating history**

Paladin has no operating history and there can be no assurance of its ability to operate its projects profitably. While Paladin intends to generate working capital through operation of its proposed uranium mines, there is no assurance that Paladin will be capable of producing positive cash flow on a consistent basis or that any such funds will be available for exploration and development programs.

**(m) Logistics**

Logistical risk relates to long supply lines, and lack of engineering and other support facilities close to Paladin's operating sites. In Africa, the transshipment of uranium concentrate through neighbouring countries for export could be subject to disruptions through political disputes and natural disasters.

**(n) Uninsurable risks**

Paladin may become subject to liability for accidents, pollution and other hazards against which it cannot insure or against which it may elect not to insure because of premium costs or for other reasons, or in amounts, which exceed policy limits.

**(o) Dividend policy**

Paladin has paid no dividends on its ordinary shares since its date of incorporation and Paladin does not anticipate paying dividends on its shares in the foreseeable future. Paladin anticipates that it will retain all future earnings and other cash resources for the future operation and development of its business and Paladin does not intend to declare or pay any cash dividends in the foreseeable future. Payment of any future dividends will be at the discretion of Paladin's board of directors after taking into account many factors, including Paladin's operating results, financial condition and current and anticipated cash needs.

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## 10 Tax considerations

### 10.1 Introduction

The following is a general description of the Australian taxation consequences for Valhalla shareholders of the acceptance of the Offer.

The following description is based upon the Australian law and administrative practice in effect at the date of this Bidder's Statement, but it is general in nature and is not intended to be an authoritative or complete statement of the laws applicable to the particular circumstances of every Valhalla shareholder.

**This section does not constitute taxation advice and Valhalla shareholders should seek independent taxation advice in relation to their own particular circumstances.**

Valhalla shareholders who are not resident in Australia for tax purposes should take into account the tax consequences under the laws of their country of residence, as well as under Australian law, of acceptance of the Offer.

The following summary is intended only for Australian resident Valhalla shareholders.

### 10.2 Australian resident shareholders

The Australian taxation consequences of the Offer will depend upon a number of factors, including:

- your tax residency status;
- whether you hold your shares on capital account, revenue account or as trading stock; and
- whether scrip for scrip roll-over relief is available.

**If you have any questions about the taxation aspects of holding or disposing Valhalla Shares then you should seek specific advice from a professional taxation adviser before making a decision whether or not to accept the Offer.**

#### (a) Shares held on capital account

If you hold Valhalla Shares as a passive investment with the intention of generating dividend income and long term capital growth, you may be considered to hold your shares on capital account for taxation purposes.

Acceptance of the Offer will involve the disposal of your Valhalla Shares by way of transfer to Paladin. This change in the ownership of the Shares will constitute a capital gains tax event for Australian capital gains tax purposes.

You will make a capital gain if the market value of the Paladin Shares received, calculated at the time the Offer is accepted, exceeds the cost base of the Valhalla Shares.

For CGT purposes, the cost base of the Valhalla Shares would generally include the amount paid to acquire those shares plus any incidental costs of acquisition (for example, brokerage fees and stamp duty).

You will make a capital loss if the capital proceeds received are less than the reduced cost base of the Valhalla Shares. A capital loss may be used to offset capital gains derived in the same or subsequent years of income. A capital loss cannot be offset against ordinary income.

If you are an individual, trust or complying superannuation fund that has held the Valhalla Shares for twelve months or longer at the time of your acceptance of the Offer, the capital gain derived will be a discount capital gain so that only half of the gain for an individual or trust, or two-thirds of the gain for a complying superannuation fund, is included in assessable income.

If you are a company or have not held the Valhalla Shares for at least 12 months at the date of acceptance of the Offer, then you are not eligible to claim a discount on the capital gain.

If you make a capital gain as a result of accepting this Offer and the other conditions of scrip for scrip rollover are satisfied (refer below), you may be eligible for tax relief upon the disposal of your Valhalla Shares under the scrip for scrip rollover relief provisions.

#### *Scrip for scrip rollover relief*

Scrip for scrip rollover relief enables a shareholder to elect to disregard the capital gain they make from a share that is disposed of as part of a corporate takeover or merger if the shareholder receives in exchange a replacement share.

Scrip for scrip rollover will only be available if Paladin increases its shareholding in Valhalla to at least 80% under the Offer. Given Resolute holds more than 80% of the issued share capital in Valhalla, unless Resolute accepts the Offer, scrip for scrip rollover relief will not be available.

The effect of a shareholder choosing to claim rollover relief will be that the capital gain that would otherwise arise to the shareholder from the disposal of their Valhalla Shares will be disregarded.

If scrip for scrip rollover relief is elected, the cost base of the Paladin Shares that you receive is based upon the cost base of your Valhalla Shares. You will be taken to have acquired the Paladin Shares at the time the Valhalla Shares were acquired for CGT purposes.

Scrip for scrip rollover is not available if you would realise a capital loss on acceptance of the Offer.

#### *Where scrip for scrip rollover relief is not claimed or is not available in relation to the disposal of Valhalla Shares*

Where scrip for scrip rollover relief is not claimed or is not available in relation to the disposal of the Valhalla Shares, you will make either a capital gain or capital loss equal to the difference between the cost base of your Valhalla Shares and the market value of the Paladin Share you receive under the Offer.

#### **(b) Valhalla Shares held on revenue account**

If you acquired your Valhalla Shares with the main purpose of reselling them at a profit (for example if you are a bank or insurance company) you may be considered to hold your shares on revenue account for tax purposes.

Where this is the case, any gain or loss realised on disposal of your Valhalla Shares will be assessable as ordinary income or claimed as a revenue deduction.

The gain or loss will be calculated as the difference between the value of the consideration, being the Paladin Shares received on disposal, and the cost of acquiring the Valhalla Shares.

In these circumstances scrip for scrip rollover relief will not be available.

**(c) Valhalla Shares held as Trading Stock**

If you are engaged in the business of share trading, where you regularly buy and sell shares with a view to making profits in the ordinary course of carrying on a business of share trading, you may be holding your shares as trading stock.

If you hold your shares as trading stock, scrip for scrip rollover relief will not be available on acceptance of this Offer. The market value of the Paladin Share you receive from accepting this Offer will be included in your assessable income.

### **10.3 Taxation implications of holding Paladin Shares**

As a consequence of accepting the Offer, shareholders will cease to be shareholders of Valhalla and will become shareholders of Paladin. Dividends received by Australian resident shareholders of Paladin would generally be required to be included in the assessable income of such shareholders.

**(a) Subsequent disposal of Paladin Shares held on revenue account**

A shareholder holding their Paladin Shares on revenue account will be required to treat any gain or loss arising on a subsequent disposal of their Paladin Shares as assessable or deductible, respectively.

**(b) CGT on subsequent disposal of Paladin Shares**

The subsequent disposal of Paladin Shares by Australian resident shareholders will generally result in Australian CGT implications.

These will differ depending upon whether or not scrip for scrip rollover relief was claimed in relation to the disposal of Valhalla Shares pursuant to the Offer.

*Where scrip for scrip rollover relief is not claimed or is not available in relation to the disposal of Valhalla Shares*

Where scrip for scrip rollover relief was not claimed or was not available in relation to the disposal of the Valhalla Shares, the cost base of each Paladin Share would include the market value of the Valhalla Shares disposed of under the Offer at the time of exchange.

If you are an individual, trust or complying superannuation fund that has held Paladin Shares for twelve months or longer at the time of the subsequent disposal, the capital gain derived will be a discount capital gain so that only half of the gain for an individual or trust, or two-thirds of the gain for a complying superannuation fund, is included in the shareholder's assessable income.

If you are a company or have held the Paladin Shares for less than 12 months, then you will not be eligible to claim the discount on the capital gain.

*Where scrip for scrip rollover relief is claimed in relation to the disposal of Valhalla Shares*

Where scrip for scrip rollover relief was claimed in relation to the disposal of Valhalla Shares, the cost base of the Paladin Shares is adopted from the original cost base of the Valhalla Shares disposed of under the Offer.

A shareholder will be taken to have acquired the Paladin Shares at the time the Valhalla Shares were acquired for CGT purposes. Consequently, shareholders will be entitled to add together the ownership periods for both the Valhalla and Paladin Shares to determine whether the 12 month ownership requirement is satisfied for the discount capital gain rules, or in applying indexation. If you have any questions about the financial or taxation aspects of holding or selling Paladin Shares, you should seek your own independent advice from a professional advisor before making a decision whether or not to accept the Offer.

#### **10.4 Non-resident shareholders**

**The Government is intending to change the taxation of capital gains of non-resident shareholders. The following is a general statement of the taxation outcomes for non-resident shareholders based on the law applicable at the date of this Bidder's Statement.**

**If you are a non-resident Shareholder you should seek taxation advice from an independent professional adviser regarding the taxation consequences in Australia and in your country of residence of accepting the Offer.**

##### *Disposal of Valhalla Shares held on capital account*

Generally, if you are non-resident shareholder and hold your Valhalla shares on capital account you will not be subject to CGT on the disposal of your shares unless:

- you (and your associates) at any time during the 5 years before acceptance of the Offer, owned 10% or more of the issued share capital of Valhalla; or
- owned your shares through a permanent establishment in Australia.

At the date of this Offer there are no non-resident shareholders who own 10% or more of the issued capital in Valhalla. Non-resident shareholders may be eligible to claim scrip for scrip rollover relief.

##### *Disposal of Valhalla Shares on revenue account*

If you are a non-resident of Australia and hold your Valhalla Shares on revenue account or as trading stock, you may be assessed in Australia on any gain or profit on the disposal of these shares. The taxation consequences will depend upon the provisions of any relevant tax treaty between your country of residence and Australia.

#### **10.5 Foreign Shareholders**

If you are a Foreign Shareholder and accept this Offer you will not be entitled to receive Paladin Shares in exchange for your Valhalla Shares. As set out in section 12.7 of this Bidder's Statement, the nominee will arrange for the Paladin Shares that are exchanged for your Valhalla Shares to be sold. You will receive the proceeds of sale (less brokerage and sale expenses) of the Paladin Shares calculated in accordance with the formula in section 12.7.

The taxation consequences of receiving cash instead of Paladin Shares will generally be the same as if you received the Paladin Shares directly and immediately sold them.

## **10.6 Goods and services tax**

Holders of Valhalla Shares should not be liable to GST in respect of a disposal of those Shares.



## **11 Other material information**

### **11.1 Foreign Investment Review Board approval**

Paladin is a foreign person under the Foreign Acquisitions and Takeovers Act 1975 (Cth) (FATA) as a result of persons not ordinarily resident in Australia and foreign corporations holding an aggregate controlling interest (40%) in Paladin.

Accordingly, the Offer and any contract formed on acceptance of the Offer are conditional on the approval of the Foreign Investment Review Board (FIRB). Approval will not be given to the Offer if the Treasurer of the Commonwealth of Australia, on advice from FIRB, considers that the result of the takeover will be contrary to the Australian public interest.

Paladin will give notification of the Offer to FIRB under the FATA and will provide FIRB with a detailed submission.

Paladin is confident that the transaction is consistent with the Government's foreign investment policy and expects FIRB approval to be given in due course.

### **11.2 Date for determining holders of Shares**

For the purposes of section 633 of the Corporations Act, the date for determining the people to whom information is to be sent under items 6 and 12 of section 633(1) is the Register Date.

### **11.3 Foreign Shareholders**

Valhalla shareholders who are Foreign Shareholders will not be entitled to receive Paladin Shares as consideration for their Valhalla Shares pursuant to the Offer.

A Valhalla shareholder is a Foreign Shareholder for the purposes of the Offer if their address as shown in the register of members of Valhalla is in a jurisdiction other than Australia or its external territories or New Zealand. However, such a person will not be a Foreign Shareholder if Paladin is satisfied that it is not legally or practically constrained from making the Offer to a Valhalla shareholder in the relevant jurisdiction and to issue Paladin Shares to such a shareholder on acceptance of the Offer, and that it is lawful for the shareholder to accept the Offer in such circumstances in the relevant jurisdiction. Notwithstanding anything else in this Bidder's Statement, Paladin is not under any obligation to spend any money, or undertake any action, in order to satisfy itself concerning any of these matters.

The Paladin Shares which would otherwise have been issued to Foreign Shareholders will instead be issued to a nominee approved by ASIC, who will sell these shares. The net proceeds of the sale of such shares will then be remitted to the relevant Foreign Shareholders. See section 12.7 for further details.

### **11.4 Social security and superannuation implications of Offer**

Acceptance of the Offer may have implications under your superannuation arrangements or on your social security entitlements. If in any doubt, you should seek specialist advice.

## 11.5 Consents

Azure Capital Pty Ltd has given, and not withdrawn prior to the lodgement of this Bidder's Statement with ASIC, its written consent to be named in this Bidder's Statement as Paladin's financial adviser in the form and context it is so named. Azure Capital takes no responsibility for any part of this Bidder's Statement other than any reference to its name.

Freehills has given, and not withdrawn prior to the lodgement of this Bidder's Statement with ASIC, its written consent to be named in this Bidder's Statement as Paladin's Australian legal advisers in the form and context it is so named. Freehills takes no responsibility for any part of this Bidder's Statement other than any reference to its name.

Computershare Investor Services Pty Limited has given and, as at the date hereof, has not withdrawn, its written consent to be named in this Bidder's Statement as Share Registrar in the form and context in which it is named. Computershare Investor Services Pty Limited has had no involvement in the preparation of any part of the Bidder's Statement other than being named as Share Registrar to Paladin. Computershare Investor Services Pty Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this Bidder's Statement.

This Bidder's Statement includes statements which are made in, or based on statements made in, documents lodged with ASIC or given to ASX. Under the terms of ASIC Class Order 01/1543, the parties making those statements are not required to consent to, and have not consented to, inclusion of those statements in this Bidder's Statement. If you would like to receive a copy of any of those documents, or the relevant parts of the documents containing the statements, (free of charge), during the bid period, please contact Computershare Investor Services Pty Limited on (+61 8) 9323 2000. For legal reasons, calls to this number will be recorded.

In addition, as permitted by ASIC Class Order 03/635, this Bidder's Statement may include or be accompanied by certain statements:

- fairly representing a statement by an official person; or
- from a public official document or a published book, journal or comparable publication.

## 11.6 Disclosure of interests of certain persons

Other than as set out below or elsewhere in this Bidder's Statement no:

- director or proposed director of Paladin;
- person named in this Bidder's Statement as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Bidder's Statement;
- promoter of Paladin; or
- underwriter to the issue of Paladin Shares or financial services licensee named in this Bidder's Statement as being involved in the issue of Paladin Shares,

(together, the **Interested Persons**) holds at the date of this Bidder's Statement or held at any time during the last two years, any interest in:

- the formation or promotion of Paladin;
- property acquired or proposed to be acquired by Paladin in connection with its formation or promotion, or the offer of Paladin Shares under the Offer; or
- the offer of Paladin Shares.

### 11.7 Disclosure of fees and benefits received by certain persons

Other than as set out below or elsewhere in this Bidder's Statement, no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given:

- to a director or proposed director of Paladin to induce them to become, or to qualify as, a director of Paladin;
- for services provided by an Interested Person in connection with the formation or promotion of Paladin or the offer of Paladin Shares under the Offer.

The fees paid in connection with the preparation and distribution of this Bidder's Statement and for services provided in connection with the Offer, including legal, taxation and financial advisers and registry fees, total approximately \$2,215,000.

### 11.8 Disclosure of interests of directors

#### (a) Interests in Paladin Shares

As at the date of this Bidder's Statement, the directors of Paladin had the following relevant interests in Paladin Shares:

Director	Number
Rick Crabb	8,964,746
John Borshoff	18,091,394
Sean Llewelyn	nil
George Pirie	nil
Ian Noble	16,000

#### (b) Interests in Paladin options

As at the date of this Bidder's Statement, the directors of Paladin had the following relevant interests in Paladin options:

Director	Exercise Price	Number
Rick Crabb	\$1.00	3,250,000
John Borshoff	\$1.00	3,750,000
Sean Llewelyn	nil	nil
George Pirie	nil	nil
Ian Noble	nil	nil

**(c) Interests in Valhalla Shares**

As at the date of this Bidder's Statement, the directors of Paladin had no relevant interests in Valhalla Shares.

**(d) Indemnity and insurance**

The constitution of Paladin permits the grant of an indemnity (to the maximum extent permitted by law) in favour of each officer and auditor of the company and all past and present executive officers or auditors.

The constitution of Paladin also provides for the grant of an indemnity (subject to the Corporations Act) in favour of every person who from time to time is or has been an employee of the company.

Paladin has entered into deeds of indemnity and access with all of the current directors. This indemnity is against liability to third parties by such officers unless the liability arises out of conduct involving a lack of good faith. The indemnity also covers costs or expenses incurred by an officer in unsuccessfully defending proceedings relating to that person's position.

Paladin maintains an insurance policy in respect of certain present and future officers against certain liability incurred in that capacity. Disclosure of the total amount of any premium paid and the nature of the liabilities in respect of such insurance is prohibited by the contract of insurance.

**11.9 Expiry date**

No securities will be issued on the basis of this Bidder's Statement after the date which is 13 months after the date of this Bidder's Statement.

**11.10 Other material information**

Except as disclosed elsewhere in this Bidder's Statement, there is no other information that is:

- (a) material to the making of a decision by a Valhalla shareholder whether or not to accept the Offer; and
- (b) known to Paladin,

which has not previously been disclosed to Valhalla shareholders.

## 12 The terms and conditions of the Offer

### 12.1 Offer

- (a) Paladin offers to acquire all of Your Shares on and subject to the terms and conditions set out in section 12 of this Bidder's Statement.
- (b) The consideration under the Offer is one Paladin Share for every 3.16 of Your Shares. If, after aggregating all holdings of Your Shares, you become entitled to a fraction of a Paladin Share that fraction will be rounded down.
- (c) If at the time this Offer is made to you, you are a Foreign Shareholder, you will not receive Paladin Shares. Instead, you are offered and will receive a cash amount determined in accordance with section 12.7 of this Bidder's Statement.
- (d) The Paladin Shares to be issued are ordinary shares in Paladin and will be credited as fully paid and have the rights summarised in section 3.3.
- (e) By accepting this Offer, you undertake to transfer to Paladin not only the Shares to which the Offer relates, but also all Rights attached to those Shares (see section 12.5(c)(6) and section 12.6(c)).
- (f) This Offer is being made to each person registered as the holder of Shares in the register of Valhalla shareholders at open of business (Perth, Western Australia time) on the Register Date. It also extends to any person who becomes registered, or entitled to be registered, as the holder of Your Shares during the Offer Period.
- (g) If, at the time the Offer is made to you, or at any time during the Offer Period, another person is, or is entitled to be, registered as the holder of some or all of Your Shares, then:
  - (1) a corresponding offer on the same terms and conditions as this Offer will be deemed to have been made to that other person in respect of those Shares; and
  - (2) a corresponding offer on the same terms and conditions as this Offer will be deemed to have been made to you in respect of any other Shares you hold to which the Offer relates; and
  - (3) this Offer will be deemed to have been withdrawn immediately at that time.
- (h) If at any time during the Offer Period you are registered or entitled to be registered as the holder of one or more parcels of Shares as trustee or nominee for, or otherwise on account of, another person, you may accept as if a separate Offer on the same terms and conditions as this Offer had been made in relation to each of those parcels and any parcel you hold in your own right. To validly accept the Offer for each parcel, you must comply with the procedure in section 653B(3) of the Corporations Act. If, for the purposes of complying with that procedure, you require additional copies of this Bidder's Statement and/or the Acceptance Form, please call

Computershare Investor Services Pty Limited on (+61 8) 9323 2000 to request those additional copies.

- (i) If Your Shares are registered in the name of a broker, investment dealer, bank, trust company or other nominee you should contact that nominee for assistance in accepting the Offer.
- (j) The Offer is dated [ ] 2006.

## 12.2 Offer Period

- (a) Unless withdrawn, the Offer will remain open for acceptance during the period commencing on the date of this Offer and ending at 5.00pm (Perth, Western Australia time) on the later of:
  - (1) [ ]; or
  - (2) any date to which the Offer Period is extended.
- (b) Paladin reserves the right, exercisable in its sole discretion, to extend the Offer Period in accordance with the Corporations Act.
- (c) If, within the last 7 days of the Offer Period, either of the following events occurs:
  - (1) the Offer is varied to improve the consideration offered; or
  - (2) Paladin's voting power in Valhalla increases to more than 50%,
 then the Offer Period will be automatically extended so that it ends 14 days after the relevant event in accordance with section 624(2) of the Corporations Act.

## 12.3 How to accept this Offer

- (a) **General**
  - (1) Subject to section 12.1(g) and section 12.1(h), you may accept this Offer only for all of Your Shares.
  - (2) You may accept this Offer at any time during the Offer Period.
- (b) **Shares held in your name on Valhalla's issuer sponsored subregister**

To accept this Offer for Shares held in your name on Valhalla's issuer sponsored sub-register (in which case your Securityholder Reference Number will commence with 'I'), you must:

  - (1) complete and sign the Acceptance Form in accordance with the terms of this Offer and the instructions on the Acceptance Form; and
  - (2) ensure that the Acceptance Form (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is received before the end of the Offer Period, at one of the addresses shown on the Acceptance Form.
- (c) **Shares held in your name in a CHESS Holding**
  - (1) If Your Shares are held in your name in a CHESS Holding (in which case your Holder Identification Number will commence with

'X') and you are not a Participant, you should instruct your broker or Controlling Participant (this is normally the stockbroker either through whom you bought your Shares or through whom you ordinarily acquire shares on the ASX) to initiate acceptance of this Offer on your behalf in accordance with Rule 14.14 of the ASTC Settlement Rules before the end of the Offer Period.

- (2) If Your Shares are held in your name in a CHESS Holding (in which case your Holder Identification Number will commence with 'X') and you are a Participant, you should initiate acceptance of this Offer in accordance with Rule 14.14 of the ASTC Settlement Rules before the end of the Offer Period.
- (3) Alternatively, to accept this Offer for Shares held in your name in a CHESS Holding (in which case your Holder Identification Number will commence with 'X'), you may sign and complete the Acceptance Form in accordance with the terms of this Offer and the instructions on the Acceptance Form and ensure that it (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is received before the end of the Offer Period, at one of the addresses shown on the Acceptance Form.

**(d) Shares of which you are entitled to be registered as holder**

To accept this Offer for Shares which are not held in your name, but of which you are entitled to be registered as holder, you must:

- (1) complete and sign the Acceptance Form in accordance with the terms of this Offer and the instructions on the Acceptance Form; and
- (2) ensure that the Acceptance Form (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is received before the end of the Offer Period, at one of the addresses shown on the Acceptance Form.

**(e) Acceptance Form and other documents**

- (1) The Acceptance Form forms part of the Offer.
- (2) If your Acceptance Form (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is returned by post, for your acceptance to be valid you must ensure that they are posted or delivered in sufficient time for them to be received by Paladin at one of the addresses shown on the Acceptance Form before the end of the Offer Period.
- (3) If your Acceptance Form (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is returned by facsimile, it will be deemed to be received in time if the facsimile transmission is received (evidenced by a confirmation of successful transmission) before the end of the Offer Period, but you will not be entitled to receive the consideration to which you are entitled until your original Acceptance Form (including any documents required by the terms of this Offer and the instructions

on the Acceptance Form) is received at one of the addresses shown on the Acceptance Form.

- (4) When using the Acceptance Form to accept this Offer in respect of Shares in a CHESS Holding, you must ensure that the Acceptance Form (and any documents required by the terms of this Offer and the instruction on the Acceptance Form) are received by Paladin in time for Paladin to instruct your Controlling Participant to initiate acceptance of this Offer on your behalf in accordance with Rule 14.14 of the ASTC Settlement Rules before the end of the Offer Period.
- (5) The postage and transmission of the Acceptance Form and other documents is at your own risk.

## **12.4 Validity of acceptances**

- (a) Subject to this section 12.4, your acceptance of the Offer will not be valid unless it is made in accordance with the procedures set out in section 12.3.
- (b) Paladin will determine, in its sole discretion, all questions as to the form of documents, eligibility to accept the Offer and time of receipt of an acceptance of the Offer. Paladin is not required to communicate with you prior to making this determination. The determination of Paladin will be final and binding on all parties.
- (c) Notwithstanding sections 12.3(b), 12.3(c), 12.3(d) and 12.3(e), Paladin may, in its sole discretion, at any time and without further communication to you, deem any Acceptance Form it receives to be a valid acceptance in respect of Your Shares, even if a requirement for acceptance has not been complied with but the payment of the consideration in accordance with the Offer may be delayed until any irregularity has been resolved or waived and any other documents required to procure registration have been received by Paladin.
- (d) Where you have satisfied the requirements for acceptance in respect of only some of Your Shares, Paladin may, in its sole discretion, regard the Offer to be accepted in respect of those of Your Shares but not the remainder.
- (e) Paladin will provide the consideration to you in accordance with section 12.6, in respect of any part of an acceptance determined by Paladin to be valid.

## **12.5 The effect of acceptance**

- (a) Once you have accepted the Offer, you will be unable to revoke your acceptance, the contract resulting from your acceptance will be binding on you and you will be unable to withdraw Your Shares from the Offer or otherwise dispose of Your Shares, except as follows:
  - (1) if, by the relevant times specified in section 12.5(b), the conditions in section 12.8 have not all been fulfilled or freed, this Offer will automatically terminate and Your Shares will be returned to you; or



- (2) if the Offer Period is extended for more than one month and, at the time, this Offer is subject to one or more of the conditions in section 12.8, you may be able to withdraw your acceptance and Your Shares in accordance with section 650E of the Corporations Act. A notice will be sent to you at the time explaining your rights in this regard.
- (b) The relevant times for the purposes of section 12.5(a)(1) are:
  - (1) in relation to the condition in section 12.8(l), the end of the third business day after the end of the Offer Period; and
  - (2) in relation to all other conditions in section 12.8, the end of the Offer Period.
- (c) By signing and returning the Acceptance Form, or otherwise accepting this Offer pursuant to section 12.3, you will be deemed to have:
  - (1) accepted this Offer (and any variation of it) in respect of, and, subject to all of the conditions to this Offer in section 12.8 being fulfilled or freed, agreed to transfer to Paladin, Your Shares (even if the number of Shares specified on the Acceptance Form differs from the number of Your Shares), subject to section 12.1(g) and section 12.1(h);
  - (2) represented and warranted to Paladin, as a fundamental condition going to the root of the contract resulting from your acceptance, that at the time of acceptance, and the time the transfer of Your Shares (including any Rights) to Paladin is registered, that all Your Shares are and will be free from all mortgages, charges, liens, encumbrances and adverse interests of any nature (whether legal or otherwise) and free from restrictions on transfer of any nature (whether legal or otherwise), that you have full power and capacity to accept this Offer and to sell and transfer the legal and beneficial ownership in Your Shares (including any Rights) to Paladin, and that you have paid to Valhalla all amounts which at the time of acceptance have fallen due for payment to Valhalla in respect of Your Shares;
  - (3) irrevocably authorised Paladin (and any director, secretary or nominee of Paladin) to alter the Acceptance Form on your behalf by inserting correct details of Your Shares, filling in any blanks remaining on the form and rectifying any errors or omissions as may be considered necessary by Paladin to make it an effective acceptance of this Offer or to enable registration of Your Shares in the name of Paladin;
  - (4) if you signed the Acceptance Form in respect of Shares which are held in a CHESS Holding, irrevocably authorised Paladin (or any director, secretary or agent of Paladin) to instruct your Controlling Participant to initiate acceptance of this Offer in respect of Your Shares in accordance with Rule 14.14 of the ASTC Settlement Rules;
  - (5) if you signed the Acceptance Form in respect of Shares which are held in a CHESS Holding, irrevocably authorised Paladin (or any

- director, secretary or agent of Paladin) to give any other instructions in relation to Your Shares to your Controlling Participant, as determined by Paladin acting in its own interests as a beneficial owner and intended registered holder of those Shares;
- (6) irrevocably authorised and directed Valhalla to pay to Paladin, or to account to Paladin for, all Rights in respect of Your Shares, subject, if this Offer is withdrawn, to Paladin accounting to you for any such Rights received by Paladin;
  - (7) irrevocably authorised Paladin to notify Valhalla on your behalf that your place of address for the purpose of serving notices upon you in respect of Your Shares is the address specified by Paladin in the notification;
  - (8) with effect from the date on which all the conditions to this Offer in section 12.8 have been fulfilled or freed, to have irrevocably appointed Paladin (and any director, secretary or nominee of Paladin) severally from time to time as your true and lawful attorney to exercise all your powers and rights in relation to Your Shares, including (without limitation) powers and rights to requisition, convene, attend and vote in person, by proxy or by body corporate representative, at all general meetings of Valhalla and to request Valhalla to register, in the name of Paladin or its nominee, Your Shares, as appropriate, with full power of substitution (such power of attorney, being coupled with an interest, being irrevocable);
  - (9) with effect from the date on which all the conditions to this Offer in section 12.8 have been fulfilled or freed, to have agreed not to attend or vote in person, by proxy or by body corporate representative at any general meeting of Valhalla or to exercise or purport to exercise any of the powers and rights conferred on Paladin (and its directors, secretaries and nominees) in section 12.5(c)(8);
  - (10) agreed that in exercising the powers and rights conferred by the powers of attorney granted under section 12.5(c)(8), the attorney will be entitled to act in the interests of Paladin as the beneficial owner and intended registered holder of Your Shares;
  - (11) agreed to do all such acts, matters and things that Paladin may require to give effect to the matters the subject of this section 12.5(c) (including the execution of a written form of proxy to the same effect as this section 12.5(c) which complies in all respects with the requirements of the constitution of Valhalla) if requested by Paladin;
  - (12) agreed to indemnify Paladin in respect of any claim or action against it or any loss, damage or liability whatsoever incurred by it as a result of you not producing your Holder Identification Number or Securityholder Reference Number or in consequence of the transfer of Your Shares to Paladin being registered by Valhalla without production of your Holder Identification Number or your Securityholder Reference Number for Your Shares;

- (13) represented and warranted to Paladin that, unless you have notified it in accordance with section 12.1(h), Your Shares do not consist of separate parcels of Shares;
  - (14) irrevocably authorised Paladin (and any nominee) to transmit a message in accordance with Rule 14.17 of the ASTC Settlement Rules to transfer Your Shares to Paladin's Takeover Transferee Holding, regardless of whether it has paid the consideration due to you under this Offer;
  - (15) agreed, subject to the conditions of this Offer in section 12.8 being fulfilled or freed, to execute all such documents, transfers and assurances, and do all such acts, matters and things that Paladin may consider necessary or desirable to convey Your Shares registered in your name and Rights to Paladin; and
  - (16) agreed to accept the Paladin Shares to which you have become entitled by acceptance of this Offer subject to the constitution of Paladin and have authorised Paladin to place your name on its register of shareholders in respect of those Paladin Shares.
- (d) The undertakings and authorities referred to in section 12.5(c) will remain in force after you receive the consideration for Your Shares and after Paladin becomes registered as the holder of Your Shares.

## **12.6 Payment of consideration**

- (a) Subject to sections 12.4(b), 12.6 and 12.7 and the Corporations Act, Paladin will provide the consideration due to you for Your Shares on or before the earlier of:
  - (1) one month after the date of your acceptance or, if this Offer is subject to a defeating condition when you accept this Offer, within one month after this Offer becomes unconditional; and
  - (2) 21 days after the end of the Offer Period.
- (b) Where the Acceptance Form requires an additional document to be delivered with your Acceptance Form (such as a power of attorney):
  - (1) if that document is given with your Acceptance Form, Paladin will provide the consideration in accordance with section 12.6(a);
  - (2) if that document is given after your Acceptance Form and before the end of the Offer Period while this Offer is subject to a defeating condition, Paladin will provide the consideration due to you on or before the earlier of one month after this Offer becomes unconditional and 21 days after the end of the Offer Period;
  - (3) if that document is given after your Acceptance Form and before the end of the Offer Period while this Offer is not subject to a defeating condition, Paladin will provide the consideration due to you on or before the earlier of one month after that document is given and 21 days after the end of this Offer period;
  - (4) if that document is given after the end of the Offer Period, and the Offer is not subject to a defeating condition, Paladin will provide the consideration within 21 days after that document is delivered.

However, if at the time the document is given, the Offer is still subject to a defeating condition that relates only to the happening of an event or circumstance referred to in section 652C(1) or (2) of the Corporations Act, Paladin will provide the consideration due to you within 21 days after the Offer becomes unconditional.

- (c) If you accept this Offer, Paladin is entitled to all Rights in respect of Your Shares. Paladin may require you to provide all documents necessary to vest title to those Rights in Paladin, or otherwise to give it the benefit or value of those Rights. If you do not give those documents to Paladin, or if you have received the benefit of those Rights, Paladin will deduct from the consideration otherwise due to you the amount (or value, as reasonably assessed by Paladin) of those Rights, together with the value (as reasonably assessed by Paladin) of the franking credits, if any, attached to the Rights. Any such deduction will be made from any Paladin Shares otherwise due to you on the basis that one Paladin Share is worth \$4.50.
- (d) If you have accepted the Offer and you are a Foreign Shareholder, you will receive your share of the proceeds from the sale of the Paladin Shares in accordance with section 12.7.
- (e) Payment of any cash amount to which you are entitled under the Offer will be made by cheque in Australian currency. Cheques will be posted to you at your risk by ordinary mail (or in the case of overseas shareholders, by airmail) to the address as shown on your Acceptance Form.
- (f) The obligation of Paladin to issue and allot any Paladin Shares to which you are entitled will be satisfied by Paladin:
  - (1) entering your name on the register of members of Paladin; and
  - (2) dispatching or procuring the dispatch to you by pre-paid post to your address recorded in Valhalla's register of members at open of business (Perth, Western Australia time) on the date set by Paladin under section 633(2) of the Corporations Act, an uncertificated holding statement in your name. If Your Shares are held in a joint name, an uncertificated holding statement will be issued in the name of, and forwarded to, the holder whose name appears first in Valhalla's register of members on the date set by Paladin under section 633(2) of the Corporations Act.
- (g) If at the time you accept the Offer any of the following:
  - (1) *Banking (Foreign) Exchange Regulations 1959 (Cth)*;
  - (2) *Charter of the United Nations (Terrorism and Dealing with Assets) Regulations 2002 (Cth)*;
  - (3) *Charter of the United Nations (Sanctions – Afghanistan) Regulations 2001 (Cth)*;
  - (4) *Iraq (Reconstruction and Repeal of Sanctions) Regulations 2003 (Cth)*; or
  - (5) any other law of Australia,
 require that an authority, clearance or approval of the Reserve Bank of Australia, the Australian Taxation Office or any other government

authority be obtained before you receive any consideration for Your Shares, or would make it unlawful for Paladin to provide any consideration to you for Your Shares, you will not be entitled to receive any consideration for Your Shares until all requisite authorities, clearances or approvals have been received by Paladin. As far as Paladin is aware, as at the date of this Bidder's Statement, the persons to whom this section 12.6(g) will apply are: prescribed supporters of the former government of Yugoslavia; ministers and senior officials of the Government of Zimbabwe; persons associated with the former government of Iraq (including senior officials, immediate family members of senior officials, or an entities controlled by any of those persons); Usama bin Laden; the Taliban; members of the Al-Qaeda organisation; and a person named in the list maintained pursuant to paragraph 2 of Resolution 1390 of the Security Council of the United Nations.

## 12.7 Foreign Shareholders

- (a) If you are a Foreign Shareholder, you will not be entitled to receive Paladin Shares as the consideration for Your Shares as a result of accepting this Offer, and Paladin will:

- (1) arrange for the issue to a nominee approved by ASIC (the **Nominee**) of the number of Paladin Shares to which you and all other Foreign Shareholders would have been entitled but for section 12.1(c) and the equivalent provision in each other offer under the Offer;
- (2) cause the Paladin Shares so issued to be offered for sale by the Nominee on ASX as soon as practicable and otherwise in the manner, at the price and on such other terms and conditions as are determined by the Nominee; and
- (3) cause the Nominee to pay to you the amount ascertained in accordance with the formula:

$$\frac{N \times YS}{TS}$$

where:

'N' is the amount which is received by the Nominee upon the sale of all Paladin Shares under this section 12.7 less brokerage and sale expenses;

'YS' is the number of Paladin Shares which would, but for section 12.1(c), otherwise have been allotted to you; and

'TS' is the total number of Paladin Shares allotted to the Nominee under this section 12.7.

- (b) You will receive your share of the proceeds of the sale of Paladin Shares by the Nominee in Australian currency.
- (c) Payment will be made by cheque posted to you at your risk by ordinary mail (or in the case of overseas shareholders, by airmail) at the address provided on your Acceptance Form within the period required by the Corporations Act.

- (d) Under no circumstances will interest be paid on your share of the proceeds of the sale of Paladin Shares by the Nominee, regardless of any delay in remitting these proceeds to you.

## 12.8 Conditions of this Offer

Subject to section 12.9, the completion of this Offer and any contract that results from an acceptance of this Offer, are subject to the fulfilment of the conditions set out below:

### (a) FATA

Before the end of the Offer Period, the Treasurer of the Commonwealth of Australia either:

- (1) issues a notice stating that the Commonwealth Government does not object to Paladin acquiring 100% of the Shares under the Offer; or
- (2) is precluded from making an order in respect of the Takeover Bid constituted by the dispatch of the Offer or completion of the Offer by Paladin under the FATA.

### (b) No regulatory action

Between the Announcement Date and the end of the Offer Period (each inclusive):

- (1) there is not in effect any preliminary or final decision, order or decree issued by any Public Authority;
- (2) no action or investigation is announced, commenced or threatened by any Public Authority; and
- (3) no application is made to any Public Authority (other than by Paladin or any associate of Paladin),

in consequence of or in connection with the Offer (other than an application to, or a decision or order of, ASIC or the Takeovers Panel in exercise of the powers and discretions conferred by the Corporations Act) which restrains, prohibits or impedes, or threatens to restrain, prohibit or impede, or materially impact upon, the making of the Offers and the completion of any transaction contemplated by this Bidder's Statement (including, without limitation, full, lawful, timely and effectual implementation of the intentions set out in section 7 of this Bidder's Statement) or which requires the divestiture by Paladin of any Shares or any material assets of Valhalla or any subsidiary of Valhalla.

### (c) Compulsory acquisition

During, or at the end of the Offer Period, Paladin is entitled to send compulsory acquisition notices under Part 6A.1, Division 1 of the Corporations Act.

### (d) No material adverse change

- (1) Between the Announcement Date and the end of the Offer Period (each inclusive) none of the following occurs:
  - an event, change, condition, matter or thing occurs;

- information is disclosed or announced by Valhalla or any of its subsidiaries concerning any event, change, condition, matter or thing; or
- information concerning any event, change, condition, matter or thing becomes known to Paladin (whether or not becoming public),

which will have, could reasonably be expected to have or which evidences that there has been a material adverse effect on the business, assets, liabilities, financial position and performance, material contracts (taken as a whole), profitability or prospects of Valhalla or any of its subsidiaries, since 23 March 2006.

- (2) For the purposes of section 12.8(d)(1), Paladin shall not be taken to know of information concerning any event, change, condition, matter or thing before the Announcement Date, unless Paladin knows or ought reasonably to have known (having regard to the information actually known by Paladin and the information disclosed by Valhalla in its public filings with the ASX and ASIC before the Announcement Date), of the extent or magnitude of the event, change, condition, matter or thing.
- (3) Section 12.8(d)(1) does not apply in relation to particular information, if that information was previously disclosed by Valhalla in a public filing with the ASX or ASIC provided that the disclosure was full and fair (including, without limitation, in relation to the extent and magnitude of the event, change, condition, matter or thing, as the case may be) and was not, and is not likely to be, incomplete, incorrect, untrue or misleading.

(e) **Mt Isa**

Before the end of the Offer Period, Mt Isa enters into an agreement pursuant to which Mt Isa acquires all of the issued shares in Resolute Limited from Resolute for an amount not exceeding \$1.00 (**Acquisition**) and:

- (1) there are no liabilities (whether present or future, actual or contingent) assumed by Mt Isa or Resolute Limited under the terms of, or as a result of, that agreement or the Acquisition, in excess of \$1,000;
- (2) the Acquisition is completed by the first to occur of 30 September 2006 and the end of the Offer Period; and
- (3) Mt Isa does not cease to be a "Related Company" (within the meaning of the Mt Isa Agreement) of Resolute Limited at any time prior to completion of the Acquisition.

(f) **No breach, termination or variation of the Mt Isa Agreement**

There being no breach (whether before or after the Announcement Date) by any of the parties to the Mt Isa Agreement of the terms of that agreement, and, between the Announcement Date and the end of the Offer Period (each inclusive), no termination of, amendment to the terms of, or

waiver of rights under, the Mt Isa Agreement occurring, or being announced or agreed to.

**(g) No change of control rights**

Between the Announcement Date and the end of the Offer Period (each inclusive), there is no person having any rights, being entitled to have any rights, alleging an entitlement, or expressing or announcing an intention (whether or not that intention is stated to be a final or determined decision of that person) (in all cases whether subject to conditions or not), as a result of any change of control event in respect of Valhalla (including Paladin acquiring shares in Valhalla) or any of its subsidiaries or assets, to:

- (1) terminate or alter any contractual relations between any person and Valhalla or any of its subsidiaries (for this purpose an alteration includes of the operations of a contract, whether or not that altered operation is provided for under the existing terms of the contract);
- (2) require the termination, modification or disposal (or offer to dispose) of any interest or asset, corporate body, joint venture or other entity; or
- (3) accelerate or adversely modify the performance of any obligations of Valhalla or any of its subsidiaries under any agreements, contracts or other legal arrangement.

**(h) ASX approval to release of Escrowed Shares**

Before the end of the Offer Period, ASX has provided its consent under ASX Listing Rule 9.17 to release the Escrowed Shares from dealing restrictions.

**(i) Consent to quotation**

The TSX consents to the issue and quotation of the Paladin Shares to be issued under the Offer on that exchange on an unconditional basis or subject only to customary conditions.

**(j) Access to information**

Between the Announcement Date and the end of the Offer Period, Valhalla promptly, and in any event within 2 Business Days, provides to Paladin a copy of all material information which Paladin may from time to time reasonably request, whether or not generally available (within the meaning of the Corporations Act) relating to Valhalla or any of its subsidiaries, or their respective assets, liabilities or operations.

**(k) Valhalla resource**

Before the end of the Offer Period, it is announced to ASX by any party to the Mt Isa Agreement that the Valhalla deposit has a JORC-compliant resource of not less than 54 million pounds of uranium oxide (U<sub>3</sub>O<sub>8</sub>).

**(l) No prescribed occurrences**

Between the Announcement Date and the date 3 business days after the end of the Offer Period (each inclusive), none of the following prescribed occurrences (being the occurrences listed in section 652C of the Corporations Act) happen:



- (1) Valhalla converting all or any of the Shares into a larger or smaller number of shares under section 254H of the Corporations Act;
- (2) Valhalla or a subsidiary of Valhalla resolving to reduce its share capital in any way;
- (3) Valhalla or a subsidiary of Valhalla entering into a buyback agreement or resolving to approve the terms of a buyback agreement under section 257C(1) or 257D(1) of the Corporations Act;
- (4) Valhalla or a subsidiary of Valhalla making an issue of Shares (other than Shares issued as a result of the exercise of Options into Shares) or granting an option over the Shares or agreeing to make such an issue or grant such an option;
- (5) Valhalla or a subsidiary of Valhalla issuing, or agreeing to issue, convertible notes;
- (6) Valhalla or a subsidiary of Valhalla disposing or agreeing to dispose, of the whole, or a substantial part, of its business or property;
- (7) Valhalla or a subsidiary of Valhalla charging, or agreeing to charge, the whole, or a substantial part, of its business or property;
- (8) Valhalla or a subsidiary of Valhalla resolving that it be wound up;
- (9) the appointment of a liquidator or provisional liquidator of Valhalla or of a subsidiary of Valhalla;
- (10) the making of an order by a court for the winding up of Valhalla or of a subsidiary of Valhalla;
- (11) an administrator of Valhalla or of a subsidiary of Valhalla being appointed under section 436A, 436B or 436C of the Corporations Act;
- (12) Valhalla or a subsidiary of Valhalla executing a deed of company arrangement;
- (13) the appointment of a receiver, receiver and manager, other controller (as defined in the Corporations Act) or similar official in relation to the whole, or a substantial part, of the property of Valhalla or of a subsidiary of Valhalla.

## **12.9 Nature and benefit of conditions**

- (a) The condition in section 12.8(a) is a condition precedent to the acquisition by Paladin of any interest in Shares of a kind which would cause a breach of the provisions of laws referred to therein. Notwithstanding your acceptance of the Offer, unless and until the condition in that section is fulfilled:
  - (1) no contract for the sale of Your Shares will come into force or be binding on you or on Paladin;
  - (2) Paladin will have no rights (conditional or otherwise) in relation to Your Shares; and

- (3) if any of Your Shares are held in a CHESS Holding, you will be entitled to withdraw your acceptance in respect of those Shares by having your Controlling Participant transmit a valid originating message to ASX Settlement and Transfer Corporation Pty Limited specifying the Shares to be released from the sub-position, in accordance with Rule 14.16 of the ASTC Settlement Rules, at any time prior to the satisfaction of that condition; and
  - (4) if any of Your Shares are not held in a CHESS Holding, you will be entitled to withdraw your acceptance in respect of those Shares by sending a notice to that effect signed by you (or on your behalf, in which case documentation proving that the person or persons signing the notice are authorised to do so must accompany the notice) to any of the addresses specified on the Acceptance Form, so that it is received at the relevant address at any time prior to the fulfilment or freedom of that condition.
- (b) The other conditions in section 12.8 are conditions subsequent. The non-fulfilment of any condition subsequent does not, until the end of the Offer Period (or in the case of the conditions in section 12.8(l), until the end of the third business day after the end of the Offer Period), prevent a contract to sell Your Shares from arising, but entitles Paladin by written notice to you, to rescind the contract resulting from your acceptance of this Offer.
  - (c) Subject to the Corporations Act, Paladin alone is entitled to the benefit of the conditions in section 12.8, or to rely on any non-fulfilment of any of them.
  - (d) Each condition in section 12.8 is a separate, several and distinct condition. No condition will be taken to limit the meaning or effect of any other condition.

## 12.10 Freeing the Offer of conditions

Paladin may free this Offer, and any contract resulting from its acceptance, from all or any of the conditions subsequent in section 12.8, either generally or by reference to a particular fact, matter, event, occurrence or circumstance (or class thereof), by giving a notice to Valhalla and to ASX declaring this Offer to be free from the relevant condition or conditions specified, in accordance with section 650F of the Corporations Act. This notice may be given:

- (a) in the case of the condition in section 12.8(l), not later than 3 business days after the end of the Offer Period; and
- (b) in the case of all the other conditions in section 12.8, not less than 7 days before the end of the Offer Period.

If, at the end of the Offer Period (or in the case of the conditions in section 12.8(l), at the end of the third business day after the end of the Offer Period), the conditions in section 12.8 have not been fulfilled and Paladin has not declared the Offer (or it has not become) free from those conditions, all contracts resulting from the acceptance of the Offer will be automatically void.

### **12.11 Official quotation of Paladin Shares**

- (a) Paladin has been admitted to the official list of ASX. Shares of the same class as those to be issued as consideration have been granted official quotation by ASX.
- (b) An application will be made within 7 days after the start of the Offer Period to ASX for the granting of official quotation of the Paladin Shares to be issued in accordance with the Offer. However, official quotation is not granted automatically on application.
- (c) Pursuant to the Corporations Act, this Offer and any contract that results from your acceptance of it are subject to a condition that permission for admission to official quotation by ASX of the Paladin Shares to be issued pursuant to the Offer being granted no later than 7 days after the end of the Offer Period. If this condition is not fulfilled, all contracts resulting from the acceptance of the Offers will be automatically void.

### **12.12 Notice on status of conditions**

The date for giving the notice on the status of the conditions required by section 630(1) of the Corporations Act is the later of:

- (a) [ ]; and
- (b) the date determined under section 630(2) if the Offer Period is extended.

### **12.13 Withdrawal of this Offer**

- (a) This Offer may be withdrawn with the consent in writing of ASIC, which consent may be subject to conditions. If ASIC gives such consent, Paladin will give notice of the withdrawal to ASX and to Valhalla and will comply with any other conditions imposed by ASIC.
- (b) If, at the time this Offer is withdrawn, all the conditions in section 12.8 have been freed, all contracts arising from acceptance of the Offer before it was withdrawn will remain enforceable.
- (c) If, at the time this Offer is withdrawn, the Offer remains subject to one or more of the conditions in section 12.8, all contracts arising from its acceptance will become void (whether or not the events referred to in the relevant conditions have occurred).
- (d) A withdrawal pursuant to section 12.13 will be deemed to take effect:
  - (1) if the withdrawal is not subject to conditions imposed by ASIC, after the date that consent in writing is given by ASIC; or
  - (2) if the withdrawal is subject to conditions imposed by ASIC, after the date those conditions are satisfied.

### **12.14 Variation of this Offer**

Paladin may vary this Offer in accordance with the Corporations Act.

### **12.15 No stamp duty or brokerage**

- (a) Paladin will pay any stamp duty on the transfer of Your Shares to it.
- (b) As long as Your Shares are registered in your name and you deliver them directly to Paladin, you will not incur any brokerage in connection with your acceptance of this Offer.

### **12.16 Governing laws**

This Offer and any contract that results from your acceptance of it are to be governed by the laws in force in Western Australia, Australia.

## 13 Definitions and interpretation

### 13.1 Definitions

In this Bidder's Statement and in the Acceptance Form unless the context otherwise appears, the following terms have the meanings shown below:

<b>\$ or A\$</b>	Australian dollars, the lawful currency of the Commonwealth of Australia
<b>Acceptance Form</b>	the acceptance form enclosed with this Bidder's Statement
<b>Announcement Date</b>	the date of the announcement of the Offer by Paladin, being 10 July 2006
<b>ASIC</b>	the Australian Securities and Investments Commission
<b>ASTC</b>	ASX Settlement and Transfer Corporation Pty Ltd ABN 49 008 504 532
<b>ASTC Settlement Rules</b>	the operating rules of the ASTC which govern the administration of the Clearing House Electronic Sub-register System
<b>ASX</b>	Australian Stock Exchange Limited ABN 98 008 624 691
<b>Bidder's Statement</b>	this document, being the statement of Paladin under Part 6.5 Division 2 of the Corporations Act relating to the Offer
<b>Business Day</b>	means a day on which banks are open for business in Perth, Western Australia, excluding a Saturday, Sunday or public holiday
<b>Board</b>	the board of directors of Valhalla
<b>CGT</b>	capital gains tax
<b>CHESS Holding</b>	a number of Shares which are registered on Valhalla share register being a register administered by the ASX Settlement and Transfer Corporation Pty Limited and which records uncertificated holdings of Shares
<b>Controlling Participant</b>	in relation to Your Shares, has the same meaning as in the ASTC Settlement Rules
<b>Corporations Act</b>	the <i>Corporations Act 2001</i> (Cth)
<b>Escrowed Shares</b>	The 99,999,999 Shares held by Resolute subject to escrow until 15 December 2007 pursuant to a Restriction Agreement between Resolute and Valhalla dated 11 November 2005
<b>FATA</b>	the <i>Foreign Acquisitions and Takeovers Act 1975</i> (Cth)
<b>Foreign Shareholder</b>	a Valhalla shareholder whose address as shown in the register of members of Valhalla is in a jurisdiction other than Australia or its external territories or New Zealand, unless Paladin otherwise determines after being satisfied that it is not unlawful, not unduly onerous and not unduly impracticable to make the Offer to a Valhalla shareholder in the relevant

	jurisdiction and to issue Paladin Shares to such a Valhalla shareholder on acceptance of the Offer, and that it is not unlawful for such a Valhalla shareholder to accept the Offer in such circumstances in the relevant jurisdiction
<b>Holder Identification Number</b>	has the same meaning as in the ASTC Settlement Rules
<b>Issuer Sponsored Holdings</b>	a holding of Shares on Valhalla's issuer sponsored subregister
<b>JORC</b>	the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (as revised and updated from time to time)
<b>Listing Rules</b>	the Official Listing Rules of ASX, as amended and waived by ASX from time to time
<b>Merged Group</b>	the group of companies resulting from the merger of the Valhalla Group and the Paladin Group following the successful completion of the Offer
<b>Mlbs</b>	million pounds
<b>Mt</b>	million tonnes
<b>Mt Isa</b>	Mt Isa Uranium Pty Ltd (ABN 77 064 536 483), a wholly owned subsidiary of Valhalla
<b>Mt Isa Agreement</b>	the joint venture agreement between Summit and Resolute Limited dated 16 January 2001 relating to the Mt Isa Exploration Joint Venture.
<b>Offer</b>	the offer for Shares under the terms and conditions contained in section 12 of this Bidder's Statement
<b>Offer Period</b>	the period during which the Offer will remain open for acceptance in accordance with section 12.2 of this Bidder's Statement
<b>Paladin</b>	Paladin Resources Ltd (ABN 47 061 681 098)
<b>Paladin Group</b>	Paladin and its subsidiaries
<b>Paladin Shares</b>	fully paid ordinary shares in the capital of Paladin
<b>Participant</b>	an entity admitted to participate in the Clearing House Electronic Sub-register system under Rule 4.3.1 and 4.4.1 of the ASTC Settlement Rules
<b>Public Authority</b>	any government or any governmental, semi-governmental, statutory or judicial entity, agency or authority, whether in Australia or elsewhere, including (without limitation) any self-regulatory organisation established under statute or otherwise discharging substantially public or regulatory functions, and ASX or any other stock exchange
<b>Register Date</b>	the date set by Paladin under section 633(2) of the Corporations Act, being the date of this Bidder's Statement

<b>Resolute</b>	Resolute Mining Limited (ABN 39 097 088 689)
<b>Resolute Limited</b>	Resolute Limited (ABN 27 009 069 014), a wholly-owned subsidiary of Resolute
<b>Rights</b>	all accreditations, rights or benefits of whatever kind attaching or arising from Shares directly or indirectly at or after the Announcement Date (including, but not limited to, all dividends and all rights to receive them or rights to receive or subscribe for shares, notes, bonds, options or other securities declared, paid or issued by Valhalla or any of its subsidiaries)
<b>Securityholder Reference Number</b>	has the same meaning as in the ASTC Settlement Rules
<b>Shares</b>	fully paid ordinary shares in the capital of Valhalla
<b>Summit</b>	Summit Resources (Aust) Pty Ltd (ABN 98 009 188 078), a party to the Mt Isa Agreement
<b>Takeover Bid</b>	the off-market takeover bid constituted by the dispatch of the Offers in accordance with the Corporations Act
<b>Takeover Transferee Holding</b>	has the same meaning as in the ASTC Settlement Rules
<b>TSX</b>	the Toronto Stock Exchange
<b>U<sub>3</sub>O<sub>8</sub></b>	uranium oxide
<b>Valhalla</b>	Valhalla Uranium Limited (ABN 73 116 370 720)
<b>Valhalla Group</b>	Valhalla and its subsidiaries
<b>Your Shares</b>	subject to section 12.1(g) and section 12.1(h), the Shares (a) in respect of which you are registered, or entitled to be registered, as holder in the register of shareholders of Valhalla at the open of business Perth, Western Australia time) on the Register Date, or (b) to which you are able to give good title at the time you accept this Offer during the Offer Period.

### 13.2 Interpretation

In this Bidder's Statement and in the Acceptance Form, unless the context otherwise appears:

- (a) words and phrases have the same meaning (if any) given to them in the Corporations Act;
- (b) words importing a gender include any gender;
- (c) words importing the singular include the plural and vice versa;
- (d) an expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- (e) a reference to a section, annexure and schedule is a reference to a section of and an annexure and schedule to this Bidder's Statement as relevant;

- (f) a reference to any statute, regulation, proclamation, ordinance or by-law includes all statutes, regulations, proclamations, ordinances, or by-laws amending, varying, consolidating or replacing it and a reference to a statute includes all regulations, proclamations, ordinances and by-laws issued under that statute;
- (g) headings and boldings are for convenience only and do not affect the interpretation of this Bidder's Statement;
- (h) a reference to time is a reference to time in Perth, Western Australia;
- (i) a reference to writing includes facsimile transmissions; and
- (j) a reference to dollars, \$, A\$, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia.

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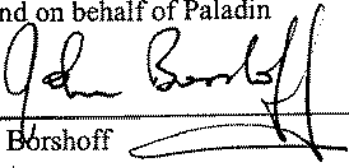
#### **14 Approval of Bidder's Statement**

This Bidder's Statement has been approved by a unanimous resolution passed by the directors of Paladin.

**Dated:** 24 July 2006

**Signed**

for and on behalf of Paladin

  
\_\_\_\_\_  
John Borshoff  
Director



## Annexure A – Announcements in relation to the Offer



**PALADIN RESOURCES LTD**

ACN 061 681 058

GRAND CENTRAL 1<sup>ST</sup> FLOOR, 26 RAILWAY ROAD  
SUBIACO WESTERN AUSTRALIA 6008  
PO BOX 201, SUBIACO WESTERN AUSTRALIA 6904

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EMAIL: [paladin@paladinresources.com.au](mailto:paladin@paladinresources.com.au)

Web: [www.paladinresources.com.au](http://www.paladinresources.com.au)

10 July 2006

Company Announcements Office  
Australian Stock Exchange Limited  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir / Madam

### TAKEOVER OFFER FOR VALHALLA URANIUM LIMITED

#### HIGHLIGHTS

- Off market, all scrip offer comprising 1 fully paid ordinary Paladin share for every 3.16 fully paid ordinary Valhalla shares.
- Valhalla's directors have unanimously recommended acceptance of the offer in the absence of a superior offer.
- Represents a significant step forward in Paladin's growth strategy.

Paladin Resources Limited (ASX: PDN, TSX: PDN) ("Paladin") is pleased to announce an A\$174 million takeover offer for Australian Stock Exchange-listed mining company Valhalla Uranium Limited (ASX: VUL) ("Valhalla"). The off market, all scrip offer will comprise 1 fully paid ordinary Paladin share for every 3.16 fully paid ordinary Valhalla shares, implying a price of A\$1.45 per Valhalla share, based on the last traded price of Paladin shares on Thursday 6<sup>th</sup> July 2006 (prior to Paladin shares being placed in a trading halt).

The offer terms reflect a premium of approximately 41% to the volume weighted average price for Valhalla shares in the 20 trading days prior to today.

Valhalla's directors have unanimously recommended that Valhalla shareholders accept the Paladin offer, in the absence of a superior offer. They have also indicated that they intend to accept the Paladin offer with respect to their own shareholdings, in the absence of a superior offer.

**The proposed acquisition represents a significant step forward in Paladin's growth strategy. It will bolster Paladin's development pipeline and provide further diversification in geographical, political and resource terms.**

Valhalla is a Western Australian based resource company with interests in a number of uranium projects in Queensland and the Northern Territory. The most advanced project in Valhalla's portfolio is the Valhalla/Skal uranium deposits situated in northern Queensland. Valhalla has a 50% interest in these deposits with Summit Resources Limited ("Summit"), which is the manager of the project. Valhalla also holds interests in the Ngalia Basin uranium project containing the Bigryi Deposit as well as the Pine Creek uranium project in the East Alligator River area.

Valhalla's share of resources via the Mt Isa Joint Venture is 14.2Mlbs U<sub>3</sub>O<sub>8</sub> in JORC compliant Measured and Indicated Resource categories and 4.0Mlbs U<sub>3</sub>O<sub>8</sub> in the JORC compliant inferred Resources category as at 20<sup>th</sup> October 2005. In addition, Valhalla's share of incremental historical estimates is 17.8Mlbs U<sub>3</sub>O<sub>8</sub> (based on information released by Valhalla's joint venture partners). Should the offer be accepted, Paladin will significantly increase its global uranium resource base.

The proposed acquisition is an excellent opportunity to add up to three potential projects to Paladin's medium to long term project pipeline. Paladin believes the Valhalla/Skal deposits are very competitive ore bodies with significant resources and very good grades. While ultimate development of the resource depends on a change of policy in Queensland, Paladin plans to support Summit in progressing the exploration and appraisal of this deposit to ensure readiness if and when this policy change occurs.

Paladin's financial advisers in respect of the potential acquisition are Azure Capital and its legal advisers are Freehills.

### **Offer Terms**

Paladin's offer for Valhalla shareholders is 1 Paladin share per 3.16 Valhalla shares.

Based on the closing price of Paladin shares on Thursday 6<sup>th</sup> July 2006 (prior to Paladin shares being placed in a trading halt) of AUD\$4.58 per share, the value of Paladin scrip consideration is equivalent to \$1.45 per Valhalla share. This represents attractive premiums to the level at which Valhalla shares have traded recently, namely:

- a 41% premium to the volume weighted average price for Valhalla shares of \$1.03 in the 20 trading days prior to this announcement; and
- a 37% premium to the volume weighted average price for Valhalla shares of \$1.06 in the 45 trading days prior to this announcement.

The offer is subject to a number of conditions, which are set out in detail later in this announcement.

Valhalla has agreed to pay Paladin a break fee of approximately AUD\$1.2 million in certain circumstances.

### **Indicative Timetable**

The Bidder's Statement is expected to be available in two to three weeks and despatched to Valhalla shareholders as soon as possible thereafter.

### **Background Information – Paladin Resources Limited**

Paladin Resources Ltd is listed on both the Australian Stock Exchange and the Toronto Stock Exchange under the symbol "PDN" with subsidiary listings on the Munich Stock Exchange, Berlin-Bremen Stock Exchange, Stuttgart Stock Exchange and Frankfurt Stock Exchange under the symbol "PUR".

Paladin operates in the mineral resource sector with focus on uranium and has projects in Australia and Africa. The African projects are Langer Heinrich in Namibia and Kayelekera in Malawi. The Australian projects are Manyingee and Oobagooma in Western Australia.

Construction has commenced on the Langer Heinrich Uranium Project located in the west of central Namibia, Southern Africa. It lies 80km east of the major deepwater seaport at Walvis Bay and the coastal town of Swakopmund.

On completion of the Langer Heinrich drilling programme in October 2005, a new resource estimate was determined. The JORC and NI 43-101 compliant Measured and Indicated Resource is now stated at 32.3Mt grading 0.07%  $U_3O_8$  for a total of 20,200t or 44Mlbs  $U_3O_8$  and the Inferred Resource is stated at 40Mt grading 0.06%  $U_3O_8$  for a total of 23,800 t or 52.5Mlbs  $U_3O_8$ . As announced recently, Paladin has begun drawing down on a US\$71 million loan facility in order to complete construction and commissioning. The project remains on schedule to commence commissioning in September 2006 and first sales in the first quarter of 2007.

The Kayelekera Deposit is located in northern Malawi in southern Africa. In 2005 Paladin contracted mineral resource specialists Hellman and Schofield Pty Ltd to complete new preliminary resource estimates on the Kayelekera Uranium Project compliant under the JORC and NI 43-101 codes. This work indicates the following Mineral Resources in the 300ppm cut off range:

- 15.3Mt of ore at 0.09%  $U_3O_8$  containing 13,630t/30Mlbs  $U_3O_8$  (Measured and Indicated).
- 3.4Mt of ore at 0.06%  $U_3O_8$  containing 2,040t/4.5Mlbs  $U_3O_8$  (Inferred).

The Kayelekera Bankable Feasibility Study commenced in May 2005 and remains on track for completion in December 2006. Paladin expects to make a development decision on Kayelekera in the first quarter of 2007.

Paladin has continued to build a high quality management team with excellent experience in uranium marketing, major project finance and development construction, operations and corporate governance.

#### **Background Information – Valhalla Uranium Limited**

Valhalla Uranium Limited is a Western Australian based resource company holding interests in a number of advanced uranium projects acquired from Resolute Mining Limited. Valhalla listed on the ASX in December 2005.

Valhalla's projects are in Queensland and the Northern Territory. The projects include a 50% interest in the Valhalla and Skal uranium deposits in Queensland as well as interests in a series of uranium resources and prospects at various stages of evaluation in the Northern Territory, the Ngalia Basin Projects and the Pine Creek Project.

The most advanced project in the Company's portfolio is the Valhalla project, after which the Company is named. The Valhalla deposit is located 40km north of Mount Isa in Queensland and is managed by Summit. The Valhalla deposit has an identified JORC Code Mineral Resources consisting of Measured and Indicated Resources of 8.8Mt grading 0.147%  $U_3O_8$  for a total of 28.4Mlbs  $U_3O_8$  and Inferred Resources of 2.7Mt grading 0.135%  $U_3O_8$  for a total of 8.0Mlbs  $U_3O_8$ . In addition, Valhalla's partner, Summit, has reported incremental historical estimates of 9.0Mt at between 0.08%  $U_3O_8$  and 0.10%  $U_3O_8$  for 20.1Mlbs  $U_3O_8$ .

The Skal uranium deposit, 10km east of Valhalla has also been drill tested with significant contained uranium identified in mineralisation of a similar style to Valhalla. Skal contains a historical estimate (as reported by Summit) of 4.2m tonnes at between 0.10%  $U_3O_8$  and 0.13%  $U_3O_8$  for 11.0Mlbs  $U_3O_8$ .

Valhalla Uranium is also a participating partner in a series of uranium projects in the Ngalia Basin and Pine Creek districts of the Northern Territory. The projects include four uranium and vanadium

prospects, in which significant volumes of high-grade mineralisation have been identified, as well as a series of prospective radiometric targets.

The most advanced of the Northern Territory projects is at Bigriyi (Valhalla Uranium 41.7%) where some four hundred and thirteen drill holes have been drilled. The main Bigriyi shoot is open at depth and down plunge.

Yours faithfully  
Paladin Resources Ltd



**John Borshoff**  
Managing Director

*In respect of Paladin Resources Ltd any information in this report that relates to mineral resources is based on information compiled by Ed Becker BSc (Hons), MAusIMM, David Princep BSc MAusIMM each of whom have more than five years experience in estimation of mineral resources and ore reserves. Mr Becker is a full-time employee of Paladin Resources Ltd. Mr Princep is a full-time employee of Hallman & Schofield Pty Ltd. The work has been reviewed by Arnold van der Heyden BSc MAusIMM who is a full-time employee of Hallman & Schofield Pty Ltd. Messrs Becker and van der Heyden each have sufficient experience relevant to assessment of uranium mineralisation to qualify as Competent Persons as defined in the "Australasian Code for Reporting of Mineral Resources and Ore Reserves". Each of the above named consents to the inclusion of the information in the report in the form and context in which it appears.*

*In respect of Valhalla Uranium Limited, the information in this report that relates to the stated JORC compliant resource for the Valhalla deposit was compiled by Malcolm Castle and was presented in the Independent Geologists Report, within the Valhalla Uranium Limited Prospectus. Malcolm Castle is a consulting geologist with 40 years experience in exploration geology and property evaluation. Mr Castle has sufficient experience relevant to assessment of uranium mineralisation to qualify as a Competent Person as defined in the "Australasian Code for Reporting of Mineral Resources and Ore Reserves". Mr Castle has consented to the inclusion of this information in this announcement.*

## Offer Conditions

### 1. Defined terms in the Bid Conditions

Term	Meaning
<b>ASIC</b>	Australian Securities and Investments Commission
<b>ASX</b>	Australian Stock Exchange Limited
<b>Bidder's Statement</b>	the Takeover Bidder's statement to be issued by Paladin in relation to the Takeover Bid
<b>Business Day</b>	a day on which the banks are open for business in Western Australia excluding a Saturday, Sunday or public holiday
<b>Common Terms Agreement</b>	the agreement of that name between, amongst others, Paladin Finance Pty Ltd (as Borrower), Paladin (as Sponsor and Completion Guarantor) and the Société Générale, Australia Branch (ABN 71 092 516 286) relating to the syndicated loan arrangement between those parties
<b>Competing Transaction</b>	any transaction (including a takeover bid, members' scheme of arrangement, share or asset sale or similar) under which a third party, being a person other than Paladin or an associate, will or may, subject to satisfaction of conditions, acquire control (within the meaning of section 50AA of the Corporations Act) of Valhalla or any of its subsidiaries
<b>Corporations Act</b>	the <i>Corporations Act 2001</i> (Cth)
<b>Escrow Shares</b>	The 99,999,999 Shares held by Resolute subject to escrow until 15 December 2007 pursuant to a Restriction Agreement between Resolute and Target dated 11 November 2005
<b>FATA</b>	the <i>Foreign Acquisitions and Takeovers Act 1975</i> (Cth)
<b>Mt Isa</b>	Mt Isa Uranium Pty Ltd (ABN 77 064 536 483)
<b>Mt Isa Agreement</b>	the joint venture agreement between Summit and Resolute dated 16 January 2001 relating to the Mt Isa Exploration Joint Venture
<b>Offers</b>	the offers made under the Takeover Bid
<b>Offer Period</b>	the period during which the Offers remain open

<b>Term</b>	<b>Meaning</b>
<b>Public Authority</b>	any government or any governmental, semi-governmental, statutory or judicial entity, agency or authority, whether in Australia or elsewhere, including (without limitation) any self-regulatory organisation established under statute or otherwise discharging substantially public or regulatory functions, and ASX or any other stock exchange
<b>Resolute</b>	Resolute Mining Limited (ABN 39 097 088 689)
<b>Resolute Limited</b>	Resolute Limited (ABN 27 009 069 014), a wholly-owned subsidiary of Resolute
<b>Security Bond</b>	an unconditional irrevocable bank guarantee in an amount equal to the Break Fee having a term of not less than 6 months
<b>Summit</b>	Summit Resources (Aust) Pty Ltd (ABN 98 009 188 078)
<b>Valhalla Shareholder</b>	a holder of Valhalla Shares
<b>Valhalla Share</b>	an ordinary share in the capital of Valhalla
<b>\$</b>	the lawful currency of the Commonwealth of Australia

## **2. Conditions to the Takeover Bid**

### **(a) FATA**

If required under the FATA, before the end of the Offer Period, the Treasurer of the Commonwealth of Australia either:

- (1) issues a notice stating that the Commonwealth Government does not object to Paladin acquiring 100% of the Valhalla Shares under the Offer; or
- (2) is precluded from making an order in respect of the entry into or completion by Bidder of this agreement under the FATA.

### **(b) No regulatory action**

Between the Announcement Date and the end of the Offer Period (each inclusive):

- (1) there is not in effect any preliminary or final decision, order or decree issued by any Public Authority;
- (2) no action or investigation is announced, commenced or threatened by any Public Authority; and
- (3) no application is made to any Public Authority (other than by Paladin or any associate of Paladin),

in consequence of or in connection with the Offer (other than an application to, or a decision or order of, ASIC or the Takeovers Panel in exercise of the powers and discretions

conferred by the Corporations Act) which restrains, prohibits or impedes, or threatens to restrain, prohibit or impede, or materially impact upon, the making of the Offers and the completion of any transaction contemplated by the Bidder's Statement (including, without limitation, full, lawful, timely and effectual implementation of the intentions set out in the Bidder's Statement) or which requires the divestiture by Paladin of any Shares or any material assets of Valhalla or any subsidiary of Valhalla.

**(c) Compulsory acquisition**

During, or at the end of the Offer Period, Paladin is entitled to send compulsory acquisition notices under Part 6A.1, Division 1 of the Corporations Act.

**(d) No material adverse change**

(1) Between the Announcement Date and the end of the Offer Period (each inclusive) none of the following occurs:

- an event, change, condition, matter or thing occurs;
- information is disclosed or announced by Valhalla or any of its subsidiaries concerning any event, change, condition, matter or thing; or
- information concerning any event, change, condition, matter or thing becomes known to Paladin (whether or not becoming public),

which will have, could reasonably be expected to have or which evidences that there has been a material adverse effect on the business, assets, liabilities, financial position and performance, material contracts (taken as a whole), profitability or prospects of Valhalla or any of its subsidiaries, since 23 March 2006.

(2) For the purposes of clause (d)(1), Paladin shall not be taken to know of information concerning any event, change, condition, matter or thing before the Announcement Date, unless Paladin knows or ought reasonably to have known (having regard to the information actually known by Paladin and the information disclosed by Valhalla in its public filings with the ASX and ASIC before the Announcement Date), of the extent or magnitude of the event, change, condition, matter or thing.

(3) Clause (d)(1) does not apply in relation to particular information, if that information was previously disclosed by Valhalla in a public filing with the ASX or ASIC provided that the disclosure was full and fair (including, without limitation, in relation to the extent and magnitude of the event, change, condition, matter or thing, as the case may be) and was not, and is not likely to be, incomplete, incorrect, untrue or misleading.

**(e) Mt Isa**

Before the end of the Offer Period, Mt Isa enters into an agreement pursuant to which Mt Isa acquires all of the issued shares in Resolute Limited from Resolute for an amount not exceeding \$1.00 (Acquisition) and:

- (1) there are no liabilities (whether present or future, actual or contingent) assumed by Mt Isa or Resolute Limited under the terms of, or as a result of, that agreement or the Acquisition, in excess of \$1,000;
- (2) the Acquisition is completed by the first to occur of 30 September 2006 and the end of the Offer Period; and
- (3) Mt Isa does not cease to be a "Related Company" (within the meaning of the Mt Isa Agreement) of Resolute Limited at any time prior to completion of the Acquisition.

**(f) No breach, termination or variation of the Mt Isa Agreement**

There being no breach (whether before or after the Announcement Date) by any of the parties to the Mt Isa Agreement of the terms of that agreement, and, between the

Announcement Date and the end of the Offer Period (each inclusive), no termination of, amendment to the terms of, or waiver of rights under, the Mt Isa Agreement occurring, or being announced or agreed to (excluding any agreement of the kind referred to in clause (a)(2)).

**(g) No change of control rights**

Between the Announcement Date and the end of the Offer Period (each inclusive), there is no person having any rights, being entitled to have any rights, alleging an entitlement, or expressing or announcing an intention (whether or not that intention is stated to be a final or determined decision of that person) (in all cases whether subject to conditions or not), as a result of any change of control event in respect of Valhalla (including Paladin acquiring shares in Valhalla) or any of its subsidiaries or assets, to:

- (1) terminate or alter any contractual relations between any person and Valhalla or any of its subsidiaries (for this purpose an alteration includes of the operations of a contract, whether or not that altered operation is provided for under the existing terms of the contract);
- (2) require the termination, modification or disposal (or offer to dispose) of any interest or asset, corporate body, joint venture or other entity; or
- (3) accelerate or adversely modify the performance of any obligations of Valhalla or any of its subsidiaries under any agreements, contracts or other legal arrangement.

**(h) ASX approval to release of Escrowed Shares**

Before the end of the Offer Period, ASX has provided its consent under ASX Listing Rule 9.17 to release the Escrowed Shares from dealing restrictions.

**(i) Common Terms Agreement**

The Société Générale, Australia Branch (ABN 71 092 516 286), in its capacity as Agent under the Common Terms Agreement:

- (1) irrevocably and unconditionally consenting to the acquisition by Paladin of all the Shares pursuant to the Offer for the purposes of the Common Terms Agreement; and
- (2) irrevocably and unconditionally waiving any default under the Common Terms Agreement which has arisen, or may arise, solely as a result of the announcement or completion of the Offer by Paladin.

**(j) Consent to quotation**

The Toronto Stock Exchange consents to the issue and quotation of the Paladin Shares to be issued under the Offer on that exchange on an unconditional basis.

**(k) Access to information**

Between the Announcement Date and the end of the Offer Period, Valhalla promptly, and in any event within 2 Business Days, provides to Paladin a copy of all material information which Paladin may from time to time reasonably request, whether or not generally available (within the meaning of the Corporations Act) relating to Valhalla or any of its subsidiaries, or their respective assets, liabilities or operations.

**(l) Valhalla resource**

Before the end of the Offer Period, it is announced to ASX by any party to the Mt Isa Agreement that the Valhalla deposit has a JORC-compliant resource of not less than 54 million pounds of uranium oxide (U<sub>3</sub>O<sub>8</sub>).



**(m) No prescribed occurrences**

Between the Announcement Date and the date 3 business days after the end of the Offer Period (each inclusive), none of the following prescribed occurrences (being the occurrences listed in section 652C of the Corporations Act) happen:

- (1) Valhalla converting all or any of the Shares into a larger or smaller number of shares under section 254H of the Corporations Act;
- (2) Valhalla or a subsidiary of Valhalla resolving to reduce its share capital in any way;
- (3) Valhalla or a subsidiary of Valhalla entering into a buyback agreement or resolving to approve the terms of a buyback agreement under section 257C(1) or 257D(1) of the Corporations Act;
- (4) Valhalla or a subsidiary of Valhalla making an issue of Shares (other than Shares issued as a result of the exercise of Options into Shares) or granting an option over the Shares or agreeing to make such an issue or grant such an option;
- (5) Valhalla or a subsidiary of Valhalla issuing, or agreeing to issue, convertible notes;
- (6) Valhalla or a subsidiary of Valhalla disposing or agreeing to dispose, of the whole, or a substantial part, of its business or property;
- (7) Valhalla or a subsidiary of Valhalla charging, or agreeing to charge, the whole, or a substantial part, of its business or property;
- (8) Valhalla or a subsidiary of Valhalla resolving that it be wound up;
- (9) the appointment of a liquidator or provisional liquidator of Valhalla or of a subsidiary of Valhalla;
- (10) the making of an order by a court for the winding up of Valhalla or of a subsidiary of Valhalla;
- (11) an administrator of Valhalla or of a subsidiary of Valhalla being appointed under section 436A, 436B or 436C of the Corporations Act;
- (12) Valhalla or a subsidiary of Valhalla executing a deed of company arrangement;
- (13) the appointment of a receiver, receiver and manager, other controller (as defined in the Corporations Act) or similar official in relation to the whole, or a substantial part, of the property of Valhalla or of a subsidiary of Valhalla.



**ASX ANNOUNCEMENT**

**PALADIN RESOURCES OFFER FOR VALHALLA URANIUM**

Valhalla Uranium Limited announces that it has received notice of a conditional takeover bid for all its issued shares from Paladin Resources Limited.

The offer is 1 Paladin Resources share for every 3.16 Valhalla Uranium shares. Further details of the Paladin Resources offer are attached to this announcement.

The Valhalla Uranium directors have considered the terms of the Paladin Resources offer and unanimously recommend that Valhalla Uranium shareholders accept the offer in the absence of a superior offer. The directors also advise they intend to accept the offer for their own shares in the absence of a superior offer.

The Paladin Resources offer provides Valhalla Uranium shareholders with an opportunity to become involved with a larger and more advanced uranium company. The directors also believe that Paladin Resources' uranium industry experience embracing marketing, development, construction and operation coupled with its balance sheet strength will provide the opportunity to significantly grow and develop Valhalla Uranium's assets.

Valhalla Uranium has entered into a Break Fee Agreement with Paladin Resources that in certain limited circumstances provides for a payment of \$1.2 million to Paladin Resources. A copy of the Break Fee Agreement is attached to this announcement.

It should be noted that Resolute Mining Limited's 83.3% shareholding in Valhalla Uranium is subject to escrow under the ASX Listing Rules. Accordingly the holders of at least 50% of the non escrowed Valhalla Uranium shares must accept the Paladin Resources offer before the Resolute Mining holding can be released from escrow (unless the ASX agrees otherwise).

A handwritten signature in black ink, appearing to read 'P. Sullivan', is positioned above the printed name and title.

PETER SULLIVAN  
Managing Director

11 July 2006

VALHALLA URANIUM LTD  
A.C.N. 73 116 370 720

4th Floor, BGC Centre, 28 The Esplanade, Perth, Western Australia 6000. P.O. Box 7232 Cloisters Square, Perth, Western Australia 6850  
Telephone : (08) 9261 6767 Facsimile : (08) 9322 7541 Email : [contact@valhalla-uranium.com.au](mailto:contact@valhalla-uranium.com.au)

## Annexure B – ASX announcements by Paladin since 1 July 2005

Date	Announcement
20/07/06	Appendix 3B – Exercise and Allotment of Options
20/07/06	Appointment of David Princep to Paladin Technical Team
18/07/06	BMN Bannerman Progresses Uranium Exploration in Namibia
11/07/2006	SMM: Mt Isa Project/Response to bid for Valhalla by Paladin
11/07/2006	RSG's ann: Paladin Resources T/O Offer for Valhalla Uranium
11/07/2006	VUL: Takeover Offer by Paladin
11/07/2006	Takeover offer for Valhalla Uranium Ltd
07/07/2006	Trading Halt
06/07/2006	Appendix 3B - Allotment of Options
06/07/2006	Langer Heinrich First Drawdown
03/07/2006	Appointment of Brendan O'Hara - Commencement Date
03/07/2006	Appointment of Brendan O'Hara to Executive Team
01/06/2006	Change of Director's Interest Notice x2
31/05/2006	Added to MSCI World Standard Index Series
30/05/2006	Appendix 3B Conversion of Options
30/05/2006	Langer Heinrich Uranium Project Namibia
08/05/2006	Third Quarter Activities Report
03/05/2006	Change in substantial holding
28/04/2006	Third Quarter Activities & Cashflow Report
28/04/2006	Appendix 3B
28/04/2006	Appointment of General Manager - New Business Development
03/04/2006	Ceasing to be a substantial holder for DYL
24/03/2006	Further Uranium Sales Contract Secured for Langer Heinrich
09/03/2006	Amendment - Change in substantial holding
08/03/2006	Change in substantial holding
27/02/2006	Allotment of Shares on Exercise of Options
17/02/2006	Appendix 3B
13/02/2006	Second Quarter & Half Year Reports - 31 December 2005
03/02/2006	RPT ann re Langer Heinrich Royalty Expected to Rise
01/02/2006	Kayelekera Uranium Project-Prospective Tenements Granted
27/01/2006	Second Quarter Cashflow Report
27/01/2006	Another Yellowcake Sale Contract Secured-Langer Heinrich
27/01/2006	Ceasing to be a substantial holder
25/01/2006	Second Quarter Activities Report
24/01/2006	Kayelekera Resource Estimate Significantly Improved
19/01/2006	Appendix 3B - Allotment of Options
19/01/2006	Inaugural Yellowcakes Sales Contract for Langer Heinrich.
13/01/2006	Appendix 3B
21/12/2005	Appoints General Manager
12/12/2005	Change in substantial holding for DYL
02/12/2005	SIM: Tenements Granted in Western Australia
14/11/2005	Financial Statements for Quarter ended 30/09/05
09/11/2005	Proxy Voting at AGM
09/11/2005	Langer Heinrich Uranium Project Namibia
31/10/2005	First Quarter Activities & Cashflow Reports

<b>Date</b>	<b>Announcement</b>
21/10/2005	Appendix 3B - Placement
17/10/2005	Placement of Settlement Tranche 3
14/10/2005	Appendix 3B: Placement of Settlement Tranche 2
13/10/2005	Appendix 3B: Tranche 1
12/10/2005	Becoming a substantial holder
07/10/2005	Annual Report/Notice of AGM
07/10/2005	Appendix 3B
30/09/2005	Placement
23/09/2005	RPT: Resource upgrade at Langer Heinrich Uranium Project
19/09/2005	Langer Heinrich Uranium Project
19/09/2005	Appendix 3B/Secondary Trading Notice
16/09/2005	Becoming a substantial holder for DYL
16/09/2005	Langer Heinrich - Ground Breaking Ceremony
15/09/2005	DYL ann: Settlement of transactions
15/09/2005	SMC's ann: Update & New Project Acquisition
13/09/2005	Allotment of Shares on Exercise of Options
13/09/2005	Share Placement
08/09/2005	Proxy Voting at General Meeting
02/09/2005	2005 Annual Report
01/09/2005	DYL: Disclosure Document
29/08/2005	Langer Heinrich Project Finance Approved
23/08/2005	Amendment of ASX Code for Warrants
23/08/2005	Issue of Equity Trading Warrants Over Shares in Paladin
09/08/2005	Notice of General Meeting
05/08/2005	Allotment of Shares on Exercise of Options
29/07/2005	Fourth Quarter Activities & Cashflow Report
27/07/2005	Langer Heinrich Mining Licence Approval Granted
18/07/2005	Sale of Non Core SA Uranium Property Database
18/07/2005	DYL: New Acquisitions Cons. Focus on Aust. Uranium Assets
15/07/2005	Change of Director's Interest Notice x2
15/07/2005	Employee Options - Issue and Conversion
06/07/2005	Change of Auditors
06/07/2005	To purchase remaining 10% interest - Kayelekera Proj
05/07/2005	CAP Cancellation: ROC: UK & Norway approve Devt announcement
05/07/2005	ROC: UK & Norway approve Devt of Blane & Enoch
04/07/2005	Clarification of Langer Heinrich Royalty Purchase
01/07/2005	Initial Director's Interest Notice