

# A growing uranium producer

Annual Review 2010

**Paladin Energy Ltd**



PALADIN (AFRICA) LIMITED



LANGER HEINRICH URANIUM (PTY) LTD

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This review provides a summary of Paladin's 2010 Annual Report which is available on the company's website, [www.paladinenergy.com.au](http://www.paladinenergy.com.au)

**Paladin Energy Ltd**

ACN 061 681 098

# A pipeline of projects to meet the world's growing demand for uranium

Paladin Energy Ltd is a uranium production company with projects in Australia and two of the world's newest operating mines in Africa.

The Company's strategy is to become a major uranium mining house and has accumulated an exciting, high quality portfolio of advanced uranium projects, each having production potential.

The Langer Heinrich Mine in Namibia is Paladin's flagship project. The mine has recently completed its Stage 2 ramp-up with further expansion set to take production to 10Mlb  $U_3O_8$  by 2014.

The Kayelekera Mine in Malawi was opened in April 2009 and is progressing to nameplate production of 3.3Mlb  $U_3O_8$  per annum.

Paladin is listed on the Australian Securities Exchange, the Toronto Stock Exchange and the Namibian Stock Exchange under the symbol "PDN".

# This year's achievements

★ Sales Revenue up 81% to US\$202M

★ Production up 60% to 4.3Mlb U<sub>3</sub>O<sub>8</sub>

★ Exploration spend up 40% to US\$17.1M

★ Group employees increased to 896

★ 2 mine expansions announced

★ Industry leading average sales price achieved for year

★ MOU signed with China Guangdong Nuclear Power Corporation

★ Takeover offer for NGM Resources Ltd establishing footprint in Niger

## 2009

### August

Initial investment in NGM Resources Limited.

### September

Placement completed raising US\$374M. Valhalla resources increased by 10% to 70Mlb U<sub>3</sub>O<sub>8</sub>. Skai resources increased by 38% to 6.2Mlb U<sub>3</sub>O<sub>8</sub>.

### October

Expansion plans announced. Proposed Stage 4 for Langer Heinrich Mine increasing annual production to 10Mlb U<sub>3</sub>O<sub>8</sub> by mid 2014. Kayelekera Mine optimisation targeting increased production rate to 3.8Mlb U<sub>3</sub>O<sub>8</sub> pa by mid 2013.

### December

Langer Heinrich Mine achieves Stage 2 production levels. Commencement of Stage 3 construction expanding to 5.2Mlb U<sub>3</sub>O<sub>8</sub> pa.

## 2010

### March

Kayelekera resource increased to 46.4Mlb U<sub>3</sub>O<sub>8</sub>; (inferred increased by 63%, measured and indicated by 6%)

### May 2010

30,000m of drilling completed at Langer Heinrich Mine to provide basis for upgraded resource and Stage 4 expansion.

### June

Overall production for FY2010 a 60% year on year increase to 4.32Mlb U<sub>3</sub>O<sub>8</sub>.

### August

MOU signed with China Guangdong Nuclear Power Corporation providing framework for long-term sales, participation in future growth and expansion of current JV relationships.

### September

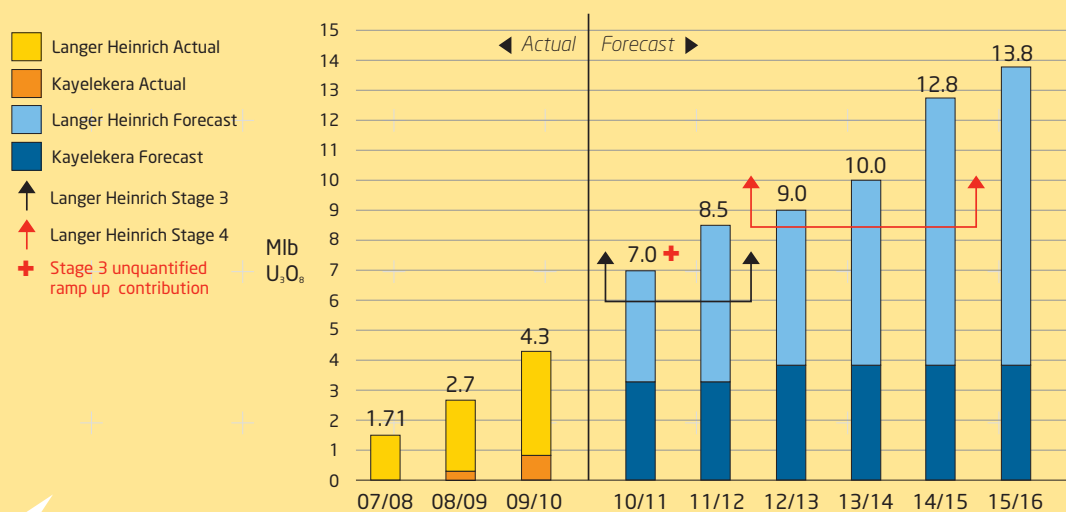
Recommended takeover offer for NGM Resources Limited, establishing a footprint in Niger.

## What we set out to do in 2010

- ✓ Establish world-class Safety, Health, Environment and Radiation (SHER) framework across the organisation.
- ✓ Successfully integrate Stage 2 expansion at Langer Heinrich Mine.
- ✓ Initiate expansion with Stage 3 at Langer Heinrich Mine.
- ✓ Achieve commercial production at Kayelekera Mine.
- ✓ Complete Garnet Halliday Water Treatment Project in Malawi.
- ✓ Expand global resource inventory.
- ✓ Expand global footprint through M&A activity.
- ✓ Establish and maintain a strong balance sheet.
- ✓ Increase depth of uranium expertise across all staffing levels.
- ✓ Develop appropriate long-term incentive plan to more appropriately reward employees.

## What we plan to do in 2011

- ⊙ Complete Stage 3 construction at Langer Heinrich Mine with ramp-up commencing early CY2011.
- ⊙ Progress Stage 4 Langer Heinrich Mine feasibility study.
- ⊙ 2011 production objectives of 7Mlb.
- ⊙ Optimise production at Kayelekera Mine.
- ⊙ Ongoing implementation of NOSA health and safety system.
- ⊙ Continue resource expansion at Mount Isa.
- ⊙ Develop Paladin's term contract sales to targeted levels.
- ⊙ Ongoing commitment to global exploration.
- ⊙ Continue to populate Paladin's growth pipeline through M&A and expand through organic growth.
- ⊙ Focus on talent management and career development across the Group.





# Building a company that the world needs



**Rick Crabb**  
Chairman

Although it is now four years since Paladin commenced the production of uranium oxide, the Company is still very much in “development” mode. This will continue for many years. Such is the nature of the renaissance of the nuclear power industry, the substance of Paladin’s many projects around the world, the depth of the Company’s expertise and the passion of its CEO, its directors and employees.

During the past financial year, the Paladin team has principally been focused on achieving production targets at the Langer Heinrich and Kayelekera mines. Early problems and delays with the production ramp-up at Kayelekera were systematically overcome and the mine is now positioned to confirm nameplate production in the September quarter. The Langer Heinrich Mine continued its strong performance at Stage 2 nameplate capacity, whilst construction of Stage 3 progressed and Stage 4 feasibility commenced.

The achievements of Paladin management, employees and contractors in building, expanding and operating two new mines to modern international standards in Africa, with quite different geographical locations, ore body types and process flow-sheets cannot be underestimated. The intellectual property accumulated by the Paladin Group over the past 15 years since embarking on its uranium strategy, lays the foundation for the Company to achieve its long held goal to become a major global uranium mining house.

With this goal in mind, the Board and senior management continue to focus on improvements to health & safety, environmental management, corporate governance and career path training.

The Company recognises the important role it has to play within the communities in which it operates. I urge you to read with interest and pride the section of this Annual Review summarising the contribution to communities in Namibia and Malawi made by the Company, as well as privately by its employees. This positive attitude to community support is also reflected in the Company’s Australian exploration projects.

This past reporting period has seen continued fluctuation in Paladin’s share price, from A\$3.37 to A\$5.18. However, despite some continued global market uncertainty, the outlook for both spot and long-term uranium prices is positive and, coupled with Paladin’s consolidation as a reliable producer with growth potential, I am confident that shareholders will be rewarded for their support.

I again thank John Borshoff and all employees for their ongoing dedication and hard work. I acknowledge the mutual decision by John and his technical General Managers (supported by the Board) to not be considered for any annual bonuses due to safety incidents and a disappointing ramp-up at the Kayelekera Mine. Clearly it is in the interests of all stakeholders that executive bonuses be aligned to overall Company performance, as well as personal performance.

I welcome our new Non-executive Director Peter Donkin, whose significant banking experience in the resources sector has further strengthened the governance capacity of the Board.

Welcome also to Non-executive Director Philip Baily, who will join the Board on 1 October. His extensive experience as a metallurgist in senior management roles, particularly in the uranium sector, will be invaluable to the Board’s oversight of operations.

At the forthcoming Annual General Meeting we will farewell Ian Noble as a director. Ian joined the Board in June 2005 and, with his strong uranium technical background, made an enormous contribution to the Board and the Company as a whole, during the last five highly active years.

Yours faithfully

RICK CRABB  
Chairman



**John Borshoff**  
Managing Director/CEO

*I thought you may find it interesting to read some excerpts from a couple of the many presentations I have given throughout the past year. They cover two topics about which I am passionate: the benefits and responsibilities of operating in Africa; and my perspective on the supply and demand dynamics of the uranium market.*

## Survival and opportunity

Africa Down Under, Perth, 3-4 September 2009.

“ I decided to entitle my talk – SURVIVAL AND OPPORTUNITY - as it does, I think, combine the two key words essential to create success and I feel this aptly describes my topic for today.

Someone recently carried out an interesting survey on the 500 or so junior exploration companies currently listed on the ASX to determine what we can learn from those companies that have survived over the past 10 years. There are some observations which I found particularly interesting and relevant...

The major conclusion that can be drawn from this survey is that the winners were those exploration companies that adapted to new approaches and were prepared to move out of their comfort zones. Those that had the vision and commitment to take anti-cyclical positions, acquire big company discards, took courage and trusted their own judgment while taking risks along the way generally succeeded. Clear examples that this attitude can lead to success are the emerging Australian producer companies in Africa today such as Equinox, Anvil, Platinum Australia, Resolute and ourselves to name a few (and apologies to any that I have missed) and fully exemplify the benefits of what “having a go”, as they say, can achieve...

The impact of corporate Australia moving into foreign countries has mostly been felt in Africa. This influx of Aussies into Africa has been an astonishing development and certainly will, I believe, have a profound influence in positively recalibrating attitudes and relations between the people of countries within which we work and Australia.

We all know Africa is a continent very rich in mineral resources and that mining represents an extremely important industry on this fascinating landmass. We have all heard statistics to underscore this. Facts like of the 53 countries in Africa, 8 have greater than 50% of their export revenues derived from minerals. Interestingly, about 70% of all mineral exports out of the African continent come from South Africa and, if this can be used as a gauge, serves to indicate the huge potential for expansion of mining that lies in the countries of Africa outside of South Africa.

There can be very little doubt that Australian companies have been experiencing a very, very steep learning curve in the past 10 to 15 years operating in other people's countries and are contributing much to the development of their resources. The quality of technical input and expertise that Australian companies offer is, I feel, very good and, if on occasion lacking and mistakes made, can be compensated somewhat by the good intention and honesty that is generally displayed. I have found that the African people and their governments can be forgiving when they feel you are genuinely striving to improve their economy and the plight of their people.

I am told there are about 120-125 Australian exploration, mining and related service industry companies operating in about 40 African countries and the overall investment has amounted to about A\$20bn in the last 12 years. In sub Saharan Africa the investment growth during this period has been a staggering 10% pa and is a substantial contribution and commitment under any measure. Companies that have taken the path to Africa have taken that first step to success by encouraging investors to fund exploration in highly prospective regions. Hopefully the opportunities they uncover with discovery will make them a company that benefits both the country in which they operate and their long suffering shareholders by arriving at the ultimate goal - and that is to be a profitable mining company.

People should take comfort that Paladin has had many, many opportunities in the past 10 years to make a wrong turn, give up or just disappear with a vision still intact but nowhere to apply it. It is from a background of embracing Africa and taking chances that Paladin has now become the 2nd largest pure uranium listed company in Australia (after ERA) and also the 2nd largest in Canada (after Cameco) and today is one of the top 10 mining companies in Australia.

”



# A perspective on supply and demand

Australian Uranium Conference, Fremantle, 21-22 July 2010.

“ So here we have two states of mind occurring simultaneously and it's a sort of madness. Utilities working from the depressed platform [viz Europe and America] look at utilities working from the optimistic platform [viz China, India, Korea, Middle East and Russia] wondering what is going on-and vice versa. Each calibrates their supply requirements from their version of reality. Is it no wonder that uranium markets are in confusion and why everybody looking on, investors and the miners alike, don't know why spot and term markets have no logic and at times appear to resist normal market dynamics. This state, of course, cannot last.

The 55 or so nuclear utilities worldwide are at their best when building reactors and managing the complexities of electricity generation. They do these tasks fantastically well, and it is these people who have created one of the safest and most efficient industries in the world. Nevertheless, despite this high skill level, they are completely and utterly ignorant about supply – that dirty, uncertain end of town where odd ball explorers and crazy miners try to raise money to discover something rare and hopefully, in 10-20 years, build a mine to reward long suffering shareholders. All this is as far away from the business they know as could be possible - in other words, we are poles apart. So it is not only the schizophrenic nature of the nuclear demand side that causes the supply to be misread. It is also the lack of understanding, knowledge and empathy by utilities as to what is really going on in “supply land”. All this is contributing to complacency and the misguided hope that supply will somehow sort itself out, no matter what your version of reality. Unfortunately, however, massive effort and investment is required to ensure supply will be ready and available for the next 80 to 100 years as reactor numbers reach 1,000-1,200 units by mid century. Critically, it will be in the next 10 to 15 years that all this will need to be put on a clearer path to assure that the long-term supply needs will be maintained...

Whatever one thinks about the demand side, one thing is for certain – it is assured, it is up there, clear and present, and there should be no doubting we are heading for a major nuclear renaissance if we are not in it already...

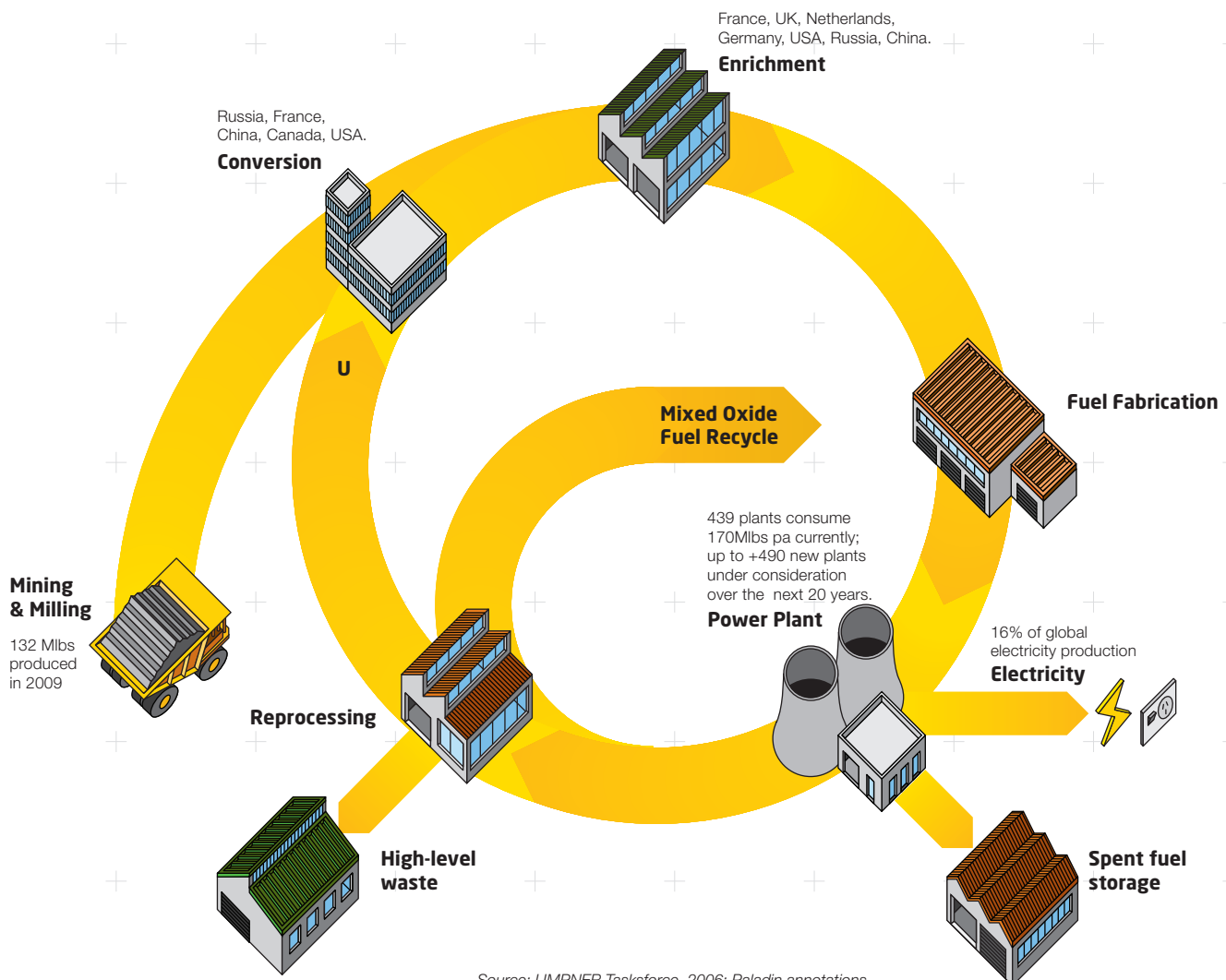
Although confusing, the uranium market as it stands today does not overly concern me with regard to the future and, by that, I mean the near future! The lacklustre performance of what I refer to as the “incidental” market, and what you call the spot market, denies the reality of fundamental long-term contracted supply shortage and it is the long-term contract market that fundamentally and essentially assures that the nuclear industry is able to be sustainably fuelled and re-fuelled. It is the supply and delivery into this market for which the shortage will be abruptly felt. It is this supply that is structurally compromised and for which there is no short-term fix, and which is so poorly understood. It is also in this space that Paladin is so well placed and set to take full advantage of this fabulous emerging situation.

When one examines our development objectively it can be seen that, from inception, Paladin has been one of those start-up companies that commenced with a demonstrable knowledge of uranium (particularly its supply side dynamics) and the nuclear industry as a whole. This has been the principal foundation that has enabled Paladin to lead and to understand, from a historical perspective, what needs to be done and changed to establish a reliable, sustainable and modern uranium mining company.

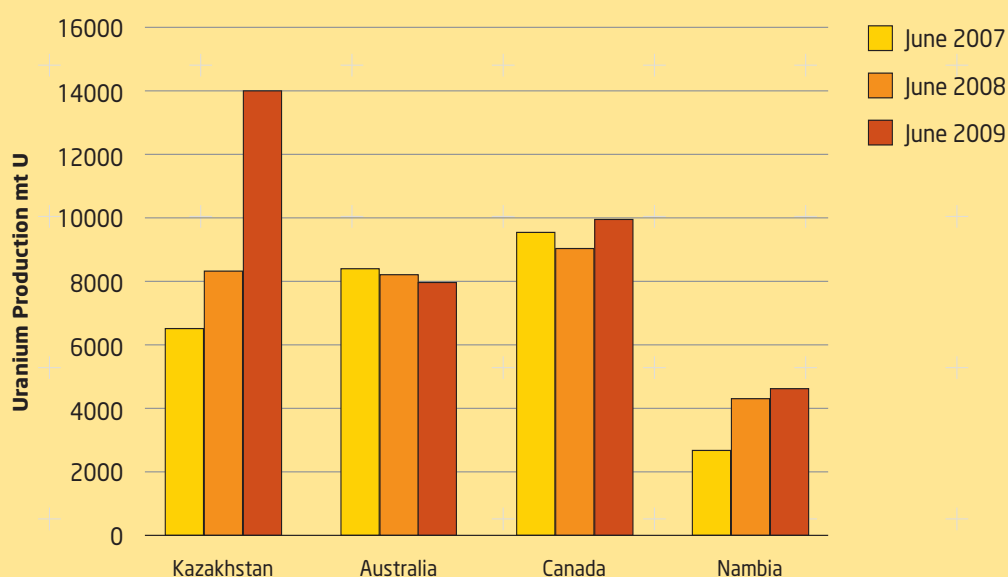
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# Nuclear Power - Growth assured

## The Nuclear Fuel Cycle



**The Company anticipates uranium price strengthening in both the spot (near-term) and the term (multi-year) market segments.**



#### Current market and long-term uranium outlook

Uranium prices turned in a lacklustre performance during the 12 month period. After showing a slight rise in June 2009, reaching \$US52/lb  $U_3O_8$  at the end of June 2009, the spot uranium price tended to drift downwards to \$US44.50/lb  $U_3O_8$  at year's end then reporting at \$US41.75/lb  $U_3O_8$  at the end of June 2010. Compared to historical spot market volumes, monthly transactional quantities remained robust averaging close to 4Mlb  $U_3O_8$  per month over the 12 month period.

The term uranium price, which generally applies to the future balance between utility uranium demand and primary uranium supply, fell incrementally during the 12 month period from its mid-year 2009 level of \$US65/lb  $U_3O_8$  to around \$US60/lb

during most of the first half of CY2009. Moreover, volumes contracted in the term market were somewhat modest especially when compared to the CY2005-2007 time period.

Looking forward, the Company anticipates uranium price strengthening in both the spot (near-term) and the term (multi-year) market segments. Annual uranium requirements will be increasing at an accelerating rate as new reactor build programmes bring more reactors into commercial operations over the next 10-20 years. Much greater primary uranium production will be needed to fuel these units and that expansion in uranium output will only be forthcoming at higher sustainable uranium prices.

# The year in review



## Overview

Paladin is a uranium production company with projects currently in Australia and two operating mines in Africa with a strategy to become a major uranium mining house. The Company is incorporated under the laws of Western Australia with a primary share market listing on the Australian Securities Exchange (ASX) and additional listings on the Toronto Stock Exchange in Canada; and Munich, Berlin, Stuttgart and Frankfurt Stock Exchanges in Europe, and on the Namibian Stock Exchange.

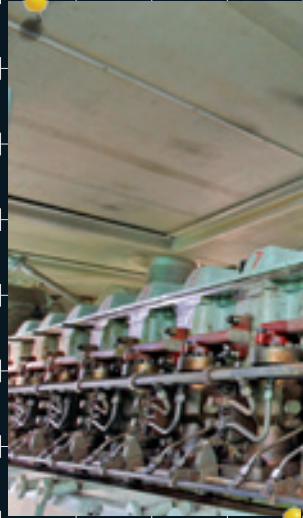
## Langer Heinrich Mine, Namibia

During the year, the Langer Heinrich Mine (LHM or Langer Heinrich) produced 3.352Mlb of  $U_3O_8$  versus 2.7Mlb  $U_3O_8$  the previous year, an increase of over 24%. Stage 2 commissioning was completed during the year and the March and June quarters of 2010 saw LHM exceed the Stage 2 nameplate design of 3.7Mlb pa. Construction of the Stage 3 upgrade to 5.2Mlb is well underway with ramp-up expected to start in early calendar year 2011. In October 2009, plans were announced for a Stage 4 expansion targeting 10Mlb pa (including 1Mlb heap leach). Following recent drilling, an upgraded resource estimate is expected at the end of the September quarter to underpin the Stage 4 feasibility study.

## Kayelekera Mine, Malawi

During the year the Kayelekera Mine (KM or Kayelekera) produced 963,000lb  $U_3O_8$  as production was ramped-up towards the designed 3.3Mlb pa. In July 2010 commercial production was achieved. All circuits have been proven at or above design, with final optimisation in process. Recent drilling led to an upgraded resource of 46.4Mlb  $U_3O_8$ . During the year an expansion from the current 3.3Mlb pa design to 3.8Mlb was announced and is targeted for mid-2013.

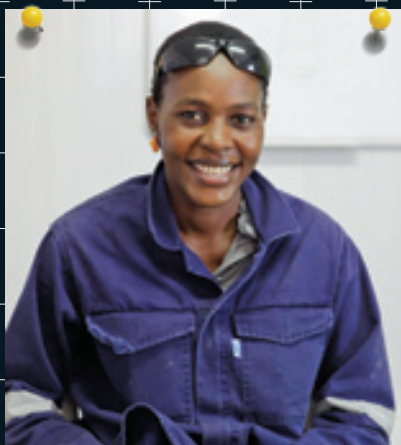








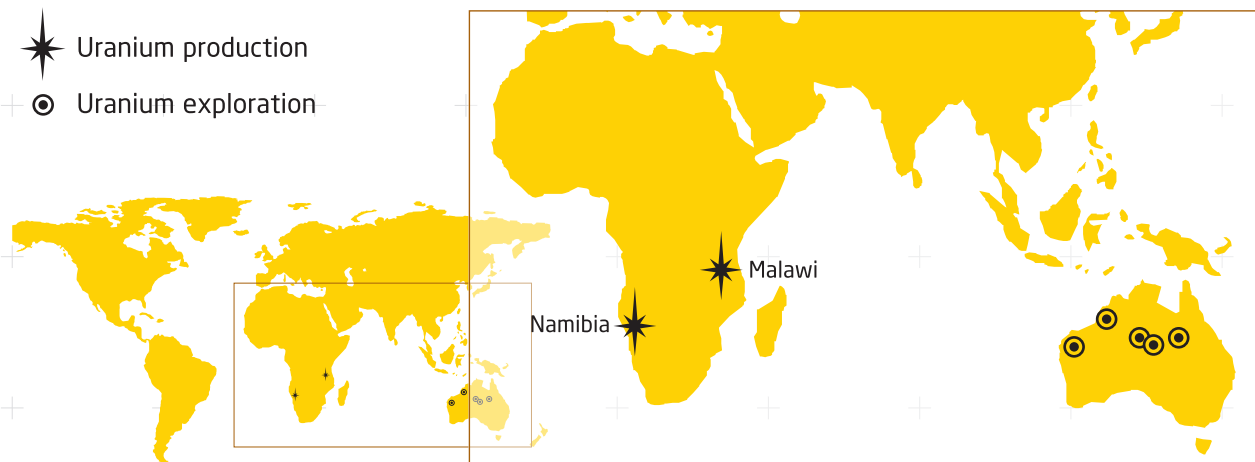












### Exploration And Evaluation

Within the Group, exploration and evaluation expenditure totalled US\$17M to significantly advance the Company's projects within Australia and overseas. Exploration has focused on Mount Isa in Queensland, Kayelekera in Malawi and Langer Heinrich in Namibia.

Following the completion of drilling during the year, resource updates were released for Skål, Valhalla and Kayelekera.

### Health And Safety

As part of its commitment to establishing a world-class Safety, Health, Environment and Radiation (SHER) framework across the organisation, Paladin committed to the implementation of the NOSA system throughout the Group as its formal safety system, the grading audit at LHM resulting in a commendable 4 star platinum rating. At KM, a baseline audit was undertaken with a view to grading in early 2011.

### Corporate Social Responsibility

Paladin continued to evolve its Corporate Social Responsibility (CSR) model for infrastructure development, capacity-building and community engagement in Namibia and Malawi during the year and commenced relationship-building in Niger in anticipation of the Company's direct engagement in that country. Amongst its other varied projects in both Namibia and Malawi, Paladin completed its flagship social development project in Malawi – the \$US9.3M Karonga Water Supply Project - handing over the state-of-the-art facility to the local utility in March 2010, to the acclaim of the community. Paladin's approach to CSR has attracted the attention of industry-watchers, such as the United States-based human rights organisation, Nomogaia Foundation, which concluded a comprehensive review of Paladin's approach to CSR in developing the Kayelekera Mine in Malawi. The report found that Kayelekera was "an extremely rights-responsible project - a model for other projects planned in remote areas with no mining history."

### Corporate

Paladin completed a successful institutional private placement in September 2009 raising US\$374M net of fees with the issuance of 93.45M shares at a price of A\$4.60 per share.

On the M&A front, following an initial investment in August 2009, Paladin launched a recommended takeover offer for NGM Resources Limited (NGM) in July 2010. This acquisition will represent a significant addition to Paladin's portfolio of early stage uranium exploration projects and give a presence in Niger, a country with a long history of uranium production.

### Our People

The focus on future growth has seen staff numbers continue to rise with the overall complement of employees increasing to almost 900. At both operations, the focus on training and development continues to assist local employees gain the necessary skills and knowledge to further progress in the organisation.

# Review of operations

Paladin's total Mineral Resource inventory includes 88,513t U<sub>3</sub>O<sub>8</sub> (195.1Mlb of U<sub>3</sub>O<sub>8</sub>) at 0.074% U<sub>3</sub>O<sub>8</sub> in the Indicated and Measured categories, a 6% increase from that reported in the previous year. Paladin also holds 67,560t of U<sub>3</sub>O<sub>8</sub> (148.9Mlb of U<sub>3</sub>O<sub>8</sub>) at 0.06% U<sub>3</sub>O<sub>8</sub> in the Inferred Resource category, a 2% decrease from that reported for the previous year. A summary of the status of each of the advanced projects is detailed in the following table. This table does not include Inferred Resources from Bikini, Andersons and Watta deriving from Paladin's 82.05% ownership of Summit Resources Ltd.

Project	Overview	Mining Method/ Deposit Type	Outlook	Resources	
Uranium Production					
<b>*Langer Heinrich Mine - 100%</b> (Namibia, Southern Africa)	The Company's cornerstone asset commenced production in 2007. The Stage 3 expansion is under construction expanding output to 5.2Mlb pa starting in early CY 2011. Studies are underway for a further expansion to 10Mlb pa by 2014.	Conventional open pit; calcrete	16 year current mine life.	M&I:	56.4Mt @0.06% (72.4Mlb U <sub>3</sub> O <sub>8</sub> )
				Inferred:	70.7Mt @0.06% (91.6 Mlb U <sub>3</sub> O <sub>8</sub> )
<b>*Kayelekera Mine – 100%</b> (Malawi, Southern Africa)	Paladin's second operational uranium mine announced commercial production in July 2010. Final optimisation to the designed 3.3Mlb pa is underway. A further Stage 2 expansion to 3.8Mlb is being considered for early 2013.	Conventional open pit; sandstone	11 year project life.	M&I:	20.7Mt @ 0.08% (38.8Mlb U <sub>3</sub> O <sub>8</sub> )
				Inferred:	5.5Mt @ 0.06% (7.6Mlb U <sub>3</sub> O <sub>8</sub> )

Resources are quoted inclusive of any reserves that may be applicable.

Resources detailed above in all cases represent 100% of the resource – not the participant's share.

\* Complies with JORC(2004) guidelines & is NI 43-101 Compliant.

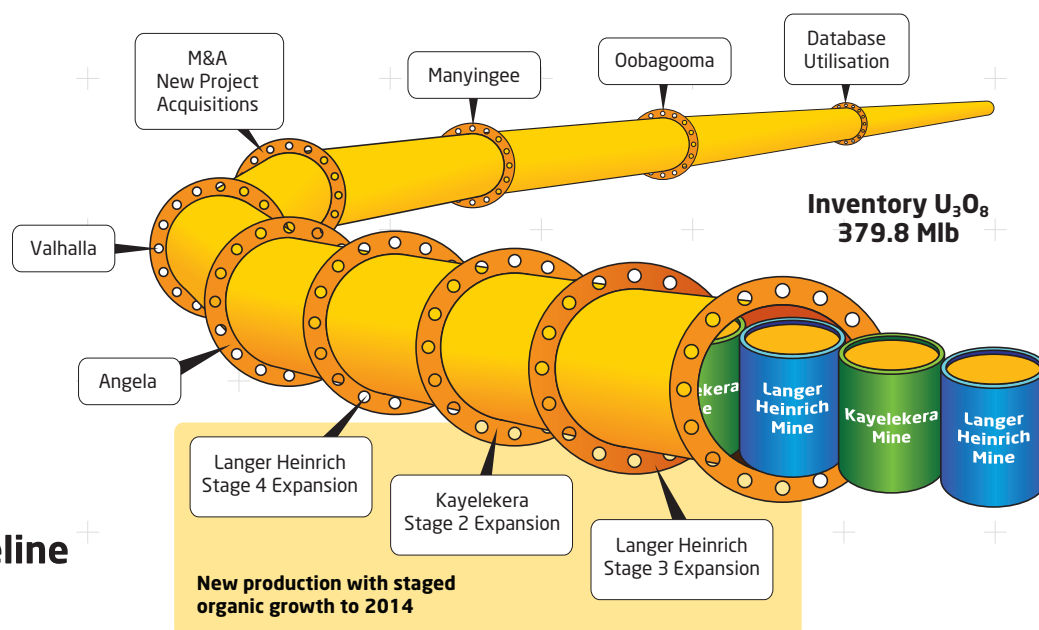
\*\* Complies with JORC(1999) guidelines.

For Valhalla and Skal, Paladin's interest is based on 50% deriving from the Mount Isa Joint Venture and 41.03% via Paladin's 82.05% ownership of Summit Resources Ltd.

For Kayelekera, the Government of Malawi holds a 15% equity interest in the subsidiary, Paladin (Africa) Ltd, the holder of the Kayelekera Mining Licence.

Langer Heinrich and Kayelekera Mineral Resources have been depleted for mining at the time of resource estimation and are inclusive of any Ore Reserves that may be applicable.

M&I = Measured and Indicated.



## Project Pipeline

Assets acquired  
& projects developed

Project	Overview	Mining Method/ Deposit Type	Outlook	Resources
<b>Uranium Development</b>				
<b>**Manyingee Project – 100%</b> (Western Pilbara, Western Australia)	A key pipeline asset for Paladin. Resource definition drilling is currently planned and expected to commence after access is achieved.	In-situ leach; sandstone	3 year staged feasibility study required	Inferred: 5.5Mt @ 0.05% (6.2Mlb U <sub>3</sub> O <sub>8</sub> )
<b>*Oobagooma Project – 100%</b> (West Kimberley, Western Australia)	A key pipeline asset for Paladin.	In-situ leach; sandstone	3 year reserve/resource drilling required	Exploration target: 8.0Mt @ 0.12%-0.14% U <sub>3</sub> O <sub>8</sub>
<b>*Valhalla Deposit – 91.03%</b> (Queensland, Australia)	Paladin's primary Australian asset advancing towards future production. A large effort is being made to expand the current resource, continue environmental studies and move towards a Definitive Feasibility Study in 2011.	Open pit - underground; metasomatic	Development dependent on Queensland Government U Policy changes	M&I: 31.2Mt @ 0.09% (60.0Mlb U <sub>3</sub> O <sub>8</sub> ) Inferred: 5.2Mt @ 0.09% (9.9Mlb U <sub>3</sub> O <sub>8</sub> )
<b>*Skal Deposit – 91.03%</b> (Queensland, Australia)	Part of Paladin's Mount Isa strategy with definition drilling underway. The deposit is expected to make a material contribution to our future regional production model.	Open pit - underground; metasomatic	Development dependent on Queensland Government U Policy changes.	M&I: 4.3Mt @ 0.06% (5.4Mlb U <sub>3</sub> O <sub>8</sub> ) Inferred: 8.4Mt @ 0.05% (9.1Mlb U <sub>3</sub> O <sub>8</sub> )
<b>*Bigryli Deposit – 41.71%</b> (Northern Territory, Australia)	An important joint venture for Paladin. An expanded exploration budget for the year will target increasing the known resources and accessing untested regional targets with our partners, Energy Metals.	Open pit - underground; sandstone	Prefeasibility Study if sufficient resources	M&I: 4.7Mt @ 0.13% (13.5Mlb U <sub>3</sub> O <sub>8</sub> ) Inferred: 3.4Mt @ 0.12% (8.9Mlb U <sub>3</sub> O <sub>8</sub> )
<b>Angela Deposit – 50%</b> (Northern Territory, Australia)	In conjunction with our partner Cameco we are advancing both resource definition and preliminary economic analysis of the asset during 2011.	Open pit - underground; sandstone	Prefeasibility Study to follow resource validation	Exploration target: 13Mt @ 0.1%-0.13% U <sub>3</sub> O <sub>8</sub>

## Uranium database

### Paladin 100%

Paladin owns a substantial uranium database, compiled over 30 years of investigations by the international uranium mining house Uranerzbergbau in Germany, incorporating all aspects of the uranium mining and exploration industry worldwide and including detailed exploration data for Africa and Australia.

Uniquely among Australian exploration companies, the primary focus of Paladin's activities for the past years has been uranium. In that time the Company has maintained and expanded the library of databases consisting of extensive collections of technical, geological, metallurgical, geophysical and geochemical resources including resource evaluations, drill hole data, downhole logging data, airborne radiometric surveys results, open-file data, and photographic archives.

The library also holds a large collection of topical industry reference material and country specific information such as mining laws or investment conditions comprising an estimated 60,000 individual monographs and conference papers, project evaluation and exploration reports, documents, reprints, maps and technical journals kept in hardcopy, microfiche and a rapidly increasing number of resources in electronic format, including networked or internet databases and full-text resources.

The library is managed through online information management and retrieval systems enabling the sharing of knowledge throughout the Company and to quickly research uranium prospects, deposits and mineralisation on a country by country basis.

The geology resource database is managed in an integrated relational database system readily available for processing of exploration and mining data. The data continues to be utilised by the Company as an asset for project generation to evaluate opportunities and generate new uranium prospects and projects for acquisition and exploration.

## Investments

### Deep Yellow Ltd (DYL)

#### Paladin 19.6%

DYL is a dedicated uranium exploration company listed on the ASX and the Namibian Stock Exchange with advanced exploration holdings in Namibia and Australia.

Through its wholly owned Namibian subsidiary, Reptile Uranium Namibia (Pty) Ltd, DYL is actively exploring for uranium on its four 100% owned Exclusive Prospecting Licences (EPLs) covering 2,872km<sup>2</sup> and three joint venture EPLs covering 1,323km<sup>2</sup>, (earning 65% from Nova Energy (Namibia) (Pty) Ltd) in the Namib Naukluft Desert Park inland from Walvis Bay and south and west of Paladin's LHM.

In Australia, DYL is focused on uranium exploration in the Mount Isa district in north-west Queensland and the Tanami Arunta Province in the Northern Territory.

### NGM Resources Limited (NGM)

#### Paladin 22.48%

During the year Paladin further increased its shareholding in NGM to 22.48% via on market purchase.

NGM is exploring three contiguous exploration licences in the Tim Merso Basin in Northern Niger. Two Areva operated uranium mines, located 150km north-north-west of the NGM tenements in the Arlit area of the Tim Merso Basin, have produced in excess of 120,000t of U<sub>3</sub>O<sub>8</sub> since 1975. The Tim Merso Basin is known as one of the most productive uranium provinces in the world.

On 21 July 2010, the Company announced a recommended takeover offer for the shares it does not already own in NGM. The offer values NGM at approximately A\$27M and is subject to a number of conditions.



# Health and safety



## Health and Safety

Paladin is committed to achieving the highest performance in Occupational Health and Safety to create and maintain a safe and healthy workplace. Our approach to health and safety management is guided by our policy where the safety, health and well being of employees, contractors and the community are a core value to Paladin's operations. A healthy workforce contributes to business success. Paladin's aim is for zero injuries.

Operational Area	Langer Heinrich Mine			Kayelekera Mine		
	Employees	Mine Contractors	Contractors including Construction	Employees	Mine Contractors	Contractors including Construction
Hours Worked	535,936	574,021	837,024	1,083,347	463,600	1,858,770
Lost Time Injuries	2	0	1	19	0	2
Fatalities	0	0	0	1	0	1
LTIFR	3.7	0	1.2	18.5	0	1.6
	(i) Langer Heinrich Mine Total LTIFR = 1.5 Duration rate = 4.0			(ii) Kayelekera Mine Total LTIFR = 6.8 Duration rate = 36.3		

- (i) This compares favourably with the Western Australian Metalliferous Surface Mines LTIFR and Duration Rate of 2.8 and 21.6 respectively.
- (ii) There were two fatalities and 21 reported LTIs at the Kayelekera Mine during the year with a single bus accident resulting in one of the fatalities and 16 of the 21 LTIs. The second fatality involved the overturning of a small concrete transport vehicle during construction. With the exception of the above bus accident, none of the other LTIs were of a serious nature. The Duration Rate has been adversely impacted by the 2 fatalities which result in the allocation of a full year of working days per fatality.

Operational Area	Perth Exploration			Group	
	Corporate Office	Employees	Contractors	Paladin Employees	All Contractors
Hours Worked	112,471	173,366	97,786	1,905,120	3,831,201
Lost Time Injuries	0	0	0	21	3
Fatalities	0	0	0	1	1
LTIFR	0	0	0	11.5	1.0
	Paladin Group LTIFR = 11.5			Paladin Group + All Contractors LTIFR = 4.5	

Lost Time Injury (LTI): Work injury that results in an absence from work for at least one full day or shift, any time after the day or shift on which the injury occurred.

Frequency Rate (FR): Number of lost time injuries per million hours worked.

Duration Rate: Average number of workdays lost per injury.

### International Organisation for Standardisation (ISO) Initiatives

ISO 14001: Paladin's Langer Heinrich operation formulated its environmental programmes around the ISO 14001 Environmental Standard and was certified in early 2009. The Kayelekera operation is expected to have its certification audit completed by end 2011.

ISO 31000 provides principles and generic guidelines on risk management and both of Paladin's African operations have significantly developed ISO 31000 systems, with completion audits expected in early 2011.



# Sustainable development



Paladin has committed itself to the principles of sustainable development in the conduct of its activities in Africa and around the world. In doing so, it is important that Paladin shares a common understanding with its stakeholders as to what this commitment means and how it governs the Company's actions and behaviour. The common definition of the term sustainable development is "development that meets the needs of the present without compromising the ability of future generations to meet their own needs."

It is also urged, in sustainable development documentation, that a balance be found between economic, social and environmental needs. The work that Paladin does in relation to its own employees and its host countries and neighbouring communities reflects its efforts to strive for that balance and, in so doing, operates consistently with the corporate values that Paladin promotes. Paladin continues to strive to benefit both present and future generations in all of its activities.

## Environment

### Our Commitment

Paladin is committed to ensure that effective environmental management is planned and undertaken for all aspects of its operations. The approach to environmental management is guided by its Environmental Policy that promotes a standard of excellence for environmental performance across its operations. The key points of the policy include:

- compliance with applicable environmental legislation;
- developing standards and systems to identify, assess and manage environmental risk;
- continuous improvement in environmental performance;
- communicating environmental responsibility to employees and contractors;
- effective consultation with stakeholders; and
- inspections and audits of environmental performance.

Paladin has established internal Environmental Standards for all of its operational subsidiaries. Operational compliance with the Standards forms part of the Corporate Inspection and Audit Programme.

## Industry Bodies

The Company is a participating member of the Australian Uranium Association (AUA) and, as such, is committed to abide by and implement the terms of the AUA Industry Code of Practice and observes the AUA's Charter and Principles of Uranium Stewardship, which provide a guide to doing business ethically, responsibly and safely. Together, the Code, Charter and Stewardship Principles make up a vital standards framework for the uranium industry.

Paladin regards its membership of the AUA and observance of the AUA standards framework as part of its commitment to the safe and responsible conduct of its business and to ensure its long-term sustainability.

Further information on the AUA can be found on its website at [aua.org.au](http://aua.org.au).

The Company is also a member of the Minerals Council of Australia (MCA) which represents Australia's exploration, mining and minerals processing industry, nationally and internationally, in its contribution to sustainable development and society. As a member, Paladin supports the Enduring Value principles as a framework for sustainable development.

Further information on the MCA can be found on its website at [minerals.org.au](http://minerals.org.au).

Paladin is also a member of the local Chamber of Mines in both Malawi and Namibia.

John Borshoff, Paladin's Managing Director and CEO, is on the Board of both the AUA and MCA. He heads the Code of Practice and Stewardship Group for the AUA and is a member of its Executive Committee. James Eggins, General Manager - Sales and Contract Administration, is a member of the Non-Proliferation Working Group.

## Corporate Social Responsibility

In addition to creating shareholder wealth, Paladin's corporate core values address contributing to the growth and prosperity of host countries and responding positively to community needs and expectations. The Paladin Group of Companies seeks to meet its Corporate Social Responsibility (CSR) undertakings through the following actions across its operations:

**Stakeholder Consultation:** Paladin understands the linkages and interdependence between the Company and its stakeholders and encourages communication with stakeholders at local, national and international levels.

**Ethical Business Behaviour:** Internally and externally, ethical behaviour is reinforced through a formal ethical code and non-tolerance of corrupt and unethical behaviour or practices.

**Social Accountability:** Paladin believes that the Company is accountable to stakeholders for its social impacts and to effectively monitor and report social performance.

### Community Development:

Paladin actively supports a range of community social development and local business development initiatives in consultation with local communities.

In framing its approach to managing Social Sustainability, including the processes of community engagement, community development, corporate social responsibility and cultural awareness, Paladin has committed to *Enduring Value – the Australian Minerals Industry Framework for Sustainable Development*. As a signatory to Enduring Value, Paladin is committed to continually improve its social, environmental and economic performance. This commitment is also aligned to the 10 Sustainable Development Principles of the International Council on Mining and Metals.

## International Initiatives

### Malaria Control

Paladin has provided funding support to research firm, Eastland Medical Systems Limited, which is developing a sub-lingual (under the tongue) applicator which could significantly improve the effectiveness of malaria treatment of young children, who are most susceptible to death from the disease.

### HIV/AIDS Vaccine Research

Paladin was among a group of leading mining companies who supported the clinical trial of an Australian-developed therapeutic treatment vaccine designed to aid in the fight against HIV/AIDS. The vaccine – called VIR201 – was developed by the Australian firm, Virax Holdings Limited.



## Paladin is committed to ensure that effective environmental management is planned and undertaken for all aspects of its operations.

### Malawi

Paladin continues to fulfil its social development undertakings under the terms of the Kayelekera Development Agreement, with highlights being the completion of infrastructure projects to significantly upgrade the water supply to the region's largest town and the construction of school facilities and teacher housing in villages adjacent to the mine. The Company has developed a Social Sustainability Management Plan to ensure that social and cultural environmental aspects and impacts associated with the operation of the mine are identified and appropriately managed. Specifically, this includes the following:

- Social Responsibility Plan, which provides programmes for health, education and water;
- Business Development Programme, to promote local involvement, economic growth and skills development;
- Stakeholder Participation Programme, which provides for community consultation and education on the uranium industry and partnership projects; and
- Social Management Plan, which provides for the mitigation, monitoring and management of potential social and cultural impacts associated with the operations of the mine.

*Principal projects undertaken during the year included:*

#### Garnet Halliday Karonga Water Supply Project

Paladin's commitment to provide potable water for Karonga's projected population growth until 2025 saw the completion of the Garnet Halliday Karonga Water Supply

Project in early 2010. The water project is Paladin's major contribution in fulfilling its commitment to expend \$US10M on infrastructure projects in northern Malawi. The project is capable of delivering 7,500m<sup>3</sup> of clean water per day to Karonga, solving chronic water shortages which have often seen the town without water for days.

#### HIV/AIDS Awareness Campaign

Ongoing awareness programmes are conducted, targeting employees, their families, local villages and the broad community. The Kayelekera Health Clinic, established by the Company, is an accredited HIV counselling centre.

#### Community Health Care

Paladin's community relation officers regularly visit schools near the mine, conducting well-received talks and activities dealing with various common health issues. A series of educational story booklets, written by one of Paladin's social development team and translated into the local language has been printed and distributed and a local drama group assists in helping spread the message.

#### Agricultural Outreach Programme

Paladin has assisted the Kayelekera village and Karonga District community to apply improved agricultural practices and develop the local economy with income generating agricultural opportunities. More than 600 fruit trees have been distributed from the Paladin nursery and 6,000 trees grown in local nurseries operated by propagators who were trained by Paladin in this skill last year. These trees have been distributed to schools to plant orchards and to villages throughout the district to promote reforestation in the region.

#### Water and Sanitation

A number of initiatives have been undertaken in relation to the installation

of new water bores and rainwater tanks. Networking with the Malawi Water and Irrigation Department has resulted in old bores being repaired to provide clean water to villages in the district.

#### Educational Infrastructure

A programme to significantly improve school infrastructure in Kayelekera and nearby villages is in progress, involving the construction of school buildings, teacher housing and the erection of a community hall in Kayelekera village.

#### Employee Charitable Foundation, supported by Paladin

Paladin's formal programmes in Malawi are supplemented by projects supported through a charitable foundation established by the Company's employees. The Friends and Employees of Paladin for African Children (FEPAC) is a means of funding smaller social projects in Malawi that are outside the scope of Paladin's programmes. In particular, the aim is to support projects with a focus on helping children. Paladin supports its employees' initiative by providing FEPAC with administrative assistance and in allowing time for employees to organise and participate in fund-raising activities and matches dollar for dollar all funds raised.

### Namibia

The social development plan in Namibia focuses on the key areas most relevant to Namibia's national needs and the mine's sphere of influence. The core elements include educational development, ecological improvement work in the Namib Naukluft National Park and regional economic development. The focus is on delivering cost effective and measurable benefits to target communities in Namibia. A summary of the key projects undertaken in Namibia follows.

### C28 Highway Upgrade Programme

Paladin has contributed significantly to the tarring of the gravel road, the C28, a national road that runs through the Namib Naukluft National Park and forms a portion of the access road to the mine.

### Mondesa Youth Organisation

Support continues to be provided to the Mondesa Youth Organisation within the Mondesa township in Swakopmund. This project identifies young learners from deprived backgrounds who show outstanding potential and augments their formal schooling with additional, after-hours tutoring in subjects and disciplines. Paladin has now become the principal sponsor with the project to be renamed the Langer Heinrich Mondesa Youth Academy.

### National Mathematics Congress

Paladin is the main sponsor of the annual National Mathematics Congress. This congress aims to introduce mathematics teachers in Namibia (for all grades) to the latest developments in the teaching of this subject.

### Namibian Institute for Mining and Technology (NIMT)

NIMT is responsible for the training of tradesmen for employment in the mining industry and throughout industry in Namibia. Continued support is provided to this organisation on a number of fronts.

### Campaign Against Gender-based Violence

Paladin joined a Campaign Against Gender-based Violence in Namibia with Langer Heinrich contributing to a media campaign undertaken by the Namibian Ministry of Gender Equality and Child Welfare.

### Namib Naukluft National Park

The Company is partnering with the Ministry of Environment and Tourism upgrading campsite facilities within the park. As part of its continuing commitment to maintaining the park environment, the Company will support research projects carried out by the Gobabeb Desert Training and Research Foundation.

### Food Assistance Programme

Paladin sponsors two feeding programmes run by local shelters in Walvis Bay and Swakopmund which provide food assistance to between 300 and 350 under-privileged school children in the two towns.

### 2010 Namibian Mining Expo

The inaugural Namibian Mining Expo was held during 2010 of which Langer Heinrich was a sponsor. This highly successful event was aimed at providing the public an opportunity to directly interact with mining companies.

### Other Community Initiatives

The Company also supports a number of smaller community based projects including sports sponsorships, local school assistance and other worthwhile causes.

### Our People

Establishing a workforce for future growth has been the focus of 2010 with staff numbers continuing to rise in a considered and measured fashion. Key areas of growth have been the support functions with the intention of providing an efficient corporate service to sites.

It is pleasing to see that the staff turnover levels across the Group (Australia 9%, Namibia 7% and Malawi 1.8%) sit well below the average annual rate for large

companies of 15.5% as reported in the Australian Institute of Management National Salary Survey 2010.

Paladin also provides the opportunity for exploration staff to undertake short-term assignments on geological projects outside their home country. Several Namibian employees have taken up roles at the Kayelekera Mine and it is the intention to provide selected Malawian employees with the opportunity to develop their skill base and gain experience through short or long-term secondments at the Langer Heinrich Mine.

### Langer Heinrich Mine

The past year has been busy on the recruitment front with 76 new employees. The number of employees has increased to 272 (including 48 females) since the last reporting period with only 16 or 6% non-Namibians. 14 employees (representing a turnover of 7%) left the employ of the Company, the majority of individuals resigning for improved financial benefits or for more attractive job prospects. Interestingly, approximately half have since indicated an interest in rejoining which suggests Langer Heinrich continues to be an employer of choice.

Langer Heinrich believes in the importance of training and development to assist Namibians in obtaining the necessary skills and knowledge to help curb the shortage of skills currently being experienced in Namibia. Initiatives include enrolment in Management Development programmes, a fulltime bursary scheme, assistance with part-time studies and practical experience for apprentices. Around 170 employees have participated in an ongoing series of business simulation training.

## Successful skills development efforts resulted in a number of local trainees being confirmed in appointments and promoted to higher levels of responsibility.

The need for employees to know and understand how business works and what is required for a business to be successful, is the reason simulations were selected as the training model.

Langer Heinrich commits to the achievement of equal opportunity in employment and continues to commit to the following:

- the compilation and submission of an Affirmative Action report and plan;
- formal training and development programmes for Namibian understudies and the monitoring of progress made; and
- giving preference to Namibian citizens when making placements.

Langer Heinrich embarked on an employee's wellness programme during the year through Wellness 24/7, a reputable company in the country. An extensive awareness campaign was extremely successful with a large number (80%) of the employees taking part.

The Langer Heinrich HIV/AIDS Peer Educators Team was very busy over the past year while trying to reach as many people as possible through their campaign efforts. They held a sports campaign on the Youth International Day and around 160 children aged between 10-16 attended. The educators held break-out sessions to provide information on drugs, alcohol and HIV. The event was very well received by the youth group and it is pleasing to note the HIV committee also received recognition as being the most improved by the Chamber of Mines in 2009.

### Kayelekera Mine

The number of permanent employees increased by 142% from 218 to 529 at year end whilst the number of temporary employees and contractors dropped by 35% from 786 to 507 over the same period. Females account for 54 of the total number of employees. Local employees account for 416 (or over 78%) of the permanent workforce with turnover low at 1.8%. The rise in permanent employees was not only due to increased staffing of operations to optimal levels after plant commissioning, but also due to the takeover of staff employed in support service operations, formerly sub-contracted. The number of temporary employees is expected to drop further as existing camp construction works come to an end.

Successful skills development efforts resulted in a number of local trainees being confirmed in appointments and promoted to higher levels of responsibility in mining, process plant, plant maintenance and environmental management operations amongst others. An employee training programme is in place which will increase Malawian content in years to come. A labour relations management strategy was successfully developed and implemented to ensure a harmonious and productive labour relations climate on the mine.

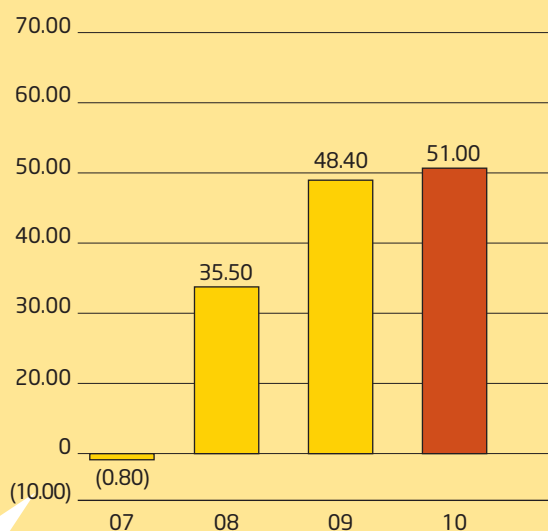
A key focus on site has been the upgrade of accommodation and recreation facilities to provide a pleasant environment for employees living in such a remote location. Facilities such as satellite TV, a gymnasium, a soccer field, billiards and other games are provided for the enjoyment of all camp personnel.

# Financial review

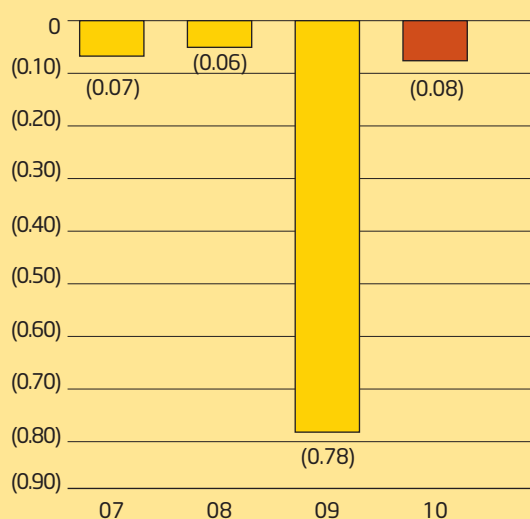
## Key Financials

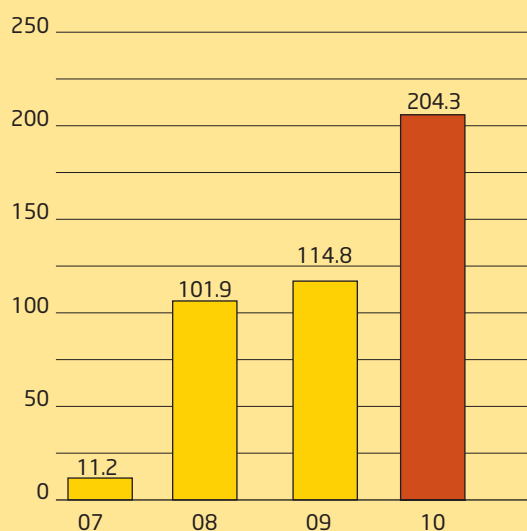
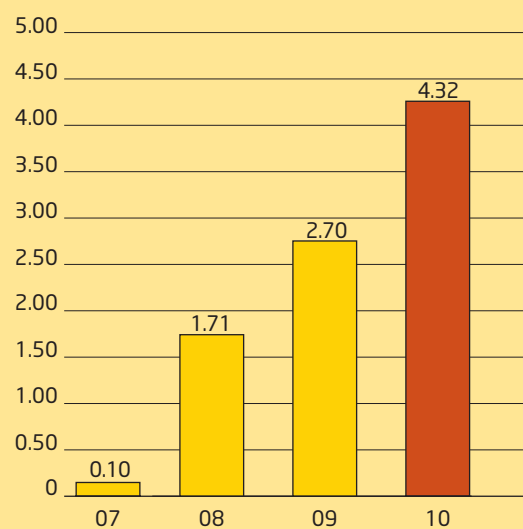
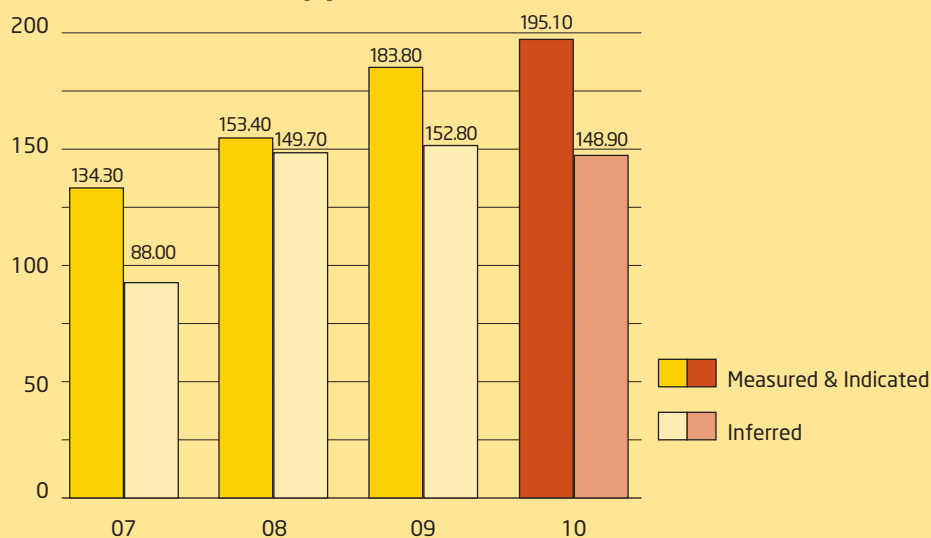
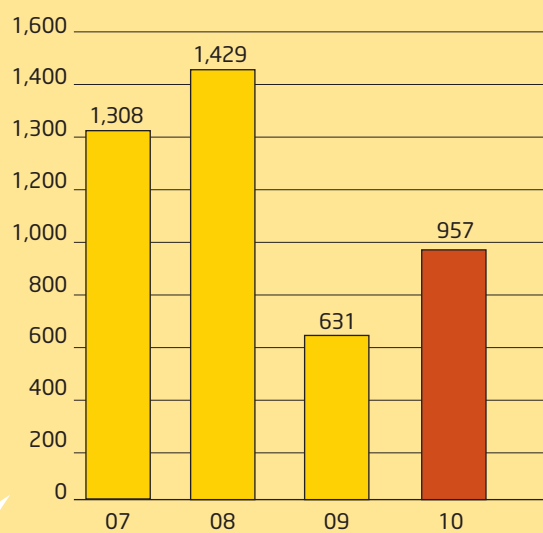
	2010	2009	Change
<b>Gross Profit</b> (US\$ Million)	51.00	48.40	5.37% ▲
<b>Net Loss after tax</b> (US\$ Million)	(52.90)	(480.20)	88.98% ▼
<b>Sales Revenue</b> (US\$ Million)	204.30	114.80	77.96% ▲
<b>Cashflow from operating activities</b> (US\$ Million)	(41.90)	(19.90)	110.55% ▲
<b>Earnings per share</b> (US cents)	(8)	(78)	89.74% ▼
<b>Sales</b> (Mlbs U <sub>3</sub> O <sub>8</sub> )	3,726	2,021	84.36% ▲
<b>Production</b> (Mlbs U <sub>3</sub> O <sub>8</sub> )	4.32	2.7	59.81% ▲
<b>Ore Reserves</b> (proved plus probably)	95.14	95.14	–
<b>Mineral Resources</b> (measured plus indicated)	195.10	183.80	6.5% ▲
<b>Total Assets</b> (US\$ Million)	<b>1,957.60</b>	1,463.50	33.76% ▲
<b>Total Liabilities</b> (US\$ Million)	<b>1,001.20</b>	832.30	20.29% ▲

**Gross Profit** (US\$ Million)



**Loss Per Share** (US\$ Million)



**Sales Revenue** (US\$ Million)**Production** (Mlbs U<sub>3</sub>O<sub>8</sub>)**Mineral Resources** (Mlbs U<sub>3</sub>O<sub>8</sub>)**Net Assets** (US\$ Million)**Share Performance**



# Corporate values

- ★ Create shareholder wealth by developing the considerable opportunities Paladin has generated to become a major player in the global uranium supply market.
- ★ Operate at global best practice with particular emphasis on safety and the environment.
- ★ Reward employee performance and provide a fulfilling work environment.
- ★ Contribute to the growth and prosperity of the countries in which Paladin operates by conducting operations in an efficient and effective manner and by seeking out opportunities for expansion.
- ★ Respond to the attitudes and expectations of the communities in which it operates as part of its corporate social responsibility obligations.
- ★ Act with integrity, honesty and cultural sensitivity in all of its dealings.

# Board of Directors



## Paladin Energy Ltd - Australia

<b>Mr Rick Crabb</b>	Non-executive Chairman
<b>Mr John Borshoff</b>	Managing Director/CEO
<b>Mr Sean Llewelyn</b>	Non-executive Director
<b>Mr Donald Shumka</b>	Non-executive Director
<b>Mr Peter Donkin</b>	Non-executive Director
<b>Mr Philip Baily</b>	Non-executive Director



LANGER HEINRICH URANIUM (PTY) LTD

## Langer Heinrich Uranium (Pty) Ltd - Namibia

<b>Mr John Borshoff</b>	Chairman
<b>Mr Wyatt Buck</b>	Director
<b>Mr Leon Pretorius</b>	Non-executive Director
<b>Mr Sebbi Kankondi</b>	Non-executive Director



PALADIN (AFRICA) LIMITED

## Paladin (Africa) Limited - Malawi

<b>Mr John Borshoff</b>	Chairman
<b>Mr Wyatt Buck</b>	Director
<b>Mr Greg Walker</b>	Director
<b>Mr Joseph Mwanamvekha</b>	Non-executive Director – Government Representative
<b>Mr Gustave Glory Kaliwo</b>	Non-executive Director & Company Secretary

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