

A N N U A L R E P O R T

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P A L A D I N R E S O U R C E S N L

ACN 061 681 098

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DIRECTORS

Chairman

Dr Douglas Dunnet

Managing Director

Mr John Borshoff

Director

Mr Rick Wayne Crabb

Director / Secretary

Ms Gillian Swaby

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Significant 3km mineralized zone identified at Top Dam Prospect in the Dunnsville area.

Corporate Investment - 16.4% shareholding in National Resources Exploration Ltd (to be renamed Gullewa Gold NL), a company which has all the hallmarks for rejuvenation as a substantial gold producer in the prospective Gullewa Greenstone Belt.

450km² of the highly prospective Gullewa Greenstone Belt acquired through joint venture in the Salt River Project.

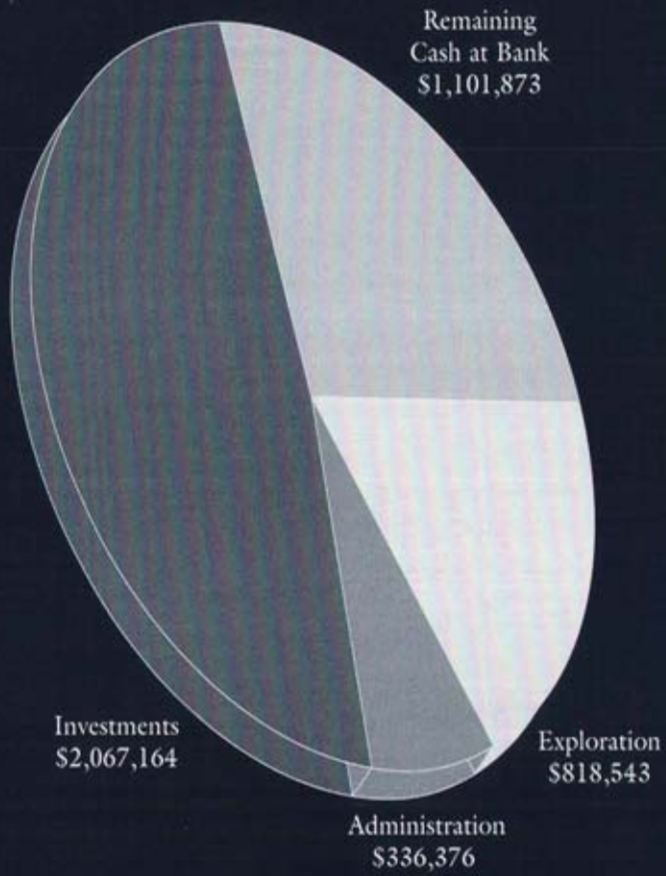
Mineralised zone at Rocky Dam Prospect extended and adjoining tenement acquired to now control a 30km prospective corridor.

In the Litchfield Prospect in NT, Chilling Creek Gold Prospect ready for trenching and drilling.

Four projects farmed-out with major companies spending a total of \$1.45 million.

Project Generation - emphasis on evaluation of proprietary database for new project development.

FUNDS UTILISATION
1995 / 96



Dear Shareholder

It is now two years since the listing of Paladin.

In this time the Company has progressed from undertaking first pass exploration activities on a diverse group of projects located throughout WA and NT to a focussed effort on three specific projects where gold mineralisation targets have been defined. This augers well for discovery and we are confident that success will be achieved within the Dunnsville, Salt River and Lake Roe projects.

Dunnsville has the hallmarks of a significant gold discovery. It is located within an emerging gold region on mafic contacts in a strong shear system. Gold has been established by drilling over 1500 metres and anomalies extend at least another 1500 metres. Although most values obtained to date are low grade, the intersections are wide and apparently continuous. A strong large system is indicated and I look forward to results of RC drilling this year. This project demonstrates the diligence and skills of the Paladin team to advance a raw prospect towards discovery.

During the year Paladin increased its shareholding in National Resources Exploration Limited (NRE) to 16.4%. NRE initiated strategic changes to management including appointment of a technical based Managing Director and a very experienced Chief Geologist. After penetrative review, the new Board took the bold step to shutdown its small unprofitable mining operation at Gullewa in May. Its efforts will fully concentrate on expansion of resources and development of the excellent potential to achieve a sustainable 50,000 oz gold mining operation. Although NRE has experienced difficult times,

Paladin is confident NRE will achieve these objectives with consequent reward to shareholder investment.

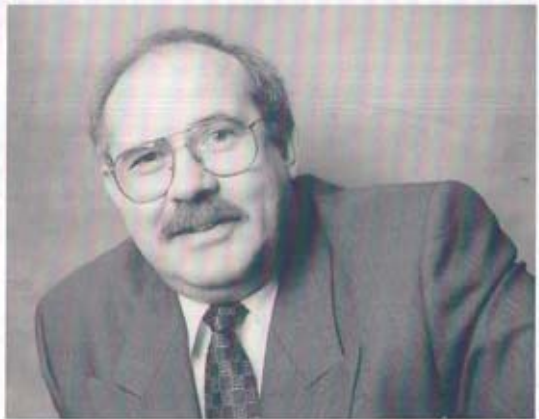
Over the last two years, the focus has been on the existing tenement portfolio. Your Board intends to devote time and effort this year to initiate the important project generation capabilities of Paladin using its proprietary database and library. Approaches have been received to joint venture this database and expertise.

Your Company is currently assessing an innovative and effective approach to off-shore project generation and funding in the South East Asia region.

On behalf of Directors, I extend thanks to all those people who have contributed to the development of Paladin. I firmly believe there is an exciting year ahead which will support and reward the commitment of its shareholders.



Dr Douglas Dunnet



Mr John Borshoff



Ms Gillian Swaby



Mr Rick Wayne Crabb

A handwritten signature in black ink, appearing to read "D. Dunnet". The signature is stylized with a long horizontal line extending from the end.

Dr. D. Dunnet

Chairman

PROJECT LOCATIONS

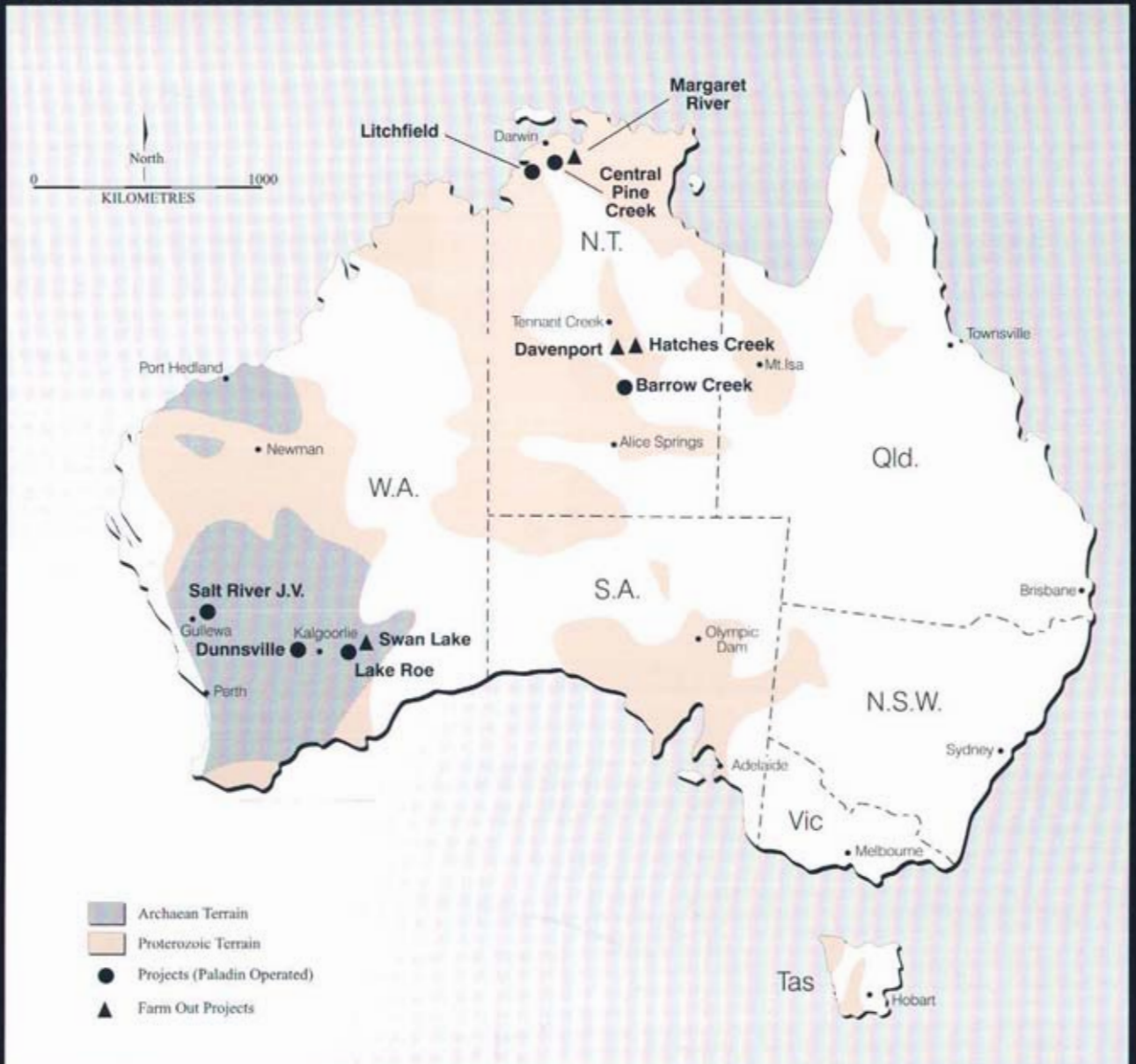


Figure 1.

I N T R O D U C T I O N

Paladin has progressed its exploration projects considerably during this, the second full year of operations of the Company. As shown on Figure 1, Paladin has 11 projects located in Western Australia and the Northern Territory.

The Company has rationalised its project portfolio through farm-outs of four projects to conserve resources and allow maximum effort to be focussed on its priority projects. These farm-in partners will spend a total of \$1.45 million to fulfil their various earn-in obligations.

Paladin now has three well defined gold mineralised targets available for deep drilling and a 450 square kilometres land holding protecting 60 kilometres of the highly prospective Gullewa Greenstone Belt in its newly acquired Salt River Project.

WESTERN AUSTRALIAN PROJECTS

Paladin operates three projects in Western Australia located within the Archaean Yilgarn Block, one of the great gold producing provinces in the world. Highlights include:

- Top Dam Prospect (*Large gold mineralised system identified*)
- Salt River Project (*450km² of highly prospective greenstones secured*)
- Rocky Dam Prospect (*Prospective corridor with gold targets identified*)

DUNNSVILLE PROJECT

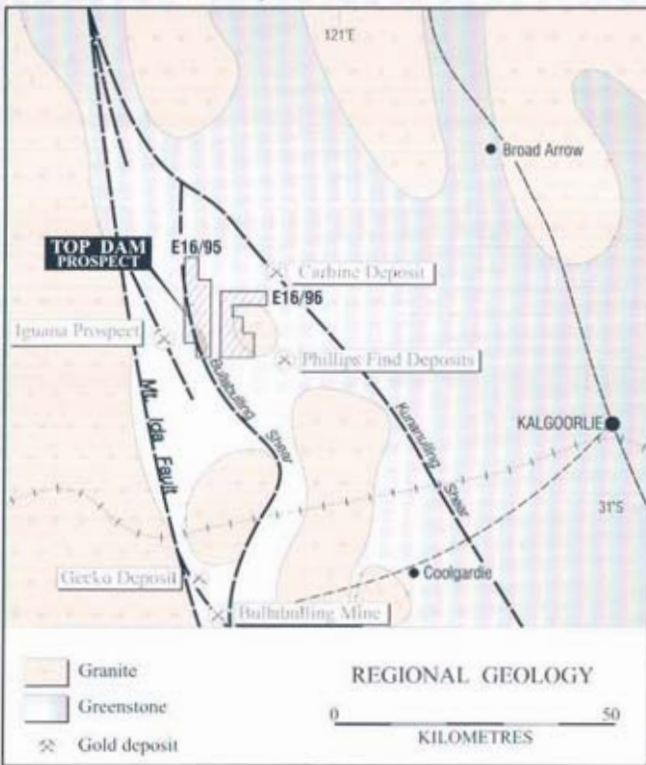


Figure 2.

DUNNSVILLE PROJECT

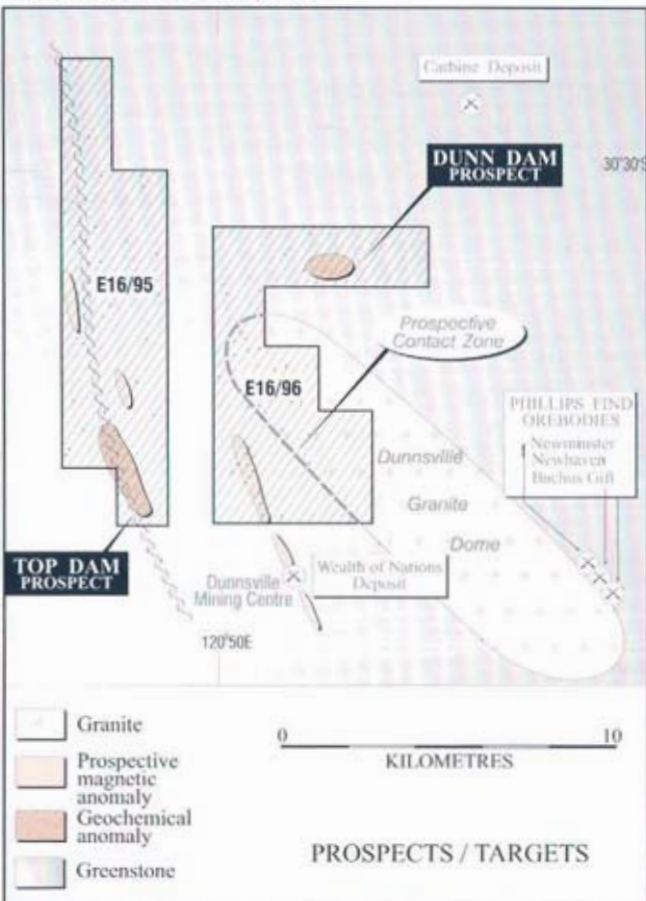


Figure 3.

Dunnsville, WA

(100%)

The Dunnsville Project is located 50 kilometres north-northwest of Coolgardie and consists of two Exploration Licences E16/95 and E16/96 covering 72 square kilometres. Paladin has identified a significant mineralised zone in this project which is referred to as the **Top Dam Prospect** (Figure 2).

The Dunnsville area is emerging as a highly prospective gold region as recent exploration identifies new and significant gold resources. The Iguana Gold Deposit (Delta Gold NL) associated with the Bullabulling/Mt Ida structural systems, the high grade Phillips Find Deposits (Archaean Gold NL) which appear related to the Dunnsville Dome and the Kunanalling shear system and additionally, the recent purchase by Centaur Mining & Exploration Ltd of the Carbine Gold Deposit, 10 kilometres northeast of the project area, all signify the keen interest that is being directed to the Dunnsville region.

The Top Dam Prospect in E16/95 (Figures 3 and 4) was initially defined by a three kilometre northwest trending magnetic anomaly which exhibited several low level soil anomalies along its entire length with isolated peaks up to 79ppb gold.

A strike length of only 1.5 kilometres has been tested to date and the anomalous zones are open to the north and south. The drilling, including a 12 hole follow up RC program, shows a system of wide low-grade gold mineralisation within a mixed sequence of altered basalt, gabbros and ultrabasics occurring beneath a highly leached weathered profile of 30-40 metres. Best intersections to date are:

RAB Drilling:

Hole No	Northing	Eastng	From (m)	Interval (m)	Gold (g/t)
TDR83	12700	10100	39	6	0.47
TDR115	12100	9775	44	6	0.24
TDR155	11500	9900	24	3	11.80
TDR157	11500	10000	27	4	0.36
TDR10	12300	9725	39	27	0.50

RC Drilling:

Hole No	Northing	Eastng	From (m)	Interval (m)	Gold (g/t)
TDRC02	12400	9750	49	18	0.14
TDRC05	12350	9765	59	21	*0.13
TDRC06	12350	9740	74	6	*1.13
TDRC03	12300	9725	40	17	0.53 (including 6m at 1.0g/t gold)
TDRC04	12300	9700	63	32	0.31 (including 2m at 1.7g/t gold)
TDRC09	11500	9880	31	14	0.11
TDRC11	12700	10070	33	17	0.15 (including 1m at 1.13g/t gold)

* Mineralisation is open at depth

The drilling has identified a gold mineralised system over the 1.5 kilometres tested and comprises two separate gold bearing zones, up to 300 metres wide, occurring in favourable host rocks and shear zone hosted alteration systems typical for gold mineralisation in the Yilgarn region. The ground magnetics have identified a strong anomaly exhibiting a clear spatial relationship to the gold mineralisation and extends the prospective zone to a total of three kilometres. Recent image processing of the magnetics shows specific structures possibly relating to ore zones which now require to be drill tested. Although the limited deeper drilling has not intersected high grade lodes, the Company rates the chances of finding economic gold mineralisation within this large mineralised system as high.

Deeper percussion RC drilling will be utilised to identify economic gold mineralisation within this extensive system and RAB drilling is required to outline the extent of the mineralisation to the south and north.

In light of the positive results achieved at the Top Dam Prospect a full geophysical appraisal of the detailed airborne magnetic data is underway to identify other prospective targets within the Dunnsville project. Three promising magnetic anomalies have been defined for follow-up work.

DUNNSVILLE PROJECT

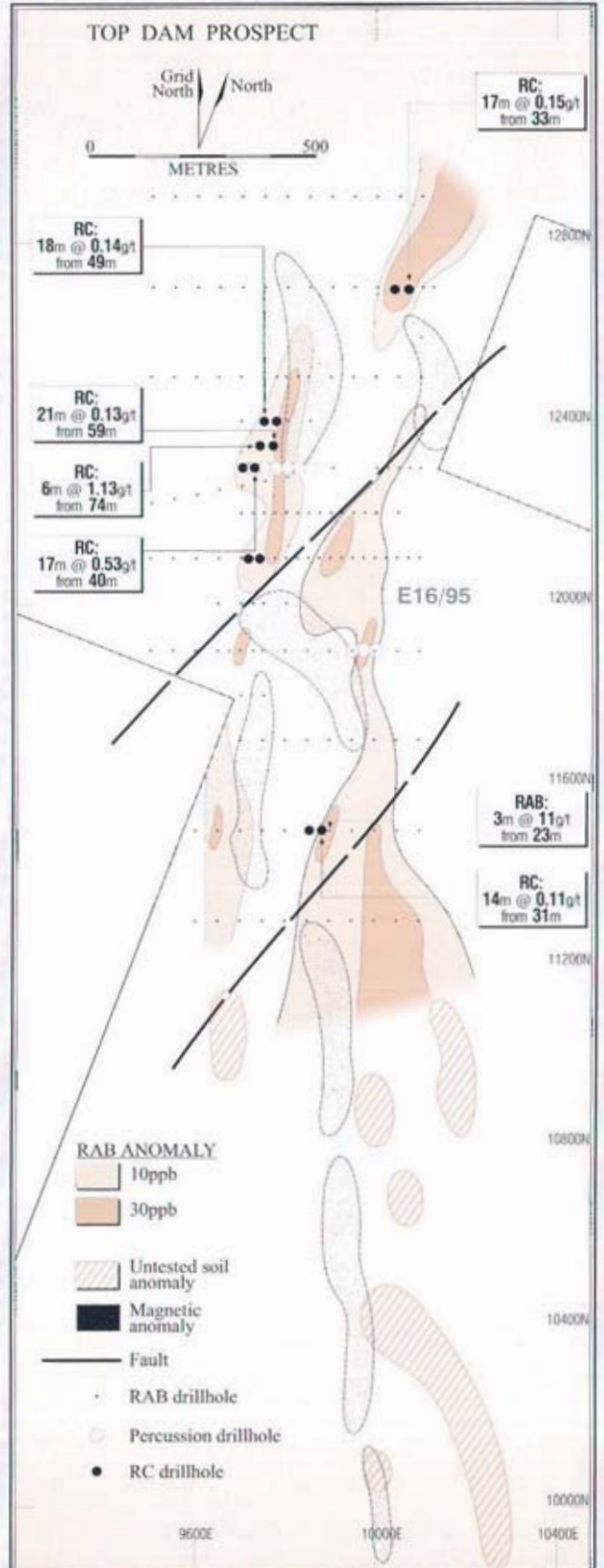
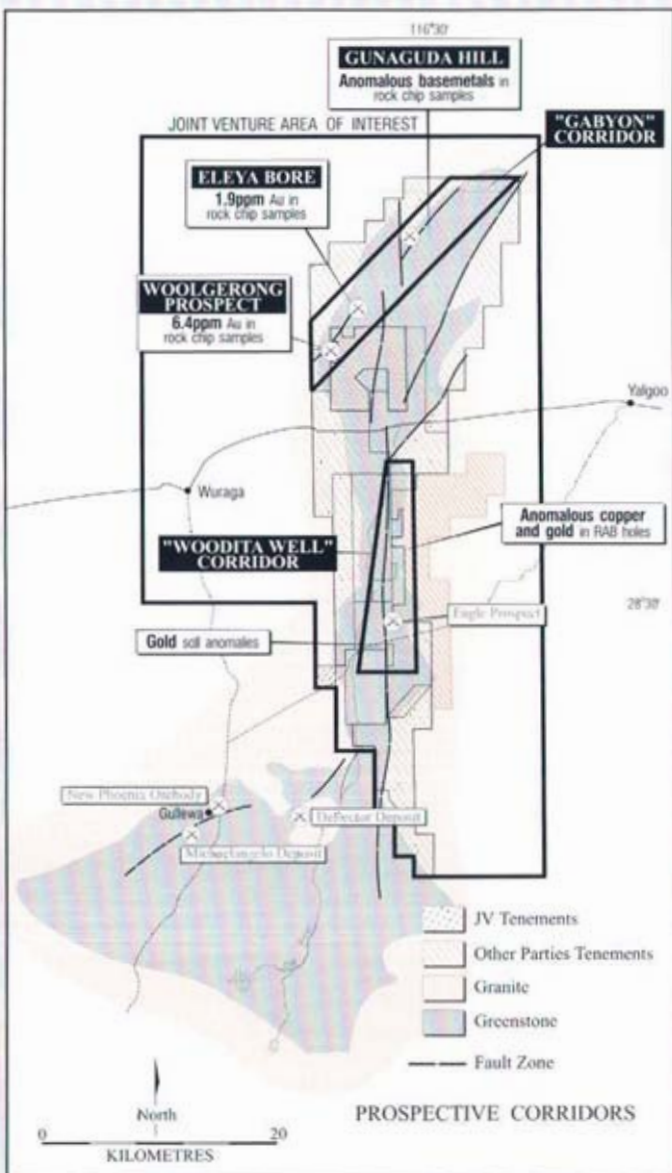


Figure 4.

SALT RIVER JOINT VENTURE



Salt River Joint Venture, WA (earning 50%)

The project is located 150 kilometres west of Mt Magnet and occupies the northern half of the Gullewa Greenstone Belt. This greenstone belt comprises the western part of the greater Yalgoo Greenstone Belt which contains the Mt Gibson, Rothsay and Gullewa gold deposits as well as the Golden Grove base metal mine. The project consists of ten Exploration Licences, one Exploration Licence Application and six Mining Lease Applications totalling 450 square kilometres.

In May 1996 an agreement was reached with National Resources Exploration Limited to enter into a joint venture in the northern half of NRE's Gullewa Project tenements. Under the terms of the agreement Paladin can earn a 50% interest in the Salt River Joint Venture by spending \$600,000 within a three year period. Paladin is manager of this joint venture. The project gives Paladin access to 60 kilometres of continuous strike length of tenements within a region which is under-explored and considered highly prospective for gold, copper/gold and base metal mineralisation.

Early work on the project as shown in Figure 5 has identified the Gabyon and the Woodita Well areas as two prospective corridors repeatedly showing anomalous gold, copper and arsenic geochemistry.

This project gives Paladin access to a large area of highly prospective Archaean greenstones which to date have only been lightly explored. Immediate investigations will concentrate on the completion of the first pass exploration on the prospective corridors. Infill gridding, soil sampling and RAB drilling is planned to follow-up targets identified by this work later this year.

Figure 5.

Lake Roe, WA (100%)

The Lake Roe Project is located 100 kilometres due east of Kalgoorlie and consists of three Exploration Licences (E28/495, E28/502, and E28/521) totalling 215 square kilometres. E28/502 was secured through an Option Agreement with Westex Pty Ltd. With this agreement Paladin now has access to a contiguous block of tenements protecting a 30 kilometre strike length of the prospective Keith Kilkenny Structural Corridor. The Edjudina, Pingin, Old Plough Dam and Karonie Gold Deposits all occur in the southern part of the Keith Kilkenny Structural Corridor and signify a newly recognised highly prospective and relatively under-explored region.

Investigations during the year concentrated on drill testing of the Rocky Dam Prospect and investigation of the northern extensions of the prospect into E28/502 with geochemical surveys (Figure 6).

A regional lag geochemical survey carried out on 400m x 100m centres north of Rocky Dam Prospect identified a 160ppb bullseye gold anomaly on an adjacent structure situated 800 metres northwest of the Rocky Dam Prospect. The evaluation of detailed airborne magnetic data has revealed a north northwest trending magnetic trend associated with the Rocky Dam Prospect. This work has extended the prospective zone to five kilometres in length and provides a prime target for follow-up investigation.

An eight hole follow-up RC drilling program was carried out to investigate the shallow drill anomaly at Rocky Dam. This intersected low grade mineralisation in the range 0.1ppm to

0.56ppm gold (3m composite samples) in sulphide-rich, quartz veined silicified basalts. The primary source of the mineralisation was not located. Further work is required to test specific deeper drill targets within the 700m x 150m supergene enriched gold anomalous zone which has been delineated.

The mineralised zone that has been identified is regarded as being very prospective. Surface geochemical surveys seem of limited value as the upper weathering profile is strongly depleted and extensive lake sediments blanket the underlying target. Future exploration will require more reliance on geophysics to extend and define targets from the known mineralised zone at Rocky Dam and extensive use of shallow RAB and deeper RC drilling.

Swan Lake Joint Venture, WA (40%)

The Swan Lake Project is located 120 kilometres due east of Kalgoorlie. Formally part of the Lake Roe Project, it consists of one Exploration Licence E28/504 totalling 165 square kilometres and straddles the eastern greenstone/granite boundary of the Norseman Wiluna Belt (Figure 6).

Paladin and Aberfoyle Resources Limited entered into a joint venture in November 1995 with Aberfoyle required to spend \$800,000 over a four year period (minimum commitment \$80,000) to earn 60%.

Work completed by Aberfoyle Resources Limited in the licence area included evaluation of previous exploration activities, gridding and shallow drilling which has identified weak gold anomalism.

LAKE ROE PROJECT

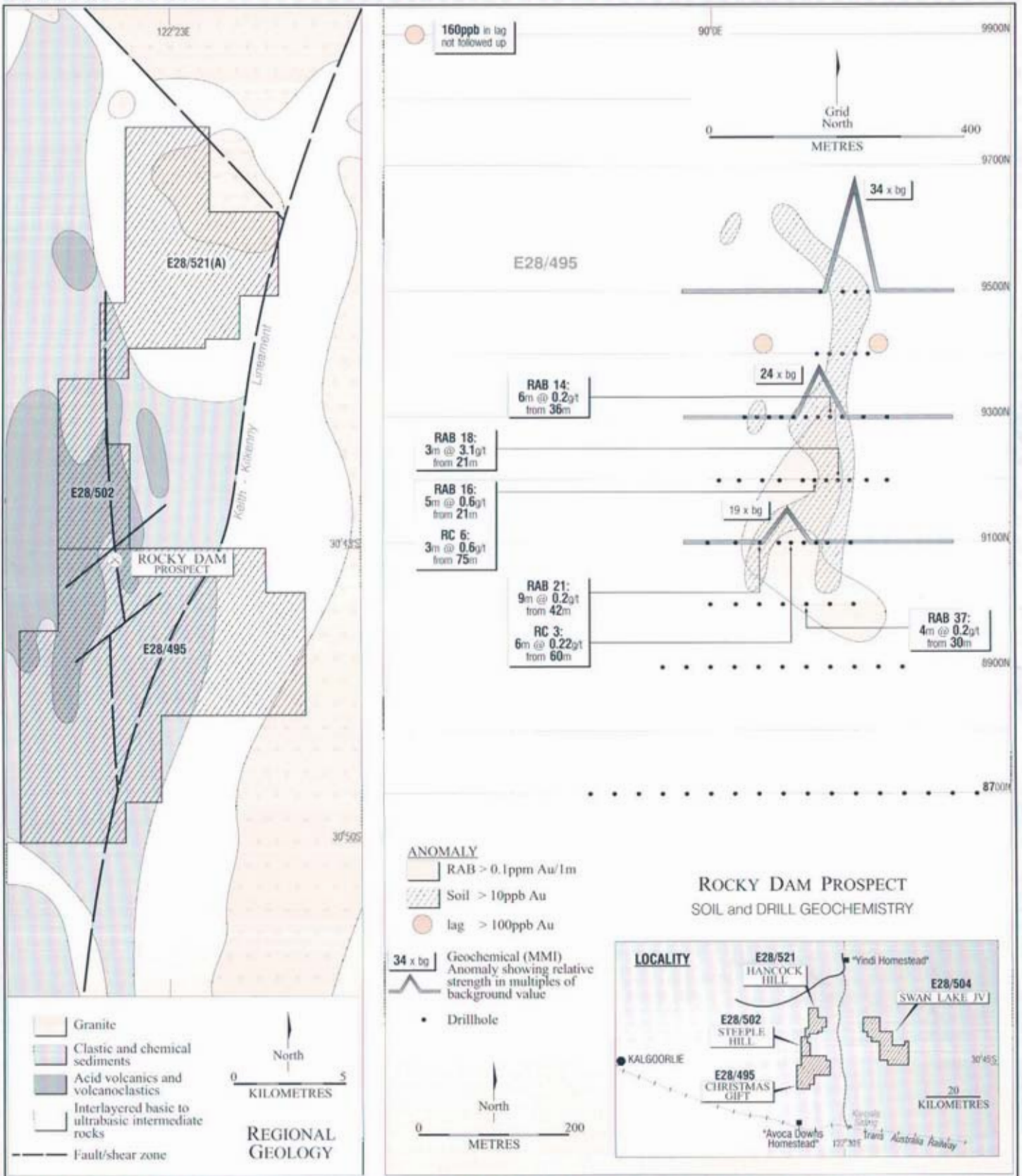


Figure 6.

NORTHERN TERRITORY
PROJECTS

Paladin has six projects in the Northern Territory. It has negotiated three farm-out agreements and plans to continue exploration on the Litchfield and Central Pine Creek Projects.

Litchfield Project, NT *(100%)*

This project is located 150 kilometres south of Darwin at the western margin of the Pine Creek geosyncline. It consists of Exploration Licence EL 8211 covering 45 square kilometres (Figure 7).

Geological mapping and rock chip sampling confirmed the gold mineralisation discovered in 1995. A distinct zone measuring 300m x 100m has been delineated beneath a steep slope blanketed by thick scree cover. The strongest mineralisation is associated with silicified coarse grained sandstones and greywackes showing quartz stockworks. These assay between 0.1 and 19.3ppm gold. Sheared and quartz veined pelitic schists from the footwall sandstones generally assay lower with values peaking at 0.87 ppm gold.

The target area is blanketed by extensive boulder scree cover and RC drilling and trenching will be required to establish the sub-surface potential of this prospective zone.

LITCHFIELD PROJECT

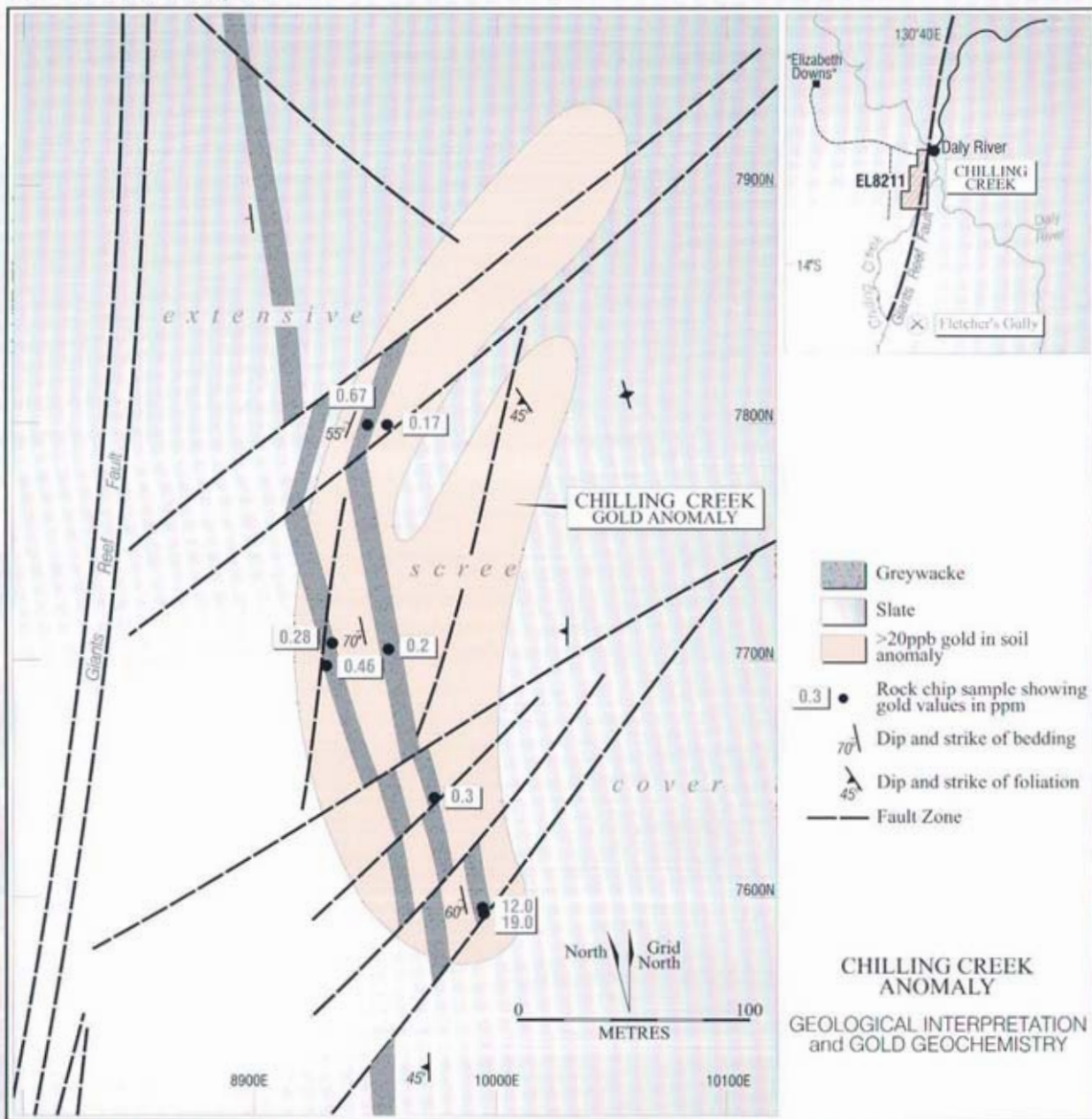


Figure 7.

CENTRAL PINE CREEK AND MARGARET RIVER PROJECTS

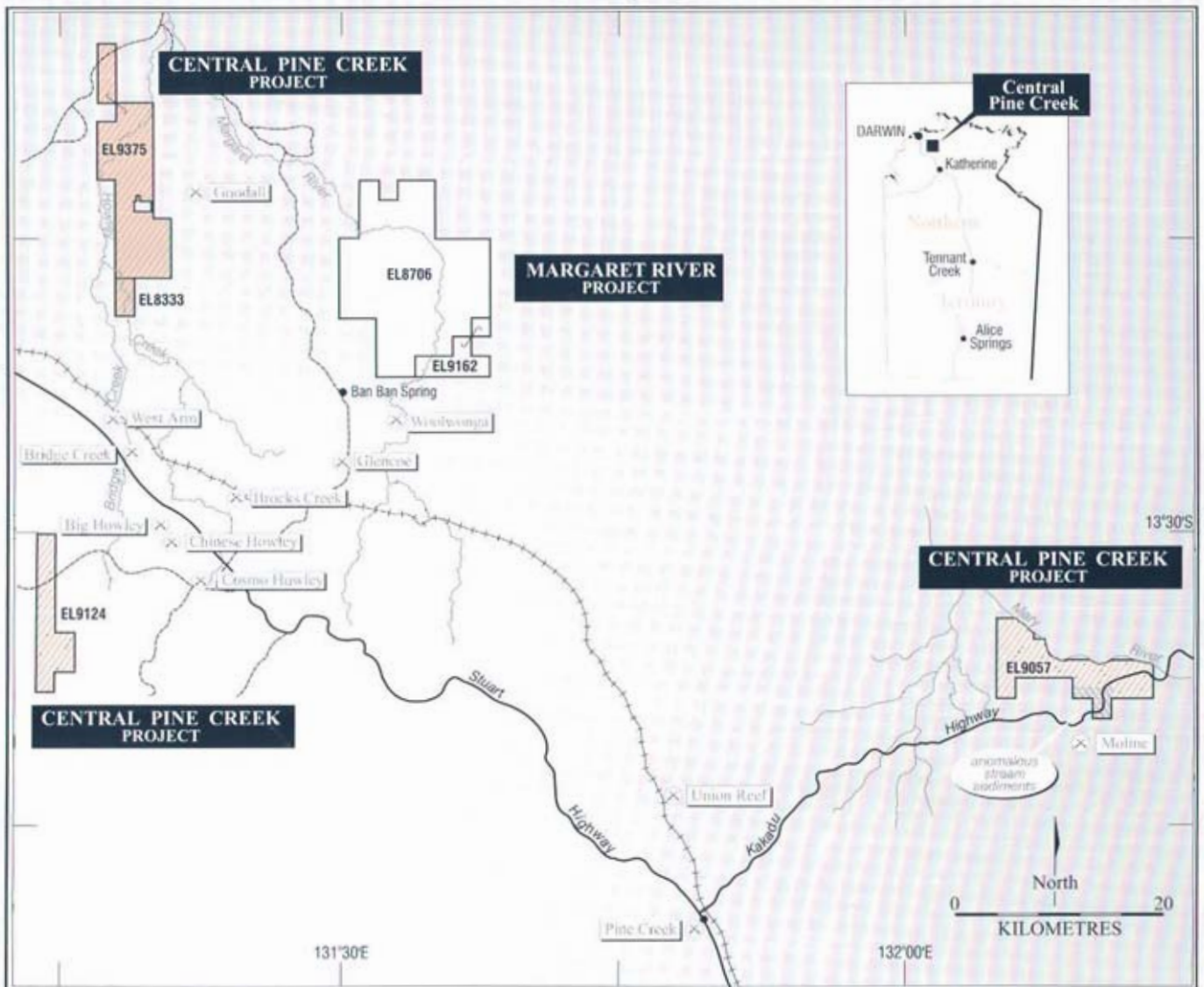


Figure 8.

Central Pine Creek Project, NT (100%)

The Central Pine Creek Project is located 130 kilometres south west of Darwin within the Pine Creek gold mining district. The project originally consisted of seven granted Exploration Licences totalling 370 square kilometres (Figure 8). Targets are large-tonnage, low-grade gold deposits. Two of the tenements have been farmed-out and are referred to as the Margaret River Project (EL 8706 & EL 9162).

In the Central Pine Creek Project, stream sediment sampling on EL 9057 identified a 3 x 1 kilometre gold anomalous area peaking to 78ppb gold. Follow-up geological mapping and rock chip sampling in late 1995 did not identify the source of the anomaly. The anomalous zone is sub-parallel to the structure hosting the gold mineralisation of the abandoned Moline Mine three kilometres to the south. The target area is largely covered by younger sediments and further work is required to clarify the source of the repeated gold anomalism.

Paladin was recently granted EL 9375 which is adjacent to EL 8333. These two tenements cover 94 square kilometres. The tenements are located 30 kilometres north of the Cosmo Howley Mine site. The EL's cover 16 kilometres of strike length of the highly prospective Howley Creek Anticlinorium, a regional structure which contains orebodies such as Cosmo, Howley, West Arm or Bridge Creek. Within Paladin's tenement former explorers, including Western Mining, identified extensive zones of geochemical gold anomalism which were not followed up.

Margaret River Project, NT (30%)

This project comprises EL 8706 and EL 9162 covering 182 square kilometres. These are located 15km north east of Brocks Creek gold mine (Figure 8).

On EL 8706, infill soil geochemistry on the Buffalo Yard Anomaly outlined three distinct targets within a 1.5 kilometre long northwest trending zone. One of these anomalies was tested by five percussion holes. Drilling returned intersections in the range of 0.12ppm to 0.47ppm gold (three metre sample intervals) in slates and banded iron formation.

In June 1996 Paladin negotiated a farm-out agreement for EL's 8706 and 9162. A Letter Agreement has been signed requiring Solomon Pacific to spend \$200,000 over four years to earn 70%. The minimum expenditure commitment is \$40,000. When earn-in has been achieved, Paladin can elect either to participate or convert its equity to a 5% interest free carried to feasibility with payback from production.

Hatches Creek Project, NT (30%)

The project is located 100 kilometres south-southeast of the township of Tennant Creek. It consists of Exploration Licences EL 8346 and EL 8987 covering 260 square kilometres. The central part of the tenement area was tested by vacuum drilling, soil sampling and a ground magnetic survey. This work did not identify extensions of anomalous rock chip results and further work is warranted.

A joint venture farm-in agreement was negotiated in 1996 with Posgold covering EL 8346 and EL 8987. Posgold has to spend \$200,000 over four years to earn 70% and thereafter contribute pro-rata or dilute 1% per \$25,000 spent. The minimum expenditure is \$50,000 before withdrawal. Paladin can convert its interest to 7.5% free carried if its interest falls below 10%.

Davenport Project, NT (30%)

This project is situated immediately due west of the Hatches Creek Project and its tenement ELA8347 occurs on Aboriginal owned land. As reported previously, the Landowners refused to consent to the grant of the tenement. Paladin is retaining the rights to the tenement application area.

A joint venture farm-in agreement was negotiated in 1996 on ELA8347 requiring Posgold to spend \$250,000 over 6 years to earn 70% and thereafter contribute pro-rata or dilute 1% per \$25,000 spent. The minimum expenditure is \$50,000 before withdrawal. Paladin can convert its interest to 7.5% free carried if its interest falls below 10%.

Tennant Creek & North Goodall Projects, NT

Due to poor results obtained during the year, the tenements from both of these projects have been relinquished.

PROJECT GENERATION

(through Database utilisation)

Paladin owns a vast exploration database supported by an extensive technical information system assembled over 20 years of exploration activity by the Australian subsidiary of the German mining house Uranerzbergbau. These assets represent approximately \$40 million of exploration funds (in current dollars) expended by that company. This database, acquired when Paladin floated, consists of unpublished and generally unavailable exploration and geological data, researched regional geological reviews, economic data compilations and conceptual exploration studies. It is highly pertinent to current and future gold, copper and uranium exploration in Australia and provides a significant competitive advantage in identifying new quality projects.

The exploration database covers all the major metallogenic regions of Australia concentrating particularly in WA, NT, SA and Qld, where widespread exploration and project generation activities were carried out by Uranerz. The database includes work from all the Proterozoic and Archaean terrains of Australia. Work focussed on evaluation of these regions for their uranium, gold and base metals potential, its results now providing an excellent geological, geochemical and geophysical database for modelling and target definition.

Project Generation Sequence

PROPRIETARY EXPLORATION
DATA BASE



LIBRARY/
REFERENCE MATERIAL

- SEARCH
COMMODITIES
- GOLD
 - COPPER
 - URANIUM

The library information and technical reference system also form part of this valuable asset. This consists of a wide ranging technical documentation facility covering major aspects of geology and mineral exploration supported by geological, topographical and geophysical maps covering the whole of Australia. All items are cross referenced and easily accessible.

To date Paladin's effort has concentrated on actively exploring its existing projects and this work has taken up most of the time and resources available to the Company. Through consolidation of the broad project portfolio and by focussing on selected exploration projects, it will now enable the Company to give the necessary priority towards project generation.

This year it is the firm intention of the Directors to initiate, a longer term program dedicated to the development of project generation to maximise available opportunities. The combination of the proprietary database with the information system provide a powerful tool for the identification of new and exciting projects for exploration either by Paladin or in joint venture with other companies.

CORPORATE

During the year, the Company increased its shareholding in NRE through market purchase and its participation in, and sub-underwriting of an entitlement issue. Paladin is the largest shareholder now holding 15,389,149 fully paid ordinary shares being 16.4% of the issued capital of NRE and 3,400,000 (30 cent) options exercisable in June 1997.

NRE's flagship project at Gullewa is located 50 kilometres southwest of the township of Yalgoo in Western Australia and, through this, controls a tenement holding of some 1050 square kilometres within the highly prospective Gullewa Greenstone Belt. The northern 450 square kilometres has been joint ventured to Paladin (Salt River Project) allowing NRE to concentrate its efforts fully on development of the considerable potential offered within the Deflector gold/copper and the Mugga Range prospective corridors containing the Deflector, Phoenix, Michaelangelo, Rocksteady and Mugga Hill gold deposits (Figure 5). Until recently, due to poor project performance and lack of funds, NRE has been unable to focus on essential programs to upgrade gold resources and achieve a profitable mining operation.

With the announced board changes, appointment of a sound technical team and NRE's decision in May to suspend its small uneconomic mining operation at Gullewa, utmost emphasis is now being applied to development of the Deflector, New Phoenix and Mugga Range targets. NRE now has the stated goal to build up its ore resource inventory from the current 180,000 ozs of gold to an overall resource containing at least 500,000 ozs and thus establish a minimum sustainable 50,000 oz per year gold operation by mid 1997.

The recent fund raising of \$2.8 million, clear corporate aims and focussed exploration and development programs on highly prospective targets, gives confidence to Paladin that NRE's production objectives will be achieved.



The Directors present their report on the consolidated accounts for the year ended 30 June 1996.

DIRECTORS

The Directors in office at the date of this report are:

Dr Douglas Dunnet (Chairman - Non-Executive)

B.Sc. (Hons) PhD, F.AusIMM

Dr Dunnet is a geologist with 34 years experience. He has a strong background in financial management of mineral project initiation and development in Australia and North America, including 14 years with the Anaconda group of companies.

In 1984 Dr Dunnet became a principal of Aurex Pty Ltd, a contracting and consulting company. In 1987 he initiated the listing of and became Managing Director of Orion Resources NL. He was subsequently instrumental in acquiring a 45% interest in the Yilgarn Star Gold Mine near Southern Cross and guiding Orion to its current market capitalisation of over \$130 million. This included the successful transition from significant open pit mining to major underground mining operations producing in excess of 100,000ozs per annum.

Dr Dunnet is also non-executive Chairman of National Resources Exploration Limited.

Mr John Borshoff (Managing Director)

B.Sc. F.AusIMM

Mr Borshoff is a geologist who has been involved in the Australian exploration and mining industry for 24 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.

In 1991 Mr Borshoff formed the consulting and contracting company, Scovac Management Services Pty Ltd, consulting to mineral resource groups throughout Australia and management of an underground mining operation near Kalgoorlie. Mr Borshoff has extensive experience in gold, base metal and uranium exploration, company management and administration.

**Ms Gillian Swaby (Director - Non-Executive/
Company Secretary)**

B.Bus., FCIS

Ms Swaby has been involved in the Australian mining and exploration industry for 15 years. Ms Swaby is experienced in areas of secretarial practice, management accounting and corporate and financial management and is a Fellow of the Chartered Institute of Secretaries. She is the principal of Strategic Consultants Pty Ltd, specialising in corporate consultancy and is also a Director and Company Secretary of National Resources Exploration Limited.

Mr Rick W. Crabb (Director - Non-Executive)

B. Juris (Hons), LLB, MBA

Mr Crabb is a partner with the legal practice, Blakiston and Crabb. He holds degrees of Bachelor of Jurisprudence (Honours), Bachelor of Laws and Master of Business Administration from the University of Western Australia. He has practised as a solicitor since 1980 and was previously a partner with a major law firm. He specialises in mining, corporate and commercial law. Mr Crabb is also a director of Menzies Court Holdings Limited. During the past year, Mr Crabb resigned as a director of Gasgoyne Gold Mines NL and Lone Star Exploration NL to focus on his other interests (including Paladin).

PRINCIPAL ACTIVITY

The principal activity of the economic entity constituted by Paladin Resources NL and the entity it controlled during the financial year was mineral exploration.

RESULTS OF OPERATIONS

The economic entity's policy is to write off acquisition and exploration costs associated with abandoned areas and to this extent an amount of \$931,932 (1995: \$264,833) was written off. Expenditure totalling \$2,004,324 (1995: \$2,059,100) has been carried forward on other areas where operations are continuing. The consolidated results are as follows:

	1996	1995
	\$	\$
Operating loss after income tax	1,058,648	563,290

DIVIDENDS

No dividend has been paid during the financial year and no dividend is recommended for the current year.

REVIEW OF OPERATIONS

A detailed review of the economic entity's operations is set out on pages 4 to 15 of this report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the economic entity that occurred during the financial year under review not otherwise disclosed in this report.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect substantially the operations of the economic entity, the results of these operations or the state of affairs of the economic entity in subsequent financial years with the exception of:

National Resources Exploration Ltd

On 14 August 1996, Paladin advanced \$400,000 to National Resources Exploration Ltd (NRE), repayable on the earlier of:

- a) the date on which NRE raises equity capital in an amount of \$2,000,000 and, using a combination of the equity capital and the sum of \$400,000 advanced to it by Paladin, NRE reduces the debt owing to its creditors by an amount of not less than \$1,000,000; or
- b) 90 days after the date on which Paladin advances the sum of \$400,000 to NRE.

The loan is secured by a second ranking Mining Mortgage over certain of NRE's tenements and a fixed and floating charge over the assets of NRE. The loan allows for an election for Paladin to convert whole or part of the loan into Convertible Notes at the rate of 6.7 cents per share. This was approved by NRE shareholders on 23 September 1996. In addition, NRE shareholders approved a conversion to NL status, change of name to Gullewa Gold NL and a placement totalling \$2.8 million.

LIKELY DEVELOPMENTS

Likely developments in the operations of the economic entity constituted by Paladin Resources NL and the entities it controls from time to time are the exploration and development of projects currently held and the investigation, acquisition, exploration and development of additional prospects, yet to be identified, which may be considered by the Directors to have merit.

OPTIONS OVER UNISSUED CAPITAL

Share Option Plan

On 21 June 1994, shareholders approved the introduction of the Paladin Resources NL Directors, Employees and Consultants Share Option Plan ("the Share Option Plan"). The number of options issued from time to time pursuant to the Share Option Plan shall not exceed 10% of the total issued shares in the Company from time to time. On 8 September 1994 the Company issued 1,985,000 unlisted options exercisable at 25 cents on or before 31 May 1999, pursuant to the Share Option Plan to 10 participants. The number of unissued ordinary shares under these options at the date of this report is 1,985,000.

The Company is of a kind referred to in the class order issued by the Australian Securities Commission dated 8 March 1994, under which the Directors are relieved from the need to disclose the names of all employees and relevant details in respect of options granted to those employees under the Paladin Resources NL Directors, Employees and Consultants Share Option Plan. The Directors have availed themselves of the relief granted under this class order.

No persons entitled to exercise any option referred to above has or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

DIRECTORS' INTERESTS

	1996		1995	
	Fully Paid	Options Shares	Fully Paid	Options Shares
Dr D Dunnet	200,000	300,000	200,000	300,000
Mr J Borshoff	8,816,015	500,000	8,726,015	500,000
Ms G Swaby	154,000	300,000	154,000	300,000
Mr R W Crabb	800,000	300,000	100,000	300,000

The particulars of Directors' interests in shares and options are as at the date of this report. The options are unlisted and exercisable at 25 cents on or before 31 May 1999, pursuant to the Paladin Resources NL Directors, Employees and Consultants Share Option Plan.

DIRECTORS' BENEFITS

No Director of the Company has, during the financial year, received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors shown in the accounts in Note 18), by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he is a member, or with a company in which he has a substantial interest, not otherwise disclosed in this report.

Consulting fees in the form of management fees and geological consulting fees were paid during the year in the normal course of business to firms of consultants, of which Directors are the principals. These are included within Directors' remuneration disclosed in Note 21 to the accounts. In addition, legal fees were paid to a legal practice in which a Director is a partner. These are disclosed in Note 21 to the accounts.

MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 1996 and the number of meetings attended by each Director.

MEETINGS OF DIRECTORS

Number of meetings held	10
Number of meetings attended by:	
Dr D Dunnet	10
Mr J Borshoff	10
Ms G Swaby	10
Mr R W Crabb	10

AUDIT COMMITTEE

As at the date of this report, Paladin Resources NL had an audit committee comprising Dr D Dunnet and Ms G Swaby. The Committee has held two meetings during the year at which both members were present.

INDEMNITIES AND INSURANCE

The Company has not, during or since the end of the financial year, in respect of any person who is or has been an officer or auditor of the Company or a related body corporate:

- indemnified or made any relevant agreement for indemnifying against a liability, including costs and expenses in successfully defending legal proceedings; or
- paid or agreed to pay a premium in respect of a contract insuring against a liability for the costs or expenses to defend legal proceedings

CORPORATE GOVERNANCE

The Board is responsible for the overall Corporate Governance of the Group ('the Group') including the strategic direction, establishing goals for management and monitoring the achievement of these goals. The Board has also established a framework for the management of the Group including setting levels of remuneration for Executive Directors, Managers and senior personnel, an overall framework of internal control and the establishment of appropriate ethical standards.

The Board regularly reviews operational and financial performance and reviews and approves detailed budgets and investment opportunities. Being a small company at present, the Board works closely with executive management to identify and manage operational, financial and legislative risk. Whilst

the Corporate Governance policies and procedures have been in place since the incorporation of the Company, they were formally adopted by the Board in May 1996.

Composition of the Board

The composition of the Board is determined using the following principles:

- The Board should comprise four Directors. This number may be increased where it is felt that additional expertise is required in specific areas, or when an outstanding candidate materialises.
- The Chairman of the Board should be a Non-Executive Director.
- The Board should comprise Directors with a broad range of expertise.

When a vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the services of a new director with particular skills, the Board selects a candidate or panel of candidates with the appropriate expertise and experience. The Board then appoints the most suitable candidate who must stand for election at the next general meeting of shareholders. The Company does not have a formal Nomination Committee.

Independent Professional Advice

Each Director has the right to seek independent professional advice at the Group's expense. However, prior approval of the Chairman is required, which may not be unreasonably withheld.

Remuneration

Remuneration levels are set by the Board in accordance with industry standards to attract suitably qualified and experienced Directors and senior executives. The Board obtains independent advice on the appropriateness of remuneration packages.

Audit Committee

The role of the Audit Committee is documented in a Charter which is approved by the Board of Directors. In accordance with this Charter, all members of the Committee must be Non-Executive Directors. The role of the Committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Group.

It gives the Board of Directors additional assurance regarding the quality and reliability of financial information prepared for use by the Board.

It also reviews the scope and quality of the external statutory audit and makes recommendations to the Board on auditor appointments.

The members of the Audit Committee during the year were:

Gillian Swaby
Douglas Dunnet

ETHICAL STANDARDS

All Directors, managers and employees are to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group.

DATED at Perth this 26th day of September 1996

Signed in accordance with a resolution of Directors.

J Borshoff (Director)

G Swaby (Director)

BALANCE SHEETS

as at 30th June 1996

	NOTES	CONSOLIDATED		PARENT ENTITY	
		1996	1995	1996	1995
		\$	\$	\$	\$
CURRENT ASSETS					
Cash	3	1,101,873	4,041,102	1,101,836	4,041,065
Receivables	4	15,792	14,323	15,792	14,323
Investments	5	-	850,000	-	850,000
TOTAL CURRENT ASSETS		1,117,665	4,905,425	1,117,628	4,905,388
NON CURRENT ASSETS					
Receivables	6	-	-	786,833	1,065,077
Investments	7	2,892,164	-	4,592,166	1,700,002
Property, Plant & Equipment	8	994,645	1,042,069	212,823	234,033
Intangibles	9	-	56,952	-	56,952
Other	10	2,009,322	2,064,100	302,259	107,094
TOTAL NON CURRENT ASSETS		5,896,131	3,163,121	5,894,081	3,163,158
TOTAL ASSETS		7,013,796	8,068,546	7,011,709	8,068,546
CURRENT LIABILITIES					
Creditors and Borrowings	11	47,984	60,394	45,897	60,394
Provisions	12	16,308	-	16,308	-
TOTAL LIABILITIES		64,292	60,394	62,205	60,394
NET ASSETS		6,949,504	8,008,152	6,949,504	8,008,152
SHAREHOLDERS' EQUITY					
Share Capital	13	9,000,003	9,000,003	9,000,003	9,000,003
Accumulated Losses		(2,050,499)	(991,851)	(2,050,499)	(991,851)
TOTAL SHAREHOLDERS' EQUITY		6,949,504	8,008,152	6,949,504	8,008,152
COMMITMENTS AND CONTINGENT LIABILITIES					
	4				

The accompanying notes form part of these financial statements.

PROFIT AND LOSS ACCOUNTS

for the year ended 30th June 1996

	NOTES	CONSOLIDATED		PARENT ENTITY	
		1996 \$	1995 \$	1996 \$	1995 \$
Operating loss before income tax	15	1,058,648	563,290	1,058,648	582,978
Income tax attributable to operating loss	16	-	-	-	-
Operating loss after income tax		1,058,648	563,290	1,058,648	582,978
Accumulated losses at the beginning of the financial year		991,851	428,561	991,851	408,873
Accumulated losses at the end of the financial year		2,050,499	991,851	2,050,499	991,851

The accompanying notes form part of these financial statements

STATEMENTS OF CASH FLOWS

for the year ended 30th June 1996

	NOTES	CONSOLIDATED		PARENT ENTITY	
		1996 \$	1995 \$	1996 \$	1995 \$
Cash flows from operating activities					
Payments to suppliers and employees		(336,376)	(251,929)	(336,376)	(251,929)
Interest received		232,483	324,261	232,483	324,261
Receipts from customers		96,058	-	96,058	-
Net cash inflow/(outflow) from operating activities	23	(7,835)	72,332	(7,835)	72,332
Cash flows from investing activities					
Payments for property, plant and equipment		(45,687)	(15,000)	(45,687)	(15,000)
Exploration and evaluation expenditure		(818,543)	(1,021,542)	(447,425)	(100,232)
Purchase of prospects		(25,000)	-	(25,000)	-
Payments for investments		(2,042,164)	(850,000)	(2,042,164)	(850,000)
Net cash outflow from investing activities		(2,931,394)	(1,886,542)	(2,560,276)	(965,232)
Cash flows from financing activities					
Proceeds from sale of property, plant and equipment		-	6,000	-	6,000
Loan of funds to related entities		-	-	(371,117)	(921,345)
Net cash inflow/(outflow) from financing activities		-	6,000	(371,117)	(915,345)
Net (decrease)/increase in cash held		(2,939,229)	(1,808,210)	(2,939,228)	(1,808,245)
Cash at the beginning of the financial year		4,041,102	5,849,312	4,041,065	5,849,310
Cash at the end of the financial year		1,101,873	4,041,102	1,101,837	4,041,065

The accompanying notes form part of these financial statements.

1. STATEMENT OF ACCOUNTING POLICIES

(A) Basis of Accounting

The accounts have been prepared in accordance with the relevant Accounting Standards, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) and the disclosure requirements of Schedule 5 of the Corporations Regulations.

The accounts have been prepared on the basis of historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets. The accounting policies have been consistently applied and have not changed from the previous year, unless otherwise stated.

(B) Principles of Consolidation

The consolidated accounts incorporate the assets, liabilities and results of all entities controlled by Paladin as at 30 June 1996. Paladin Resources NL and its controlled entities together are referred to in this financial report as the economic entity. The effects of inter-entity transactions have been eliminated from the consolidated accounts. Where controlled entities are acquired during the year, their results are included only from the date control commences.

On acquisition of some or all of the shares in a controlled entity, the identifiable net assets acquired are measured at their fair value. The excess of the fair value of the purchase consideration over the fair value of identifiable assets acquired (ie: goodwill) is amortised over a period of twenty years.

Where a discount on acquisition arises, that discount is accounted for by reducing proportionately the fair value of the non-monetary assets acquired until the discount is eliminated. Any residual discount is immediately recognised in the profit and loss account.

(C) Depreciation

Depreciation is provided on all property, plant and equipment so as to write off the assets progressively over their useful economic lives and is calculated on the prime cost method.

(D) Exploration, Evaluation and Development Expenditure

Costs incurred during the exploration, evaluation and development stages of specific areas of interest are accumulated. Such costs are written off unless the Directors consider that the costs are expected to be fully recouped through the successful development of the area, or where activities to date have not reached a stage to allow reasonable assessment regarding existence of economically recoverable reserves. Costs are written off as soon as an area has been abandoned or is considered to be non-commercial.

Expenditure is not carried forward in respect of any area of interest/mineral resource unless the Company's rights of tenure to that area of interest are current.

Each year the Directors will consider the recoverable value of the areas being carried forward and where they believe those values to be lower than the costs, the costs will be written down accordingly.

Once production commences, expenditure accumulated in respect of areas of interest will be amortised on a unit of production basis against the economically recoverable mineral resources.

Accumulated expenditure on areas which are abandoned or considered to be of no value are written off in the period in which the decision is made.

(E) Investments

The economic entity's interests in listed and unlisted controlled entities are brought to account at cost and dividend income is recognised in the profit and loss account when received. Where, in the opinion of the Directors, there has been a permanent diminution in the value of any individual investment, a provision for diminution in value is made.

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(F) Income Tax

Tax effect accounting procedures are followed whereby the income tax expense in the profit and loss account is matched with the accounting profit (after allowing for permanent differences). The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit can be regarded as being virtually certain of realisation. Income tax on net cumulative timing differences is set aside to deferred income tax and future tax benefit accounts at current rates.

(G) Earnings per Share

(i) Basic Earnings Per Share

Basic earnings per share is determined by dividing the operating result after income tax attributable to members of Paladin Resources NL by the weighted average number of ordinary shares on issue during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted Earnings Per Share

Diluted earnings per share adjust the figures used in the determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share that will probably arise from the exercise of options on issue during the financial year.

(H) Cash

For the purposes of the Statements of Cash Flows, cash includes deposits which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis, net of outstanding bank overdrafts.

(I) Data Bases

(i) Project Generation Data Base

The project generation data base, which consists of unpublished and generally unavailable exploration, geological and other data, is recorded at cost. The Directors consider that there are presently no foreseeable limits to the useful life of this asset and accordingly periodic amortisation is not provided for in the financial statements. The service potential of the project generation data base is periodically reviewed to ensure that its carrying amount does not exceed recoverable value.

(ii) Technical Data Base

The technical data base includes an extensive technical library and published exploration data. The Directors consider that this information diminishes in value over time and accordingly periodic amortisation charges are raised on a straight line basis over a period of 10 years.

(J) Preliminary Expenses

Costs incurred on underwriting fees and other share issue and preliminary expenses are capitalised and amortised over a 2 year period.

(K) Valuation of Non-current Assets

The carrying amounts of non-current assets are reviewed to determine whether they are in excess of their recoverable amounts at balance date. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower amount. Unless otherwise stated, in assessing recoverable amounts, the relevant cash flows have not been discounted to their present value.

	CONSOLIDATED		PARENT ENTITY	
	1996 \$	1995 \$	1996 \$	1995 \$
2. OPERATING REVENUE				
Other revenue - interest received from other corporations	259,791	340,869	259,791	340,869
- sub-underwriting fee	68,750	-	68,750	-
- sundry income	27,308	-	27,308	-
	355,849	340,869	355,849	340,869
3. CASH				
Cash at bank and on hand	108,252	69,853	108,216	69,816
Bank bills	993,621	3,971,249	993,621	3,971,249
	1,101,873	4,041,102	1,101,837	4,041,065
4. CURRENT RECEIVABLES				
Sundry debtors	15,792	14,323	15,792	14,323
5. CURRENT INVESTMENTS				
Listed investments - at cost	-	850,000	-	850,000
The market value of shares and options listed on a prescribed stock exchange	-	918,000	-	918,000
6. NON CURRENT RECEIVABLES				
Loan to controlled entity - unsecured	-	-	1,746,865	1,373,659
Less provision for non-recovery	-	-	(960,031)	(308,582)
	-	-	786,834	1,065,077
7. NON CURRENT INVESTMENTS				
Listed investments - at cost	2,892,164	-	2,892,164	-
Shares at cost - controlled entity	-	-	1,700,002	1,700,002
	2,892,164	-	4,592,166	1,700,002
The market value of shares and options listed on a prescribed stock exchange	2,025,644	-	2,025,644	-

No provision for diminution in the value of this investment has been made as the Directors consider that the combination of the prospectivity of the National Resources Exploration Limited ("NRE") mineral tenements, the commercial and technical skills of the NRE Board and management and fundraising proposals initiated in late August and approved by shareholders in September 1996 have reasonable expectations of achieving the NRE corporate goals and thus re-establishing or exceeding the carrying value of the asset.

7. NON CURRENT INVESTMENTS (continued)

Investment in Controlled Entity

NAME	COUNTRY OF INCORPORATION	PERCENTAGE INTEREST HELD		CONTRIBUTION TO CONSOLIDATED LOSS AFTER INCOME		COST OF PARENT ENTITY'S INVESTMENT	
		1996	1995	1996	1995	1996	1995
				\$	\$	\$	\$
Paladin Resources NL	Australia	Parent Entity	Parent Entity	407,200	274,395	-	-
Eden Creek Pty Ltd	Australia	100%	100%	651,448	288,895	1,700,002	1,700,002
				1,058,648	563,290	1,700,002	1,700,002

All investments comprise ordinary shares and all shares held are unquoted.

	CONSOLIDATED		PARENT ENTITY	
	1996	1995	1996	1995
	\$	\$	\$	\$
8. PROPERTY, PLANT & EQUIPMENT				
Plant and equipment - at cost	349,768	304,081	349,768	304,081
Less provision for depreciation	136,945	70,048	136,945	70,048
	212,823	234,033	212,823	234,033
Technical database - at cost	262,500	262,500	-	-
Less amortisation	69,964	43,750	-	-
	192,536	218,750	-	-
Project generation database - at cost	589,286	589,286	-	-
	994,645	1,042,069	212,823	234,033

9. INTANGIBLES

Formation costs	607,528	607,528	607,528	607,528
Less amortisation	(607,528)	(550,576)	(607,528)	(550,576)
	-	56,952	-	56,952

10. OTHER NON CURRENT ASSETS

(a) Exploration Expenditure

Opening Balance	2,059,100	1,296,398	107,094	870
Movements:				
- Acquisition costs	25,000	-	25,000	-
- Direct expenditure for the year	852,154	1,027,535	476,863	106,224
Less expenditure written off	(931,932)	(264,833)	(306,698)	-
	2,004,322	2,059,100	302,259	107,094

(b) Mines Department Bonds

	5,000	5,000	-	-
	2,009,322	2,064,100	302,259	107,094

	CONSOLIDATED		PARENT ENTITY	
	1996	1995	1996	1995
	\$	\$	\$	\$
11. CREDITORS & BORROWINGS				
Trade creditors and accruals	47,984	60,394	45,897	60,394
12. PROVISIONS				
Employee entitlements	16,308	-	16,308	-
			PARENT ENTITY	PARENT ENTITY
			1996	1995
			\$	\$
13. SHARE CAPITAL				
(a) Authorised Capital				
500,000,000 ordinary shares of \$0.20			100,000,000	100,000,000
	NUMBER OF	PAR VALUE	DISCOUNT	TOTAL
	SHARES	\$	\$	\$
(b) Issued Capital				
Balance at 30 June 1996	46,500,015	9,300,003	(300,000)	9,000,003
(c) Issued Options				
Unlisted and exercisable at 25 cents, on or before 31 May 1999, pursuant to the Paladin Resources NL Directors, Employees and Consultants Share Option Plan				
			NUMBER OF OPTIONS	
			1996	1995
Balance at 1 July 1995			1,985,000	-
Issued during year			-	1,985,000
Balance at 30 June 1996			1,985,000	1,985,000

There were no movements in issued capital during the year.

14. COMMITMENTS AND CONTINGENT LIABILITIES

There were no outstanding commitments or contingent liabilities, which are not provided for in the financial statements of the economic entity and the Company as at 30 June 1996 other than:

- (a) **Exploration Tenement Leases** - in order to maintain the tenements in which the Company and other parties are involved, all parties are committed to meet the conditions under which the tenements were granted in accordance with the relevant mining legislation in Australia. These commitments relate to tenement lease rentals and the minimum expenditure requirements of the Western Australian and Northern Territory Mines Departments attaching to the tenements and are subject to re-negotiation upon expiry of the exploration leases or when application for a mining licence is made.

	CONSOLIDATED		PARENT ENTITY	
	1996	1995	1996	1995
	\$	\$	\$	\$
Not later than one year	524,133	447,884	349,033	190,480
Later than one year but not later than two years	461,900	410,774	289,300	185,460
Later than two years but no later than five years	642,709	867,500	518,569	525,000
Later than five years	-	61,120	-	61,120

The dynamic nature of tenement portfolio management is such that actual expenditures will vary significantly from these 'commitments', depending upon the results of future exploration and farm-out opportunities

- (b) **Joint Venture Commitments** - the Company and economic entity have the following cumulative commitments in respect of exploration joint ventures to which they are farming-in and are not provided for in the accounts.

Not later than one year	150,000	-	150,000	-
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15. OPERATING LOSS

Operating loss has been determined after:

- (a) **Charging as an expense:**

Depreciation of property, plant and equipment	66,897	57,922	66,897	57,922
Amortisation				
- formation expenses	56,952	303,768	56,952	303,768
- technical database	26,214	24,063	-	-
Provision for non-recovery of intercompany loan	-	-	651,449	308,582
Exploration expenditure written off	931,932	264,833	306,698	-

- (b) **Crediting as income:**

Interest received from other corporations	259,791	340,869	259,791	340,869
Profit on sale of property, plant and equipment	-	250	-	250

16. INCOME TAX

The aggregate amount of income tax attributable to the financial year differs by more than 15% from the amount calculated on the operating loss.

The differences are reconciled as follows:

	CONSOLIDATED		PARENT ENTITY	
	1996	1995	1996	1995
	\$	\$	\$	\$
Operating loss before income tax	(1,058,648)	(563,290)	(1,058,648)	(582,978)
Income tax (benefit) calculated at 33%	(381,113)	(185,886)	(381,113)	(192,383)
Tax effect of permanent differences:				
Non-deductible amortisation	29,939	105,975	29,939	95,890
Non-deductible expenditure	347,512	4,898	347,512	108,875
	(3,662)	(75,013)	(3,662)	12,382
Tax benefit not recognised/(claimed)	3,662	75,013	3,662	(12,382)
Income tax attributable to operating loss	-	-	-	-
The Directors estimate that the potential future income tax benefit at 30 June 1996 in respect of tax losses not brought to account is:	703,307	402,284	236,530	70,612

This benefit for tax losses will only be obtained if:

- (i) the economic entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- (ii) the economic entity continues to comply with the conditions for deductibility imposed by tax legislation; and
- (iii) no changes in tax legislation adversely affect the economic entity in realising the benefit from the deductions for the losses.

17. AUDITOR'S REMUNERATION

Amounts received or due and receivable by the auditors for:

(a) Auditing the financial statements and consolidated financial statements of Paladin Resources NL and the financial statements of each of the entities controlled by it:				
(i) Coopers & Lybrand	9,700	11,000	9,700	11,000
(b) Other services:				
(i) Coopers & Lybrand	-	3,700	-	3,700
	9,700	14,700	9,700	14,700

	DIRECTORS OF ENTITIES IN THE ECONOMIC ENTITY		DIRECTORS OF PARENT ENTITY	
	1996 \$	1995 \$	1996 \$	1995 \$
18. REMUNERATION OF DIRECTORS				
Income received, or due and receivable, by Directors from entities in the economic entity and related bodies corporate.	253,414	225,750	253,414	225,750
Number of parent entity Directors whose income from the parent entity or related bodies corporate was within the following bands:				
\$10,000 to \$19,999	1	2	1	2
\$40,000 to \$49,999	2	1	2	1
\$150,000 to \$159,999	1	1	1	1

Included in the above are consulting fees. Consulting fees in the form of management fees and geological fees were paid during the year in the normal course of business to firms of consultants, of which Directors are the principals.

The above information is presented in accordance with the requirements of clause 25 of Schedule 5 to the Corporations Regulations. The Company has been relieved from compliance with the corresponding requirements of Accounting Standard AASB 1017 Related Party Disclosures by class order 95/741 issued by the Australian Securities Commission.

19. REMUNERATION OF EXECUTIVES

One executive received \$150,000 during the year ended 30 June 1996 (1995: \$150,000).

20. SEGMENT REPORTING

The economic entity operates in the mining and exploration industry in Australia.

21. RELATED PARTIES

Related parties of Paladin Resources NL fall into the following categories:

Directors

(a) The following persons were Directors of Paladin Resources NL during the financial year:

- D Dunnet
- J Borshoff
- G Swaby
- R W Crabb

(b) Remuneration of Directors is disclosed in Note 18.

(c) Transactions with director-related entities

The following transactions with Directors and director-related entities occurred during the year on normal commercial terms and conditions:

- (i) Fees for geological and consulting services were paid to a company in which J Borshoff is a director and shareholder;
- (ii) Fees for company secretarial services were paid to a company in which G Swaby is a director and shareholder; and
- (iii) Fees for legal services were paid to a firm in which R Crabb is a partner.

CONSOLIDATED		PARENT ENTITY	
1996	1995	1996	1995
\$	\$	\$	\$

21. RELATED PARTIES (continued)

Aggregate amount of each of the above types of transactions with Directors and their director-related entities were as follows:

Geological, management consulting and secretarial services	218,728	214,155	218,728	214,155
Legal services	25,414	12,660	25,414	12,660

	1996 NUMBER		1995 NUMBER	
	SHARES	OPTIONS	SHARES	OPTIONS
(d) Directors' holdings				
D Dunnet	200,000	300,000	200,000	300,000
J Borshoff	8,816,015	500,000	8,726,015	500,000
G Swaby	154,000	300,000	154,000	300,000
R Crabb	800,000	300,000	100,000	300,000

Shares are fully paid ordinary shares. Options are unlisted and exercisable at 25 cents on or before 31 May 1999.

Wholly-owned Group Transactions

The wholly-owned group consists of Paladin Resources NL, the ultimate parent entity, and the wholly-owned controlled entity set out in Note 7. Transactions between Paladin Resources NL and its controlled entity consist of the transfer of funds amongst the companies for day to day financing. Inter-company balances are unsecured and are not interest bearing. The balance in respect of the inter-group loan is set out in Note 6.

22. EVENTS SUBSEQUENT TO BALANCE DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect substantially the operations of the economic entity in subsequent financial years with the exception of:

National Resources Exploration Ltd

On 14 August 1996, Paladin advanced \$400,000 to National Resources Exploration Ltd (NRE), repayable on the earlier of:

- a) the date on which NRE raises equity capital in an amount of \$2,000,000 and, using a combination of the equity capital and the sum of \$400,000 advanced to it by Paladin, NRE reduces the debt owing to its creditors by an amount of not less than \$1,000,000; or
- b) 90 days after the date on which Paladin advances the sum of \$400,000 to NRE.

The loan is secured by a second ranking Mining Mortgage over certain of NRE's tenements and a fixed and floating charge over the assets of NRE. The loan allows for an election for Paladin to convert whole or part of the loan into Convertible Notes at the rate of 6.7 cents per share. This was approved by NRE shareholders on 23 September 1996. In addition, NRE shareholders approved a conversion to NL status, change of name to Gullewa Gold NL and a placement totalling \$2.8 million.

	CONSOLIDATED		PARENT ENTITY	
	1996	1995	1996	1995
	\$	\$	\$	\$
23. RECONCILIATION OF NET CASH				
OUTFLOW FROM OPERATING ACTIVITIES				
TO OPERATING LOSS AFTER INCOME TAX				
(a) Operating loss after income tax	1,058,648	563,290	1,058,648	582,978
Non-cash items:				
Depreciation and amortisation	(150,064)	(385,753)	(123,849)	(361,690)
Exploration expenditure written off	(931,932)	(264,833)	(306,698)	-
Provision for non-recovery of intercompany loan	-	-	(651,449)	(308,582)
Change in operating assets and liabilities:				
(Decrease)/increase in trade debtors	(1,291)	7,967	(1,291)	7,967
Decrease/(increase) in operating liabilities	32,474	6,997	32,474	6,997
Net cash inflow/(outflow) from operating activities	7,835	72,332	7,835	72,332

(b) Non-cash financing and investment activities:
No non-cash financial investment activities during the year.

(c) Unused credit facilities
The economic entity has no unused credit facilities as at 30 June 1996.

	CONSOLIDATED	
	1996	1995
	CENTS	CENTS

24. EARNINGS PER SHARE

(a) Basic Loss Per Share	(2.28)	(1.21)
Weighted average number of ordinary shares on issue during the year used in the calculation of basic earnings per share	46,500,015	46,500,015

(b) **Diluted Earnings Per Share**
Diluted earnings per share has not been disclosed as it is not materially different from the basic earnings per share.

	PARENT ENTITY	
	1996	1995
	\$	\$

25. EMPLOYEE ENTITLEMENTS

Provision for Annual Leave

Aggregate employment entitlement liability	16,308	16,081
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Superannuation

A superannuation plan has been established by the parent entity for the provision of benefits to employees on retirement, death or disability. The plan's benefits have been designed to comply with the appropriate Occupational Superannuation Legislation requirements.

The plan is an accumulation style fund whereby a member's benefit equals the total contributions to the fund on behalf of the member plus investment income earned, less the cost of insurance, tax and administration costs charged. Because of the nature of the plan, there are adequate funds to satisfy all benefits to employees.

Contributions by the parent entity represent a defined percentage of each employee's salary. Employee contributions are voluntary.

There is no legally enforceable obligation on the parent entity to contribute to the superannuation plan other than that directly associated with the Occupational Superannuation Legislation requirements.

25. EMPLOYEE ENTITLEMENTS (continued)

Employee Share Option Plan

On 21 June 1994, shareholders approved the introduction of the Paladin Resources NL Directors, Employees and Consultants Share Option Plan ("the Share Option Plan"). The number of options issued from time to time pursuant to the Share Option Plan shall not exceed 10% of the total issued shares in the Company from time to time. On 8 September 1994 the Company issued 1,985,000 unlisted options exercisable at 25 cents on or before 31 May 1999, pursuant to the Share Option Plan to 10 participants. The number of unissued ordinary shares under these options at the date of this report is 1,985,000.

The Company is of a kind referred to in the class order issued by the Australian Securities Commission dated 8 March 1994, under which the directors are relieved from the need to disclose the names of all employees and relevant details in respect of options granted to those employees under the Paladin Resources NL Directors, Employees and Consultants Share Option Plan. The Directors have availed themselves of the relief granted under this class order.

No persons entitled to exercise any option referred to above has or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

STATEMENT BY DIRECTORS

In the opinion of the Directors:

- (a) the financial statements set out on pages 20 to 33 are drawn up in accordance with Divisions 4, 4A and 4B of Part 3.6 of the Corporations Law and so as to give a true and fair view of:
 - (i) the state of affairs as at 30 June 1996 and the loss for the financial year ended on that date of the Company and the economic entity; and
 - (ii) the other matters with which they deal;
- (b) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The financial statements are drawn up in accordance with applicable Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views).

Signed at Perth this 26th day of September 1996 in accordance with a resolution of the Directors.

J Borshoff (Director)

G Swaby (Director)

INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF PALADIN RESOURCES NL

Scope

We have audited the financial statements of Paladin Resources NL for the financial year ended 30 June 1996 as set out on pages 20 to 34. The financial statements include the consolidated accounts of the economic entity comprising the Company and the entities it controlled at the year end or from time to time during the financial year. The Company's directors are responsible for the financial statements. We have conducted an independent audit of these financial statements in order to express an opinion on them to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial statements are free from material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Accounting standards, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) and statutory requirements so as to present a view which is consistent with our understanding of the Company's and the economic entity's financial position, the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial statements of Paladin Resources NL are properly drawn up:

- (a) so as to give a true and fair view of:
 - (i) the state of affairs as at 30 June 1996 and the loss and cash flows for the financial year ended on that date of the Company and the economic entity; and
 - (ii) the other matters required by Divisions 4, 4A and 4B of Part 3.6 of the Corporations Law to be dealt with in the financial statements;
- (b) in accordance with the provisions of the Corporations Law; and
- (c) in accordance with applicable Accounting Standards and other mandatory professional reporting requirements.

COOPERS & LYBRAND

Chartered Accountants

John O'Connor

Partner

Perth, Western Australia

Date: 27 September, 1996

ADDITIONAL INFORMATION

Pursuant to the Listing Requirements of Australian Stock Exchange Limited as at 12 September 1996.

(a)	DISTRIBUTION	NUMBER OF SHAREHOLDERS
	1 - 1,000	1
	1,001 - 5,000	25
	5,001 - 10,000	171
	10,001 and over	466
		<u>663</u>

1 shareholder holds less than a marketable parcel of shares.

(b) Substantial shareholders (5% or more of issued capital)

Orion Resources NL	7,000,000 shares
J Borshoff and associated companies	8,816,015 shares

(c) The twenty largest shareholders hold 51.15% of the total shares issued.

HOLDER	NO. OF SHARES	PERCENTAGE %
Aylworth Holdings Pty Ltd	8,600,015	18.49
Orion Resources NL	7,000,000	15.05
Tilbia Nominees Pty Ltd	1,180,000	2.54
Peter Bowman Nominees Pty Ltd	1,000,000	2.15
Ventana Nominees Pty Ltd	709,000	1.52
Stony Rises Pty Ltd	700,000	1.51
Westessa Holdings Pty Ltd	700,000	1.51
Lotus Bird Sanctuary Pty Ltd	500,000	1.08
Ryan Australia Pty Ltd	450,000	0.97
Scomac Mining Pty Ltd	358,000	0.77
Bourse Securities Pty Ltd	330,000	0.71
Bundaberg Refrigeration & Electrical Pty Ltd	330,000	0.71
Grekar Pty Ltd	293,000	0.63
Dokka One Pty Ltd	250,000	0.54
Glorie Holdings Pty Ltd	250,000	0.54
Overnight Nominees Pty Ltd	250,000	0.54
Stanley Exploration Services Pty Ltd	250,000	0.54
Mr Leon Isaac Guralnek	218,000	0.47
A & T Ting Pty Ltd	210,000	0.45
Cityline Holdings Pty Ltd	200,000	0.43
	<u>23,778,015</u>	<u>51.15</u>

(d) Voting rights

For all shares, voting rights are one vote per member on a show of hands and one vote per share in a poll.

(f) Mining Tenements held -

WESTERN AUSTRALIA

PROJECT	TENEMENT	INTEREST %	JV PARTNER/S	OPERATOR
DUNNSVILLE	2 E's	100	-	-
LAKE ROE	3 E's	100	-	-
SWAN LAKE JOINT VENTURE	1 E	Diluting to 40	Aberfoyle Resources Ltd	Aberfoyle Resources Ltd
SALT RIVER JOINT VENTURE	10 E's	Earning 50	National Resources Exploration Ltd	Paladin Resources NL
	1 E(A)'s			
	6 M(A)'s			

NORTHERN TERRITORY

PROJECT	TENEMENT	INTEREST %	JV PARTNER/S	OPERATOR
LITCHFIELD	1 EL	100	-	-
CENTRAL PINE CREEK	5 EL's	100	-	-
MARGARET RIVER JOINT VENTURE	2 EL's	Diluting to 30	Solomon Pacific Resources NL	Solomon Pacific Resources NL
DAVENPORT	1 EL(A)	Diluting to 30	Posgold Ltd	Posgold Ltd
HATCHES CREEK	2 EL's	Diluting to 30	Posgold Ltd	Posgold Ltd
BARROW CREEK	1 EL	100	-	-

E Exploration Licence (WA)

E(A) Exploration Licence Application (WA)

M(A) Mining Lease Application (WA)

EL Exploration Licence (NT)

EL(A) Exploration Licence Application (NT)



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