



PALADIN RESOURCES LTD

ACN 061 681 098

ANNUAL

REPORT

2001

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The financial report covers both Paladin Resources Ltd as an individual entity and the consolidated entity consisting of Paladin Resources Ltd and its controlled entities.

Paladin Resources Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

***Paladin Resources Ltd
1st Floor, 245 Churchill Avenue
SUBIACO WA 6008***

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities on pages 9-16 and in the directors' report on pages 18-22.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the company. All press releases, financial statements and other information is available on our website www.paladinresources.com.au.

CORPORATE DIRECTORY

DIRECTORS

Chairman
Dr Douglas Dunnet

Managing Director
Mr John Borshoff

Director
Ms Gillian Swaby

Director
Mr Rick Wayne Crabb

COMPANY SECRETARY

Ms Gillian Swaby

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SOLICITORS TO THE COMPANY

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COMPANY SNAPSHOT

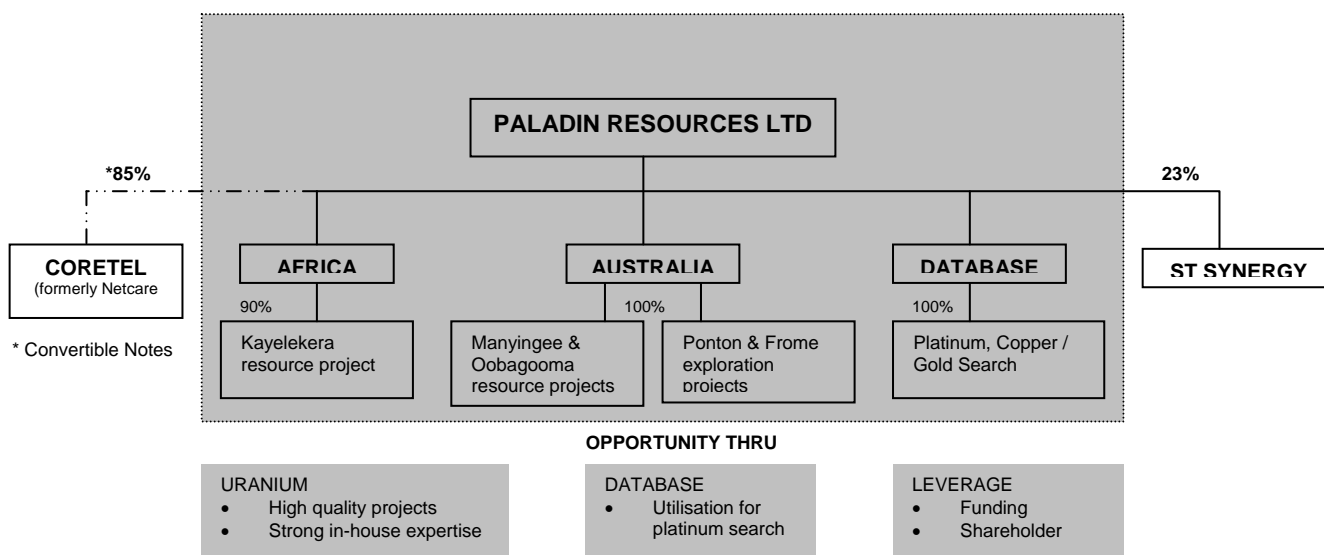
Paladin has adopted a threefold strategy to maximise value to its shareholders.

- **FOCUS ON MINERAL RESOURCE EFFORT**
 - Develop uranium assets concentrating on Kayelekera
 - Initiate platinum search utilising proprietary database

- **PROCEED TO LARGER RAISING THROUGH POSSIBLE DUAL LISTING ON ALTERNATIVE INVESTMENT MARKET OF LONDON STOCK EXCHANGE (AIM).**

- **DEVELOP AND DIVEST TELCO INVESTMENT**
 - List as separate dedicated telco
 - On listing, distribute Paladin equity in Coretel (formerly Netcare) to shareholders

OPPORTUNITY BASE



CHAIRMAN'S LETTER

Dear Shareholder

Paladin has made significant steps forward during the year to position the Company for growth on several fronts.

While the uranium price has been stagnant over the last two to three years, Paladin has used this period to invest in high technology groups, ST Synergy and Coretel (previously Netcare). Our strategy has been to use our management skills and access to capital to advance these companies to commercialisation and public listing.

Both companies are proceeding successfully. ST Synergy, specialising in Knowledge Management software, was listed in 11 May 2001 after a 12 month gestation period with Paladin retaining 23% of the company. Coretel is developing a specialised high bandwidth communications network initially in southern Western Australia. The initial rollout is complete, the customer base is being developed and a listing is anticipated. Paladin currently holds the right to 85% and it is expected that, as this investment is not considered part of our core mining business, the shareholding will be distributed pro-rata to our Paladin shareholders.

The recent strong rise in the uranium price and world recognition of the role uranium must play in the generation of base load electricity has allowed Paladin to bring its substantial uranium assets to the fore. Various aspects of the Kayelekera Project have been advanced during the year with the objective of undertaking the new feasibility study using third world concessional funding. This process is well advanced and the project is strongly endorsed by the Government of Malawi. It is anticipated that the project will proceed quickly towards commercial development and thus take advantage of the increasingly strong uranium price.

Paladin has also turned its attention to the latent non-uranium exploration value in its valuable proprietary database. This study is well advanced to identify Australian uranium prospects which also have geochemical signatures for platinum group metals. These projects will take advantage of the high prices and market interest in these metals and it is anticipated that exploration on the prospects will be leveraged by farm-in expenditures.

There has been considerable international interest in Paladin's strategies for uranium, platinum group metals and the investments. The Company has raised sufficient capital to support its various objectives and we are currently evaluating a dual listing on London's Alternative Investment Market.

I am confident that these various objectives are strengthening the corporate base for Paladin shareholders and expect to see a re-rating in the share price in the near future.

Dr D Dunnet
CHAIRMAN

URANIUM MARKET IMPROVEMENT

The strong renewal of interest in uranium should assure the sustained growth of the nuclear industry. This has been stimulated by the recently announced US Government energy policy initiatives declaring that nuclear energy for production of electricity in the US must form the major plank of its overall energy plans

As a consequence, the uranium market is reacting very positively to this re-focus and already the price of the uranium yellowcake product has increased 30% since January 2001.

Latest survey results show nuclear fuelled electricity power stations are proving to be highly competitive base load power producers. The 1999 costs for US electricity producers show the following (in US currency)

Nuclear	- 1.83¢/Kwh	(Includes levy for waste management)
Coal	- 2.07¢/Kwh	(Excludes cost for atmospheric pollution)
Oil	- 3.18¢/Kwh	
Gas	- 3.52¢	

Paladin is placed in a prime position to benefit from these developments and market improvement as it has maintained a portfolio of quality uranium projects, both in Australia and Africa, assembled over the past 4½ years together with in-house expertise in this commodity spanning more than 25 years.

NUCLEAR ENERGY FOR ELECTRICITY MOVING FORWARD

World nuclear output increases in 2000.

IAEA figures show a 2% increase in nuclear electric output in 2000, to 2447.5 billion kWh worldwide. With six new reactors coming on line and one closing down, total nuclear capacity increased to 351 327 MWe, from 438 reactors. Cumulative operating experience from civil nuclear reactors at the end of the year exceeded 9,800 reactor years, which means that the 10,000 mark passed about the end of May (2001).

NucNet news # 165/01, cf reactor table on web site.

Swedish poll reaffirms nuclear support.

The latest Sweden energy opinion poll shows that 77% of the public opposes any premature closure of the country's 11 nuclear power plants, and 83% think it important that nuclear power's lack of carbon emissions be considered in determining Sweden's energy policy. Only 10% said phasing out nuclear energy should be a national priority, compared with 73% for controlling greenhouse gases and 13% protecting unspoiled rivers from hydroelectric development.

NucNet news # 444/00.

European finance for Ukraine nuclear plants.

The European Bank for Reconstruction & Development has approved (by an 89% vote apart from abstentions) a US\$ 215 million loan towards completion of two new nuclear power plants in the Ukraine, Khmel'nitski-2 and Rovno-4. This EBRD funding, though a modest part of the US\$ 1480 million required, was a key factor in their completion to western safety standards. Conditions on the loan included safety enhancement of all 13 Ukraine nuclear power reactors, independence for the country's nuclear regulator, and fundamental reform of the electricity market.

NucNet business news # 134 & 137/00, news # 427/00, PPNN Newsbrief 4/00, eNEI 25/1/01.

US energy plan backs nuclear generation.

President Bush's national energy plan puts forward a range of initiatives to secure the US energy future over the next two decades. It includes provisions to boost electricity generation from nuclear power as well as encouragement for exploiting fossil fuel reserves, tax breaks for pollution-reducing technology and streamlining approval for new powerlines. Federal agencies will need to add an energy impact statement to their routine environmental one, and they will be required to expedite permits and approvals for energy-related projects.

Times 17/5/01, AFX 17/5/01.

World uranium production up, price follows.

In 2000, uranium mine production appears to have increased 35,000t U about 12% over 1999 to about 41,300t U₃O₈ (35,000t U). This is primarily due to Canadian and Australian increases (30% and 27% respectively), but supported by former Soviet Union countries. Central African production declined slightly, southern Africa held steady, and US production dropped. This year has seen a steady improvement in price, with the spot market rising 15%.

Ux Weekly 26/3/01.

Finns vote for waste repository.

The Finnish parliament has ratified last year's decision in principle to proceed with a geological disposal facility for spent nuclear fuel at Olkiluoto. Both commerce and environment committees of parliament supported the motion which was passed 159 - 3. The decision means that construction of the facility is recognised as a public good, after twenty years of preparatory work including site characterisation and environmental assessment. There was much public input and the local community supported the proposal.

Posiva 18/5/01.

US public support for nuclear energy grows.

A March survey showed that public support for building new nuclear power plants has increased to two thirds of the population, up 24% over 18 months and 15% since January. The most pronounced increase was in the West, where 62% supported new plants compared with only 33% in 1999. Overall 81% now say it is very important for President and Congress to deal urgently with energy policies, while reliable supply and environment protection are the top goals in this.

NEI Nuclear Energy Overview 2/4/01.

French record for nuclear electric export

The French utility EdF has reported domestic sales of 397.5 billion kWh and exports of 77.3 billion kWh, the total worth EUR 34 billion, for 2000. Revenue from outside the domestic market was 25% of total.

NucNet business news # 32/01.

Beverley mine officially opened.

Heathgate Resources' Beverley ISL uranium mine in NE South Australia was officially opened on 21 February, by the state's Deputy Premier. It is on track to produce 1000 t/yr U₃O₈ for at least 15 years, and exploration on surrounding leases is expected to identify additional reserves.

Heathgate 21/2/01.

US nuclear plants' new production record.

US nuclear power plants last year generated 3.7% more electricity than the year before, their previous best year, producing 755 billion kWh with an average capacity factor of almost 90%.

NucNet news 87/01.

Record French nuclear electricity production.

Electricite de France last year had record production levels from its 58 nuclear reactors, together with improvements in safety and unit performance. Output increased 5.4% to 395 billion kWh, unit availability factor exceeded 80% (with the newer large units being 85% and 95%), production costs per kWh fell, while safety performance improved. EdF is seeking a 20% reduction in production cost per kWh from 1998 to 2002. So far it has achieved 7%, as debt levels drop and output increases. Nuclear power provides about 75% of France's electricity.

NucNet business news 26/01.

TEPCO reaffirms reactor program.

Major Japanese utility TEPCO has deferred plans for 12 major fossil fuel power plants, but has made it clear that it will maintain schedules for four nuclear plants, partly on account of greenhouse considerations.

NucNet business news # 14/01, UI NB 01.07.

US expects numerous plant uprates.

The US Nuclear Regulatory Commission expects 46 applications to increase the power of individual nuclear reactors to be processed over the next five years. These will range up to a 20% increase in reactor capacity, and altogether total 1600 MWe. It currently has 17 such requests under review, six of which are for 15% or more, and says that all such applications are given a high priority.

Nucleonics week 2/8/01.

New US energy legislation.

The US House of Representatives has passed The Securing of America's Future Energy Act 2001. The comprehensive 511-page bill includes provisions for supporting construction of new nuclear power capacity, boosting university nuclear science and engineering programs, and funding nuclear energy R&D. Despite also including a limited version of the President's proposal for oil drilling in Alaska's Arctic National Wildlife Reserve, it was passed by a vote of 240-189. The bill has attracted criticism that it is unduly favourable to the oil and gas industry, and the Senate version is expected to increase provision for energy conservation.

NEI 2/8/01, IHT 3/8/01.

New Japanese reactor starts up.

Onagawa-3, Japan's newest reactor, is reported to have started up and to have achieved grid connection at the end of May. It is a 825 MWe boiling water reactor and is due to be in full commercial operation in January 2002.

NucNet business news # 66/01.

US solicits new site applications.

The US Department of Energy is seeking applications from US utilities to participate in a study of potential sites for new nuclear power plants. The study is to sort out what is needed for the NRC's Early Site Application licensing process at any selected site, and will be funded by DOE to the extent of \$700,000 for initial site studies. Entergy, Exelon and Dominion Resources have all expressed interest in trying out the new streamlined site licensing process.

US DOE, Federal Register 27/8/01, Dow Jones 27/8/01.

REVIEW OF OPERATIONS

Summary

Commencing in 1997 Paladin assembled a number of quality uranium projects in Australia and Africa using its extensive technical and exploration database. These projects, which contain in excess of 32,000 tonnes of uranium oxide (72m lbs at 0.14% U_3O_8), were selected with the aim of bringing them into production in a staged manner. In order, this is now planned to start with the Kayelekera open-cut project in Malawi, Africa followed by the Manyingee ISL project in Western Australia. The Oobagooma ISL Project in Western Australia would be the back-up resource after Manyingee.

Although uranium prices have been depressed over the past 4 years Paladin strongly believes that prices are about to rise. This belief has been validated to a large degree by the recently announced strong support for nuclear energy by both the US and UK Governments which will have a dramatic positive impact on uranium prices. Our production startups are planned to coincide with a buoyant future uranium market enabling Paladin to achieve profitable long term contracts for its yellowcake product.

With its unique proprietary database, Paladin will also be in a position to fully utilize this project generation asset to identify high quality platinum exploration opportunities. This concept is based on the geological associations of U-Cu-Au-PGM. This component of work is expected to provide substantial funding leverage to the Company.

In preparation for possible development of the Kayelekera Project it is planned to dual list Paladin on AIM in London during 2002 thereby enabling the Company to access larger capital markets to support the planned growth of the Company. A London listing is considered a more appropriate market to expand into because of the international nature of uranium as an energy commodity. In the lead up period to this dual listing it is intended to start work on project generation, advance the Kayelekera Project Bankable Feasibility Study and fully evaluate the pros and cons of an AIM dual listing.

STRATEGIC FRAMEWORK – MINERAL RESOURCE FOCUS

In May 2001 Paladin announced a strategy to allow the Company to maintain focus on its considerable mineral resources while still benefiting its shareholders with the investments it has made in the Knowledge Management computer software sector (ST Synergy Ltd) and the telecommunications sector (Coretel Pty Ltd – formerly Netcare Corporation Pty Ltd). In this new arrangement Coretel is proposed to be listed on the ASX as a dedicated telecommunications company. Paladin plans to distribute its 85% equity in this company to its shareholders on a 1:5 basis leaving the Company and its management in a position to concentrate exclusively on development of its mineral resources.

Paladin owns two valuable sets of underdeveloped assets - firstly, its advanced uranium projects spearheaded by Kayelekera and secondly, its minerals exploration database uniquely suitable for platinum group metals, copper and gold search.

Kayelekera has excellent potential as a uranium project and Paladin should be in a position to minimise the early development risk without diluting equity in this project by financing the Bankable Feasibility Study through concessional third world funding.

Concurrent with the development of its uranium mining operations Paladin plans to evaluate its extensive proprietary uranium exploration database with the aim of defining quality platinum/gold projects and targets using uranium as the key pathfinder element. Once generated these new platinum projects would then be further explored through joint venture farm-outs. Beyond field visits including sampling for verifying geochemical work during the project generation phase, Paladin does not plan to carry out exploration in its own right but will utilise third party funds to further explore the non-uranium projects.

It is Paladin's objective to realise the potential of both these asset groups by leverage funding generated through third parties. Overall this approach should provide opportunity for further shareholder wealth creation through developing the non-uranium assets and the African energy resources company.

URANIUM ACTIVITIES

Kayelekera

The Kayelekera Uranium Project is located in Malawi, Southern Africa and is owned 90% by Paladin through a wholly owned Malawi subsidiary (Paladin Africa Ltd). This project is technically advanced with \$9 million spent by previous owners, culminating in a full feasibility study in 1990. Recent financial modelling based on an engineering review of the old feasibility study incorporating modern processing technology and using upgraded mining techniques indicates that the project can be optimised with a positive financial outcome. Approximately \$6.75 million is required for a new updated feasibility study and Paladin is currently seeking concessional funding for this project.

The democratically elected Malawi Government is committed to encourage the private sector to assume a leading role in the economic development of the country. The Kayelekera Project presents an ideal platform for initiation of a modern mining industry in Malawi and Paladin is well supported by the Government of Malawi to establish such an operation. To validate its support for the mining industry the Malawian Government held its 1st International Mining Conference in August 2000 to bring attention to the broader investor community of the project opportunities in that country.

Work on Kayelekera is concentrating on the completion of the Bankable Feasibility Study. During this period re-evaluation of the extensive project database will also be carried out to identify further resources and extend the Kayelekera minelife beyond the planned 10 years.

The Bankable Feasibility Study has been divided into two stages, each of nine months duration. During Stage I, only that work necessary to validate the revised mining model developed by Paladin will be undertaken. This will principally involve the collection of metallurgical samples from diamond core drilling for radiometric ore sorting and gravity concentration test work to verify key elements of the project mining model.

At the conclusion of this work, if the viability of the Project as proposed is verified, the second phase of the study will be committed. By adopting such a staged assessment, the capital risk in the Bankable Feasibility Study is reduced considerably.

In Stage II in addition to finalising the technical/engineering aspects, efforts will also concentrate on the environmental aspects of the Project as well as negotiations for project finance. A marketing program will also be initiated at this stage to ensure finalisation of the contracts for the yellowcake product. The detailed Bankable Feasibility Study of the revised mining operation concept will be completed by the end of this second nine month period.

Plant and mine construction is planned for Year Three with yellowcake production starting in early Year Four.

Manyingee Project

The Manyingee Uranium Project is located in Western Australia and is 100% owned by Paladin. Manyingee is intended to become Australia's third In Situ Leach (ISL) uranium project, utilising a technology which is growing in significance worldwide because of its environmental acceptability and lower capital and operating costs. Manyingee is an advanced project, which can be brought into production relatively quickly to take advantage of the forecast upturn in the uranium market. The previous owners spent in excess of \$16 million on the project including a trial field testing of the in-situ leach method producing a small quantity of yellowcake.

A plan has been developed to bring this project to full feasibility within a three year period. It is planned that the project will produce 500 tonnes of uranium oxide per year with a mine life in excess of 10 years.

The feasibility work on this Project will be suspended until either the Kayelekera Project Bankable Feasibility Study is completed or Manyingee is justified by increased market demands. Minimal work will therefore be carried out on this project in the coming year.

Oobagooma Project

The Oobagooma Project, 100% owned by Paladin and located in the Kimberly Region of Western Australia, is a uranium resource considered suitable for the ISL mining method. Wide spaced drilling in the 1980's identified a resource of 10,000t of U₃O₈ at a grade of 0.12%. This project has value as an excellent back-up resource for the Manyingee Project. The tenements are currently in application stage.

No work is planned on this project in the mid term. Work is planned to commence when the Manyingee development program is well advanced and will comprise a back-up uranium resource for the Manyingee operation.

Ponton Project

The Ponton Creek Project is located 200 kilometres east of Kalgoorlie, Western Australia.

A clear target for immediate infill and resource definition drilling is defined. Contiguous downhole radiometric anomalies occur at the Double 8 Prospect along 15 kilometres of the Raeside Channel. Within this anomalous zone the 1000 cps contour line of the downhole logs outlines a 6 kilometre zone, showing good potential for economic uranium mineralisation containing 15,000 to 20,000t U₃O₈ possibly suitable for ISL mining application.

Pending environmental program approval by the relevant State Government authority a short program to verify the existence of the mineralised zone in the Double 8 Prospect is planned in the forthcoming year.

Frome Projects

Joint venture farm-outs are being sought on these exploration projects. Heathgate Resources (owner of the producing Beverly ISL Mine) has indicated interest in joint venturing in two of the Frome tenements.

Non-Uranium Activities - The Paladin Exploration Database

THE PLATINUM STORY

The "Most Precious" Precious Metal

- Platinum Group Metals (PGM's) consist of 6 elements - platinum, palladium, rhodium, ruthenium, iridium and osmium.
- Only 164tonnes(t) of platinum was produced in year 2000.
- Over 20 times more gold and over 125 times more silver are usually produced annually.
- Approximately 90% of all platinum group metal supplies come from South Africa (mostly platinum and rhodium) and Russia (mostly palladium).
- All the platinum ever mined would fit in a room less than 8m to a side.

Platinum group metals have become a hot commodity on the back of strong demand for use in jewellery, electronics, catalysts and decreasing production from Russia.

The price of platinum has jumped dramatically in recent years averaging US\$350 per oz in 1999, US\$567 per oz in 2000 and US\$450 per oz in September 2001. Experts at Johnson Matthey predict demand will be 10% ahead of supply. Excess demand has also lifted the price of platinum's sister metal palladium.

Johnson Matthey estimates that when fuel cell vehicles are in commercial production, each vehicle will require about 5.5grams to 8.5grams of platinum. In the U.S. alone this will result in 10t to 14t of additional platinum demand. This is significant when it is considered the supply shortfall was 9t in 2000 with the same situation expected in 2001 and continued production deficits in the years beyond.

The Multi-Purpose Industrial Metal

- Platinum group metals are integral to the production of about 20% of all consumer goods.
- Over 50% of platinum group metal demand is for industrial end use.
- Auto-catalysts petroleum, anti-cancer drugs, fiber-optic cables, eyeglasses, fertilizers, explosives, paints and pacemakers all rely on platinum group metals.
- World platinum jewellery demand is growing strongly.
- Today, the finest and most elegant jewellery contains platinum. China and the US are major consumers buying almost 85% of the world's platinum jewellery each year. China may soon overtake Japan as major consumer of platinum.

Demand for Platinum has Outpaced Supply

- Demand for platinum was approximately 174t in 2000.
- New Clean Air legislation in the US has necessitated significantly more platinum group metals per catalytic converter to meet dramatically harsher controls. Japan and Europe have followed suite.
- Supplies of platinum from Russia, the world's second largest producer of platinum, have been dropping consistently since 1992.
- In 2000 the auto-catalysts sector required 51t of platinum, 146t palladium and 16t of rhodium.
- Japan is the largest buyer of platinum in the world.
- Investment demand around the world is rising.

When Paladin Resources was listed in 1994 it acquired the archival exploration database and data reference system assimilated over 20 years by Uranerz Australia Pty Ltd the Australian subsidiary of the German mining corporation Uranerzbergbau GmbH ("Uranerzbergbau"). Uranerz explored continuously for 20 years throughout Australia and spent over \$40m during this period.

The Australian 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 during the late 1970's and throughout the 1980's. In the 1980's the Australian exploration team concentrated in particular on the development of an exploration model for copper/gold/uranium deposits of the Olympic Dam and Ernst Henry type and uranium/PGM's/gold targets of the Coronation Hill type. This was also part of a worldwide study involving all Uranerz subsidiaries with the results included in the database.

In Paladin's opinion there is excellent opportunity through use of its database to discover platinum group metal targets focussing on certain geological settings occurring within Proterozoic rocks of Australia.

Although the Uranerz project generation team outlined numerous target zones for copper/gold/iron oxide deposits, no concentrated effort has been made previously to evaluate the database specifically for platinum target types and which have the potential for rich rewards.

Paladin has used the database only sparingly. The main utilisation of the database to date by Paladin was its decision in 1997 to concentrate on uranium exploration with the result that in a very short time the Company acquired in-ground uranium resources in excess of 70 million pounds, highlighting the competitive advantage available with this valuable asset.

Paladin does not plan to spend its own funds exploring the projects generated by this current work, but intends to preserve funds by farming out selected projects to interested parties. This is anticipated overall to generate expenditure by joint venture partners in the vicinity of \$7m to \$12m over a 2 to 5 year period on Paladin projects.

Mt Lofty Project (100%)

In July 2001 Paladin applied for two Exploration Licences in the Mt Lofty Ranges, South Australia covering ground prospective for platinum/palladium.

These applications initiate the Company's strategy to develop targets prospective for PGM's through utilisation of its proprietary database and application of certain target criteria not previously applied in search models for this commodity.

The database contains some preliminary geochemical data collected from reconnaissance work carried out in this area in which all 3 of the prospects sampled returned anomalous values (up to a maximum of 0.35 parts per million combined platinum/palladium) confirming a strong association of PGM's with specific geological signatures in this area. The numerous other prospects within the ground applied for remain to be tested for PGM presence.

The ability to quickly and effectively isolate anomalous zones as demonstrated with the Mt Lofty Project does, in the opinion of the Directors, demonstrate the potential of this valuable information asset for such project generation work.

Yambla Project (100%)

Exploration Licence Application 9890 is located 100 kms NE of Alice Springs and was originally applied for its uranium potential in 1997. The property is also considered to be highly prospective for platinum/palladium. Recently announced highly anomalous Pt/Pd results on adjoining ground, held by Tanami Gold NL has highlighted this potential.

CORPORATE

Coretel Pty Ltd

Revision of Terms

In April 2001 Paladin advised it would not proceed with the merger agreement with Coretel and announced a revised agreement creating a framework which has significant benefits for both companies. Paladin agreed to pay a further \$750,000 working capital into this telecommunications company for an opportunity to earn a total 85% equity interest. This cash injection was required to complete the initial network rollout, attract a highly leveraging customer base and payment for certain capital equipment. The new arrangements also contemplate the listing on the ASX of Coretel as a dedicated telecommunications company. It is the intention that, at listing, Paladin's equity in Coretel will be distributed to its shareholders on a proposed 1:5 basis.

The new arrangement is considered by the Directors of Paladin to be superior to the previous merger model allowing the Company to maintain its focus on its considerable mineral resource assets while still benefiting its shareholders with the investment it has made in the telecommunications sector.

Status

Coretel has completed its initial infrastructure rollout. This has involved deployment of a high quality wireless infrastructure as the main delivery technology for the emerging network. The central Belmont transmission node will service the Perth metropolitan region and its Serpentine transmission node will service the potentially large customer base immediately south of Perth. In addition Serpentine represents the first leg of the network backbone planned to extend to the city of Bunbury 100km to the south. The Company hopes to take full advantage of the wireless delivery technology which is that it allows for rapid penetration (compared to fibre and copper) and therefore opportunity to capture a greater market share in regions which currently have little or no high capacity broadband transmission service. The emphasis is to build its customer base and to list on ASX.

ST Synergy Ltd

ST Synergy Ltd, a Knowledge Management software company, listed on the ASX on 11 May 2001 raising \$2 million. Paladin has a 23% equity interest in ST Synergy. This company has a developed and proven marketable product and is currently operating at 70 sites. ST Synergy elected to go public to access sufficient capital funds to enable it to fully commercialise this exciting product to target markets on the east coast of Australia and South East Asia.

CORPORATE GOVERNANCE STATEMENT

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.

Audit Committee

The Company is not of a size which justifies having a separate Audit Committee, however, matters typically dealt with by such a committee are dealt with by the full Board.

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.

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.

DIRECTORS' REPORT

The Directors present their report on the consolidated entity consisting of Paladin Resources Ltd and the entities it controlled at the end of, or during, the year ended 30 June 2001.

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 over 30 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 market capitalisation of over \$130 million prior to the takeover by Sons of Gwalia NL. This included the successful transition from significant open pit mining to major underground mining operations producing in excess of 100,000ozs per annum.

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 26 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. Uranerz primary focus was for the search and development of uranium projects with the company operating extensively throughout Australia, North America and Africa.

Mr Borshoff has extensive experience in uranium, gold and base metal exploration, company management and administration.

Ms Gillian Swaby (Director/Company Secretary)
B.Bus. FCIS

Ms Gillian Swaby has been involved in financial and corporate administration for listed companies, covering a broad range of industry sectors, for over 20 years. Gillian has extensive experience in the area of secretarial practice, management accounting and corporate and financial management and sits on a number of advisory committees. She is Chair of the WA Council of Chartered Secretaries of Australia, a Director on the National Board and lecturer for the Securities Institute of Australia. Gillian is the principal of a corporate consulting company and is also a Director and Company Secretary of a number of listed and unlisted companies. Gillian brings to the Board a high level of technical competence and experience in the corporate arena.

DIRECTORS' REPORT (Contd)

Directors (Contd)

Mr Rick W. Crabb (Director - Non-Executive) B. Juris (Hons), LLB, MBA

Mr Crabb is a partner with the legal practice, Blakiston and Crabb and a Director of the investment bank, Chatsworth Stirling Pty Ltd. 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, Ashburton Minerals NL and Alcaston Mining NL.

Principal Activity

The principal activity of the economic entity constituted by Paladin Resources Ltd and the entities it controlled during the financial year was mineral exploration and investments in technology companies.

Results of Operations

The economic entity's policy is to write off acquisition and exploration costs associated with abandoned or non-commercial areas and to this extent an amount of \$892,065 (2000: \$220,835) was written off. Expenditure totalling \$2,574,398 (2000: \$3,001,383) has been carried forward on other areas where operations are continuing. The consolidated results are as follows:

	2001	2000
	\$	\$
Operating loss after income tax	<u>1,795,117</u>	<u>822,188</u>

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 9 to 16 of this report.

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the economic entity during the financial year not otherwise dealt with in this report.

DIRECTORS' REPORT (Contd)

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 those matters disclosed in Note 27 of the financial statements.

Environmental Regulations

The consolidated entity is subject to significant environmental regulation in respect to its exploration

The Company aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The Directors of the Company reviewed the Company's projects during the year and are not aware of any breach of environmental legislation for the financial year under review.

Likely Developments

Likely developments in the operations of the economic entity constituted by Paladin Resources Ltd and the entities it controls from time to time are set out in the attached review of operations.

Options over Unissued Capital

	Number of Options	
	2001	2000
<u>Unlisted Options</u>		
(i) Unlisted and exercisable at 20 cents, on or before 31 July 2000		
Balance at 1 July 2000	230,000	230,000
Expired during year	(230,000)	-
Balance at 30 June 2001	<u>-</u>	<u>230,000</u>
(ii) Exercisable at 35 cents, on or before 30 July 2000.		
Balance at 1 July 2000	1,500,000	1,500,000
Expired 30 July 2000	(1,500,000)	-
Balance at date of this report	<u>-</u>	<u>1,500,000</u>
(iii) Exercisable at 20 cents, on or before 31 May 2000.		
Balance at 1 July 2000	-	4,100,000
Exercised during year	-	(100,000)
Expired during year	-	(4,000,000)
Balance at date of this report	<u>-</u>	<u>-</u>
(iv) Exercisable at 25 cents, on or before 31 August 2000		
Balance at 1 July 2000	2,275,000	2,275,000
Expired during year	(2,275,000)	-
Balance at date of this report	<u>-</u>	<u>2,275,000</u>

DIRECTORS' REPORT (Contd)**Options over Unissued Capital (Contd)**

	Number of Options	
	2001	2000
<u>Unlisted Options (Contd)</u>		
(v) Exercisable at 20 cents, on or before 31 March 2001		
Balance 1 July 2000	2,000,000	-
Issued during year	-	2,000,000
Expired during year	(2,000,000)	-
Balance at date of this report	<u>-</u>	<u>2,000,000</u>
<u>Listed Options</u>		
(vi) Exercisable at 20 cents, on or before 31 July 1999		
Balance at 1 July 2000	-	16,961,181
Less expired during year	<u>-</u>	<u>(16,961,181)</u>
Balance at date of this report	<u>-</u>	<u>-</u>
(vii) Exercisable at 20 cents, on or before 31 October 2000		
Balance at 1 July 2000	18,936,638	18,686,638
Issued during year	-	250,000
Expired during year	(18,936,638)	-
Balance at date of this report	<u>-</u>	<u>18,936,638</u>
(viii) Exercisable at 15 cents, on or before 31 May 2003		
Balance 1 July 2000	-	-
Issued August 2000 (Entitlement Issue)	11,561,083	-
Issued June 2001 (Placement)	40,665,211	-
Issued subsequent to 30 June 2001	100,000	-
Less exercised during year	(23,223)	-
Balance at date of this report	<u>52,303,071</u>	<u>-</u>

Directors' Interests**2001**

	Fully Paid Shares	Options**
Dunnet	6,087,828	376,367
J Borshoff	12,158,394	576,263
G Swaby	1,595,515	132,960
R W Crabb	3,968,572	322,381

2000

	Fully Paid Shares	Options*
D Dunnet	5,551,468	552,778
J Borshoff	11,931,587	750,000
G Swaby	1,595,515	187,500
R W Crabb	3,968,572	520,365

The particulars of Directors' interests in shares and options are as at the date of this report.

* Listed and exercisable at 20 cents on or before 31 October 2000.

** Listed and exercisable at 15 cents on or before 31 May 2003

DIRECTORS' REPORT (Contd)

Directors' and Executives' Emoluments

Remuneration levels are set by the Board in accordance with industry standards to attract suitably qualified and experienced Directors and senior executives.

Non-executive Directors of Paladin Resources Ltd

Name	Directors' Fees		Consulting Fees		Total	
	\$		\$		\$	
	2001	2000	2001	2000	2001	2000
D Dunnet	20,000	15,000	3,150	13,320	23,150	28,320
R Crabb	15,000	15,000	-	-	15,000	15,000

Executive Directors of Paladin Resources Ltd

Name	Directors' Fees		Consulting Fees		Total	
	\$		\$		\$	
	2001	2000	2001	2000	2001	2000
J Borshoff	15,000	150,000	150,000	-	165,000	150,000
G Swaby	15,000	70,773	80,800	-	96,300	70,773

There are no other executives in the Company.

Meetings of Directors

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2001 and the number of meetings attended by each Director.

Number of meetings held	12
Number of meetings attended by:	
D Dunnet	9
J Borshoff	12
G Swaby	12
R W Crabb	12

Insurance of Officers

During the financial year, the Company has paid premiums to insure each of the following persons against certain liabilities arising out of their conduct while acting in the capacity of officer of the company.

J. Borshoff
D. Dunnet
G. Swaby
R. Crabb

Under the terms of the insurance contract, the nature of liabilities insured against and the premium paid cannot be disclosed.

DATED at Perth this 28th day of September 2001

Signed in accordance with a resolution of Directors.

J Borshoff (Director)

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
STATEMENTS OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2001

	Notes	CONSOLIDATED		PARENT ENTITY	
		2001 \$	2000 \$	2001 \$	2000 \$
Revenue from ordinary activities	2	74,963	387,745	46,843	387,745
Exploration costs written off		(892,065)	(220,835)	(52,143)	(170,800)
Borrowing costs	3	(30,837)	-	-	-
General and administration		(535,267)	(546,106)	(547,226)	(460,463)
Other		(80,731)	(357,360)	(884,517)	(493,038)
Share of net loss of associate accounted for using the equity method		(331,180)	(85,632)	-	-
Loss from ordinary activities before income tax		1,795,117	822,188	1,437,043	736,556
Income tax expense	4	-	-	-	-
Total changes in equity other than those resulting from transactions with owners as owners	19	1,795,117	822,188	1,437,043	736,566
Basic earnings per share (cents)	30	(1.18)	(0.76)		

The above statements of financial performance should be read in conjunction with the accompanying notes.

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2001

	Notes	CONSOLIDATED		PARENT ENTITY	
		2001 \$	2000 \$	2001 \$	2000 \$
CURRENT ASSETS					
Cash	5	576,841	22,501	577,250	15,144
Receivables	6	23,092	27,287	22,500	27,287
Investments	7	28,604	109,335	28,604	109,335
Other	8	8,530	-	8,530	-
TOTAL CURRENT ASSETS		637,067	159,123	636,884	151,766
NON CURRENT ASSETS					
Receivables	9	-	-	2,865,909	2,897,346
Investments in associate	10	639,896	964,410	1,056,709	1,050,042
Other financial assets	11	1,602,578	-	2,342,665	618,149
Property, plant & equipment	12	1,661,825	622,618	35,807	59,472
Other	13	2,574,398	3,006,383	-	48,393
TOTAL NON CURRENT ASSETS		6,478,697	4,593,411	6,301,090	4,673,402
TOTAL ASSETS		7,115,764	4,752,534	6,937,974	4,825,168
CURRENT LIABILITIES					
Accounts payable	14	317,824	157,379	314,980	144,381
Provisions	15	35,311	31,013	35,311	31,013
TOTAL CURRENT LIABILITIES		353,135	188,392	350,291	175,394
NON CURRENT LIABILITIES					
Interest bearing liabilities	16	588,651	-	-	-
Other	17	30,000	-	-	-
TOTAL NON CURRENT LIABILITIES		618,651	-	-	-
TOTAL LIABILITIES		971,786	188,392	350,291	175,394
NET ASSETS		6,143,978	4,564,142	6,587,683	4,649,774
PARENT ENTITY INTEREST EQUITY					
Contributed equity	18	18,565,369	15,190,416	18,565,369	15,190,416
Accumulated losses	19	(12,421,391)	(10,626,274)	(11,977,686)	(10,540,642)
TOTAL EQUITY	21	6,143,978	4,564,142	6,587,683	4,649,774

The above statements of financial position should be read in conjunction with the accompanying notes.

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2001

	Notes	CONSOLIDATED		PARENT ENTITY	
		2001 \$	2000 \$	2001 \$	2000 \$
Cash flows from operating activities					
Payments to suppliers and employees		(226,334)	(289,414)	(230,629)	(289,414)
Interest received		19,681	15,452	19,668	15,452
Interest paid		(30,837)	-	-	-
Rental income		28,107	-	-	-
Net cash outflow from operating activities	28	(209,383)	(273,962)	(210,961)	(273,962)
Cash flows from investing activities					
Payments for property, plant and equipment		(36,606)	(20,771)	-	(20,771)
Sale of property, plant and equipment		-	20,000	-	20,000
Exploration and evaluation expenditure		(465,080)	(412,495)	(3,750)	(38,158)
Sales of exploration certificates		-	48,000	-	48,000
Mines Department bond redeemed		5,000	-	-	-
Payments for investments		(1,609,244)	(891,737)	(1,609,244)	(891,737)
Investment in controlled entity		(250,231)	-	(261,602)	-
Loans to controlled entities		-	-	(754,465)	(364,096)
Sale proceeds on investments		27,175	304,293	27,175	304,293
Net cash outflow from investing activities		(2,328,986)	(952,710)	(2,601,886)	(942,469)
Cash flows from financing activities					
Share placement		3,438,030	640,000	3,438,030	640,000
Fundraising costs		(63,077)	(39,796)	(63,077)	(39,796)
Repayment of borrowings		(282,244)	-	-	-
Net cash inflow from financing activities		3,092,709	600,204	3,374,953	600,204
Net increase/(decrease) in cash held					
Cash at the beginning of the financial year		22,501	648,969	15,144	631,371
Cash at the end of the financial year	5	576,841	22,501	577,250	15,144
Non-cash financing and investing activities	29				

The above statements of cash flows should be read in conjunction with the accompanying notes.

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE
FINANCIAL REPORT
30 JUNE 2001

1. STATEMENT OF ACCOUNTING POLICIES

(A) BASIS OF ACCOUNTING

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001.

It is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year. Comparative information is reclassified where appropriate to enhance comparability.

As a result of the early adoption, on 1 July 2000, of AASB 1041 Revaluation of Non-Current Assets, no reconciliations of the movements in non-current assets, other than property and plant and equipment and capitalised exploration have been included in the notes to the financial statements.

(B) PRINCIPLES OF CONSOLIDATION

The consolidated accounts incorporate the assets and liabilities and results of all entities controlled by Paladin Resources Ltd as at 30 June 2001 and the results of all controlled entities for the year then ended. Paladin Resources Ltd 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 statement of financial performance.

Investments in associates are accounted for in the consolidated financial statements using the equity method. Under this method, the consolidated entity's share of the profits or losses of associates is recognised as revenue in the consolidated statement of financial performance and its share of movements in reserves is recognised in consolidated reserves. Associates are those entities over which the consolidated entity exercises significant influence, but not control.

(C) 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. 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.

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE
FINANCIAL REPORT (Contd)
30 JUNE 2001

1. STATEMENT OF ACCOUNTING POLICIES (Contd)

(D) EARNINGS PER SHARE

Basic earnings per share is determined by dividing the operating result after income tax attributable to members of Paladin Resources Ltd 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.

(E) 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.

(F) DATABASES

(i) Project Generation Database

The project generation database, consists of unpublished and generally unavailable exploration, geological and other data. The cost of this database is amortised on a straight line basis over a period of 10 years.

(ii) Technical Database

The technical database 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.

(G) 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.

(H) ACQUISITION OF ASSETS

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is at the value agreed between the parties. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

(I) INCOME TAX

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance 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 is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE
FINANCIAL REPORT (Contd)
30 JUNE 2001

	CONSOLIDATED		PARENT ENTITY	
	2001	2000	2001	2000
	\$	\$	\$	\$
2. REVENUE				
Revenue from outside the operating activities				
Interest	19,681	15,452	19,668	15,452
Profit on sale of fixed assets	-	20,000	-	20,000
Sale of exploration certificates	-	48,000	-	48,000
Property rental	28,107	-	-	-
Proceeds on sale of investments	27,175	304,293	27,175	304,293
	74,963	387,745	46,843	387,745
3. OPERATING LOSS				
Loss from ordinary activities before income tax expense includes the following specific net gains and expenses:				
Net gains				
Net gain on disposal				
- property, plant and equipment	-	20,000	-	20,000
- investments	2,128	-	2,128	-
	2,128	20,000	2,128	20,000
Expenses:				
Depreciation				
- property, plant and equipment	23,665	50,942	23,665	50,942
- buildings	11,903	-	-	-
Total depreciation	35,568	50,942	23,665	50,942
Amortisation				
- technical database	26,250	26,250	-	-
- project generation database	59,393	59,393	-	-
Total amortisation	85,643	85,643	-	-

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE
FINANCIAL REPORT (Contd)
30 JUNE 2001

	CONSOLIDATED		PARENT ENTITY	
	2001	2000	2001	2000
	\$	\$	\$	\$
3. OPERATING LOSS (Contd)				
Other charges against assets:				
Provision for non-recovery of				
- intercompany loan	-	-	803,786	135,678
- investment in controlled entity	-	-	121,779	-
Exploration expenditure written off	892,065	220,835	52,143	170,800
Net loss on disposal of investments	-	53,067	-	53,067
Write down of investment	55,684	-	55,684	-
Other provisions:				
Employee entitlements	4,297	10,340	4,297	10,340
Borrowing costs:				
Interest paid/payable	30,837	-	-	-

4. INCOME TAX

The aggregate amount of income tax attributable to the financial year differs from the amount calculated on the operating loss. The differences are reconciled as follows:

Operating loss before income tax	(1,795,117)	(822,188)	(1,437,043)	(736,556)
Income tax (benefit) calculated at 34% (2000: 36%)	(610,340)	(295,988)	(488,595)	(265,160)
Tax effect of permanent differences:				
Non-deductible expenditure	434,836	152,397	351,353	121,569
	(175,504)	(143,591)	(137,242)	(143,591)
Tax benefit not recognised	175,504	143,591	137,242	143,591
Income tax attributable to operating loss	-	-	-	-
The Directors estimate that the potential future income tax benefit at 30 June 2001 in respect of tax losses not brought to account is:	1,664,381	1,710,794	1,066,625	1,071,600

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.

5. CASH

Cash at bank and on hand	576,841	22,501	577,250	15,144
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PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE
FINANCIAL REPORT (Contd)
30 JUNE 2001

	CONSOLIDATED		PARENT ENTITY	
	2001	2000	2001	2000
	\$	\$	\$	\$
6. CURRENT RECEIVABLES				
Sundry debtors	23,092	27,287	22,500	27,287
7. CURRENT INVESTMENTS				
Listed investment – at cost	579,034	751,095	579,034	751,095
Less write-down	(550,430)	(641,760)	(550,430)	(641,760)
Listed investment – at Directors' Valuation	28,604	109,335	28,604	109,335
The market value of shares listed on a prescribed stock exchange	28,604	98,219	28,604	98,219
8. OTHER				
Prepayments	8,530	-	8,530	-
9. NON CURRENT RECEIVABLES				
Loan to controlled entities				
- unsecured	-	-	5,713,448	4,958,984
Less provision for non-recovery	-	-	(2,847,539)	(2,061,638)
	-	-	2,865,909	2,897,346
10. NON CURRENT INVESTMENTS – ACCOUNTED FOR USING THE EQUITY METHOD				
Shares in associate	639,896	964,410	1,056,709	1,050,042

Shares in associate

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the parent entity.

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE
FINANCIAL REPORT (Contd)
30 JUNE 2001

10. NON CURRENT INVESTMENTS (Contd)
ACCOUNTED FOR USING THE EQUITY METHOD

Investment in associate

Name	Principal Activity	Ownership Interest		Consolidated Carrying Amount		Parent Entity Carrying Amount	
		2001	2000	2001	2000	2001	2000
Traded*				\$	\$	\$	\$
ST Synergy Ltd	Knowledge Management Software	23%	30%	639,896	964,410	1,056,709	1,050,042

Of the total shareholding of 5,897,353 fully paid shares held in ST Synergy Ltd, 4,397,353 shares are held in escrow pursuant to Australian Stock Exchange Ltd Listing Rules following the listing of the company on ASX and cannot be traded before 11 May 2003. The balance are freely tradable and are quoted on Australian Stock Exchange Ltd. At 30 June 2001, the shares traded at 26¢ per share.

	CONSOLIDATED		PARENT ENTITY	
	2001	2000	2001	2000
	\$	\$	\$	\$
<u>Movements in carrying amount of investment in associate</u>				
Carrying amount at start of year	964,410	-	-	-
Investment	6,666	1,050,042	-	-
Amortisation of goodwill	(200,000)	(50,000)	-	-
Share of operating loss	(131,180)	(35,632)	-	-
Carrying amount at the end of the financial year	639,896	964,410	-	-

Summary of the performance and financial position of associate

The aggregate losses, assets and liabilities of associates are:

Losses from ordinary activities	437,266	237,552
Assets	2,393,561	922,940
Liabilities	279,503	812,785

11. OTHER FINANCIAL ASSETS

Shares at cost – controlled entities (i)	-	-	1,961,605	1,700,003
Less provision for non-recovery	-	-	(1,221,518)	(1,081,854)
Convertible notes (ii)	1,602,578	-	1,602,578	-
	1,602,578	-	2,342,665	618,149

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE
FINANCIAL REPORT (Contd)
JUNE 2001

11 OTHER FINANCIAL ASSETS (Contd)

(i) Investments in Controlled Entities

NAME	COUNTRY OF INCORPORATION	PERCENTAGE INTEREST HELD		COST OF PARENT ENTITY'S INVESTMENT	
		2001	2000	2001 \$	2000 \$
Eden Creek Pty Ltd *	Australia	100%	100%	1,700,002	1,700,002
Paladin Energy Minerals NL	Australia	100%	100%	1	1
Etron Properties Pty Ltd	Australia	100%	-	261,602	-
Paladin (Africa) Ltd	Malawi	100%	-	-	-
				1,961,605	1,700,003
Less provision for non-recovery of investment – Eden Creek Pty Ltd				(1,221,518)	(1,081,854)
				740,087	618,149

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

* These entities are not required to prepare or lodge audited accounts.

Acquisition of controlled entities

On 29th October 2000 the parent entity acquired 100% of the issued share capital of Etron Properties Pty Ltd for \$261,602. On 4th August 2000, the parent entity acquired 100% of the issued capital of Paladin (Africa) Ltd for 10¢ (2 kwacha). At the time of acquisition Paladin (Africa) Ltd had cash of 10¢ and issued share capital of 10¢. The operating results of these newly controlled entities have been included in the consolidated statement of financial performance since the date of acquisition.

Details of the acquisition of Etron Properties Pty Ltd are as follows:

Fair value of identifiable net assets of controlled entity acquired.

Cash	11,371
Receivables	34,279
Land & Buildings	1,123,812
Trade Creditors	(6,965)
Bank Loan – Secured	(569,228)
Unsecured Loans	<u>(331,667)</u>
Cash Consideration	<u>261,602</u>

	CONSOLIDATED		PARENT ENTITY	
	2001 \$	2000 \$	2001 \$	2000 \$
Outflow of cash to acquire controlled entity, net of cash acquired				
Cash consideration	261,602	-	261,602	-
Less: balances acquired				
Cash	11,371	-	-	-
	<hr/>			
Outflow of cash	250,231	-	261,602	-

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE
FINANCIAL REPORT (Contd)
30 JUNE 2001

11 OTHER FINANCIAL ASSETS (Contd)

ii) Convertible Notes

Paladin Resources Ltd holds \$1,602,578 in unsecured convertible notes in Coretel Pty Ltd, entitling it on conversion to 85% of the issued capital of that company. Interest is accruing at 9.85% per annum with conversion at the election of Paladin.

**12. NON CURRENT PROPERTY
 PLANT & EQUIPMENT**

Land and buildings - at cost	1,160,418	-	-	-
Less provision for depreciation	(11,903)	-	-	-
	1,148,515	-	-	-
Plant and equipment – at cost	400,886	400,886	400,886	400,886
Less provision for depreciation	(365,079)	(341,414)	(365,079)	(341,414)
	35,807	59,472	35,807	59,472
Technical database – at cost	262,500	262,500	-	-
Less amortisation	(201,214)	(174,964)	-	-
	61,286	87,536	-	-
Project generation database – at cost	593,932	593,932	-	-
Less amortisation	(177,715)	(118,322)	-	-
	416,217	475,610	-	-
	1,661,825	622,618	35,807	59,472

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE
FINANCIAL REPORT (Contd)
30 JUNE 2001

12. NON CURRENT PROPERTY
PLANT & EQUIPMENT (Contd)

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current are set out below:

	Total \$	Freehold Land & Buildings \$	Plant & Equipment \$	Database \$
Consolidated – 2001				
Carrying amount at start of year	622,618	-	59,472	563,146
Addition through acquisition of entity (Note 11)	1,123,812	1,123,812	-	-
Additions	36,606	36,606	-	-
Depreciation/amortisation expense (Note 3)	(121,211)	(11,903)	(23,665)	(85,643)
Carrying amount at end of year	1,661,825	1,148,515	35,807	477,503
Parent Entity - 2001				
Carrying amount at start of year	59,472	-	59,472	-
Depreciation/amortisation expense (Note 3)	(23,665)	-	(23,665)	-
Carrying amount at end of year	35,807	-	35,807	-

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE
FINANCIAL REPORT (Contd)
30 JUNE 2001

	CONSOLIDATED		PARENT ENTITY	
	2001	2000	2001	2000
	\$	\$	\$	\$
13. NON CURRENT ASSETS				
- OTHER				
(a) Exploration Expenditure				
Carrying amount at start of year	3,001,383	2,663,441	48,393	192,944
Movements:				
Direct expenditure for year	465,080	387,777	3,750	26,249
Acquisition costs	-	171,000	-	-
Expenditure written off	(892,065)	(220,835)	(52,143)	(170,800)
	2,574,398	3,001,383	-	48,393
(b) Mines Department Bonds	-	5,000	-	-
	2,574,398	3,006,383	-	48,393
14. ACCOUNTS PAYABLE				
Trade creditors	317,824	157,379	314,980	144,381
15. CURRENT PROVISIONS				
Employee entitlements (See Note 31)	35,311	31,013	35,311	31,013
16. NON CURRENT INTEREST BEARING LIABILITIES				
Secured				
Bank loans	588,651	-	-	-
Total secured non-current interest bearing liabilities	588,651	-	-	-
<p>The bank loans of the controlled entity are secured by a first mortgage over the controlled entity's freehold land and buildings, being charged interest at the rate of 7.9% on \$116,151 and 8.35% on \$472,500.</p>				
<p>Assets pledged as security The carrying amounts of non-current assets pledged as security are:</p>				
First mortgage				
Freehold land and buildings	1,148,515	-	-	-
17. OTHER				
Loan from non-related party	30,000	-	-	-

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE
FINANCIAL REPORT (Contd)
30 JUNE 2001

	PARENT ENTITY		PARENT ENTITY	
	2001	2000	2001	2000
	Shares	Shares	\$	\$
18. CONTRIBUTED EQUITY				
(a) Share Capital				
Ordinary shares Fully paid	201,094,825	115,610,888	18,565,369	15,190,416

Date	(b) Movements in ordinary share capital:	Number of Shares	Issue Price ¢	Total \$
01.07.99	Balance at start of year	103,410,888		14,119,215
31.08.99	Placement	250,000	8¢	20,000
30.10.99	Exercise of Unlisted Options	100,000	20¢	20,000
26.10.99	Acquisition – Kayelekera Uranium Project	2,850,000	6¢	171,000
31.03.00	Placement	5,000,000	12¢	600,000
31.03.00	Acquisition – 10% ST Synergy Ltd	4,000,000	7.5¢	300,000
	Less: Transaction costs arising on share issues	-		(39,796)
<hr/>				
30.06.00	Balance at start of year	115,610,888		15,190,416
31.07.00	Entitlement Issue	23,122,143	3.5¢	809,275
31.10.00	Placement	21,673,360	6¢	1,300,402
	Option Conversions	23,223	15¢	3,483
29.06.01	Placement	40,665,211	3.25¢	1,324,870
	Less: Transaction costs arising on share issues	-		(63,077)
<hr/>				
30.06.01	Balance at end of year	201,094,825		18,565,369

(c) Issued Options

	Number of Options	
	2001	2000
(i) Unlisted and exercisable at 20 cents, on or before 31 July 2000		
Balance at 1 July 2000	230,000	230,000
Expired during year	(230,000)	-
Balance at 30 June 2001	<u>-</u>	<u>230,000</u>
(ii) Unlisted and exercisable at 35 cents, on or before 30 July 2000.		
Balance at 1 July 2000	1,500,000	1,500,000
Expired during year	(1,500,000)	-
Balance at 30 June 2001	<u>-</u>	<u>1,500,000</u>
(iii) Unlisted and exercisable at 20 cents, on or before 31 May 2000		
Balance at 1 July 2000	-	4,100,000
Less exercised during year	-	(100,000)
Less lapsed during year	-	(4,000,000)
Balance at 30 June 2001	<u>-</u>	<u>-</u>

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE
FINANCIAL REPORT (Contd)
30 JUNE 2001

18. CONTRIBUTED EQUITY (Contd)

(d) Issued Options

	Number of Options	
	2001	2000
(iv) Unlisted and exercisable at 25 cents, on or before 31 August 2000		
Balance at 1 July 2000	2,275,000	2,275,000
Expired during year	<u>(2,275,000)</u>	-
Balance at 30 June 2001	<u>-</u>	<u>2,275,000</u>
(v) Unlisted and exercisable at 20 cents on or before 31 March 2001		
Balance at 30 June 2000	2,000,000	-
Issued during year	-	2,000,000
Expired during year	<u>(2,000,000)</u>	-
Balance at 30 June 2001	<u>-</u>	<u>2,000,000</u>
(vi) Listed and exercisable at 20 cents, on or before 31 July 1999		
Balance at 1 July 2000	-	(16,961,181)
Less expired during year	<u>-</u>	<u>(16,961,181)</u>
Balance at 30 June 2001	<u>-</u>	<u>-</u>
(vii) Listed and exercisable at 20 cents, on or before 31 October 2000		
Balance at 1 July 2000	18,936,638	18,686,638
Issued during year	-	250,000
Less expired during year	<u>(18,936,638)</u>	-
Balance at 30 June 2001	<u>-</u>	<u>18,936,638</u>
(iv) Exercisable at 15 cents, on or before 31 May 2003		
Balance 1 July 2000	-	-
Issued August 2000 (Entitlement Issue)	11,561,083	-
Issued June 2001 (Placement)	40,665,211	-
Less exercised during year	<u>(23,223)</u>	-
Balance at 30 June 2001	<u>52,203,071</u>	<u>-</u>

(e) Ordinary Shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE
FINANCIAL REPORT (Contd)
30 JUNE 2001

	CONSOLIDATED		PARENT ENTITY	
	2001	2000	2001	2000
	\$	\$	\$	\$
19. ACCUMULATED LOSSES				
Accumulated losses at beginning of financial year	10,626,274	9,804,086	10,540,643	9,804,086
Net loss attributable to members of Paladin Resources Ltd	1,795,117	822,188	1,437,043	736,556
Accumulated losses at the end of the financial year	12,421,391	10,626,274	11,977,686	10,540,642

20. COMMITMENTS AND CONTINGENT LIABILITIES

There were no outstanding commitments or contingent liabilities, which are not disclosed in the financial statements of the economic entity and the Company as at 30 June 2001 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, Northern Territory and South Australian 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. In 2001/2002, estimated outlays by the Company and the economic entity are \$473,209 (2000: \$1,042,680). Commitments beyond 2001/2002 are dependent upon whether existing rights of tenure are renewed or new rights of tenure are acquired.

(b) Acquisition Costs

The economic entity acquired a call option on 19 June 1998 in relation to the purchase of the Oobagooma Uranium Deposit. As a condition to the option contract, the economic entity granted a put option to the current holder of the Oobagooma Uranium Deposit. Both the call and put options have an exercise price of \$750,000. Both of the options are subject to the Department of Minerals & Energy granting tenements comprising 2 exploration licence applications. The \$750,000 is payable by the economic entity within 10 business days of the later of the grant of the tenements or the exercise of either the call or put option. The options will expire 3 months after the date on which either of the tenements are granted.

In relation to the Manyingee Uranium Project, the re-negotiated acquisition terms provide for a payment of \$750,000 to the vendors only if all project development approvals have been obtained.

(c) Acquisition of Balance of 50% Interest in Paladin Brightstar Joint Venture

On 26 June 2000 Paladin agreed to acquire the 50% joint venture interest from Brightstar Power Corporation Pty Ltd, giving Paladin full ownership of the Paladin Brightstar Joint Venture. The consideration is the issue of 1 million shares at 5 cents per share which were allotted on 27 July 2001 (refer Note 26). The transfer of the tenements is subject to approval of the Minister for Primary Industry Resources in South Australia.

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE
FINANCIAL REPORT (Contd)
30 JUNE 2001

21. EQUITY	CONSOLIDATED		PARENT ENTITY	
	2001	2000	2001	2000
	\$	\$	\$	\$
Total equity at beginning of financial year	4,564,142	4,315,129	4,649,774	4,315,129
Total changes in equity recognised in the statement of financial performance	(1,795,117)	(822,188)	(1,437,043)	(736,556)
Transactions with owners as owners:				
Contributions of equity, net of transaction costs	3,374,953	1,071,201	3,374,953	1,071,201
<hr/>				
Total equity at the end of the financial year	6,143,978	4,564,142	6,587,683	4,649,774
<hr/>				
22. AUDITOR'S REMUNERATION	CONSOLIDATED		PARENT ENTITY	
	2001	2000	2001	2000
	\$	\$	\$	\$
Remuneration for audit or review of the financial reports of the parent entity or any entity in the economic entity:				
Auditors of parent entity	22,674	19,500	22,674	19,500
Remuneration for other services by the parent entity auditors	50,658	12,000	50,658	12,000
<hr/>				
	73,332	31,500	73,332	31,500
<hr/>				
23. REMUNERATION OF DIRECTORS	Directors of Entities in the Economic Entity		Directors of Parent Entity	
	2001	2000	2001	2000
	\$	\$	\$	\$
Income paid or payable, or otherwise made available to directors by entities in the economic entity and related parties	299,450	279,093	299,450	279,093
<hr/>				

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE
FINANCIAL REPORT (Contd)
30 JUNE 2001

23. REMUNERATION OF DIRECTORS (Contd)	Directors of Entities in the Economic Entity		Directors of Parent Entity	
	2001	2000	2001	2000
Number of parent entity Directors whose total income from the parent entity or related parties was within the following bands:				
\$10,000 to \$19,999	1	1	1	1
\$20,000 to \$29,999	1	1	1	1
\$70,000 to \$79,999	1	1	1	1
\$90,000 to \$99,999	-	-	-	-
\$120,000 to \$129,999	-	-	-	-
\$150,000 to \$159,999	-	1	-	1
\$160,000 to \$169,999	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 (refer Note 26).

24. REMUNERATION OF EXECUTIVES

One executive, being a director, received \$165,000 during the year ended 30 June 2001 (2000: 1 executive \$150,000).

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE
FINANCIAL REPORT (Contd)
30 JUNE 2001

25. SEGMENT REPORTING

**Industry Segments
2001**

	Resources \$	Soft- ware \$	Tele- communications \$	Property \$	Consolidated \$
Other revenue	46,843	-	-	28,120	74,963
Total segment revenue	46,843	-	-	28,120	74,963
Loss from ordinary activities before income tax expense	(1,437,043)	(331,180)	-	(26,894)	(1,795,117)
Income tax expense	-	-	-	-	-
Loss from ordinary activities after income tax expense	(1,437,043)	(331,180)	-	(26,894)	(1,795,117)
Total assets	3,723,214	639,896	1,602,578	1,150,076	7,115,764
Total liabilities	348,911	-	-	622,875	971,786
Investments in associate	-	824,514	-	-	824,514
Acquisitions of property, plant and equipment, and other non-current segment assets	465,080	-	-	1,160,418	1,625,498
Depreciation and amortisation expense	109,308	-	-	11,903	121,211
Other non-cash expenses	945,621	-	-	-	945,621
Net cash outflow from operating activities	(210,961)	-	-	24,319	235,280
Industry Segments 2000					
Other revenue	387,745	-	-	-	387,745
Total segment revenue	387,745	-	-	-	387,745
Loss from ordinary activities before income tax expense	(736,556)	(85,632)	-	-	(822,188)
Income tax expense	-	-	-	-	-
Loss from ordinary activities after income tax expense	(736,556)	(85,632)	-	-	(822,188)
Total assets	3,788,124	964,410	-	-	4,752,534

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE
FINANCIAL REPORT (Contd)
30 JUNE 2001

25. SEGMENT REPORTING (Contd)

**Industry Segments
2000**

	Resources \$	Soft- ware \$	Tele- communications \$	Property \$	Consolidated \$
Total liabilities	188,392	-	-	-	188,392
Investments in associate	-	964,410	-	-	964,410
Acquisitions of property, plant and equipment, and other non-current segment assets	580,548	-	-	-	580,548
Depreciation and amortisation expense	136,585	-	-	-	136,585
Other non-cash expenses	273,902	-	-	-	273,902
Net cash outflow from operating activities	273,962	-	-	-	273,962

Geographical Segments

	Segment revenues		Segment assets		Acquisitions of property, plant and equipment, and other non-current segment assets	
	2001 \$	2000 \$	2001 \$	2000 \$	2001 \$	2000 \$
Australia	74,963	387,745	6,390,077	4,361,567	1,290,778	276,345
Africa	-	-	725,687	390,967	334,720	304,203
	74,963	387,745	7,115,764	4,752,534	1,625,498	580,548

26. RELATED PARTIES

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

Directors

- (a) The following persons were Directors of Paladin Resources Ltd during the financial year:
D Dunnet
J Borshoff
G Swaby
R W Crabb
- (b) Remuneration of Directors is disclosed in Note 23 and the Directors' Report.

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE
FINANCIAL REPORT (Contd)
30 JUNE 2001

26. RELATED PARTIES (Contd)

(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/payable to a company in which J Borshoff is a director and shareholder;
- (ii) Fees for geological and consulting services were paid/payable to a company in which D Dunnet is a director and shareholder;
- (iii) Fees for company secretarial and consulting services were paid/payable to a company in which G Swaby is a director and shareholder; and

All of the above have been included in Directors' remuneration in Note 23.

- (iv) Fees for legal services totalling \$93,582 (2000: \$42,514) were paid/payable to Blakiston and Crabb, Solicitors, a firm in which R Crabb is a partner.

(d) Directors' holdings

Aggregate number of shares and share options of Paladin Resources Ltd held directly, indirectly or beneficially by directors of their director related entities at balance date:

	2001	
	Number	
	Shares	Options*
D. Dunnet	6,087,828	376,367
J. Borshoff	12,158,394	576,263
G. Swaby	1,595,515	132,960
R. Crabb	3,223,810	322,381

	2000	
	Number	
	Shares	Options**
D. Dunnet	5,398,095	323,904
J. Borshoff	10,931,587	750,000
G. Swaby	1,329,596	187,500
R. Crabb	3,223,810	520,365

* Listed and exercisable at 15 cents on or before 31 May 2003

** Listed and exercisable at 20 cents on or before 31 October 2000.

During the prior year one Director exercised 100,000 unlisted 31 May 2000 options at a total exercise price of \$20,000.

Wholly-owned Group Transactions

The wholly-owned group consists of Paladin Resources Ltd, the ultimate parent entity and the wholly-owned controlled entities set out in Note 11. Transactions between Paladin Resources Ltd and its controlled entities 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 inter-group loans is set out in Note 9. In addition, in August 2000, Paladin Energy Minerals NL transferred its interest in the Kayelekera Uranium Project in Malawi, Southern Africa, to Paladin (Africa) Ltd at its book value of \$465,935. The consideration is reflected as a loan owing to Paladin Energy Minerals NL and forms part of the inter-company balance referred to above.

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE
FINANCIAL REPORT (Contd)
30 JUNE 2001

27. EVENTS SUBSEQUENT TO BALANCE DATE

There has not arisen since the end of the financial year 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.

Issue of Shares

On 27 July 2001, the Company issued 1 million fully paid shares in satisfaction of the consideration for the acquisition of the remaining 50% joint venture interest in the Paladin Brightstar Joint Venture (refer Note 20 (c)).

**28. RECONCILIATION OF NET CASH
OUTFLOW FROM OPERATING
ACTIVITIES TO OPERATING LOSS
AFTER INCOME TAX**

	CONSOLIDATED		PARENT ENTITY	
	2001	2000	2001	2000
	\$	\$	\$	\$
Operating loss after income tax	1,795,117	822,188	1,437,043	736,556
Non cash items:				
Depreciation and amortisation	(121,211)	(186,585)	(23,665)	(50,942)
Exploration expenditure written off	(892,065)	(220,835)	(52,143)	(170,800)
Provision for non-recovery of intercompany loan	-	-	(803,785)	(135,678)
Provision for non-recovery of investment in controlled entity	-	-	(121,779)	-
Profit on sale of fixed assets	-	20,000	-	20,000
Profit/(loss) on sale of investments	2,128	(53,067)	2,128	(53,067)
Sundry income allocated to investing activities	-	48,000	-	48,000
Share of loss in associate using equity method	(331,180)	(35,632)	-	-
Change in operating assets and liabilities:				
Write down of investment	(55,684)	-	(55,684)	-
(Decrease) in trade debtors	(38,474)	(23,555)	(4,787)	(23,555)
(Increase) in operating liabilities	(157,778)	(96,552)	(174,897)	(96,552)
Increase in prepayments	8,530	-	8,530	-
Net cash outflow from operating activities	209,383	273,962	210,961	273,962

29. NON CASH FINANCING AND INVESTMENT ACTIVITIES

Acquisition of mining tenements satisfied by issue of shares	-	171,000	-	-
Part acquisition of 30% of ST Synergy Ltd satisfied by issue of shares	-	300,000	-	300,000
	-	471,000	-	300,000

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE
FINANCIAL REPORT (Contd)
30 JUNE 2001

30. EARNINGS PER SHARE

	Consolidated	
	2001	2000
	(cents)	(cents)
(a) Basic Loss Per Share	(1.18)	(.76)
Weighted average number of ordinary shares on issue during the year used in the calculation of basic earnings per share	151,377,525	107,092,260

(b) Diluted Earnings Per Share

Diluted earnings per share is the same as basic earnings per share as there are no potential ordinary shares that are dilutive.

31. EMPLOYEE ENTITLEMENTS

	PARENT ENTITY	
	2001	2000
	\$	\$
Provision for Annual Leave & Long Service Leave		
Aggregate employment entitlement liability	35,311	31,013
Employee numbers	Number	Number
Average number of employees during the financial year	4	5

Superannuation

The Company contributes to employees' superannuation plans in accordance with the requirements of Occupational Superannuation Legislation. Contributions by the parent entity represent a defined percentage of each employee's salary. Employee contributions are voluntary.

32. FINANCIAL INSTRUMENTS**(a) Credit Risk Exposure**

The credit risk of financial assets of the consolidated entity which have been recognised on the statement of financial position is generally the carrying amount, net of any provisions for doubtful debts.

(b) Interest Rate Risk Exposure

The consolidated entity's exposure to interest rate risk is limited to the floating market rate for the cash deposit, convertible debt and a property mortgage. All other financial assets and liabilities are non interest bearing. The weighted average interest rate on cash deposits, convertible debt and property mortgage is 5%, 9.85% and 8.1%, respectively.

(c) Net Fair Value of Financial Assets and Liabilities.

The net fair value of cash, convertible debt and non interest bearing monetary financial assets and financial liabilities of the consolidated entity approximates their carrying value.

DIRECTORS' DECLARATION

The Directors declare that the financial statements and notes set out on pages 23 to 45.

- a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- b) give a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2001 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the Directors' opinion

- (a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

This declaration is made in accordance with a resolution of the Directors.

Signed at Perth this 28th day of September 2001 in accordance with a resolution of the Directors.

J Borshoff (Director)

Independent Audit Report to the Members of Paladin Resources Limited

PricewaterhouseCoopers
ABN 52 780 433 757

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Matters relating to the electronic presentation of the audited financial report

This audit report relates to the financial report of Paladin Resources Limited (the Company) for the financial year ended 30 June 2001 included on the Company's web site. The Company's directors are responsible for the integrity of the Paladin Resources Limited web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the financial report identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Scope

We have audited the financial report of the Company for the financial year ended 30 June 2001 as set out on pages 23 to 46. The Company's directors are responsible for the financial report which includes the financial statements of the Company and the consolidated financial statements of the consolidated entity comprising the Company and the entities it controlled at the end of, or during, the financial year. We have conducted an independent audit of the financial report in order to express an opinion on it 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 report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, 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 report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and the Corporations Act 2001 in Australia so as to present a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

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

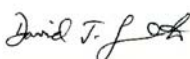
Audit opinion

In our opinion, the financial report of the Company is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2001 and of their performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements.



PricewaterhouseCoopers
Chartered Accountants



David J Smith
Partner

Perth, Western Australia
28 September 2001

ADDITIONAL INFORMATION

Pursuant to the Listing Requirements of Australian Stock Exchange Limited as at 27th September 2001.

(a) Distribution and number of holders	31.05.2003	
	SHAREHOLDERS	OPTIONHOLDERS
1 - 1,000	23	220
1,001 - 5,000	108	392
5,001 - 10,000	241	126
10,001 - 100,000	1,098	101
100,001 - maximum	316	85
	1,786	924

671 shareholders hold less than a marketable parcel of shares.

830 optionholders (31.05.2003) hold less than a marketable parcel of options.

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

J Borshoff and associated companies

D Dunnet and associated companies

(c) The twenty largest shareholders hold 34.03% of the total shares issued.

Holder	No. of Shares	%
Aylworth Holdings Pty Ltd	11843237	5.88
Resource Capital Invest Corp	10769230	5.32
Shar Holdings Pty Ltd	4516401	2.23
Serlett Pty Ltd	4303366	2.13
Merrill Lynch (Australia) Nominees Pty Ltd	4061999	2.01
Grundy Nominees Pty Ltd	4000000	1.98
Mr R W Crabb & Mrs C J Crabb	3824572	1.89
Ms K Heron	2800000	1.38
Mr J U Blanchard III	2777778	1.37
Plough Lane Superannuation Pty Ltd	2738462	1.35
ANZ Nominees Limited	2081855	1.03
Mr J Dennis	2042112	1.01
Alpenrose Investments Inc	1730000	0.86
Langley Holdings Pty Ltd	1720000	0.85
Avalanche Pty Ltd	1666700	0.82
Citywide Investments Pty Ltd	1666667	0.82
Mr B Marks	1666667	0.82
Aurex Pty Ltd	1571427	0.78
Ross Asset Management Ltd	1538461	0.76
Bellcourt Holdings Pty Ltd	1500000	0.74
	68,818,934	34.03

ADDITIONAL INFORMATION (Contd)

- (c) The twenty largest optionholders (31.05.2003) hold 58.01% of the total options issued.

Holder	No. of Options	%
Resource Capital Invest Corp	10769230	20.59
Serlett Pty Ltd	3586462	6.86
Plough Lane Superannuation Pty Ltd	1538462	2.94
Ross Asset Management Ltd	1538461	2.94
Bellcourt Holdings Pty Ltd	1500000	2.87
Mr J A Hellier & Mrs D M Hellier	1100000	2.10
Jis Corporation	1039000	1.99
Lusend and Company	1020000	1.95
Mr Australia Garments Pty Ltd	1000000	1.91
Mr D Rivers & Mrs L W Rivers	1000000	1.91
Viewade Pty Ltd	1000000	1.91
Jorac Pty Ltd	683000	1.31
Kreskin Pty Ltd	615000	1.18
Mr B Lee & Mrs A Lee	611042	1.17
Overnight Nominees Pty Ltd	600000	1.15
Rovon Investments Pty Ltd	600000	1.15
Miss M C Du Toit	560000	1.07
Aylworth Holdings Pty Ltd	557500	1.06
Ianball Investments Pty Ltd	517000	0.99
Mr I C Duncan and Mrs E A Duncan	500000	0.96
	30,335,157	58.01

- (e) 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.

ADDITIONAL INFORMATION (Contd)

Pursuant to the Listing Requirements of Australian Stock Exchange Limited as at 27th September 2001.

(f) Mining Tenements held –

URANIUM PROJECTS**WESTERN AUSTRALIA**

PROJECT	TENEMENT	INTEREST %	JV PARTNER/S	OPERATOR
MANYINGEE	3M's	100%	-	-
OOBAGOOMA	4E(A)'s	100%	-	-
PONTON	1E	100%	-	-

SOUTH AUSTRALIA

PROJECT	TENEMENT	INTEREST %	JV PARTNER/S	OPERATOR
LAKE ELDER	2EL's	100%	-	-
CURNAMONA PROJECT	4EL's	100%	-	-
SICCUS JOINT VENTURE	1EL's	90%	Signature Resources NL	Paladin Resources Ltd
EMU WELL JOINT VENTURE	1EL	90%	J.E. Risinger`	Paladin Resources Ltd

NORTHERN TERRITORY

PROJECT	TENEMENT	INTEREST %	JV PARTNER/S	OPERATOR
NAPPERBY	2EL(A)'s	100%	-	-
N E ARUNTA	1EL(A)	100%	-	-

MALAWI - AFRICA

PROJECT	TENEMENT	INTEREST %	JV PARTNER/S	OPERATOR
KAYELEKERA	1 EPL	90%	Balmain Resources Pty Ltd	Paladin Resources Ltd

ADDITIONAL INFORMATION (Contd)

(f) Mining Tenements held (Contd)

NON-URANIUM PROJECTS**WESTERN AUSTRALIA**

ASHBURTON BASIN	4E(A)'s	100%	-	-
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SOUTH AUSTRALIA

MT LOFTY RANGES	2E(A)'s	100%	-	Paladin Resources Ltd
REAPHOOK JOINT VENTURE	1EL	7.5%	Perilya Limited	Perilya Limited

NORTHERN TERRITORY

PROJECT	TENEMENT	INTEREST %	JV PARTNER/S	OPERATOR
DAVENPORT	2EL(A)'s	30%	Normandy Gold Exploration Pty Ltd	Normandy Gold Exploration Pty Ltd

- E* Exploration Licence (WA)
E(A) Exploration Licence Application (WA)
M Mining Lease (WA)
EL Exploration Licence (SA and NT)
EL(A) Exploration Licence Application (SA and NT)
EPL Exclusive Prospecting Licence (Malawi)