



# PALADIN ENERGY LTD

ACN 061 681 098

Ref: 332827

13 February 2014

ASX Market Announcements  
Australian Securities Exchange  
20 Bridge Street  
SYDNEY NSW 2000

*By Electronic Lodgement*

Dear Sir/Madam

## **31 December 2013 Half Year Financial Report**

Attached please find Half Year Financial Report for the six months ended 31 December 2013 including News Release, Appendix 4D, Management Discussion and Analysis, Interim Financial Statements and Certifications as required in accordance with Canadian reporting requirements. Additionally the Half Year Report includes an Independence Declaration and Review Opinion from the Company's Auditors.

Yours faithfully  
Paladin Energy Ltd

**GILLIAN SWABY**  
Company Secretary



## PALADIN ENERGY LTD

ACN 061 681 098

### NEWS RELEASE

For Immediate Distribution

## PALADIN ENERGY: FINANCIAL REPORT FOR SIX MONTHS ENDED 31 DECEMBER 2013

Perth, Western Australia – 13 February 2014: Paladin Energy Ltd (“Paladin” or “the Company”) (TSX:PDN / ASX:PDN) announces the release of its consolidated Financial Report for the six months ended 31 December 2013. The Financial Report is appended to this News Release.

### HIGHLIGHTS

#### OPERATIONS

- Combined production for the six months ended 31 December 2013 of 4.253Mlb (1,929t) U<sub>3</sub>O<sub>8</sub> is an increase of 3% over the six months ended 31 December 2012.
- Combined production for the quarter ended 31 December 2013 of 2.208Mlb (1,001t) U<sub>3</sub>O<sub>8</sub> is an increase of 1% over the quarter ended 31 December 2012.
- C1 cost of production<sup>(1)</sup> continued to fall:
  - Langer Heinrich C1 cost of production has fallen 8% from US\$29.6/lb in the December 2012 quarter to US\$27.5/lb in the December 2013 quarter.
  - Kayelekera C1 cost of production has decreased 24% from US\$43.5/lb U<sub>3</sub>O<sub>8</sub> in the December 2012 quarter to US\$33.1/lb in the December 2013 quarter.
- Langer Heinrich produced a record 2,861Mlb (649t) U<sub>3</sub>O<sub>8</sub> for the six months ended 31 December 2013, achieving a 5% improvement on the six months ended 31 December 2012.
- Following the decision to place Kayelekera on care and maintenance, Paladin revised its FY14 production guidance from 8.3 - 8.7Mlb U<sub>3</sub>O<sub>8</sub> to 7.8 - 8.0Mlb U<sub>3</sub>O<sub>8</sub>.

#### SALES AND REVENUE

- Sales revenue totalled US\$171.0M for the six months from sales of 4.448Mlb U<sub>3</sub>O<sub>8</sub>.
- Average realised uranium sales price for the six months was US\$38.4/lb U<sub>3</sub>O<sub>8</sub>, compared to the average UxC spot price for the quarter of US\$35.5/lb U<sub>3</sub>O<sub>8</sub>.

#### CORPORATE INITIATIVES

- Refinancing of the Langer Heinrich Mine and the Kayelekera Mine project finance facilities announced in January 2014.
- Sale of a 25% equity stake in Langer Heinrich Mine in Namibia for US\$190M announced in January 2014 with proceeds to be used to repay debt.
- Placed Kayelekera Mine on care and maintenance post quarter end.

#### OTHER

- Debt repayments totaling US\$43.8M.
- A number of cost reduction initiatives have been completed with additional measures yet to be implemented.
- Impairment of Queensland exploration assets of US\$226.5M after tax.

<sup>(1)</sup> C1 cost of production = cost of production excluding product distribution costs, sales royalties and depreciation and amortisation before adjustment for impairment. C1 cost, which is non-IFRS information, is a widely used 'industry standard' term.

## Results

(References below to 2013 and 2012 are to the equivalent six months ended 31 December 2013 and 2012 respectively).

### • Safety and Sustainability:

- As reported in the September 2013 quarterly report, an employee and two contractors were involved in a serious electrical incident at Langer Heinrich Mine (LHM) on 2 October 2013. Two of the workers received serious burns while the third worker received smoke inhalation. The more seriously injured worker passed away on 29 October 2013 while the second injured worker has since returned to work. The findings and outcomes of a full investigation into the incident are pending.
- The Company's 12-month moving average Lost Time Injury Frequency Rate (LTIFR) continues to be low at 1.0. For the December quarter, two LTIs were recorded, both from the October electrical incident at LHM.
- Revised Corporate Health and Safety Standards to complement the Paladin Occupational Health and Safety Policy have been established following a full review and implementation will begin in early 2014 at all Paladin operating sites.

### • Production:

- Combined production of 4.253Mlb (1,929t) U<sub>3</sub>O<sub>8</sub> for the six months ended December 2013, up 3% on the six months ended 31 December 2012.
- Combined production for the quarter ended 31 December 2013 of 2.208Mlb (1,001t) U<sub>3</sub>O<sub>8</sub> is an increase of 1% over the quarter ended 31 December 2012.

### • Langer Heinrich Mine (LHM):

- Record production for the six months to 31 December 2013 was 2.861Mlb, an increase of 5% over the six months to 31 December 2012:
  - overall recovery of 88.1%.
  - feed grades at 803ppm U<sub>3</sub>O<sub>8</sub>.
- LHM C1 cost of production for the six months has fallen to US\$27.70/lb, down 10% from US\$30.6/lb in the six months to December 2012.
- LHM C1 cost of production has fallen 8% from US\$29.6/lb in the December 2012 quarter to US\$27.5/lb in the December 2013 quarter. These results provide further evidence that the cost benefits from the cost optimisation programme continue to be realised.

### • Kayelekera Mine (KM):

- On 7 February 2014, the Company announced that it is suspending production at KM in Malawi and will place KM on care and maintenance to preserve the remaining ore body until it determines that a sustained recovery in the price of uranium oxide will enable production to resume on a profitable basis.
- While mining operations at KM are being suspended, processing of ore will continue during a transitional rundown phase until reagents and consumables on site have been depleted and the production circuit has been emptied and cleaned. At this time, the plant will be sterilised, shut down and placed on care and maintenance. This rundown/sterilisation phase is expected to be completed by May/June of 2014.
- Paladin is committed to maintaining the mine and infrastructure at KM in good working order to facilitate a rapid resumption of production when market conditions dictate that it is possible to do so profitably. For this reason, KM will retain some 194 Malawi national employees and 27 expatriate staff to maintain the site, including staff to strengthen physical security measures at KM.
- Supporting KM has been a substantial drain on Paladin's cash resources during the past three years. Based on a uranium price of US\$35/lb, Paladin would have had to inject a further US\$20M-US\$25M in cash for each of the next two calendar years to maintain KM.
- Placing KM on care and maintenance will improve Paladin's forecast cash flow position by US\$7M-US\$10M (net of care and maintenance establishment costs) in calendar year 2014 and US\$20M-US\$25M in calendar year 2015. Paladin anticipates that the ongoing cost of maintaining KM on care and maintenance of approximately US\$12M per annum will be funded from proceeds to be received from the sale of uranium oxide on hand and produced during the rundown phase.
- Production for the six months to 31 December 2013 was 1.392Mlb, a decrease of 1% over the six months to 31 December 2012 due to extension of the planned maintenance shutdown:

- record production for the month of December of 280,082lb U<sub>3</sub>O<sub>8</sub>.
- recovery of 85.8%.
- acid recovery plant successfully commissioned and operating in excess of design.
- KM C1 cost of production has fallen 22% from US\$46.0/lb in the six months to December 2012 to US\$35.8/lb.
- KM C1 cost of production has decreased 24% from US\$43.5/lb U<sub>3</sub>O<sub>8</sub> in the December 2012 quarter to US\$33.1/lb in the December 2013 quarter. These results demonstrate that the expected benefits from the cost optimisation programme are being realised.
- **Cost Reduction Initiative:**
  - Cost savings and optimisation initiatives were announced during the quarter for FY2014 and FY2015, further improving unit costs for Langer Heinrich and Kayelekera over these periods and reducing corporate costs.
  - Further savings are expected as the balance of the initiatives are implemented.
- **Profit and Loss:**
  - Total sales volume for the six months of 4.448Mlb U<sub>3</sub>O<sub>8</sub> reflected an 11% increase over sales of 4.008Mlb U<sub>3</sub>O<sub>8</sub> for the six months ended 31 December 2012.
  - Sales revenue decreased 12% from US\$194.9M in 2012 to US\$171.0M for the six months ended 31 December 2013, as a result of the lower prices in the latter period which were partially offset by higher sales volumes. The average realised uranium sales price in 2013 was US\$38.4/lb U<sub>3</sub>O<sub>8</sub> (2012: US\$48.6/lb U<sub>3</sub>O<sub>8</sub>) compared to the average UxC spot price for the six months of US\$35.5/lb U<sub>3</sub>O<sub>8</sub>.
  - Gross loss for the six months of US\$29.3M compared to a gross profit in 2012 of US\$11.3M was due to a 21% lower uranium price achieved in the six months and a higher impairment of KM inventory of US\$24.9M (2012: US\$10.4M). This has been partially offset by a 12% increase in sales volume.
  - Impairment of Queensland exploration assets of US\$226.5M after tax.
  - Net loss after tax attributable to members of the Group of US\$255.0M was recorded for the six months.
- **Cash Flow:**
  - Positive cashflow from operating activities of US\$4.3M for the six months ended 31 December 2013 after interest payments of US\$16.6M. The remaining expenditure was US\$0.9M for exploration.
  - Cash outflow from investing activities of US\$17.2M for the six months:
    - plant and equipment acquisitions of US\$15.0M, predominantly the new tailings facility at LHM and nano filtration equipment and tailings pipeline at KM; and
    - capitalised exploration expenditure of US\$2.6M. Exploration expenditure in foreseeable periods will be lower.
  - Cash inflow from financing activities of US\$34.3M in the six months ended 31 December 2013 is mainly attributable to:
    - the net proceeds received from the share placement of US\$78.1M; and
    - repayment of project financing for KM of US\$20.0M and LHM of US\$23.8M.
- **Cash Position:**
  - Cash of US\$99.4M at 31 December 2013.
  - Sale of a 25% joint-venture equity stake in Langer Heinrich Mine in Namibia for US\$190M announced in January 2014.
  - In a period when the uranium price is at an 8-year low all options are being reviewed to ensure the Company's sustainability and extend and preserve cash levels.
- **Exploration and Development:**
  - Aurora – Michelin Uranium Project, Canada - The winter field work programme has commenced at Michelin. The camp was opened in preparation for drilling start up in the last week of January. Drilling will involve two rigs concentrating on infill work at the Michelin and Rainbow deposits. The winter conditions will also be utilised for geophysical ground surveys over areas not accessible in summer.

- Manyingee Project, Western Australia - As announced on 13 January 2014, a revised Mineral Resources estimate for the Manyingee Deposit conforming to both the JORC (2012) code and Canadian National Instrument 43-101 has been completed. The results include an Indicated Mineral Resource of 15.7Mlb U<sub>3</sub>O<sub>8</sub> and an Inferred Mineral Resource of 10.2Mlb U<sub>3</sub>O<sub>8</sub>, both at an average grade of 850ppm U<sub>3</sub>O<sub>8</sub>, using a 250ppm and 0.2m minimum thickness cut off. Compared to the previous Mineral Resource estimate announced in 1999 (reported at a 300ppm U<sub>3</sub>O<sub>8</sub> cut off), the updated 2014 Mineral Resource estimate shows a minor reduction in contained U<sub>3</sub>O<sub>8</sub> for the Indicated portion of the Mineral Resource and an increase in the Inferred portion of the Mineral Resource. Despite the change in disequilibrium factor used to determine uranium grades, which resulted in a reduction in the Indicated Mineral Resource material grade, the overall grade of the deposit has increased due to revised geological modelling and estimation techniques
- **Guidance FY2014**
  - Following the decision to place KM on care and maintenance, Paladin revised its FY14 production guidance from 8.3-8.7Mlb U<sub>3</sub>O<sub>8</sub> to 7.8-8.0Mlb U<sub>3</sub>O<sub>8</sub>.
- **Sales Volumes**
  - Uranium sales volumes are expected to fluctuate quarter-on-quarter due to the uneven timing of contractual commitments and resultant scheduling by customers. Now that production has reached design levels, sales and production volumes are expected to be comparable on an annualised basis.
- **Langer Heinrich Minority Interest Sale**
  - On 20 January 2014, the Company announced that it had signed an agreement on 18 January 2014 to sell a 25% joint-venture equity stake in its flagship Langer Heinrich uranium mining operation in Namibia to China Uranium Corporation Limited, a wholly owned subsidiary of China National Nuclear Corporation (CNNC), the leading Chinese nuclear utility, for consideration of US\$190M.
  - An offtake component of the agreement will allow CNNC to purchase its pro-rata share of product based on the prevailing market spot price at the time of sale. There is also an opportunity for Paladin to benefit by securing additional long term offtake arrangements with CNNC, at arm's length market rates, from Paladin's share of Langer Heinrich production.
  - The respective Boards of Paladin and CNNC have approved the transaction. Completion is subject only to certain Chinese regulatory approvals (including the National Development and Reform Commission), which are expected to be obtained by mid-2014, and routine consents for the transaction from Paladin's project financiers and the Bank of Namibia. CNNC has paid a US\$20M non-refundable deposit to an escrow agent. The deposit will become non-refundable on receipt by the escrow agent of the routine consents for the transaction from Paladin's project financiers and the Bank of Namibia.
  - Proceeds from the sale will be utilised to repay debt across the Company.
- **Successful Refinancing of Langer Heinrich and Kayelekera Facilities – Post Quarter**
  - On 17 January 2014, the Company announced that it had entered into agreements with its lenders to refinance the LHM and the KM project finance facilities. All conditions precedent to drawdown were satisfied on 29 January 2014 and completion occurred on that date.
  - This new facility will provide significant cash flow benefits to both projects and leaves Paladin in a much stronger financial position. The annual principal repayments across both projects will be reduced from US\$53.8M per annum to US\$18.3M per annum in calendar year 2014, a substantial reduction of US\$35.5M, with the first repayment not due until June 2014.
  - In calendar year 2015, annual principal repayments under the existing facilities compared to the new facility will be reduced by a further US\$23.7M.

*The documents comprising the Appendix 4D - Financial Report for the six months ended 31 December 2013, including the Management Discussion and Analysis, Financial Statements and Certifications are attached and will be filed with the Company's other documents on Sedar (sedar.com) and on the Company's website (paladinenergy.com.au).*

#### **Generally Accepted Accounting Practice**

*The news release includes non-GAAP performance measures: C1 cost of production, non-cash costs as well as other income and expenses. The Company believes that, in addition to the conventional measures prepared in accordance with GAAP, the Company and certain investors use this information to evaluate the Company's performance and ability to generate cash flow. The additional information provided herein should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.*

## **Declaration**

*The information in this announcement that relates to minerals exploration and mineral resources is based on information compiled by David Princep BSc, FAusIMM (CP) who has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code). Mr Princep is a full-time employee of Paladin Energy Ltd. Mr. Princep consents to the inclusion of the information in this announcement in the form and context in which it appears. The mineral resources for the Manyingee deposit were announced to the ASX on the 13 January 2014 and the information contained within has not materially changed since it was last reported.*

## **Conference Call**

Conference Call and Investor Update is scheduled for 06:30 Perth & Hong Kong, Friday 14 February 2014, 17:30 Toronto and 22:30 London, Thursday 13 February 2014. Details are included in a separate news release dated 11 February 2014.

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**Appendix 4D - Financial Report**  
**Half year ended 31 December 2013**

**Paladin Energy Ltd**

ABN or equivalent company reference

ACN. 061 681 098

**Results for announcement to the market**

				31 December 2013 US\$M	31 December 2012 US\$M
Revenue from sales of uranium oxide	<b>Down</b>	12%	to	171.0	194.9
Revenue	<b>Down</b>	12%	to	171.4	195.5
Loss after tax attributable to members	<b>Up</b>	32%	to	(255.0)	(193.5)
Net loss for the year attributable to members	<b>Up</b>	32%	to	(255.0)	(193.5)
Loss per share (US cents)				(26.3) <sup>(1)</sup>	(22.6) <sup>(1)</sup>

<b>Dividends</b>	<b>Amount per security</b>	<b>Franked amount per security</b>
It is not proposed to pay dividends for the year	N/A	N/A
Previous corresponding year: No dividend paid	N/A	N/A
An explanation of the results is included in the Management Discussion & Analysis and the Financial Report attached.		
Net tangible assets per share	31 December 2013 US\$0.40	31 December 2012 US\$1.17
<b>Other</b>		
Previous corresponding period is the half year ended 31 December 2012.		
All foreign subsidiaries are prepared using IFRS.		
<b>Commentary on Results for the Year</b>		
A commentary on the results for the year is contained in the press release dated 13 February 2013.		

<sup>(1)</sup> The loss per share calculations for all periods prior to 31 December 2013 have been adjusted by an adjustment factor of 1.04 to reflect the bonus element of the private placement disclosed in Note 18.



**PALADIN ENERGY LTD**

AC.N.061 681 098

**HALF YEAR FINANCIAL REPORT**

**FOR THE SIX MONTHS ENDED**

**31 DECEMBER 2013**



# PALADIN ENERGY LTD

## Table of Contents – December Half Year Report 31 December 2013

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	<b>Page</b>
Management Discussion and Analysis.....	3
Directors' Report.....	25
Auditor's Independence Report.....	26
Consolidated Income Statement.....	27
Consolidated Statement of Comprehensive Income.....	28
Consolidated Statement of Financial Position.....	29
Consolidated Statement of Changes in Equity.....	30
Consolidated Statement of Cash Flows.....	31
Notes to Consolidated Financial Statements.....	32
Directors' Declaration.....	56
Independent Auditor's Review Report.....	57

The financial report covers the Group consisting of Paladin Energy Ltd (referred throughout as the Company or Paladin) and its controlled entities.

# PALADIN ENERGY LTD

## **Management Discussion and Analysis** For the Six Months Ended 31 December 2013 (All figures are in US dollars unless otherwise indicated)

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The following Management Discussion and Analysis (“MD&A”) for Paladin Energy Ltd (“Company”) and its controlled entities (“Group”) should be read in conjunction with the Consolidated Financial Statements for the six months ended 31 December 2013. The effective date of this report is 13 February 2014.

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

In addition to these Australian requirements, further information has been included in the Consolidated Financial Statements for the six months ended 31 December 2013 in order to comply with applicable Canadian securities law, as the Company is also listed on the Toronto Stock Exchange.

**Additional information relating to the Company and its operations, including the Company’s Quarterly Activities Report for each of the periods ended 31 December 2012 and 31 March 2013 and the most recent Annual Report for the year ended 30 June 2013 and other public announcements are available at [www.paladinenergy.com.au](http://www.paladinenergy.com.au).**

## **FORWARD LOOKING STATEMENTS**

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

The forward looking statements contained in this MD&A are not guarantees of future performance and involve certain risks and uncertainties that are difficult to predict. The future results of the Group may differ materially from those expressed in the forward looking statements contained in this MD&A due to, among other factors, the risks and uncertainties inherent in the business of the Group. The Company does not undertake any obligation to update or release any revisions to these forward looking statements to reflect events or circumstances after the date of this MD&A or to reflect the occurrence of anticipated events.

## **OVERVIEW**

The Group has two operating uranium mines in Africa<sup>(1)</sup>, uranium exploration projects in Australia, Africa and Canada, and a strategy to become a major uranium mining house. The Company is incorporated under the laws of Western Australia with a primary share market listing on the Australian Securities Exchange (“ASX”) and additional listings on the Toronto Stock Exchange (“TSX”) in Canada; as well as the Munich, Berlin, Stuttgart and Frankfurt Stock Exchanges in Europe; and the Namibian Stock Exchange in Africa.

(1) On 7 February 2014, the Company announced that Paladin (Africa) Limited, is suspending production at Kayelekera Mine in Malawi and will place the mine on care and maintenance.

# PALADIN ENERGY LTD

## **Management Discussion and Analysis** For the Six Months Ended 31 December 2013 (All figures are in US dollars unless otherwise indicated)

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The main activities and results during the six months ended 31 December 2013 were:

- Record combined production for Langer Heinrich (LHM) and Kayelekera (KM) mines demonstrating stable operation near or above budget production and below budget unit cost:
  - combined production of 2.208Mlb (1,001t) U<sub>3</sub>O<sub>8</sub> for December 2013 quarter.
  - combined production of 4.253Mlb (1,929t) U<sub>3</sub>O<sub>8</sub> for six months to December 2013.
- Calendar Year 2013 production:
  - Langer Heinrich produced 5.444Mlb (2,469t) U<sub>3</sub>O<sub>8</sub> in CY13, an increase of 7% over CY12.
  - Kayelekera produced 2.943Mlb (1,335t) U<sub>3</sub>O<sub>8</sub> in CY13, an increase of 3% over CY12.
  - combined production of 8.387Mlb (3,804t) U<sub>3</sub>O<sub>8</sub> in CY13, an increase of 5% over CY12.
- Langer Heinrich produced a record 1,431,307lb (649t) U<sub>3</sub>O<sub>8</sub> for the December 2013 quarter, achieving 4% above budget. Production for the six months to 31 December 2013 of 2,860,685lb, an increase of 5% over the six months to 31 December 2012:
  - overall recovery for December 2013 quarter of 87.8% (design: 85% and target 90%).
  - feed grades for the December 2013 quarter down to 771ppm U<sub>3</sub>O<sub>8</sub> (design: 800ppm and target 750ppm).
  - previous water issues resolved.
- Kayelekera produced 777,015lb (352t) U<sub>3</sub>O<sub>8</sub> for the December 2013 quarter, 8% below budget. Production for the six months to 31 December 2013 of 1,391,618lb, a decrease of 1% over the six months to 31 December 2012 due to extension of the planned maintenance shutdown:
  - record production for December month of 280,082lb U<sub>3</sub>O<sub>8</sub>.
  - recovery of 85.9% for the December 2013 quarter (budget 87%).
  - acid recovery plant successfully commissioned.
- C1 cost of production<sup>(1)</sup> continued to fall quarter-on-quarter.
  - Langer Heinrich C1 cost of production has fallen 8% from US\$29.6/lb in the December 2012 quarter to US\$27.5/lb in the December 2013 quarter.
  - Kayelekera C1 cost of production has decreased 24% from US\$43.5/lb U<sub>3</sub>O<sub>8</sub> in the December 2012 quarter to US\$33.1/lb in the December 2013 quarter.

## PALADIN ENERGY LTD

### **Management Discussion and Analysis** For the Six Months Ended 31 December 2013 (All figures are in US dollars unless otherwise indicated)

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- Sales revenue of US\$101.8M for the quarter, selling 2.775Mlb U<sub>3</sub>O<sub>8</sub> at an average price of US\$36.7/lb. Sales for the half year of 4.448Mlb U<sub>3</sub>O<sub>8</sub> generated revenue of US\$171.0M at an average price of US\$38.4/lb.
- Institutional placement of shares in August 2013 raised A\$88M/US\$80.6M.
- On 7 February 2014, the Company announced that its subsidiary company, Paladin (Africa) Limited ("PAL"), is suspending production at KM in Malawi and will place the mine on care and maintenance to preserve the remaining ore body until Paladin determines that a sustained recovery in the price of uranium oxide would enable production to resume on a profitable basis.
- Following the decision to place KM on care and maintenance, Paladin has revised its FY14 production guidance to 7.8 - 8.0Mlb U<sub>3</sub>O<sub>8</sub>.
- Due to continued uranium price weakness, an impairment expense of US\$12.9M has been recorded on inventory at KM for the December quarter, totalling US\$24.9M for the half year.
- The recoverable amount of the Queensland exploration assets was reduced by an impairment expense of US\$323.6M (US\$226.5M after tax).
- Sale of a 25% equity stake in the Langer Heinrich Mine in Namibia for US\$190M announced in January 2014.
- Refinancing of the Langer Heinrich Mine and the Kayelekera Mine project finance facilities announced in January 2014.

<sup>(1)</sup> C1 cost of production = cost of production excluding product distribution costs, sales royalties and depreciation and amortisation before adjustment for impairment. C1 cost, which is non-IFRS information, is a widely used 'industry standard' term.

# PALADIN ENERGY LTD

## **Management Discussion and Analysis** For the Six Months Ended 31 December 2013 (All figures are in US dollars unless otherwise indicated)

### SUMMARISED INCOME STATEMENT

	Three months ended 31 December		Six months ended 31 December	
	2013 US\$M	2012 US\$M	2013 US\$M	2012 US\$M
<b>Revenue</b>	<b>102.0</b>	<b>134.2</b>	<b>171.4</b>	<b>195.5</b>
<b>Gross (loss)/profit</b>	<b>(14.4)</b>	<b>9.6</b>	<b>(29.3)</b>	<b>11.3</b>
Exploration and evaluation expenses	(0.5)	(0.4)	(0.9)	(0.9)
Administration, marketing and non-production costs	(7.0)	(12.0)	(13.2)	(21.7)
Other expenses and income	(324.6)	(55.1)	(333.5)	(99.0)
Loss before interest and tax	(346.5)	(57.9)	(376.9)	(110.3)
Finance costs	(13.7)	(16.6)	(27.9)	(33.6)
Income tax benefit/(expense)	101.7	(97.8)	102.5	(79.7)
<b>Net loss after tax</b>	<b>(258.5)</b>	<b>(172.3)</b>	<b>(302.3)</b>	<b>(223.6)</b>
Loss after tax attributable to:				
Non-controlling interests	(43.5)	(24.7)	(47.3)	(30.1)
Members of the parent	(215.0)	(147.6)	(255.0)	(193.5)
	<b>(258.5)</b>	<b>(172.3)</b>	<b>(302.3)</b>	<b>(223.6)</b>
Loss per share - basic & diluted (US cents)	(22.3)	(17.1)	(26.3)	(22.6)

### **Three Months Ended 31 December 2013**

References below to 2013 and 2012 are to the equivalent three months ended 31 December 2013 and 2012 respectively.

*C1 cost of production = cost of production excluding product distribution costs, sales royalties and depreciation and amortisation before adjustment for impairment. C1 cost, which is non-IFRS information, is a widely used 'industry standard' term. C1 cost information (unreviewed) has been extracted from the financial statements. For an analysis of total cost of sales refer to Note 5(b) to the financial statements. Refer to page 7 and 10 for reconciliation.*

# PALADIN ENERGY LTD

## Management Discussion and Analysis For the Six Months Ended 31 December 2013 (All figures are in US dollars unless otherwise indicated)

### Analysis of Income Statement

#### ANALYSIS OF REVENUE AND GROSS PROFIT

			Three months ended 31 December	
			2013	2012
			US\$M	US\$M
Revenue from sales of uranium oxide	Down	24%	101.8	133.9
Interest income and other revenue			0.2	0.3
<b>Total revenue</b>	Down	24%	<b>102.0</b>	<b>134.2</b>
Cost of sales			(103.5)	(116.8)
Impairment – inventory, stores and consumables			(12.9)	(7.8)
<b>Gross (loss)/profit</b>	Down	189%	<b>(14.4)</b>	<b>9.6</b>
Realised uranium sales price			US\$36.7/lb	US\$48.1/lb
			<b>Mlb U<sub>3</sub>O<sub>8</sub></b>	<b>Mlb U<sub>3</sub>O<sub>8</sub></b>
LHM sales volume	Down	18%	1.800	2.208 <sup>(1)</sup>
KM sales volume	Up	70%	0.975	0.575
<b>Total sales volume</b>	Steady		<b>2.775</b>	<b>2.783</b>
LHM production	Up	1%	1.431	1.419
KM production	Up	1%	0.777	0.772
<b>Total production</b>	Up	1%	<b>2.208</b>	<b>2.191</b>

<sup>(1)</sup> Includes 0.491Mlb of LHM material sold through Paladin Nuclear Ltd.

*Revenue* decreased 24%, from US\$134.2M in 2012 to US\$102.0M in 2013 due to a 24% decrease in the average realised uranium price. Sales volume in 2013 of 2.775Mlb U<sub>3</sub>O<sub>8</sub> remained steady from 2.783Mlb U<sub>3</sub>O<sub>8</sub> in 2012. The average realised uranium sales price in 2013 was US\$36.7/lb U<sub>3</sub>O<sub>8</sub> (2012: US\$48.1/lb U<sub>3</sub>O<sub>8</sub>), compared to the average UxC spot price for the quarter of US\$35.1/lb U<sub>3</sub>O<sub>8</sub>.

#### RECONCILIATION OF C1 COST OF PRODUCTION TO COST OF GOODS SOLD

	THREE MONTHS ENDED 31 DECEMBER 2013			THREE MONTHS ENDED 31 DECEMBER 2012		
	LHM	KM	TOTAL	LHM	KM	TOTAL
Volume Produced (lb)	1,431,307	777,015	2,208,322	1,418,583	772,280	2,190,863
	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M
Cost of Production (C1)	39.3	25.7	65.0	41.9	33.6	75.5
Cost of Production/lb (C1)	US\$27.5/lb	US\$33.1/lb		US\$29.6/lb	US\$43.5/lb	
Depreciation & amortisation	7.9	0.5	8.4	7.3	6.3	13.6
Production distribution costs	1.7	1.9	3.6	1.1	1.3	2.4
Royalties	1.3	1.4	2.7	1.6	0.5	2.1
Inventory movement	18.4	5.7	24.1	13.8	(11.5)	2.3
Other	(0.3)	-	(0.3)	20.3	0.6	20.9
<b>Cost of goods sold</b>	<b>68.3</b>	<b>35.2</b>	<b>103.5</b>	<b>86.0</b>	<b>30.8</b>	<b>116.8</b>

# PALADIN ENERGY LTD

## *Management Discussion and Analysis* For the Six Months Ended 31 December 2013 (All figures are in US dollars unless otherwise indicated)

Gross Loss in 2013 of US\$14.4M is a turnaround from a gross profit in 2012 of US\$9.6M due to lower prices and a higher impairment of KM inventory of US\$12.9M (2012: US\$7.8M). An impairment was required to reduce the cost of KM inventory, stores and consumables held to a net realisable value as production will be suspended at KM and placed on care and maintenance. The C1 cost of production for LHM, for the quarter, in 2013 decreased by 8% to US\$27.5/lb U<sub>3</sub>O<sub>8</sub> (2012: US\$29.6/lb U<sub>3</sub>O<sub>8</sub>). The C1 cost of production for KM in 2013 decreased by 24% to US\$33.1/lb U<sub>3</sub>O<sub>8</sub> (2012: US\$43.5/lb U<sub>3</sub>O<sub>8</sub>). These results provide evidence that the benefits from the cost optimisation programme are being realised.

Exploration and Evaluation Expenditure of US\$0.5M in 2013, which relates to early stage work and project generation activities in Australia and Malawi, increased from 2012 (US\$0.4M).

### ANALYSIS OF ADMINISTRATION, MARKETING & NON-PRODUCTION COSTS

			Three months ended 31 December	
			2013	2012
			US\$M	US\$M
Corporate & marketing	Down	36%	(4.2)	(6.6)
Restructure costs	Down	100%	-	(0.4)
Mines sites (LHM & KM)	Down	24%	(1.6)	(2.1)
Canadian operations	Down	100%	-	(0.4)
Non-cash – share-based payments	Down	20%	(0.8)	(1.0)
Non-cash – depreciation	Steady		(0.4)	(0.4)
LHM Stage 4 expansion project	Down	100%	-	(0.4)
KM research and development	Down	100%	-	(0.7)
<b>Total</b>			<b>(7.0)</b>	<b>(12.0)</b>

Administration, Marketing and Non-production Costs have decreased by US\$5.0M from US\$12.0M to US\$7.0M. There has been a decrease of US\$0.7M relating to a metallurgical research and development project at KM, a decrease of US\$0.4M relating to the LHM Stage 4 expansion evaluation project and corporate and marketing cost savings of US\$2.4M were achieved through a cost rationalisation review.

Other Expenses and Income have increased from US\$55.1M to US\$324.6M predominantly due to the US\$323.6M (US\$226.5M after tax) impairment of the Queensland exploration assets. In 2012 there was an impairment charge of the KM assets of US\$54.9M. Additionally an impairment of available-for-sale financial assets of US\$0.8M was recognised due to an impairment of the investment in Deep Yellow Ltd (DYL). Under the accounting standards, the Group was required to write down the carrying value of its investment in the listed DYL to its market price of 1.6 US cents per share at 31 December 2013.

Finance Costs have decreased by US\$2.9M from US\$16.6M to US\$13.7M due to a decrease in debt outstanding and decreased funding costs. Finance costs relate primarily to interest payable and accretion on the US\$300M convertible bonds issued 5 November 2010, the US\$274M convertible bonds issued 30 April 2012, the US\$48.1M project finance loan for KM and the US\$77.7M project finance loan for LHM Stage 3.

Income Tax Benefit of US\$101.7M for the three months to 31 December 2013 is primarily the result of a decrease in deferred tax liabilities. A deferred tax liability arose from the acquisition of Summit Resources Limited with the current period decrease of US\$97.1M a result of the impairment of the Queensland exploration assets. Additionally an income tax benefit has been recognised as a result of the loss in Namibia.

# PALADIN ENERGY LTD

## **Management Discussion and Analysis** For the Six Months Ended 31 December 2013 (All figures are in US dollars unless otherwise indicated)

Non-controlling Interest in net losses of US\$43.6M is attributable to the 17.9% interest in Summit held by third parties and the 15% interest in PAL held by the Government of Malawi.

Loss after Tax attributable to the members of the parent for 2013 of US\$215.0M is higher than the comparative quarter loss of US\$147.6M. The loss in 2013 is predominantly due to the impairment of the Queensland exploration assets. The loss in 2012 is predominantly due to the de-recognition of the US\$98.2M KM net deferred tax asset and the US\$54.9M impairment of the KM assets.

Loss per Share noted on the Income Statement reflects the underlying result for the specific reported periods and the additional shares issued in 2013 compared to 2012.

### **Six Months Ended 31 December 2013**

References below to 2013 and 2012 are to the equivalent six months ended 31 December 2013 and 2012 respectively.

#### Analysis of Income Statement

#### **ANALYSIS OF REVENUE AND GROSS PROFIT**

			<b>Six months ended 31 December</b>	
			<b>2013</b>	<b>2012</b>
			<b>US\$M</b>	<b>US\$M</b>
Revenue from sales of uranium oxide	Down	12%	171.0	194.9
Interest income and other revenue			0.4	0.6
<b>Total revenue</b>	Down	12%	<b>171.4</b>	<b>195.5</b>
Cost of sales			(175.8)	(173.8)
Impairment – inventory, stores and consumables			(24.9)	(10.4)
<b>Gross (loss)/profit</b>	Down	307%	<b>(29.3)</b>	<b>11.3</b>
Realised uranium sales price			US\$38.4/lb	US\$48.6/lb
			<b>Mlb U<sub>3</sub>O<sub>8</sub></b>	<b>Mlb U<sub>3</sub>O<sub>8</sub></b>
LHM sales volume	Down	6%	2.673	2.833 <sup>(1)</sup>
KM sales volume	Up	51%	1.775	1.175
<b>Total sales volume</b>	Up	11%	<b>4.448</b>	<b>4.008</b>
			<b>Mlb U<sub>3</sub>O<sub>8</sub></b>	<b>Mlb U<sub>3</sub>O<sub>8</sub></b>
LHM production	Up	6%	2.861	2.709
KM production	Down	1%	1.392	1.411
<b>Total production</b>	Up	3%	<b>4.253</b>	<b>4.120</b>

<sup>(1)</sup> Includes 0.491Mlb of LHM material sold through Paladin Nuclear Ltd.

Revenue decreased 12%, from US\$195.5M in 2012 to US\$171.4M in 2013 due to a 12% decrease in sales of uranium from US\$194.9M in 2012 to US\$171.0M in 2013. Sales volume in 2013 of 4.448Mlb U<sub>3</sub>O<sub>8</sub> increased by 11% from 4.008Mlb U<sub>3</sub>O<sub>8</sub> in 2012. The average realised uranium sales price in 2013 was US\$38.4/lb U<sub>3</sub>O<sub>8</sub> (2012: US\$48.6/lb U<sub>3</sub>O<sub>8</sub>), a decrease of 21%. The average UxC spot price for the six months was US\$35.5/lb U<sub>3</sub>O<sub>8</sub>.



# PALADIN ENERGY LTD

## Management Discussion and Analysis For the Six Months Ended 31 December 2013 (All figures are in US dollars unless otherwise indicated)

### RECONCILIATION OF C1 COST OF PRODUCTION TO COST OF GOODS SOLD

	SIX MONTHS ENDED 31 DECEMBER 2013			SIX MONTHS ENDED 31 DECEMBER 2012		
	LHM	KM	TOTAL	LHM	KM	TOTAL
Volume Produced (lb)	2,860,685	1,391,618	4,252,303	2,709,045	1,411,230	4,120,275
	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M
Cost of Production (C1)	79.2	49.9	129.1	83.0	65.0	148.0
Cost of Production/lb (C1)	US\$27.7/lb	US\$35.8/lb		US\$30.6/lb	US\$46.0/lb	
Depreciation & amortisation	15.4	5.5	20.9	14.0	12.8	26.8
Production distribution costs	3.2	3.4	6.6	2.8	2.8	5.6
Royalties	2.9	2.3	5.2	3.3	1.2	4.5
Inventory movement	2.3	12.2	14.5	(3.8)	(19.6)	(23.4)
Other	(0.5)	-	(0.5)	11.7	0.6	12.3
<b>Cost of goods sold</b>	<b>102.5</b>	<b>73.3</b>	<b>175.8</b>	<b>111.0</b>	<b>62.8</b>	<b>173.8</b>

Gross Loss in 2013 of US\$29.3M is a turnaround from a gross profit in 2012 of US\$11.3M due to lower prices and a higher impairment of KM inventory, stores and consumables of US\$24.9M (2012: US\$10.4M), which has been partially offset by an 11% increase in sales volume. The C1 cost of production for LHM, for the six months, in 2013 decreased by 10% to US\$27.7/lb U<sub>3</sub>O<sub>8</sub> (2012: US\$30.6/lb U<sub>3</sub>O<sub>8</sub>). The C1 cost of production for KM, for the six months, in 2013 decreased by 22% to US\$35.8/lb U<sub>3</sub>O<sub>8</sub> (2012: US\$46.0/lb U<sub>3</sub>O<sub>8</sub>). These results provide evidence that the benefits from the cost optimisation programme are being realised.

Exploration and Evaluation Expenditure of US\$0.9M in 2013, which relates to early stage work and project generation activities in Australia and Malawi, remained steady from 2012 (US\$0.9M).

### ANALYSIS OF ADMINISTRATION, MARKETING & NON-PRODUCTION COSTS

			Six months ended 31 December	
			2013 US\$M	2012 US\$M
Corporate & marketing	Down	30%	(8.0)	(11.4)
Restructure costs	Down	75%	(0.1)	(0.4)
Mines sites (LHM & KM)	Down	15%	(3.4)	(4.0)
Canadian operations	Down	88%	(0.1)	(0.8)
Non-cash – share-based payments	Down	96%	(0.1)	(2.6)
Non-cash – depreciation	Down	11%	(0.8)	(0.9)
LHM Stage 4 expansion project	Up	17%	(0.7)	(0.6)
KM research and development	Down	100%	-	(1.0)
<b>Total</b>			<b>(13.2)</b>	<b>(21.7)</b>

Administration, Marketing and Non-production Costs have decreased by US\$8.5M from US\$21.7M to US\$13.2M. There has been a decrease of US\$2.5M in non-cash share-based payments expense as there was a reduction in the number of share rights granted compared to 2012. Additionally, the share-based payments expense decrease is due to the reversal of US\$1.1M relating to the lapse and subsequent cancellation of share rights due to non-satisfaction of performance conditions for earnings per share targets. There was also a decrease of US\$1.0M relating to a metallurgical research and development project at KM and corporate and marketing cost savings of US\$3.4M were achieved through a cost rationalisation review.

## PALADIN ENERGY LTD

### **Management Discussion and Analysis** For the Six Months Ended 31 December 2013 (All figures are in US dollars unless otherwise indicated)

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Other Expenses and Income have increased from US\$99.0M to US\$333.5M predominantly due to the impairment of the Queensland exploration assets discussed earlier. In 2012 there was an impairment charge of the KM assets of US\$96.0M. Additionally an impairment of available-for-sale financial assets of US\$4.3M was recognised due to an impairment of the investment in DYL.

Finance Costs have decreased by US\$5.7M from US\$33.6M to US\$27.9M due to a decrease in debt outstanding and decreased funding costs. Finance costs relate primarily to interest payable and accretion on the US\$300M convertible bonds issued 5 November 2010, the US\$274M convertible bonds issued 30 April 2012, the US\$48.1M project finance loan for KM and the US\$77.7M project finance loan for LHM Stage 3.

Income Tax Benefit of US\$102.5M for the six months to 31 December 2013 is primarily the result of a decrease in deferred tax liabilities. A deferred tax liability arose from the acquisition of Summit Resources Limited with the current period decrease of US\$97.1M a result of the impairment of the Queensland exploration assets. Additionally an income tax benefit has been recognised as a result of the loss in Namibia.

Non-controlling Interest in net losses of US\$47.3M is attributable to the 17.9% interest in Summit held by third parties and the 15% interest in PAL held by the Government of Malawi.

Loss after Tax attributable to the members of the parent for 2013 of US\$255.0M was higher than the comparative six month loss of US\$193.5M. The loss in 2013 is predominantly due to the impairment of the Queensland exploration assets. The loss in 2012 is predominantly due to the de-recognition of the US\$98.2M KM net deferred tax asset and the US\$96.0M impairment of the KM assets.

Loss per Share noted on the Income Statement reflects the underlying result for the specific reported periods and the additional shares issued in 2013 compared to 2012.

# PALADIN ENERGY LTD

## *Management Discussion and Analysis* For the Six Months Ended 31 December 2013 (All figures are in US dollars unless otherwise indicated)

### Summary of Quarterly Financial Results

		<b>2013</b>	<b>2013</b>	<b>2013</b>	<b>2013</b>
		<b>Dec Qtr</b>	<b>Sep Qtr</b>	<b>Jun Qtr</b>	<b>Mar Qtr</b>
Total revenues	<b>US\$M</b>	102.0	69.4	109.6	106.4
Sales volume	<b>Mib</b>	2.775	1.673	2.326	1.920
Realised uranium sales price	<b>US\$/lb</b>	36.7	41.4	46.2	55.2
Loss after tax attributable to members	<b>US\$M</b>	(215.0)	(40.0)	(173.3)	(54.1)
Basic and diluted loss per share	<b>US cents</b>	(22.3)	(4.3)	(20.1)	(6.4)
		<b>2012</b>	<b>2012</b>	<b>2012</b>	<b>2012</b>
		<b>Dec Qtr</b>	<b>Sep Qtr</b>	<b>Jun Qtr</b>	<b>Mar Qtr</b>
Total revenues	<b>US\$M</b>	134.2	61.3	126.2	67.8
Sales volume	<b>Mib</b>	2.783	1.224	2.241	1.137
Realised uranium sales price	<b>US\$/lb</b>	48.1	49.8	56.1	59.2
Loss after tax attributable to members	<b>US\$M</b>	(147.6)	(45.9)	(35.2)	(17.5)
Basic and diluted loss per share	<b>US cents</b>	(17.1)	(5.5)	(3.9)	(1.8)

Total revenues for the quarters ended September 2013 and March 2013 have increased when compared to the equivalent comparative quarter as a result of higher sales volumes of uranium, whereas total revenues for the quarters ended December 2013 and June 2013 are lower than the comparative quarter. The decrease in revenue in December 2013 quarter is due to lower prices as sales volumes remain steady and the decrease in revenue in the June 2013 quarter is due to lower prices partially offset by higher sales volumes.

Uranium sales tend to fluctuate quarter on quarter due to the uneven timing of contractual commitments and resultant delivery scheduling by utility customers.

Loss after tax for the quarter ended December 2013 of US\$215.0M is higher than the comparative quarter loss of US\$147.6M. The loss in 2013 is predominantly due to the impairment of the Queensland exploration assets. The loss in 2012 is predominantly due to the de-recognition of the US\$98.2M KM net deferred tax asset and the US\$54.9M impairment of the KM assets.

Loss after tax for the quarter ended September 2013 of US\$40.0M is lower than the comparative quarter loss of US\$45.9M predominantly as a result of the impairment of the KM assets in 2012 of US\$41.1M compared to US\$Nil in 2013, which has been partially offset by a smaller income tax benefit in 2013 compared to 2012.

Loss after tax for the quarter ended June 2013 of US\$173.3M is higher than the comparative quarter loss of US\$35.2M predominantly as a result of the higher impairment charge of the KM assets and the impairment of exploration assets in 2013, compared to 2012.

Loss after tax for the quarter ended March 2013 of US\$54.1M is higher than the comparative quarter loss of US\$17.5M predominantly as a result of the impairment charge of the KM assets in 2013 of US\$44.8M compared to US\$11.9M in 2012.

# PALADIN ENERGY LTD

## **Management Discussion and Analysis** For the Six Months Ended 31 December 2013 (All figures are in US dollars unless otherwise indicated)

### **Segment Disclosure (refer to Note 4 in the Financial Statements)**

The loss before tax and finance costs for the six months of US\$0.1M in the Namibian segment decreased from a profit in 2012 by US\$24.2M (2012: profit of US\$24.1M) due to lower sales volumes and lower prices. The Malawian segment reflected a loss before tax and finance costs for the six months of US\$38.7M, which is lower compared to a loss of US\$121.2M in 2012 predominantly as a result of the lower impairment of the KM assets in 2013 compared to 2012. Exploration activities have recorded a loss before tax of US\$324.0M predominantly due to the impairment of the Queensland projects discussed under the Summarised Income Statement section. In the Unallocated portion, the Group reflected the remaining Income Statement activities, which for 2013 comprise mainly marketing, corporate, finance and administration costs. This area includes an impairment loss on available-for-sale financial assets of US\$4.3M (2012: US\$Nil). This area has remained fairly static with a net loss before tax and finance costs in 2012 of US\$12.9M increasing slightly to a net loss of US\$14.1M in 2013.

### **Summary of Quarterly Production Results**

		<b>2013</b>	<b>2013</b>	<b>2013</b>	<b>2013</b>	<b>2012</b>
		<b>Dec Qtr</b>	<b>Sep Qtr</b>	<b>Jun Qtr</b>	<b>Mar Qtr</b>	<b>Dec Qtr</b>
<b>LHM</b>						
Production U <sub>3</sub> O <sub>8</sub>	<b>Mlb</b>	1.431	1.429	1.353	1.230	1.419
C1 cost of production	<b>US\$/lb</b>	27.5	28.0	29.4	29.8	29.6
<b>KM</b>						
Production U <sub>3</sub> O <sub>8</sub>	<b>Mlb</b>	0.777	0.615	0.790	0.762	0.772
C1 cost of production	<b>US\$/lb</b>	33.1	39.3	39.2	39.8	43.5

C1 cost of production for LHM has fallen from US\$29.6/lb in the December 2012 quarter to US\$27.5/lb in the December 2013 quarter, a decrease of 8%.

C1 cost of production for KM has fallen from US\$43.5/lb in the December 2012 quarter to US\$33.1/lb in the December 2013 quarter, a decrease of 24%.

These results provide evidence that the cost benefits from the continuous improvement and cost optimisation programmes at both sites continue to be realised.

Further improvements in C1 costs are expected over the next two years due to a number of additional cost saving initiatives. These include, at LHM, reductions in process reagents and water consumption as well as enhanced process recoveries.

# PALADIN ENERGY LTD

## *Management Discussion and Analysis* For the Six Months Ended 31 December 2013 (All figures are in US dollars unless otherwise indicated)

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME	Three months ended 31 December		Six months ended 31 December	
	2013 US\$M	2012 US\$M	2013 US\$M	2012 US\$M
<b>Net loss after tax</b>	<b>(258.5)</b>	<b>(172.3)</b>	<b>(302.3)</b>	<b>(223.6)</b>
Transfer of realised gains to other income on disposal of available-for-sale financial assets	-	-	(0.3)	(0.8)
Net (loss)/gain on available-for-sale financial assets	(0.8)	5.6	(4.0)	4.8
Transfer of impairment loss on available- for-sale financial assets to income statement	0.8	-	4.3	-
Foreign currency translation	(39.3)	(3.8)	(22.1)	21.7
Income tax on items of other comprehensive income	0.1	(1.5)	0.1	(1.2)
<b>Total comprehensive loss for the period</b>	<b>(297.7)</b>	<b>(172.0)</b>	<b>(324.3)</b>	<b>(199.1)</b>

### **Three months ended 31 December 2013**

Net Loss after Tax is discussed under the Summarised Income Statement section.

Net Loss on Available-for-sale Financial Assets in 2013 of US\$0.8M primarily relates to the fair value decrement in available-for-sale financial assets attributable to a decrease in the share price primarily of DYL.

Transfer of Impairment Loss on Available-for-sale Financial Assets in 2013 of US\$0.8M relates to the impairment of the investment in DYL.

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

Income Tax on Items of Other Comprehensive Income in 2013 relates to tax on movements in available-for-sale financial assets.

### **Six months ended 31 December 2013**

Net Loss after Tax is discussed under the Summarised Income Statement section.

Transfer of Realised Gains to Other Income on disposal of available-for-sale financial assets in 2013 of US\$0.3M relates to the disposal of an available-for-sale financial asset.

Net Loss on Available-for-sale Financial Assets in 2013 of US\$4.0M primarily relates to the fair value decrement in available-for-sale financial assets attributable to a decrease in the share price primarily of DYL.

Transfer of Impairment Loss on Available-for-sale Financial Assets in 2013 of US\$4.3M relates to the impairment of the investment in DYL.

# PALADIN ENERGY LTD

## **Management Discussion and Analysis** For the Six Months Ended 31 December 2013 (All figures are in US dollars unless otherwise indicated)

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

Income Tax on Items of Other Comprehensive Income in 2013 relates to tax on movements in available-for-sale financial assets.

<b>SUMMARISED STATEMENT OF FINANCIAL POSITION</b>	<b>As at 31 December 2013 Unaudited US\$M</b>	<b>As at 30 June 2013 Audited US\$M</b>
Total current assets	266.5	324.4
Total non current assets	1,169.1	1,513.3
Total assets	1,435.6	1,837.7
Total current liabilities	101.8	131.4
Total non current liabilities	931.7	1,058.1
Total liabilities	1,033.5	1,189.5
<b>Net Assets</b>	<b>402.1</b>	<b>648.2</b>

Current Assets have decreased to US\$266.5M at 31 December 2013 due to a decrease in inventories and trade and other receivables, which has been partially offset by an increase in cash and cash equivalents.

Cash and cash equivalents have increased from US\$78.1M to US\$99.4M at 31 December 2013 as a result of the net proceeds received from the August 2013 share placement of US\$78.1M. This has been partially offset by principal repayments for KM and LHM project finance facilities of US\$43.8M and payments for plant and equipment of US\$15.0M, exploration and evaluation project expenditure of US\$3.5M, as well as finance costs, corporate costs and a decrease in receipts from customers.

Trade and other receivables have decreased from US\$78.3M to US\$37.0M at 31 December 2013 as a result of a decrease in trade receivables, predominantly due to the uneven timing of uranium sales.

Inventories have decreased from US\$158.8M to US\$121.7M at 31 December 2013 predominantly due to a decrease in the value of inventory held by KM. The value of inventory held by KM is lower predominantly due to lower volumes of inventory held and the impairment discussed under the Summarised Income Statement section. The Group's sales volumes for the six months of 4.448Mlb U<sub>3</sub>O<sub>8</sub> were 0.195Mlb U<sub>3</sub>O<sub>8</sub> higher than production of 4.253Mlb U<sub>3</sub>O<sub>8</sub>.

Non Current Assets have decreased from US\$1,513.3M to US\$1,169.1M at 31 December 2013 predominantly as a result of a decrease in the value of exploration assets, which is due to the foreign exchange decremental movement on the Australian and Canadian dollar currencies against the US dollar and the impairment of the Queensland projects discussed under the Summarised Income Statement section. Additionally property, plant and equipment decreased along with the fair

# PALADIN ENERGY LTD

## **Management Discussion and Analysis** For the Six Months Ended 31 December 2013 (All figures are in US dollars unless otherwise indicated)

value of other financial assets primarily attributable to the decrease in the share price of DYL and the foreign exchange movement due to the depreciation of the Australian dollar against the US dollar. This was partially offset by a planned increase in ROM stockpiles at LHM as part of Stage 3 production expansion in order to meet the future mine plan ore-blend requirements.

Current Liabilities have decreased from US\$131.4M to US\$101.8M at 31 December 2013 primarily as a result of the repayment of project financing for KM of US\$20.0M and LHM of US\$23.8M, a decrease in employee provisions of US\$6.3M and a decrease in creditors of US\$11.4M. This has been partially offset by a reallocation of Project Finance repayments of US\$31.9M from non-current to current liabilities.

Non Current Liabilities have decreased from US\$1,058.1M to US\$931.7M at 31 December 2013 primarily due to the decrease in the non current portion of interest bearing loans and borrowings of US\$31.9M which has been reallocated to current liabilities and has been partially offset by the deferred borrowing amortisation of US\$9.9M, as well as the decrease in deferred tax liabilities relating to the impairment of the Queensland exploration assets.

### **Segment Disclosure (refer to Note 4 in the Financial Statements)**

In the Statement of Financial Position as at 31 December 2013, the Group reflected a decrease in assets for the Namibian segment in the period predominantly due to a decrease in trade and other receivables, which was partially offset by an increase in cash and inventory. For the Malawian segment, assets have decreased as a result of the inventory impairment discussed under the Summarised Income Statement section and a decrease in cash. The Exploration segment has decreased due to the foreign exchange decremental movement on the Australian and Canadian dollar currencies against the US dollar and the impairment of the Queensland projects discussed under the Summarised Income Statement section which is partially offset by capitalised exploration expenditure. In the Unallocated portion, the Group reflected an increase in assets predominantly due to an increase in cash from the share placement.

### **SUMMARISED STATEMENT OF CHANGES IN EQUITY**

	Six months ended	
	31 December	
	2013	2012
	US\$M	US\$M
Total equity at the beginning of the financial period	648.2	1,194.8
Total comprehensive loss for the period	(324.3)	(199.1)
Recognised value of unlisted performance share rights	0.1	2.7
Contributions of equity, net of transaction costs	78.1	-
<b>Total Equity at the end of the financial period</b>	<b>402.1</b>	<b>998.4</b>

Total Comprehensive Loss for the Period Ended 31 December 2013 is discussed under the Statement of Comprehensive Income section.

Recognised Value of Unlisted Performance Rights in 2013 totals US\$0.1M (2012: US\$2.7M), which is lower mainly due to the reversal of US\$1.1M relating to the lapse and subsequent cancellation of share rights due to non-satisfaction of performance conditions relating to earnings per share

# PALADIN ENERGY LTD

## **Management Discussion and Analysis** For the Six Months Ended 31 December 2013 (All figures are in US dollars unless otherwise indicated)

targets. During the quarter 1,480,525 performance share rights vested (2012: 1,305,611). 1,096,287 of performance share rights were cancelled (2012: 1,709,625) 1,633,474 performance rights were granted (2012: nil).

Contributions of Equity in 2013 of US\$78.1M relates to the share placement of 125.6M shares at A\$0.70 each. The number of fully paid ordinary shares on issue at 31 December 2013 is 964,204,004, an increase of 127,016,196 during the six months. Performance rights of 2,415,619 remain outstanding at 31 December 2013 to the employees and consultants directly engaged in corporate, mine construction, operations, exploration and evaluation work.

### SUMMARISED STATEMENT OF CASH FLOWS

	Three months ended 31 December		Six months ended 31 December	
	2013	2012	2013	2012
	US\$M	US\$M	US\$M	US\$M
Net cash inflow/(outflow) from operating activities	1.0	(5.5)	4.3	49.3
Net cash outflow from investing activities	(4.2)	(12.9)	(17.2)	(25.6)
Net cash (outflow)/inflow from financing activities	(21.9)	(21.3)	34.3	(31.7)
Net (decrease)/increase in cash and cash equivalents	(25.1)	(39.7)	21.4	(8.0)
Cash and cash equivalents at the beginning of financial period	125.0	144.3	78.1	112.1
Effects of exchange rate changes on cash and cash equivalents	(0.5)	0.1	(0.1)	0.6
<b>Cash and cash equivalents at the end of the financial period</b>	<b>99.4</b>	<b>104.7</b>	<b>99.4</b>	<b>104.7</b>

#### Three months ended 31 December 2013

Net Cash Inflow from Operating Activities was US\$1.0M in 2013 (2012: net cash outflow US\$5.5M), primarily due to receipts from customers of US\$105.7M (2012: US\$108.7M). This was partially offset by payments to suppliers and employees of US\$89.5M (2012: US\$96.3M). The remaining expenditure was US\$0.4M for exploration (2012: US\$0.4M) and net interest paid of US\$14.8M (2012: US\$17.5M).

Net Cash Outflow from Investing Activities was US\$4.2M in 2013 and is due primarily to plant and equipment acquisitions of US\$3.3M predominantly the new tailings facility and water pipeline upgrade at LHM and additionally capitalised exploration expenditure of US\$0.9M. The net cash outflow of US\$12.9M in 2012 was due primarily to plant and equipment acquisitions of US\$8.0M, predominantly the new tailings facility at LHM, and capitalised exploration expenditure of US\$4.9M.

Net Cash Outflow from Financing Activities of US\$21.9M in 2013 is attributable to the repayment of project financing for KM of US\$10.0M and LHM of US\$11.9M. The net outflow in 2012 of US\$21.3M



## PALADIN ENERGY LTD

### **Management Discussion and Analysis** For the Six Months Ended 31 December 2013 (All figures are in US dollars unless otherwise indicated)

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was mainly attributable to the repayment of project financing for KM of US\$10.0M and LHM of US\$11.2M.

Effect of Exchange Rate Changes on cash balances is a loss of US\$0.5M for 2013.

#### **Six months ended 31 December 2013**

Net Cash Inflow from Operating Activities was US\$4.3M in 2013 (2012: US\$49.3M), primarily due to receipts from customers of US\$205.2M (2012: US\$214.6M) and in 2012 the receipt of the long-term off-take agreement funds of US\$50.0M. This was partially offset by payments to suppliers and employees of US\$183.8M (2012: US\$192.7M). The remaining expenditure was US\$0.9M for exploration (2012: US\$0.9M) and net interest paid of US\$16.2M (2012: US\$21.7M).

Net Cash Outflow from Investing Activities was US\$17.2M in 2013 and is due primarily to plant and equipment acquisitions of US\$15.0M, predominantly the new tailings facility at LHM and nano filtration equipment and tailings pipeline at KM, and additionally capitalised exploration expenditure of US\$2.6M. The net cash outflow of US\$25.6M in 2012 was due primarily to plant and equipment acquisitions of US\$15.5M, predominantly the new tailings facility at LHM, and capitalised exploration expenditure of US\$10.2M.

Net Cash Inflow from Financing Activities of US\$34.3M in 2013 is mainly attributable to the net proceeds received from the share placement of US\$78.1M which has been partially offset by the repayment of project financing for KM of US\$20.0M and LHM of US\$23.8M. The net outflow in 2012 of US\$31.7M was mainly attributable to the repayment of project financing for KM of US\$20.0M and LHM of US\$11.2M.

Effect of Exchange Rate Changes on cash balances is a loss of US\$0.1M for 2013.

#### **LIQUIDITY AND CAPITAL RESOURCES**

The Group's principal source of liquidity as at 31 December 2013 was cash of US\$99.4M (30 June 2013: US\$78.1M). Any cash available to be invested is held with Australian banks with a minimum AA- Standard & Poor's credit rating over a range of maturities. Of this, US\$85.6M is held in US dollars.

The Group's principal sources of cash for the six months ended 31 December 2013 were uranium sales receipts of US\$205.2M and net proceeds received from the August 2013 share placement of US\$78.1M.

The amount outstanding at 31 December 2013 on the LHM project finance facility was US\$77.7M and for the KM project finance facility, US\$48.1M.

The Group's consolidated financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

## PALADIN ENERGY LTD

### **Management Discussion and Analysis** For the Six Months Ended 31 December 2013 (All figures are in US dollars unless otherwise indicated)

During the six months ended 31 December 2013, the Group incurred net losses after tax attributable to the members of US\$255.0M (2012: US\$193.5M) and had net cash inflow of US\$21.4M (2012: outflow US\$8.0M). At balance date, the Group had a net working capital surplus of US\$164.7M (30 June 2013: US\$193.0M) including cash on hand of US\$99.4M (30 June 2013: US\$78.1M). Included within this cash on hand is US\$25.6M (30 June 2013: US\$25.7M), which is restricted for use in respect of the LHM and KM project finance facilities.

Repayment obligations, during the next twelve months to 31 December 2014, in respect of interest bearing loans and borrowings are summarised as follows:

- secured bank loans principal repayments of US\$18.3M for project financing; and
- interest payments of US\$32.5M for project financing and convertible bonds.

On 20 January 2014, the Company announced that it signed an agreement on 18 January 2014 to sell a 25% equity stake in the Langer Heinrich uranium mining operation in Namibia to China Uranium Corporation Limited, a wholly owned subsidiary of China National Nuclear Corporation (**CNNC**), the leading Chinese nuclear utility, for consideration of US\$190M.

The respective Boards of Paladin and CNNC have approved the transaction. Completion is subject only to certain Chinese regulatory approvals (including the National Development and Reform Commission), which are expected to be obtained by mid-2014, and routine consents for the transaction from Paladin's project financiers and the Bank of Namibia. CNNC has paid a US\$20M deposit to an escrow agent. The deposit will become non-refundable on receipt by the escrow agent of the routine consents for the transaction from Paladin's project financiers and the Bank of Namibia.

Proceeds from the sale will be utilised to repay debt across the Company.

In addition, in arriving at its position in relation to going concern, the Directors have given consideration to the following:

- the refinancing of the LHM and the KM project finance facilities announced in January 2014;
- placing KM on care and maintenance will improve Paladin's forecast cash flow position by US\$7-10M in calendar year 2014 and US\$20-25M in calendar year 2015; and
- the Group has a history of successful capital raisings.

The following is a summary of the Group's outstanding commitments as at 31 December 2013:

	<b>Total</b>	<b>Less than 1 yr</b>	<b>1 to 5yrs</b>	<b>5yrs+ or Unknown</b>
<b>Payments due by period</b>	<b>US\$M</b>	<b>US\$M</b>	<b>US\$M</b>	<b>US\$M</b>
Tenements	30.0	2.1	3.7	24.2
Operating leases	2.3	0.9	1.4	-
Mining, transport and reagents	28.0	26.0	2.0	-
Oobagooma acquisition costs	0.3	0.3	-	-
Manyingee acquisition costs	0.7	-	-	0.7
<b>Total commitments</b>	<b>61.3</b>	<b>29.3</b>	<b>7.1</b>	<b>24.9</b>

# PALADIN ENERGY LTD

## **Management Discussion and Analysis** For the Six Months Ended 31 December 2013 (All figures are in US dollars unless otherwise indicated)

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In relation to the Manyingee Uranium Project, the acquisition terms provide for a payment of A\$0.75M (US\$0.70M) by the Group to the vendors when all project development approvals are obtained.

The Group has no other material off balance sheet arrangements.

### **OUTSTANDING SHARE INFORMATION**

As at 13 February 2014 Paladin had 964,241,634 fully paid ordinary shares issued. The following table sets out the fully paid ordinary shares and those issuable under the Group Employee Performance Share Rights Plan and in relation to the Convertible Bonds:

<b>As at 13 February 2014</b>	<b>Number</b>
Ordinary shares	964,241,634
Issuable under Employee Performance Share Rights Plan	2,415,619
Issuable in relation to the US\$300 million Convertible Bonds	55,524,708
Issuable in relation to the US\$274 million Convertible Bonds	129,919,393
<b>Total</b>	<b>1,152,101,354</b>

### **CRITICAL ACCOUNTING ESTIMATES**

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

### **FINANCIAL INSTRUMENTS**

At 31 December 2013, the Group has exposure to interest rate risk, which is the risk that the Group's financial position will be adversely affected by movements in interest rates that will increase the cost of floating rate project finance debt or opportunity losses that may arise on fixed rate convertible bonds in a falling interest rate environment. Interest rate risk on cash and short-term deposits is not considered to be a material risk due to the historically low US dollar interest rates of these financial instruments.

The Group has no significant monetary foreign currency assets and liabilities apart from Namibian Dollar and Malawi Kwacha cash, receivables, payables and provisions and Australian dollar cash, payables and Canadian payables.

The Group currently does not engage in any hedging or derivative transactions to manage uranium price movements, interest rate or foreign currency risks.

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

# PALADIN ENERGY LTD

## **Management Discussion and Analysis** *For the Six Months Ended 31 December 2013* *(All figures are in US dollars unless otherwise indicated)*

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

### **OTHER RISKS AND UNCERTAINTIES**

#### **Risk Factors**

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

### **TRANSACTIONS WITH RELATED PARTIES**

During the six months ended 31 December 2013 no payments were made to Director related entities. Directors of the Company receive compensation based on their personal contracts.

### **DISCLOSURE CONTROLS**

The Group has applied its Disclosure Control Policy to the preparation of the Consolidated Financial Report for the six months ended 31 December 2013, associated Management Discussion and Analysis and Report to Shareholders. An evaluation of the Group's disclosure controls and procedures used has been undertaken and concluded that the disclosure controls and procedures were effective.

### **INTERNAL CONTROLS**

The Group has designed appropriate Internal Controls Over Financial Reporting (ICFR) and ensured that these were in place for the six months ended 31 December 2013. An evaluation of the design of ICFR has concluded that it is adequate to prevent a material misstatement of the Group's Consolidated Financial Report as at 31 December 2013.

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

### **SUBSEQUENT EVENTS**

Other than disclosed below, since the end of the six month period, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this report, that has significantly or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent periods with the exception of the following, the financial effects of which have not been provided for in the 31 December 2013 Financial Report:

#### **Manyingee Uranium Project, Western Australia, Updated Mineral Resource**

On 13 January 2014, the Company announced a revised mineral resource estimate for the Manyingee Deposit and there has been no material change to the information since that date.

# PALADIN ENERGY LTD

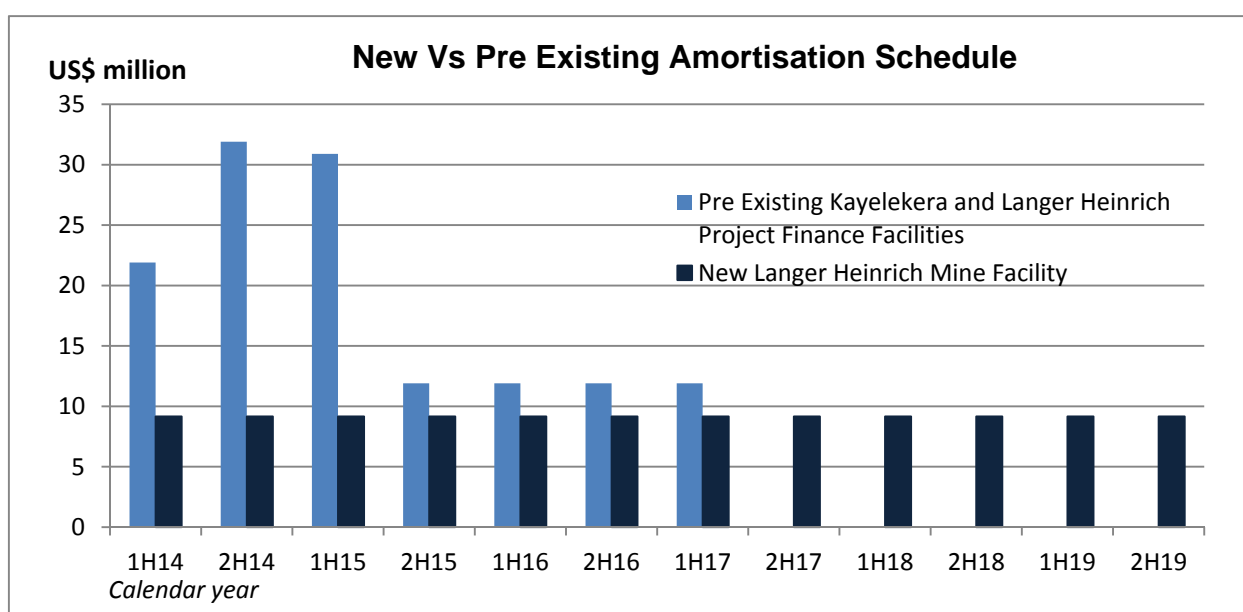
## Management Discussion and Analysis *For the Six Months Ended 31 December 2013* (All figures are in US dollars unless otherwise indicated)

### Successful Refinancing of Langer Heinrich and Kayelekera Facilities

On 17 January 2014, the Company announced that it had entered into agreements with its lenders to refinance the LHM and the KM project finance facilities. All conditions precedent to drawdown were satisfied on 29 January 2014 and completion occurred on that date.

This new facility will provide significant cash flow benefits to both projects and leaves Paladin in a much stronger financial position. As shown below, the annual principal repayments across both projects will be reduced from US\$53.8M per annum to US\$18.3M per annum in calendar year 2014, a substantial reduction of US\$35.5M, with the first repayment not due until June 2014.

In calendar year 2015, annual principal repayments under the existing facilities compared to the new facility will be reduced by a further US\$23.7M.



The key terms of the new LHM project finance facility are as follows:

Facility	Term Loan	Working Capital Facility
<b>Amount</b>	US\$110M	US\$20M
<b>Borrower</b>	Paladin Finance Pty Ltd	Langer Heinrich Uranium (Pty) Limited
<b>Term</b>	6 years (maturing 31 December 2019)	Renewable annually for 12 months
<b>Amortisation</b>	12 equal instalments of US\$9.2M starting 30 June 2014	
<b>Security</b>	The existing security arrangements for Langer Heinrich remain in place	

The terms and conditions of the new LHM facility are largely the same as for the existing project finance agreement except for an increased amount, extension of term and a reduction in principal repayments from US\$23.8M per annum to US\$18.3M per annum. In addition, LHM has secured a US\$20M working capital facility to provide additional financial flexibility.

The KM project finance facility (currently US\$48.1M) was repaid on 29 January 2014, however, the facility and existing security arrangements will remain in place to support the US\$10M Performance Bond.

## PALADIN ENERGY LTD

### **Management Discussion and Analysis** For the Six Months Ended 31 December 2013 (All figures are in US dollars unless otherwise indicated)

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Overall, this rationalisation in the project financing reduces the Group's debt position and provides the benefit of substantially reduced repayments over the next three years, conserving operational cash flow. The new facility is provided by Nedbank Capital, a division of Nedbank Limited, Nedbank Namibia Limited, the Standard Bank of South Africa Limited and Standard Bank Namibia Limited. Both banks have been involved with Paladin since the first LHM project finance facility was established in 2006.

#### **Sale of Minority Interest in Langer Heinrich Mine, Namibia**

On 20 January 2014, the Company announced that it signed an agreement on 18 January 2014 to sell a 25% equity stake in the Langer Heinrich uranium mining operation in Namibia to China Uranium Corporation Limited, a wholly owned subsidiary of China National Nuclear Corporation (**CNNC**), the leading Chinese nuclear utility, for consideration of US\$190M.

An offtake component of the agreement will allow CNNC to purchase its pro-rata share of product based on the prevailing market spot price. There is also an opportunity for Paladin to benefit by securing additional long term offtake arrangements with CNNC, at arm's length market rates, from Paladin's share of Langer Heinrich production.

The respective Boards of Paladin and CNNC have approved the transaction. Completion is subject only to certain Chinese regulatory approvals (including the National Development and Reform Commission), which are expected to be obtained by mid-2014, and routine consents for the transaction from Paladin's project financiers and the Bank of Namibia. CNNC has paid a US\$20M deposit to an escrow agent. The deposit will become non-refundable on receipt by the escrow agent of the routine consents for the transaction from Paladin's project financiers and the Bank of Namibia.

Proceeds from the sale will be utilised to repay debt across the Company.

#### **KM on Care and Maintenance**

On 7 February 2014, the Company announced that its subsidiary company, PAL, is suspending production at KM in Malawi and will place KM on care and maintenance to preserve the remaining ore body until Paladin determines that a sustained recovery in the price of uranium oxide would enable production to resume on a profitable basis.

The Government of Malawi ("GoM"), which has a 15% interest in PAL, was notified of this decision and PAL will be working with the relevant GoM authorities on implementation of the suspension of operations.

The decision to suspend production at KM was based on two factors, both beyond the control of Paladin and KM:

1. the continuing depressed price for uranium oxide, which has been severely negatively impacted since March 2011 following the nuclear reactor damage caused by the Fukushima earthquake and tsunami; and
2. the unsustainable cash demand to maintain the loss-making mining operation at KM.

While mining operations at KM are being suspended, processing of ore will continue during a transitional rundown phase until reagents and consumables on site have been depleted and the production circuit has been emptied and cleaned. At this time, the plant will be sterilised, shut down and placed on care and maintenance. This rundown/sterilisation phase is expected to be completed by April/May of 2014.

## **PALADIN ENERGY LTD**

### ***Management Discussion and Analysis***     *For the Six Months Ended 31 December 2013* *(All figures are in US dollars unless otherwise indicated)*

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PAL is committed to maintaining the mine and infrastructure at KM in good working order to facilitate a rapid resumption of production when market conditions dictate that it is possible to do so profitably. For this reason, PAL will retain some 194 Malawi national employees and 27 expatriate staff to maintain the site, including staff to strengthen physical security measures at KM.

This decision will result in a significant level of redundancy at KM and the process has commenced to retrench employees not required during the period of care and maintenance. In appreciation of their endeavours to drive down costs and improve efficiency, retrenched national employees will receive generous redundancy packages that exceed Malawi's minimum legal requirements. Based on length of service, allowances and entitlements and an ex gratia payment, the average payout for national employees will be the equivalent of 10.7 months' salary. It is Paladin's hope that this gesture will assist employees in their transition from employment at KM. In addition, national employees will be offered financial planning advice and training in business skills.

Supporting KM has been a substantial drain on Paladin's cash resources during the past three years. Based on a uranium price of US\$35/lb, Paladin would have had to inject a further US\$20M-US\$25M in cash for each of the next two calendar years to maintain KM.

Placing KM on care and maintenance will improve Paladin's forecast cash flow position by US\$7-10M in calendar year 2014 and US\$20-25M in calendar year 2015. Paladin anticipates that the ongoing cost of maintaining KM on care and maintenance of approximately US\$12M pa will be funded from proceeds to be received from the sale of uranium oxide on hand and produced during the rundown phase. The previously announced repayment of PAL's Project Financing Facility has saved an additional US\$30M cash requirement in 2014.

# PALADIN ENERGY LTD

## Directors' Report

For the Six Months Ended 31 December 2013

(All figures are in US dollars unless otherwise indicated)

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The Directors present their report on the Company consisting of Paladin Energy Ltd ("Company") and the entities it controlled ("Group") at the end of, or during, the six months ended 31 December 2013.

### Directors

The following persons were Directors of Paladin Energy Ltd during the whole of the six months and up to the date of this report unless otherwise indicated:

Mr Rick Wayne Crabb (Non-executive Chairman)  
Mr John Borshoff (Managing Director/CEO)  
Mr Sean Llewelyn (Non-executive Director)  
Mr Donald Shumka (Non-executive Director)  
Mr Peter Donkin (Non-executive Director)  
Mr Philip Baily (Non-executive Director)

### Review of Operations

A detailed operational and financial review of the Group is set out on pages 3 to 24 under the section titled Management Discussion and Analysis.

The loss after tax attributable to the ordinary equity holders for the six months ended 31 December 2013 was US\$255.0M (loss after tax of US\$193.5M for the six months ended 31 December 2012).

### Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 26, which forms part of the Directors' Report.

### Rounding

The Company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report and Financial Report. Amounts in the Directors' Report and Financial Report have been rounded off to the nearest US\$100,000 in accordance with that class order.

Signed in accordance with a resolution of the Directors.



Mr John Borshoff  
Managing Director/CEO

Perth, Western Australia  
13 February 2014





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## Auditor's Independence Declaration to the Directors of Paladin Energy Ltd

In relation to our review of the financial report of Paladin Energy Ltd for the half-year ended 31 December 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

G H Meyerowitz  
Partner  
Perth  
13 February 2014

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

	Notes	Three months ended 31 December		Six months ended 31 December	
		2013 US\$M	2012 US\$M	2013 US\$M	2012 US\$M
Revenue	5(a)	102.0	134.2	171.4	195.5
Cost of sales	5(b)	(103.5)	(116.8)	(175.8)	(173.8)
Impairment – inventory, stores and consumables		(12.9)	(7.8)	(24.9)	(10.4)
Gross (loss)/profit		(14.4)	9.6	(29.3)	11.3
Other income	5(c)	-	-	0.4	1.2
Exploration and evaluation expenses	13	(0.5)	(0.4)	(0.9)	(0.9)
Administration, marketing and non-production costs	5(d)	(7.0)	(12.0)	(13.2)	(21.7)
Other expenses	5(e)	(324.6)	(55.1)	(333.9)	(100.2)
Loss before interest and tax		(346.5)	(57.9)	(376.9)	(110.3)
Finance costs	5(f)	(13.7)	(16.6)	(27.9)	(33.6)
<b>Net loss before income tax</b>		<b>(360.2)</b>	<b>(74.5)</b>	<b>(404.8)</b>	<b>(143.9)</b>
Income tax benefit/(expense)	6	101.7	(97.8)	102.5	(79.7)
<b>Net loss after tax</b>		<b>(258.5)</b>	<b>(172.3)</b>	<b>(302.3)</b>	<b>(223.6)</b>
Attributable to:					
Non-controlling interests		(43.5)	(24.7)	(47.3)	(30.1)
Members of the parent		(215.0)	(147.6)	(255.0)	(193.5)
<b>Net loss after tax</b>					
<b>Loss per share (US cents)<sup>(1)</sup></b>					
Loss after tax from operations attributable to ordinary equity holders of the Company - basic and diluted (US cents)		(22.3)	(17.1)	(26.3)	(22.6)

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

<sup>(1)</sup> Loss per share for all periods prior to 31 December 2013 have been adjusted by an adjustment factor of 1.04 to reflect the bonus element on the share placement disclosed in Note 18.

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

	Three months ended 31 December		Six months ended 31 December	
	2013	2012	2013	2012
	US\$M	US\$M	US\$M	US\$M
<b>Net loss after tax</b>	<b>(258.5)</b>	<b>(172.3)</b>	<b>(302.3)</b>	<b>(223.6)</b>
<b>Other comprehensive income</b>				
<b>Items that may be reclassified subsequently to profit or loss:</b>				
Transfer of realised gains to other income on disposal of available-for-sale financial assets	-	-	(0.3)	(0.8)
Net (loss)/gain on available-for-sale financial assets	(0.8)	5.6	(4.0)	4.8
Transfer of impairment loss on available-for-sale financial assets to income statement	0.8	-	4.3	-
Foreign currency translation attributable to members of the parent	(35.8)	(5.4)	(20.2)	20.0
Income tax on items of other comprehensive income	0.1	(1.5)	0.1	(1.2)
<b>Items that will not be subsequently reclassified to profit or loss:</b>				
Foreign currency translation attributable to non-controlling interests	(3.5)	1.6	(1.9)	1.7
<b>Other comprehensive (loss)/income for the period, net of tax</b>	<b>(39.2)</b>	<b>0.3</b>	<b>(22.0)</b>	<b>24.5</b>
<b>Total comprehensive loss for the period</b>	<b>(297.7)</b>	<b>(172.0)</b>	<b>(324.3)</b>	<b>(199.1)</b>
Total comprehensive loss attributable to:				
Non-controlling interests	(47.1)	(24.7)	(49.2)	(28.4)
Members of the parent	(250.6)	(147.3)	(275.1)	(170.7)
	<u>(297.7)</u>	<u>(172.0)</u>	<u>(324.3)</u>	<u>(199.1)</u>

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

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

	Notes	As at 31 December 2013 Unaudited US\$M	As at 30 June 2013 Audited US\$M
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	99.4	78.1
Trade and other receivables	8	37.0	78.3
Prepayments		8.4	9.2
Inventories	9	121.7	158.8
<b>TOTAL CURRENT ASSETS</b>		266.5	324.4
<b>Non current assets</b>			
Trade and other receivables	8	1.0	0.1
Inventories	9	155.1	141.4
Other financial assets	10	5.8	10.3
Property, plant and equipment	11	294.2	301.0
Mine development	12	41.8	42.8
Exploration and evaluation expenditure	13	658.7	1,004.9
Intangible assets	14	12.5	12.8
<b>TOTAL NON CURRENT ASSETS</b>		1,169.1	1,513.3
<b>TOTAL ASSETS</b>		1,435.6	1,837.7
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		46.5	57.9
Interest bearing loans and borrowings	15	51.7	63.6
Provisions	16	3.6	9.9
<b>TOTAL CURRENT LIABILITIES</b>		101.8	131.4
<b>Non current liabilities</b>			
Interest bearing loans and borrowings	15	592.3	614.2
Deferred tax liabilities		81.1	186.9
Provisions	16	58.3	57.0
Unearned revenue	17	200.0	200.0
<b>TOTAL NON CURRENT LIABILITIES</b>		931.7	1,058.1
<b>TOTAL LIABILITIES</b>		1,033.5	1,189.5
<b>NET ASSETS</b>		402.1	648.2
<b>EQUITY</b>			
Contributed equity	18(a)	1,926.2	1,845.7
Reserves		84.2	106.6
Accumulated losses		(1,550.5)	(1,295.5)
Parent interests		459.9	656.8
Non-controlling interests		(57.8)	(8.6)
<b>TOTAL EQUITY</b>		402.1	648.2

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

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

	Contributed Equity US\$M	Available for Sale Reserve US\$M	Share- Based Payments Reserve US\$M	Convertible Bond Non- Distrib- utable Reserve US\$M	Foreign Exchange Revaluation Reserve US\$M	Acquisition Reserve US\$M	Option Application Reserve US\$M	Conso- -dation Reserve US\$M	Accumu- -lated Losses US\$M	Owners of the Parent US\$M	Non- Controlling Interests US\$M	Total US\$M
<b>Balance at 1 July 2012</b>	<b>1,839.2</b>	<b>(2.8)</b>	<b>52.2</b>	<b>85.5</b>	<b>28.1</b>	<b>14.9</b>	<b>0.1</b>	<b>(0.2)</b>	<b>(874.6)</b>	<b>1,142.4</b>	<b>52.4</b>	<b>1,194.8</b>
Loss for the period	-	-	-	-	-	-	-	-	(193.5)	(193.5)	(30.1)	(223.6)
Other comprehensive income	-	2.8	-	-	20.0	-	-	-	-	22.8	1.7	24.5
Total comprehensive income/(loss) for the six months, net of tax	-	2.8	-	-	20.0	-	-	-	(193.5)	(170.7)	(28.4)	(199.1)
Share-based payment	-	-	2.7	-	-	-	-	-	-	2.7	-	2.7
Vesting of performance rights	4.6	-	(4.6)	-	-	-	-	-	-	-	-	-
<b>Balance at 31 December 2012</b>	<b>1,843.8</b>	<b>-</b>	<b>50.3</b>	<b>85.5</b>	<b>48.1</b>	<b>14.9</b>	<b>0.1</b>	<b>(0.2)</b>	<b>(1,068.1)</b>	<b>974.4</b>	<b>24.0</b>	<b>998.4</b>
<b>Balance at 1 July 2013</b>	<b>1,845.7</b>	<b>(4.2)</b>	<b>50.2</b>	<b>85.5</b>	<b>(39.7)</b>	<b>14.9</b>	<b>0.1</b>	<b>(0.2)</b>	<b>(1,295.5)</b>	<b>656.8</b>	<b>(8.6)</b>	<b>648.2</b>
Loss for the period	-	-	-	-	-	-	-	-	(255.0)	(255.0)	(47.3)	(302.3)
Other comprehensive income	-	0.1	-	-	(20.2)	-	-	-	-	(20.1)	(1.9)	(22.0)
Total comprehensive income/(loss) for the six months, net of tax	-	0.1	-	-	(20.2)	-	-	-	(255.0)	(275.1)	(49.2)	(324.3)
Contributions of equity, net of transaction costs	78.1	-	-	-	-	-	-	-	-	78.1	-	78.1
Share-based payment	-	-	0.1	-	-	-	-	-	-	0.1	-	0.1
Vesting of performance rights	2.4	-	(2.4)	-	-	-	-	-	-	-	-	-
<b>Balance at 31 December 2013</b>	<b>1,926.2</b>	<b>(4.1)</b>	<b>47.9</b>	<b>85.5</b>	<b>(59.9)</b>	<b>14.9</b>	<b>0.1</b>	<b>(0.2)</b>	<b>(1,550.5)</b>	<b>459.9</b>	<b>(57.8)</b>	<b>402.1</b>

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

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

	Three months ended 31 December		Six months ended 31 December	
	2013 US\$M	2012 US\$M	2013 US\$M	2012 US\$M
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	105.7	108.7	205.2	214.6
Proceeds from off-take agreement	-	-	-	50.0
Payments to suppliers and employees	(89.5)	(96.3)	(183.8)	(192.7)
Exploration and evaluation expenditure	(0.4)	(0.4)	(0.9)	(0.9)
Interest received	0.2	0.3	0.4	0.5
Interest paid	(15.0)	(17.8)	(16.6)	(22.2)
<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>	<b>1.0</b>	<b>(5.5)</b>	<b>4.3</b>	<b>49.3</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for property, plant and equipment	(3.3)	(8.0)	(15.0)	(15.5)
Proceeds from sale of investments	-	-	0.4	1.4
Payments for available-for-sale investments	-	-	-	(1.3)
Capitalised exploration expenditure	(0.9)	(4.9)	(2.6)	(10.2)
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>	<b>(4.2)</b>	<b>(12.9)</b>	<b>(17.2)</b>	<b>(25.6)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Project finance facility establishment costs	-	(0.1)	-	(0.1)
Convertible bond finance costs	-	-	-	(0.4)
Repayment of borrowings	(21.9)	(21.2)	(43.8)	(31.2)
Share placement	-	-	80.6	-
Equity fundraising costs	-	-	(2.5)	-
<b>NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES</b>	<b>(21.9)</b>	<b>(21.3)</b>	<b>34.3</b>	<b>(31.7)</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(25.1)</b>	<b>(39.7)</b>	<b>21.4</b>	<b>(8.0)</b>
Cash and cash equivalents at the beginning of the period	125.0	144.3	78.1	112.1
Effects of exchange rate changes on cash and cash equivalents	(0.5)	0.1	(0.1)	0.6
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>	<b>99.4</b>	<b>104.7</b>	<b>99.4</b>	<b>104.7</b>

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

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**  
EXPRESSED IN US DOLLARS

**NOTE 1. CORPORATE INFORMATION**

The Half Year Financial Report of the Group for the six months ended 31 December 2013 was authorised for issue in accordance with a resolution of the Directors on 11 February 2014.

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

The nature of the operations and principal activities of the Group are described in the Management Discussion and Analysis on pages 3 to 24.

**NOTE 2. GOING CONCERN**

The Group's consolidated financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

During the six months ended 31 December 2013, the Group incurred net losses after tax attributable to the members of US\$255.0M (2012: US\$193.5M) and had net cash inflow of US\$21.4M (2012: outflow US\$8.0M). At balance date the Group had a net working capital surplus of US\$164.7M (30 June 2013: US\$193.0M) including cash on hand of US\$99.4M (30 June 2013: US\$78.1M). Included within this cash on hand is US\$25.6M (30 June 2013: US\$25.7M) which is restricted for use in respect of the LHM and KM project finance facilities.

Repayment obligations, during the next twelve months to 31 December 2014, in respect of interest bearing loans and borrowings are summarised as follows:

- secured bank loans principal repayments of US\$18.3M for project financing; and
- interest payments of US\$32.5M for project financing and convertible bonds.

On 20 January 2014, the Company announced that it signed an agreement on 18 January 2014 to sell a 25% equity stake in the Langer Heinrich uranium mining operation in Namibia to China Uranium Corporation Limited, a wholly owned subsidiary of China National Nuclear Corporation (**CNNC**), the leading Chinese nuclear utility, for consideration of US\$190M.

The respective Boards of Paladin and CNNC have approved the transaction. Completion is subject only to certain Chinese regulatory approvals (including the National Development and Reform Commission), which are expected to be obtained by mid-2014, and routine consents for the transaction from Paladin's project financiers and the Bank of Namibia. CNNC has paid a US\$20M deposit to an escrow agent. The deposit will become non-refundable on receipt by the escrow agent of the routine consents for the transaction from Paladin's project financiers and the Bank of Namibia.

In addition, in arriving at its position in relation to going concern, the Directors have given consideration to the following:

- the refinancing of the LHM and the KM project finance facilities announced in January 2014;
- placing KM on care and maintenance will improve Paladin's forecast cash flow position by US\$7-10M in calendar year 2014 and US\$20-25M in calendar year 2015; and
- the Group has a history of successful capital raisings.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**  
EXPRESSED IN US DOLLARS

**NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of preparation**

This general purpose condensed financial report for the six months ended 31 December 2013 has been prepared in accordance with Australian Accounting Standards Board ("AASB") 134 *Interim Financial Reporting*, International Financial Reporting Standard, IAS 34 Interim Financial Reporting and the Corporations Act.

In addition to these requirements further information has been included in the Consolidated Financial Statements for the six months ended 31 December 2013 in order to comply with applicable Canadian securities law, as the Company is listed on the Toronto Stock Exchange.

This financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2013 and any public announcements made by Paladin during the interim reporting period in accordance with the continuous disclosure requirements of ASX listing rules.

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

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

**New and amended accounting standards and interpretations**

From 1 July 2013 the Group has adopted all Australian Accounting Standards and Interpretations effective for annual periods beginning on or before 1 July 2013.

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

New standards adopted by the Group include:

AASB 10 Consolidated Financial Statements and AASB 127 Separate Financial Statements

AASB 10 establishes a single control model that applies to all entities including special purpose entities. AASB 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

To meet the definition of control in AASB 10, all three criteria must be met, including:

- (a) an investor has power over the investee;
- (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and
- (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

AASB 10 had no impact on the consolidation of investments held by the Group.

AASB 11 Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures

AASB 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under AASB 11 must be accounted for using the equity method.

AASB 11 has had no impact on the financial position and performance of the Group.



**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**  
EXPRESSED IN US DOLLARS

**NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**New and amended accounting standards and interpretations (continued)**

AASB 12 Disclosure of Interests in Other Entities

This Standard requires an entity to disclose information that enables users of its financial statements to evaluate:

- (a) the nature of, and risks associated with, its interests in other entities; and
- (b) the effects of those interests on its financial position, financial performance and cash flows.

AASB 12 has had no impact on the financial position and performance of the Group.

AASB 13 Fair Value Measurement

This Standard:

- (a) defines fair value;
- (b) sets out in a single Standard a framework for measuring fair value; and
- (c) requires disclosures about fair value measurements.

AASB 13 has had no impact on the financial position and performance of the Group.

AASB 119 Employee Benefits

This Standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.

AASB 119 has had no impact on the financial position and performance of the Group.

Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine

The Interpretation states that an entity must recognise production stripping costs as part of an asset when all of the following criteria are met:

- (a) it is probable that the future economic benefits (improved access to an ore body) associated with the stripping activity will flow to the entity;
- (b) the entity can identify the component of an ore body for which access has been improved; and
- (c) the costs relating to the improved access to that component can be measured reliably.

The Interpretation considers that production stripping activity may create two benefits, which include:

- (i) extraction of ore (inventory) in the current period; and
- (ii) improved access to an ore body to be mined in a future period.

To the extent that the benefit is realised in the current period in the form of inventory produced, an entity must account for the associated production stripping costs in accordance with the principles of IAS 2 Inventories.

To the extent that the benefit creates improved access to ore to be mined in future periods, an entity must recognise these production stripping costs as a non-current asset, if the criteria above are met. The Interpretation refers to this non-current asset as the "stripping activity asset".

The Group has assessed that the useful lives of the individual identifiable components of the relative ore bodies are short and that the strip ratio over the life of component is relatively uniform. Accordingly, the Group accounts for production stripping costs as a production cost in accordance with AASB 102 Inventories. Accordingly, the adoption of Interpretation 20 has had no impact on the financial position or performance of the Group.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**  
EXPRESSED IN US DOLLARS

**NOTE 4. SEGMENT INFORMATION**

**Identification of reportable segments**

The Group has identified its operating segments to be Exploration, Namibia and Malawi, on the basis of the nature of the activity and geographical location and different regulatory environments. The main segment activity in Namibia and Malawi is the production and sale of uranium from the mines located in these geographic regions. The Exploration segment is focused on developing exploration and evaluation projects in Australia, Niger and Canada. The Unallocated portion covers the Group's sales and marketing, treasury, corporate and administration.

Discrete financial information about each of these operating segments is reported to the Group's executive management team (chief operating decision makers) on at least a monthly basis.

The accounting policies used by the Group in reporting segments internally are the same as those used in the prior period.

Inter-entity sales are priced with reference to the spot rate.

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

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

- interest revenue;
- non project finance interest and borrowing expense; and
- unallocated corporate and labour costs.

The Group's customers are major utilities and other entities located mainly in North America, Australia, Asia and Europe. These revenues are attributed the geographic location of the mines being the reporting segments Namibia and Malawi.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**  
**EXPRESSED IN US DOLLARS**

**NOTE 4. SEGMENT INFORMATION (continued)**

The following tables present revenue, expenditure and asset information regarding operating segments for the six months ended 31 December 2013 and 31 December 2012.

<b>Six months ended 31 December 2013</b>	<b>Exploration US\$M</b>	<b>Namibia US\$M</b>	<b>Malawi US\$M</b>	<b>Unallocated US\$M</b>	<b>Consolidated US\$M</b>
Sales to external customers	-	104.2	66.8	-	171.0
Other revenue	-	-	-	0.4	0.4
Total consolidated revenue	-	104.2	66.8	0.4	171.4
Cost of goods sold	-	(102.5)	(73.3)	-	(175.8)
Impairment of inventory, stores and consumables	-	-	(24.9)	-	(24.9)
Gross Profit/(Loss)	-	1.7	(31.4)	0.4	(29.3)
Other expenses	(0.4)	(1.8)	(7.3)	(10.2)	(19.7)
Impairment of exploration and evaluation	(323.6)	-	-	-	(323.6)
Impairment of asset	-	-	-	(4.3)	(4.3)
Segment loss before income tax and finance costs	(324.0)	(0.1)	(38.7)	(14.1)	(376.9)
Finance costs	-	(2.8)	(2.5)	(22.6)	(27.9)
Loss before income tax	(324.0)	(2.9)	(41.2)	(36.7)	(404.8)
Income tax benefit/(expense)	97.2	5.4	-	(0.1)	102.5
(Loss)/profit after income tax	(226.8)	2.5	(41.2)	(36.8)	(302.3)
<b>At 31 December 2013</b>					
Segment total assets	662.5	610.3	88.9	73.9	1,435.6
<b>Six months ended 31 December 2012</b>	<b>Exploration US\$M</b>	<b>Namibia US\$M</b>	<b>Malawi US\$M</b>	<b>Unallocated US\$M</b>	<b>Consolidated US\$M</b>
Sales to external customers	-	137.8	57.1	-	194.9
Other revenue	-	-	-	0.6	0.6
Inter segment sales	-	9.9	4.9	-	14.8
Total segment revenue	-	147.7	62.0	0.6	210.3
Elimination of inter segment sales	-	(9.9)	(4.9)	-	(14.8)
Total consolidated revenue	-	137.8	57.1	0.6	195.5
Cost of goods sold	-	(111.0)	(62.8)	-	(173.8)
Impairment of inventory, stores and consumables	-	-	(10.4)	-	(10.4)
Gross Profit/(Loss)	-	26.8	(16.1)	0.6	11.3
Other expenses	(0.3)	(2.7)	(9.1)	(13.5)	(25.6)
Impairment of asset	-	-	(96.0)	-	(96.0)
Segment (loss)/profit before income tax and finance costs	(0.3)	24.1	(121.2)	(12.9)	(110.3)
Finance costs	-	(4.0)	(3.4)	(26.2)	(33.6)
(Loss)/profit before income tax	(0.3)	20.1	(124.6)	(39.1)	(143.9)
Income tax benefit/(expense)	0.1	0.2	(85.0)	5.0	(79.7)
(Loss)/profit after income tax	(0.2)	20.3	(209.6)	(34.1)	(223.6)
<b>At 30 June 2013</b>					
Segment total assets	1,009.3	639.1	140.2	49.1	1,837.7

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**  
EXPRESSED IN US DOLLARS

**NOTE 5. REVENUE AND EXPENSES**

	Three months ended 31 December		Six months ended 31 December	
	2013 US\$M	2012 US\$M	2013 US\$M	2012 US\$M
<b>(a) Revenue</b>				
Sale of uranium	101.8	133.9	171.0	194.9
Interest income from non-related parties	0.1	0.3	0.3	0.5
Other revenue	0.1	-	0.1	0.1
<b>Total</b>	<b>102.0</b>	<b>134.2</b>	<b>171.4</b>	<b>195.5</b>
<b>(b) Cost of Sales</b>				
Costs before depreciation and amortisation	(93.6)	(101.1)	(154.1)	(152.4)
Depreciation and amortisation	(14.7)	(17.9)	(29.4)	(29.0)
Impairment loss reversed on sale of inventory	12.8	9.0	21.3	19.4
Product distribution costs	(5.4)	(3.4)	(9.0)	(6.2)
Royalties	(2.6)	(3.4)	(4.6)	(5.6)
<b>Total</b>	<b>(103.5)</b>	<b>(116.8)</b>	<b>(175.8)</b>	<b>(173.8)</b>
<b>(c) Other income</b>				
Gain on disposal of available-for-sale investments	-	-	0.4	1.2
<b>Total</b>	<b>-</b>	<b>-</b>	<b>0.4</b>	<b>1.2</b>
<b>(d) Administration, marketing and non-production costs</b>				
Corporate and marketing	(4.2)	(6.6)	(8.0)	(11.4)
Restructure costs	-	(0.4)	(0.1)	(0.4)
Mine sites (LHM and KM)	(1.6)	(2.1)	(3.4)	(4.0)
Canadian operations	-	(0.4)	(0.1)	(0.8)
Non-cash – Share based payments	(0.8)	(1.0)	(0.1)	(2.6)
Non-cash – Depreciation	(0.4)	(0.4)	(0.8)	(0.9)
LHM Stage 4 expansion evaluation project	-	(0.4)	(0.7)	(0.6)
KM research and development	-	(0.7)	-	(1.0)
<b>Total</b>	<b>(7.0)</b>	<b>(12.0)</b>	<b>(13.2)</b>	<b>(21.7)</b>

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**  
EXPRESSED IN US DOLLARS

**NOTE 5. REVENUE AND EXPENSES (continued)**

	Three months ended		Six months ended	
	31 December		31 December	
	2013	2012	2013	2012
	US\$M	US\$M	US\$M	US\$M
<b>(e) Other expenses</b>				
Impairment of exploration assets <sup>(1)</sup>	(323.6)	-	(323.6)	-
Impairment of available-for-sale financial assets	(0.8)	-	(4.3)	-
Impairment of asset <sup>(2)</sup>	-	(54.9)	-	(96.0)
Slope remediation	-	(0.1)	-	(0.2)
KM fixed costs during plant shutdown	(0.4)	-	(4.6)	(2.3)
Foreign exchange gain/(loss) (net)	0.2	(0.1)	(1.4)	(1.7)
<b>Total</b>	<b>(324.6)</b>	<b>(55.1)</b>	<b>(333.9)</b>	<b>(100.2)</b>

<sup>(1)</sup> At 31 December 2013, due to the continuing depressed uranium price, an impairment charge of US\$323.6M (US\$226.5M after tax) was recognised to reduce the carrying value of the Queensland exploration assets. The estimated recoverable amount of the project of US\$381.0M (US\$325M net of deferred tax liability) was determined on the basis of fair value less costs to dispose, using a valuation range provided by recent comparable market transactions and other market indicators.

<sup>(2)</sup> December 2012 - the continued deterioration of the uranium price has resulted in a reduction of the carrying value to the recoverable amount of US\$125.4M of the KM assets from US\$221.4M resulting in an impairment charge of US\$96.0M (2013: US\$Nil).

**(f) Finance costs**

Interest expense	(8.2)	(11.0)	(17.0)	(22.3)
Accretion relating to convertible bonds (non- cash)	(4.5)	(4.4)	(8.9)	(8.8)
Unwind of discount on mine closure provision	(0.4)	(0.5)	(0.9)	(1.1)
Facility costs	(0.6)	(0.7)	(1.1)	(1.4)
<b>Total</b>	<b>(13.7)</b>	<b>(16.6)</b>	<b>(27.9)</b>	<b>(33.6)</b>

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**  
EXPRESSED IN US DOLLARS

**NOTE 6. INCOME TAX**

**Reconciliation of accounting loss to income tax benefit/expense**

	Three months ended 31 December		Six months ended 31 December	
	2013 US\$M	2012 US\$M	2013 US\$M	2012 US\$M
Loss before income tax expense	(360.2)	(74.5)	(404.8)	(143.9)
Tax at the Australian rate of 30% (2012 – 30%)	108.1	22.4	121.4	43.2
Tax effect of amounts which are taxable/(non-deductible) in calculating taxable income:				
Share-based payments	(0.3)	(0.3)	(0.1)	(0.7)
Permanent foreign exchange differences	24.6	10.3	31.0	25.0
Other expenditure deductible/(not allowable)	(1.3)	(0.5)	(0.6)	0.6
	131.1	31.9	151.7	68.1
Difference in overseas tax rates	3.0	(2.9)	2.7	(4.2)
Losses (not recognised)/derecognised	(67.8)	(3.4)	(90.0)	(12.4)
Other foreign exchange differences	44.8	(18.9)	50.4	(33.9)
Convertible notes	-	(1.1)	-	(2.2)
Loan written off not recognised	(2.0)	(7.7)	2.1	0.6
Tax expense arising from the reversal of previously recognised tax losses	0.4	(98.2)	0.4	(98.2)
Other	(7.8)	2.5	(14.8)	2.5
<b>Income tax benefit/(expense) reported in Income Statement</b>	<b>101.7</b>	<b>(97.8)</b>	<b>102.5</b>	<b>(79.7)</b>

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**  
EXPRESSED IN US DOLLARS

**NOTE 7. CASH AND CASH EQUIVALENTS**

	31 December 2013 US\$M	30 June 2013 US\$M
Cash at bank and on hand	9.2	9.8
Short-term bank deposits	90.2	68.3
<b>Total cash and cash equivalents</b>	<b>99.4</b>	<b>78.1</b>

Total cash and cash equivalents includes US\$25.6M (30 June 2013: US\$25.7M) restricted for use in respect of the LHM and KM project finance facilities (refer to Note 15).

**NOTE 8. TRADE AND OTHER RECEIVABLES**

**Current**

Trade receivables	26.2	60.4
GST and VAT	7.1	13.5
Sundry debtors	3.7	4.4
<b>Total current receivables</b>	<b>37.0</b>	<b>78.3</b>

**Non Current**

Sundry debtors	1.0	0.1
<b>Total non current receivables</b>	<b>1.0</b>	<b>0.1</b>

**NOTE 9. INVENTORIES**

**Current**

Stores and consumables (at cost)	8.3	33.5
Stores and consumables (at net realisable value)	21.5	-
Stockpiles (at cost)	2.6	2.0
Work-in-progress (at cost)	1.8	2.3
Work-in-progress (at net realisable value)	2.3	11.4
Finished goods (at cost)	55.2	57.5
Finished goods (at net realisable value)	30.0	52.1
<b>Total current inventories at the lower of cost and net realisable value</b>	<b>121.7</b>	<b>158.8</b>

During the six months ended 31 December 2013 an impairment of US\$24.9M (2013: US\$10.4M) was required to reduce the cost of inventory, stores and consumables held at KM to a net realisable value. This resulted in an impairment expense recognised in cost of sales.

**Non Current**

Stockpiles (at cost)	155.1	141.4
<b>Total non current inventories at the lower of cost and net realisable value</b>	<b>155.1</b>	<b>141.4</b>

Stockpiles at LHM that are unlikely to be processed within 12 months of the balance date.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**  
EXPRESSED IN US DOLLARS

**NOTE 10. OTHER FINANCIAL ASSETS**

	<b>31 December 2013 US\$M</b>	<b>30 June 2013 US\$M</b>
<b>Available-for-sale financial assets</b>	<b>5.8</b>	<b>10.3</b>

The Group has an investment in DYL and at 31 December 2013 held 304,400,275 (30 June 2013: 304,400,275) fully paid ordinary shares.

The holding of these fully paid ordinary shares represents a 18.9% interest at 31 December 2013 (30 June 2013: 19.5%) of the ordinary shares of DYL, a uranium explorer listed on ASX. The market value of the shares in DYL at 31 December 2013 is A\$5.5M (US\$4.9M) (30 June 2013: A\$10.0M / US\$9.2M) based on a share price of 1.8 Australian cents per share (30 June 2013: 3.3 Australian cents).

The Group also holds minor investments in other companies.

**NOTE 11. PROPERTY, PLANT AND EQUIPMENT**

Plant and equipment (at cost) <sup>(1)</sup>	708.3	704.8
Less accumulated depreciation and impairment	(425.7)	(414.5)
Total plant and equipment	282.6	290.3
Land and buildings (at cost) <sup>(2)</sup>	11.0	11.4
Less accumulated depreciation	(2.3)	(2.2)
Total land and buildings	8.7	9.2
Construction work in progress (at cost) <sup>(3)</sup>	8.6	4.3
Less impairment	(5.7)	(2.8)
Total construction work in progress	2.9	1.5
<b>Total property, plant and equipment</b>	<b>294.2</b>	<b>301.0</b>

<sup>(1)</sup> Includes additions of US\$0.9M (30 June 2013: US\$24.9M)

<sup>(2)</sup> Includes additions of US\$Nil (30 June 2013: US\$Nil)

<sup>(3)</sup> Includes additions of US\$10.3M (30 June 2013: US\$9.5M)

**NOTE 12. MINE DEVELOPMENT**

Mine development (at cost) <sup>(1)</sup>	191.4	185.1
Less accumulated depreciation and impairment	(149.6)	(142.3)
<b>Total mine development</b>	<b>41.8</b>	<b>42.8</b>

<sup>(1)</sup> Includes additions of US\$5.7M (30 June 2013: US\$13.9M)



**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**  
EXPRESSED IN US DOLLARS

**NOTE 13. EXPLORATION AND EVALUATION EXPENDITURE**

The following table details the expenditures on interests in mineral properties by area of interest for the six months ended 31 December 2013:

Areas of interest	Valhalla /Skal <sup>(1)</sup>	Isa North	Fusion	Angela/ Pamela	Bigryli	Niger	KM	Canada	Other Uranium Projects	Total
	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M
<b>Balance 30 June 2013</b>	<b>576.1</b>	<b>137.7</b>	<b>10.9</b>	-	<b>10.0</b>	-	-	<b>261.7</b>	<b>8.5</b>	<b>1,004.9</b>
<b>Project exploration and evaluation expenditure</b>										
Labour	0.1	0.1	-	-	-	0.1	0.1	1.1	0.3	1.8
Outside services	-	-	-	-	-	-	0.2	0.1	-	0.3
Other expenses	0.2	-	-	0.1	-	0.1	0.1	0.8	0.2	1.5
Total expenditure	0.3	0.1	-	0.1	-	0.2	0.4	2.0	0.5	3.6
Expenditure expensed	-	-	-	(0.1)	-	(0.2)	(0.4)	-	(0.2)	(0.9)
<b>Expenditure capitalised</b>	<b>0.3</b>	<b>0.1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2.0</b>	<b>0.3</b>	<b>2.7</b>
Foreign exchange differences	(16.3)	(3.9)	(0.3)	-	(0.3)	-	-	(4.2)	(0.3)	(25.3)
Impairment of exploration and evaluation	(246.7)	(76.9)	-	-	-	-	-	-	-	(323.6)
<b>Balance 31 December 2013</b>	<b>313.4</b>	<b>57.0</b>	<b>10.6</b>	<b>-</b>	<b>9.7</b>	<b>-</b>	<b>-</b>	<b>259.5</b>	<b>8.5</b>	<b>658.7</b>

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

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**  
EXPRESSED IN US DOLLARS

**NOTE 14. INTANGIBLE ASSETS**

	31 December 2013 US\$M	30 June 2013 US\$M
Intangible assets – at cost	27.8	27.8
Less accumulated depreciation and impairment	(15.3)	(15.0)
	<hr/>	<hr/>
Net carrying value – intangible assets	<b>12.5</b>	<b>12.8</b>
	<hr/> <hr/>	<hr/> <hr/>

**NOTE 15. INTEREST BEARING LOANS AND BORROWINGS**

<b>Current</b>	<b>Maturity</b>		
Secured bank loans		51.7	63.6
		<hr/>	<hr/>
Total current interest bearing loans and borrowings		<b>51.7</b>	<b>63.6</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>Non Current</b>			
Unsecured convertible bonds <sup>(1)</sup>	2015	280.9	276.0
Unsecured convertible bonds <sup>(2)</sup>	2017	240.7	236.6
Secured bank loan	amortised to 2015	17.9	37.0
Secured bank loan	amortised to 2017	52.8	64.6
		<hr/>	<hr/>
Total non current interest bearing loans and borrowings		<b>592.3</b>	<b>614.2</b>
		<hr/> <hr/>	<hr/> <hr/>

The above figures include transaction costs which offset the balance in accordance with the requirements of Accounting Standards.

*Unsecured convertible bonds*

<sup>(1)</sup> On 5 November 2010, the Company issued US\$300M in convertible bonds with a coupon rate of 3.625%, (underlying effective interest rate of 7.47%) maturing on 5 November 2015 with a conversion price of US\$5.403, for Company shares.

<sup>(2)</sup> On 30 April 2012, the Company issued US\$274M in convertible bonds with a coupon rate of 6% (underlying effective interest rate of 10.68%) maturing on 30 April 2017 with a conversion price of US\$2.109 for Company shares.

Pursuant to the terms of the Bonds the prevailing Conversion Price is subject to adjustment where any new issue of shares is at less than 95% of the Current Market Price. Following the completion of the Placement on 12 August 2013, the Conversion Prices have been adjusted as follows:

- convertible bonds due 2015: US\$5.403 (previously US\$5.608); and
- convertible bonds due 2017: US\$2.109 (previously US\$2.19).

In disclosing the convertible bonds in the Consolidated Financial Statements, the Company has accounted for them in accordance with Australian Accounting Standards. Under these standards the convertible bonds consist of both a liability (underlying debt) and equity component (conversion rights into Company shares).

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**  
EXPRESSED IN US DOLLARS

**NOTE 15. INTEREST BEARING LOANS AND BORROWINGS (continued)**

*Secured bank loans*

Kayelekera Mine, Malawi - US\$167M Project Finance Facility

On 30 March 2009, the Group entered into a project financing facility of US\$167M for the construction of KM. The project finance consists of a six year project finance facility of US\$145M, a standby cost overrun facility of US\$12M and a performance bond facility of US\$10M. The facilities were provided by Société Générale Corporate and Investment Banking (as inter-creditor agent and commercial lender), Nedbank Capital a division of Nedbank Limited (ECIC lender) and Standard Bank Limited (as ECIC facility agent and lender). The facilities are secured over the assets of Paladin (Africa) Ltd. The completion test was satisfied on 25 March 2013. Post the completion test date, the commercial bank tranche bears interest at the London Interbank Offered Rate ("LIBOR") plus 2.5%. The ECIC tranche bears interest at LIBOR plus 2.5% whilst the cost overrun facility bears interest at LIBOR plus 3.5%. The facilities are repayable on a four monthly basis over the term of the loan. The Company has provided a guarantee as part of the facilities.

At 31 December 2013 US\$48.1M (30 June 2013: US\$68.1M) was outstanding under the KM project finance facility.

Langer Heinrich Mine, Namibia - US\$141M Stage 3 Project Finance Facility

On 26 August 2011 the Group entered into a project financing facility of US\$141M for the construction of Stage 3 of LHM. The facility consists of a six-year US\$135M project financing facility and a US\$6M cost overrun facility. The facility was provided by Société Générale (as Agent), Nedbank Capital, Standard Bank Plc, Barclays Capital (the investment banking division of Barclays Bank PLC) and Rand Merchant Bank, a division of FirstRand Bank Limited. The facility was fully drawn down during the December 2011 quarter. The completion test was satisfied on 25 January 2013. Post the completion test date, the facility bears interest at the LIBOR plus 3.25%. The facilities are repayable on a six monthly basis over the term of the loan. The facilities are secured with fixed and floating charges over the assets of LHUPL and its immediate holding companies.

At 31 December 2013 US\$77.7M (30 June 2013: US\$101.5M) was outstanding under the LHM Stage 3 project finance facility.

Transaction costs relating to the establishment of the facilities have been included as part of interest bearing loans and borrowings.

Refer to Note 21 in relation to the refinancing of the secured bank loans (post balance date).

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**  
EXPRESSED IN US DOLLARS

**NOTE 16. PROVISIONS**

	<b>31 December 2013 US\$M</b>	<b>30 June 2013 US\$M</b>
<b>Current</b>		
Employee benefits	3.6	9.9
<b>Total current provisions</b>	<b>3.6</b>	<b>9.9</b>
<b>Non Current</b>		
Employee benefits	3.3	3.0
Rehabilitation provision	53.3	52.3
Demobilisation provision	1.7	1.7
<b>Total non current provisions</b>	<b>58.3</b>	<b>57.0</b>

**NOTE 17. UNEARNED REVENUE**

	<b>31 December 2013 US\$M</b>	<b>30 June 2013 US\$M</b>
<b>Non Current</b>		
Unearned revenue	200.0	200.0
<b>Total unearned revenue</b>	<b>200.0</b>	<b>200.0</b>

Total prepayment of US\$200M under a six year off-take agreement with EdF, a major electricity generator and distribution company in France, to deliver a total of 13.73Mlb U<sub>3</sub>O<sub>8</sub> in the period from 2019 to 2024. Uranium delivered under the off-take agreement will be sold to EdF at market prices prevailing at the time of delivery bounded by escalating floor and ceiling prices.

To secure the Company's obligation to deliver product representing the prepayment amount, EdF holds security over 60.1% of the Group's Michelin project in Canada. The percentage of Michelin secured will be reduced by joint agreement as the value of that project is enhanced by the Group's ongoing work. The Michelin security can also be replaced by other appropriate security if required.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**  
EXPRESSED IN US DOLLARS

**NOTE 18. CONTRIBUTED EQUITY**

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

Ordinary shares	31 December 2013 Number of Shares	30 June 2013 Number of Shares	31 December 2013 US\$M	30 June 2013 US\$M
Issued and fully paid	964,204,004	837,187,808	1,926.2	1,845.7

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

Date		Number of Shares	Issue Price A\$	Exchange Rate US\$: A\$	Total US\$M
Balance 30 June 2012		835,645,290			1,839.2
September 2012	Rights vested	1,180,361	-	-	-
February 2013	Rights vested	143,635	-	-	-
March 2013	Rights vested	218,522	-	-	-
	Transfer from reserves				6.5
<b>Balance 30 June 2013</b>		<b>837,187,808</b> <sup>(1)</sup>			<b>1,845.7</b>

<sup>(1)</sup> Includes 43,134 shares held by Paladin Employee Plan Pty Ltd.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**  
EXPRESSED IN US DOLLARS

**NOTE 18. CONTRIBUTED EQUITY (continued)**

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

Date		Number of Shares	Issue Price A\$	Exchange Rate US\$: A\$	Total US\$M
Balance 30 June 2013		837,187,808			1,845.7
August 2013	Share placement	125,578,171	0.70	1.08998	80.6
September 2013	Rights vested	566,095	-	-	-
November 2013	Rights vested	786,493	-	-	-
December 2013	Rights vested	85,437	-	-	-
	Transfer from reserves				2.4
	Transaction costs				(2.5)
<b>Balance 31 December 2013</b>		<b>964,204,004</b> <sup>(1)</sup>			<b>1,926.2</b>

<sup>(1)</sup> Includes 1,084 shares held by Paladin Employee Plan Pty Ltd.

**(c) Performance Share Rights**

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

	31 December 2013 Number	30 June 2013 Number
Number of unlisted employee share rights	2,415,619	3,358,957

Consisting of the following:

Date rights granted	Vesting date	Vesting performance conditions	Number
26 March 2010	26 March 2014	Relative total shareholder return	150,000
5 November 2010	5 November 2014	Relative total shareholder return	250,000
15 February 2011	15 February 2014	Time based	125,650
2 April 2012	1 September 2014	Time based	402,475
2 April 2012	1 September 2014	Relative total shareholder return	281,980
2 April 2012	1 September 2014	Market price	422,970
15 November 2013	14 November 2014	Time based <sup>(2)</sup>	732,544
15 November 2013	1 September 2015	Time based <sup>(2)</sup>	50,000
<b>Total</b>			<b>2,415,619</b>

<sup>(2)</sup> The fair value of the equity-settled share rights granted under the plan is estimated as at the date of grant using the Black-Scholes valuation model for rights with non-market based performance conditions. The weighted average fair value of rights granted during the year was A\$0.41.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**  
EXPRESSED IN US DOLLARS

**NOTE 19. COMMITMENTS AND CONTINGENCIES**

There were no outstanding commitments or contingencies, which are not disclosed in the Financial Report of the Group as at 31 December 2013 other than:

	<b>31 December 2013 US\$M</b>	<b>30 June 2013 US\$M</b>
<b>(a) Tenements</b>		
Commitments for tenements contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	2.1	1.0
Later than one year but not later than 5 years	3.7	6.0
More than 5 years	24.2	24.6
<b>Total tenements commitment</b>	<b>30.0</b>	<b>31.6</b>

These include commitments relating to tenement lease rentals and the minimum expenditure requirements of the Namibian, Malawian, Canadian, Western Australian, South Australian, Northern Territorian and Queensland 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.

These are necessary in order to maintain the tenements in which the Group 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 Namibia, Malawi, Australia and Canada.

**(b) Operating Lease Commitments**

The Group has entered into various property leases relating to rental of offices and residential accommodation.

These non-cancellable leases have remaining terms of between 1 month and 6 years. All leases include a clause to enable upward revision of rental charge on an annual basis according to prevailing market conditions.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	<b>31 December 2013 US\$M</b>	<b>30 June 2013 US\$M</b>
Within one year	0.9	1.4
Later than one year but not later than 5 years	1.4	2.2
More than 5 years	-	-
<b>Total operating lease commitment</b>	<b>2.3</b>	<b>3.6</b>

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**  
EXPRESSED IN US DOLLARS

**NOTE 19. COMMITMENTS AND CONTINGENCIES (continued)**

	31 December 2013 US\$M	30 June 2013 US\$M
<b>(c) Other Commitments</b>		
Commitments for mining, transport and reagents contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	26.0	50.5
Later than one year but not later than 5 years	2.0	2.0
More than 5 years	-	-
<b>Total other commitments</b>	<b>28.0</b>	<b>52.5</b>

**(d) Acquisition Costs**

In 1998 Paladin acquired a call option in relation to the purchase of Oobagooma from Afmeco Mining and Exploration Pty Ltd, which at the time was a subsidiary of AREVA Resources Australia Pty Ltd (AREVA Australia). This arrangement was recently varied so that Paladin Energy Minerals NL is now the applicant and will, upon the anticipated grant, hold the exploration licence directly. Recent changes to the Mining Act 1978 (WA) now permit the grant of tenements within the Yampi Sound Defence Training Area and Paladin Energy Minerals holds a first ranking application. In accordance with the revised terms of the agreement with AREVA Australia, Paladin has paid A\$375,000 / US\$0.3M to AREVA Australia with a further A\$375,000 / US\$0.3M to be paid on final grant of the tenement.

In relation to the Manyingee Uranium Project, the re-negotiated acquisition terms provide for a payment of A\$0.75M / (US\$0.67M) (30 June 2013: A\$0.75M (US\$0.68M)) by the Group to the vendors when all project development approvals are obtained.

**(e) Bank Guarantees**

As at 31 December 2013 the Group has outstanding US\$734,476 / (A\$827,791) (30 June 2013: US\$959,302 / A\$1,050,387) as a current guarantee provided by a bank for the corporate office lease, a US\$219,599 / (A\$247,500) (30 June 2013: US\$219,193 / A\$240,005) guarantee for tenements and a US\$10M (30 June 2013: US\$10M) KM environmental performance guarantee.

**(f) Contingent Liability**

A dispute has arisen between a Group company and a contractor in relation to the contract for the Stage 3 expansion at LHM. The contractor is seeking payment of the disputed sum of ZAR235M, which is approximately US\$22M. The Group denies the claim and will vigorously defend it. The Group is also counterclaiming damages from the contractor and cross-claiming from another contractor. The precise quantum of the counter-claim and cross claim has not yet been established but is expected to exceed the contractor's claim.



**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**  
EXPRESSED IN US DOLLARS

**NOTE 20. FINANCIAL INSTRUMENTS**

**Risk Management Activities**

The risk management activities are consistent with those of the previous financial year unless otherwise stated.

**Financial Instruments**

Set out below is an overview of financial instruments, other than cash and short-term deposits, held by the Group:

	<b>As at 31 December 2013 Unaudited US\$M</b>	<b>As at 30 June 2013 Audited US\$M</b>
<b>Financial assets:</b>		
Cash and cash equivalents	99.4	78.1
Trade and other receivables – at amortised cost	37.0	78.3
<b>Total current</b>	<b>136.4</b>	<b>156.4</b>
Trade and other receivables - at amortised cost	1.0	0.1
Available-for-sale financial assets - at fair value	5.8	10.3
<b>Total non-current</b>	<b>6.8</b>	<b>10.4</b>
<b>Total</b>	<b>143.2</b>	<b>166.8</b>
<b>Financial liabilities:</b>		
Trade and other payables - at amortised cost	46.5	57.9
Interest bearing loans and borrowings - at amortised cost	51.7	63.6
<b>Total current</b>	<b>98.2</b>	<b>121.5</b>
Interest bearing loans and borrowings - at amortised cost	592.3	614.2
<b>Total non-current</b>	<b>592.3</b>	<b>614.2</b>
<b>Total</b>	<b>690.5</b>	<b>735.7</b>

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**  
EXPRESSED IN US DOLLARS

**NOTE 20. FINANCIAL INSTRUMENTS (continued)**

**Fair Values**

Set out below is a comparison of the carrying amounts and fair values of financial instruments as at 31 December 2013:

	<b>Carrying amount US\$M</b>	<b>Fair value US\$M</b>
<b>Financial assets:</b>		
Cash and cash equivalents	99.4	99.4
Trade and other receivables	37.0	37.0
<b>Total current</b>	<b>136.4</b>	<b>136.4</b>
Trade and other receivables	1.0	1.0
Available-for-sale financial assets	5.8	5.8
<b>Total non-current</b>	<b>6.8</b>	<b>6.8</b>
<b>Total</b>	<b>143.2</b>	<b>143.2</b>
<b>Financial liabilities:</b>		
Trade and other payables	46.5	46.5
Interest bearing loans and borrowings:		
- Secured bank loan	51.7 <sup>(1)</sup>	53.8
<b>Total current</b>	<b>98.2</b>	<b>100.3</b>
Interest bearing loans and borrowings		
- Secured bank loan	70.7 <sup>(1)</sup>	72.0
- Unsecured convertible bonds	521.6 <sup>(1)</sup>	426.9 <sup>(2)</sup>
<b>Total non-current</b>	<b>592.3</b>	<b>498.9</b>
<b>Total</b>	<b>690.5</b>	<b>599.2</b>

<sup>(1)</sup> This figure includes transaction costs which offset the balance in accordance with the requirements of Accounting Standards.

<sup>(2)</sup> The fair value is calculated using quoted prices in an active market.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**  
EXPRESSED IN US DOLLARS

**NOTE 20. FINANCIAL INSTRUMENTS (continued)**

**Fair value hierarchy**

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below:

Quarter ended 31 December 2013				Year ended 30 June 2013			
Quoted market price (Level 1)	Valuation technique-market observable inputs (Level 2)	Valuation technique-non market observable inputs (Level 3)	Total	Quoted market price (Level 1)	Valuation technique-market observable inputs (Level 2)	Valuation technique-non market observable inputs (Level 3)	Total
US\$M	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M

**Financial assets recognised at fair value**

Available-for-sale investments								
Listed investments	5.8	-	-	5.8	10.3	-	-	10.3
	<b>5.8</b>	<b>-</b>	<b>-</b>	<b>5.8</b>	<b>10.3</b>	<b>-</b>	<b>-</b>	<b>10.3</b>

The Group classifies its investments and other financial assets in the following categories: loans and receivables, held-to-maturity investments, available-for-sale financial assets and financial assets held for trading. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**  
EXPRESSED IN US DOLLARS

**NOTE 21. EVENTS AFTER THE BALANCE DATE**

Other than disclosed below, since the end of the six months, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this report, that has significantly or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent periods with the exception of the following, the financial effects of which have not been provided for in the 31 December 2013 Financial Report:

**Manyingee Uranium Project, Western Australia, Updated Mineral Resource**

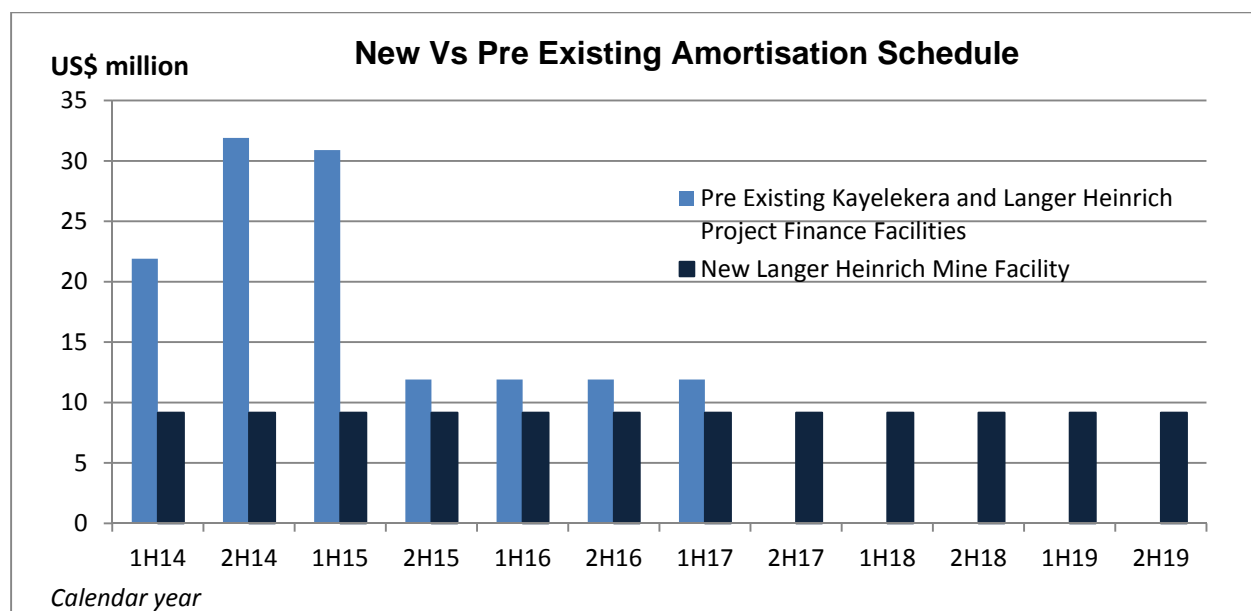
On 13 January 2014, the Company announced a revised mineral resource estimate for the Manyingee Deposit and there has been no material change to the information since that date.

**Successful Refinancing of Langer Heinrich and Kayelekera Facilities**

On 17 January 2014, the Company announced that it had entered into agreements with its lenders to refinance the LHM and the KM project finance facilities. All conditions precedent to drawdown were satisfied on 29 January and completion occurred on that date.

This new facility will provide significant cash flow benefits to both projects and leaves the Group in a much stronger financial position. As shown below, the annual principal repayments across both projects will be reduced from US\$53.8M per annum to US\$18.3M per annum in calendar year 2014, a substantial reduction of US\$35.5M, with the first repayment not due until June 2014.

In calendar year 2015, annual principal repayments under the existing facilities compared to the new facility will be reduced by a further US\$23.7M.



**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**  
EXPRESSED IN US DOLLARS

**NOTE 21. EVENTS AFTER THE BALANCE DATE (continued)**

**Successful Refinancing of Langer Heinrich and Kayelekera Facilities (continued)**

The key terms of the new LHM project finance facility are as follows:

Facility	Term Loan	Working Capital Facility
<b>Amount</b>	US\$110M	US\$20M
<b>Borrower</b>	Paladin Finance Pty Ltd	Langer Heinrich Uranium (Pty) Limited
<b>Term</b>	6 years (maturing 31 December 2019)	Renewable annually for 12 months
<b>Amortisation</b>	12 equal instalments of US\$9.2M starting 30 June 2014	
<b>Security</b>	The existing security arrangements for Langer Heinrich remain in place	

The terms and conditions of the new LHM facility are largely the same as for the existing project finance agreement except for an increased amount, extension of term and a reduction in principal repayments from US\$23.8M per annum to US\$18.3M per annum. In addition, LHM has secured a US\$20M working capital facility to provide additional financial flexibility.

The KM project finance facility (currently US\$48.1M) will be repaid in full immediately, however, the facility and existing security arrangements will remain in place to support the US\$10M Performance Bond.

Overall, this rationalisation in the project financing reduces the Company's debt position and provides the benefit of substantially reduced repayments over the next three years, conserving operational cash flow.

The new facility is provided by Nedbank Capital, a division of Nedbank Limited, Nedbank Namibia Limited, the Standard Bank of South Africa Limited and Standard Bank Namibia Limited. Both banks have been involved with Paladin since the first LHM project finance facility was established in 2006.

**Sale of Minority Interest in Langer Heinrich Mine, Namibia**

On 20 January 2014, the Company announced that it signed an agreement on 18 January 2014 to sell a 25% equity stake in the LHM uranium mining operation in Namibia to China Uranium Corporation Limited, a wholly owned subsidiary of China National Nuclear Corporation (**CNNC**), the leading Chinese nuclear utility, for consideration of US\$190M.

An offtake component of the agreement will allow CNNC to purchase its pro-rata share of product based on the prevailing market spot price. There is also an opportunity for Paladin to benefit by securing additional long term offtake arrangements with CNNC, at arm's length market rates, from Paladin's share of Langer Heinrich production.

The respective Boards of Paladin and CNNC have approved the transaction. Completion is subject only to certain Chinese regulatory approvals (including the National Development and Reform Commission), which are expected to be obtained by mid-2014, and routine consents for the transaction from Paladin's project financiers and the Bank of Namibia. CNNC has paid a US\$20M deposit to an escrow agent. The deposit will become non-refundable on receipt by the escrow agent of the routine consents for the transaction from Paladin's project financiers and the Bank of Namibia.

Proceeds from the sale will be utilised to repay debt across the Company.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**  
EXPRESSED IN US DOLLARS

**NOTE 21. EVENTS AFTER THE BALANCE DATE (continued)**

**KM on Care and Maintenance**

On 7 February 2014, the Company announced that its subsidiary company, PAL, is suspending production at KM in Malawi and will place KM on care and maintenance to preserve the remaining ore body until Paladin determines that a sustained recovery in the price of uranium oxide would enable production to resume on a profitable basis.

The Government of Malawi ("GoM"), which has a 15% interest in PAL, was notified of this decision and the PAL will be working with the relevant GoM authorities on implementation of the suspension of operations.

The decision to suspend production at KM was based on two factors, both beyond the control of Paladin and KM:

1. the continuing depressed price for uranium oxide, which has been severely negatively impacted since March 2011 following the nuclear reactor damage caused by the Fukushima earthquake and tsunami; and
2. the unsustainable cash demand to maintain the loss-making mining operation at KM.

While mining operations at KM are being suspended, processing of ore will continue during a transitional rundown phase until reagents and consumables on site have been depleted and the production circuit has been emptied and cleaned. At this time, the plant will be sterilised, shut down and placed on care and maintenance. This rundown/sterilisation phase is expected to be completed by April/May of 2014.

PAL is committed to maintaining the mine and infrastructure at KM in good working order to facilitate a rapid resumption of production when market conditions dictate that it is possible to do so profitably. For this reason, PAL will retain some 194 Malawi national employees and 27 expatriate staff to maintain the site, including staff to strengthen physical security measures at KM.

This decision will result in a significant level of redundancy at KM and the process has commenced to retrench employees not required during the period of care and maintenance. In appreciation of their endeavours to drive down costs and improve efficiency, retrenched national employees will receive generous redundancy packages that exceed Malawi's minimum legal requirements. Based on length of service, allowances and entitlements and an ex gratia payment, the average payout for national employees will be the equivalent of 10.7 months' salary. It is Paladin's hope that this gesture will assist employees in their transition from employment at KM. In addition, national employees will be offered financial planning advice and training in business skills.

Supporting KM has been a substantial drain on Paladin's cash resources during the past three years. Based on a uranium price of U\$35/lb, Paladin would have had to inject a further US\$20M-US\$25M in cash for each of the next two calendar years to maintain KM.

Placing KM on care and maintenance will improve Paladin's forecast cash flow position by US\$7-10M in calendar year 2014 and US\$20-25M in calendar year 2015. Paladin anticipates that the ongoing cost of maintaining KM on care and maintenance of approximately US\$12M pa will be funded from proceeds to be received from the sale of uranium oxide on hand and produced during the rundown phase. The previously announced repayment of PAL's Project Financing Facility has saved an additional US\$30M cash requirement in 2014.

*Directors' Declaration*

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In accordance with a resolution of the directors of Paladin Energy Ltd, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the Company for the half-year ended 31 December 2013 are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Company's financial position as at 31 December 2013 and its performance for the second quarter and half year ended on that date; and
  - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, International Financial Reporting Standard, IAS 34 Interim Financial Reporting and the Corporations Regulations 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.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'John Borshoff', with a stylized flourish at the end.

Mr John Borshoff  
Managing Director/CEO

Perth, Western Australia  
13 February 2014



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## Independent review report to members of Paladin Energy Ltd

To the members of Paladin Energy Ltd

### Report on the Second Quarter and Half-Year Financial Report

We have reviewed the accompanying second quarter and half-year financial report of Paladin Energy Ltd, which comprises the statement of financial position as at 31 December 2013, the income statement, statement of comprehensive income and statement of cash flows for the second quarter and half-year ended on that date and the statement of changes in equity for the half-year ended on that date and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

### Directors' Responsibility for the Second Quarter and Half-Year Financial Report

The directors of the company are responsible for the preparation of the second quarter and half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the second quarter and half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the second quarter and half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the second quarter and half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Paladin Energy Ltd and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.





## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the second quarter and half-year financial report of Paladin Energy Ltd is not in accordance with the *Corporations Act 2001*, including:

- i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the second quarter and half-year ended on that date; and
- ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink, appearing to read 'Ernst &amp; Young', with a large, stylized flourish at the end.

Ernst & Young

A handwritten signature in black ink, appearing to read 'G H Meyerowitz', with a large, stylized flourish at the end.

G H Meyerowitz  
Partner  
Perth  
13 February 2014

**APPENDIX A**  
**Form 52-109F2 - Certification of interim filings – full certificate**

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

1. Review: I have reviewed the interim financial statements and interim MD&A (together, the “interim filings”) of Paladin Energy Ltd for the interim period ended 31 December 2013.
2. No misrepresentation: Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the interim filings.
3. Fair presentation: Based on my knowledge, having exercised reasonable due diligence, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.
4. Responsibility: The issuer’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 Certification of Disclosure in Issuer’s Annual and Interim Filings, for the issuer.
5. Design: Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer’s other certifying officer and I have, as at the end of the period covered by the interim filings
  - (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that:
    - (i) material information relating to the issuer is made known to us by others, particularly during the period in which the annual filings are being prepared; and
    - (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarised and reported within the time periods specified in securities legislation; and
  - (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s GAAP.
- 5.1 Control Framework: The control framework the issuer’s other certifying officer and I used to design the issuer’s ICFR is the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission (COSO).
- 5.2 ICFR – material weakness relating to design: N/A
- 5.3 Limitation on scope of design: N/A
6. Reporting changes in ICFR: The issuer has disclosed in its interim MD&A any change in the issuer’s ICFR that occurred during the period beginning on 1 July 2013 and ended on 31 December 2013 that has materially affected, or is reasonably likely to materially affect, the issuer’s ICFR.

Dated: 13 February 2014



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

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

I, Alan Rule, the certifying officer and Chief Financial Officer, Paladin Energy Ltd, certify the following:

1. Review: I have reviewed the interim financial statements and interim MD&A (together, the “interim filings”) of Paladin Energy Ltd for the interim period ended 31 December 2013.
2. No misrepresentation: Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the interim filings.
3. Fair presentation: Based on my knowledge, having exercised reasonable due diligence, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.
4. Responsibility: The issuer’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 Certification of Disclosure in Issuer’s Annual and Interim Filings, for the issuer.
  - (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that:
    - (i) material information relating to the issuer is made known to us by others, particularly during the period in which the annual filings are being prepared; and
    - (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarised and reported within the time periods specified in securities legislation; and
  - (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s GAAP.
- 5.1 Control Framework: The control framework the issuer’s other certifying officer and I used to design the issuer’s ICFR is the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission (COSO).
- 5.2 ICFR – material weakness relating to design: N/A
- 5.3 Limitation on scope of design: N/A
6. Reporting changes in ICFR: The issuer has disclosed in its interim MD&A any change in the issuer’s ICFR that occurred during the period beginning on 1 July 2013 and ended on 31 December 2013 that has materially affected, or is reasonably likely to materially affect, the issuer’s ICFR.

Dated: 13 February 2014



**Alan Rule**  
**Chief Financial Officer**