



## PALADIN ENERGY LTD

ACN 061 681 098

Ref: 351192

28 August 2014

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

By Electronic Lodgement

Dear Sir/Madam

**Paladin Energy Ltd  
30 June 2014 Annual Report**

Attached please find the 2014 Annual Report including audited financial statements for the year ended 30 June 2014 together with Appendix 4E and Management, Discussion and Analysis.

Yours faithfully  
Paladin Energy Ltd

**JOHN BORSHOFF**  
**Managing Director/CEO**



## PALADIN ENERGY LTD

ACN 061 681 098

### NEWS RELEASE

For Immediate Distribution

## PALADIN ENERGY: FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2014

Perth, Western Australia – 28 August 2014: Paladin Energy Ltd (“Paladin” or “the Company”) (TSX:PDN / ASX:PDN) announces the release of its consolidated Financial Report for the year ended 30 June 2014. The Financial Report is appended to this News Release.

### HIGHLIGHTS

#### OPERATIONS

- LHM produced a record 5.592Mlb U<sub>3</sub>O<sub>8</sub> for the year ended 30 June 2014, achieving a 6% improvement on the year ended 30 June 2013.
- KM placed on care and maintenance on 26 May 2014 after production ceased and circuit clean-up.
- Combined production for the year ended 30 June 2014 of 7.943Mlb (3,603t) U<sub>3</sub>O<sub>8</sub> is a decrease of 4% over the year ended 30 June 2013.
- C1 cost of production<sup>(1)</sup> continues to fall:
  - Langer Heinrich Mine (LHM) C1 cost of production for the year has decreased 4% to US\$28.8/lb U<sub>3</sub>O<sub>8</sub> from US\$30.0/lb U<sub>3</sub>O<sub>8</sub> in the year ended 30 June 2013.
  - Kayelekera Mine (KM) C1 cost of production has decreased 16% to US\$35.9/lb U<sub>3</sub>O<sub>8</sub> from US\$42.6/lb U<sub>3</sub>O<sub>8</sub> for the year ended 30 June 2013.
- Revised FY2014 production guidance achieved at the upper end of the range.

#### SALES AND REVENUE

- Sales revenue totalled US\$328.8M for the year from sales of 8.665Mlb U<sub>3</sub>O<sub>8</sub>.
- Average realised uranium sales price for the year was US\$37.9/lb U<sub>3</sub>O<sub>8</sub>, compared to the average UxC spot price for the period of US\$33.9/lb U<sub>3</sub>O<sub>8</sub>.

#### CORPORATE

- Institutional placement of shares in August 2013 raised US\$80.7M.
- Sale of a 25% interest in the Langer Heinrich mining operation in Namibia to CNNC Overseas Uranium Holding Limited, a wholly-owned subsidiary of CNNC, the leading Chinese nuclear utility, for consideration of US\$190M (completed 23 July 2014).
- Existing US\$110M project finance facility and US\$20M working capital facility refinanced into a new US\$70M syndicated loan facility. Net debt repayments totalled US\$68.8M (for FY2014).
- A number of cost reduction initiatives completed and, as a result, administration, marketing and non-production costs decreased by 45% year-on-year and total exploration expenditure decreased by 54%. Additional measures are yet to be implemented.
- In addition to the impairments of US\$255.7M (after tax) for the December half year, which mostly comprised of the US\$226.5M (after tax) impairment of the Queensland exploration assets, further impairments of US\$40.6M have been recognised primarily for inventory at LHM due to low uranium prices and at KM due to its transition to care and maintenance.

#### EXPLORATION

- **Michelin Project – positive mineral resource update with 25% increase in Measured and Indicated Resources.**  
*(1) 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 2014 and 2013 are to the equivalent year ended 30 June 2014 and 2013 respectively).*

- **Safety and Sustainability:**

- The 12-month moving average Lost Time Injury Frequency Rate (LTIFR) increased from 1.1 to 3.1. This rate is slightly higher than the West Australian metalliferous surface mining average LTIFR of 2.3. For FY2014, there were 12 LTI's and 2 fatalities as compared to seven LTI's for the previous year.
- A major health and safety review and action plan is underway. This plan includes additional staff and resources in the safety area and intense in-house training, which is a major initiative for the next 12-24 months.

- **Production:**

- Combined production of 7.943Mlb U<sub>3</sub>O<sub>8</sub> for the year ended 30 June 2014, down 4% on the previous year as a result of KM transitioning to care and maintenance.

- **Langer Heinrich Mine (LHM):**

- Record production for the year of 5.592Mlb, an increase of 6% over the previous year:
  - overall recovery of 87% (FY2013: 86%); and
  - feed grades of 783ppm U<sub>3</sub>O<sub>8</sub> (FY2013: 812ppm).
- LHM C1 cost of production for the year fell to US\$28.8/lb U<sub>3</sub>O<sub>8</sub>, down 4% from US\$30.0/lb U<sub>3</sub>O<sub>8</sub> for the previous year.
- Production constraint due to water supply experienced during the year has now been resolved in a sustainable manner and will be optimised in the years ahead.
- Optimisation strategies have produced improved operating performance that will be reflected in FY2015 C1 costs.
- A thorough review of standard operating procedures is underway, that is expected to lead to further improvements in operating performance and costs.
- A complete IX resin inventory change has been initiated for the first time in the life of the project. This has been done on the basis of improved process modelling capability and economic analysis, and will lead to reduced C1 costs.
- The (patent pending) nano-filtration technology developed by Paladin for KM will be implemented at LHM in FY2015. This innovation will also deliver substantial C1 cost savings.

- **Cost Reduction Initiatives:**

- The focus remains on process innovation, where considerable success has been achieved to date, and further substantial gains are expected to improve unit costs for LHM in the coming year. In particular, leach and IX reagents, which represent a high proportion of the current C1 costs, offer a significant cost reduction opportunity. The sustained reduction in operating costs and improved plant performance demonstrated over the past year is a reflection of the proven success of the twin strategies of optimisation and innovation.
- Further cost savings and optimisation initiatives are being implemented to reduce corporate costs over FY2015.
- Target for LHM is C1 cost below US\$26/lb by the end of FY2015 and US\$22/lb in FY2017 (in FY2014 terms).
- Target for KM on restart is C1 costs below US\$30/lb (in FY2014 terms).

- **Kayelekera Mine (KM):**

- Production for the year was 2.351Mlb, a decrease of 21% over the year ended 30 June 2013, in line with the care and maintenance budget:
  - overall recovery of 86.2% (FY2013: 84.6%); and
  - acid recovery plant (formerly nano-filtration) successfully commissioned and continued to improve beyond design criteria.

- On 7 February 2014, the Company announced that KM would be placed on care and maintenance due to falling uranium prices affecting the viability of KM and to preserve the remaining ore body. It is expected that production will recommence once the uranium price provides a sufficient incentive (circa US\$75/lb) and a grid power supply is available on site to replace the existing diesel generators with lower cost hydroelectricity.
  - Placing KM on care and maintenance will improve Paladin's forecast cash flow position by US\$20M-US\$25M in CY2015. Paladin anticipates the ongoing cost of maintaining KM on care and maintenance of approximately US\$16M pa will be funded from proceeds received from the sale of uranium oxide on hand and produced during the rundown phase.
  - KM C1 cost of production for the year fell to US\$35.9/lb U<sub>3</sub>O<sub>8</sub>, down 16% from US\$42.6/lb U<sub>3</sub>O<sub>8</sub> for the year ended 30 June 2013. Prior to care and maintenance, the C1 cost of production for KM had decreased by 17% year-on-year from US\$39.8/lb in the March 2013 quarter to US\$32.9/lb in the March 2014 quarter.
  - C1 cost reductions were mainly due to a substantial reduction in acid consumption following the commissioning of the acid recovery plant, as well as optimising resin-in-pulp and ore blend.
- **Profit and Loss:**
    - Total sales volume for the year of 8.665Mlb U<sub>3</sub>O<sub>8</sub> reflected a 5% increase over sales of 8.253Mlb U<sub>3</sub>O<sub>8</sub> for the year ended 30 June 2013.
    - Sales revenue decreased 19% from US\$408.4M in 2013 to US\$328.8M for the year ended 30 June 2014, as a result of spot price reduction causing a 23% decrease in realised sales price, partially offset by a 5% increase in sales volume. The average realised uranium sales price in the year ended 30 June 2014 was US\$37.9/lb U<sub>3</sub>O<sub>8</sub> (FY2013: US\$49.5/lb U<sub>3</sub>O<sub>8</sub>) compared to the average UxC spot price for the year of US\$33.9/lb U<sub>3</sub>O<sub>8</sub>.
    - Gross loss before impairments for the year of US\$3.4M, compared to a gross profit before impairments in FY2013 of US\$55.9M, due primarily to lower uranium prices.
    - Care and maintenance resulted in a higher impairment of KM inventory of US\$40.7M (FY2013: US\$30.9M) and lower uranium prices saw an impairment of LHM inventory of US\$21.0M (FY2013: US\$Nil). This was in addition to the impairment of Queensland exploration assets at 31 December 2013 of US\$226.5M after tax. Net loss after tax attributable to members of the Group of US\$338.4M was recorded for the year.
  - **Cash Flow:**
    - Positive cash flow from operating activities totalled US\$10.1M for the year after interest payments of US\$33.0M and exploration expenditure of US\$1.7M.
    - Cash outflow from investing activities totalled US\$25.3M:
      - plant and equipment acquisitions of US\$20.3M, predominantly the new tailings facility at LHM and acid recovery plant and tailings pipeline at KM; and
      - capitalised exploration expenditure of US\$5.8M. Exploration expenditure in future periods will be lower.
    - Cash inflow from financing activities of US\$26.3M in the year ended 30 June 2014 is mainly attributable to:
      - the net proceeds received from the share placement of US\$78.2M;
      - the US\$20M non-refundable deposit received as part of the settlement of the sale of a 25% minority interest in Langer Heinrich to CNNC; and
      - net debt repayments of US\$68.8M.
  - **Cash Position:**
    - Cash of US\$88.8M at 30 June 2014.
    - On 23 July 2014 - completion of the settlement of the sale of a 25% interest in the Langer Heinrich mining operation for consideration of US\$190M. The sale was subject to a number of conditions precedent, which were met in full by 30 June 2014. A US\$20M deposit was received in April 2014 with the balance of US\$170M received on 23 July 2014.

- **Exploration and Development:**

- Manyingee Project, Western Australia - As announced on 14 January 2014, a revised Mineral Resources estimate for the Manyingee Deposit was 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. The Company is preparing a draft permit application for advancement of a Field Leach Trial (FLT) to further advance this project. A final application is expected to be submitted to Western Australia regulatory officials once completed in FY2015.
- Aurora – Michelin Uranium Project, Canada – As announced on 26 June 2014, a revised Mineral Resource estimate for the Michelin Deposit (the “2014 Mineral Resource Estimate”), was completed. The 2014 Mineral Resource Estimate for the Michelin Deposit was successful in converting some 13.2Mlb U<sub>3</sub>O<sub>8</sub> of previously Inferred category material into the Measured and Indicated categories, as well as adding 3.8Mlb U<sub>3</sub>O<sub>8</sub> for a Measured and Indicated Mineral Resource total of 84.1Mlb U<sub>3</sub>O<sub>8</sub>. This is equivalent to a 25% increase in Measured and Indicated material and a 36% increase in the grade of the Mineral Resources recoverable using open pit mining techniques. Mineral Resources remaining in the Inferred category now stand at 22.9Mlb U<sub>3</sub>O<sub>8</sub>.

- **Production Guidance**

- Revised FY2014 production guidance was achieved at 7.943Mlb U<sub>3</sub>O<sub>8</sub>, at the upper end of the range of 7.8-8.0Mlb U<sub>3</sub>O<sub>8</sub> advised on 7 February 2014.
- With KM on care and maintenance, Paladin’s guidance for LHM for FY2015 is 5.4-5.8Mlb 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 delivery scheduling by customers. Now that production has reached design levels, sales, production volumes and inventories 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 to sell a 25% interest in LHM to CNNC Overseas Uranium Holding Limited, a wholly owned subsidiary of 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 LHM production.
- On 23 July 2014, the Company completed the settlement of the sale. The sale was subject to a number of conditions precedent which were met in full by 30 June 2014.
- Proceeds from the sale will be utilised to repay debt across the Company.
- With this major initiative to joint venture a minority equity stake in Langer Heinrich now completed, the door is open to pursue other opportunities, utilising the unique platform Paladin has developed in the global uranium mining industry, to further consolidate and strengthen its balance sheet. This will, in turn, also prepare the Company for growth into a major Tier 1 uranium producer.

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

- On 17 January 2014, the Company announced it had entered into a project finance facility of US\$110M and US\$20M working capital facility for the refinancing of the previous LHM and the KM project finance facilities.
- On 23 July 2014, the Company announced it had refinanced the existing US\$110M project finance facility and US\$20M working capital facility into a new US\$70M syndicated loan facility. Proceeds were utilised to repay US\$30.8M of the existing facility, taking the outstanding balance to US\$70M.

- This new facility will provide significant cash flow benefits and further strengthens Paladin's financial position. The annual principal repayments will be reduced by US\$32M over the first 3.5 years of the facility (2014 to 2017 calendar years), from US\$18.3M pa to US\$9.1M pa with the first repayment of US\$4.55M not due until December 2014.

*The documents comprising the Financial Report for the year ended 30 June 2014, including the Report to Shareholders, 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 14 January 2014, the Mineral Resources for the Michelin Deposit were announced to the ASX on the 26 June 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 29 August 2014, 18:30 Toronto and 23:30 London, Thursday 28 August 2014. Details are included in a separate news release dated 22 August 2014.

### **Contacts**

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**Appendix 4E - Financial Report**  
**Financial year ended 30 June 2014**

**Paladin Energy Ltd**

ABN or equivalent company reference

ACN. 061 681 098

**Results for announcement to the market**

				30 June 2014 US\$M	30 June 2013 US\$M
Revenue from sales of uranium oxide	<b>Down</b>	19%	to	328.8	408.4
Revenue	<b>Down</b>	20%	to	329.5	411.5
Loss after tax attributable to members	<b>Down</b>	20%	to	338.4	420.9
Net loss for the year attributable to members	<b>Down</b>	20%	to	338.4	420.9
Loss per share (US cents)				(34.4) <sup>(1)</sup>	(49.1) <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.

	30 June 2014	30 June 2013
Net tangible assets per share	US\$0.44	US\$0.76

**Other**

Previous corresponding period is the year ended 30 June 2013.

All foreign subsidiaries are prepared using IFRS.

**Commentary on Results for the Year**

A commentary on the results for the year is contained in the press release dated 28 August 2014.

<sup>(1)</sup> The earnings per share calculations have been adjusted to reflect the bonus element of the private share placement completed on 2 August 2013. The adjustment factor applied was 1.04 to the current period prior to 2 August 2013 and the comparative period.



# **PALADIN ENERGY LTD**

**ACN 061 681 098**

**ANNUAL**

**REPORT**

**2014**



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

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

Paladin Energy Ltd  
 Level 4  
 502 Hay Street  
 SUBIACO WA 6008

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the Company. All press releases, financial statements and other information are available on our website [www.paladinenergy.com.au](http://www.paladinenergy.com.au).

## CORPORATE VALUES AND KEY ACHIEVEMENTS

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### CORPORATE VALUES

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

### PALADIN TODAY

#### Overview

- Paladin's value is based on five key drivers - producing mines, quality pipeline, proven team, industry positioning and sustainability of operations.

#### Operations

- Langer Heinrich Mine
  - Consistently operating at or above nameplate.
  - Successful process innovation at Langer Heinrich should provide a pathway to C1 cash costs<sup>1</sup> of US\$22/lb during FY2016.
  - Focus on process and cost optimisation.
- Kayelekera Mine
  - Placed on care and maintenance due to low uranium prices and non-profitability.
  - Maintaining plant, infrastructure and critical aspects of intellectual property and operational knowhow to allow for a quick restart, when justified.
  - Care and maintenance to preserve the orebody to recommence production once the uranium price provides sufficient incentive (circa US\$75/lb).

#### Innovation & Project Pipeline

- Proven track record in mining and processing innovation.
- Established in-house technical strength.
- Consolidating a unique, geographically diversified asset base.

#### Positioning Going Forward

- Only non-aligned, independent, pure-play uranium producer.
- Long-term business strategy and vision is to continue to strengthen through key partnerships.
- Maintain Paladin as a partner of choice.
- Technical innovation and cost optimisation an ongoing focus.
- Project pipeline able to drive organic growth.

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<sup>1</sup> Refer to 'Non IFRS Measure' in Financial Review section.

## CORPORATE VALUES AND KEY ACHIEVEMENTS

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### KEY ACHIEVEMENTS FOR THE YEAR

October 2013	Implementation of further savings and optimisation initiatives in place to be realised in FY2014 and FY2015.
December 2013	Record quarterly combined production from Langer Heinrich and Kayelekera of 2.2Mlb U <sub>3</sub> O <sub>8</sub> at near or above budget production and below budget unit cost.
January 2014	Reported sale of 25% minority interest in Langer Heinrich to subsidiary of China National Nuclear Corporation for US\$190M (settled on 23 July 2014).
January 2014	Refinancing of Langer Heinrich and Kayelekera facilities, allowing significant reduction in debt repayments over CY2014 and CY2015.
February 2014	Decision to place Kayelekera on care and maintenance, saving appreciable cash outflows at current uranium prices and preserving operation for quick restart.
February 2014	Revised production guidance of 7.8Mlb to 8.0Mlb following decision to place Kayelekera on care and maintenance (achieved 7.94Mlb for FY2014).
June 2014	Revised Mineral Resource update for Michelin Project with 25% increase in Measured and Indicated Resources.
June 2014	C1 cost of production <sup>2</sup> year-on-year – LHM reduced by 4%.

### KEY ANNUAL DATA










<p>8.66Mlb U<sub>3</sub>O<sub>8</sub> sold, up from 8.25Mlb in FY2013</p> <p>Sales revenue US\$328.8M</p> <p>Langer Heinrich production 5.59Mlb U<sub>3</sub>O<sub>8</sub>, 5.7% above FY2013</p> <p>Kayelekera production 2.35Mlb U<sub>3</sub>O<sub>8</sub> (production ceased 6 May following care and maintenance decision 7 February)</p>
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<sup>2</sup> Refer to 'Reconciliation of C1 Cost of Production to Cost of Goods Sold' in Financial Review section.

## CORPORATE VALUES AND KEY ACHIEVEMENTS

### WHAT WE SET OUT TO DO IN 2014

- 2014 production guidance in the range of 8.3 to 8.7Mlb U<sub>3</sub>O<sub>8</sub>.  
- Revised guidance 7.8 to 8.0Mlb U<sub>3</sub>O<sub>8</sub>. Achieved 7.94Mlb. 
- Further reduce unit production costs at Langer Heinrich and Kayelekera mines via:  
- Focused cost management.   
- Optimisation of existing processes.  
- Ongoing development and introduction of process innovation.
- Develop resource update for Michelin project. 
- Improve NOSA health and safety system rating for Langer Heinrich and Kayelekera mines.   
- High emphasis on training and cultural change going forward.
- Increase value through strategic partnerships. 
- Commence statutory approvals process to enable a Field Leach Trial at Manyingee. 
- Sell minority equity interest in selected uranium asset. 
- Strengthen balance sheet through debt reduction.  

CODE	
	Achieved
	Ongoing
	Not achieved

### WHAT WE PLAN TO DO IN 2015

- 2015 production guidance for Langer Heinrich in the range of 5.4 to 5.8Mlb U<sub>3</sub>O<sub>8</sub>.
- Continue to reduce unit production costs at Langer Heinrich via:  
- Focused cost management.  
- Optimisation of existing processes.  
- Ongoing development and introduction of process innovation.
- Improve health and safety performance across the Group.
- Increase value through strategic partnerships.
- Advance approvals process to enable a Field Leach Trial at Manyingee.
- Strengthen balance sheet through continued debt reduction.
- Maintain Kayelekera Mine in operational ready status.

## CHAIRMAN'S LETTER

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Dear fellow shareholder,

The financial year ending 30 June 2014 marked a period of considerable activity at your Company. Now is an opportune moment to reflect on recent events and the positive impact your Board believes these combined events have had on Paladin's financial position and long-term strategic outlook.

Paladin has successfully completed three significant strategic initiatives since mid-January that have strengthened the Company's balance sheet and forecast cash flow in 2014 and 2015. These are:

- The sale of a 25% interest in the Langer Heinrich operation for US\$190M;
- The successful refinancing of the Langer Heinrich and Kayelekera project finance facilities, resulting in a US\$78M reduction in debt repayments over 2014 and 2015; and
- The suspension of production at Kayelekera, resulting in an improvement in Paladin's forecast cash flow position of US\$27M - \$35M to the end of 2015.

Individually, each of these developments is significant; together, they positively impact Paladin's cash flow by more than US\$295M. They provide a strong financial and strategic foundation to navigate the current low uranium price environment and to prepare for a period of future growth when prices inevitably recover. In that respect, we have already seen improvement in the uranium price over the past few weeks, although considerable further uplift is needed to support a global sustainable supply industry.

The introduction of CNNC Overseas Uranium Holding Limited, a subsidiary of China National Nuclear Corporation, as Paladin's new 25% partner at Langer Heinrich is a significant development which I believe will have broad positive implications for Paladin's future.

China has the largest and most ambitious nuclear energy programme of any country in the world. It currently has 20 nuclear power reactors in operation; a further 28 under construction and more scheduled for development, according to the World Nuclear Association. CNNC is China's largest nuclear generating operator and is involved across the entire nuclear spectrum – from scientific research through to generator construction and operation.

CNNC paid US\$190M (A\$200M) for 25% of Langer Heinrich - a modern, world-class uranium operation and the highest quality open pit operation in the industry. Paladin's alignment with the leading nuclear organisation in China, an emerging nuclear superpower, is a carefully considered strategic move. China's impressive nuclear programme has a growing necessity for primary uranium supply as it continues its expansion programme, so there is obviously future potential and logic for further collaboration with Paladin in order to satisfy those needs.

Paladin offers a unique platform in the global uranium industry through its combination of unparalleled project development and technical expertise, a large resource base spread across several of the world's major uranium basins and, importantly, an independent corporate structure.

Shareholders should also recall the US\$200M long-term offtake agreement Paladin entered into with Électricité de France S.A (EdF) in September 2012. EdF is the world's largest uranium consumer. Its deal with Paladin represents the first of its type and was concluded after, we understand, EdF considered a range of potential uranium supply partners.

Through our new partnership with CNNC and the offtake agreement with EdF, Paladin has formed long-term strategic partnerships with two of the world's most important nuclear organisations, while continuing to maintain its independence at the corporate level. We view this unique position as a strong endorsement of Paladin's corporate strategy, asset base and technical expertise. It gives rise to the potential for a range of strategic initiatives and alternatives which can add meaningful value for Paladin shareholders.

The first half of 2014 also has seen a continuation of our decisive action to reduce the Company's cost base.

In early February, Paladin made a difficult decision to suspend production at the Kayelekera Mine in Malawi. Putting an operation onto care and maintenance is never an easy decision. Paladin regrets the impact this painful but necessary decision has had on many Kayelekera employees and their

## CHAIRMAN'S LETTER (continued)

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families and, more broadly, on the Malawian economy, but it came only after the Company had endured years of financial burden in supporting the loss-making operation.

This was a necessary step due to the financial losses that Paladin has incurred at Kayelekera. It will not reopen until it is profitable to do so and this will ensure the long-term sustainability of the operation and ultimately generate superior returns for all of Kayelekera's stakeholders, including the people of Malawi. The support of the Government of Malawi during this transition to care and maintenance is appreciated and it is important to state that Paladin remains committed to maintaining a strong presence in Malawi.

As shareholders will be aware, the price of uranium has faced a severe downturn since 2011, when an earthquake struck Japan and the resultant tsunami impacted the Fukushima nuclear reactor. Since July 2013, the spot uranium price traded down to US\$28.00/lb, the lowest level seen for approximately eight years. This period has been characterised by financial losses and closures at a number of uranium operations, while planned expansions and new projects have effectively been halted. August 2014 saw a welcome improvement in the spot price to US\$31.50/lb and hopefully this positive trend will continue into 2015 and beyond.

Paladin has undertaken a range of cost reduction measures across its business in response to the difficult conditions. In the past two years, Paladin has reduced its corporate head count by 35% and taken US\$80 - US\$100M in cash costs out of the operations. The cost reduction programme will continue in FY15, when cash costs at the Langer Heinrich operation are expected to be further reduced.

Importantly, Langer Heinrich continues to perform strongly as one of the world's lowest cost conventional uranium mines and remains profitable in even the current price environment. It has a 17 year mine life and capacity to be expanded further when uranium prices reach US\$75/lb and appear sustainable.

Pleasingly, recent news from Japan indicates that an initial two nuclear power plants (Sendai 1 & 2) are likely to receive approval to re-commence operations by the end of this year.

A considerable amount of work completed in 2014 culminated in the landmark announcements I outlined earlier, however the entire Paladin team is conscious there is still much work to be done in the current financial year.

Sadly, two fatalities during the past year (one at each operation) was a stark reminder to all that a fresh and renewed focus on safety awareness was necessary. This is now underway as explained in the safety and health section of this report.

I again extend my appreciation on behalf of the Board to John Borshoff and his team for their hard work during another complex and difficult period.

On behalf of the Paladin Board and management team, I also would like to thank our shareholders for their ongoing support as we strive to achieve excellence across our organisation in whatever circumstances and to position the Company to take full advantage of the nuclear upturn when this inevitably occurs.

Yours faithfully



**RICK CRABB** B.JURIS (HONS), LLB, MBA, FAICD  
Chairman

## INSIGHTS FROM THE MANAGING DIRECTOR/CEO

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Dear Shareholder

While we at Paladin are making every effort into reducing costs, optimising production and aligning with key strategic partners to strengthen our balance sheet, all with notable success, the uranium market continues to present a true conundrum. We have substantial divergence between an extremely bright, longer-term, outlook, coupled with severely depressed current uranium prices. All of this is at a time when China, Russia, the Middle East and India are confirming, and showing aggressive attitudes towards, growth in nuclear electrification and sending a clear message that nuclear power generation is on an ascending path. Further, Europe is seriously revisiting and revising its commitment to renewables, now demanding economic reasoning for wind and solar, not just allowing justification on ideological grounds. Add to this, President Obama's recent edict to reduce coal-fired generation emissions, calling for a 30% reduction by 2030, putting a solid floor on the existing US nuclear fleet. In fact, the US may well have to grow its nuclear capacity. So we definitely have a very interesting situation with regard to uranium.

In terms of reactor new builds, China recently gave us a glimpse of its nuclear electrification targets going from 60Gw by 2020 to 150-200Gw by 2030, then rising to 300Gw plus into the 2030's and beyond. These are staggering numbers by any score coming from just one country, and an enormous amount of uranium is going to be required to feed that expansion programme alone. Most recently, the National Development and Reform Commission (NDRC) announced its intent to shorten the approval time for seven reactor projects currently in preliminary stages, showing China's clear intention to fully support its vital nuclear programmes.

In Japan, the Nuclear Regulation Authority (NRA) granted preliminary approval of the safety test report for Sendai 1 & 2 owned by Kyushu Electric Power Company (16 July) leading to what is expected to be a measured reactor restart programme. This could ultimately result in as much as two-thirds of Japan's nuclear capacity re-entering commercial operations over the next few years.

On the flipside of this increasing nuclear optimism and the evidence supporting the pending supply shortage, it has been a hard year for those in the uranium mining industry. In response to severely depressed uranium prices, Paladin put its Kayelekera Mine on care and maintenance, as did UraniumOne with its Honeymoon ISR Mine and Rössing production is down 40%. In the United States, some ISR start-up operations are on partial production, sufficient only to deliver into the few term contracts they hold.

At a uranium spot price of US\$28/lb, there can be no sustainable future – for the explorers, for the miners, or, for that matter, for the nuclear industry as a whole. With half to two-thirds of the present annual production capacity operating above the current spot price, it is clear no one will invest in replacing existing capacity as it runs down, never mind investing in growth of supply.

The sole reason some of the uranium companies are currently surviving is because of multi-year term contracts enabling average realised prices in the mid-US\$40/lb range. This accounts for just 30% to 40% of global production. Even for these companies, however, this is not the long-term safe haven that it would at first seem to be - it is merely a strategy for near-term survival, leaving little opportunity to both replenish depleting production and to start supply growth to satisfy future demand in the mid to longer-term.

Even those companies committed to preparing for the future remain paralysed by current market conditions and the short-term mindset of many utilities. No one is seriously investing in greenfield uranium project evaluation and certainly not in development. Every uranium miner is saying they need a sustainable uranium price of US\$65/lb to US\$75/lb to even start to think about investing large amounts of capital to build needed new uranium mines. Apart from drilling in the South West of Canada's Athabasca Basin, Paladin's work in Labrador and some minor exploration elsewhere in the world, exploration is effectively at a standstill. Despite all of this, a majority of nuclear utilities still cannot seem to recognise the deep trouble supply sustainability is in, never mind its growth. The market is blinded from this supply deficit reality by the temporary uranium surplus caused by Fukushima and supplemented by enrichment facility operations (underfeeding).

Organisations such as the World Nuclear Association (WNA) and Ux Consulting (UxC) are forecasting a near-decade long surplus market with UxC stating uranium price will stay sub US\$45/lb to US\$50/lb for the next 7 years. On the other hand, the uranium mining industry itself is saying no new greenfield expansion will happen unless the uranium price reaches US\$65/lb to US\$75/lb, for which decisions need to happen in the next few years. Am I missing something here or does someone really think

## INSIGHTS FROM THE MANAGING DIRECTOR/CEO (continued)

serious mining companies or developers are going to invest just to lock-in long-term financial losses? I think not.

Something is askew in my opinion. If fuel supply is integral to having a functional nuclear generating industry (which, of course, it is) and the uranium miners are correct in their forecast of pending uranium shortage earlier rather than later, then the situation is surely unsustainable. If the market forecasters, who base supply on the theoretically possible, are correct, then obviously most, if not all, of the uranium mining and exploration sector is at some risk and even the status quo cannot be maintained because there just will not be a uranium mining industry to be had. It is simply an untenable situation as, at the moment, we have a lose-lose scenario for both supplier and consumer. If I were a utility fuel buyer, I would be very worried indeed by all this, even if I was picking up some cheap product in the short-term.

There is hope however. Paladin has just completed its 4<sup>th</sup> annual supply/demand analysis, which is very much derived from a supply side expertise and I would like to share with you some of the key findings of this study. This, by the way, broadly aligns with the Cameco<sup>3</sup> findings and, where we differ is in the timing of price recovery – we say 6 to 12 months and they say 12 months to 18-24 months. Both of us say there are significant supply shortfalls from 2020 and beyond. Our study shows a widening supply gap starting 2016. Term contracting of uranium is behind schedule, especially in the US, thanks mainly to procrastination due to Fukushima. The US utilities now need to act fast to fill their term contract needs for the 2016-2021 period. This is normally done 18-24 months beforehand, meaning the uranium price reacts well before a period of actual shortage and, in this current situation, we would expect a positive price reaction in the next 6 to 12 months.

From the onset, our uranium supply/demand studies have used, as a foundational component, incentive pricing as a fundamental requisite in establishing the capability of the industry to increase supply, NOT what is theoretically possible. This is in addition to other key constraining considerations accounting for risk associated with deposit quality, the approvals process, metallurgical issues, geopolitical matters, costs of production, CAPEX and financing limitations.

Our key findings, when observed and evaluated from a strong supply perspective, are that the true supply/demand situation is obscured by the current short-term market oversupply. The paradox is with the low uranium price that this current situation has created; is resulting in a total lack of incentive to initiate supply growth for the 2017 to 2025 period. This is a highly-volatile state of affairs. There is simply no opportunity to increase supply beyond what is currently being constructed - which is limited to Cigar Lake and Husab Projects. So the price has to move not only to support current supply, but also to support the mid-term lack of sufficient supply. A true paradox. Our 2014 study indicates that this supply stagnation will lead to a shortfall of about 35Mlb per annum by 2020 and, on this basis, we expect the start of positive price reaction occurring late 2014/early 2015 to incentivise much needed supply growth.

In the past 9 months, almost 8Mlb have been cut from production by the uranium miners and we expect the impact of this to be felt by the spot market in the next 12 months. If these depressed prices continue I feel there will be more production cutbacks to come. All this augers well for the uranium industry with current supply tightening and future supply growth being highly constrained.

Paladin is the only significant, independent uranium company in the world. It has the current capacity to produce 5% of global supply and is positioning itself to take advantage of the emerging positive outlook for uranium. In the past 18 months, we have achieved some significant milestones which, in themselves, show that the nuclear industry is showing signs that change has to occur very soon to ensure a future.

Yours faithfully



**JOHN BORSHOFF** *B.Sc., F.AusIMM, FAICD*  
Managing Director/CEO

<sup>3</sup> Refer Cameco presentations ([www.cameco.com](http://www.cameco.com)).

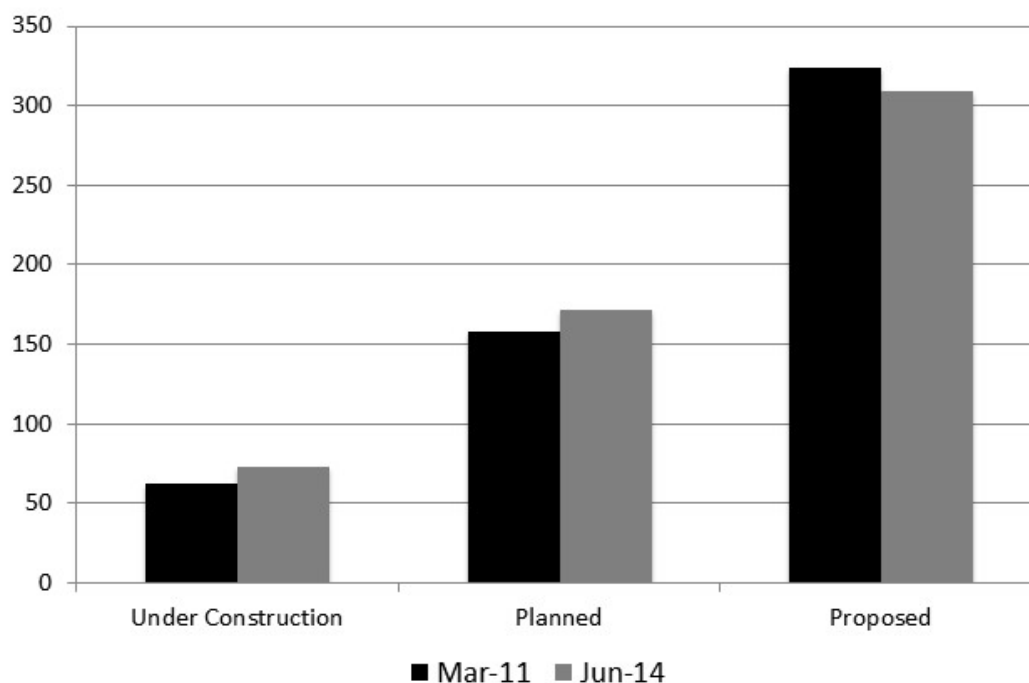


## NUCLEAR POWER – DEMAND GROWING BUT SUPPLY STAGNATING

### Reactor New Build Programmes Expanding

Reactor new build programmes progressed over the past year. Ten reactors began construction during CY2013, with additional starts during first half CY2014 bringing the total to 73 units, an increase of five reactors since last year. China leads the group with 29 reactors currently being built, followed by Russia (10), India (6) and with South Korea and the United States each building five reactors. The number of reactors classified as “On Order or Planned” has risen to 172 units, with a further 309 reactors in the “Proposed” category.

### Reactor Status – March 2011 and June 2014



Source: World Nuclear Association

China's commercial nuclear power programme is once again back on track after extensive post-Fukushima safety reviews, despite the fact that lingering effects resulting from the Great East Japan Earthquake in March 2011 (Fukushima) continue to negatively impact nuclear fuel markets, including natural uranium deposits ( $U_3O_8$ ). While the official forecast of installed nuclear capacity in 2020 is down marginally (due principally to the construction delay during the safety review period), the expected 2020 installed nuclear capacity is now 58Gwe (currently there are 20 reactors operating with an installed capacity of 17.1Gwe). However, by 2030, the installed capacity forecast expands significantly to 200Gwe.

As of June 2014, Japanese utilities have submitted applications to the NRA for safety evaluations of 19 reactors. The NRA began accepting review applications in July 2013, with an estimated processing period of six months.

On 16 July, the NRA approved a draft safety test report for two reactors, Sendai 1 & 2 (Kyushu Electric Power Company), which had been placed on a fast-track review status. Subject to a public review period, submission of supplemental safety-related documentation and approval by local governments, the restart of these initial two facilities is expected prior to the end of CY2014.

## NUCLEAR POWER – DEMAND GROWING BUT SUPPLY STAGNATING

### Uranium Supply Under Threat

Global uranium production rose marginally in CY2013, reaching 154Mlb as compared to the CY2012 level of 152Mlb with Kazakhstan output rising to 58.5Mlb, an increase of almost 6% over CY2012. Global uranium production has remained relatively stable over the past five years, having risen from 133Mlb in 2009 up to current levels (154Mlb). During that period, Kazakhstan's annual uranium output increased by 22Mlb.

Worldwide uranium production is expected to slip to around 152Mlb in CY2014 due to a variety of production problems such as Rio Tinto's Ranger Mine, which only recently began to reinstate operations following its shut-down throughout the first half of CY2014 due to a leach tank failure.

A number of uranium producers have taken an increasingly pro-active stance leading to production cut-backs and project delays, generally in response to depressed uranium prices.

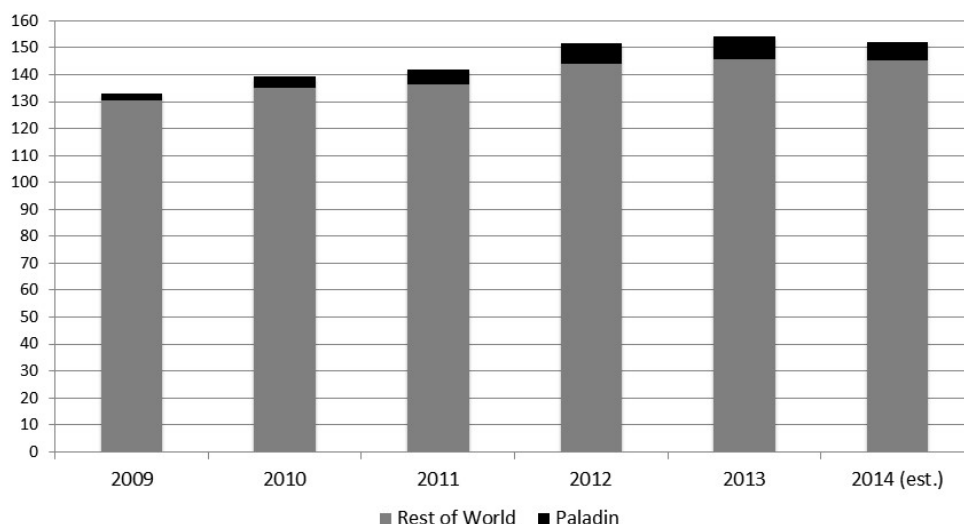
In early June, Rössing Uranium announced that production would be reduced to a level sufficient to meet higher-priced term deliveries through 2017, and that the workforce would be reduced by 23%. Based upon public statements, it looks like Kazakhstan is likely to hold production stable due to weak market conditions.

The Cigar Lake Mine in Northern Saskatchewan, which began construction in 2005, had been slated to commence production in late 2014; however that date has now been further delayed due to ground freezing issues.

In addition to Paladin placing its Kayelekera Mine on care and maintenance, UraniumOne ceased production at its Honeymoon ISR Mine in South Australia and has reduced operations at its Willow Creek ISR Mine in Wyoming. Ur-Energy announced that production at its Lost Creek ISR facility, also in Wyoming, is being limited to satisfy existing term delivery commitments. The Alta Mesa ISR Mine in South Texas, owned by Mestena Uranium, has also ceased operations.

What is much more important for future uranium market conditions, a broad spectrum of proposed uranium production projects have been deferred, including several Cameco projects as well as the Imouraren Uranium Mine (Areva) in Niger, which has been under construction since 2010, but has now likely been delayed until post-2020.

### Global Uranium Production (2009-2014)



Source: World Nuclear Association and Paladin internal sources

## **NUCLEAR POWER – DEMAND GROWING BUT SUPPLY STAGNATING (continued)**

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### **Near-Term Uranium Market Stressed**

Persistent delays in Japanese reactor operations has destabilised the uranium market as deliveries under term sales agreements are deferred or cancelled and that incremental uranium is sold into the spot market. In addition, operation of some uranium enrichment facilities has been altered due to deferred Japanese deliveries, which also results in incremental uranium supplies being made available for the market (so-called “underfeeding”).

The spot uranium price declined from close to US\$40/lb at the beginning of FY2014 and traded in a narrow range of US\$34-\$36/lb until March of this year when a further depression to current levels of US\$28-\$29/lb occurred. These price levels are clearly unsustainable as it leaves as much as 50-60% of current worldwide production uneconomic.

Paladin updated its internal assessment of uranium demand and supply, taking into account a broad spectrum of market factors, including Japanese reactor restarts, China’s massive nuclear build programme, and recent changes to secondary uranium supplies including the expiration of the Russia-United States Highly Enriched Uranium Programme, which ended in December 2013.

This comprehensive analysis of the uranium market shows an increasing uranium supply deficit in 2020 due to current persistent low uranium prices and reactions of the production sector. In addition to Paladin’s decision to place its Kayelekera Mine on care and maintenance, several anticipated production facilities have been deferred awaiting improved market conditions. It is crucial to note that these deferred projects will not proceed unless the uranium price more than doubles from current levels and that such market price improvement is deemed to be sustainable.

## MANAGEMENT DISCUSSION AND ANALYSIS

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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 year ended 30 June 2014. The effective date of this report is 28 August 2014.

The financial information presented in this MD&A has been extracted from the attached financial statements. For the purpose of preparing our MD&A, we consider the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in market price or value of our shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. We evaluate materiality with reference to all relevant circumstances, including potential market sensitivity.

Additional information relating to the Company, including public announcements, is available at [www.paladinenergy.com.au](http://www.paladinenergy.com.au).

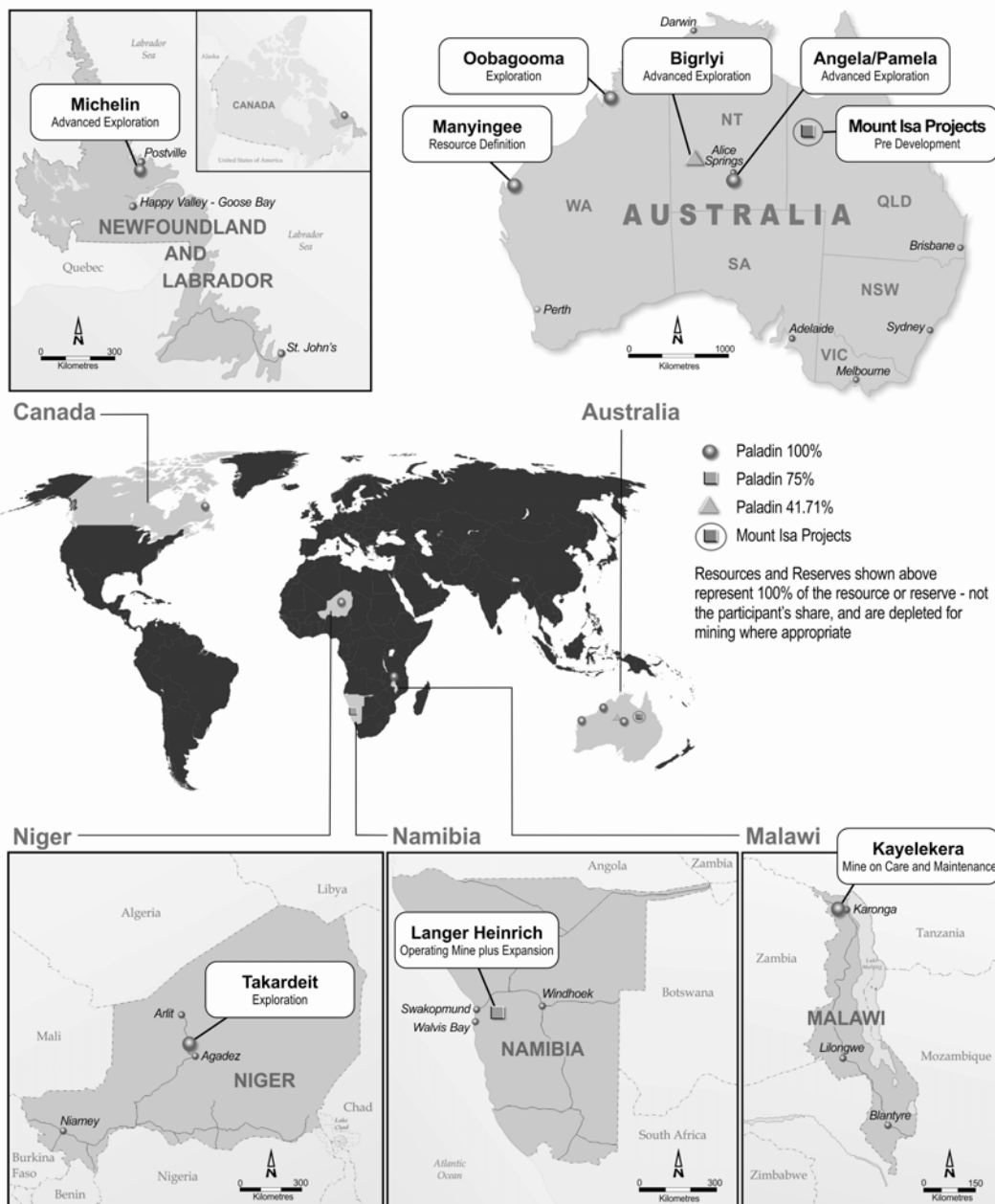
### FORWARD LOOKING STATEMENTS

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.

## MANAGEMENT DISCUSSION AND ANALYSIS REVIEW OF OPERATIONS

### PROJECT LOCATIONS AND RESOURCE OVERVIEW



In addition to the resources illustrated above, the Company has a 18.67% interest in Deep Yellow Ltd (ASX: "DYL") which has projects located near Langer Heinrich in Namibia and Mount Isa in Australia.

*Unless specifically noted, Mineral Resources were prepared and first disclosed under the JORC Code 2004. These estimates have not been updated since to comply with JORC Code 2012 on the basis that the information that the estimates are derived from has not materially changed since it was last reported.*

Paladin's attributable Mineral Resource inventory, with effect from 23 July 2014, includes 156,202t U<sub>3</sub>O<sub>8</sub> (344.4Mlb) at 0.07% U<sub>3</sub>O<sub>8</sub> in the Indicated and Measured categories (including ROM stockpiles) and 70,909t of U<sub>3</sub>O<sub>8</sub> (156.3Mlb) at 0.06% U<sub>3</sub>O<sub>8</sub> in the Inferred Resource category. A summary of the status of each of the advanced projects is detailed in the following table. This table does not include additional JORC(2004) and NI 43-101 compliant Mineral Resources from Bikini, Andersons, Mirrioola, Watta or Warwai deriving from Paladin's 82.08% ownership of Summit Resources Ltd, nor from the Duke Batman or Honey Pot deposits.

## MANAGEMENT DISCUSSION AND ANALYSIS REVIEW OF OPERATIONS (continued)

<u>Project</u>	<u>Overview</u>	<u>Mining Method/ Deposit Type</u>	<u>Outlook</u>	<u>Mineral Resources</u>	
<b>Uranium Production</b>					
*Langer Heinrich Mine - 75% (Namibia, Southern Africa)	The Company's cornerstone asset commenced production in 2007. The Stage 3 expansion is complete with production at 5.2Mlb per annum (pa). Studies are underway for a further expansion to 8.5Mlb pa.	Conventional open pit; calcrete	Project life in excess of 20 years	M&I (inc stockpiles):	119.8Mt @ 0.052% (136.2Mlb U <sub>3</sub> O <sub>8</sub> )
				Inferred:	17.6Mt @ 0.06% (22.6Mlb U <sub>3</sub> O <sub>8</sub> )
*Kayelekera Mine – 85% (Malawi, Southern Africa)	Paladin's second uranium mine, capable of operating at nameplate of 3.3Mlb pa.	Conventional open pit; sandstone	Currently on care and maintenance due to low uranium prices	M&I (inc stockpiles):	15.0Mt @ 0.072% (23.9Mlb U <sub>3</sub> O <sub>8</sub> )
				Inferred:	5.4Mt @ 0.06% (7.4Mlb U <sub>3</sub> O <sub>8</sub> )
<b>Uranium Development</b>					
*Aurora Project – 100% (Labrador, Canada)	Paladin's first entry into Canada. Resource definition and additional exploration has restarted and is ongoing.	Open pit - underground; metasomatic	Resource definition and extension drilling has commenced	M&I:	47.6Mt @ 0.10% (100.8Mlb U <sub>3</sub> O <sub>8</sub> )
				Inferred:	21.9Mt @ 0.08% (39.8Mlb U <sub>3</sub> O <sub>8</sub> )
**Manyingee Project – 100% (Western Pilbara, Western Australia)	Resource update has been completed and planning for a field leach trial is underway.	In-situ leach; sandstone	3 year staged feasibility study required	M&I:	8.4Mt @ 0.09% (15.7Mlb U <sub>3</sub> O <sub>8</sub> )
				Inferred:	5.4Mt @ 0.09% (10.2Mlb U <sub>3</sub> O <sub>8</sub> )
Oobagooma Project – 100% (West Kimberley, Western Australia)	A key pipeline asset for Paladin.	In-situ leach; sandstone	3 year reserve/resource drilling required	Exploration target:	8.0Mt @ 0.12%-0.14% (U <sub>3</sub> O <sub>8</sub> )
*Valhalla, Skal & Odin Deposits – 91.04% (Queensland, Australia)	One of Paladin's significant Australian assets. Metallurgical studies are progressing towards developing a comprehensive processing flowsheet.	Open pit - underground; metasomatic	Development dependent on market conditions	M&I:	57.2Mt @ 0.07% (93.7Mlb U <sub>3</sub> O <sub>8</sub> )
				Inferred:	16.3Mt @ 0.06% (22.0Mlb U <sub>3</sub> O <sub>8</sub> )
*Bigryli Deposit – 41.71% (Northern Territory, Australia)	Limited work within the JV tenements. Co-operative arrangement to assess nearby regional targets.	Open pit - underground; sandstone	Future direction of project will be determined by market conditions	M&I:	4.7Mt @ 0.14% (14.1Mlb U <sub>3</sub> O <sub>8</sub> )
				Inferred:	2.8Mt @ 0.11% (7.1Mlb U <sub>3</sub> O <sub>8</sub> )
*Angela Deposit – 100% (Northern Territory, Australia)	Planning has been completed for resource extension and development drilling.	Open pit - underground; sandstone	Future direction of project will be determined by market conditions	Inferred:	10.7Mt @ 0.13% (30.8Mlb U <sub>3</sub> O <sub>8</sub> )

*Mineral Resources are quoted inclusive of any Ore Reserves that may be applicable.*

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

*\*Conforms to JORC(2004) guidelines & is NI 43-101 Compliant, in addition the Mineral Resource for the Michelin deposit conforms to the JORC(2012) guidelines.*

*\*\*Conforms to JORC(2012) guidelines.*

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

*(b) For Valhalla, Skal & Odin, Paladin's interest is based on 50% deriving from the Isa Uranium Joint Venture and 41.04% via Paladin's 82.08% ownership of Summit Resources Ltd.*

*Langer Heinrich and Kayelekera Mineral Resources have been depleted for mining to the end of June 2014.*

*M&I = Measured and Indicated.*

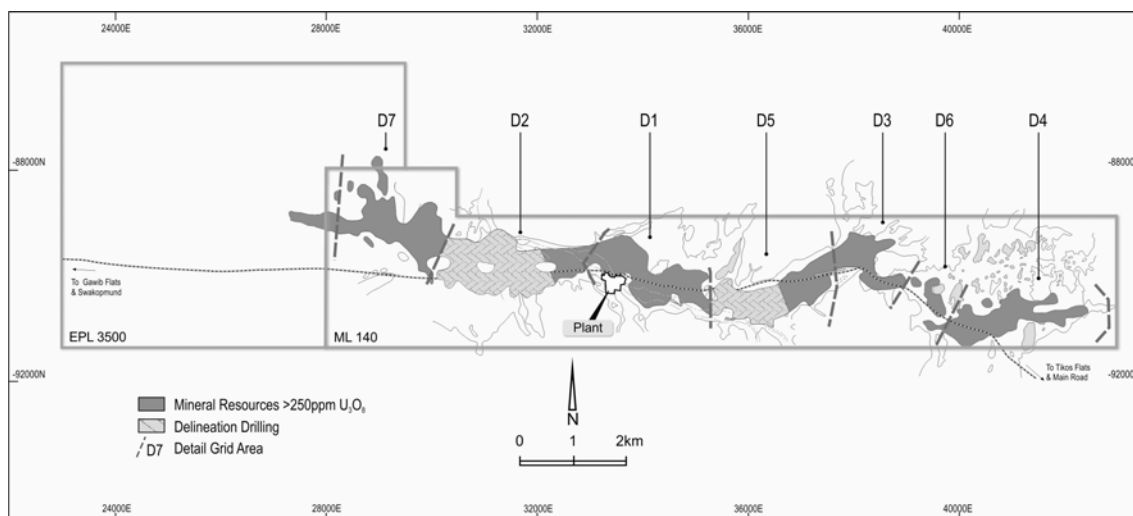
## MANAGEMENT DISCUSSION AND ANALYSIS REVIEW OF OPERATIONS (continued)

### NAMIBIA

#### LANGER HEINRICH MINE (LHM)

Following the sale of a 25% equity stake to CNNC Overseas Uranium Holding Limited (CNNC), a wholly-owned subsidiary of China National Nuclear Corporation, Paladin owns 75% of LHM in Namibia through its Namibian subsidiary, Langer Heinrich Uranium (Pty) Ltd (LHUPL). Paladin purchased the Langer Heinrich project in August 2002 and, following development and construction, production commenced from the open pit mine and conventional alkaline leach plant in early 2007, with annual production of 2.7Mlb of  $U_3O_8$  achieved in 2008/2009. Soon afterwards, a Stage 2 expansion was undertaken to increase production to 3.7Mlb pa  $U_3O_8$ , followed by construction and commissioning of the Stage 3 expansion, completed in FY2012. The mine has produced consistently at a rate of over 5.2Mlb pa  $U_3O_8$  for the past 12 months.

Langer Heinrich is a surficial, calcrete type uranium deposit containing a Mineral Resource of 61,787t  $U_3O_8$  at a grade of 0.052%  $U_3O_8$  in the Measured and Indicated categories (including ROM stockpiles) and 10,246t  $U_3O_8$  at a grade of 0.06%  $U_3O_8$  of Inferred material (250ppm  $U_3O_8$  cut-off grade) in seven mineralised zones designated Detail 1 to 7 (see figure below), along the length of the Langer Heinrich valley within the 15km length of a contiguous paleodrainage system. The deposit is located in the Namib Desert, 80km from the major seaport of Walvis Bay.



#### Operations

Langer Heinrich continued its historic upward trend with record production of 5.592Mlb (2,537t)  $U_3O_8$  in FY2014, up 5.7% from the previous year's total of 5.292Mlb (2,401t)  $U_3O_8$  and 2.8% greater than the FY2014 budget. During the FY2014 year, the project clearly demonstrated the robustness of the process and the ability to produce at above design rates and below design feed grades.

All of these positive production outcomes in mining and processing demonstrate dynamic improvements as the last of the Stage 3 equipment was fully integrated and the additional efficiencies of this equipment were advanced by a combination of steady state operations and a strong focus on optimisation initiatives.

With the declining uranium price, initiatives to reduce the operating and unit costs at LHM continued to be front and centre, with a number of improvements identified and implemented.

Future production and possible expansion options to allow the treating of much lower feed grade are still being considered and advanced. Various evaluations have been completed or planned on piloting and testing programmes to test the most promising options and enhancements. The goal of this work is to increase production at lower unit costs and at lower grades. The focus is also on improved process efficiencies and operability.

## MANAGEMENT DISCUSSION AND ANALYSIS REVIEW OF OPERATIONS (continued)

### Mineral Resources and Ore Reserves Estimation

Mineral Resources and Ore Reserves conforming to both the JORC(2004) code and NI 43-101 are detailed below.

#### Mineral Resource estimate (250ppm U<sub>3</sub>O<sub>8</sub> cut-off)

	Mt	Grade % U <sub>3</sub> O <sub>8</sub>	t U <sub>3</sub> O <sub>8</sub>	Mlb U <sub>3</sub> O <sub>8</sub>
Measured	22.4	0.055	12,410	27.36
Indicated	67.0	0.055	36,877	81.30
<b>Measured + Indicated</b>	<b>89.4</b>	<b>0.055</b>	<b>49,288</b>	<b>108.66</b>
Stockpiles	30.4	0.041	12,500	27.56
<b>Inferred</b>	<b>17.6</b>	<b>0.06</b>	<b>10,246</b>	<b>22.6</b>

*(Figures may not add due to rounding and are quoted inclusive of any Ore Reserves, and have been depleted for mining to the end of June 2014).*

#### Ore Reserves

Economic analysis on this resource has indicated a break-even cut-off grade of 250ppm.

#### Ore Reserve Estimate (250ppm U<sub>3</sub>O<sub>8</sub> cut-off)

	Mt	Grade % U <sub>3</sub> O <sub>8</sub>	t U <sub>3</sub> O <sub>8</sub>	Mlb U <sub>3</sub> O <sub>8</sub>
Proved	17.1	0.057	9,653	21.28
Probable	56.3	0.056	31,764	70.03
Stockpiles	30.4	0.041	12,500	27.56
<b>Total</b>	<b>103.8</b>	<b>0.052</b>	<b>53,917</b>	<b>118.87</b>

*Ore Reserve has been depleted for mining to the end of June 2014.*

The Ore Reserve was estimated from the original un-depleted Measured and Indicated Mineral Resource of 139.3Mt at a grade of 0.055% U<sub>3</sub>O<sub>8</sub>. The Mineral Resource estimate was completed using Multi-Indicator Kriging and incorporates a specific adjustment based on expected mining parameters. As a result, additional dilution and mining recovery are not included in the Ore Reserve estimation.

These reserves form the basis of the continuing life of mine plan for the Project. The revised mine plan allows a project life in excess of 20 years, based on a processing feed rate of 3.45Mt/pa.

### Exploration (EPL3500)

EPL3500 covers the western extension of the mineralised Langer Heinrich paleochannel. An application to convert the EPL to a mining lease is currently in place and progressing through the regulatory process. An Environmental Impact Assessment (EIA) was lodged with the Ministry of Environment and Tourism supporting the mining lease application and this has now been accepted with the Certificate being forwarded to the Ministry of Mines and Energy.



## MANAGEMENT DISCUSSION AND ANALYSIS

### REVIEW OF OPERATIONS (continued)

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#### MALAWI

##### KAYELEKERA MINE (KM)

Kayelekera is located in northern Malawi, 52km west (by road) of the provincial town of Karonga and 12km south of the main road that connects Karonga with the township of Chitipa to the west.

Kayelekera is a sandstone-hosted uranium deposit associated with the Permian Karoo sediments and is hosted by the Kayelekera member of the North Rukuru sediments of the Karoo. The mineralisation is associated with seven variably oxidised, coarse grained arkoses, separated by shales and chocolate coloured mudstones. Uranium mineralisation occurs as lenses primarily within the arkose units and, to a lesser extent, in the mudstone units. The lowest level of known mineralisation currently is at a depth of approximately 160m below surface.

Kayelekera is owned 100% by Paladin (Africa) Limited (PAL), a subsidiary of Paladin. In July 2009, Paladin issued 15% of equity in PAL to the Government of Malawi under the terms of the Development Agreement signed between PAL and the Government in February 2007.

The Mining Licence, ML152, covering 5,520 hectares, was granted in April 2007 for a period of 15 years, following the completion of the Development Agreement with the Government of Malawi. A Bankable Feasibility Study and EIA followed, and construction started in June 2007 with completion in early 2009.

Due to the sustained low uranium price, it was announced in February 2014 that processing would cease at Kayelekera and that the site would be placed on care and maintenance. Following a period of reagent run-down, processing was completed in early May 2014. It is expected that production will recommence once the uranium price provides a sufficient incentive (circa US\$75/lb) and grid power supply (ESCOM) is available on site to replace the existing diesel generators with low cost hydroelectricity.

##### Operations

KM produced 2.350Mlb (1,066t) U<sub>3</sub>O<sub>8</sub>, down from last year, as a result of the transition to care and maintenance in the last quarter of the year. Once uranium prices offer sufficient incentive for restart, production, with some RIP/elution upgrades, is expected to be up to 3.3Mlb per annum.

During the year, the project made exceptional progress on cost reductions mainly on the acid supply front, where the project became acid independent through a number of measures. Improvements made were increases in onsite acid production, and the addition of the nano-filtration plant, which assisted with acid recycle. In addition to acid management, other improvements were also realised in the milling, leach and RIP efficiencies, particularly with completion of modifications in the RIP section.

In late 2012, the Company announced a major cost reduction initiative to substantially reduce operating costs at KM. This has been a major focus for the past 18 months as the project attained sustainable and steady production. The main area of savings was through a significant reduction in acid importation, which has been a major cost barrier for the past few years. This area was very closely managed and resulted in C1<sup>4</sup> costs being reduced to approximately US\$33/lb, a reduction of nearly 40% over the past two years. In addition, initiatives such as grid power connection which, while not concluded as originally scheduled, still remain as further opportunities for cost reduction.

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<sup>4</sup> Refer to 'Non IFRS Measure' in Financial Review section.

## MANAGEMENT DISCUSSION AND ANALYSIS REVIEW OF OPERATIONS (continued)

### Mineral Resources and Ore Reserves Estimation

A revised and updated geological model has been completed for the project based on extensive pit mapping and structural modelling. This work was undertaken to significantly improve the understanding of the structurally complex nature of the resource and aid in targeting mineralisation within the regional tenement package. At this stage, no additional resource drilling within the Kayelekera deposit is anticipated; however, this may be reviewed based on analysis of the geology modelling.

Mineral Resources and Ore Reserves conforming to both the JORC(2004) code and NI 43-101 are detailed below.

#### Mineral Resource at 300ppm U<sub>3</sub>O<sub>8</sub> Cut-off

	Mt	Grade ppm U <sub>3</sub> O <sub>8</sub>	t U <sub>3</sub> O <sub>8</sub>	Mlb U <sub>3</sub> O <sub>8</sub>
Measured	0.74	1,011	753	1.66
Indicated	12.71	700	8,901	19.62
<b>Total Measured &amp; Indicated</b>	<b>13.45</b>	<b>717</b>	<b>9,654</b>	<b>21.28</b>
Stockpiles	1.59	756	1,199	2.64
<b>Inferred</b>	<b>5.4</b>	<b>623</b>	<b>3,334</b>	<b>7.4</b>

*(Figures may not add due to rounding and are quoted inclusive of any Ore Reserves and are depleted for mining to end of June 2014).*

The Mineral Resource is unchanged from that previously reported except for depletion due to mining activities to 30 June 2014. The Mineral Resource estimate is based on Multi Indicator Kriging techniques with a specific adjustment based on parameters derived from the mining process.

### Ore Reserves

Economic analysis on this Mineral Resource has indicated a break-even cut-off grade of 400ppm U<sub>3</sub>O<sub>8</sub>.

#### Ore Reserve at 400ppm U<sub>3</sub>O<sub>8</sub> Cut-off

	Mt	Grade ppm U <sub>3</sub> O <sub>8</sub>	t U <sub>3</sub> O <sub>8</sub>	Mlb U <sub>3</sub> O <sub>8</sub>
Proved	0.39	1,168	457	1.00
Probable	5.34	882	4,709	10.38
Stockpiles	1.59	756	1,199	2.64
<b>Total</b>	<b>7.32</b>	<b>870</b>	<b>6,365</b>	<b>14.03</b>

*(Figures may not add due to rounding and are depleted for mining to end of June 2014).*

The underlying Ore Reserve is unchanged from that announced in 2008 and has only been depleted for mining until 30 June 2014.

### Exploration

Exploration work throughout the year concentrated on ground surveys within 5km of the mine site. Geological and geophysical work was used in conjunction with geochemistry to identify targets close to the mine site for future drilling. The intention is to define additional resources to be available when the mining operation restarts.

## MANAGEMENT DISCUSSION AND ANALYSIS REVIEW OF OPERATIONS (continued)

### CANADA

#### MICHELIN PROJECT

Paladin Energy Ltd, through its wholly-owned subsidiary Aurora Energy Ltd (Aurora), holds rights to 91,500 hectares within the Central Mineral Belt of Labrador (CMB), Canada, approximately 140km north of Happy Valley-Goose Bay and 40km southwest of the community of Postville.

Paladin completed the acquisition of Aurora in February 2011 and, in March 2012, the Nunatsiavut Government, a regional, aboriginal government formed in 2005, lifted the three year moratorium on the mining, development and production of uranium on Labrador Inuit Land. Five of Paladin's six deposits in this project area fall within these lands. Paladin started exploration in the summer of 2012.

Aurora claims cover a significant area of prospective ground over the CMB. The CMB contains publically reported 83.9Mlb U<sub>3</sub>O<sub>8</sub> Measured and Indicated Mineral Resources as well as an additional 86.6Mlb U<sub>3</sub>O<sub>8</sub> Inferred Mineral Resource in 12 deposits, half of which are covered by the Aurora tenements. The largest of these deposits is Michelin, the flagship of Aurora's CMB project and one of the world's top five albitite-hosted resources.

Over the last financial year, Aurora carried out geological and geophysical ground surveys in the northern summer of 2013 and a 15-hole, 4,432m drilling programme in February and March 2014. On 26 June 2014, Paladin announced a revised Mineral Resource estimate for the Michelin Deposit, conforming to both the JORC(2012) Code and Canadian National Instrument 43-101.

The 2014 Mineral Resources estimate for the Michelin Deposit was successful in converting some 13.2Mlb U<sub>3</sub>O<sub>8</sub> of previously Inferred category material into the Measured and Indicated categories, as well as adding an additional 3.8Mlb U<sub>3</sub>O<sub>8</sub> for a Measured and Indicated Mineral Resource total of 84.1Mlb U<sub>3</sub>O<sub>8</sub>. Additional Mineral Resources remaining in the Inferred category now stand at 22.9Mlb U<sub>3</sub>O<sub>8</sub>.

<b>Open Pit portion Cut-off grade 250ppm</b>			
	<b>Mt</b>	<b>Grade %</b>	<b>Mlb</b>
Measured	10.46	0.09	21.63
Indicated	5.94	0.09	12.26
<b>M + I</b>	<b>16.39</b>	<b>0.09</b>	<b>33.89</b>
Inferred	1.64	0.13	4.86
<b>Underground portion Cut-off grade 500ppm</b>			
Measured	5.11	0.11	12.45
Indicated	16.00	0.11	37.79
<b>M + I</b>	<b>21.11</b>	<b>0.11</b>	<b>50.24</b>
Inferred	7.17	0.11	18.02
<b>Combined</b>			
Measured	15.57	0.10	34.08
Indicated	21.93	0.10	50.05
<b>M + I</b>	<b>37.50</b>	<b>0.10</b>	<b>84.13</b>
Inferred	8.81	0.12	22.88

The additional drilling in 2012 and 2013 has infilled some areas within the previous Mineral Resource and allowed for the creation of a much more robust geological interpretation. The Mineral Resource detailed above is broken down on a similar basis to the previous Mineral Resource estimated by Aurora in 2009. Following pit optimisation studies using previous costs and a variety of uranium prices, the Open Pit (OP) and Underground (UG) split is determined now to be approximately 230m below surface (or 100m RL).

## MANAGEMENT DISCUSSION AND ANALYSIS REVIEW OF OPERATIONS (continued)

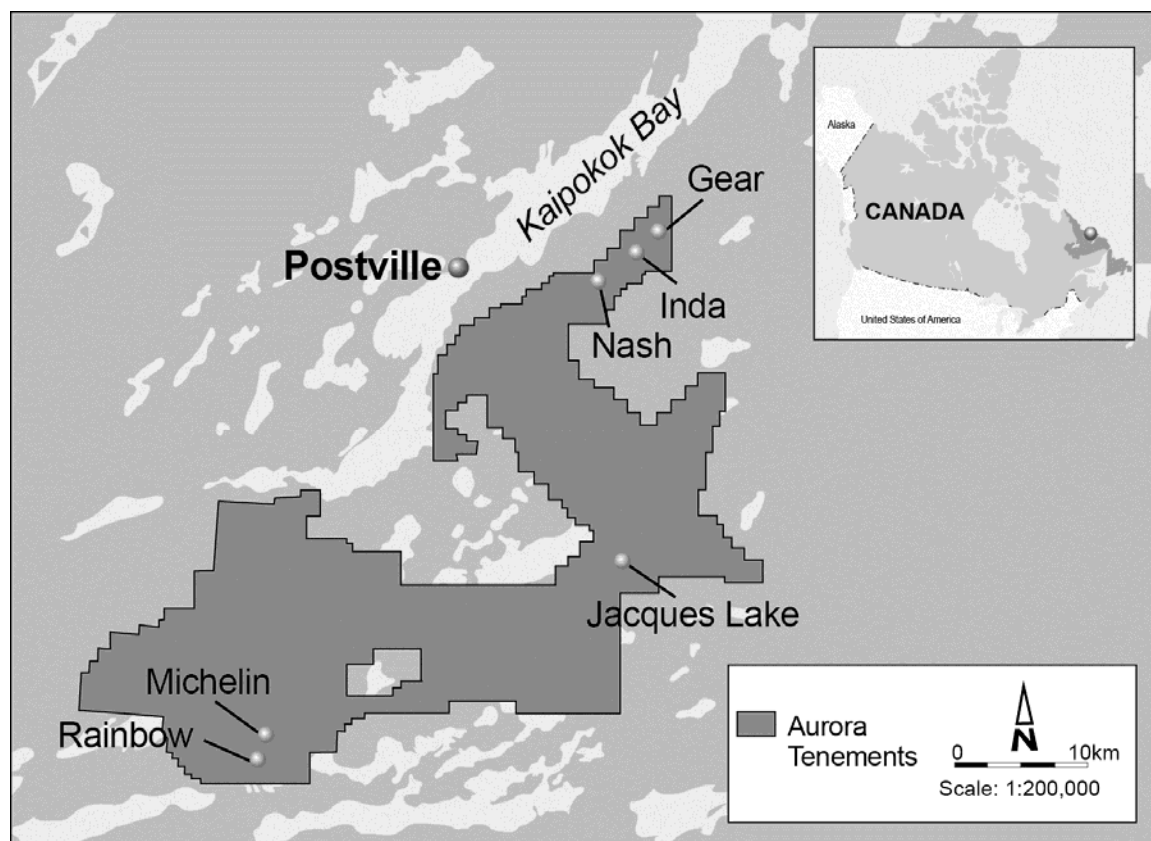
### Additional Potential

The Michelin Deposit is still open along strike and at depth. Drilling programmes have already been designed to both infill and extend the existing Mineral Resource. In addition, there are also a number of promising targets within the Michelin – Rainbow trend, which are actively being explored and are expected to contribute to the economic viability of the project. Additional Mineral Resources for other deposits within the Michelin project are detailed below.

Deposit	Measured Mineral Resource			Indicated Mineral Resource			Inferred Mineral Resource		
	Mt	Grade %	t U <sub>3</sub> O <sub>8</sub>	Mt	Grade %	t U <sub>3</sub> O <sub>8</sub>	Mt	Grade %	t U <sub>3</sub> O <sub>8</sub>
<b>Cut-off 0.05% &amp; 0.02% U<sub>3</sub>O<sub>8</sub></b>									
Jacques Lake	0.9	0.09	747	6.0	0.07	4,327	8.1	0.05	4,103
Rainbow	0.2	0.09	193	0.8	0.09	655	0.9	0.08	739
India				1.2	0.07	826	3.3	0.07	2,171
Nash				0.7	0.08	564	0.5	0.07	367
Gear				0.4	0.08	270	0.3	0.09	279
<b>Total</b>	<b>1.1</b>	<b>0.09</b>	<b>940 (2.1Mlb)</b>	<b>9.1</b>	<b>0.07</b>	<b>6,642 (14.6Mlb)</b>	<b>13.1</b>	<b>0.06</b>	<b>7,659 (16.9Mlb)</b>

The Mineral Resources for the satellite deposits are reported at cut-off grades that contemplated underground (0.05% U<sub>3</sub>O<sub>8</sub> cut-off) and open pit (0.02% U<sub>3</sub>O<sub>8</sub> cut-off) mining, based on preliminary economic assumptions carried out by Aurora.

The updated 2014 Mineral Resource Estimate for the Michelin Deposit has provided added confidence in the character of the mineralisation with the significant increase in Measured and Indicated category material. Importantly, in addition, the near surface open pitable portion of the deposit now contains a substantial increase in both uranium grade and contained metal. Future drilling will concentrate on expanding the Mineral Resources at both the Michelin Deposit and the deposits and prospects occurring in the immediate surrounds.



## MANAGEMENT DISCUSSION AND ANALYSIS REVIEW OF OPERATIONS (continued)

### QUEENSLAND

In October 2012, the Queensland Government lifted a 27-year old ban on uranium mining. This decision enables Paladin to refocus on the development of its uranium holdings in the Mount Isa region of northwest Queensland.

Paladin has an 82.08% majority shareholding in Summit Resources Limited (Summit) acquired in 2007. Summit's wholly-owned subsidiary, Summit Resources (Aust) Pty Ltd (SRA), operates the Isa Uranium Joint Venture (IUJV) and the Mount Isa North Project (MINP).

The three projects include 10 deposits containing 106.2Mlb U<sub>3</sub>O<sub>8</sub> Measured and Indicated Mineral Resources as well as 42.2Mlb U<sub>3</sub>O<sub>8</sub> Inferred Mineral Resources. The bulk of the mineralisation is concentrated in the Valhalla deposit. Of this, 95.8Mlb U<sub>3</sub>O<sub>8</sub> Measured and Indicated Mineral Resources as well as 37.4Mlb U<sub>3</sub>O<sub>8</sub> Inferred Mineral Resources are attributable to Paladin. 51.4% of the Mineral Resources are located at Valhalla; the rest is distributed over the Bikini, Skal, Odin, Andersons, Mirrioola, Watta, Warwai, Duke Batman and Honey Pot deposits. The table below lists JORC(2004) and NI 43-101 compliant Mineral Resources by deposit, on a 100% project basis.

Deposit			Measured & Indicated Mineral Resources		Inferred Mineral Resources		Paladin Attribution	
	Cut-off ppm U <sub>3</sub> O <sub>8</sub>	Mt	Grade ppm	t U <sub>3</sub> O <sub>8</sub>	Mt	Grade ppm		t U <sub>3</sub> O <sub>8</sub>
Valhalla*	230	34.7	830	28,778	9.1	643	5,824	91.0%
Skal*	250	14.3	640	9,177	1.4	519	708	91.0%
Odin*	250	8.2	555	4,534	5.8	590	3,430	91.0%
Bikini*	250	5.8	497	2,868	6.7	493	3,324	82.0%
Andersons*	250	1.4	1,449	2,079	0.1	1,639	204	82.0%
Watta	250				5.6	404	2,260	82.0%
Warwai	250				0.4	365	134	82.0%
Mirrioola	250				2.0	555	1,132	82.0%
Duke Batman*	250	0.5	1,370	728	0.3	1,100	325	100%
Honey Pot	250				2.6	700	1,799	100%
<b>Total</b>		<b>64.9</b>	<b>742</b>	<b>48,164</b>	<b>34.0</b>	<b>563</b>	<b>19,140</b>	
<b>Total Resource Attributable to Paladin</b>		<b>58.5</b>	<b>743</b>	<b>43,470 (95.8Mlb)</b>	<b>29.9</b>	<b>568</b>	<b>16,983 (37.4Mlb)</b>	

(Figures may not add due to rounding).

\* Deposits estimated using Multiple Indicator Kriging within a wireframe envelope. All other Mineral Resources are estimated using Ordinary Kriging with an appropriate top cut. Data for all deposits is a combination of geochemical assay and downhole radiometric logging.

Metallurgical and mineralogical testwork has resulted in a better understanding of the uranium mineralisation. The mineralisation was shown to be of a very fine grained and sometimes refractory nature, containing increased carbonate gangue minerals. Alkaline leaching has shown acceptable recoveries of 80 to 90% at high temperature and pressure, with normal reagent consumption. Radiometric sorting of the mineralisation also showed further encouraging results. Testwork in the coming years will aim at confirming an economic flow-sheet based on alkaline leach and radiometric sorting.

The exploration is managed through the three previously listed projects. The locations are shown in the following map and details are as follows:

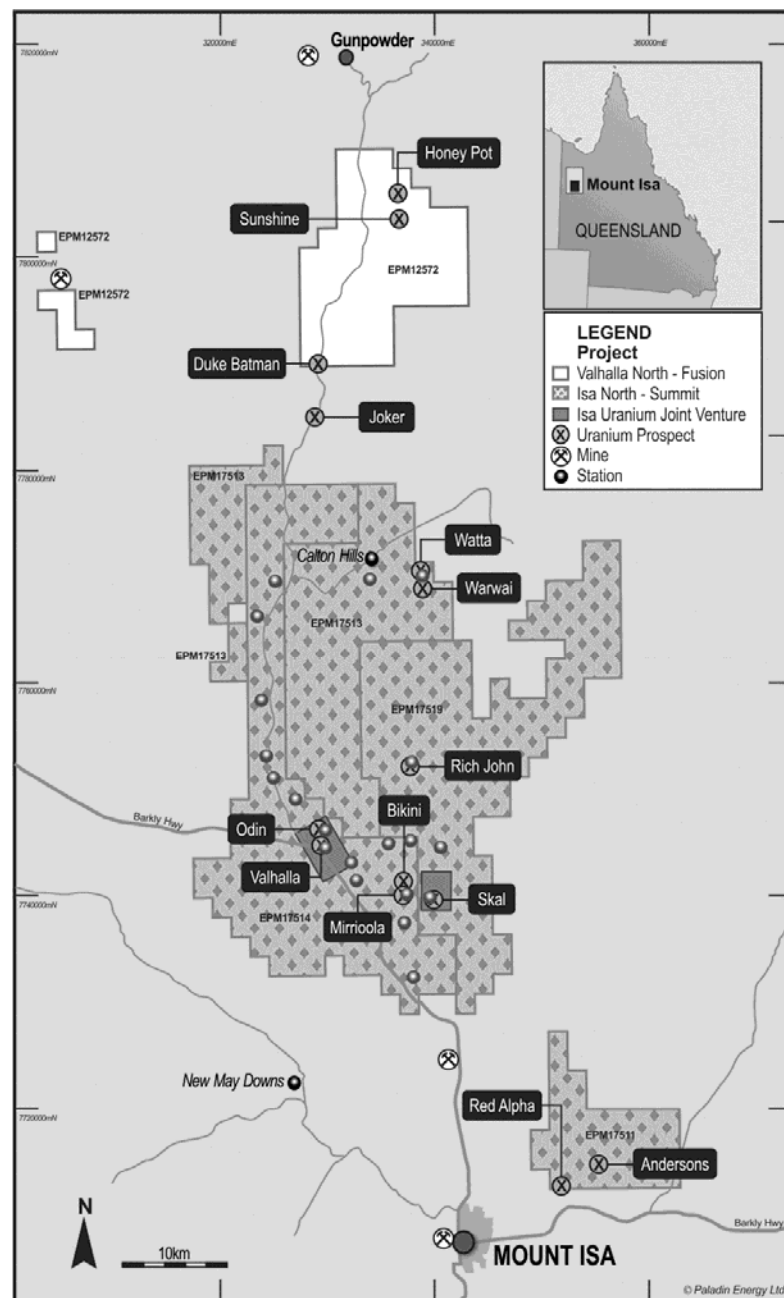
## MANAGEMENT DISCUSSION AND ANALYSIS REVIEW OF OPERATIONS (continued)

### ISA URANIUM JOINT VENTURE (IUJV) Summit Resources (Aust) Pty Ltd (SRA) 50% and Manager Mount Isa Uranium Pty Ltd (MIU) 50%

The IUJV covers ground containing the Valhalla, Odin and Skal uranium deposits 40km north of Mount Isa. Mineral Resource estimates are included in the table on the previous page.

Participants in the joint operation are SRA and Mount Isa Uranium Pty Ltd (MIU), each holding a 50% interest, with SRA as manager. MIU is a wholly-owned subsidiary of Valhalla Uranium Pty Ltd (VUL), a formerly public company and now a wholly-owned subsidiary of Paladin. Paladin's effective participating interest in the IUJV is 91.04% through its ownership of 82.08% of the issued capital of Summit.

Ground subject to the IUJV covers 17.24km<sup>2</sup> at Valhalla and 10km<sup>2</sup> at Skal. These two areas lie within a larger holding of contiguous tenements of 1,356km<sup>2</sup> held 100% and managed by SRA and Paladin as outlined in the map below.



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **REVIEW OF OPERATIONS (continued)**

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#### **MOUNT ISA NORTH PROJECT (MINP)**

The MINP is located 10 to 70km north and east of Mount Isa and contains numerous uranium prospects. The area is 100% held and managed by SRA utilising Paladin staff and expertise. Exploration continues on MINP where Summit holds 1,356km<sup>2</sup> of granted tenements that are prospective for uranium, copper and base metals. The tenements are centred on the city of Mount Isa. The project includes the Bikini, Mirrioola, Watta, Warwai and Anderson uranium deposits, as well as numerous other uranium prospects. Mineral Resource estimates are shown in the table on page 22.

#### **VALHALLA NORTH PROJECT (VNP)**

The VNP is located on EPM 12572 totalling 361km<sup>2</sup>, situated approximately 80km north of the Valhalla deposit. The geological setting is similar to the Summit/Paladin projects to the south where albitised basalts with interbedded metasediments are mineralised along east-west and north-south structures in Eastern Creek Volcanics. The project includes the Duke Batman and Honey Pot deposits and Mineral Resource estimates are listed in the table on page 22.

#### **POSITIVE QUEENSLAND URANIUM POLITICS**

A state election held in Queensland on 24 March 2012 resulted in a change of government from Labor to a Liberal-National Party ("LNP"). The previous state Labor Government in Queensland would not grant a licence to mine uranium.

Subsequent to the election, on 22 October 2012, Premier Campbell Newman announced a change in government policy to allow and facilitate uranium mining in Queensland. In March 2013, the Queensland Uranium Implementation Committee completed its report to the Queensland Government recommending a policy framework for the orderly development and operation of a recommenced uranium mining and export industry in Queensland. In September 2013, the Minister for Natural Resources and Mines released an action plan to implement a best practice regulatory framework for uranium mining in Queensland.

#### **WESTERN AUSTRALIA**

##### **MANYINGEE URANIUM PROJECT (Manyingee)**

Manyingee is located in the north-west of Western Australia, 1,100km north of Perth and 85km inland from the coastal township of Onslow. The property is comprised of three mining leases covering 1,307 hectares. Paladin also holds one granted Exploration Licence (EPL 08/1496) totalling 89km<sup>2</sup> at Spinifex Well, 25km north-east of Manyingee. Paladin purchased Manyingee in 1998 from Afmeco Mining and Exploration Pty Ltd (AFMEX), a subsidiary of Cogema from France.

Between 1973 and 1984, approximately 400 holes were drilled by the previous owners to establish the extent and continuity of the sediment-hosted uranium mineralisation contained in permeable sandstone in paleochannels. Field trials by AFMEX demonstrated that the Manyingee sandstone-hosted uranium deposit is amenable to extraction by in-situ recovery (ISR).

In 2012, Paladin drilled 96 holes for 9,026m of Rotary Mud and 242m of PQ core. The drilling resulted in a new geological model and, on 14 January 2014, Paladin announced an updated Mineral Resource for the Manyingee Project. The Mineral Resource estimate conforms to both the JORC(2012) Code and NI 43-101.

## MANAGEMENT DISCUSSION AND ANALYSIS REVIEW OF OPERATIONS (continued)

### Updated Mineral Resource Estimate (250ppm U<sub>3</sub>O<sub>8</sub> and 0.2m cut-off)

Unit	Mineral Resource Category	Tonnes M	Density g/cm <sup>3</sup>	Grade ppm U <sub>3</sub> O <sub>8</sub>	Pounds M	Metal t
U2	Indicated	1.46	1.7	885	2.85	1,292
	Inferred	1.33	1.7	830	2.45	1,110
U3a	Indicated	2.65	1.7	895	5.25	2,380
	Inferred	1.88	1.7	960	3.98	1,806
U3b	Indicated	2.61	1.7	850	4.88	2,214
	Inferred	1.17	1.7	790	2.04	925
U3c	Indicated	1.18	1.7	745	1.94	881
	Inferred	0.72	1.7	790	1.25	569
U4	Indicated	0.47	1.7	765	0.80	362
	Inferred	0.30	1.7	680	0.45	203
<b>Total</b>	<b>Indicated</b>	<b>8.37</b>		<b>850</b>	<b>15.71</b>	<b>7,127</b>
	<b>Inferred</b>	<b>5.41</b>		<b>850</b>	<b>10.17</b>	<b>4,613</b>

*Figures may not add due to rounding.*

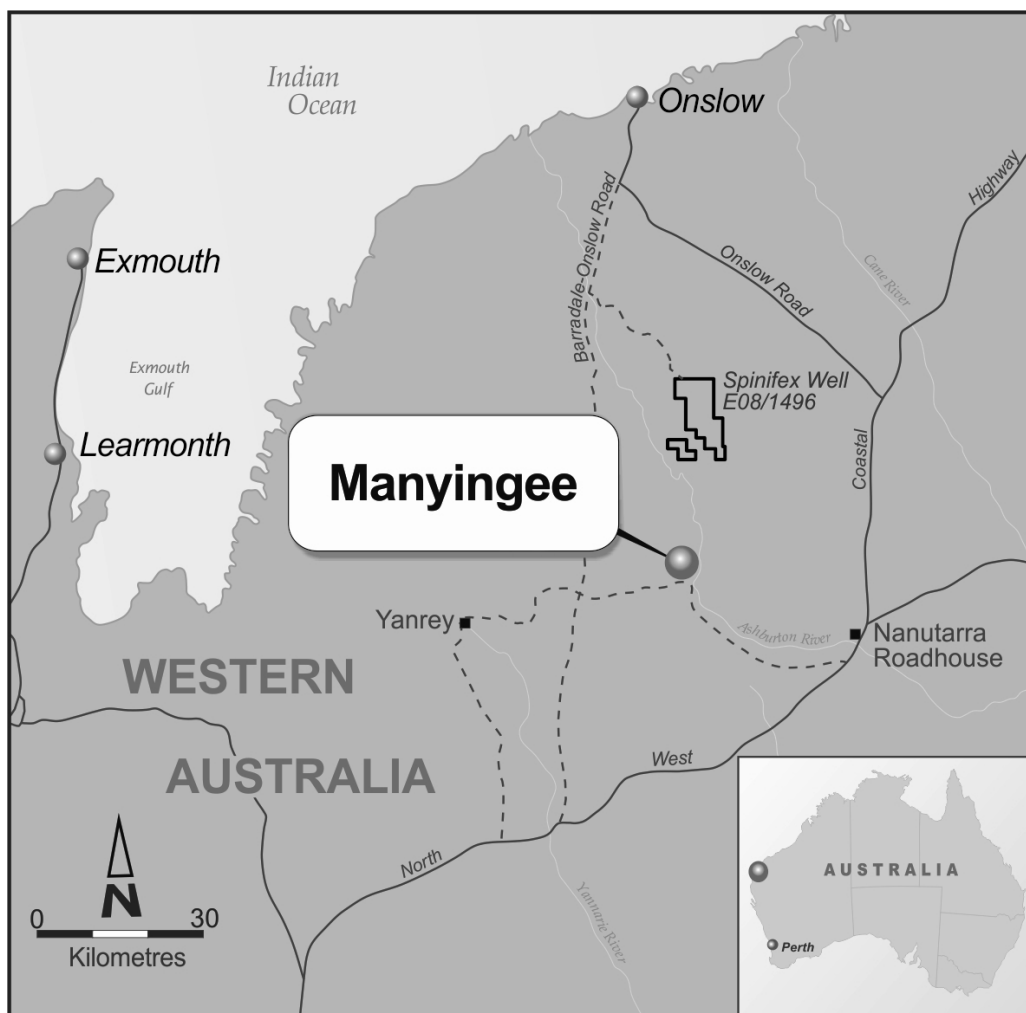
The 2014 Mineral Resource Estimate is based on a combination of validated historical drilling and the 96 Rotary Mud and Diamond holes drilled by Paladin. The validation of the historical data, along with Prompt Fission Neutron (PFN) probe logging of recent drill holes, has resulted in a change to the disequilibrium factor used to determine uranium grades. This change has resulted in a reduction in the Indicated Mineral Resource grade; however the overall grade of the deposit has increased due to revised geological modelling and estimation techniques.

The geology of the deposit is well understood, having been subject to extensive exploration over a number of years. The stratigraphic sequence within the deposit has been defined from the extensive dataset of downhole electric logs. A total of 35 water bores was installed at the Manyingee site by Paladin in 2012, which are used for ongoing monitoring of physical and chemical properties of the aquifer containing the uranium mineralisation. Paladin believes that the Mineral Resources on the mining leases can be increased and that commencement of production at the project can be achieved in a 4-5 year time frame. Current work on the project concentrates on compiling a Field Leach Trial proposal document to be submitted in 2015.

At Spinifex Well, 20km north of Manyingee, follow-up drilling by Paladin identified four prospective redox fronts at depths between 85m and 120m with mineralisation greater than 0.025% U<sub>3</sub>O<sub>8</sub> and 0.5m was intersected in 10 holes (best intersection being 1.9m at 0.13% U<sub>3</sub>O<sub>8</sub>) and further testwork is warranted.



## MANAGEMENT DISCUSSION AND ANALYSIS REVIEW OF OPERATIONS (continued)



### OOBAGOOMA URANIUM PROJECT (Oobagooma)

The Oobagooma Project (held 100%) is located in the West Kimberley region of Western Australia, 1,900km north-north-east of Perth and 75km north-east of the regional centre of Derby. The project now comprises one application for an EPL covering approximately 450km<sup>2</sup>.

In 1998, Paladin acquired a call option in relation to the purchase of Oobagooma. 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.

The Oobagooma project area was explored by AFMEX between 1983 and 1986, during which time extensive zones of uranium mineralisation were discovered. AFMEX identified a historic resource of 21.9Mlb U<sub>3</sub>O<sub>8</sub> at 0.12% U<sub>3</sub>O<sub>8</sub> with a 0.035% cut-off. Paladin has classified this mineralisation as an exploration target, but, after examining the AFMEX data, Paladin believes that following validation of all existing data, there is good potential to upgrade the exploration target within the area to 40 to 50Mlb U<sub>3</sub>O<sub>8</sub>.

*Previous tonnages, grades, assays and other technical data for Oobagooma are taken from historical records prior to the implementation of JORC or NI 43-101. While the data are believed to have been acquired, processed and disclosed by persons believed to be technically competent, it is unverifiable at present. A Competent Person as defined under the JORC Code or Qualified Person as defined under NI 43-101 has not done sufficient work to classify the historical estimate as current Mineral Resources. Paladin is not treating any historical estimates as current Mineral Resources as defined in either the JORC Code or NI 43-101 and the historical estimates should not be relied upon.*

## MANAGEMENT DISCUSSION AND ANALYSIS

### REVIEW OF OPERATIONS (continued)

#### **BIGRLYI JOINT VENTURE (BJV)**

**Energy Metals Limited 53.29% and Manager**

**Northern Territory Uranium Pty Ltd 41.71%**

**Southern Cross Exploration NL 5%**

The BJV covers ten granted Exploration Licences in Retention (ELRs), located in the Ngalia Basin approximately 320km north-west of Alice Springs in the Northern Territory. Participants in the Project are Energy Metals Limited (53.29% and Manager), Northern Territory Uranium Pty Ltd (a wholly-owned subsidiary of Paladin) (41.71%) and Southern Cross Exploration NL (5%).

Energy Metals Limited (EME), as the Manager of the BJV, announced in June 2011 the completion of a Pre-Feasibility Study (PFS) for the Bigrlyi Project showing that, under current market conditions, is not economically viable. A substantial increase in the resource base that has been identified to date is required, especially resources amenable to open pit mining to help the economic outcome of this project. EME is exploring the wider Ngalia Basin for additional resources on its 100% owned licences.

In late June 2011, EME released an updated Mineral Resource estimate, conforming to both the JORC(2004) guidelines and NI 43-101, based on all drilling to date. The breakdown of Mineral Resource category is detailed below and is reported at a 500ppm U<sub>3</sub>O<sub>8</sub> cut-off grade.

<b>Mineral Resource Classification</b>	<b>Tonnes Mt</b>	<b>Grade ppm U<sub>3</sub>O<sub>8</sub></b>	<b>Metal t U<sub>3</sub>O<sub>8</sub></b>	<b>Metal Mlb U<sub>3</sub>O<sub>8</sub></b>
Indicated	4.7	1,366	6,400	14.1
Inferred	2.8	1,144	3,200	7.1

Additionally, in the Ngalia Basin, Paladin holds an interest in ELRs at Walbiri (58%) and Malawiri (48%) in partnership with EME as well as 100% of the Mt Wedge retention lease. Previous explorers defined exploration targets on all leases and it is expected that exploration will be carried out on these leases, in the coming years to further expand the resource base of the project.

#### **ANGELA-PAMELA PROJECT**

Angela is a sandstone-hosted roll-front type uranium deposit (held 100% by Paladin) with an Inferred Mineral Resource of 30.8Mlb U<sub>3</sub>O<sub>8</sub> located in the Amadeus Basin of Australia's Northern Territory, approximately 25km from Alice Springs.

In November 2006, Cameco Australia Pty Ltd (Cameco) and Paladin, in a 50:50 joint venture, won a tender in competition with numerous other applicants, for an Exploration Licence covering the Angela and Pamela uranium prospects.

The joint venture conducted drilling programmes during 2009 and 2010, including 172 holes totalling 32,810m. Cameco formally withdrew from the joint venture in 2013 after determining that the project did not meet its investment criteria at that time.

Paladin has since assumed 100% ownership of the project. Its activities have been confined to validating UAL and Cameco drilling data, drilling three mud rotary holes to test the feasibility of this methodology for future programmes and preparing a revised Mineral Resource estimate and public release of the resource report.

The Mineral Resource estimate is based on 794 holes totalling 180,468m and covers the Angela (1 to 5) and Pamela deposits. The mineralisation plunges shallowly, approximately 9°, to the west and the resource of the larger of the deposits, Angela 1, has been defined up to 4.3km to the west at depths up to 600m and remains open.

## MANAGEMENT DISCUSSION AND ANALYSIS REVIEW OF OPERATIONS (continued)

The cut-off for the Mineral Resource is a combination of grade greater than or equal to 300ppm U<sub>3</sub>O<sub>8</sub> and thickness greater than 0.5m. The Mineral Resource estimate conforms to the JORC(2004) Guidelines and complies with NI 43-101.

Mineral Resource Classification	Tonnes Mt	Grade ppm U <sub>3</sub> O <sub>8</sub>	Metal t U <sub>3</sub> O <sub>8</sub>	Metal Mlb U <sub>3</sub> O <sub>8</sub>
Inferred	10.7	1,310	13,980	30.8

Importantly the mineralisation includes a higher grade core at a cut-off of 1500ppm which still contains 20.2Mlb at a grade of 2,500ppm U<sub>3</sub>O<sub>8</sub>.

### NIGER (West Africa)

#### PROJECT AGADEZ

Project Agadez is located in northern Niger, north-west Africa, 30km west and north-west of the township of Agadez. It includes three exploration concessions: Tagait 4 (TAG4); Toulouk 1 (TOU1); Terzemazour 1 (TER1); and, one application Ekazan 1 (EKA1), all covering a total area of 990km<sup>2</sup>. The concessions cover sandstone type uranium mineralisation in the Tim Mersoï Basin. In 2012 Areva produced in excess of 11Mlb U<sub>3</sub>O<sub>8</sub> from two mines located less than 100km north of Paladin's concessions. Since start up in the 1970's, close to 300Mlb U<sub>3</sub>O<sub>8</sub> have been produced out of the basin.

Paladin's TER1 concession contains a low-grade Inferred Mineral Resource of 11Mlbs U<sub>3</sub>O<sub>8</sub> at 210ppm U<sub>3</sub>O<sub>8</sub> at a cut-off grade of 120ppm U<sub>3</sub>O<sub>8</sub> in shallow sediments. An in-house evaluation of the estimate indicated the possibility of higher grade mineralisation controlled by a previously unrecognised paleochannel. However, further drilling was put on hold due to an escalation of terrorist activities in the area. At this stage Paladin has suspended all field activities in the Arlit and Agadez areas and a *force majeure* has been requested from the government authorities for indefinite suspension of expenditure requirements.

#### MINERAL RESOURCE AND ORE RESERVE SUMMARY

The following tables detail the Company's Mineral Resources and Ore Reserves and the changes that have occurred within FY2014. The only changes to Mineral Resource and Ore Reserve information were due to depletion for mining to 30 June 2014 at both Langer Heinrich and Kayelekera (where mining ceased in December 2013 and processing ceased in May 2014) and Mineral Resource updates for the Manyingee and Michelin deposits, as previously announced to the ASX on the 14<sup>th</sup> January 2014 and 26<sup>th</sup> June 2014 respectively. There were no other material changes to the Company's Mineral Resources and Ore Reserves.

**MANAGEMENT DISCUSSION AND ANALYSIS**  
**REVIEW OF OPERATIONS (continued)**

Mineral Resources	30 June 2013			30 June 2014			Change			
	M tonnes	grade % U <sub>3</sub> O <sub>8</sub>	Metal t	M tonnes	grade % U <sub>3</sub> O <sub>8</sub>	Metal t	M tonnes	Metal t		
<b>Canada</b>										
<b>Measured</b>	Jacques Lake	0.86	0.087	747	0.86	0.087	747			
	Michelin	7.07	0.084	5,926	15.57	0.099	15,458	8.5	9,532	
	Rainbow	0.21	0.092	193	0.21	0.092	193			
<b>Indicated</b>	Gear	0.35	0.077	270	0.35	0.077	270			
	Inda	1.2	0.069	826	1.2	0.069	826			
	Jacques Lake	6.04	0.072	4,327	6.04	0.072	4,327			
	Michelin	23.01	0.107	24,522	21.93	0.104	22,701	-1.08	-1,821	
	Nash	0.68	0.083	564	0.68	0.083	564			
<b>Inferred</b>	Rainbow	0.76	0.086	655	0.76	0.086	655			
	Gear	0.3	0.093	279	0.3	0.093	279			
	Inda	3.26	0.067	2,171	3.26	0.067	2,171			
	Jacques Lake	8.1	0.051	4,103	8.1	0.051	4,103			
	Michelin	15.97	0.103	16,370	8.81	0.118	10,378	-7.16	-5,992	
	Nash	0.51	0.072	367	0.51	0.072	367			
	Rainbow	0.91	0.082	739	0.91	0.082	739			
<b>Malawi</b>										
<b>Measured</b>	Kayelekera	0.87	0.107	931	0.74	0.101	753	-0.13	-178	
<b>Indicated</b>		13.43	0.072	9,694	12.71	0.070	8,901	-0.72	-793	
<b>Inferred</b>		5.36	0.062	3,336	5.35	0.062	3,334	-0.01	-2	
<b>Stockpiles</b>		1.54	0.093	1,454	1.59	0.076	1,199	0.05	-255	
<b>Namibia</b>										
<b>Measured</b>	Langer Heinrich	25.34	0.055	13,851	22.42	0.055	12,410	-2.92	-1,441	
<b>Indicated</b>		70.12	0.055	38,729	66.98	0.055	36,877	-3.14	-1,852	
<b>Inferred</b>		17.74	0.058	10,335	17.59	0.058	10,246	-0.15	-89	
<b>Stockpiles</b>		28.61	0.042	11,932	30.42	0.041	12,500	1.81	568	
<b>Niger</b>										
<b>Inferred</b>	Takardeit	23.21	0.021	4,943	23.21	0.021	4,943			
<b>Australia</b>										
<b>Measured</b>	Valhalla	16.02	0.082	13,116	16.02	0.082	13,116			
<b>Indicated</b>	Bigryli	4.7	0.136	6,400	4.7	0.136	6,400			
	Andersons	1.4	0.145	2,079	1.4	0.145	2,079			
	Bikini	5.77	0.050	2,868	5.77	0.050	2,868			
	Duke Batman	0.53	0.137	728	0.53	0.137	728			
	Odin	8.2	0.055	4,534	8.2	0.055	4,534			
	Skal	14.3	0.064	9,177	14.3	0.064	9,177			
	Valhalla	18.64	0.084	15,662	18.64	0.084	15,662			
	Manyingee	7.87	0.102	8,080	8.37	0.085	7,127	0.5	-953	
	<b>Inferred</b>	Angela	10.7	0.131	13,980	10.7	0.131	13,980		
		Bigryli	2.8	0.114	3,200	2.8	0.114	3,200		
		Andersons	0.1	0.164	204	0.1	0.164	204		
		Bikini	6.7	0.490	3,324	6.7	0.490	3,324		
		Duke Batman	0.29	0.110	325	0.29	0.110	325		
		Honey Pot	2.56	0.070	1,799	2.56	0.070	1,799		
		Mirrioola	2	0.056	1,132	2	0.056	1,132		
Odin		5.8	0.059	3,430	5.8	0.059	3,430			
Skal		1.4	0.052	708	1.4	0.052	708			
Valhalla		9.1	0.064	5,824	9.1	0.064	5,824			
Watta		5.6	0.040	2,260	5.6	0.040	2,260			
Warwai		0.4	0.036	134	0.4	0.036	134			
Manyingee	5.5	0.050	2,810	5.41	0.085	4,613	-0.09	1,803		

## MANAGEMENT DISCUSSION AND ANALYSIS

### REVIEW OF OPERATIONS (continued)

	30 June 2013			30 June 2014			Change	
	M tonnes	grade % U <sub>3</sub> O <sub>8</sub>	Metal t	M tonnes	grade % U <sub>3</sub> O <sub>8</sub>	Metal t	M tonnes	Metal t
<b>Ore Reserves</b>								
<b>Malawi</b> Kayelekera								
<b>Proven</b>	0.49	0.123	605	0.39	0.117	457	-0.10	-149
<b>Probable</b>	5.98	0.091	5,423	5.34	0.088	4,709	-0.64	-714
<b>Stockpiles</b>	1.54	0.093	1,454	1.59	0.076	1,199	0.05	-255
<b>Namibia</b> Langer Heinrich								
<b>Proven</b>	20.01	0.055	11,093	17.09	0.057	9,653	-2.92	-1,440
<b>Probable</b>	59.44	0.057	33,616	56.31	0.056	31,764	-3.13	-1,852
<b>Stockpiles</b>	28.61	0.042	11,932	30.42	0.041	12,500	1.81	567

*Mineral Resources and Ore Reserves quoted on a 100% basis.*

All of the Company's Mineral Resources and Ore Reserves are internally peer reviewed at the time of estimation and are subject to ongoing review, as and when required. Should any Mineral Resources or Ore Reserves be utilised within a Bankable or Definitive Feasibility Study, it is expected that an audit by independent experts would be conducted. For both mine sites, ongoing reconciliations between Mineral Resource, Ore Reserve, Mining Production and Mill Feed tonnes and grade are completed on a regular basis and, to date, there have been no material differences identified in any of these processes.

*The information above relating to exploration, mineral resources and ore reserves is, except where stated, based on information compiled by Eduard Becker B.Sc, David Princep B.Sc and Andrew Hutson B.E, all of whom are members of the AusIMM. Messrs Becker, Princep and Hutson each have 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 Persons as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves", and Messrs Princep and Hutson as a Qualified Person as defined in NI 43-101. Messrs Becker, Princep and Hutson are full-time employees of Paladin Energy Ltd and consent to the inclusion of this information in the form and context in which it appears.*

#### URANIUM DATABASE

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

Since acquiring this substantial uranium database, which consists of extensive collections of technical, geological, metallurgical, geophysical and geochemical resources, including resource evaluations, drill hole data, downhole logging data, airborne radiometric surveys results, open-file data, and photographic archives, the Company has maintained and expanded this valuable library of data.

The data continues to be utilised by the Company as an asset for project generation to evaluate opportunities and generate new uranium prospects and projects for acquisition and exploration.

#### DEEP YELLOW LTD (DYL)

##### Paladin 18.67%

DYL an ASX-listed, Namibian-focussed advanced stage uranium exploration company. It also has a listing on the Namibian Stock Exchange (NSX).

DYL's operations in Namibia are conducted by its 100% owned subsidiary Reptile Uranium Namibia (Pty) Ltd (RUN). RUN holds 100% of two EPLs covering 1,346km<sup>2</sup> and five joint venture EPLs covering 1,764km<sup>2</sup>. All seven tenements are situated in the Namib Naukluft Desert Park inland from Walvis Bay and south and west of Paladin's LHM. Its flagship is the high grade alaskite Omahola Project, where mining studies during the year under review concluded that a heap leach development strategy should have superior economics over a tank leach. Further studies are being conducted and metallurgical testwork is being planned, which is required to demonstrate the technical feasibility of a heap leach project. A processing trade-off study for the Tubas Sand Project was also completed during the year, and geological mapping followed up on new exploration targets that were identified in the previous year's successful prospectivity analysis.

## MANAGEMENT DISCUSSION AND ANALYSIS HEALTH & SAFETY

### HEALTH AND SAFETY

Paladin is “committed to provide and maintain a safe and healthy work environment with the aim of ‘Zero Harm’ from occupational injuries and illnesses in the work place”. The company also “considers excellence in radiation management performance is essential to our business success and is fully committed to achieving minimum radiation exposure to its workers, members of the public and the surrounding natural environment and minimising the potential impact by the safe management of radioactive waste at its uranium mining and processing operations” as stated in its Occupational Health And Safety Policy and Radiation Policy respectively.

During the year, the Company tragically lost two employees following two separate fatal incidents at its Namibian and Malawian operations. Burns and smoke inhalation injuries were the cause of one fatality with chest and head injuries causing the other. Paladin extends its sincere condolences to the families of the deceased.

The Company Lost Time Injury Frequency Rate (LTIFR) increased from 1.1 to 3.1 over the previous year. This rate is currently above the West Australian metalliferous surface mining LTIFR of 2.3. For FY2014, there were twelve LTIs compared to six LTIs for the previous year.

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

Lost Time Injury

Frequency Rate (LTIFR): Number of lost time injuries inclusive of fatalities per million hours worked.

### FY2014 Company Safety Statistics

	Langer Heinrich Mine			Kayelekera Mine			Perth	Exploration		Group	
	Employees	Mine Contractors	Other Contractors	Employees	Mine Contractors	Other Contractors	Corporate Office	Employees	Contractors	Paladin Employees	All Contractors
Hours Worked	732,159	1,519,808	153,808	1,255,104	512,214	154,955	101,317	68,208	22,768	2,156,788	2,363,553
Lost Time Injuries	3	4	1	3	0	0	0	1	0	7	5
Fatalities	1	0	0	1	0	0	0	0	0	2	0
LTIFR	5.5	2.6	6.5	3.2	0	0	0	14.66	0	5.1	2.1
	Langer Heinrich Mine Total LTIFR = 3.7			Kayelekera Mine Total LTIFR = 2.9			Perth LTIFR = 0.0	Exploration LTIFR = 11.0		Paladin Group + All Contractors LTIFR = 3.1	

The Paladin Group’s increased LTIFR highlights the hazardous environments posed in the mining and resources industry and further determined the Company’s resolve to achieve ‘Zero Harm’.

Paladin’s safety and health performance of its operations is measured through the external internationally recognised National Occupational Safety Association (NOSA) Five Star System ensuring transparency and complementing its own internal audit processes.

#### Langer Heinrich Mine

On 3 October 2013 LHM had a serious electrical incident resulting in an electric flash which injured an employee and two contractors. The most seriously injured worker, an employee, sadly passed away on 30 October 2013. This incident is a reminder that safety must come first and that Paladin’s aim of ‘Zero Harm’ is paramount and vigilance must be maintained at all times.

The increase in the LTIFR at LHM has resulted in a fresh and increased focus on safety, health, and radiation (SHR) management, a driving point for its newly appointed General Manager/Managing Director and his team.

During the year, LHM reported eight LTIs, of which three were LHM employees and five were contractors. The site’s annual LTIFR increased from 1.1 to 3.7.

## MANAGEMENT DISCUSSION AND ANALYSIS

### HEALTH & SAFETY (continued)

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The mine's 2013 NOSA grading audit conducted in January 2014 resulted in the operation attaining a 3 Star Platinum (health, safety and environment) grade rating, down from its previous 4 star Platinum grade rating. This decreased performance resulted in an audit score of 73.1% down from 92.4% highlighting the need for additional resources in the SHR area and an overall revision of the site's safety performance.

LHM has reviewed and strengthened key areas of general inductions, permits to work, hazard identification, risk assessments and isolations and personnel are currently undertaking new and revised training, further upskilling and broadening the workforce's safety and health knowledge base and refocusing personnel towards a safer work environment. A "back to basics" programme has been implemented which includes verification of competencies through both theoretical and practical testing and the development of new critical procedures and associated training packages.

Occupational radiation exposure monitoring for designated worker mean annual radiation dose resulted in a dose level of 3.7 mSv for the CY2013 compared with the internationally recommended annual dose limit of 20 mSv.

LHM continues to be actively involved with the Chamber of Mines Uranium Institute in Namibia, a leading source of advocacy, training and research on uranium related issues.

#### **Kayelekera Mine**

Regretfully, KM had one fatality on 31 July. An employee from within the mine's engineering workshop, a Malawi National, died after being struck in the chest by a light vehicle wheel that he was inflating at the time. Following a full investigation of the accident new isolation procedures were implemented to prevent a reoccurrence.

The site reported three LTIs, all employee related, increasing the annual LTIFR from 0.0 to 3.2. Similar to LHM, a fresh and increased focus and awareness programme is also underway to reduce the current LTIFR at this operation.

On 9 May, feed into the plant ceased with the transition to care and maintenance. The commitment to a safe and healthy work environment will remain at the forefront during this period.

There was no annual NOSA grading audit conducted in FY2014 as the operation was transitioning to care and maintenance at the usual time of the audit. The previous grading audit result was a 5 Star Platinum rating in June 2013 and the annual NOSA grading audit will recommence in FY2015.

The designated worker mean annual radiation dose was 3.2 mSv for CY2013 compared with the internationally recommended annual dose limit of 20 mSv.

#### **Exploration**

Paladin's exploration activities included drilling in Canada and limited ground surveys in remote locations undertaken for its other projects.

Exploration reported one LTI for the year recorded on the Aurora project (Canada) and the annual exploration LTIFR rate decreased from 13.8 to 11.0.

Exploration continues to maintain and enhance its Safety and Health Management System particularly in the aspects of remote area operations including fuel transportation, cold weather operating conditions and snow vehicle operations which is particularly applicable to the Canadian operations.

## MANAGEMENT DISCUSSION AND ANALYSIS FINANCIAL REVIEW

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### Operational overview

The Group has two uranium mines in Africa<sup>5</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.

LHM commenced production in 2007 with a capacity of 2.7Mlb U<sub>3</sub>O<sub>8</sub> pa. After operating at this level for a sustained period of time, construction of the Stage 2 expansion to 3.7Mlb U<sub>3</sub>O<sub>8</sub> pa commenced in CY2008. LHM reached the Stage 2 design capacity in December 2009. The plant has consistently operated at the 3.7Mlb U<sub>3</sub>O<sub>8</sub> pa rate from the beginning of CY2010. Construction of the Stage 3 expansion to 5.2Mlb U<sub>3</sub>O<sub>8</sub> commenced at the beginning of CY2010 and was completed on 31 March 2012. Commercial production was declared from 1 April 2012. The plant achieved Stage 3 design performance in FY2013, and, in FY2014, the focus turned to process innovation and production optimisation. The plant achieved record annual production totalling 5.592Mlb U<sub>3</sub>O<sub>8</sub> for FY2014, 6% higher than FY2013.

Construction of KM, with a 3.3Mlb U<sub>3</sub>O<sub>8</sub> design capacity, commenced in 2007 and, after a two-year construction phase, the mine entered its production ramp-up phase in CY2009. KM continued to ramp-up its production volumes through to July 2010. Commercial production was declared from 1 July 2010. KM made its first delivery of uranium to customers in December 2009. During FY2012, the operation made substantial positive steps toward the design of 3.3Mlb U<sub>3</sub>O<sub>8</sub> pa through a programme of plant upgrades aimed at addressing bottlenecks. The plant achieved record annual production totalling 2.963Mlb U<sub>3</sub>O<sub>8</sub> for FY2013, 20% higher than FY2012. The focus at KM turned to production optimisation with the acid recycling (nano-technology) project representing a key element. The acid recovery plant was operational up to the cessation of ore processing and continued to improve beyond its design criteria.

On 7 February 2014, the Company announced that it was suspending production at KM and placing the mine on care and maintenance due to the low uranium price and non-profitability of the operation. The plant operated until all reagents in the supply chain were consumed to the maximum extent possible and the plant ceased production on 6 May 2014. After a transition period, during which the site was made safe, the plant cleaned and all remaining product dispatched to customers, the care and maintenance period commenced on 26 May 2014. During care and maintenance the project will be maintained on near-ready status with an adequate component of staffing to keep the project in good working order and to preserve the critical aspects of Intellectual Property and operational knowhow.

*References below to 2014 and 2013 refer to the equivalent twelve months ended 30 June 2014 and 2013 respectively.*

### **NON IFRS MEASURE**

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 a non-IFRS measure, is a widely used ‘industry standard’ term. We use this measure as a meaningful way to compare our performance from period to period. We believe that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate our performance. C1 cost information (unaudited) has been extracted from the financial statements. For an analysis of total cost of sales refer to Note 11 to the financial statements. Refer to page 36 for reconciliation.

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<sup>5</sup> Langer Heinrich Mine, Namibia (operating). Kayelekera Mine, Malawi (on care and maintenance).



## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW (continued)

#### FINANCIAL RESULTS

	Change from 2013 to 2014	YEAR ENDED 30 JUNE		
		2014	2013	2012
Production volume (Mlb)	(4)%	7.943	8.255	6.895
Sales volume (Mlb)	5%	8.665	8.253	6.698
Realised sales price (US\$/lb)	(23)%	37.9/lb	49.5/lb	54.6/lb
		<b>US\$M</b>	<b>US\$M</b>	<b>US\$M</b>
<b>Revenue</b>	(20)%	329.5	411.5	367.4
Cost of Sales	6%	(332.9)	(355.6)	(304.5)
Impairment – inventory, stores and consumables	(99)%	(61.7)	(30.9)	(39.0)
<b>Gross (loss)/profit</b>	<b>(360)%</b>	<b>(65.1)</b>	<b>25.0</b>	<b>23.9</b>
Impairments	(9)%	(331.7)	(305.0)	(186.0)
<b>Loss after tax attributable to members of the parent</b>	<b>20%</b>	<b>(338.4)</b>	<b>(420.9)</b>	<b>(172.8)</b>
Other comprehensive income/(loss) for the period, net of tax		1.9	(69.2)	(55.2)
<b>Total comprehensive loss attributable to the members of the parent</b>	<b>31%</b>	<b>(336.5)</b>	<b>(490.1)</b>	<b>(228.0)</b>
Loss per share - basic & diluted (US cents)	30%	(34.4)	(49.1)	(20.2)

References below to 2014 and 2013 are to the equivalent year ended 30 June 2014 and 2013 respectively.

Revenue decreased by 20%, due to a 23% decrease in realised sales price, partially offset by a 5% increase in sales volume.

Gross Loss in 2014 is a turnaround from a gross profit in 2013 due to lower prices and a higher impairment of KM inventory, stores and consumables of US\$40.7M (2013: US\$30.9M) and LHM inventory US\$21.0M (2013: US\$Nil), which has been partially offset by a 5% increase in sales volume.

Impairments have increased due to the US\$323.6M (US\$226.5M after tax) impairment of the Queensland exploration assets, US\$3.8M impairment of the aircraft now classified as held-for-sale and US\$4.3M impairment of available-for-sale financial assets primarily attributable to a decrease in the share price of DYL. In 2013, there was an impairment charge of the KM assets of US\$237.9M, a US\$62.1M impairment of exploration assets and a US\$5.0M impairment of available-for-sale financial assets.

Loss after Tax Attributable to the Members of the Parent for 2014 is predominantly due to the impairment of the Queensland exploration assets and lower uranium prices. The loss in 2013 was predominantly due to the de-recognition of the US\$98.2M KM net deferred tax asset, the US\$237.9M impairment of the KM assets and the US\$62.1M impairment of exploration assets.

#### Segment Information

The Namibian segment profit decreased by US\$66.3M due to lower revenue and the impairment of inventory. The Malawian segment loss decreased by US\$294.2M predominantly as a result of the impairment of the KM assets and the de-recognition of the net deferred tax asset in 2013. Exploration activities loss increased due to the impairment of the Queensland projects. In the Unallocated portion, the Group reflected the remaining Income Statement activities, which for 2014 comprise mainly marketing, corporate, finance and administration costs. The loss in this area has decreased by US\$21.3M.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW (continued)

#### Three Year Trend

Revenue has decreased since 2012 due to a 31% decrease in released sales price, partially offset by a 29% increase in sales volume. Gross loss in 2014 is a turnaround from a gross profit in 2012 due to lower prices and a higher impairment of inventory, stores and consumables, which has been partially offset by an increase in sales volume. Impairments have increased due to the US\$323.6M (US\$226.5M after tax) impairment of the Queensland exploration assets, US\$3.8M impairment of the aircraft now classified as held-for-sale and US\$4.3M impairment of available-for-sale financial assets primarily attributable to a decrease in the share price of DYL. In 2012, there was an impairment charge of the KM assets of US\$178.0M and a US\$8.0M impairment of available-for-sale financial assets.

#### FOURTH QUARTER FINANCIAL RESULTS

	% Change	THREE MONTHS ENDED 30 JUNE	
		2014	2013
Production volume (Mlb)	(25)%	1.600	2.143
Sales volume (Mlb)	(22)%	1.812	2.326
Realised sales price (US\$/lb)	(17)%	38.2/lb	46.2/lb
		<b>US\$M</b>	<b>US\$M</b>
<b>Revenue</b>	(37)%	69.4	109.6
Cost of Sales	24%	(70.1)	(92.8)
Impairment – inventory, stores and consumables	(114)%	(36.8)	(17.2)
<b>Gross loss</b>	<b>(9,275)%</b>	<b>(37.5)</b>	<b>(0.4)</b>
Impairments	98%	(3.8)	(164.2)
<b>Loss after tax attributable to members of the parent</b>	<b>63%</b>	<b>(63.5)</b>	<b>(173.3)</b>
Other comprehensive income/(loss) for the period, net of tax		13.1	(86.1)
<b>Total comprehensive loss attributable to the members of the parent</b>	<b>81%</b>	<b>(50.4)</b>	<b>(259.4)</b>
Loss per share - basic & diluted (US cents)	67%	(6.6)	(20.1)

References below to 2014 and 2013 are to the equivalent three months ended 30 June 2014 and 2013 respectively.

Revenue decreased by 37%, due to a 17% decrease in realised sales price and a 22% decrease in sales volume.

Gross Loss in 2014 is higher than in 2013 due to lower prices and a higher impairment of KM inventory, stores and consumables of US\$15.8M (2013: US\$17.2M) and LHM inventory of US\$21.0M (2013: US\$Nil), and a 22% decrease in sales volume.

Impairments are lower in 2014. In 2013 there was an impairment charge of the KM assets of US\$97.1M, a US\$62.1M impairment of exploration assets and a US\$5.0M impairment of available-for-sale financial assets. In 2014 the only impairment relates to a US\$3.8M impairment of the aircraft, now classified as held-for-sale.

Loss after Tax Attributable to the Members of the Parent for 2014 is predominantly due to the impairment of the inventory, stores and consumables, lower uranium prices and lower volume of sales. The loss in 2013 is predominantly due to the US\$97.1M impairment of the KM assets and the US\$62.1M impairment of exploration assets.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW (continued)

#### ANALYSIS OF REALISED SALES PRICE AND SALES & PRODUCTION VOLUMES

	% Change	YEAR ENDED 30 JUNE	
		2014 US\$	2013 US\$
LHM realised uranium sales price	(17)%	US\$39.9/lb	US\$47.8/lb
KM realised uranium sales price	(34)%	US\$35.0/lb	US\$52.9/lb
<b>Group realised uranium sales price</b>	<b>(23)%</b>	<b>US\$37.9/lb</b>	<b>US\$49.5/lb</b>
		<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	(6)%	5.190	5.548
KM sales volume	28%	3.475	2.705
<b>Total sales volume</b>	<b>5%</b>	<b>8.665</b>	<b>8.253</b>
LHM production	6%	5.592	5.292
KM production	(21)%	2.351	2.963
<b>Total production</b>	<b>(4)%</b>	<b>7.943</b>	<b>8.255</b>

The average realised uranium sales price for the year ended 30 June 2014 was US\$37.9/lb U<sub>3</sub>O<sub>8</sub> compared to the average UxC spot price for the year of US\$33.9/lb U<sub>3</sub>O<sub>8</sub>.

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

	YEAR ENDED 30 JUNE 2014			YEAR ENDED 30 JUNE 2013		
	LHM	KM	TOTAL	LHM	KM	TOTAL
<i>Volume Produced (Mlb)</i>	5.592	2.351	7.943	5.292	2.963	8.255
	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M
Cost of Production (C1)	161.3	84.5	245.8	159.5	126.2	285.7
Cost of Production/lb (C1)	US\$28.8/lb	US\$35.9/lb		US\$30.0/lb	US\$42.6/lb	
Depreciation & amortisation	36.6	6.8	43.4	28.4	20.2	48.6
Production distribution costs	6.2	6.6	12.8	6.1	7.3	13.4
Royalties	4.3	4.3	8.6	7.4	4.2	11.6
Inventory movement	(15.9)	32.2	16.3	(1.3)	(18.0)	(19.3)
Other	(0.9)	6.9	6.0	14.7	0.9	15.6
<b>Cost of goods sold</b>	<b>191.6</b>	<b>141.3</b>	<b>332.9</b>	<b>214.8</b>	<b>140.8</b>	<b>355.6</b>

The C1 cost of production for the year for LHM decreased by 4% to US\$28.8/lb U<sub>3</sub>O<sub>8</sub> (2013: US\$30.0/lb U<sub>3</sub>O<sub>8</sub>). The C1 cost of production for the year for KM decreased by 16% to US\$35.9/lb U<sub>3</sub>O<sub>8</sub> (2013: US\$42.6/lb U<sub>3</sub>O<sub>8</sub>). These results provide evidence that the benefits from the cost optimisation programme are being realised.

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

	% Change	YEAR ENDED 30 JUNE	
		2014 US\$M	2013 US\$M
<b>Total</b>	<b>44%</b>	<b>(22.0)</b>	<b>(39.5)</b>

Costs for the year ended 30 June 2014 decreased by US\$17.5M primarily due to corporate and marketing cost savings of US\$7.3M that were achieved through a cost rationalisation review, a decrease of US\$3.4M in non-cash share-based payments expense as there was a reduction in the number of share rights on issue compared to 2013, a reduction of US\$3.9M in non-production mine site costs, a US\$1.5M reduction in research and development expenditure at KM and a US\$0.7M reduction in expenditure on the LHM Stage 4 expansion study.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW (continued)

#### SUMMARY OF QUARTERLY FINANCIAL RESULTS

		2014 Jun Qtr	2014 Mar Qtr	2013 Dec Qtr	2013 Sep Qtr
<b>LHM</b>					
Production U <sub>3</sub> O <sub>8</sub>	<b>Mlb</b>	1.339	1.393	1.431	1.429
C1 cost of production	<b>US\$/lb</b>	31.2	29.0	27.5	28.0
<b>KM</b>					
Production U <sub>3</sub> O <sub>8</sub>	<b>Mlb</b>	0.262	0.697	0.777	0.615
C1 cost of production	<b>US\$/lb</b>	44.7	32.9	33.1	39.3
Total revenues	<b>US\$M</b>	69.4	88.6	102.1	69.4
Sales volume	<b>Mlb</b>	1.812	2.405	2.775	1.673
Realised uranium sales price	<b>US\$/lb</b>	38.2	36.8	36.7	41.4
Impairments	<b>US\$M</b>	(40.6)	-	(337.3)	(15.5)
Loss after tax attributable to members	<b>US\$M</b>	(63.5)	(19.9)	(215.0)	(40.0)
Basic and diluted loss per share	<b>US cents</b>	(6.6)	(1.8)	(22.3)	(4.3)
		2013 Jun Qtr	2013 Mar Qtr	2012 Dec Qtr	2012 Sep Qtr
<b>LHM</b>					
Production U <sub>3</sub> O <sub>8</sub>	<b>Mlb</b>	1.353	1.230	1.419	1.290
C1 cost of production	<b>US\$/lb</b>	29.4	29.8	29.6	31.8
<b>KM</b>					
Production U <sub>3</sub> O <sub>8</sub>	<b>Mlb</b>	0.790	0.762	0.772	0.639
C1 cost of production	<b>US\$/lb</b>	39.2	39.8	43.5	49.0
Total revenues	<b>US\$M</b>	109.6	106.4	134.2	61.3
Sales volume	<b>Mlb</b>	2.326	1.920	2.783	1.224
Realised uranium sales price	<b>US\$/lb</b>	46.2	55.2	48.1	49.8
Impairments	<b>US\$M</b>	(181.4)	(48.1)	(62.7)	(43.7)
Loss after tax attributable to members	<b>US\$M</b>	(173.3)	(54.1)	(147.6)	(45.9)
Basic and diluted loss per share	<b>US cents</b>	(20.1)	(6.4)	(17.1)	(5.5)

C1 cost of production for LHM increased 6% over the last year, from US\$29.4/lb in the June 2013 quarter to US\$31.2/lb in the June 2014 quarter. This was due mainly to lower production and higher mining costs in the June 2014 quarter. Prior to the June 2014 quarter, C1 cost of production for LHM had fallen 3% year-on-year from US\$29.8/lb in the March 2013 quarter to US\$29.0/lb in the March 2014 quarter. This was mainly attributable to reductions in soluble loss, reagent usage and the impact of foreign exchange movements.

At KM, C1 cost of production for the June 2014 quarter was affected by the transitioning of the mine towards care and maintenance. Prior to the June 2014 quarter, C1 cost of production for KM had decreased by 17% year-on-year from US\$39.8/lb in the March 2013 quarter to US\$32.9/lb in the March 2014 quarter. This decrease in costs was mainly a result of improvements in resin in pulp (RIP) recovery and ore blend, a substantial reduction in acid consumption following commissioning of the acid recovery plant (nano-filtration).

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW (continued)

Total revenues for the quarters ended December 2013, March 2014 and June 2014 were lower than the comparative quarters, because of lower uranium prices. Total revenue for the quarter ended September 2013 was higher than the equivalent comparative quarter as a result of higher sales volumes of uranium.

SUMMARISED STATEMENT OF FINANCIAL POSITION	YEAR ENDED 30 JUNE		
	2014 US\$M	2013 US\$M	2012 US\$M
Cash and cash equivalents	88.8	78.1	112.1
Inventories	238.3	300.2	300.7
Total assets	1,565.7	1,837.7	2,347.7
Interest bearing loans and borrowings	725.6	677.8	838.5
Total long-term financial liabilities	1,049.1	1,058.1	899.0
<b>Net Assets</b>	<b>432.4</b>	<b>648.2</b>	<b>1,194.8</b>

*Cash and Cash Equivalents* have increased by US\$10.7M mainly as a result of the net proceeds received from the August 2013 share placement of US\$78.2M, the US\$110.0M refinancing of the LHM and KM project finance facilities and the US\$20.0M deposit received from the sale of a 25% interest in LHM, which were largely offset by a US\$9.2M repayment of the new LHM project finance facility and the full repayment of the previous project finance facilities for KM of US\$68.1M and LHM of US\$101.5M. Additionally there were payments for plant and equipment of US\$20.3M and exploration and evaluation project expenditure of US\$7.5M.

*Inventories* have decreased by US\$61.9M predominantly due to a decrease in the value of inventory held by KM, which is now in care and maintenance, and the impairments discussed under the Financial Results section. These decreases were partially offset by a planned increase in ROM stockpiles at LHM as part of Stage 3 production expansion required to meet the future mine plan ore-blend requirements. The Group's sales volumes for the year of 8.665Mlb U<sub>3</sub>O<sub>8</sub> were 0.722Mlb U<sub>3</sub>O<sub>8</sub> higher than production of 7.943Mlb U<sub>3</sub>O<sub>8</sub>.

*Interest Bearing Loans and Borrowings* have increased by US\$47.8M primarily as a result of the reassignment to CNNC of US\$96.0M of an intercompany loan, as part of the LHM sale transaction, and the US\$110.0M refinancing of the LHM and KM project finance facilities. This was partially offset by a US\$9.2M repayment of the new LHM project finance facility and the full repayment of the previous project finance facilities for KM of US\$68.1M and LHM of US\$101.5M, net of the non-cash accretion of the convertible bonds of US\$18.1M and deferred borrowing amortisation and establishment costs of US\$2.5M. The LHM sale consideration was allocated between 25% of the equity in LHM (US\$94M) and 25% reassignment of the intercompany loans in LHM (US\$96M). This portion of the loan is now external to the Group.

*Segment Assets:* Namibian assets have decreased predominantly due to a decrease in trade and other receivables, which was partially offset by an increase in cash and inventory. Malawian assets have decreased as a result of a decrease in the value of inventory held by KM, which is now on care and maintenance, and the impairments discussed under the Financial Results section. The Exploration segment assets have decreased due to the impairment of the Queensland projects discussed under the Financial Results section. In the Unallocated portion, assets increased primarily due to an increase in trade and other receivables, which include a US\$170M receivable relating to the outstanding proceeds for the sale of a 25% equity stake in LHM.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW (continued)

#### LIQUIDITY AND CAPITAL RESOURCES

The Group's principal source of liquidity as at 30 June 2014 was cash of US\$88.8M (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\$76.6M is held in US dollars.

*Net Cash Inflow from Operating Activities* was US\$10.1M in 2014 (2013: US\$194.5M), primarily due to receipts from customers of US\$370.3M (2013: US\$400.0M), which were largely offset by payments to suppliers and employees of US\$326.3M (2013: US\$364.8M) and net interest paid of US\$32.3M (2013: US\$41.4M). In 2013, Net Cash Inflow from Operating Activities also included the receipt of the long-term off-take agreement funds of US\$200.0M.

*Net Cash Outflow from Investing Activities* was US\$25.3M in 2014 and is due primarily to plant and equipment acquisitions of US\$20.3M, including the new tailings facility at LHM, nano filtration equipment and the tailings pipeline at KM, and capitalised exploration expenditure of US\$5.8M. The net cash outflow of US\$46.2M in 2013 was due primarily to plant and equipment acquisitions of US\$30.6M, predominantly the new tailings facility at LHM, and capitalised exploration expenditure of US\$16.5M.

*Net Cash Inflow from Financing Activities* of US\$26.3M in 2014 is mainly attributable to the net proceeds received from the share placement of US\$78.2M and proceeds received from the drawdown of the new LHM project finance facility of US\$110.0M. This has been partially offset by a US\$9.2M repayment of the new LHM project finance facility and the full repayment of the previous project finance facilities for KM of US\$68.1M and LHM of US\$101.5M. The net outflow in 2013 of US\$181.5M was mainly attributable to the repayment of project financing for KM of US\$29.9M and LHM of US\$17.0M, in addition to the US\$134.0M repayment of the previous convertible bond.

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 year ended 30 June 2014, the Group incurred net losses after tax attributable to the members of US\$338.4M (2013: US\$420.9M) and had net cash inflow of US\$11.1M (2013: outflow US\$33.2M). At 30 June 2014, the Group had a net working capital surplus of US\$288.5M (30 June 2013: US\$193.0M), including cash on hand of US\$88.8M (30 June 2013: US\$78.1M). Included within this cash on hand is US\$13.2M (30 June 2013: US\$26.9M), which is restricted for use in respect of the LHM project finance facility and supplier guarantees provided by LHM.

The amount outstanding at 30 June 2014 on the project finance facility was US\$100.8M

Repayment obligations during the next twelve months to 30 June 2015 in respect of interest bearing loans and borrowings are summarised as follows:

- secured bank loan principal repayments of US\$39.9M for syndicated loan facility; and
- interest payments of US\$31.3M for syndicated loan facility and convertible bonds.

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

On 23 July 2014, the Company announced that the settlement of the sale of a 25% interest in the Langer Heinrich uranium mining operation in Namibia to CNNC Overseas Uranium Holding Limited, a wholly-owned subsidiary of CNNC, the leading Chinese nuclear utility, for consideration of US\$190M, had been completed. The sale was subject to a number of conditions precedent, which were met in full by 30 June 2014 and accordingly the sale has been accounted for at 30 June 2014.

#### Refinancing of Langer Heinrich Project Finance Facility

On 23 July 2014, the Company announced the refinancing of the LHM project finance facility, which will reduce debt repayments by US\$32M over the 2014 to 2017 calendar years.

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW (continued)

- placing KM on care and maintenance will improve Paladin's forecast cash flow position by US\$20-25M in calendar year 2015; and
- the Group has a history of successful capital raisings and debt restructuring.

The following is a summary of the Group's outstanding commitments as at 30 June 2014:

	Total	Less than 1 yr	1 to 5yrs	5yrs+ or Unknown
<b>Payments due by period</b>	<b>US\$M</b>	<b>US\$M</b>	<b>US\$M</b>	<b>US\$M</b>
Tenements	25.8	2.6	6.4	16.8
Operating leases	2.0	1.0	1.0	-
Mining, transport and reagents	24.2	22.1	2.1	-
Oobagooma acquisition costs	0.3	0.3	-	-
Manyingee acquisition costs	0.7	-	-	0.7
<b>Total commitments</b>	<b>53.0</b>	<b>26.0</b>	<b>9.5</b>	<b>17.5</b>

In relation to the Manyingee Uranium Project, the acquisition terms provide for a payment of A\$0.75M (US\$0.71M) 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 28 August 2014, Paladin had 964,367,284 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 28 August 2014</b>	<b>Number</b>
Ordinary shares	964,367,284
Issuable under Employee Performance Share Rights Plan	2,079,094
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>1,151,890,479</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 30 June 2014, 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 or liabilities apart from Namibian Dollar cash, receivables, payables and provisions and Australian dollar cash and, 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.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW (continued)**

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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.

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 year ended 30 June 2014, no payments were made to Director related entities. Directors of the Company receive fees as outlined in the Company's management circular forming part of the Company's Notice of AGM. The only related party transactions are with Directors and Key Management Personnel. Refer to Note 26. Details of material controlled entities are set out in Note 31.

#### **DISCLOSURE CONTROLS**

The Group has applied its Disclosure Control Policy to the preparation of the Consolidated Financial Report for year ended 30 June 2014, 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 year ended 30 June 2014. 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 30 June 2014.

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 ICFR have improved and will continue to improve the Group's framework of internal control in relation to financial reporting.

#### **CHANGES IN ACCOUNTING POLICIES**

The Group has adopted all new and amended Australian Accounting Standards and AASB Interpretations effective from 1 July 2013. The nature and impact of each new standard and amendment is described in Note 3 – Basis of Preparation.



## MANAGEMENT DISCUSSION AND ANALYSIS FINANCIAL REVIEW (continued)

### SUBSEQUENT EVENTS

Other than disclosed below, since 30 June 2014, 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 30 June 2014 Financial Report:

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

On 23 July 2014, the Company announced the settlement of the sale of 25% interest in its flagship Langer Heinrich mining operation in Namibia to CNNC Overseas Uranium Holding Limited, a wholly-owned subsidiary of CNNC, the leading Chinese nuclear utility, for consideration of US\$190M. The sale was subject to a number of conditions precedent, which were met in full by 30 June 2014 and accordingly the sale has been accounted for at 30 June 2014.

The offtake component of the agreement allows CNNC to purchase its pro-rata share of product from Langer Heinrich at the prevailing market spot price.

#### Successful Refinancing of Langer Heinrich Facility

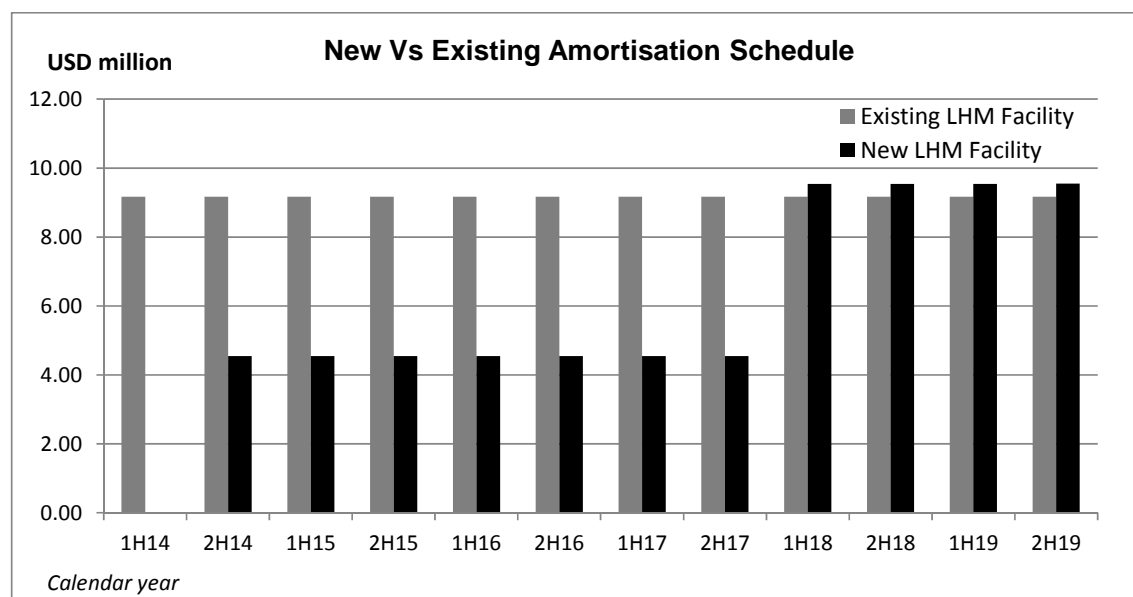
##### In summary

- Facility reduced to US\$70M.
- US\$32M reduction in debt repayments over 2014 to 2017 calendar years.
- Langer Heinrich debt repayments reduced by US\$9.2M per annum to 2018.
- Additional positive cash flow implications to the January 2014 refinancing.

On 23 July 2014, the Company announced it had entered into agreements with its existing lenders to refinance the LHM project finance facility. The facility was drawn down in conjunction with financial close of the LHM minority sale.

Paladin has refinanced the existing US\$110M project finance facility and US\$20M working capital facility into a new US\$70M syndicated loan facility. Proceeds from the LHM minority sale were utilised to prepay US\$30.8M of the existing facility, taking the outstanding balance to US\$70M.

This new facility will provide significant cash flow benefits and further strengthens Paladin's financial position. As shown below, the annual principal repayments will reduce by US\$32.4M over the first 3.5 years of the facility, from US\$18.3M per annum to US\$9.1M per annum, with the first repayment of US\$4.6M not due until December 2014.



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW (continued)**

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The Borrower of the new facility remains Paladin Finance Pty Ltd (PFPL). The new facility is security light with Langer Heinrich Mauritius Holdings Limited and LHUPL providing no guarantees or security over the project assets. The facility will also have a financial covenant holiday for the first four 6-monthly calculations periods commencing 31 December 2014.

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

## SUSTAINABLE DEVELOPMENT

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Paladin is committed to the goal of sustainable development. This is reflected in its corporate values, which promote the creation of shared wealth, becoming a major uranium supplier, operating at global best practice, safety and environmental stewardship, employee welfare and recognition, and contributing and responding to the attitudes and expectations of local communities in the countries in which Paladin operates. The Company is cognisant of the extra diligence that is required for those in the uranium industry. It has therefore established an in-house team with extensive knowledge about uranium and the stringent requirements related to the commodity. It also emphasises acting with integrity, honesty and cultural sensitivity in all dealings. In support of this commitment, Paladin applies and adheres to established and recognised international sustainable development principles for all of its activities across the world.

In implementing its sustainable development programme, Paladin aims to achieve a balance between economic, environmental and social needs in all phases of its projects, and takes into consideration its employees, communities, shareholders and other key stakeholders. Paladin is ensuring that its high standards are not compromised despite the difficult economic climate that it is currently operating in.

To deliver on the Company's commitment to sustainable development, Paladin has a Sustainability Committee whose role is to provide the Board with an overview of Paladin's performance in the areas of health, safety, radiation, environment, social responsibility and sustainable development, and to offer advice and recommendations where significant sustainability related issues arise. The Sustainability Committee comprises three members: the Chairman of Paladin's Board, Paladin's Managing Director/CEO and a non-executive independent Board member who is also the Chairman of the Sustainability Committee.

### **Corporate Sustainability Reporting**

Paladin produced its second Sustainability Report (FY2013), which can be found on the Company's website [www.paladinenergy.com.au](http://www.paladinenergy.com.au).

Paladin is continuing the data collection process from LHM and KM for input into the FY2014 Sustainability Report. Data is collected specifically to meet the reporting guidelines of the Global Reporting Initiative (GRI) Framework applying G4 parameters that were released in May 2013. The GRI Sustainability Reporting Guidelines provide principles for and guidance on defining report content. Paladin's focus is on those indicators that are considered material to the Company. To allow sufficient time for comprehensive data collection, assessment and reporting for the FY2014 period, the report is expected to be available on the website towards the end of CY2014.

The following discussion provides an overview of Paladin's environmental management. More detail on environmental performance, specific management and quantitative data for the reporting period will be provided in the 2014 Sustainability Report.

## SUSTAINABLE DEVELOPMENT (continued)

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### ENVIRONMENT

#### Our Commitment

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

- compliance with applicable environmental legislation;
- developing standards, systems and plans to identify, assess and manage environmental risk;
- implementing and assigning accountabilities for the standards, guidelines and procedures;
- striving to achieve continuous improvement in environmental performance;
- communicating environmental responsibility to employees and contractors;
- effective consultation with stakeholders;
- inspections and audits of environmental performance; and
- reporting on environmental performance.

Paladin has established Corporate Sustainable Development Standards for all of its operational subsidiaries. Operational compliance with Paladin's Standards forms part of the Corporate Environmental Audit Programme.

#### Environmental Management System

Within the Paladin Environmental Management System (EMS) Standard, each operating site is required to develop and implement an EMS that is consistent with the requirements of ISO14001:2004. The EMS for LHM was re-certified in 2012. The development of an EMS for the operations at KM is continuing. However, due to the mine being placed on care and maintenance mid-year, further development and implementation of the EMS has slowed.

Operational Environmental Management Plans (EMP) for both LHM and KM have been submitted to and reviewed by the Namibian and Malawian Governments, as well as to other stakeholders and international financial lending institutions as part of the project financing agreement conditions. The Operational EMPs are regularly updated and revised as part of the sites' continual improvement process. A care and maintenance EMP was prepared for KM, which was subject to an independent review as part of care and maintenance planning. The care and maintenance EMP will be submitted to the Malawi Government and will be adhered to during the care and maintenance phase.

#### Environment Regulatory Reporting

Both LHM and KM prepare various environmental reports for the Namibian and Malawi Governments, respectively. Regulatory reporting for LHM is conducted monthly, annually for water aspects and, currently, bi-annually for general environmental reports. Regulatory environmental reporting at KM is conducted on a quarterly and annual basis. The regulatory reports include raw monitoring data reports, specific aspect reviews, general environmental reports summarising the environmental activities undertaken on the site, analyses of the monitoring data collected and assessment of trends for the reporting period.

#### Inspection and Audit Programme

The Paladin Environmental Audit Standard requires sites to establish and implement environmental inspection and audit programmes to ensure that the environmental performance of the operations is reviewed, audited and reported to the Board. These audits are undertaken to ensure that there is not only compliance with regulatory and Paladin requirements, but also with the World Bank Equator Principles and other industry standards, including a particular focus on those specified for the uranium industry. Inspections and audits were undertaken for both the LHM and KM operations during the reporting period, with the findings documented and actions developed to rectify and manage identified issues. Corporate Environmental Audit Reports are provided to the Paladin Energy Board Sustainability Committee.

## SUSTAINABLE DEVELOPMENT (continued)

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### Energy

Energy requirements at Paladin's operations are principally in the form of fuel or electricity generation. Electricity at LHM is purchased from the Namibian grid, which can be supplemented, if necessary, with power generated from the on-site power plant. Power for operations at KM is currently generated by a diesel-fuelled power station. Fuel usage at both sites for vehicles comprises diesel and minor amounts of petrol. Emulsion is used at both sites as the explosive for blasting. The volume of the fuels used during the reporting period is being collated and will be reported in the 2014 Sustainability Report.

### Water

Paladin applies a Standard for Water Use and Water Quality at its operations to ensure that there is efficient, safe and sustainable use of water and that water resources and ecosystems around its sites are protected. Both LHM and KM have implemented water management strategies and maintain whole-of-site water balances to ensure that the Company's objectives around water usage, supply and resource protection are achieved.

The reuse and recycling of water is maximised as much as possible at Paladin's operations. Both LHM and KM are managed as non-discharge sites under normal operating conditions.

A comprehensive surface and groundwater monitoring programme has been implemented at each site. All water monitoring data are collated in annual water reports that consolidate and summarise the key water aspects across all Paladin's operations.

Water aspects as per the GRI indicator requirements will be presented in the 2014 Sustainability Report.

### Land Use, Biodiversity and Rehabilitation

Land use and understanding land values are important components of sustainable development. Prior to construction activities, studies are conducted to determine land use and land values of the area proposed for disturbance. Relevant baseline studies are conducted to determine the biodiversity, ecological, social and cultural heritage values of the area. Land clearing approval processes are in place at all Paladin sites with the aim of minimising the area of disturbance, and ensuring areas are surveyed to assess impacts prior to clearing. Progressive rehabilitation of disturbed areas is undertaken where practicable at all of Paladin's exploration sites and mining operations.

Paladin's objective is to conserve biodiversity by obtaining knowledge of the ecosystems within the regions in which the Company operates, and to ensure that impacts on biodiversity are minimised and managed. Data on land use and biodiversity management aspects is being collated from LHM and KM and will be presented in the 2014 Sustainability Report.

### Air Emissions

Paladin has an Air Quality Standard in place with the intent to ensure that air pollutant emissions generated by any of Paladin's activities are identified, impacts assessed and management measures established and implemented. The common air pollutants generated by Paladin activities, which have the potential to impact on human health and/or the environment include; particulate matter (dust), sulphur oxides (SO<sub>x</sub>); carbon oxides (CO and CO<sub>2</sub>); and nitrogen oxides (NO<sub>x</sub>).

Dust generation during exploration activities and at the mine sites is suppressed to enable a safe working environment and to minimise impacts on the environment and surrounding communities. This, together with the progressive rehabilitation of disturbed areas, minimises dust generation and the associated impacts. Dust level monitoring and dust collection is undertaken at both the LHM and KM sites. The dust levels and sample analyses results for the reporting period are collated in Annual Environmental Reports and submitted to the respective Governments.

SO<sub>x</sub> emissions are generated at the operations by the burning of fuel for heating and power generation, as well as from the on-site production of sulphuric acid at KM during operations. The SO<sub>2</sub> emissions from the acid plant stack were monitored while the plant was operational. The ambient

## SUSTAINABLE DEVELOPMENT (continued)

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ground level concentrations of SO<sub>2</sub> are monitored around the site. Monitoring data are analysed and the results reported in the Annual Environmental Report submitted to the Malawi Government.

The principal direct greenhouse gas emissions from Paladin's operations are those from fuel burning for power generation, boilers, burners, emulsions for explosives and automotive exhausts. The key indirect greenhouse gas emissions relate to the energy purchased from the Namibian electricity grid to power the LHM operations. Greenhouse gas emissions data are collected from the operating sites and will be calculated as Carbon Dioxide (CO<sub>2</sub>) equivalent emissions. Paladin's current Australian activities are confined to Paladin's limited exploration activities and the corporate Perth office.

### **Waste Rock**

Waste rock is removed and placed in dumps at both LHM and KM to allow access to the uranium ore. Waste rock dump location, design and placement are important to the Company in terms of environmental considerations and cost. The main objectives for the final landform of the dumps are to be stable, blend in with the surrounding landscape and be capable of supporting a self-sustaining ecosystem.

Studies have been conducted at both mine sites to determine the best locations for the waste rock dumps, taking haulage costs and environmental aspects into consideration. The design of the dumps and the placement of waste rock also considers other factors such as the physical and geochemical properties of the material placed in the dumps.

### **Tailings**

Tailings management continues to be a high priority at Paladin's operational sites. Paladin applies measures to ensure that its tailings storage facilities (TSF) are appropriately designed, operated and managed according to acceptable standards. Specialist TSF engineers have designed the TSFs at both LHM and KM. They have also defined the operational practice and management to ensure that the tailings are managed in an acceptable manner, and any potential environmental impacts from the tailings and TSF are minimised. Specialists conduct peer reviews of the design, construction and operations of the TSF's and continue to provide an ongoing external review.

### **Non-Mineral Waste**

Non-mineral waste includes typical general wastes, sewage and some water that may be considered hazardous. The LHM and KM operations both have waste management programmes and procedures in place with the aim of applying the principles of reduce, reuse and recycle wherever possible. At LHM, domestic solid wastes are separated into recyclable and non-recyclable. Recyclable domestic waste is delivered to off-site recycling depots and the non-recyclables are taken to the municipal landfill sites. Facilities for the recycling of waste materials in Malawi are very limited, as are suitable off-site waste disposal locations. The majority of the waste materials generated at KM require on-site disposal so the wastes are classified and separated into their types and directed to appropriate on site waste disposal sites. Sewerage treatment plants are installed at both mine sites to treat sewage, which is then directed to process water pond at LHM and the TSF at KM. Waste oils are collected by licensed contractors in both Namibia and Malawi and taken off-site for recycling or disposal.

### **Environmental Incidents**

A standardised Paladin Incident Reporting Procedure is in place to ensure there is consistency across the business in terms of incident classification and reporting. Statistics and information on incidents occurring during the reporting period will be included in the 2014 Sustainability Report.

### **Closure**

Mine closure planning is a key component of Paladin's commitment to Sustainable Development. A Closure Standard is in place for all of Paladin's developing and operational sites. The intent of the Standard is to ensure that Paladin's sites are left in a safe and stable manner and that environmental and social impacts are minimised so that tenements can be relinquished without future liability to the Company, government or the community. LHM has a Draft Mine Closure Plan in place, which is in the process of being reviewed and updated to reflect current and future mine plans. Preparation of a Draft Mine Closure Plan is in progress at KM.

## SUSTAINABLE DEVELOPMENT (continued)

### CORPORATE SOCIAL RESPONSIBILITY

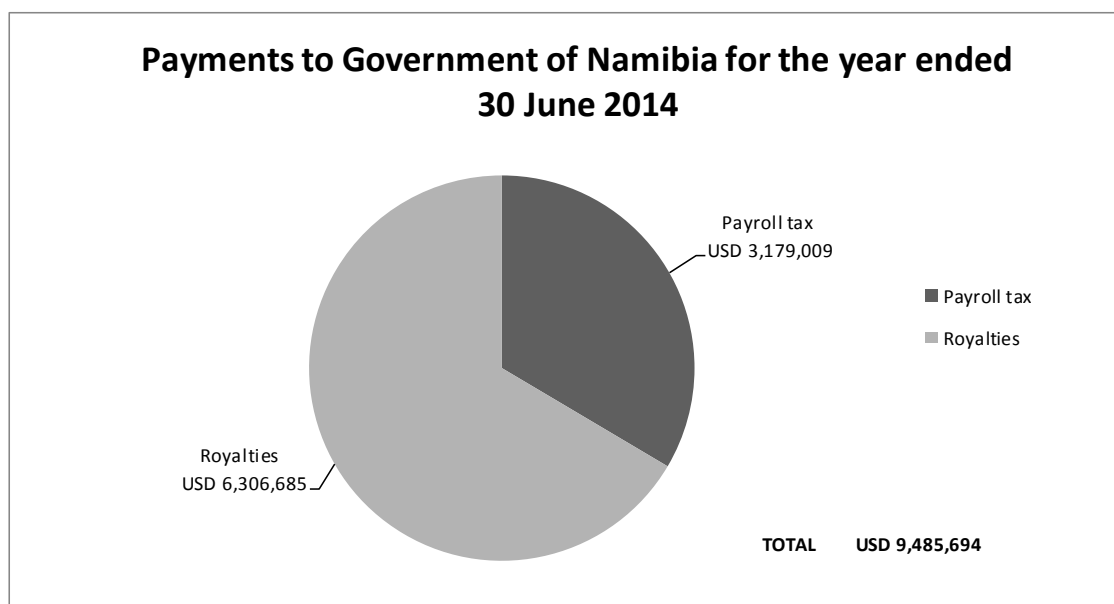
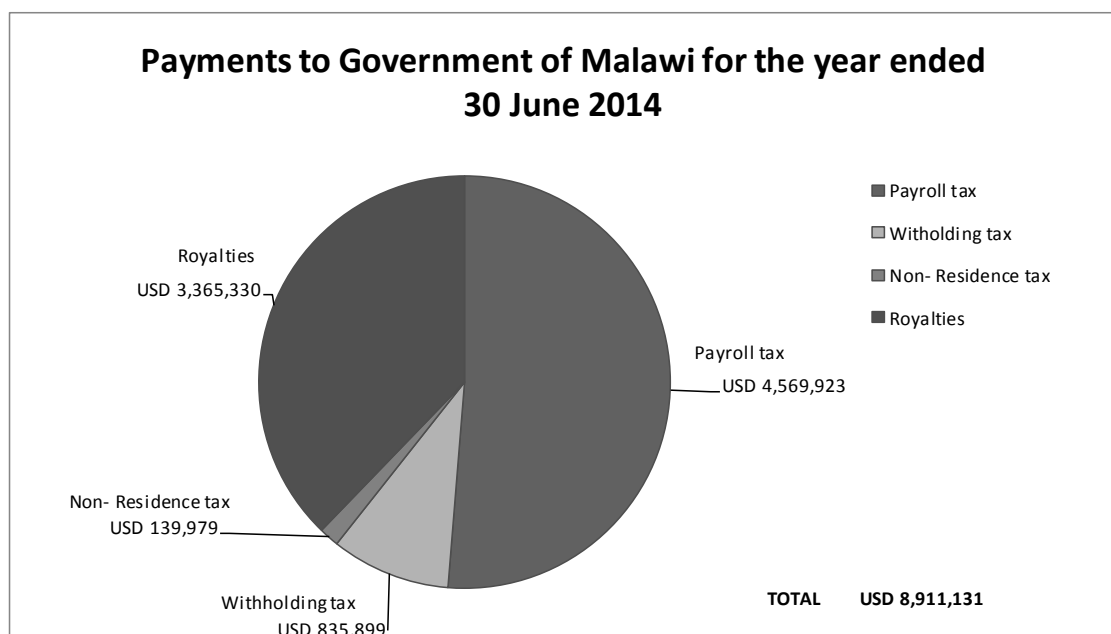
Paladin's purpose is to create value for its shareholders. In pursuit of this goal, the Company recognises that encompassing economic, environmental and social values are all important components of corporate success. Paladin stakeholders expect their Company to be a good corporate citizen, with fair and beneficial business practices focused on: operating to the highest ethical standards; contributing to the growth and prosperity of host countries and responding positively to community needs. Paladin's approach to Corporate Social Responsibility (CSR) – as with its commitment to sustainability – involves:

- Top-level support of the Board of Directors and Managing Director/CEO;
- Adherence to principles enunciated in Corporate Policy and Procedures;
- Programmes aligned with host country Millennium Development Goals;
- Personnel dedicated to achieving CSR objectives;
- Compliance with recognised international codes of conduct;
- Acknowledgement of voluntary standards; and,
- Reporting in accordance with the Global Reporting Initiative.

Paladin seeks to achieve these objectives by example, both through its own actions and by its active participation in industry and community-based organisations that foster and promote these values and aspirations. Below is a summary of the organisations in which the Company participates:

- Paladin played an instrumental role in establishing the Australia-Africa Mining Industry Group (AAMIG) – an industry body that promotes best practice in CSR among Australian mining companies active in Africa. Paladin supports AAMIG in promoting best practice in CSR in Africa and is seeking to ensure compliance in its own endeavours.
- Paladin has committed to the principles contained in *Enduring Value – the Australian Minerals Industry Framework for Sustainable Development*. This commitment is aligned with the Ten Sustainable Development Principles of the International Council on Mining and Metals.
- Paladin supports the Extractive Industries Transparency Initiative (EITI) and has registered as an EITI Supporting Company. The EITI is a global initiative to improve governance in resource-rich countries through the verification and full publication of company payments and government revenues from oil, gas and mining. In line with Paladin's commitment to combat corruption and bribery, as well as to respecting human rights, its corporate values of honesty and integrity, and as a contributor to the local economies of host countries, Paladin endorses the principles and criteria of the EITI. Taxes paid by Paladin to the Malawian and Namibian governments are presented in the Company's Sustainability Report.
- Paladin also upholds the Voluntary Principles on Security and Human Rights, complies with the Equator Principles, and has strengthened its internal compliance regime in relation to anti-bribery and corruption issues. Whilst not a signatory, Paladin also supports the ten principles of the UN Global Compact.
- Paladin's CSR programmes are developed, managed and assessed in compliance with the Group's Community Relations Policy.
- Paladin contributes significantly to those economies in its countries of operation through a variety of government taxes. These are detailed below for both Malawi and Namibia, where the Group's mines are located.

## SUSTAINABLE DEVELOPMENT (continued)



### Human Rights

Paladin is committed to respecting human rights and fundamental freedoms. The Company's overall approach to human rights issues is reflected in its Human Rights Policy, which can be found on the Paladin website.

The aim of the Human Rights Policy is to provide the overarching framework for the business in respecting human rights. The Board reviews this regularly to ensure that it is current and that the requirements of the Policy reflect Paladin's commitment to human rights principles.



## **SUSTAINABLE DEVELOPMENT**

### **(continued)**

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#### **Industry Participation**

As a leading participant in the global uranium sector, Paladin plays an active and responsible role in public policy development, both corporately in Australia and through Group subsidiary companies in their respective constituencies.

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

During the past year, the Australian Uranium Association (AUA) was integrated into the MCA and is now represented specifically through the Uranium Forum of the MCA. As such, Paladin is committed to abiding by and implementing the terms of the Uranium Industry Code of Practice. Along with the Code, the Group observes the Charter and Principles of Uranium Stewardship, which provide a guide to doing business ethically, responsibly and safely. Together, the Code, Charter and Stewardship Principles make up a vital standards framework for the uranium industry.

Senior management across the Group at both board and committee level are actively involved in a number of industry and policy making organisations. These include the MCA, Uranium Council of Australia, Advisory Group for IAEA, AAMIG and the Chamber of Mines and Energy of Namibia. In addition, Mr Greg Walker, General Manager - International Affairs, who is resident in Malawi, is Australia's Honorary Consul to Malawi. Mr Walker provides consular assistance to the growing Australian community in Malawi, as well as assisting the Australian Embassy in Harare to promote Australia's political and commercial interests in Malawi. Paladin's Lilongwe office serves as Australia's Honorary Consulate in Malawi.

LHUPL was a founding member of the Swakopmund-based Uranium Institute in 2009. The Institute provides support and advice for industry members, operates a Uranium Information Centre, and engages with the public and scientific community through hosting training and information events, meetings and workshops. The Institute's aim is to improve the quality of healthcare, environment management and radiation safety in Namibia.

LHUPL supports both the Namibian Uranium Association (NUA) and the Namibian Uranium Institute (NUI). The NUA, an advocacy body that represents the uranium industry exclusively, was officially launched in November 2013.

Members of the NUA work co-operatively to ensure the Namibian uranium exploration, mining and exporting industry is able to operate, expand and thrive safely and efficiently. The NUA's Board of Directors, of which LHUPL's Managing Director, Simon Solomons, is a member, also governs the NUI, which is an industry training and research centre. LHUPL is represented on two of its working groups – Water Quality and Sustainable Development.

LHM continues to provide strong support to the Namibian Chamber of Mines, which organised a major Mining Conference in May 2014 under the theme "Mining industry on the growth path to support the Namibian economy." This very successful conference was attended by almost 500 delegates from all over the country and from South Africa and provided an important forum for interaction between industry leaders and stakeholders.

#### **Malawi delegation to Australia**

A Government of Malawi delegation, comprising senior officials from the Ministries of Finance, Mines and the Malawi Revenue Authority, visited Paladin's Head Office in April 2014. The delegation visited Australia to study Australia's mining fiscal regime. The delegation of 11 people was received by the senior management team in Perth, and were provided with a comprehensive briefing on the subject.

## SUSTAINABLE DEVELOPMENT (continued)

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### Stakeholder Interaction

Regular meetings are conducted with the stakeholder groups in countries where Paladin has interests. These interactions include regular and/or informal meetings with:

- Community groups;
- Environmental groups;
- Host nation government ministers and senior civil servants;
- Indigenous groups;
- Civil Society Organisations; and
- Employees and their representative organisations.

### International Initiatives

#### Malaria Treatment for Children

Paladin has continued to provide support to Suda Ltd for Suda's development of ArTiMist™, a sub-lingual (under the tongue) spray for the treatment of severe and complicated malaria in children.

Suda announced the results from a Phase III trial of ArTiMist™ in 2013, which was a comparative study against intravenous quinine. The report from the trial identified that ArTiMist™ was superior when compared to IV quinine. Approximately 95% of the patients treated with ArTiMist™ had parasite count reduced by more than 90% within 24 hours versus 40.6% of the patients treated with IV quinine. Suda is working with the Medicines for Malaria Venture and other groups to expand the opportunity for ArTiMist™ by evaluating the product as an early interventional treatment before patients are referred to hospital.

The majority of deaths from severe malaria in childhood are caused by the delayed administration of effective anti-malarial treatment. There is a relentless deterioration in the clinical condition of a young child with malaria who fails to get effective treatment, with death ensuing in a matter of hours or days.

Suda believes that ArTiMist™ has the potential to be an effective pre-referral medication. It has the potential to significantly reduce child mortality and the adverse effects suffered by children, particularly within the first 24 hours of infection.

#### Malawi

Paladin has continued to fulfil its Social Development responsibilities in Malawi under the terms of the Kayelekera Development Agreement and Environmental Impact Assessment Social Impact Control Programme. In announcing its decision to place KM on care and maintenance earlier this year, Paladin undertook to maintain its community relations presence in Karonga and to sustain its CSR programmes, albeit at a reduced level of expenditure consistent with Kayelekera's non-producing status.

While the most significant project undertaken during the period was upgrading the Garnet Halliday Karonga Water Supply Project, Paladin also continued its ongoing community programmes focused primarily on health and education. Through its corporate CSR programmes and projects undertaken and funded by the Paladin staff charity, Friends and Employees for African Children (FEPAC), the Company social development footprint extends throughout the Karonga District, so ensuring that villages other than those in the immediate vicinity of KM benefit from its programmes.

#### Garnet Halliday Karonga Water Supply Project

The Garnet Halliday Karonga Water Project was built at a cost of more than US\$10M and is the centrepiece of Paladin's Social Development commitment to Malawi, the objective being to provide a safe and reliable water supply to the Town of Karonga. Construction was undertaken in 2009-10. The local water utility, the Northern Regional Water Board (NRWB) began operating the plant and supplying water to Karonga's 40,000 people in March 2010. Subsequent difficulties were encountered with the plant's intake system and, although not obligated to do so, Paladin undertook a US\$350,000 project to install a redesigned eco-friendly intake strainer system, to reposition the 760m pipeline to the Karonga Water Plant, and to substantially strengthen its anchoring system.

## **SUSTAINABLE DEVELOPMENT**

### **(continued)**

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This project was approved by the NRW, Paladin and the Ministry of Irrigation and Water Development in November 2012, and work commenced in early 2013. The project was completed in early 2014 with the installation of the final 14 blocks to weight the pipeline. The replacement intake strainer was inspected by professional divers and found to be in position and completely stable. The plant is now operating as per design, providing Karonga with a safe and reliable water supply that will meet the town's projected needs until 2025.

In February 2014, Paladin arranged for an independent engineering review of the Karonga Water Plant and the resulting consultant's report noted that "overall, the Karonga Water Plant is in good condition for a plant that has been operating since March 2010, some 4 years of production" and that "general minor maintenance has been well attended to, along with exceptionally good housekeeping." Paladin has also assisted the NRW with technical support and advice on critical spares and maintenance planning for the Karonga Water Plant.

#### **Community Liaison**

Engagement with the community locally is formalised through the District Executive Committee (DEC) stakeholders' meetings, which are held monthly and are used as a community information forum and to address any stakeholder questions or concerns. Paladin used a DEC meeting in February to brief local stakeholders on the Company's decision to suspend production at KM and to explain the background to this decision and likely impacts on the community.

Weekly meetings are held with the Kayelekera village leadership and, on a more informal basis, with the Karonga District Commissioner, the Paramount Chief and traditional authorities and their advisors, together with the leaders of Kangome (the Karonga peak non-governmental organization (NGO) association). These forums ensure open communication between local stakeholders and the Company. The Company also engages individually with NGOs in the region. In July, Paladin hosted a visit to KM by the Karonga Diocese Catholic Commission for Justice and Peace (CCJP) to explore areas of mutual interest. The CCJP offered to assist the Company in its endeavours to secure Government approval for the construction of a Community Health Centre at Kayelekera Village.

In addition to the local community, efforts are also made to liaise with other operating companies in the area to consult on local CSR programmes and encourage their involvement in the local community such as facilitating food purchases from local growers in the area.

#### **Transition to Care and Maintenance**

To assist in informing the community of the decision to place KM on care and maintenance, the Company engaged two Malawi national communication consultants as liaison officers with government, community and Malawi media to ensure that the Company's messaging was clearly communicated and understood. There was extensive one-on-one consultation with key stakeholders in Karonga to explain the impact of care and maintenance. In addition, the Company provided independent counselling to retrenched Malawi national employees to assist them in the transition from employment with the Company. This included personal counselling, financial management advice, help to identify learned transferable skills and advice on establishing small businesses based on the practical skills, experiences and resources acquired during employment with the Company. About 40% of retrenched staff took advantage of counselling and reported that they found it beneficial.

Paladin also engaged the services of a Malawi national consultancy firm to carry out a Social Impact Assessment in the Karonga region in order to gauge the impact of the mining operation on the community. The study found that there had been significant employment creation, skills development, business development in Karonga and economic empowerment of vulnerable groups during the operational phase at KM.

It noted that Paladin had identified and mobilised certain vulnerable groups in the community to supply goods such as flour, with the primary purpose of empowering them economically. Their selection to supply was based on affirmative action reflecting the Company's CSR goals and resulting revenue from supplies constituted between 75% and 100% of their total income. The study noted that, as a result, previously disadvantaged community groups had been able to educate their children, construct better housing, purchase livestock and buy fertiliser to grow food crops. Other benefits noted in the study included improved housing, greater access to health services and better educational facilities.

## **SUSTAINABLE DEVELOPMENT**

### **(continued)**

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In March 2014, a party of 22 bureaucrats representing the key government ministries, travelled to the mine to better acquaint themselves with the concept of care and maintenance, and declared themselves satisfied with the outcome of the visit.

#### **Community Education and HIV/AIDs Awareness**

Paladin has a commitment to conduct regular HIV/AIDS awareness campaigns and to promote good health and hygiene in order to improve the quality of life of local communities. Paladin continued to develop its “education-through-storybooks” project, with publication of another three books during the year.

The collection now comprises 35 titles, covering a variety of community-focused subjects, and has been translated into a number of local languages. They continue to be a very effective communications medium and remain extremely popular, given the general lack of reading material in the district, particularly in local languages.

A further 21,350 books were distributed broadly through the community during the year, covering KM employees, local schools and communities and government agencies, bringing the total number distributed to-date to 153,560.

HIV/AIDS awareness programmes continued through the medium of the Nyange Nyange drama group and distribution of related story books. Books are rare and precious in the region. It is not uncommon in rural areas for school children to be the only family members who are literate. As a result, local language books distributed by Paladin are frequently taken home and read to other family members, thus becoming a very effective means of communicating with the community at large. Quizzes and poster competitions are also popular among KM employees and their families.

Paladin continues to support the local Nyange Nyange drama group, which uses theatre in an effective and popular way to communicate key social messaging across the community. Through Paladin’s support, Nyange Nyange reached an audience of approximately 20,000 primary and secondary school children during the year, presenting on health related topics. Funding also assisted the group to produce and distribute their second DVD.

#### **Community Health Care**

Paladin continued its support of local health clinics by providing transport for government medical staff in the region, alleviating the need for local villagers to travel long distances. Paladin’s Community Relations team, both being health professionals, provided support services, including a large number of health talks at rural schools reaching over 4,500 children; hosting international researchers and other NGO staff; liaising with the District Health Office on local programmes; and, assisting with audiology clinics at the School for the Deaf and Karonga District Hospital.

Discussions are continuing with the Ministry of Health on the most appropriate form of health centre to be constructed in the Kayelekera Village. Land has been set aside and construction will begin once agreement has been reached with all parties.

Paladin also runs a mosquito control programme four times a year in Kayelekera Village and at Karonga Airport, in addition to the mine and accommodation areas, as a very effective malaria-control mechanism.

#### **Educational Support**

There is little money available for regular maintenance of school facilities in the region. Paladin’s Community Relations team continues to assist in the maintenance of local schools and teacher housing, including painting, roofing repairs and the provision of solar lighting in classrooms.

The Company constructed a new footbridge to provide access to the Kayelekera Secondary School, replacing a badly deteriorated and unsafe structure previously being used by villagers and schoolchildren. Paladin also distributed writing materials to 32 schools in the region and provides ongoing financial support for the employment of nine teachers at local schools in Kayelekera and Juma Villages.

## **SUSTAINABLE DEVELOPMENT (continued)**

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Paladin continued its practice of delivering a Christmas gift to all school students in the area, providing school supplies, an individual personal item and snacks – including 2,250 eggs hard-boiled by Community Relations' staff.

### **Consular Service**

Paladin continues to promote positive bilateral relations between Australia and Malawi by providing Consular services for the Department of Foreign Affairs and Trade (DFAT) in Malawi. The Company's office in Lilongwe is the designated Australian Consulate, augmenting services provided by the nearest Australian diplomatic mission located in Harare, Zimbabwe. The Consulate provides consular support for Australian expatriates and visitors in Malawi and Malawians wishing to visit or study in Australia. PAL's resident director in Malawi, Mr Greg Walker, recently has been appointed to a second two-year term as Australia's Honorary Consul to Malawi.

### **Namibia**

LHUPL continued to play an active and leading role in the positive interface between the mining industry and community in Namibia, through its support for the Chamber of Mines and Energy of Namibia and the Chamber's Uranium Institute, and through Langer Heinrich's own social development programme.

LHUPL recognises its social responsibility and has a strong commitment to supporting activities which benefit the coastal community and the development of Namibia in line with Namibia's Millennium Development Goals and determined in consultation with community stakeholder groups. These initiatives respond primarily to Namibia's most chronic problem, endemic unemployment, which is exacerbated by poor education results and substandard skill levels.

### **Mondesa Youth Opportunities (MYO)**

LHUPL has been the principal sponsor of the MYO organisation since 2010. MYO provides educational assistance to improve English, mathematics and computer skills for students drawn from the disadvantaged areas of the Mondesa and DRC Townships in Swakopmund with 120 students currently enrolled in the programme. MYO's objective is to encourage completion of secondary education as a precursor to further academic or vocational study.

Pleasingly, all students were successful in their 2013 examinations and were promoted to the next grade.

### **National Mathematics Congress**

Sponsorship of the National Mathematics Congress has continued since 2009. The objective of the Congress is to improve the standard of mathematics education at primary and secondary levels across Namibia with teachers, both primary and secondary, participating to upgrade their mathematical and professional knowledge and skills. The 9<sup>th</sup> Congress, held over three days in April 2014, had close to 300 attendees and is now a key event on the educational calendar. The positive feedback received from this year's participants clearly showed the benefit of supporting this important initiative.

### **Mathematics Support and Enrichment Programme**

This programme, initiated by Langer Heinrich in 2011 and developed by the founder of the National Mathematics Congress, focuses on the development of mathematical process skills such as problem solving, reasoning, communicating and making connections. It is aimed at secondary school learners who have the potential to excel in the more advanced levels offered and provides curriculum support lessons throughout the year. Various mathematics competitions were held and a Spring School was conducted in August 2013 with 66 of the 84 students who attended being fully sponsored through the programme.

The 2013 project yielded excellent results, with many students achieving above average marks, and all participants passing their mathematics subject.

## **SUSTAINABLE DEVELOPMENT**

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#### **The Apprentice Programme and NIMT support**

LHUPL has collaborated with the Namibian Institute of Mining and Technology (NIMT) since 2007 when LHUPL approached NIMT to offer their mechanical and electrical artisans the opportunity to undergo practical training at LHM. On average, 45 apprentices per semester are provided with job attachment exposure at the mine. In addition, a thickness planer machine was donated during the year for the carpentry/joinery workshop.

#### **School Support Project**

For the past three years, Langer Heinrich has donated text books to various Swakopmund state schools. While the first two years of this programme benefited secondary schools, this year's donations went to primary schools on the recommendation from the Ministry of Education. Text books to the value of N\$130,000 were purchased, labelled and donated. This initiative was highly commended by the Honourable Regional Governor during the handover ceremony.

#### **Graduate Training Programme**

Nine graduates in the geological, administration and metallurgical disciplines were successfully integrated into their respective departments over the past 12 months, following offers of employment by Langer Heinrich. Four new graduates have joined the programme since 3 March 2014 in the following disciplines: radiation, corporate, finance and metallurgy.

#### **Environmental Projects**

Given the mine's location in the Namib-Naukluft National Park, Langer Heinrich recognises the need to provide support in this area and has consulted with the Ministry of Environment and Tourism (MET) and the Namib Ecological Restoration and Monitoring Unit (NERMU) to determine appropriate projects to support. It was agreed to proceed with the following two projects – an upgrade of a station house for park rangers for the MET and the development of a training internship programme for environmental graduates for the NERMU. The latter is expected to run over five years and benefit four Namibian graduates per year.

#### **HIV/AIDS and Wellness Programme**

Langer Heinrich continues to be active with HIV/AIDS related activities through its 18 Peer Educators who undergo HIV and related wellness training and attend pre-shift tool box meetings allowing them the forum to deliver coaching and mentoring on the various chosen health related topics. Peer educators meet monthly with the Occupational Health administrator to discuss World Health Organisations information on HIV/AIDS and thereafter choose the relevant HIV/AIDS topics for discussion. A reputable NGO visits the mine site on an annual basis and conducts voluntary HIV/AIDS testing and pre-test counselling and, for positive tests, provides post-test counselling.

#### **Other Community Initiatives**

Langer Heinrich continues to support two feeding programmes for disadvantaged children in Walvis Bay and Swakopmund (catering for between 600 and 700 children per day). This programme now extends to pre-school classes. In addition, Langer Heinrich supports various small scale community projects and sporting activities during the year, reaffirming its commitment to the local community.

#### **Australian Initiatives**

In 2011, Paladin made a five-year financial commitment to the Hammond-Nisbet Geoscience Fund administered by the University of Western Australia (UWA). The fund supports the creation of an endowed professorship within UWA's Centre for Exploration Targeting (CET). This research-intensive position will focus on mentoring new generations of geoscientists in interpretation of fieldwork and structural geophysics and in applying this understanding to mineral systems and exploration targeting.

Paladin also continued its involvement with the ASX Thomson Reuters Charity Foundation. Along with other companies listed on the S&P ASX 200 Index, Paladin contributed to the creation of a share portfolio which was auctioned off at a major charity fundraiser organised by the Foundation. Proceeds

## SUSTAINABLE DEVELOPMENT (continued)

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from the fundraiser go to a set of pre-determined charities, the main focus being on medical research for children.

### Canada

Aurora continues to maintain an active presence in the Labrador communities. Donations focus on education and training, aboriginal cultural initiatives, youth and sport. During the year, Aurora contributed to 34 community events and initiatives. Community activities have included public meetings to inform residents of Aurora's activities and to seek their feedback. Regular contact with Provincial and Nunatsiavut government officials has been maintained and Aurora continues to enjoy good support from the governments and local residents.

### Employee Charitable Foundation, supported by Paladin

*Friends and Employees of Paladin for African Children* (FEPAC) is a charitable foundation established in 2008 by Paladin employees to fund social projects that are outside the scope of the Company's CSR programmes. Paladin supports the involvement of its employees in FEPAC and donates 25c for every A\$1 raised and also provides administrative support. To date, FEPAC has raised A\$809,972 through employee donations, golf days and quiz nights.

The charity supports six projects in Malawi that assist orphaned children with educational needs and vocational training courses. In the past, the vocational training courses have included brick laying, carpentry and tailoring. Currently, 138 teenagers have completed these courses and have been provided with tools to enable them to earn money to support their younger siblings. On completion of the courses, the students also complete a five-day, small business training course to teach them the basic fundamentals for setting up their own small businesses.

An audit is currently being conducted to determine how the past students have fared since completing their courses and, if they have been successful in continuing their trade or setting up their own business. So far, 86 past students have been interviewed and out of these, 44 have set up their own businesses while 32 have moved out of the area.

Other projects FEPAC supports include a school for visually impaired and a school for deaf children. In connection with the latter, support is also provided to the ABC Hearing Clinic, an NGO operating in Lilongwe.

During the year, FEPAC commenced the small business training courses referred to above for former students of the vocational training courses and 110 past students were trained. FEPAC also paid for two local women to be trained as trainers of that course.

FEPAC also employed former carpentry and tailoring students to make furniture and school uniforms for a number of local schools. Many of the former students used the profits made from this work to help establish their own businesses.

There were numerous small projects funded by FEPAC during the year such as installing electrical wiring at the school for the deaf so they could connect to grid power, providing stationery and books to local schools and continued funding to the Nyange Nyange Drama Group, who regularly perform dramas covering health and social issues to primary schools in the Karonga District.

The third annual Charity Golf Day was held in Namibia, organised by local employees. The event was an outstanding success, raising N\$170,000. The funds were distributed equally between two charity organisations, focussing on less privileged children in Swakopmund and Walvis Bay.

## SUSTAINABLE DEVELOPMENT (continued)

### OUR PEOPLE

Due to the challenging market conditions, the Company has spent the last year focusing on rationalisation and consolidation across the Group, while ensuring that, where possible, retention of key skills and individuals maintained a high priority. Globalisation of our human resource processes and procedures will remain an ongoing focus to ensure consistency and collaboration across the Group where possible.

With the exception of Malawi (Kayelekera Mine), where, due to the mine moving to care and maintenance, the headcount was substantially reduced, the remaining Group's focus on rationalisation rather than growth saw an overall reduction of headcount. Where natural attrition occurred, only those roles deemed to be critical were replaced.

Despite these on-going challenges, significant effort was placed into ensuring that key talent was retained within the Group with a number of individuals transferring from both the Perth Head Office and KM to LHM. This strategy not only succeeded in retaining key skills and individuals, but stimulated knowledge and skill transfer across the Group. It also offered career progression and development opportunities to those individuals involved.

Key employee statistics for the Group are detailed in the following table (as at 30 June 2014).

Location		Total Number of Employees	Females in workforce %	Local Nationals in workforce %	Employee Turnover %**
Australia	- Corporate, administration, financial & technical services	41	51.22%	n/a	26.23%
	- Exploration	11	27.27%	n/a	8.82%
Namibia	- LHM	328	17.99%	96.64%	13.22%
Malawi	- KM*	212	8.53%	85.30%	89.42%***
	- Exploration	16	6.25%	100%	22.75%
Canada	- Exploration	12	33.33%	75%	16.00%
<b>Total</b>		<b>620</b>	<b>17.41%</b>		

\* Care and maintenance announced Feb 2014

\*\* Employee turnover is based on a 12 month rolling average

\*\*\* Kayelekera ceased production / on care and maintenance

Gender diversity continues to be a focus across the Group with a number of females being recruited at both sites into skilled and professional based roles. Supporting a diverse workforce remains one of the cornerstones of Paladin's strategy and the Company is committed to an equitable gender balance amongst its workforce balanced with availability of appropriate candidates in the region of operation. Further information on diversity can be found in the Corporate Governance Statement.

As in previous years, employees were supported to access a variety of training options including conferences, short training courses, seminars and professional studies. The continuation of training in the Company's Anti-Bribery and Corruption compliance remained an on-going focus across the Group with the roll out scheduled to conclude within the coming months, resulting in all employees having completed the initiative.

The focus moving forward will continue to be one of consolidation coupled with retention, ensuring the workforce is stabilised and engaged on an on-going basis.



## SUSTAINABLE DEVELOPMENT (continued)

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### **Australia (Head Office & Mount Isa)**

The Australian headcount is currently 52 (including exploration), of which females represent 46.15%. With the focus on rationalisation, the organisational structure has been under constant review resulting in five roles being made redundant throughout the year, four roles being reduced to part-time and a further four roles in which incumbents left the organisation through natural attrition and were not replaced. Additionally, three senior individuals within the technical projects and finance teams have been transferred to the Langer Heinrich operations in an effort to retain key skills and knowledge within the Group. This rationalisation of roles and consolidation of the organisational structure will be an ongoing focus in the year to come in a further effort to maximise the Company's efficiency aims and reduce costs where possible.

Overall, the 12 month rolling turnover was 28.42%, with voluntary turnover representing 15.3%. This was significantly lower than the previous year of overall rolling turnover sitting at 40.38%, of which 23.08% represented voluntary turnover (combined total including head office and Perth-based exploration team). This reduction in voluntary turnover can be attributed to a challenging labour market and an effort to consolidate the Perth structure.

Along with the majority of organisations within the resources industry, challenging times have dictated alternative thinking in regards to employee reward and recognition. With salaries frozen for the period and, in some cases, individuals asked to take a reduction in salary, further focus in the coming year will be placed on rewarding employees outside of the Company's current or previous cash focused remuneration strategies.

### **Exploration**

The exploration team currently consists of a number of geologists, geophysicists and database administrators supported by external contractors and consultants. Exploration teams located at site remain focused on near mine resource extension and regional resource development, and the Canadian based team continue to focus on regional exploration. The small Perth-based team supports the various exploration projects Group wide, as well as the continuing development of Australian based projects.

Turnover within the exploration group has remained consistently low over the period, with any reductions in numbers being involuntary due to KM going onto care and maintenance and the Perth-based team consolidated due to cost restraints. The Malawi exploration team was reduced from 20 (including 10 field personnel) to 16 (3 field personnel, including 2 professionals) and the Perth team was reduced by one role, leaving the team total at 11.

Turnover of the Aurora exploration team based in Canada has also remained consistently low over the period, with numbers reducing from 14 permanent employees to the current team of 12, of which over 83% have more than five and half years tenure with the Company. In addition to the permanent team, the Michelin exploration camp is supported by up to 30 seasonal workers who undertake various roles during the seasonal drilling programmes. 86% of these seasonal workers are sourced from the surrounding communities of Postville, Makkovik and Rigolet.

Engagement and collaboration is always a focus for the Aurora exploration team, and the annual three-day workshop held in June provides an avenue whereby employees are provided the opportunity for team bonding and collective strategic planning for upcoming projects.

### **Malawi (Kayelekera Mine)**

The decision to place the mine onto care and maintenance obviously had a significant impact on staff, both Malawi nationals and foreign expatriate employees alike. Having gone from a producing mine onto care and maintenance status within a few short months requires careful planning and change management strategies in place, as well as engagement with Government. The quality of the change management strategy, its implementation with regards to the manner in which staff are engaged, and the way such plans are executed, will be major factors in determining the ultimate success of Kayelekera's change initiatives and their lasting effect.

## SUSTAINABLE DEVELOPMENT (continued)

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Kayelekera's success during the care and maintenance period will depend heavily on having the right people in the right roles. The experience, skills and competencies that are required within care and maintenance are, in themselves, unique and challenging to both acquire and retain.

In direct response to the decision to place KM on care and maintenance, an in-depth analysis was undertaken of the organisational structure and the roles which would be required throughout the period. As a result, the local Malawian workforce was reduced by 193 in February, and by a further 94 in May upon completion of the rundown period. Currently there are 180 Malawian employees on site (excluding exploration), a large number being involved in security surveillance.

Of those Malawian employees retrenched, all received generous severance packages in recognition of their service with the Company. Additionally, all individuals received access to outplacement and counselling services, which included a financial planning component as well as a basic small business course, all of which were provided by the Company at no cost to the individual.

The foreign expatriate workforce has similarly been reduced by a significant number, with headcount being reduced from 92 to 31. This reduction has been phased over a 12-month time frame, with the current roles remaining under further review.

Within the current challenging times, the on-going focus on employee training and development at Kayelekera has continued. A number of high performing employees are participating in Personal Development Plans with the aim of recognising and further developing those individuals identified for future leadership roles within the Company. The Personal Development Plans combine internal training and mentoring opportunities with formal study or training in the employee's relevant field.

In an effort to retain key individuals and skills within the Group, three members of the Kayelekera processing team and one from the finance team have been offered an international assignment to the Langer Heinrich mine. They will relocate with their families to Namibia over the coming months. Additional collaborations between Kayelekera and Langer Heinrich personnel will be explored in the year ahead, with the intention of allowing select high performing individuals further exposure to internal training and development opportunities within the Group.

The focus for the year ahead will be the challenge of continuing to motivate and engage the workforce within a care and maintenance context. The planned continuation of implementing a performance management system across the workforce will play an integral part in achieving an ongoing and open communication channel between management and employees, and will contribute to the retention of the core team, which will be high on the upcoming year's agenda. The care and maintenance environment will present an opportunity for senior team members to plan effective coaching and mentoring practices for more junior employees, reinforcing the learning culture at Kayelekera, and leading to a continuous development of talent.

### **Namibia (Langer Heinrich Mine)**

In direct response to the additional competition in the local labour market, seen by the construction of the nearby Husab Uranium Mine, retention of employees has been an ongoing issue over the last financial year. This is evident in the increased annual voluntary turnover figure of 11.6% in comparison to 8.55% last year. Involuntary turnover has, by comparison, remained consistently low throughout the period, sitting at 1.53%, which is slightly lower again than the previous year of 1.83%. At the end of the year, contractor numbers totalled 690 (down from 767 in July 2013). Of these, 438 are long-term contractors, and of those, 431 are mining related (down from 482 mining contractors July 2013).

During the year, the loss of six members from the senior leadership team could have proved extremely challenging had there not been a well-developed pool of internal talent within Langer Heinrich and the wider Group. As a result, these vacancies were filled via a combination of internal transfers from within the Paladin Energy Group and from promotions within Langer Heinrich itself, allowing for stability and consistency to be retained within the operations.

To combat the additional competition in the local labour market in attracting skilled individuals, a focus on alternative strategies has been applied. This includes offering internal and external bursary schemes for specific roles which allows for formal training and education opportunities, alongside

## SUSTAINABLE DEVELOPMENT (continued)

internal development of graduates via mentoring partnerships. Currently, Langer Heinrich employs six graduates within the disciplines of metallurgy, supply chain, corporate relations, finance, human resources and safety health and radiation. The previous year's intake of 11 graduates across various disciplines resulted in Langer Heinrich extending an offer of full time employment to the large majority of individuals in the programme, highlighting the success of the programme itself and the benefits it can provide to the Langer Heinrich talent pool.

The longstanding relationship between the Namibian Institute of Mining Technology, the Ministry of Education and LHM has proven to be beneficial to all involved, allowing for individuals to receive the practical hands-on component of their training on-site, which, upon completion of their trade, provides Langer Heinrich with access to a number of young artisans.

In the eighth year of Langer Heinrich's existence, a substantial period of time and effort has gone into realigning job roles in preparation for the introduction of a new organisation wide performance appraisal system. Additionally, this project has allowed for the implementation of a universal job-grading system and, in turn, the ability to conduct a thorough market analysis with the intent of ensuring the maintenance of a strategic remuneration position in the local market.

Langer Heinrich is compliant with all requirements of the Affirmative Action Act and has a consultative forum, which is an integral part of its affirmative action strategy. LHM is also committed to, and fully supports, the policy of equal opportunity employment and non-discrimination through its measurable Affirmative Action Plan. The Company remains committed to moving towards a present and future workforce, which equitably represents the prevailing demographic composition of Namibia. The Langer Heinrich Affirmative Action Report reflects the following demographics:

	<b>CY2013</b>	<b>CY2012</b>
% Female Employees	21.2%	20.7%
% Historically Racially Disadvantaged Employees*	89.5%	88.9%
% Non Namibians	1.7%	2.6%
Total Employees	<b>402</b>	<b>387</b>

\* As defined in the Affirmative Action (Employment) Act 1998

Female employees currently represent approximately 18% of the Langer Heinrich workforce, of which 34% hold professional or managerial roles within the Company, with the remaining individuals falling into support services, artisans and trainee roles.

The developing partnership between the representatives of the Mineworkers Union of Namibia (MUN) and Langer Heinrich concluded a two-year agreement on increased wages and changed employee benefits. This agreement has assisted in paving the way towards formalising the relationship with the MUN by the continuing development of a Recognition and Procedural Agreement, which aims to structure the social partnership between the two parties.

Langer Heinrich places significant importance on employee health and wellness. In addition to private health membership being a condition of employment, there are currently 18 voluntary peer educators who deliver coaching and mentoring around HIV and other health related topics. Additionally, poster campaigns are carried out around site and all offices and free condoms are self-dispensed in bathrooms and other private areas. Collaboration with external health organisations (eg. the Cancer Association of Namibia) has resulted in 196 employees to date attending a number of wellness screening and counselling events. Held at the mine site by the Ministry of Health for awareness of health hazards, these events are concerned with elevated blood pressure, cholesterol, excessive weight and diabetes as well as the dangers of smoking. Additionally, pre-winter flu vaccinations are provided at no cost to employees.

The year ahead will see a further focus on addressing the challenges of attracting scarce skills in an ever increasing tight labour market, and the on-going retention of people in a cash-constrained environment, therefore moving away from the more traditional monetary based reward systems and strategies.

# CORPORATE GOVERNANCE STATEMENT

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## CORPORATE GOVERNANCE FRAMEWORK

The Board of Directors of Paladin Energy Ltd is responsible for the corporate governance of the Group.

Paladin has adopted systems of control and accountability as the basis for the administration of corporate governance.

This Corporate Governance Statement, dated 30 June 2014 and approved by Board on 22 August 2014, outlines the key principles and practices of the Company which, taken as a whole, represents the system of governance.

Shareholders are reminded that Paladin operates with a dual-listing in Australia on the ASX and in Canada on the Toronto Stock Exchange (TSX). In formulating the governance framework, the regulatory requirements in both Australia and Canada have been taken into account.

The ASX Listing Rules require the Company to report on the extent to which it has followed the Corporate Governance Recommendations contained in the ASX Corporate Governance Council's (ASX CGC) 2<sup>nd</sup> Edition of its Corporate Governance Principles and Recommendations. For FY2014, Paladin has complied with all the recommendations and has referenced these throughout this Corporate Governance Statement.

Further to the release of the ASX CGC's 3<sup>rd</sup> Edition of its Corporate Governance Principles and Recommendations in March 2014, Paladin carried out a complete review of its corporate policies and practices and made any revisions necessary to ensure the Company complies with all recommendations in the 3<sup>rd</sup> Edition. These revisions were approved by the Board and adopted with effect from 21 May 2014. Further, the Company also complies with the Ontario Securities Commission's corporate governance requirements as set out in National Instrument 58-101.

The Company reviews and amends its corporate governance policies as appropriate to reflect the growth of the Company, current legislation and good practice. Copies or summaries of key corporate governance policy documents can be found on the Company's website ([www.paladinenergy.com.au](http://www.paladinenergy.com.au)).

## BOARD OF DIRECTORS

### Role of the Board and Management

*ASX CGC Recommendation (2<sup>nd</sup> Edition) 1.1, 1.2, 1.3*

The Board guides and monitors the business of Paladin on behalf of shareholders, by whom they are elected and to whom they are accountable. The Board is responsible for setting corporate direction, defining policies and monitoring the business of the Company, to ensure it is conducted appropriately and in the best interests of shareholders. It is also responsible for CEO succession planning. The Company Secretary is accountable to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

The role of the Board is to oversee and guide the management of the Company with the aim of protecting and enhancing the interests of its shareholders, taking into account the interests of other stakeholders, including employees, customers, suppliers and the wider community.

The Board operates under a Charter and has a written Code of Conduct (Code), which establishes guidelines for its conduct. The purpose of the Code is to ensure that Directors act honestly, responsibly, legally and ethically and in the best interests of the Company.

The Board is responsible for setting the strategic direction and establishing goals for management and the monitoring of the achievements against these goals. The Managing Director/CEO conducts evaluation interviews with all Executive General Managers and General Managers annually with the Non-Executive Directors reviewing the performance of the CEO. Open discussion on management performance takes place at Board level. In the light of the highly dynamic uranium cycle, remodelling of the performance appraisal process is being undertaken.

## **CORPORATE GOVERNANCE STATEMENT** (continued)

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Other than the powers expressly reserved to the Board in the Board Charter, the Board has delegated responsibility for the management of the Company's business and affairs to the Managing Director/CEO. The Managing Director/CEO is supported in this function by the Company's senior leadership team, which comprises the direct reports to the Managing Director/CEO and the Group Company Secretary. The Board maintains ultimate responsibility for strategy and control of the Group.

### **Composition of the Board**

*ASX CGC Recommendations (2<sup>nd</sup> Edition) 2.1, 2.2, 2.3, 2.6*

The Board comprises five Non-executive Directors, including the Chairman and one Executive Director, being the Managing Director/CEO. The names of the Directors, both in office at the date of this report and those who held the position during the past year, are set out in the Directors' Report. This information includes their status as Non-executive, executive or independent, their qualifications and experience and length of service.

The structure of the Board has evolved over time to reflect the changing needs of the Company to ensure an appropriate mix of skills and experience is available to oversee the growth of Paladin to its full potential.

### **Knowledge, Skills and Experience**

Skill sets represented at Board level include managerial, technical, financial, corporate, legal and commercial. Particularly, members have a broad range of experience and expertise in the uranium business.

During the year, the Board developed a skills matrix and undertook a formal assessment via the Nomination Committee. This confirmed that all key skills considered to be most relevant to the business were currently well represented across the Board. The range of skills includes, amongst other more general business and corporate related matters, the following key areas:

- uranium industry knowledge;
- mining and exploration;
- strategic planning;
- mergers and acquisitions;
- legal;
- accounting/auditing and corporate finance;
- risk management;
- environmental; and
- health and safety.

To assist Directors in maintaining an appropriate level of knowledge, skill and experience in the operations of the Company, Directors have the opportunity to undertake site visits to familiarise themselves with the Company's operations.

Directors are encouraged to undertake continuing education relevant to the discharge of their obligations as Directors of the Company. Subject to prior approval by the Company Secretary, the reasonable cost of such education is met by the Company. Directors are also regularly briefed on any changes to legislation and practices relevant to the business.

### **Retirement and Re-election**

The Constitution of the Company requires one third of the Directors, other than the Managing Director, to retire from office at each AGM. Directors who have been appointed by the Board are required to retire from office at the next AGM and are not taken into account in determining the number of Directors to retire by rotation at that AGM. Directors cannot hold office for a period in excess of three years or later than the third AGM following their appointment without submitting themselves for re-election. All material information in the possession of the Company relevant to a decision on whether or not to elect or re-elect a Director is included in the Notice of Meeting. Retiring Directors are eligible for re-election by shareholders. Sean Llewelyn will seek re-election at the 2014 AGM, following his retirement by rotation.

## **CORPORATE GOVERNANCE STATEMENT** **(continued)**

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### **Director Independence**

*ASX CGC Recommendations (2<sup>nd</sup> Edition) 2.1, 2.2, 2.6*

Directors are expected to bring independent views and judgement to the Board's deliberations. All of the Non-executive Directors, including the Chairman, are considered by the Board to be independent. In considering whether a Director is independent, the Board has regard to the independence criteria set out in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations and the Corporate Governance Guidelines developed by the Ontario Securities Commission pursuant to National Policy 58-201 and other facts, information and circumstances that the Board considers relevant.

The Board assesses the independence of new Directors prior to appointment and reviews the independence of all Directors as appropriate.

The Board does not believe that any Director has served on the Board for a period which could, or be perceived to, materially interfere with his ability to act in the best interests of the Company.

In reaching this conclusion, the Board has noted that Mr R Crabb (the Chairman) has served on the Board for 21 years. Notwithstanding his period of service, the Board concluded that Mr Crabb retains independence of character and judgement and continues to make outstanding contributions at Board level. He brings unique skills to the Board and participates in robust constructive debate. The Board considers that Mr Crabb's international resource law experience remains valuable at Board level.

### **Meetings of the Board**

The Board meets formally face to face at least four times a year (each over a two to three day period). Conferencing facilities provide greater ease of communications and meetings via this medium are held at six week intervals between face to face meetings. Additional ad-hoc meetings are held as required. Members of senior management attend and make presentations to the Board covering all aspects of the Company's operations. This provides an excellent opportunity for dialogue and networking, with management from all operations present. Non-executive Directors meet together without the Managing Director/CEO and management being present, prior to each of the four principal Board meetings. The number of meetings of the Board during the reporting period and the names on the attendance record are set out in the Directors' Report.

Directors are provided with papers, presentations and briefings on the Company's operations and on matters which may affect the Company. These are provided in addition to Board papers and are designed to assist the Directors in gaining relevant and timely information to assist in their decision making process. The Company has implemented a secure electronic information repository to facilitate access to past and present Board documentation and other relevant reference material.

The entire Board is required (as stated in their Letters of Appointment) to attend the AGM of the Company and all attended the 2013 AGM.

The Board holds an annual strategic planning session with management at which the Company's strategic plans for each operating activity and the Group as a whole are presented. This is held as part of the budget review process. The Managing Director/CEO encourages full access to executive managers by the Board to ensure transparency at a senior management level. Access to all Perth-based staff is available in a casual setting at each face to face meeting.

### **Nomination and Appointment of New Directors**

If it is necessary to appoint a new Director to fill a vacancy on the Board or to complement the existing Board, a wide and diverse potential base of possible candidates is considered and, if required, external consultants are engaged to assist in the selection process. The Board assesses the qualifications of the proposed new Director against a range of criteria including background, experience, professional skills, personal qualities, the potential for the candidate's skills to augment the existing Board, and the candidate's availability to commit to the Board's activities. In addition to considerable reference checking, appropriate checks are also made regarding any criminal record or bankruptcy history. If these criteria are met and the Board appoints the candidate as a Director, that Director must retire at the next AGM and will be eligible for re-election by shareholders at that AGM.

## CORPORATE GOVERNANCE STATEMENT (continued)

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New Directors appointed to the Board must participate in an induction programme, which includes provision of comprehensive written material regarding the Company such as:

- information on the financial, strategic and operational position of the Company;
- information on the nuclear industry and market generally;
- a comprehensive letter of appointment which sets out the Company's expectations on acceptance of the position;
- a written statement, which sets out the duties, rights and responsibilities they undertake on becoming a Director, together with material detailing the operations, policies and practices of the Company; and
- access to previous Board papers, together with recent Annual Reports and interim financial statements.

Furthermore, new Directors are invited to attend briefing sessions with the Managing Director/CEO and key members of the senior management team where they may ask questions and direct any queries they may have to the Chairman and/or the Managing Director/CEO or obtain any other briefings they feel necessary from the Chairman and/or the Managing Director/CEO. They are encouraged to attend site visits in liaison with the Managing Director/CEO, at appropriate times. Directors agree to participate in continuous improvement programmes from time to time, as considered appropriate.

### **Evaluation of Board Performance**

*ASX CGC Recommendations (2<sup>nd</sup> Edition) 2.5, 2.6*

Improvement in Board processes and effectiveness is a continuing objective and the primary purpose of Board evaluation is to identify ways to improve performance. The Chairman is responsible for conducting an annual review of the Board performance.

Evaluations of the performance of the Board, individual Directors, the Chairman of the Board and the Board Committees have been carried out. This process involved completion of individual questionnaires focused on process, structure, effectiveness and contributions. Responses to the questionnaires were collated and discussed by the Board and Committees in an open forum and recommendations for improvement considered. These discussions were also enhanced by using an Efficiency, Effectiveness and Ethics performance review model to promote frank and meaningful discussion.

### **Position Descriptions**

The Board has developed and adopted written position descriptions for the Non-executive Chairman of the Board, the Chairman of each Board Committee, the Managing Director/CEO and the Company Secretary.

These delineate the role and responsibility of each position and provide clarity on the expectations for those individuals occupying these key positions within the Company.

### **Conflicts of Interest**

The Code of Conduct for Directors, a copy of which is available on the Company's website, sets out the procedure to be followed if there is, or may be, a conflict between the personal or other interests of a Director and the business of the Company. A Director with an actual or potential conflict of interest in relation to a matter before the Board does not receive the Board papers relating to that matter and, when the matter comes before the Board for discussion, the Director withdraws from the meeting for the period the matter is considered and takes no part in the discussions or decision-making process.

## CORPORATE GOVERNANCE STATEMENT (continued)

Minutes reporting on matters in which a Director is considered to have a conflict of interest are not provided to that Director; however, the Director is given notice of the nature of the matter for discussions and, as much as practicable, of the general nature of the discussion or decision reached.

### Remuneration

*ASX CGC Recommendation (2<sup>nd</sup> Edition) 8.4*

Details of the remuneration policies and practices of the Company and the remuneration paid to the Directors (Executive and Non-executive) and senior executives are set out in the Remuneration Report included in the Directors' Report. Shareholders will be invited to consider and to approve the Remuneration Report at the AGM in November 2014.

In relation to the Non-executive Directors, there are no termination or retirement benefits other than those contained in statutory superannuation plans.

### Independent Advice

*ASX CGC Recommendation (2<sup>nd</sup> Edition) 2.6*

The Board and its Committees may seek advice from independent experts whenever it is considered appropriate. With the consent of the Chairman, individual Directors may seek independent professional advice, at the expense of the Company, on any matter connected with the discharge of their responsibilities. No Director availed himself of this right during the course of the year.

## BOARD COMMITTEES

The Board has established Audit, Nomination, Remuneration, and Sustainability Committees which assist in the discharge of the Board's responsibilities. In addition to a review by the Board, each committee reviews its performance by way of individual questionnaires and Charter on an annual basis. This review took place in May 2014 and, as a result, the Board is satisfied that the Committees have performed effectively with reference to their Charters.

Board approved charters set out the terms of reference and rules governing these Committees. These committee charters are available in the Corporate Governance section of Paladin's website.

### Audit Committee

*ASX CGC Recommendations (2<sup>nd</sup> Edition) 4.1, 4.2, 4.3, 4.4*

The Audit Committee assists the Board in discharging its responsibilities to ensure that the Company complies with appropriate and effective accounting, auditing, internal control and compliance and reporting practices in accordance with the Audit Committee Charter. The Audit Committee Charter is reviewed annually by the Board and minor changes were made to the charter during the financial year.

The role of the Audit Committee is to:

- monitor the integrity of the financial statements of the Company, reviewing significant financial reporting judgments;
- review the Company's internal financial control system and, unless expressly addressed by a separate risk committee or by the Board itself, risk management systems;
- monitor and review the effectiveness of the Company's internal audit function;
- monitor and review the external audit function, including matters concerning appointment and remuneration, independence and non-audit services; and
- perform such other functions as assigned by law, the Company's constitution, or the Board.

The Audit Committee comprises three members, all of whom are independent Non-executive Directors. The current members of the Audit Committee are:



## CORPORATE GOVERNANCE STATEMENT (continued)

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- Donald Shumka – Committee Chairman  
Non-executive, Independent Director
- Sean Llewelyn  
Non-executive, Independent Director
- Peter Donkin  
Non-executive, Independent Director

The relevant qualifications and experience of the members of the Committee can be found in their biographical information, which is included in the Directors' Report.

The Audit Committee meets at least once a quarter and at any other time requested by a Board member, Company Secretary or external auditor. The external auditors attend each quarterly meeting and on other occasions where circumstances warrant. At the discretion of the Chairman, having regard to the nature of the agenda, relevant members of management may be invited to attend meetings. The number of meetings of the Audit Committee during the reporting period and the names on the attendance record is set out in the Directors' Report.

The external auditors are Ernst & Young, who were appointed as the Company's auditors in June 2005. In November 2008, the audit partner was changed as part of the partner rotation process. In May 2013, the Audit Committee approved the extension of the Lead Audit Partner rotation period from five years to seven years in accordance with section 324DAB of the Corporations Act 2001 and the Corporations Legislation Amendment (Audit Enhancement) Act 2012.

As such, Mr Meyerowitz's tenure as the Lead Audit Partner for the Paladin Group was extended by a further period of two successive financial years commencing 1 July 2013, subject to Ernst & Young continuing to act as the Group's auditor.

The external auditors meet with the Audit Committee without management present at each meeting.

The internal audit function is carried out by Deloitte Touche Tohmatsu. A plan is developed on an annual basis to determine the scope of work across the Group, which is then reviewed and endorsed by the Audit Committee. Following execution, the findings and management responses are reported to the Audit Committee and remedial actions taken are tracked and reviewed on a quarterly basis at each committee meeting. The Deloitte representative is present at those meetings to report and advise accordingly.

### **Nomination Committee**

*ASX CGC Recommendations (2<sup>nd</sup> Edition) 2.4, 2.6*

The responsibilities of the Nomination Committee include:

- reviewing the size and composition of the Board, taking into account director independence, outside directorships and time commitments, and making recommendations to the Board on any appropriate changes;
- developing a board skills matrix to assist in identifying any gaps in the collective skills of the Board for professional development, and succession planning purposes;
- making recommendations on the appointment and removal of Directors;
- establishing evaluation methods for rating the performance of the Board on an annual basis; and,
- providing new Directors with an induction into the Company and providing all Directors with access to ongoing education relevant to their position.

## **CORPORATE GOVERNANCE STATEMENT**

### **(continued)**

Sean Llewelyn chairs the Nomination Committee. The Board considers that, given the importance of Board composition, it is appropriate that all members of the Board are members of the Nomination Committee.

The number of meetings of the Nomination Committee during the reporting period and the names on the attendance record is set out in the Directors' Report.

#### **Remuneration Committee**

*ASX CGC Recommendations (2<sup>nd</sup> Edition) 8.1, 8.2, 8.4*

The role of the Committee, in accordance with the Remuneration Committee Charter, is to assist the Board with respect to remuneration by reviewing and making appropriate recommendations on:

- remuneration packages of executive Directors, Non-executive Directors and senior executives; and,
- employee incentive and equity based plans including the appropriateness of performance hurdles and total payments proposed.

The ASX Listing Rules and the Constitution require that the maximum aggregate amount of remuneration to be allocated among the Non-executive Directors be approved by the shareholders in a general meeting. In proposing the maximum amount for consideration by shareholders, and in determining the allocation, the Remuneration Committee will take into account the time demands made on Directors given the increasing complexity of the Paladin Group and such factors as fees paid to Non-executive Directors in comparable Australian companies.

The policies and practices regarding remuneration and the remuneration paid to Directors and senior executives are shown in the Remuneration Report, forming part of the Directors' Report.

The Remuneration Committee comprises three members, all of whom are independent Directors. Sean Llewelyn is the Chairman of the Remuneration Committee.

The current members of the Remuneration Committee are:

- Sean Llewelyn – Committee Chairman  
Non-executive, Independent Director
- Rick Crabb  
Non-executive, Independent Director, Board Chairman
- Donald Shumka  
Non-executive, Independent Director

The number of meetings of the Remuneration Committee during the reporting period and the names on the attendance record are set out in the Directors' Report.

#### **Sustainability Committee**

The role of the Sustainability Committee is to provide the Board with an overview of Paladin's performance in the areas of health, safety, environment, social responsibility and sustainability and to provide the Board with advice and recommendations where relevant significant incidents occur.

The Sustainability Committee's Charter, which sets out further details on the role and duties of the Committee, is available in the corporate governance section of Paladin's website.

The Sustainability Committee comprises three members, the majority of whom are independent Non-executive Directors.

The current members of the Sustainability Committee are:-

## CORPORATE GOVERNANCE STATEMENT (continued)

- Philip Baily – Committee Chairman  
Non-executive, Independent Director
- Rick Crabb  
Non-executive, Independent Director, Board Chairman
- John Borshoff  
Managing Director/CEO

The Sustainability Committee meets at least twice a year, with further meetings as required. At the discretion of the Chairperson, having regard to the nature of the agenda, relevant members of management and external consultants may be invited to attend meetings.

The number of meetings of the Sustainability Committee during the reporting period and the names on the attendance record are set out in the Directors' Report.

### DIVERSITY POLICY

*ASX CGC Recommendations (2<sup>nd</sup> Edition) 3.2, 3.3, 3.4, 3.5*

The Board has approved a Diversity Policy, which documents the Company's commitment to workplace diversity and recognises the benefits arising from the recruitment, development and retention of a talented, diverse and motivated workforce.

Diversity within the Company means all the things that make individuals different to one another, including, but not limited to, gender, ethnicity, religion, culture, language, disability and age. It involves a commitment to equality and treating one another with respect.

Responsibility for review of all matters contained within the Diversity Policy rests with the Board as a whole and is reflected accordingly in its Charter.

The ASX Corporate Governance Council's Principles and Recommendations requires the Company to set 'measurable objectives' for achieving gender diversity and to report against them on an annual basis. During May this year, the Board met and reviewed the measurable objectives set and reported in 2013. Due to the continuing record low uranium price and group wide cost cutting initiatives, which, sadly, have resulted in positions being made redundant and the placing of KM on care and maintenance, the Board agreed that it would be unrealistic to set any further measurable objectives for FY2015, given the focus on preserving cash and limiting further redundancies. As such, the measurable objectives for FY2015 remain unchanged from the previous year.

In respect to gender diversity specifically, 17% (an increase of 3% over 2013) of the total workforce globally are female. This statistic is somewhat skewed due to the cultural and educational challenges faced with increasing the female component of the workforce at the African operations. The percentage of Australian based female employees has remained relatively static at 46%, despite the retrenchments undertaken across the Group during the year. Details across the Group are included in the table set out in the "Our People" section on page 57. There are currently no female directors at the Paladin Energy Ltd level; however, females are represented at Board level on 26 of the 31 subsidiary companies.

Across the Group, the workforce is split into five levels – senior management, management, professional, skilled and unskilled roles. The percentage of females represented in the top three levels is shown in the table below:

	Perth	LHM	KM		Aurora	Group wide
			Nationals	Expats		
<b>Senior Management</b>	23.07%	22.22%	0%	12.50%	0%	19.35%
<b>Management</b>	0%	25%	0%	0%	33.33%	18.18%
<b>Professional</b>	52.38%	29.09%	14.28%	14.20%	37.50%	30.55%

## CORPORATE GOVERNANCE STATEMENT (continued)

### Measurable Objectives

Objective	Outcome
Review Diversity Policy annually.	Reviewed and remained unchanged.
Undertake an annual gender pay audit to ensure equity in remuneration practices.	This was undertaken as part of the annual salary review process.
Report annual data across the Group on diversity in the workforce.	Commenced in 2012 and ongoing.
Encourage training and development to assist in furthering career goals.	137 females participated in educational initiatives during the year.
Develop and implement flexible working arrangements to support employees' personal or family commitments whilst continuing in employment.	The Company provides employees with flexible working arrangements and paid parental leave together with a financial incentive paid on return to work. Females participated in flexible work arrangements group wide.
When the Board next recruits for an independent non-executive director, at least one woman must be included in the list of potential candidates.	Ongoing.

Further information on diversity within the Company can be found in the Our People section of this annual report.

### **FINANCIAL REPORTING**

*ASX CGC Recommendations (2<sup>nd</sup> Edition) 7.3, 7.4*

#### **CEO and CFO Certification**

In accordance with the Corporations Act 2001, ASX Corporate Governance Principle 7.3 and Canadian Securities Law, relevant declarations, statements and certifications are provided by the Managing Director/CEO and the Chief Financial Officer in relation to the Company's financial statements for a financial period.

### **RELATIONSHIP WITH SHAREHOLDERS**

*ASX CGC Recommendations (2<sup>nd</sup> Edition) 5.1, 5.2, 6.1, 6.2*

The Company places a high priority on communications with, and accountability to, shareholders. The Board recognises that shareholders, as the ultimate owners of the Company, are entitled to receive timely and relevant high quality information about their investment. Similarly, prospective investors should be able to make an informed decision when considering the purchase of shares in Paladin.

To safeguard the effective dissemination of information, a Continuous Disclosure & Communication Policy is in place. This reinforces the Company's commitment to its continuous disclosure obligations imposed by law.

Information will be communicated to shareholders by:

- ensuring that published financial and other statutory reports are prepared in accordance with applicable laws and industry best practice;
- ensuring the disclosure of full and timely information about the Company's activities in accordance with the general and continuous disclosure principles in the ASX Listing Rules, the Corporations Act in Australia and all relevant legislation in Canada;
- providing detailed reports from the Chairman, the Managing Director/CEO and other senior executives at the Annual General Meeting (AGM);
- placing all material information released to the market (including notices of meeting and explanatory materials) on the Company's website as soon as practical following release;
- placing the Company's market announcements and financial data for the preceding seven years on its website;
- providing the Annual Report in a "user friendly" electronic format on its website;

## CORPORATE GOVERNANCE STATEMENT (continued)

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- providing quarterly conference calls incorporating Q&A together with investor updates; and,
- providing an archived webcast of the AGM on the Company's website for those shareholders unable to attend the meeting.

In addition, the website includes a facility to allow interested parties to subscribe to receive, electronically, public releases and other relevant material concerning the Company. There are also contact details if shareholders wish to contact the Company or its security registry with any queries.

Shareholders are encouraged to attend AGMs and ask questions of Directors, senior management and the Company's external auditors, who are required to be in attendance. In the event that shareholders are unable to attend meetings, they are encouraged to lodge proxies signifying their approval or otherwise of the business to be considered. Shareholders are able to directly lodge their votes online via the Company's website and the Computershare (the Company's share registry) voting platform.

### DISCLOSURE CONTROLS

Paladin is committed to ensuring that shareholders and the market are provided with full and timely information and that all stakeholders have equal and timely access to material information concerning the Company.

The Company understands and respects that timely disclosure of price sensitive information is central to the efficient operation of the ASX's and Toronto Stock Exchange's securities market and has adopted a Continuous Disclosure & Communication Policy with underlying procedures covering public announcements, the prevention of selective or inadvertent disclosure, conduct of investor and analysts briefings, and media communications. This Policy reflects the commitment of the Directors and management to promoting consistent disclosure practices aimed at accurate, timely and broadly disseminated disclosure of material information to the market. The Company has formed a Disclosure Control Committee which has responsibility for overseeing and co-ordinating disclosure of all public information. Members of this Committee are the Managing Director/CEO, Company Secretary and Chief Financial Officer.

### RISK MANAGEMENT

*ASX CGC Recommendations (2<sup>nd</sup> Edition) 7.1, 7.2, 7.4*

The Company does not have a risk committee or separate committees to oversee risk. Risk is managed at the Board level with all Board members involved in the process whilst taking into account the individual Sustainability, Audit and Compliance Committees' inputs in relation to those matters overseen by those committees.

The Company has established policies on risk oversight and management and has a risk management and internal control system to manage the Company's material business risks. The Company has developed its risk management policy in line with the implementation of the risk management system and a risk management framework.

The Company's Risk Management Policy is to identify, assess, evaluate, monitor and mitigate risks which are considered unacceptable to the Company. Operational business controls have been identified and are in place to ensure unwanted threats to the business are managed. Paladin has also developed the business environment for managers and senior personnel to assess risks and make sound business decisions. Whilst all personnel have a responsibility to identify and report to management risks which may materially affect the Company, the Managing Director/CEO has the overall responsibility for the management of risk in the Company. The Managing Director/CEO is assisted by the heads of operational business units who "champion" risks within the business unit. Paladin has adopted the Australian and New Zealand Standard ISO 31000:2009 - "Risk Management" in managing the risk management process.

The risk management system is designed and implemented by the Managing Director/CEO, with assistance from senior executives, and is subject to review on a quarterly basis by the Board of Directors. The latest review took place at the May 2014 board meeting. A report is provided annually

## **CORPORATE GOVERNANCE STATEMENT**

### **(continued)**

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to the Board of Directors detailing the management process in relation to the Group's material business risks.

The Company maintains a risk register, which sets out all of the enterprise risks that have been identified and includes an assessment of the risk (risks analysed and evaluated), and treatment plans to mitigate risks. The risk register has been compiled and is reviewed quarterly by the Managing Director/CEO and senior management to ensure adequate risk control measures have been identified. An operational risk assessment system is in place at the Langer Heinrich and Kayelekera operations, which is continuously reviewed and updated.

Paladin is committed to continual improvement of the risk management process and procedures to ensure the highest return to shareholders and stakeholders.

The Company has developed a Crisis and Emergency Management System with individual site plans for LHM and KM. The Company also conducts scenario-based exercises to practise crisis and emergency response.

The Company's risk management processes will be the subject of an internal audit programme during FY2015.

The Company also commenced formal sustainability reporting in FY2012 and now publishes its Sustainability Report on an annual basis.

### **ENVIRONMENT**

Paladin is committed to ensuring that effective environmental management is planned and undertaken for all aspects of its operations. The approach to environmental management is guided by Paladin's Environmental Policy, which promotes a standard of excellence for environmental performance across its operations.

### **HEALTH AND SAFETY**

The safety, health and wellbeing of employees, contractors and the community are of core value to Paladin's operations. A healthy workforce contributes to business success and the Company's aim is for zero injuries. The Company encourages safe behaviour by employees and contractors, establishes a mindset that injuries are preventable, provides safety education and training, and conducts safety risk assessments. The safety and health performance of Paladin is measured through internal and external internationally recognised auditing and reporting processes.

During the year, external health and safety audits were carried out at LHM and KM.

### **SECURITIES OWNERSHIP AND DEALINGS**

*ASX CGC Recommendation (2<sup>nd</sup> Edition) 8.4*

The Company has a Policy for Trading in Company Securities, which is binding on all Directors and employees. As well as the overriding prohibition, which relates to all Directors and employees, against dealing in the Company's securities, when a person is in possession of inside information, the Policy also details additional restrictions for a group of Restricted Employees. This group consists of all Directors and officers and other key personnel as nominated by the Chairman and Company Secretary and is reviewed on a regular basis to take into account changes in personnel. Prescribed 'blackout' periods are included in the Policy during which Restricted Employees will be prohibited from dealing in the Company's securities. Additionally, Restricted Employees are at all times (irrespective of 'blackout' periods) required to complete an application form to gain the written acknowledgement of either the Chairman, Managing Director/CEO or the Company Secretary before they deal in the Company's securities.

The Company's Policy also prohibits hedging of options granted under share options plans. This relates to both vested and unvested options. Prohibited hedging practices include put/call arrangements over "in money" options to hedge against a future drop in share price. The Board

## CORPORATE GOVERNANCE STATEMENT (continued)

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considers such hedging to be against the spirit of a share option plan and inconsistent with shareholder objectives.

The Company uses an online compliance training module to assist in monitoring understanding of this Policy. Training is also extended to all external directors on subsidiary boards and is completed on a bi-annual basis with new employees completing the training and assessment as part of the induction process.

### ACTING ETHICALLY AND RESPONSIBLY

Paladin exists to create value for its shareholders. In pursuit of this goal, the Company recognises that measurement of corporate success encompasses economic, environmental and social values. Paladin stakeholders expect their Company to be a good corporate citizen with fair and beneficial business practices, operating to the highest ethical standards, contributing to the growth and prosperity of host countries, and responding positively to community needs.

Paladin has adopted various policies to assist in this commitment, a summary of which can be found below. These policies are also available on the Company's website.

#### Codes of Conduct

*ASX CGC Recommendations (2<sup>nd</sup> Edition) 3.1, 3.5*

The Board has approved a Code of Conduct for Directors (incorporating underlying Guidelines for the Interpretation of Principles) together with a Code of Business Conduct and Ethics, which applies to all Directors, officers and employees, including those employed by subsidiaries, in all countries where Paladin does business. A copy of the Code is available on the Company's website.

These Codes demonstrate and codify Paladin's commitment to appropriate and ethical corporate practices. Compliance with the Codes will also assist the Company in effectively managing its operating risks and meeting its legal and compliance obligations, as well as enhancing Paladin's corporate reputation.

The principles outlined in this document are intended to:

- establish a minimum global standard of conduct by which all Paladin employees are expected to abide;
- protect the business interests of Paladin, its employees and customers;
- maintain Paladin's reputation for integrity; and,
- facilitate compliance by Paladin employees with applicable legal and regulatory obligations.

The Code of Business Conduct and Ethics addresses honesty and integrity, following the law, conflicts of interest, confidentiality, protection of Company assets, dealing with public officials, responsibility for international operations, employment practices, record keeping and community relations.

The Board has appointed the Company Secretary as the Company's compliance officer in the case of employees, and the Chairman of the Audit Committee in the case of Directors and officers, as the person responsible for receiving reports of breaches of the Code. This is the mechanism by which compliance with the Code is monitored.

#### Community Relations Policy

Paladin believes that mining and mineral processing activity can play a central role in sustainable community development by acting as a catalyst for positive economic and social change.

When operating in overseas jurisdictions, Paladin acknowledges the importance of understanding that it is operating in a "visitor" capacity in the country of interest and that it must engage with due respect in all interactions.

## **CORPORATE GOVERNANCE STATEMENT** (continued)

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Paladin aims to achieve a balance between the economic, environmental and social needs in all phases of its projects and has adopted a Community Relations Policy, which is available on the Company's website.

### **Human Rights Policy**

Paladin is committed to respecting human rights and fundamental freedoms. The aim of the Human Rights Policy is to provide the overarching framework for the business in respecting human rights.

Paladin commits to upholding the human rights' principles outlined in the International Bill of Rights, which includes the Universal Declaration of Human Rights, the International Covenant on Economic, Social and Cultural Rights and the International Covenant on Civil and Political Rights. Additionally, Paladin respects the International Labor Organisation's Core Conventions.

Human rights are fundamental principles of personal dignity and universal equality. Respect for human rights fosters social progress, better standards of life and larger freedom for individuals.

### **Whistleblower Policy**

The Board has also approved a Whistleblower Policy, which documents commitment to maintaining an open working environment in which employees and contractors are able to report instances of unethical, unlawful or undesirable conduct without fear of intimidation or reprisal.

The purpose of the Whistleblower Policy is to:

- help detect and address unacceptable conduct;
- help provide employees and contractors with a supportive working environment in which they feel able to raise issues of legitimate concern to them and to the Company; and,
- help protect people who report unacceptable conduct in good faith.

To assist in the understanding of this Policy by the local Malawian workforce due to language and cultural differences, a storybook has been written and translated into the local language dealing with the issues of fraud, corruption and whistleblowing. This has been distributed to all local employees. In addition, the local acting troupe has been employed in presenting small plays to the workforce on these subjects. Both mediums have been extremely well received and proved effective in presenting the message.

### **Anti-Bribery and Corruption Compliance**

Paladin does not operate in any country rated an extreme risk for corruption in the latest Transparency International Global Corruption Index – Australia and Canada are in the top quartile and both rank 9<sup>th</sup> (out of 177 countries surveyed); Namibia is in the second quartile and ranks 57<sup>th</sup> and Malawi and Niger are in the third quartile, ranked 91<sup>th</sup> and 106<sup>th</sup> respectively.

Paladin opposes corruption and honours the *OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions* (OECD Convention). Paladin is committed to conducting its business in accordance with applicable laws, rules and regulations, and the highest standards of business ethics, and to full and accurate disclosure in compliance with applicable laws, rules and regulations. The Company operates under a Code of Business Conduct and Ethics and a Code of Conduct for its Directors. An Anti-Bribery and Corruption (ABC) Compliance Guide provides practical advice on ethical business conduct for Paladin Directors, employees and third parties. A Whistleblower Policy and procedure are also in place to facilitate disclosure of any alleged corrupt practices.

The Company has established a Compliance Committee which has been trained by external legal counsel, expert in the field. The Committee operates under a Charter, its role being to oversee Paladin's anti-bribery and corruption compliance (as documented in Paladin's Anti-Bribery and Corruption Compliance Guide) and address employee or representative's concerns.



## **CORPORATE GOVERNANCE STATEMENT**

### **(continued)**

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The roll-out of unified anti-bribery and corruption training across the Group began during 2012, with substantially all employees across the Group trained by the end of FY2014. All employees also received a personal copy of the localised guide to the ABC regime. Given educational and cultural challenges, local mine site workers at KM operating below the supervisor level received training through a number of media – story books (each worker received a personal copy) and posters on the subject written in their local language, together with performances by the local drama group. The story book was produced in four local languages in addition to English and was distributed not only to all local staff but to various government departments and the community both in the surrounding area and in Lilongwe, the capital. Paladin also engages with significant suppliers and contractors in regard to its stance on anti-bribery and corruption and ensures the matter is specifically addressed with contracting parties.

During the year, six local site-based employees were dismissed for fraudulent activities involving receipt of gifts from suppliers and interference in legal processes.

Both LHM and KM operations have been independently assessed for risks related to corruption by a specialist fraud and corruption analyst from Australia and relevant corruption risks have been identified and included in the Corporate Risk Assessment Register.

#### **Privacy Policy**

The Company has a firm commitment to protecting the privacy of any personal information that it collects and holds and recognises its obligations under the existing privacy legislation. It has adopted a Privacy Policy which provides details on the collection and use of personal information, circumstances under which it can be disclosed, management and security of personal information and how it can be accessed.

Any changes to the above Codes and Policies are considered by the Board for approval.

## DIRECTORS' REPORT

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The Directors present their report on the Group consisting of Paladin Energy Ltd (Company) and the entities (Group) it controlled at the end of, or during, the year ended 30 June 2014.

### DIRECTORS

The following persons were Directors of Paladin Energy Ltd and were in office for this entire period:

**Mr Rick Wayne Crabb** *B. Juris (Hons), LLB, MBA, FAICD*  
(Non-executive Chairman) Age 57

Mr Crabb holds degrees of Bachelor of Jurisprudence (Honours), Bachelor of Laws and Master of Business Administration from the University of Western Australia. He practised as a solicitor from 1980 to 2004 specialising in mining, corporate and commercial law and advised in relation to numerous project developments in Australia and Africa. Mr Crabb now focuses on his public company directorships and investments. He has been involved as a director and strategic shareholder in a number of successful public companies. He is also the non-executive chairman of Platypus Minerals Ltd (formerly Ashburton Minerals Ltd) (since 1999), Golden Rim Resources Ltd (since 2001) and Otto Energy Ltd (since 2004). Mr Crabb is a councillor on the Western Australian Division of the Australian Institute of Company Directors.

Mr Crabb was appointed to the Paladin Board on 8 February 1994 and as Chairman on 27 March 2003.

#### *Special Responsibilities*

Chairman of the Board

Member of Remuneration Committee from 1 June 2005

Member of Nomination Committee from 1 June 2005

Member of Sustainability Committee from 25 November 2010

**Mr John Borshoff** *B.Sc., F.AusIMM, FAICD*  
(Managing Director/Chief Executive Officer) Age 69

Mr Borshoff is a geologist who has been involved in the Australian and African exploration and mining industry for over 30 years. Mr Borshoff worked for International Nickel and Canadian Superior Mining before joining a German mining group, Uranerz from 1976 to 1991. He became Chief Geologist/Exploration Manager during the period 1981-1986 and served as its chief executive from 1987 to mid-1991, when the German parent of Uranerz made the decision to close its Australian operations. The primary focus of the Uranerz Group was the search for and development of uranium with the company operating extensively throughout Australia, North America and Africa.

Mr Borshoff has extensive knowledge of the uranium industry and experience in company management and strategic planning. He serves on the Board of the Minerals Council of Australia.

Mr Borshoff founded Paladin and was appointed to the Paladin Board on 24 September 1993.

#### *Special Responsibilities*

Managing Director/Chief Executive Officer

Member of Nomination Committee from 1 June 2005

Member of Sustainability Committee from 25 November 2010

**Mr Sean Reveille Llewelyn** *LL.B, MAICD*  
(Non-executive Director) Age 66

Mr Llewelyn originally qualified, and practised, as a solicitor in Australia and then re-qualified in England. He has subsequently worked in the finance and merchant banking industries for more than 20 years in Australia, the UK, the United States and South Africa. His considerable finance experience has been in derivatives (a founder, President and CEO of Capital Market Technology Inc.), structured finance and early stage investment relating to the metal markets. He has been involved with the uranium industry for many years and has a comprehensive understanding of the uranium market.

Mr Llewelyn was the instigator and driving a force in the formation of Nufcor International Ltd, a major uranium marketing company, initially jointly owned between Anglo Gold and First Rand International.

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

#### *Special Responsibilities*

Member of Audit Committee from 12 April 2005

## DIRECTORS' REPORT (continued)

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Chairman of Remuneration Committee from 26 November 2008 (member from 1 June 2005)

Chairman of Nomination Committee from 26 November 2008 (member from 1 June 2005)

**Mr Donald Shumka B.A., MBA**  
(Non-executive Director) Age 72

Mr Shumka is a Vancouver-based Corporate Director with more than 40 years' experience in financial roles. From 2004 to 2011, he was President and Managing Director of Walden Management, a consulting firm specialising in natural resources. From 1989 to 2004, he was Managing Director, Investment Banking with CIBC World Markets and Raymond James Ltd. Prior to 1989, Mr Shumka was Vice President, Finance and Chief Financial Officer of West Fraser Timber Co. Ltd., one of Canada's largest forest products companies. He holds a Bachelor of Arts Degree in Economics from the University of British Columbia and a Master of Business Administration Degree from Harvard University. Mr Shumka is also a director of Eldorado Gold Corp. (since May 2005), Alterra Energy Corp. (since March 2008) and Odin Mining and Exploration Ltd (since July 2014).

Mr Shumka was appointed to the Paladin Board on 9 July 2007.

*Special Responsibilities*

Chairman of Audit Committee from 9 July 2007

Member of Remuneration Committee from 10 August 2007

Member of Nomination Committee from 9 July 2007

**Mr Peter Mark Donkin BEc, LLB., F Fin, MAICD**  
(Non-executive Director) Age 57

Mr Donkin has over 30 years' experience in finance, including 20 years arranging finance in the mining sector. He was previously the Managing Director of the Mining Finance Division of Société Générale in Australia, having worked for that bank for 21 years in both their Sydney and London offices. Prior to that, he was with the corporate and international banking division of the Royal Bank of Canada. His experience has involved arranging transactions for mining companies, both in Australia and internationally, in a wide variety of financial products, including project finance, corporate finance, acquisition finance, export finance and early stage investment capital. Mr Donkin holds a Bachelor of Economics degree and a Bachelor of Law degree from the University of Sydney. He is a director of Allegiance Coal Ltd (since 2010) and was previously a director of Sphere Minerals Ltd (from March 2010 to November 2010) and Carbine Tungsten Ltd (from February to April 2013).

Mr Donkin was appointed to the Paladin Board on 1 July 2010.

*Special Responsibilities*

Member of Audit Committee from 25 November 2010

Member of Nomination Committee from 1 July 2010

**Mr Philip Baily BSc, MSc**  
(Non-executive Director) Age 70

Mr Baily is a metallurgist with more than 40 years' experience in the mining industry, including some 11 years in the uranium sector. Throughout his career, he has been involved in the design, construction, commissioning and operation of mineral processing plants, including two uranium plants. Project locations have varied from the deserts of Australia to the tropics of Papua New Guinea and the high altitudes of Argentina. He has extensive experience, at senior management level, in the evaluation of projects from grass roots development to the acquisition of advanced projects and operating companies. These projects have been located throughout the world, many in developing countries and environmentally sensitive areas. Mr Baily holds a Bachelor of Science and a Master of Science degree in Metallurgy from the University of NSW.

Mr Baily was appointed to the Paladin Board on 1 October 2010.

*Special Responsibilities*

Chairman of Sustainability Committee from 25 November 2010

Member of Nomination Committee from 1 October 2010

## DIRECTORS' REPORT (continued)

### COMPANY SECRETARY AND EXECUTIVE GENERAL MANAGER - CORPORATE SERVICES

#### **Ms Gillian Swaby Age 54**

*B.Bus, FCIS, FAICD*

Ms Swaby has been involved in financial and corporate administration for listed companies, as both Director and Company Secretary, covering a broad range of industry sectors, for over 30 years. Ms Swaby has extensive experience in the area of secretarial practice, corporate governance, management accounting and corporate and financial management. In addition to her role as Group Company Secretary, the divisions of human resources, legal and corporate social responsibility also fall under her management in the role of EGM-Corporate Services.

Ms Swaby is past Chair of the Western Australian Council of Chartered Secretaries of Australia, a former Director on their National Board and a lecturer for the Securities Institute of Australia. Ms Swaby is the principal of a corporate consulting company and was a member of the Paladin Board for a period of 10 years. She is a director of Australia-Africa Mining Industry Group (AAMIG).

### BOARD AND COMMITTEE MEETINGS

The number of Directors' meetings and meetings of committees held in the period each Director held office during the financial year, and the number of meetings attended by each Director were:

Name	Board of Directors		Audit Committee		Remuneration Committee		Nomination Committee		Sustainability Committee	
	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend
Mr Rick Crabb	15	16	-	-	2	2	2	2	3	3
Mr John Borshoff	16	16	-	-	-	-	2	2	3	3
Mr Sean Llewelyn	16	16	5	5	2	2	2	2	-	-
Mr Donald Shumka	16	16	5	5	2	2	2	2	-	-
Mr Peter Donkin	16	16	5	5	-	-	2	2	-	-
Mr Philip Baily	16	16	-	-	-	-	2	2	3	3

Of the above Board meetings, 4 were face to face with the remainder held via electronic means. The Board meeting schedule also includes a scheduled conference call mid quarter between the face to face meetings.

16 Board meetings were held. By way of reference, an independent survey by CRA Plan Manager Pty Ltd states the average number of board and committee meetings is 17 for small companies and around 23 for larger companies.

### INTERESTS IN THE SECURITIES OF THE COMPANY

As at the date of this report, the interests of the Directors in the securities of Paladin Energy Ltd were:

Director	Paladin Shares	Share rights (issued under the Paladin Employee Plan)
Mr John Borshoff	16,081,794	250,000*
Mr Rick Crabb	5,181,528	Nil
Mr Sean Llewelyn	100,000	Nil
Mr Donald Shumka	200,000	Nil
Mr Peter Donkin	15,000	Nil
Mr Philip Baily	12,000	Nil

\* due to vest on 5 November 2014 subject to performance conditions

### RESIGNATION, ELECTION AND CONTINUATION IN OFFICE OF DIRECTORS

In accordance with the Constitution of the Company, Mr Sean Llewelyn will seek re-election at the 2014 Annual General Meeting, following his retirement by rotation.

## DIRECTORS' REPORT (continued)

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### PRINCIPAL ACTIVITY

The principal activity of the Group was the development and operation of uranium mines in Africa, together with global exploration and evaluation activities in Africa, Australia and Canada.

### REVIEW AND RESULTS OF OPERATIONS

A detailed operational and financial review of the Group is set out on pages 14 to 43 of this report under the section entitled Management Discussion and Analysis.

The Group's loss after tax for the year is US\$338.4M (2013: US\$420.9M) representing a decrease of 20% from the previous year.

### DIVIDENDS

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

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

### SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Other than disclosed below, since the end of the year, 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 years with the exception of the following, the financial effects of which have not been provided for in the 30 June 2014 Financial Report:

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

On 23 July 2014, the Company announced the settlement of the sale of a 25% interest in its flagship Langer Heinrich mining operation in Namibia to CNNC Overseas Uranium Holding Limited, a wholly-owned subsidiary of CNNC, the leading Chinese nuclear utility, for consideration of US\$190M. The sale was subject to a number of conditions precedent which were met in full by 30 June 2014 and accordingly the sale has been accounted for at 30 June 2014.

The offtake component of the agreement allows CNNC to purchase its pro-rata share of product from Langer Heinrich at the prevailing market spot price.

#### **Successful Refinancing of Langer Heinrich Facility**

##### In summary:

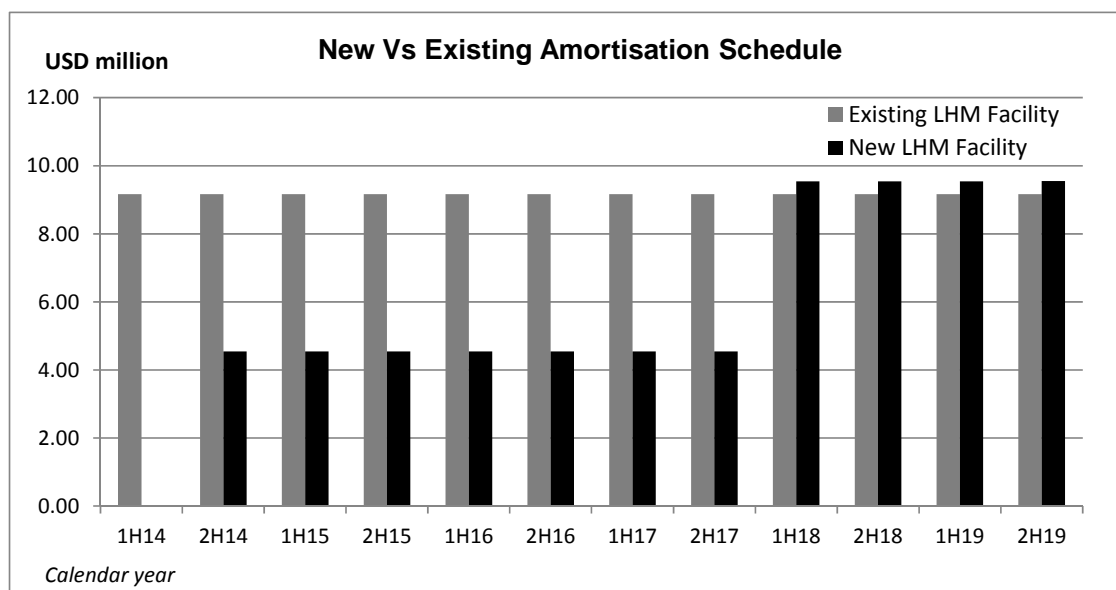
- Facility reduced to US\$70M;
- US\$32M reduction in debt repayments over 2014 to 2017 calendar years;
- Langer Heinrich debt repayments reduced by US\$9.2M per annum to 2018; and,
- Additional positive cash flow implications to the January 2014 refinancing.

On 23 July 2014, the Company announced it had entered into agreements with its existing lenders to refinance the LHM project finance facility. The facility was drawn-down in conjunction with the financial close of the LHM minority sale.

Paladin has refinanced the existing US\$110M project finance facility and US\$20M working capital facility into a new US\$70M syndicated loan facility. Proceeds from the LHM minority sale were utilised to prepay US\$30.8M of the existing facility, taking the outstanding balance to US\$70M.

This new facility will provide significant cash flow benefits and further strengthens Paladin's financial position. As shown below, the annual principal repayments will be reduced by US\$32.4M over the first 3.5 years of the facility, from US\$18.3M per annum to US\$9.1M per annum, with the first repayment of US\$4.6M not due until December 2014.

## DIRECTORS' REPORT (continued)



The Borrower of the new facility remains PFPL. The new facility is security light, with Langer Heinrich Mauritius Holdings Limited and LHUPL providing no guarantees or security over the project assets. The facility will also have a financial covenant holiday for the first four six-monthly calculations periods commencing 31 December 2014.

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 banking groups have been involved with Paladin since the first LH project finance facility was established in 2006.

### LIKELY DEVELOPMENTS

Likely developments in the operations of the Group constituted by the Company and the entities it controls from time to time are set out under the section entitled Management, Discussion and Analysis.

### ENVIRONMENTAL REGULATIONS

The Group is subject to significant environmental regulation in respect to its exploration, evaluation, development and operational activities for uranium projects under the laws of the countries in which its activities are conducted. The Group currently has mining and processing operations in Namibia and Malawi (placed on care and maintenance in February 2014), as well as exploration projects in Australia, Niger and Labrador, Canada. The Group's Policy is to ensure compliance with all applicable environmental laws and regulations in the countries in which it conducts business.

Specific environmental regulations, approvals and licences for the exploration, development and operation are required to conduct the activities at each site. In addition, many other international and industry standards are also applied to the Group's activities, including those specified for the global uranium industry. These environmental laws, regulations and standards relate to environmental factors such as radiation, water, flora, fauna, air quality, noise, waste management and pollution control.

The Directors are not aware of any environmental matters which would have a significant adverse effect on the Group.

### REMUNERATION FOR THE YEAR AT A GLANCE

Details of the remuneration received by the Key Management Personnel are prepared in accordance with statutory requirements and accounting standards, and are detailed further in the Remuneration Report.

The disclosure below aims to provide an overall picture of the group-wide remuneration platform and not simply focus on Key Management Personnel. Given the economic conditions associated with the continuing poor uranium price, and resulting cash constraints that the Company faced during the past year, with the exception of a small number of employees who received adjustments for parity issues seen within local labour markets, there were no general salary increases granted across the Group. A significant number of management personnel agreed to a 10% reduction in salary and the focus was then

## DIRECTORS' REPORT (continued)

on offering a one-time non-cash compensation option to offset the reduction, tailored to individual circumstances to assist in retention.

- The Managing Director/CEO signed a new contract on 27 November 2013 voluntarily reducing his salary by a further 10% bringing the total reduction to 32.5% setting the tone for the cost rationalisation programme being undertaken across the Group.
- A 10% reduction in directors' fees and management personnel base salaries during the year. At a management level, this affected 23 individuals and resulted in overall cash savings of approximately A\$1 million. This reduction in fees and salaries will remain in place until certain market conditions are met, at which point they will return to their pre-adjusted rates. To compensate, individuals (other than directors) were offered a choice of a one-time issue of shares, share rights, additional leave or an option of reduced working hours, to the value of the 12 months of their reduction in salary.
- Cash bonuses totalling only US\$32,000 were paid across the Group this year in recognition of significant individual contributions.
- Given the salary freeze, the Company absorbed the superannuation increase of 0.25% legislated in Australia.
- With a focus on rationalisation and consolidation of the workforce, coupled with the Kayelekera Mine moving to care and maintenance, there was a significant reduction in overall headcount across the Group with numerous roles made redundant over the period. Additionally, where natural attrition occurred, only those roles deemed to be critical were replaced.
- 1,621,104 share rights were granted during the year as a one-time allocation to those employees affected by the 10% reduction in management personnel salaries.
- A total of 1,643,805 share rights vested during the year (0.17 of issued capital).
- Long-term incentives on issue at balance sheet date comprise 2,079,094 share rights representing 0.22% of the issued capital.

### **Executive Remuneration – cash value of earnings realised**

In keeping with the Company's practice since 2011, the tables below set out the cash value of earnings realised, by the Managing Director/CEO and other executives considered to represent Key Management Personnel (KMP) for 2014 and 2013 and the intrinsic value of share-based payments that vested to the executives during the period. This is in addition and different to the disclosures required by the Corporations Act and Accounting Standards, particularly in relation to share rights. As a general principle, the Accounting Standards require a value to be placed on share rights based on probabilistic calculations at the time of grant, which may be reflected in the remuneration report even if ultimately the share rights do not vest because performance hurdles are not met. By contrast, this table discloses the intrinsic value of share rights, which represents only those share rights which actually vest and result in shares issued to a KMP. The intrinsic value is the Company's closing share price on the date of vesting.

The Company believes that this additional information is useful to investors as recognised by the 2009 Productivity Commission Inquiry Report *'Executive Remuneration in Australia'*. The Commission recommended that remuneration reports should include actual levels of remuneration received by the individuals named in the report in order to increase its usefulness to investors.

The cash value of earnings realised include cash salary and fees, superannuation, cash bonuses and other benefits received in cash during the year and the intrinsic value of long-term incentives vesting during the 2014 year. The tables do not include the accounting value for share rights granted in the current and prior years, as this value may or may not be realised as they are dependent on the achievement of certain performance hurdles. The accounting value of other long-term benefits which were not received in cash during the year have also been excluded.

All cash remuneration is paid in Australian dollars to those parties listed below (with the exception of Mr D Garrow, who is paid in US\$), therefore the tables are presented in both A\$ and US\$ being the functional and presentation currency. The detailed schedules of remuneration presented later in this report are presented in US\$.

## DIRECTORS' REPORT (continued)

### REMUNERATION FOR THE YEAR AT A GLANCE (continued)

#### Executive Remuneration - cash value of earnings realised (continued)

**2014** (A\$'000) / (US\$'000)

Name	Base Salary & Superannuation		LTI <sup>(8)</sup> Bonus		Other		Total Cash		LTIP 5 Nov 2010 <sup>(1)</sup>		LTIP 15 Feb 2011 <sup>(2)</sup>		LTIP 2 Apr 2012 <sup>(3)</sup>		Total	
	A\$	US\$	A\$	US\$	A\$	US\$	A\$	US\$	A\$	US\$	A\$	US\$	A\$	US\$	A\$	US\$
Mr John Borshoff	1,433	1,314	-	-	-	-	1,433	1,314	-	-	-	-	-	-	1,433	1,314
Mr Dustin Garrow	606	556	729	668	-	-	1,335	1,224	11	11	-	-	5	5	1,351	1,240
Ms Gillian Swaby	-	-	547	502	529 <sup>(4)</sup>	485 <sup>(4)</sup>	1,076	987	8	8	53	48	5	4	1,142	1,047
Mr Mark Chalmers	482	443	-	-	39 <sup>(5)</sup>	36 <sup>(5)</sup>	521	479	-	-	-	-	7	6	528	485
Mr Alan Rule <sup>(6)</sup>	468	430	-	-	-	-	468	430	-	-	-	-	-	-	468	430
Mr Craig Barnes <sup>(7)</sup>	64	57	-	-	-	-	64	57	-	-	-	-	-	-	64	57
<b>Total</b>	<b>3,053</b>	<b>2,800</b>	<b>1,276</b>	<b>1,170</b>	<b>568</b>	<b>521</b>	<b>4,897</b>	<b>4,491</b>	<b>19</b>	<b>19</b>	<b>53</b>	<b>48</b>	<b>17</b>	<b>15</b>	<b>4,986</b>	<b>4,573</b>

Refer to the Compensation of Key Management Personnel table later in the Remuneration Report for audited information required in accordance with the Corporations Act 2001 and its regulations.

Exchange rate used is average for year US\$1 = A\$1.09006.

- (1) Value of share rights granted on 5 November 2010 and vesting on 1 September 2013 at a market price of A\$0.58.
- (2) Value of share rights granted on 15 February 2011 and vesting on 15 February 2014 at a market price of A\$0.485.
- (3) Value of share rights granted on 2 April 2012 and vesting on 1 September 2013 at a market price of A\$0.58.
- (4) Fees for services paid to a company of which Ms Gillian Swaby is a director and shareholder.
- (5) Living away from home allowance.
- (6) Mr Alan Rule resigned effective 30 June 2014.
- (7) Mr Craig Barnes commenced on 5 May 2014. Appointment as Chief Financial Officer effective on 1 July 2014.
- (8) Payment of LTI retention bonus granted 1 July 2010. Refer to page 90.

**2013** (A\$'000) / (US\$'000)

Name	Base Salary & Superannuation		Cash Bonus		Other		Total Cash		LTIP 26 Mar 2010		LTIP 5 Nov 2010 <sup>(3)</sup>		LTIP 15 Feb 2011 <sup>(4)</sup>		LTIP 2 Apr 2012 <sup>(5)</sup>		Total	
	A\$	US\$	A\$	US\$	A\$	US\$	A\$	US\$	A\$	US\$	A\$	US\$	A\$	US\$	A\$	US\$	A\$	US\$
Mr John Borshoff	1,534	1,573	-	-	-	-	1,534	1,573	148 <sup>(1)</sup>	152	-	-	-	-	-	-	1,682	1,725
Mr Dustin Garrow	666	683	-	-	-	-	666	683	65 <sup>(2)</sup>	66	16	16	-	-	8	8	755	773
Ms Gillian Swaby	-	-	-	-	567 <sup>(6)</sup>	582 <sup>(6)</sup>	567	582	58 <sup>(2)</sup>	60	12	12	131	134	7	7	775	795
Mr Mark Chalmers	517	530	-	-	54 <sup>(7)</sup>	56 <sup>(7)</sup>	571	586	-	-	-	-	-	-	10	10	581	596
Mr Alan Rule <sup>(8)</sup>	471	484	-	-	-	-	471	484	-	-	-	-	-	-	-	-	471	484
<b>Total</b>	<b>3,188</b>	<b>3,270</b>	<b>-</b>	<b>-</b>	<b>621</b>	<b>638</b>	<b>3,809</b>	<b>3,908</b>	<b>271</b>	<b>278</b>	<b>28</b>	<b>28</b>	<b>131</b>	<b>134</b>	<b>25</b>	<b>25</b>	<b>4,264</b>	<b>4,373</b>

Exchange rate used is average for year US\$1 = A\$0.97471.

- (1) Value of share rights granted on 26 March 2010 and vesting on 26 March 2013 at a market price of A\$0.985.
- (2) Value of share rights granted on 26 March 2010 and vesting on 1 September 2012 at a market price of A\$1.295.
- (3) Value of share rights granted on 5 November 2010 and vesting on 1 September 2012 at a market price of A\$1.295.
- (4) Value of share rights granted on 15 February 2011 and vesting on 15 February 2013 at a market price of A\$1.21.
- (5) Value of share rights granted on 2 April 2012 and vesting on 1 September 2012 at a market price of A\$1.295.
- (6) Fees for services paid to a company of which Ms Gillian Swaby is a director and shareholder. Ms Swaby was appointed acting Chief Financial Officer during the interim period after Mr Garry Korte resigned with effect from 24 May 2012 and Mr Alan Rule assumed the position on 23 July 2012.
- (7) Living away from home allowance.
- (8) Mr Alan Rule commenced on 23 July 2012.



## DIRECTORS' REPORT (continued)

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### REMUNERATION REPORT (Audited)

This Remuneration Report outlines the Director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 (Cth) and its Regulations. For the purposes of this report, Key Management Personnel of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director, whether executive or otherwise, of the parent company.

Key Management Personnel comprise:

- Mr Rick Crabb, *Non-executive Chairman*
- Mr John Borshoff, *Managing Director/CEO*
- Mr Sean Llewelyn, *Non-executive Director*
- Mr Donald Shumka, *Non-executive Director*
- Mr Philip Baily, *Non-executive Director*
- Mr Peter Donkin, *Non-executive Director*
- Ms Gillian Swaby, *Group Company Secretary and Executive General Manager – Corporate Services*
- Mr Alan Rule, *Chief Financial Officer (Resigned effective 30 June 2014)*
- Mr Dustin Garrow, *Executive General Manager - Marketing*
- Mr Mark Chalmers, *Executive General Manager – Production*
- Mr Craig Barnes, *Chief Financial Officer (Commenced on 5 May 2014. Appointment as Chief Financial Officer effective on 1 July 2014.)*

For the purposes of this report, the term 'Executive' encompasses the Managing Director/CEO, senior executives, managers and company secretary of the Parent and the Group.

### REMUNERATION APPROVAL PROCESS

The Remuneration Committee is charged with assisting the Board by reviewing and making appropriate recommendations on remuneration packages for the Managing Director/CEO, Non-executive Directors and senior executives. In addition, it makes recommendations on long-term incentive plans and associated performance hurdles together with the quantum of grants made, taking into account both the individual's and the Company's performance.

The Remuneration Committee, chaired by Mr Sean Llewelyn, held two meetings during the year. Messrs Crabb and Shumka are also Committee members. The Managing Director/CEO is invited to attend those meetings which consider the remuneration strategy of the Group and recommendations in relation to senior executives.

Having regard to the recommendations made by the Managing Director/CEO, the Committee approves the quantum of any short-term incentive bonus pool and the total number of any long-term incentive grants to be made and recommends the same for approval by the Board. Individual awards are then determined by the Managing Director/CEO in conjunction with senior management, as appropriate. The remuneration for the Managing Director/CEO is determined by the Remuneration Committee.

Any salary reviews and bonus payments are effective from 1 January in the year.

### KEY ELEMENTS OF KEY MANAGEMENT PERSONNEL/EXECUTIVE REMUNERATION STRATEGY

The overall focus of Paladin's remuneration strategy is to:

- attract and retain talented, qualified and effective Executives;
- motivate short and long-term performance and reward past performance;
- provide competitive and fair reward;
- be flexible and responsive in line with market expectations;
- align Executive interests with those of the Company's shareholders; and,
- comply with applicable legal requirements and appropriate standards of governance.

The above strategies also need to recognise the economic situation of the Group given the prevailing uranium prices.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (Audited) (continued)

#### KEY ELEMENTS OF KEY MANAGEMENT PERSONNEL/EXECUTIVE REMUNERATION STRATEGY (continued)

This strategy applies group wide for all employees. Information in relation to the compensation of Non-executive Directors is detailed later in this Remuneration Report.

The overall level of compensation takes into account the Company's earnings and growth in shareholder wealth of the Company together with the achievement of strategic goals but must also reflect current economic conditions. Consideration of the Company's earnings will be more relevant as the Company matures from its development and consolidation phase to profitability which is of course highly dependent on prevailing uranium prices.

Whilst the market capitalisation of the Company has dropped significantly due to continued poor uranium prices, the Remuneration Committee considers the level of remuneration for Key Management Personnel/Executives is appropriate given the complexity of the uranium business and its markets; and the geographic spread of assets.

The Board is cognisant of general shareholder concern that long-term equity-based remuneration be linked to Company performance and growth in shareholder value. The share rights plan addresses this with performance conditions, including reference to Earnings per Share (EPS), Total Shareholder Return (TSR) and Market Price conditions. These conditions apply to share rights currently on issue and these performance conditions will be reviewed to determine the appropriateness to the business prior to any further issues. The remaining share rights currently outstanding (totalling 2,079,094; 0.22% of issued capital) will all vest/be tested for vesting by mid November 2014. At that point, no share rights will remain on issue under current plans.

The table below compares the earnings per share to the closing share price for the Company's five most recently completed financial years.

	30 June 2010	30 June 2011	30 June 2012	30 June 2013	30 June 2014
<b>EPS</b>	US\$(0.08)	US\$(0.11)	US\$(0.21)	US\$(0.49)	US\$(34.4)
<b>Share Price</b>	A\$3.59	A\$2.52	A\$1.25	A\$0.88	A\$0.29

The remuneration structure for the Key Management Personnel/Executives has three elements:

- fixed remuneration;
- short-term variable remuneration; and,
- long-term incentives.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (Audited) (continued)

#### COMPONENTS OF KEY MANAGEMENT PERSONNEL/EXECUTIVE REMUNERATION (continued)

These are detailed as follows:

Remuneration Component	Elements	Details
Fixed Remuneration	Annual base salary determined as at 1 January each year	The 'not at risk' cash component which may include certain salary sacrifice packaging.
	Statutory superannuation contributions	Statutory % of base salary.
	Expatriate benefits	Executives who fulfill their roles as an expatriate may receive benefits including relocation costs, health insurance, housing and car allowances, educational fees and tax advisory services.
	Foreign assignment allowance	An additional % of base salary is payable in relation to foreign assignments being 15% for Malawi and 10% for Namibia.
Variable Performance Linked Remuneration ("at risk" remuneration)	Short-term incentive, paid as a cash bonus	Rewards Executives for performance over a short period, being the year ending 31 December. Bonuses are awarded at the same time as the salary reviews. Assessment is based on the individual's performance and contribution to team and Company performance.
	Long-term incentive, granted under the Rights Plan	Award determined in the September quarter of each year, based on individual performance and contribution to team and Company performance. Vesting dependent on creation of shareholder value over a three year period, together with a retention element.

#### Fixed Remuneration

This is reviewed annually with consideration given to both the Company and the individual's performance and effectiveness. Market data, focused on the mining industry, is analysed with a focus on maintaining parity or above with companies of similar complexity and size operating in the resources sector and becoming an employer of choice. The Company did not engage remuneration consultants, however it subscribes to a number of remuneration surveys and reports including Boardroom Remuneration Review (Connect 4), The Top 500 Report (CRA Plan Managers Pty Ltd) and AUSREM. The Company also takes into consideration the annual publication, Executive and Board Remuneration Report produced by Ernst & Young.

Despite the challenging economic times, local reviews against industry salary benchmarks were undertaken and in instances where there were parity issues, adjustments were made accordingly as part of the effort to maintain a competitive remuneration structure.

Mr John Borshoff is referred to as both Managing Director/CEO to clarify the understanding of his position in both North America and Australia, given Paladin's stock exchange listings in each jurisdiction.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (Audited) (continued)

#### COMPONENTS OF KEY MANAGEMENT PERSONNEL/EXECUTIVE REMUNERATION (continued)

##### Fixed Remuneration (continued)

###### Managing Director/CEO

The current contract for the period 27 November 2013 to 31 December 2014, with an option for the parties to agree for a further 1 or 2 years to 31 December 2015 or 2016 respectively was extended on 26 August 2014 until 31 December 2016 on the same terms and conditions. Base salary was voluntarily reduced by 25% at 1 December 2011 to A\$1,533,600 (US\$1,406,895), with a further 10% reduction to A\$1,382,000 (US\$1,267,820), effective 27 November 2013. If at any time during the term the month-end U<sub>3</sub>O<sub>8</sub> spot price as published by UxC equals or exceeds US\$45/lb for a period of 3 consecutive months, and Mr Borshoff achieves other key strategic objectives as agreed between Mr Borshoff and the Board, Mr Borshoff's base salary will be reinstated to \$1,533,600 (including superannuation), with effect from the day after the end of the said 3 consecutive months. The payment of a benefit on retirement or early termination by the Company, other than for gross misconduct, is equal to one year's average base salary for the 3 years immediately preceding the termination date. The remuneration level reflects the extensive knowledge and experience Mr John Borshoff has in the uranium sector gained over the past 40 years, as a recognised global authority. Expertise at this level is in extremely limited supply, particularly given the period of over 20 years of non-activity in the uranium sector and the very small number of uranium producers worldwide. His knowledge and expertise of the sector have been key to the growth and acquisition strategy of the Company and integral to its development from a junior explorer to a uranium producer with two operating mines. In addition, his contract provides for payment of a benefit on retirement or early termination by the Company, other than for gross misconduct, equal to one year's average base salary, over the three years immediately preceding the termination date. This benefit reflects approximately 20 years of service to the Company by John Borshoff, being the founder in 1993.

##### Variable Remuneration

###### Short-term Incentives

The Company provides short-term incentives comprising a cash bonus to Executives of up to 30% of base salary. The bonus is entirely discretionary with the goal of focusing attention on short-term strategic and financial objectives. The amount is dependent on the Company's performance in its stated objectives and the individual's performance, together with the individual's position and level of responsibility. Given the priority of cost reduction and cash conservation with the uranium industry continuing to experience difficult times, cash bonuses totalling only US\$32,000 were paid across the Group this year in recognition of significant individual contributions (CY2013 US\$Nil).

This component is an "at risk" component of overall remuneration designed to encourage exceptional performance whilst adhering to the Company values. Specific targets for individuals have not been set due to the philosophy of achieving a common goal for the Company, however, the following measures are taken into account where these are applicable to the Key Management Personnel and individual Executives and have been selected to align their interests to those of shareholders:

- (a) health, safety and environmental performance;
- (b) production performance;
- (c) project development performance;
- (d) additional uranium resources delineated;
- (e) performance of the Company in meeting its various other objectives;
- (f) financial performance of the Company; and
- (g) such other matters determined by the Remuneration Committee in its discretion.

The above must, however, be viewed in the context of the operating environment and the priorities in terms of the allocation and preservation of cash.

The expectation is that short-term incentives will not be reinstated until such time as the operating environment improves and, at that time, a more structured incentive programme linked both to individual and corporate performance will be implemented.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (Audited) (continued)

#### COMPONENTS OF KEY MANAGEMENT PERSONNEL/EXECUTIVE REMUNERATION (continued)

##### Variable Remuneration (continued)

###### Managing Director/CEO

A bonus of up to 100% of base salary can be achieved under the terms of his contract, having consideration to outcomes achieved during the year, to be determined by the Remuneration Committee. For the calendar year 2013 no bonus was awarded in line with the philosophy applying to all staff referred to earlier. No bonus was paid the previous year given the similar economic circumstances at that time. Matters to be considered as key outcomes for CY2014 when considering payment of a bonus to J Borshoff fall within the following parameters which the Board considers best capture the essential elements for increasing shareholder returns:

	Factor	Indicative Weighting
1	Production and financial performance meeting or exceeding expectations.	30%
2	Successful outcome of strategic initiatives in accordance with strategy.	30%
3	Economic sustainability of business achieved/substantially progressed.	20%
4	Sustainability matters achieving expectations.	10%
5	Other factors at the discretion of the Remuneration Committee.	10%

The Remuneration Committee may, in its discretion, vary the weighting to account for unusual/unexpected events or outcomes during the year. Any bonus payable, relating to the 2014 calendar year, would be paid out in CY2015.

###### Long-term Incentives

The Company believes that encouraging its employees to become shareholders is the best way of aligning their interests with those of its shareholders. In 2009, the Company implemented an Employee Performance Share Rights Plan (the Rights Plan) together with a Contractor Performance Share Rights Plan (the Contractor Rights Plan). These plans are referred to jointly as the Rights Plans and were reaffirmed by shareholders at the 2012 Annual General Meeting.

The Rights Plans are long-term incentive plans aimed at advancing the interests of the Company by creating a stronger link between employee performance and reward and increasing shareholder value by enabling participants to have a greater involvement with, and share in, the future growth and profitability of the Company. They are an important tool in assisting to attract and retain talented people.

Share rights are granted under the plan for no consideration. Share rights are rights to receive fully paid ordinary shares in the capital of the Company (Shares) in the future if certain individual and/or corporate performance metrics (Performance Conditions) are met in the measurement period.

The number of share rights able to be issued under the Plans is limited to 5% of the issued capital. The 5% limit includes incentive grants under all plans made in the previous 5 years (with certain exclusions under the Australian corporate legislation). This percentage now stands at 0.033%.

###### Clawback

A clawback policy will be put in place prior to any general grant of long-term incentives across the Group.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (Audited) (continued)

#### COMPONENTS OF KEY MANAGEMENT PERSONNEL/EXECUTIVE REMUNERATION (continued)

##### Variable Remuneration (continued)

##### Long-term Incentives (continued)

The Board is cognisant of general shareholder concern that long-term equity-based rewards should be linked to the achievement by the Company of a performance condition. Share rights granted under the Rights Plan are subject to certain vesting and performance conditions as determined by the Board from time to time. Future performance conditions are likely to more closely address alignment between remuneration and the strategic objectives of the Company together with internal financial and operational measures.

The Company does not offer any loan facilities to assist in the purchase of shares by employees.

##### Vesting and Performance Conditions

The share rights on issue from prior year grants are subject to a range of vesting and performance conditions:

Proportion of share rights to which performance hurdle applies	Vesting and Performance Conditions
10%	Time based – must remain in employ for 1 year from date of grant
15%	Time based – must remain in employ for 2 years from date of grant
25%	Time based – must remain in employ for 3 years from date of grant
20%	Total Shareholder Return (TSR) relative to mining companies in ASX S&P 200 Index
30%	Market Price Performance (MPP) measuring the increase in share price over the period

##### Managing Director/CEO

The share rights issued to the Managing Director/CEO have different vesting hurdles to reflect the “at risk” nature of 100% of this component of his remuneration and provide a direct link between Managing Director/CEO reward and shareholder return, and provide a clear line of sight between Managing Director/CEO performance and Company performance. No share rights were granted to Mr J Borshoff during the years ended 30 June 2013 and 2014. During the year ended 30 June 2014 no share rights vested (2013: 150,000 share rights vested in accordance with their vesting conditions (the EPS measure, as detailed later in this report). The initial measurement of the TSR performance condition attached to the remaining 250,000 share rights due to vest during the year was calculated. Mr Borshoff elected to have these share rights retested at the end of year four in accordance with the terms of the Rights Plan.

The performance conditions of all share rights granted to Managing Director/CEO are:

Proportion of share rights to which performance hurdle applies	Performance measure
50%	Total Shareholder Return (TSR) relative to mining companies in ASX S&P 200 Index*
50%	Earnings Per Share (EPS) Measuring the increase in earnings over the period

\*The initial measurement date of the share rights subject to the relative TSR condition is at the end of year three, calculated from the date of grant. At the end of year three, Mr John Borshoff can either:

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (Audited) (continued)

#### COMPONENTS OF KEY MANAGEMENT PERSONNEL/EXECUTIVE REMUNERATION (continued)

##### Vesting and Performance Conditions (continued)

Managing Director/CEO (continued)

- accept the vesting outcome achieved; or,
- elect to have his share rights retested at the end of year four (in which case the same vesting schedule applies, but the retest period covers the entire four year period from the date the share rights were granted).

He is not permitted to “double dip”, so by electing to have his share rights retested at the end of year four, he forfeits any entitlement to share rights, which otherwise would have vested at the end of year three. All share rights subject to the relative TSR condition will expire at the end of year four.

The Remuneration Committee allows one retest to reflect the volatile nature of the industry. The way in which the retest is applied maintains alignment with shareholder interests.

Why were these vesting conditions selected?

The Board considered the measures reflected an appropriate balance in terms of alignment between comparative shareholder return and individual reward, a market based performance measure and the encouragement of long-term retention. A review will be undertaken prior to any future issues to determine more appropriate hurdles.

Details of the various vesting and performance conditions for the Employee and Contractor Performance Share Rights Plan follow:

<p><b>Time-based Vesting</b></p> <p>50% of the share rights will vest based on the participant continuing to be employed with the Group. These are staggered over time and this condition is designed to assist in long-term retention of staff. Such benefits also assist in recruitment of suitably qualified personnel in a market place where both mining, and more particularly uranium experience, are in particularly short supply. Paladin competes in the global recruitment market and must offer competitive benefits to be successful and attract quality candidates. The available talent pool with uranium expertise is both small and internationally focussed and competition is high for quality personnel. Costs for replacement of personnel and the hidden costs of disruption to the business can be substantial. This vesting criteria does not apply to the Managing Director/CEO.</p>
<p><b>Total Shareholder Return (TSR)</b></p> <p>Except for the MD/CEO, 20% of the share rights will vest based on the Company's TSR relative to the TSRs of a peer group of companies. This measure represents the change in the Company's share price over the measurement period, plus dividends (if any) notionally reinvested in the Company's shares, expressed as a percentage of the opening value. The peer group will comprise of mining companies in the S&amp;P/ASX 200 Index as at the date of the offer, excluding steel companies and any companies that pay a dividend during any year of the performance period. Mining companies are companies under the Global Industry Classification Standard (GICS) sub-industries: Oil &amp; Gas – Coal &amp; Consumable Fuels (10102050), Metals &amp; Mining – Aluminium (15104010), Metals &amp; Mining – Diversified Metals &amp; Mining (15104020), Metals &amp; Mining – Gold (15104030), Metals &amp; Mining – Precious Metals &amp; Minerals (15104040) and Metals &amp; Mining – Steel (15104050).</p> <p>The limited number of uranium development and production companies globally presents difficulties in determining a suitable peer group. It was therefore decided that, as the primary listing is on the ASX and the majority of share trading takes place in that market, the peer group set out above is the most appropriate. This also reflects the Group's competitors for capital and talent.</p> <p>Relative TSR is independent of market conditions and is considered a more relevant measure of management performance in terms of value delivered to shareholders over the medium to long-term.</p>
<p>50% of the share rights granted to the Managing Director/CEO will vest based on the Company's Relative TSR to the TSRs of a peer group of companies as described above.</p> <p>The base and stretch targets for the TSR performance condition are as follows:</p>

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (Audited) (continued)

#### COMPONENTS OF KEY MANAGEMENT PERSONNEL/EXECUTIVE REMUNERATION (continued)

##### Vesting and Performance Conditions (continued)

Relative TSR percentile ranking	Percentage of share rights that may vest if the relative TSR performance condition is met
Less than 50 <sup>th</sup> percentile	0% of the share rights subject to the TSR condition
at 50 <sup>th</sup> percentile	50% of the share rights subject to the TSR condition
Greater than the 50th percentile but less than the 75 <sup>th</sup> percentile	Pro-rated vesting between 51% and 99% of the share rights subject to the TSR condition
At 75 <sup>th</sup> percentile or greater	100% of the share rights subject to the TSR condition
<b>Market Price Performance (MPP)</b>	
30% of the share rights are subject to MPP vesting condition which measures the increase in share price of the Company. Share rights will vest if, at the end of the measurement period, the share price of the Company is 25% above the market price at the date of the offer. As part of the mix of performance conditions this provides a market based performance measure. The base price for each grant is detailed in the table on the following page.	
This does not apply to the Managing Director/CEO.	
<b>Earnings Per Share (EPS)</b>	
EPS is determined by dividing the operating profit or loss attributable to members of Paladin Group by the weighted average number of ordinary shares outstanding during the financial year. Prior to 1 July 2013, in the event that EPS is negative (representing a loss per share) a reduction of the loss per share is, for this purpose, treated as a growth in EPS. This was due to the development phase the Company was in and the importance of the CEO leading the Company into positive earnings growth. However in respect of any share rights issued after 1 July 2013, only EPS growth measured to a positive number will be applicable. Growth in EPS will be measured by comparing the EPS in the base year (being the full financial year ending prior to the date of grant) and the measurement year. EPS has been chosen as a performance condition because it provides a clear line of sight between Managing Director/CEO performance and Company performance. It is also a generally recognised and understood measure of performance.	
50% of the share rights granted to the Managing Director/CEO will vest based on the Company's EPS.	
The base and stretch targets for the share rights subject to the EPS conditions are as follows:	
Compound growth in EPS over the performance period	Percentage of share rights that may vest if the EPS hurdle is met
Less than 10% pa	0% of the share rights subject to the EPS condition
At 10% pa	50% of the share rights subject to the EPS condition
More than 10% pa but less than 20% pa	Pro-rated vesting between 51% and 99% of the share rights subject to the EPS condition
At 20% pa or greater	100% of the share rights subject to the EPS condition

#### Shares Acquired Under the Rights Plan

Shares to be allocated to participants on vesting are currently issued from equity. No consideration is paid on the vesting of the share rights and resultant shares carry full dividend and voting rights.

#### Change of Control

All share rights will vest on a change of control event. The Remuneration Committee considers that this is appropriate given that shareholders (or a majority thereof) would have collectively elected to accept a change of control event. Moreover the number of share rights relative to total issued shares is very insignificant (0.22%) and thus are not considered a disincentive to a potential bidder.



## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (Audited) (continued)

#### COMPONENTS OF KEY MANAGEMENT PERSONNEL/EXECUTIVE REMUNERATION (continued)

##### Cessation of Employment

Under the Rights Plan, employees' share rights will be cancelled on cessation of employment, unless special circumstances exist such as retirement, total and permanent disability, redundancy or death. Contractors will have their share rights cancelled, other than on death at which point the contractor's legal representative will be entitled to receive them.

##### Balance of share rights at 30 June 2014

Date rights granted	Vesting date	Vesting performance conditions	Number
5 November 2010	5 November 2014	TSR	250,000 <sup>(1)</sup>
2 April 2012	1 September 2014	Time based	398,850
2 April 2012	1 September 2014	TSR	279,080
2 April 2012	1 September 2014	Market price (base price A\$1.94)	418,620
15 November 2013	14 November 2014	Time based	732,544 <sup>(2)</sup>
<b>Total</b>			<b>2,079,094</b>

<sup>(1)</sup> Managing Director/CEO grant

<sup>(2)</sup> Issued pursuant to 10% reduction in management personnel base salaries. One-Time Issue of Share Rights - A number of management personnel agreed to a 10% reduction in salary and fees. This reduction in fees and salaries will remain in place until certain market conditions are met, at which point they will return to their pre-adjusted rates. To compensate, individuals (other than directors) were offered a choice of a one-time issue of shares (to be held in escrow to 14 November 2014), share rights, additional leave or an option of reduced working hours, to the value of the 12 months of their reduction in salary. Accordingly, this award has no performance conditions.

In summary, this balance represents 0.22% of the issued capital whilst the proportion of time based share rights represents 0.12%.

##### Hedging of Incentive Grants Prohibited

The Company's policy prohibits hedging of equity compensation grants. Prohibited hedging practices include put/call arrangements over "in money" options to hedge against a future drop in share price. The Board considers such hedging to be against the spirit of such remuneration and inconsistent with shareholder objectives.

##### Retention Programme

As a component of the strategy for retention of key personnel, certain executives and staff participate in a retention bonus programme. Participation extends to a limited number of selected individuals that have been identified as possessing the requisite skills, expertise and experience in the uranium sector and those with specialist corporate and commercial skills that the Company requires to achieve its aggressive goals over coming years. This initiative is driven by a desire to retain the intellectual property pool considered necessary to ensure the continued success of the Company. The programme entitles the participants to receive a cash award at the end of the three year retention period. In the event employment is terminated for any of retirement, disablement, redundancy or death, after the first anniversary one third will be payable and after the second anniversary two thirds will be payable. The cash award varies between 50% and 100% of the average annual salary over the 3 year period. The first grant under this programme was on 1 July 2010 (payment date 1 July 2013) with a second on 1 January 2012 (payment date 1 January 2015). US\$7,352,574/A\$8,014,077 of the first grant vested to key personnel employed across the Group at head office, Namibia and Malawi, and was paid in the financial year ended 30 June 2014 (30 June 2013: US\$Nil).

The remaining balance/second grant of the programme of US\$1.8M/A\$2.0M will be paid on 1 January 2015.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (Audited) (continued)

#### COMPONENTS OF KEY MANAGEMENT PERSONNEL/EXECUTIVE REMUNERATION (continued)

##### Retention Programme (continued)

In addition, from time to time, the Board will make specific grants of share rights subject only to time vesting as part of the Company's retention strategy for key individuals. This has proved to be an important tool when seeking to fill senior management roles.

#### KEY ELEMENTS OF NON-EXECUTIVE DIRECTOR REMUNERATION STRATEGY

The focus of the remuneration strategy is to:

- Attract and retain talented and dedicated directors.
- Remunerate appropriately to reflect the:
  - size of the Company;
  - the nature of its operations;
  - the time commitment required; and,
  - the responsibility the Directors carry.

#### COMPONENTS OF NON-EXECUTIVE DIRECTOR REMUNERATION

In accordance with corporate governance principles, Non-executive Directors are remunerated solely by way of fees and statutory superannuation. The aggregate annual remuneration permitted to be paid to Non-executive Directors is A\$1.2M (US\$1.2M) as approved by shareholders at the 2008 AGM. Fees paid for the year to 30 June 2014 total A\$960,000 (US\$880,000). There was a 10% reduction to directors' fees during the year. A number of independent surveys looking at companies from a number of employees, (1,000 – 3,000) perspective show Non-executive Director's fees from A\$134,000 (62.5<sup>th</sup> percentile) to A\$208,000 (90<sup>th</sup> percentile). In relation to Non-executive Chairman, the analysis ranges from A\$247,000 (50<sup>th</sup> percentile) to A\$424,000 (90<sup>th</sup> percentile). The median Audit Committee Chair fee is A\$40,000.

Remuneration Component	Elements	Details (per annum)
Base Fee	Must be contained within aggregate limit	Chairman A\$305,977 (US\$280,697)  Non-executive Director A\$150,103 (US\$137,702)
Committee Fees*	Paid to the Chairman of the Audit Committee	A\$18,377 (US\$16,859)
Superannuation	Statutory contributions are included in the fees set out above	Statutory % of fees

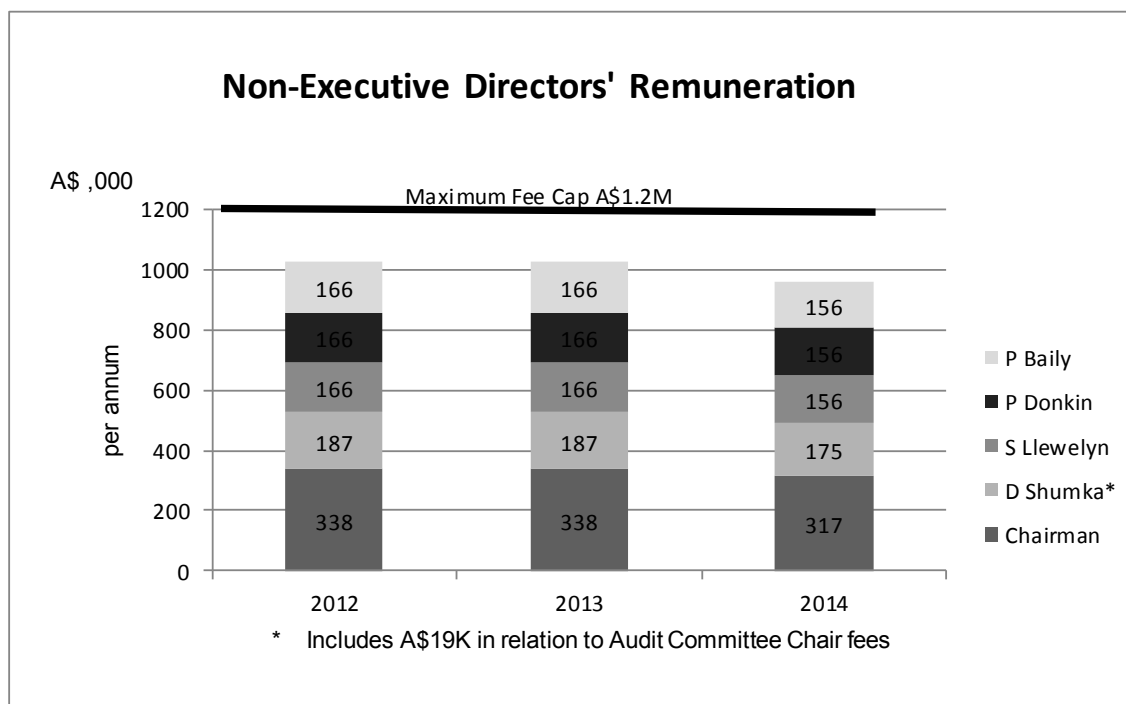
\* This is the only fee paid to any committee member. All other duties are remunerated as part of the base fee.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (Audited) (continued)

#### COMPONENTS OF NON-EXECUTIVE DIRECTOR REMUNERATION (continued)

The following graph is provided to give a clearer understanding of the Non-executive Directors' remuneration.



#### Other Fees/Benefits

In addition, the Company's Constitution provides for additional compensation to be paid if any of the Directors are called upon to perform extra services or make any special exertions on behalf of the Company or the business of the Company. The Company may compensate such Director in accordance with such services or exertions, and such compensation may be either in addition to or in substitution for the Directors' fees referred to above. No additional fees were paid during the year, other than the Directors' fees disclosed.

Non-executive Directors are also entitled to be reimbursed for reasonable expenses incurred whilst engaged on Company business. There is no entitlement to compensation on termination of non-executive directorships. Non-executive Directors do not earn retirement benefits (other than the statutory superannuation) and are not entitled to any form of performance linked remuneration.

#### Rotation of Directors

Mr Sean Llewelyn will retire by rotation and seek re-election at the 2014 Annual General Meeting.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (audited) (continued)

Compensation of Key Management Personnel for the year ended 30 June 2014 of the Group

	Short-Term Benefits				Post Employment		Long-Term Benefits		Share-Based Payment*	Total	Total	Total Performance Related	Total Performance Related
	Salary & fees	Cash bonus	Other Company Benefits	Other	Super-annuation	Retirement Benefits	Long-Term Incentive Plan	Long Service Leave	Share Rights	US\$'000	A\$'000	US\$'000	%
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	A\$'000	US\$'000	%
<b>Directors</b>													
Mr Rick Crabb	274	-	-	-	17	-	-	-	-	291	317	-	-
Mr John Borshoff	1,297	-	-	-	17	(118) <sup>(1)</sup>	-	18	366	1,580	1,723	366	23.2
Mr Sean Llewelyn	131	-	-	-	12	-	-	-	-	143	156	-	-
Mr Donald Shumka	160	-	-	-	-	-	-	-	-	160	175	-	-
Mr Philip Baily	131	-	-	-	12	-	-	-	-	143	156	-	-
Mr Peter Donkin	131	-	-	-	12	-	-	-	-	143	156	-	-
<b>Subtotal</b>	<b>2,124</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>70</b>	<b>(118)</b>	<b>-</b>	<b>18</b>	<b>366</b>	<b>2,460</b>	<b>2,683</b>	<b>366</b>	
<b>Key Management Personnel</b>													
Ms Gillian Swaby	-	-	-	485 <sup>(2)</sup>	-	-	-	-	195	680	741	17	2.4
Mr Alan Rule <sup>(3)</sup>	413	-	-	-	17	-	(214) <sup>(4)</sup>	-	44	260	283	-	-
Mr Dustin Garrow	556	-	-	-	-	-	-	83	97	736	802	19	2.6
Mr Mark Chalmers	426	-	36 <sup>(5)</sup>	-	17	-	197	-	90	766	835	16	2.1
Mr Craig Barnes <sup>(6)</sup>	54	-	-	-	3	-	-	-	-	57	63	-	-
<b>Subtotal</b>	<b>1,449</b>	<b>-</b>	<b>36</b>	<b>485</b>	<b>37</b>	<b>-</b>	<b>(17)</b>	<b>83</b>	<b>426</b>	<b>2,499</b>	<b>2,724</b>	<b>52</b>	
<b>Total</b>	<b>3,573</b>	<b>-</b>	<b>36</b>	<b>485</b>	<b>107</b>	<b>(118)</b>	<b>(17)</b>	<b>101</b>	<b>792</b>	<b>4,959</b>	<b>5,407</b>	<b>418</b>	

#### Notes to the Compensation Table

##### Presentation Currency

The compensation table has been presented in US\$, the Company's functional and presentation currency. The A\$ value has also been shown as this is considered to be the most relevant comparator between years, given that in 2013 more than 86% of KMP's contracts for services were denominated in A\$ and this eliminates the effects of fluctuations in the US\$ and A\$ exchange rate. Exchange rate used is average for year US\$ 1 = A\$1.09006

(1) This is the amount required to be accrued in 2014 for the payment at a future date (as yet undetermined) of a retirement benefit to Mr Borshoff under the terms of his Services Contract. The credit has arisen due to the reduction in Mr Borshoff's base salary.

(2) Other represents fees paid for services to a company of which Ms Gillian Swaby is a director and shareholder.

(3) Mr Alan Rule resigned on 30 June 2014.

(4) The credit has arisen due to Mr Alan Rule's resignation on 30 June 2014.

(5) Living away from home allowance.

(6) Mr Craig Barnes – commenced on 5 May 2014. Appointment as Chief Financial Officer effective on 1 July 2014.

\* A reconciliation of this figure in A\$ follows to enable a clearer understanding of how this number is calculated.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (audited) (continued)

Reconciliation of Share-Based Payment Compensation of Key Management Personnel for the year ended 30 June 2014 of the Group.

	Share Rights granted 26 March 2010 (vesting 2010 to 2014)		Share Rights granted 5 November 2010 (vesting 2011 to 2013)		Share Rights granted 15 February 2011 (vesting 2012 to 2014)		Share Rights granted 2 April 2012 (vesting 2012 to 2014)		Share Rights granted 15 November 2013 <sup>(1)</sup> (vesting 2013 to 2014)		Total Share-Based Payment	
	A\$'000	US\$'000	A\$'000	US\$'000	A\$'000	US\$'000	A\$'000	US\$'000	A\$'000	US\$'000	A\$'000	US\$'000
<b>Directors</b>												
Mr John Borshoff	74	68	325	298	-	-	-	-	-	-	399	366
Subtotal	74	68	325	298	-	-	-	-	-	-	399	366
<b>Executives</b>												
Ms Gillian Swaby	-	-	9	8	123 <sup>(2)</sup>	113 <sup>(2)</sup>	25	23	55	51	212	195
Mr Alan Rule	-	-	-	-	-	-	-	-	47	44	47	44
Mr Dustin Garrow	-	-	12	11	-	-	27	25	67	61	106	97
Mr Mark Chalmers	-	-	-	-	-	-	71 <sup>(3)</sup>	65 <sup>(3)</sup>	28	25	99	90
Subtotal	-	-	21	19	123	113	123	113	197	181	464	426
<b>TOTAL</b>	<b>74</b>	<b>68</b>	<b>346</b>	<b>317</b>	<b>123</b>	<b>113</b>	<b>123</b>	<b>113</b>	<b>197</b>	<b>181</b>	<b>863</b>	<b>792</b>

It should be noted that time or performance vesting conditions are attached to all of the share rights referred to above. These are detailed elsewhere in this report.

Exchange rate used as the average for year US\$1 = A\$1.09006

(1) Share rights granted as a one-off allocation to offset 10% reduction in salaries and fees.

(2) Issued pursuant to retention programme, vesting time based only in order to retain quality personnel.

(3) Includes A\$37,000/US\$34,000 relating to 50,000 time-based shares negotiated as a sign-on bonus to assist in attracting quality personnel.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (audited) (continued)

Compensation of Key Management Personnel for the year ended 30 June 2013 of the Group

	Short-Term Benefits				Post Employment		Long-Term Benefits		Share-Based Payment* Share Rights	Total US\$'000	Total A\$'000	Total Performance Related US\$'000	Total Performance Related %
	Salary & fees US\$'000	Cash bonus US\$'000	Other Company Benefits US\$'000	Other US\$'000	Super-annuation US\$'000	Retirement Benefits US\$'000	Long-Term Incentive Plan US\$'000	Long Service Leave US\$'000					
<b>Directors</b>													
Mr Rick Crabb	330	-	-	-	17	-	-	-	-	347	338	-	-
Mr John Borshoff	1556	-	-	-	17	59 <sup>(1)</sup>	-	104	834	2,570	2,505	834	32.5
Mr Sean Llewelyn	157	-	-	-	14	-	-	-	-	171	166	-	-
Mr Donald Shumka	192	-	-	-	-	-	-	-	-	192	187	-	-
Mr Philip Baily	157	-	-	-	14	-	-	-	-	171	166	-	-
Mr Peter Donkin	157	-	-	-	14	-	-	-	-	171	166	-	-
<b>Subtotal</b>	<b>2,549</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>76</b>	<b>59</b>	<b>-</b>	<b>104</b>	<b>834</b>	<b>3,622</b>	<b>3,528</b>	<b>834</b>	
<b>Key Management Personnel</b>													
Ms Gillian Swaby	-	-	-	582 <sup>(2)</sup>	-	-	204	-	516	1,302	1,269	61	4.7
Mr Alan Rule <sup>(3)</sup>	467	-	-	-	17	-	214	-	-	698	680	-	-
Mr Dustin Garrow	683	-	-	-	-	-	242	-	153	1,078	1,050	75	6.9
Mr Mark Chalmers	513	-	56 <sup>(4)</sup>	-	17	-	139	-	91	816	795	18	2.2
<b>Subtotal</b>	<b>1,663</b>	<b>-</b>	<b>56</b>	<b>582</b>	<b>34</b>	<b>-</b>	<b>799</b>	<b>-</b>	<b>760</b>	<b>3,894</b>	<b>3,794</b>	<b>154</b>	
<b>Total</b>	<b>4,212</b>	<b>-</b>	<b>56</b>	<b>582</b>	<b>110</b>	<b>59</b>	<b>799</b>	<b>104</b>	<b>1,594</b>	<b>7,516</b>	<b>7,322</b>	<b>988</b>	

#### Notes to the Compensation Table

##### Presentation Currency

The compensation table has been presented in US\$, the Company's functional and presentation currency. The A\$ value has also been shown as this is considered to be the most relevant comparator between years, given that in 2012 more than 86% of KMP's contracts for services were denominated in A\$ and this eliminates the effects of fluctuations in the US\$ and A\$ exchange rate. Exchange rate used is average for year US\$ 1 = A\$0.97471

(1) This is the amount required to be accrued in 2013 for the payment at a future date (as yet undetermined) of a retirement benefit to Mr Borshoff under the terms of his Services Contract.

(2) Other represents fees paid for services to a company of which Ms Gillian Swaby is a director and shareholder.

(3) Mr Alan Rule commenced 23 July 2012.

(4) Living away from home allowance.

\* A reconciliation of this figure in A\$ follows to enable a clearer understanding of how this number is calculated.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (audited) (continued)

Reconciliation of Share-Based Payment Compensation of Key Management Personnel for the year ended 30 June 2013 of the Group.

	Share Rights granted 26 March 2010 (vesting 2010 to 2013)		Share Rights granted 5 November 2010 (vesting 2011 to 2013)		Share Rights granted 15 February 2011 (vesting 2012 to 2014)		Share Rights granted 2 April 2012 (vesting 2012 to 2014)		Total Share-Based Payment	
	A\$'000	US\$'000	A\$'000	US\$'000	A\$'000	US\$'000	A\$'000	US\$'000	A\$'000	US\$'000
<b>Directors</b>										
Mr John Borshoff	242	249	570	585	-	-	-	-	812	834
Subtotal	242	249	570	585	-	-	-	-	812	834
<b>Executives</b>										
Ms Gillian Swaby	27	28	59	61	379 <sup>(1)</sup>	389 <sup>(1)</sup>	37	38	502	516
Mr Dustin Garrow	30	31	79	80	-	-	41	42	150	153
Mr Mark Chalmers	-	-	-	-	-	-	88 <sup>(2)</sup>	91 <sup>(2)</sup>	88	91
Subtotal	57	59	138	141	379	389	166	171	740	760
<b>TOTAL</b>	<b>299</b>	<b>308</b>	<b>708</b>	<b>726</b>	<b>379</b>	<b>389</b>	<b>166</b>	<b>171</b>	<b>1,552</b>	<b>1,594</b>

It should be noted that time or performance vesting conditions are attached to all of the share rights referred to above. These are detailed elsewhere in this report.

Exchange rate used as the average for year US\$1 = A\$0.97471

(1) Issued pursuant to retention programme, vesting time based only in order to retain quality personnel.

(2) Includes A\$37,000 relating to 50,000 time-based shares negotiated as a sign-on bonus to assist in attracting quality personnel.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (audited) (continued)

#### Share Rights Holdings of Key Management Personnel (Group)

30 June 2014	01 Jul 13 number	Granted as remuneration <sup>(1)</sup> number	Fair value at grant date <sup>(4)</sup> US\$	Vested as shares number	Lapsed <sup>(3)</sup> number	30 Jun 14 Number - unvested
<b>Directors</b>						
Mr John Borshoff	650,000	-	-	-	(400,000)	250,000
<b>Executives</b>						
Ms Gillian Swaby	202,834	136,882	50,857	(268,466)	(30,000)	41,250
Mr Dustin Garrow	114,000	164,979	61,296	(29,000)	(40,000)	209,979
Mr Mark Chalmers	117,500	68,123	25,310	(11,250)	-	174,373
Mr Alan Rule	-	166,416 <sup>(2)</sup>	61,830	(116,416)	(50,000)	-
<b>Total</b>	<b>1,084,334</b>	<b>536,400</b>	<b>199,293</b>	<b>(425,132)</b>	<b>(520,000)</b>	<b>675,602</b>

No other Key Management Personnel held share rights during the year ended 30 June 2014.

(1) One-time allocation of share rights to offset 10% reduction in salary/fees.

(2) Includes 50,000 time-based shares negotiated as a sign-on bonus to assist in attracting quality personnel.

(3) Lapsed as performance conditions were not met.

(4) Fair value per right at grant date was US\$0.37.

#### Shares held in Paladin Energy Ltd (number)

30 June 2014	Balance 01 Jul 13	On Vesting of Rights	Net Change Other	Balance 30 June 14
<b>Directors</b>				
Mr Rick Crabb	5,181,528	-	-	5,181,528
Mr John Borshoff	16,081,794	-	-	16,081,794
Mr Sean Llewelyn	100,000	-	-	100,000
Mr Donald Shumka	200,000	-	-	200,000
Mr Peter Donkin	15,000	-	-	15,000
Mr Philip Baily	12,000	-	-	12,000
<b>Executives</b>				
Ms Gillian Swaby	286,166	268,466 <sup>(1)</sup>	-	554,632
Mr Mark Chalmers	7,500	11,250	-	18,750
Mr Dustin Garrow	-	29,000	(14,000)	15,000
Mr Alan Rule	-	116,416 <sup>(1)</sup>	-	116,416
<b>Total</b>	<b>21,883,988</b>	<b>425,132</b>	<b>(14,000)</b>	<b>22,295,120</b>

No other Key Management Personnel held shares during the year ended 30 June 2014.

(1) Includes 136,882 share rights issued to offset 10% reduction in salary or fees. Vested immediately, to be held in escrow to 14 November 2014.

All equity transactions with Key Management Personnel have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

#### Other Transactions and Balances with Key Management Personnel

Fees paid in the normal course of business in 2014 for corporate services totalling US\$485,000 (2013: US\$582,000) were paid/payable (balance outstanding at 30 June 2014 and included in trade creditors US\$Nil (2013: US\$Nil)) to a company of which Ms Gillian Swaby is a director and shareholder. All amounts are excluding GST.



## DIRECTORS' REPORT (continued)

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### REMUNERATION REPORT (audited) (continued)

#### CONTRACTS FOR SERVICES

Remuneration and other terms of employment for the Key Management Personnel are normally formalised in contracts for services.

All contracts with Key Management Personnel may be terminated early by either party providing between three to six months written notice or providing payments in lieu of the notice period (based on fixed component of remuneration). On termination notice by the Company, any rights that have vested, or that will vest during the notice period, will be released. Rights that have not yet vested will be forfeited.

Mr John Borshoff, *Managing Director/CEO*

Term of agreement – 27 November 2013 to 31 December 2014, extended for a further 2 years to 31 December 2016 on the same terms and in accordance with the original agreement.

Base salary, inclusive of superannuation, A\$1,533,600. Further 10% reduction in salary to A\$1,382,000. If at any time during the term the month-end U<sub>3</sub>O<sub>8</sub> spot price as published by UxC equals or exceeds US\$45/lb for a period of three consecutive months, and Mr Borshoff achieves other key strategic objectives as agreed between Mr Borshoff and the Board, Mr Borshoff's base salary will be reinstated to \$1,533,600 (including superannuation), with effect from the day after the end of the said three consecutive months.

Three months long service leave after five years continual service.

Payment of a benefit on retirement or early termination by the Company, other than for gross misconduct, equal to one year's average base salary over the three years immediately preceding the termination date.

Notice period three months.

Ms Gillian Swaby, *Group Company Secretary and Executive General Manager – Corporate Services*  
Fees are paid in the ordinary course of business for services to a company of which Ms Gillian Swaby is a director and shareholder.

Consultancy agreement with no fixed term.

Annual fee A\$567,000. 10% reduction in fees to A\$510,300 offset with a one-time allocation of 136,882 share rights.

Notice period three months.

No termination benefit is specified in the agreement.

Mr Alan Rule, *Chief Financial Officer (Resigned effective 30 June 2014)*

Term of agreement – no fixed term.

Base salary, inclusive of superannuation of A\$500,000. 10% reduction in salary to A\$451,778 offset with a one-time allocation of 116,416 share rights.

No termination benefit is specified in the agreement.

Notice period six months.

Retention bonus – 100%.

Mr Dustin Garrow, *Executive General Manager - Marketing*

Term of agreement – no fixed term.

Base salary, of US\$683,385. 10% reduction in salary and 20% reduction in time to US\$492,037 offset with a one-time allocation of 164,979 share rights.

No termination benefit is specified in the agreement.

Notice period six months.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (audited) (continued)

Mr Mark Chalmers, *Executive General Manager – Production*

Term of Agreement – no fixed term.

Base salary, inclusive of superannuation of A\$514,500. 10% reduction in salary to A\$464,827 offset with a one-time allocation of 68,123 share rights.

No termination benefit is specified.

Notice period three months

Retention bonus – 100%.

Mr Craig Barnes, *Chief Financial Officer (Commenced on 5 May 2014. Appointment as Chief Financial Officer effective 1 July 2014)*

Term of agreement – no fixed term.

Base salary, inclusive of superannuation of A\$410,000.

No termination benefit is specified in the agreement.

Notice period six months.

Remuneration for all parties referred to above includes provision of an annual discretionary bonus and initial and ongoing discretionary participation in the Company's long-term incentive plans.

### Share Rights Vested as Shares - Key Management Personnel (Group)

**30 June 2014**

**Vested as shares**

#### Executives

Ms Gillian Swaby	268,466 <sup>(1)</sup>
Mr Dustin Garrow	29,000
Mr Mark Chalmers	11,250
Mr Alan Rule	116,416 <sup>(2)</sup>
<b>Total</b>	<b>425,132</b>

(1) Includes 136,882 share rights issued to offset 10% reduction in fees. Vested immediately, to be held in escrow to 14 November 2014.

(2) Share rights issued to offset 10% reduction in fees. Vested immediately, to be held in escrow to 14 November 2014

End of audited Remuneration Report

### SHARE RIGHTS

The outstanding balance of share rights at the date of this report are as follows:

Date rights granted	Vesting date	Vesting performance conditions	Number
5 November 2010	5 November 2014	TSR	250,000 <sup>(1)</sup>
2 April 2012	1 September 2014	Time based	398,850
2 April 2012	1 September 2014	TSR	279,080
2 April 2012	1 September 2014	Market price (base price A\$1.94)	418,620
15 November 2013	14 November 2014	Time based	732,544 <sup>(2)</sup>
<b>Total</b>			<b>2,079,094</b>

(1) Managing Director/CEO grant

(2) Issued pursuant to 10% reduction in management personnel base salaries.

1,643,805 shares were issued on the vesting of share rights during the year ended 30 June 2014.

## DIRECTORS' REPORT (continued)

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### DIRECTORS' INDEMNITIES

During the year the Company has incurred premiums to insure the Directors and/or officers for liabilities incurred as costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company and or its controlled entities. Under the terms and conditions of the insurance contract, the nature of liabilities insured against and the premium paid cannot be disclosed.

### INDEMINIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

### ROUNDING

The amounts contained in this report, the Financial Report and the Management, Discussion and Analysis have been rounded to the nearest US\$100,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

### AUDITOR

Ernst & Young were appointed auditors for the Company on 21 June 2005, which was approved by shareholders at the 2005 Annual General Meeting on 9 November 2005.

### AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The Directors received the following declaration from the auditor of Paladin Energy Ltd.



Ernst & Young  
11 Mounts Bay Road  
Perth WA 6000 Australia  
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222  
Fax: +61 8 9429 2436  
ey.com/au

### Auditor's independence declaration to the Directors of Paladin Energy Ltd

In relation to our audit of the financial report of Paladin Energy Ltd for the year ended 30 June 2014, 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  
28 August 2014

## DIRECTORS' REPORT (continued)

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### NON-AUDIT SERVICES

The following non-audit and assurance services were provided by the Company's auditor, Ernst & Young. The Directors are satisfied that the provision of non-audit and assurance services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit and assurance service provided means that auditor independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

	US\$'000
Other services	52
Tax compliance services	89
International tax consulting	35
Other tax advice	14
<b>Total</b>	<b>190</b>

Signed in accordance with a resolution of the Directors.



Mr John Borshoff  
Managing Director/CEO  
Perth, Western Australia  
28 August 2014

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES  
FINANCIAL REPORT**

**FOR THE YEAR ENDED 30 JUNE 2014**

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**PALADIN ENERGY LTD AND CONTROLLED ENTITIES  
CONSOLIDATED INCOME STATEMENT**

**FOR THE YEAR ENDED 30 JUNE 2014**

	Notes	2014 US\$M	2013 US\$M
<b>Revenue</b>			
Revenue	10	329.5	411.5
Cost of sales	11	(332.9)	(355.6)
Impairment – inventories	16	(61.7)	(30.9)
Gross (loss)/profit		(65.1)	25.0
Other income	11	0.4	3.0
Exploration and evaluation expenses	21	(1.7)	(1.4)
Administration, marketing and non-production costs	11	(21.9)	(39.5)
Other expenses	11	(337.6)	(308.9)
Loss before interest and tax		(425.9)	(321.8)
Finance costs	11	(59.7)	(63.8)
<b>Net loss before income tax</b>		<b>(485.6)</b>	<b>(385.6)</b>
Income tax benefit/(expense)	12	96.0	(88.4)
<b>Net loss after tax</b>		<b>(389.6)</b>	<b>(474.0)</b>
Attributable to:			
Non-controlling interests		(51.2)	(53.1)
Members of the parent		(338.4)	(420.9)
<b>Net loss after tax</b>		<b>(389.6)</b>	<b>(474.0)</b>
<b>Loss per share (US cents)</b>			
Loss after tax from operations attributable to ordinary equity holders of the Company			
– basic and diluted (US cents)	13	(34.4)	(49.1)

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

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 30 JUNE 2014**

	<b>2014</b>	<b>2013</b>
	<b>US\$M</b>	<b>US\$M</b>
<b>Net loss after tax from operations</b>	<b>(389.6)</b>	<b>(474.0)</b>
<b>Other comprehensive income</b>		
<i><b>Items that may be subsequently reclassified to profit or loss:</b></i>		
Net loss on available-for-sale financial assets	(3.4)	(5.3)
Transfer of realised gains to other income on disposal of available-for-sale financial assets	(0.3)	(1.2)
Transfer of impairment loss on available-for-sale financial assets to income statement	4.3	5.0
Foreign currency translation	1.3	(67.8)
Income tax on items of other comprehensive income	-	0.1
<i><b>Items that will not be subsequently reclassified to profit or loss:</b></i>		
Foreign currency translation attributable to non-controlling interests	(0.2)	(7.9)
<b>Other comprehensive income/(loss) for the year, net of tax</b>	<b>1.7</b>	<b>(77.1)</b>
<b>Total comprehensive loss for the year</b>	<b>(387.9)</b>	<b>(551.1)</b>
Total comprehensive loss attributable to:		
Non-controlling interests	(51.4)	(61.0)
Members of the parent	(336.5)	(490.1)
	<b>(387.9)</b>	<b>(551.1)</b>

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**

**AS AT 30 JUNE 2014**

	Notes	2014 US\$M	2013 US\$M
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	88.8	78.1
Trade and other receivables	15	198.7	78.3
Prepayments		3.3	9.2
Inventories	16	78.1	158.8
Assets classified as held for sale	17	3.8	-
<b>TOTAL CURRENT ASSETS</b>		<b>372.7</b>	<b>324.4</b>
<b>Non current assets</b>			
Trade and other receivables	15	1.0	0.1
Inventories	16	160.2	141.4
Other financial assets	18	6.6	10.3
Property, plant and equipment	19	281.8	301.0
Mine development	20	43.9	42.8
Exploration and evaluation expenditure	21	687.3	1,004.9
Intangible assets	22	12.2	12.8
<b>TOTAL NON CURRENT ASSETS</b>		<b>1,193.0</b>	<b>1,513.3</b>
<b>TOTAL ASSETS</b>		<b>1,565.7</b>	<b>1,837.7</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	23	39.3	57.9
Interest bearing loans and borrowings	7	39.4	63.6
Provisions	24	5.5	9.9
<b>TOTAL CURRENT LIABILITIES</b>		<b>84.2</b>	<b>131.4</b>
<b>Non current liabilities</b>			
Interest bearing loans and borrowings	7	686.2	614.2
Deferred tax liabilities	12	90.2	186.9
Provisions	24	72.7	57.0
Unearned revenue	25	200.0	200.0
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>1,049.1</b>	<b>1,058.1</b>
<b>TOTAL LIABILITIES</b>		<b>1,133.3</b>	<b>1,189.5</b>
<b>NET ASSETS</b>		<b>432.4</b>	<b>648.2</b>
<b>EQUITY</b>			
Contributed equity	8	1,926.9	1,845.7
Reserves	8	161.9	106.6
Accumulated losses		(1,633.9)	(1,295.5)
Parent interests		454.9	656.8
Non-controlling interests	31	(22.5)	(8.6)
<b>TOTAL EQUITY</b>		<b>432.4</b>	<b>648.2</b>

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**  
**FOR THE YEAR ENDED 30 JUNE 2014**

	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 Currency Revaluation Reserve US\$M	Premium on Acquisition Reserve US\$M	Option Application Reserve US\$M	Consol- idation Reserve US\$M	Accumu- lated Losses US\$M	Attributable to 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	-	-	-	-	-	-	-	-	(420.9)	(420.9)	(53.1)	(474.0)
Other comprehensive loss	-	(1.4)	-	-	(67.8)	-	-	-	-	(69.2)	(7.9)	(77.1)
Total comprehensive loss for the year net of tax	-	(1.4)	-	-	(67.8)	-	-	-	(420.9)	(490.1)	(61.0)	(551.1)
Share-based payment	-	-	4.5	-	-	-	-	-	-	4.5	-	4.5
Vesting performance rights	6.5	-	(6.5)	-	-	-	-	-	-	-	-	-
<b>Balance at 30 June 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>
<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	-	-	-	-	-	-	-	-	(338.4)	(338.4)	(51.2)	(389.6)
Other comprehensive income/(loss)	-	0.6	-	-	1.3	-	-	-	-	1.9	(0.2)	1.7
Total comprehensive income/ (loss) for the year net of tax	-	0.6	-	-	1.3	-	-	-	(338.4)	(336.5)	(51.4)	(387.9)
Share-based payment	-	-	0.5	-	-	-	-	-	-	0.5	-	0.5
Vesting performance rights	3.1	-	(3.1)	-	-	-	-	-	-	-	-	-
Contributions of equity, net of transaction costs	78.1	-	-	-	-	-	-	-	-	78.1	-	78.1
Allotment of interest in Paladin (Africa) to Govt of Malawi to maintain 15% shareholding	-	-	-	-	-	-	-	(6.7)	-	(6.7)	6.7	-
Sale of 25% interest in Langer Heinrich to CNNC	-	-	-	-	-	-	-	62.7	-	62.7	30.8	93.5
<b>Balance at 30 June 2014</b>	<b>1,926.9</b>	<b>(3.6)</b>	<b>47.6</b>	<b>85.5</b>	<b>(38.4)</b>	<b>14.9</b>	<b>0.1</b>	<b>55.8</b>	<b>(1,633.9)</b>	<b>454.9</b>	<b>(22.5)</b>	<b>432.4</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**

**FOR THE YEAR ENDED 30 JUNE 2014**

	Notes	2014 US\$M	2013 US\$M
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		370.3	400.0
Payments to suppliers and employees		(326.3)	(364.8)
Interest received		0.7	1.0
Proceeds from long-term off-take agreement		-	200.0
Interest paid		(33.0)	(42.4)
Exploration and evaluation expenditure		(1.7)	(1.4)
Other income		0.1	2.1
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	14	<b>10.1</b>	<b>194.5</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capitalised exploration expenditure		(5.8)	(16.5)
Payments for property, plant and equipment		(20.3)	(30.6)
Payments for available-for-sale investments		-	(1.4)
Proceeds from sale of property, plant & equipment		0.4	0.4
Proceeds from sale of available-for-sale investments		0.4	1.9
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>		<b>(25.3)</b>	<b>(46.2)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of convertible bonds		-	(134.0)
Convertible bond finance costs		-	(0.4)
Share placement		80.7	-
Equity fundraising costs		(2.5)	-
Project finance facility establishment costs		(3.1)	(0.2)
Repayment of borrowings		(178.8)	(46.9)
Proceeds from borrowings		110.0	-
Proceeds from Sale of Non-Controlling Interest		20.0	-
<b>NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES</b>		<b>26.3</b>	<b>(181.5)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>11.1</b>	<b>(33.2)</b>
Cash and cash equivalents at the beginning of the financial year		78.1	112.1
Effects of exchange rate changes on cash and cash equivalents		(0.4)	(0.8)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	6	<b>88.8</b>	<b>78.1</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 (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

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**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

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## **BASIS OF PREPARATION**

### **NOTE 1. CORPORATE INFORMATION**

The Financial Report of Paladin for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the Directors on 28 August 2014.

Paladin 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 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 (unaudited) on pages 14 to 43.

### **NOTE 2. STRUCTURE OF THE FINANCIAL REPORT**

The Notes to the Consolidated Financial Statements have been divided into six sections, which are summarised as follows:

#### **Basis of Preparation**

This section sets out the group's accounting policies that relate to the financial statements as a whole. Where an accounting policy is specific to one note, the policy is described in the note to which it relates.

#### **Segment Information**

This section compares performance across operating segments.

#### **Capital Structure**

This section outlines how the group manages its capital and related financing costs.

#### **Performance for the Year**

This section focuses on the results and performance of the group. This covers both profitability and the resultant return to shareholders via earnings per share combined with cash generation.

#### **Operating Assets and Liabilities**

This section shows the assets used to generate the group's trading performance and the liabilities incurred as a result. Liabilities relating to the group's financing activities are addressed in the Capital Structure section.

#### **Other Notes**

This section deals with the remaining notes that do not fall into any of the other categories.

### **NOTE 3. BASIS OF PREPARATION**

#### **Introduction and Statement of Compliance**

The Financial Report is a general purpose Financial Report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 30 JUNE 2014**

**NOTE 3. BASIS OF PREPARATION (continued)**

The Financial Report complies with International Financial Reporting Standards as issued by the International Accounting Standards Board. The Financial Report has also been prepared on a historical cost basis, except for available-for-sale investments, which have been measured at fair value. Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

In addition to these Australian requirements further information has been included in the Consolidated Financial Statements for the year ended 30 June 2014 in order to comply with applicable Canadian securities law, as the Company is listed on the Toronto Stock Exchange.

The Financial Report is presented in US 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 order applies.

**Changes in Accounting Policies**

Apart from the changes in accounting policies noted below, the accounting policies adopted are consistent with those disclosed in the Financial Report for the year ended 30 June 2013.

**New Accounting Standards and Interpretations**

The Group has adopted all new and amended Australian Accounting Standards and AASB Interpretations effective from 1 July 2013. The nature and impact of each new standard and amendment is described below:

Reference	Title	Impact
AASB 10	<p><b>Consolidated Financial Statements</b></p> <p>AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 <i>Consolidated and Separate Financial Statements</i> dealing with the accounting for consolidated financial statements and UIG-112 <i>Consolidation - Special Purpose Entities</i>.</p> <p>The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control.</p>	<p>The Group has reviewed its investments in other entities to assess whether the consolidation conclusion in relation to these entities is different under AASB 10 than under AASB 127. No differences were found and therefore no adjustments to any of the carrying amounts in the financial statements were required as a result of the adoption of AASB 10.</p> <p>The Group's accounting policy has been updated to reflect the requirements of AASB 10.</p>
AASB 11	<p><b>Joint Arrangements</b></p> <p>AASB 11 replaces AASB 131 <i>Interests in Joint Ventures</i> and UIG-113 <i>Jointly-controlled Entities - Non-monetary Contributions by Ventures</i>.</p> <p>AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method.</p>	<p>No adjustments to any of the carrying amounts in the financial statements were required as a result of the adoption of AASB 11.</p>

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**NOTE 3. BASIS OF PREPARATION (continued)**

**New Accounting Standards and Interpretations (continued)**

Reference	Title	Impact
AASB 12	<p><b>Disclosure of Interests in Other Entities</b></p> <p>AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates, structured entities and subsidiaries with non-controlling interests.</p>	Paladin needs to disclose additional information relating to subsidiaries with material non-controlling interests, including summarised financial information. Refer to Note 31 – Group Information.
AASB 13	<p><b>Fair Value Measurement</b></p> <p>AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets.</p> <p>AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.</p>	Additional disclosure requirements for Paladin's assets and liabilities carried at fair value or where a fair value measurement is disclosed.
AASB 119 (Revised 2011)	<p><b>Employee Benefits</b></p> <p>The revised 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.</p>	There was no material impact on the Annual Report.
Interpretation 20	<p><b>Stripping Costs in the Production Phase of a Surface Mine</b></p> <p>This interpretation applies to stripping costs incurred during the production phase of a surface mine. Production stripping costs are to be capitalised as part of an asset. If an entity can demonstrate that it is probable future economic benefits will be realised, the costs can be reliably measured and the entity can identify the component of an ore body for which access has been improved. This asset is to be called the "stripping activity asset".</p> <p>The stripping activity asset shall be depreciated or amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method shall be applied unless another method is more appropriate.</p>	<p>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.</p> <p>Accordingly, the Group accounts for production stripping costs as a production cost.</p> <p>The adoption of Interpretation 20 has had no impact on the financial position or performance of the Group.</p>

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**NOTE 3. BASIS OF PREPARATION (continued)**

**New Accounting Standards and Interpretations (continued)**

Reference	Title	Impact
AASB 2011-4	<p><b>Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]</b></p> <p>This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.</p>	<p>This reduces the disclosures relating to Key Management Personnel holding options, share rights and shares that are required in the Key Management Personnel Note in the financial statements. These disclosures are included in the Directors Remuneration Report.</p>

**Basis of Consolidation**

The consolidated financial statements comprise the financial statements of Paladin Energy Ltd and its subsidiaries as at 30 June 2014 (the Group).

Control is achieved when the Group 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. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the noncontrolling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary
- De-recognises the carrying amount of any non-controlling interests
- De-recognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

Business combinations are accounted for using the acquisition method.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

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**NOTE 3. BASIS OF PREPARATION (continued)**

**Foreign Currency Translation**

Functional and Presentation Currency

Items included in the Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Consolidated Financial Statements are presented in United States dollars (US dollars), which is the Company's functional and presentation currency.

Transactions and Balances

Foreign currency transactions are converted into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement. Translation differences on available-for-sale financial assets are included in the available-for-sale reserve.

Group Companies

Some Group entities have a functional currency of US dollars which is consistent with the Company's presentational currency. For all other Group entities the functional currency has been translated into US dollars for presentation purposes. Assets and liabilities are translated using exchange rates prevailing at the balance sheet date; revenues and expenses are translated using average exchange rates prevailing for the income statement year; and equity transactions are translated at exchange rates prevailing at the dates of transactions. The resulting difference from translation is recognised in a foreign currency translation reserve. Upon the sale of a subsidiary the Functional Currency Translation Reserve (FCTR) attributable to the parent is recycled to the Income Statement.

The following material operating subsidiaries have a US dollar functional currency:

- Paladin Finance Pty Ltd
- Paladin (Africa) Limited
- Langer Heinrich Uranium (Pty) Ltd
- Paladin Nuclear Ltd



**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

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**NOTE 3. BASIS OF PREPARATION (continued)**

**Foreign Currency Translation (continued)**

The following material operating subsidiaries have an Australian dollar functional currency:

- Northern Territory Uranium Pty Ltd
- Mount Isa Uranium Pty Ltd
- Paladin Energy Minerals NL
- Summit Resources (Aust) Pty Ltd
- Fusion Resources Pty Ltd

The following material operating subsidiaries have a Canadian dollar functional currency:

- Aurora Energy Ltd
- Michelin Uranium Ltd
- Paladin Canada Holdings (NL) Ltd
- Paladin Canada Investments (NL) Ltd

**Significant Accounting Judgements, Estimates and Assumptions**

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions, that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period, are dealt with elsewhere in the notes.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

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**NOTE 4. 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 year ended 30 June 2014, the Group incurred net losses after tax attributable to the members of US\$338.4M (2013: US\$420.9M) and had net cash inflow of US\$11.1M (2013: outflow US\$33.2M). At 30 June 2014, the Group had a net working capital surplus of US\$288.5M (30 June 2013: US\$193.0M) including cash on hand of US\$88.8M (30 June 2013: US\$78.1M). Included within this cash on hand is US\$13.2M (30 June 2013: US\$26.9M) which is restricted for use in respect of the LHM project finance facility and supplier guarantees provided by LHM.

Repayment obligations, during the next twelve months to 30 June 2015, in respect of interest bearing loans and borrowings are summarised as follows:

- secured bank loan principal repayments of US\$39.9M for syndicated loan facility; and
- interest payments of US\$31.3M for syndicated loan facility and convertible bonds.

Settlement of sale of minority interest in Langer Heinrich Mine, Namibia

On 23 July 2014, the Company announced the settlement to sell a 25% equity stake in the Langer Heinrich uranium mining operation in Namibia to CNNC Overseas Uranium Holding Limited, a wholly-owned subsidiary of CNNC, the leading Chinese nuclear utility, for consideration of US\$190M had been completed.

Refinancing of Langer Heinrich project finance facility

On 23 July 2014, the Company announced the refinancing of the LHM project finance facility, which will reduce debt repayments by US\$32M over 2014 to 2017 calendar years.

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

- placing KM on care and maintenance will improve Paladin's forecast cash flow position by US\$20-25M in CY2015; and
- the Group has a history of successful capital raisings and debt restructuring.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

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## **SEGMENT INFORMATION**

### **NOTE 5. SEGMENT INFORMATION**

#### **Identification of Reportable Segments**

The Company 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. Unallocated portion covers the Company'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 contained in the accounts and 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 Group's customers are major utilities and other entities located mainly in USA, Australia, China, Taiwan and UK. These revenues are attributed to 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 (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**NOTE 5. SEGMENT INFORMATION (continued)**

The following tables present revenue, expenditure and asset information regarding operating segments for the years ended 30 June 2014 and 30 June 2013.

Year ended 30 June 2014	Exploration US\$M	Namibia US\$M	Malawi US\$M	Unallocated US\$M	Consolidated US\$M
Sales to external customers	-	207.0	121.8	-	328.8
Other revenue	-	-	-	0.7	0.7
<b>Total consolidated revenue</b>	<b>-</b>	<b>207.0</b>	<b>121.8</b>	<b>0.7</b>	<b>329.5</b>
Cost of goods sold	-	(191.5)	(141.4)	-	(332.9)
Impairment of inventory	-	(21.0)	(40.7)	-	(61.7)
Gross (Loss)/Profit	-	(5.5)	(60.3)	0.7	(65.1)
Other expenses	(1.2)	(21.9)	(8.4)	2.4	(29.1)
Impairment of asset	(323.6)	-	-	(8.1)	(331.7)
Segment (loss)/profit before income tax and finance costs	(324.8)	(27.4)	(68.7)	(5.0)	(425.9)
Finance costs	-	(8.8)	(5.4)	(45.5)	(59.7)
Loss before income tax	(324.8)	(36.2)	(74.1)	(50.5)	(485.6)
Income tax benefit/(expense)	97.4	10.7	-	(12.1)	96.0
<b>Loss after income tax</b>	<b>(227.4)</b>	<b>(25.5)</b>	<b>(74.1)</b>	<b>(62.6)</b>	<b>(389.6)</b>
<b>At 30 June 2014</b>					
<b>Segment assets/total assets</b>	<b>691.3</b>	<b>615.9</b>	<b>47.0</b>	<b>211.5<sup>(1)</sup></b>	<b>1,565.7</b>
	<b>Australia US\$M</b>	<b>Canada US\$M</b>	<b>Namibia US\$M</b>	<b>Other US\$M</b>	<b>Consolidated US\$M</b>
<b>Non current assets (excluding financial instruments) by country</b>	429.3	264.3	492.8	-	1,186.4

In 2014, the three most significant customers equated on a proportionate basis to 20% (US\$66.8M Namibia, Malawi), 18% (US\$57.7M Namibia, Malawi) and 10% (US\$33.4M Namibia, Malawi) of the Group's total sales revenue.

<sup>(1)</sup> Includes US\$170.0M LHM purchase consideration receivable (refer to Note 15) and US\$6.6M available-for-sale financial assets (refer to Note 18).

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**NOTE 5. SEGMENT INFORMATION (continued)**

Year ended 30 June 2013	Exploration US\$M	Namibia US\$M	Malawi US\$M	Unallocated US\$M	Consolidated US\$M
Sales to external customers	-	265.4	143.0	-	408.4
Other revenue	-	-	1.9	1.2	3.1
Inter segment sales	-	9.9	4.9	-	14.8
<b>Total segment revenue</b>	<b>-</b>	<b>275.3</b>	<b>149.8</b>	<b>1.2</b>	<b>426.3</b>
Elimination of inter segment sales	-	(9.9)	(4.9)	-	(14.8)
<b>Total consolidated revenue</b>	<b>-</b>	<b>265.4</b>	<b>144.9</b>	<b>1.2</b>	<b>411.5</b>
Cost of goods sold	-	(214.8)	(140.8)	-	(355.6)
Impairment of inventory	-	-	(30.9)	-	(30.9)
Gross Profit/(Loss)	-	50.6	(26.8)	1.2	25.0
Other expenses	(0.7)	(1.3)	(12.2)	(27.6)	(41.8)
Impairment of asset	(62.1)	-	(237.9)	(5.0)	(305.0)
Segment (loss)/profit before income tax and finance costs	(62.8)	49.3	(276.9)	(31.4)	(321.8)
Finance costs	-	(7.1)	(6.4)	(50.3)	(63.8)
(Loss)/profit before income tax	(62.8)	42.2	(283.3)	(81.7)	(385.6)
Income tax benefit/(expense)	0.2	(1.4)	(85.0)	(2.2)	(88.4)
<b>(Loss)/profit after income tax</b>	<b>(62.6)</b>	<b>40.8</b>	<b>(368.3)</b>	<b>(83.9)</b>	<b>(474.0)</b>
<b>At 30 June 2013</b>					
<b>Segment assets/total assets</b>	<b>1,009.3</b>	<b>639.1</b>	<b>140.2</b>	<b>49.1</b>	<b>1,837.7</b>
	Australia US\$M	Canada US\$M	Namibia US\$M	Other US\$M	Consolidated US\$M
<b>Non current assets (excluding financial instruments) by country</b>	757.3	262.4	483.2	0.1	1,503.0

In 2013, the two most significant customers equated on a proportionate basis to 25% (US\$101.0M Namibia, Malawi) and 18% (US\$71.5M Namibia) of the Group's total sales revenue.

## CAPITAL STRUCTURE

The group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders and to maintain an efficient capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may issue new shares or sell assets to reduce debt.

The group monitors capital on the basis of the level of return on capital and also the level of net cash/debt and compliance with bank covenants, including the gearing ratio calculated as a net debt / (net debt + equity). The group manages funds on a group basis with all funds being drawn by the parent entity.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**NOTE 6. CASH AND CASH EQUIVALENTS**

	2014 US\$M	2013 US\$M
Cash at bank and on hand	10.3	9.8
Short-term bank deposits	78.5	68.3
Total cash and cash equivalents	<b>88.8</b>	<b>78.1</b>

Total cash and cash equivalents includes US\$13.2M (2013: US\$26.9M) restricted for use in respect of the project finance facilities (refer to Note 7) and supplier guarantees provided by LHM.

**Recognition and measurement**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

**NOTE 7. INTEREST BEARING LOANS AND BORROWINGS**

	Maturity	2014 US\$M	2013 US\$M
<b>Current</b>			
Secured bank loans		39.4	63.6
Total current interest bearing loans and borrowings		<b>39.4</b>	<b>63.6</b>
<b>Non Current</b>			
Unsecured convertible bonds <sup>(1)</sup>	2015	285.8	276.0
Unsecured convertible bonds <sup>(2)</sup>	2017	245.0	236.6
Secured bank loan	amortised to 2015	-	37.0
Secured bank loan	amortised to 2017	-	64.6
Secured bank loan	amortised to 2019	59.4	-
CNNC loan	2016 to 2021	96.0	-
Total non current interest bearing loans and borrowings		<b>686.2</b>	<b>614.2</b>

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

*Fair value disclosures*

Details of the fair value of the Group's interest bearing liabilities are set out in Note 9.

*Unsecured convertible bonds*

- (1) On the 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\$5.61, for Company shares.
- (2) 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\$2.19 for Company shares.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

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**NOTE 7. INTEREST BEARING LOANS AND BORROWINGS (continued)**

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)
- Convertible bonds due 2017: US\$2.109 (previously US\$2.19)

*Secured bank loans*

On 17 January 2014, the Group entered into a project financing facility of US\$110.0M for the refinancing of the previous LHM and KM project financing facilities. The facility consists of a six-year US\$110.0M project financing facility and a US\$20.0M working capital facility. The facility was provided by Nedbank Capital (a division of Nedbank Limited), Nedbank Namibia Limited, the Standard Bank of South Africa Limited and Standard Bank Namibia Limited. The initial refinancing facility was fully drawn down during the March 2014 quarter. The facility bears interest at the LIBOR plus 4.75%. The project finance facility of US\$110.0M is repayable on a semi-annual basis over the term of the loan. The facilities are secured with fixed and floating charges over the assets of Langer Heinrich Uranium (Pty) Ltd and its immediate holding companies.

At 30 June 2014, US\$100.8M (30 June 2013: US\$169.6M) was outstanding under the project finance facilities.

Borrowing costs capitalised during the year as part of debt funding totalled US\$3.1M (2013: US\$0.1M).

*CNNC loan*

As part of the 25% sale of Langer Heinrich Mauritius, US\$96M of an intercompany loan has been reassigned to CNNC under the same interest rate (LIBOR plus a margin between 2% and 4.25%) and conditions as those presently existing. Repayment dates range from 2016 to 2021. This portion of the loan is now external to the Group.

**Recognition and measurement**

Bank loan borrowings are initially recognised at fair value, net of transaction costs incurred. Bank loan borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

The component of convertible bonds that exhibits characteristics of debt is recognised as a liability in the Statement of Financial Position, net of transaction costs. On issue of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds is allocated to the equity component and is recognised in shareholders' equity. The carrying amount of the equity component is not remeasured in subsequent years.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**NOTE 7. INTEREST BEARING LOANS AND BORROWINGS (continued)**

***Financing facilities available***

At reporting date, the following financing facilities had been negotiated and were available:

	<b>2014</b>	<b>2013</b>
	<b>US\$M</b>	<b>US\$M</b>
Total facilities:		
Unsecured convertible bonds	574.0	574.0
Secured bank loans	130.0	169.6
	<u>704.0</u>	<u>743.6</u>
Facilities used at reporting date:		
Unsecured convertible bonds	574.0	574.0
Secured bank loans	110.0	169.6
	<u>684.0</u>	<u>743.6</u>
Facilities unused at reporting date:		
Unsecured convertible bonds	-	-
Secured bank loans	20.0	-
	<u>20.0</u>	<u>-</u>

The carrying amounts of assets pledged as security for current and non current interest bearing liabilities (secured bank loans) are:

**Current**

*Floating charge*

Cash and cash equivalents	28.0	53.3
Trade and other receivables	19.7	76.1
Inventories	68.7	158.8
Total current assets pledged as security	<u>116.4</u>	<u>288.2</u>

**Non Current**

Inventories	160.2	141.4
Property, plant and equipment	279.6	289.6
Mine development	43.9	42.8
Intangible assets	12.2	12.8
Total non current assets pledged as security	<u>495.9</u>	<u>486.6</u>
Total assets pledged as security	<u>612.3</u>	<u>774.8</u>



**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**NOTE 8. CONTRIBUTED EQUITY AND RESERVES**

**Issued and Paid Up Capital**

	Number of Shares		2014 US\$M	2013 US\$M
	2014	2013		
<b>Ordinary shares</b>				
Issued and fully paid	964,367,284	837,187,808	1,926.9	1,845.7

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

**Recognition and measurement**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

**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 2012	Rights vested	143,635	-	-	-
March 2013	Rights vested	218,522	-	-	-
	Transfer from share-based payments reserves				6.5
<b>Balance 30 June 2013</b>		<b>837,187,808<sup>(1)</sup></b>			<b>1,845.7</b>
<sup>(1)</sup> Includes 43,134 shares held by Paladin Employee Plan Pty Ltd.					
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			-
January 2014	Rights vested	37,630			-
February 2014	Rights vested	125,650			-
	Transfer from share-based payments reserve				3.1
	Transaction costs				(2.5)
<b>Balance 30 June 2014</b>		<b>964,367,284<sup>(2)</sup></b>			<b>1,926.9</b>
<sup>(2)</sup> Includes 1,084 shares held by Paladin Employee Plan Pty Ltd.					

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**NOTE 8. CONTRIBUTED EQUITY AND RESERVES (continued)**

**Reserves**

	Consolidation reserve	Listed option application reserve	Share- based payments reserve	Available -for-sale reserve	Foreign currency translation reserve	Convertible bond non- distributable reserve	Premium on acquisition reserve	Total
	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M
At 1 July 2012	(0.2)	0.1	52.2	(2.8)	28.1	85.5	14.9	177.8
Net unrealised movement on available-for-sale investments	-	-	-	(5.3)	-	-	-	(5.3)
Share-based payments	-	-	(2.0)	-	-	-	-	(2.0)
Foreign currency translation	-	-	-	-	(67.8)	-	-	(67.8)
Income tax	-	-	-	0.1	-	-	-	0.1
Transfer of impairment loss to Income Statement	-	-	-	5.0	-	-	-	5.0
Transfer realised gains to other income	-	-	-	(1.2)	-	-	-	(1.2)
<b>At 30 June 2013</b>	<b>(0.2)</b>	<b>0.1</b>	<b>50.2</b>	<b>(4.2)</b>	<b>(39.7)</b>	<b>85.5</b>	<b>14.9</b>	<b>106.6</b>
Net unrealised movement on available-for-sale investments	-	-	-	(3.4)	-	-	-	(3.4)
Share-based payments	-	-	(2.6)	-	-	-	-	(2.6)
Foreign currency translation	-	-	-	-	1.3	-	-	1.3
Transfer of impairment loss to Income Statement	-	-	-	4.3	-	-	-	4.3
Transfer realised gains to other income	-	-	-	(0.3)	-	-	-	(0.3)
Allotment of interest in Paladin (Africa) to Govt of Malawi to maintain 15% shareholding	(6.7)	-	-	-	-	-	-	(6.7)
Sale of 25% interest in Langer Heinrich to CNNC	62.7	-	-	-	-	-	-	62.7
<b>At 30 June 2014</b>	<b>55.8</b>	<b>0.1</b>	<b>47.6</b>	<b>(3.6)</b>	<b>(38.4)</b>	<b>85.5</b>	<b>14.9</b>	<b>161.9</b>

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

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**NOTE 8. CONTRIBUTED EQUITY AND RESERVES (continued)**

**Nature and Purpose of Reserves**

Consolidation reserve

This reserve recognises the difference between the fair value of the 15% interest in PAL allotted to the Government of Malawi, at the net present value of the Kayelekera Project on the date the Development Agreement was signed (22 February 2007), and the non-controlling interest in the net assets of PAL. It also recognises the excess of the proceeds received over the 25% interest in net assets of Langer Heinrich Mauritius Holdings limited and Langer Heinrich Uranium (Pty) Ltd disposed of to China Uranium Corporation Limited, a subsidiary of China National Nuclear Corporation, on 28 June 2014 under the Share Sale Agreement dated 18 January 2014.

Listed option application reserve

This reserve consists of proceeds from the issue of listed options, net of expenses of issue. These listed options expired unexercised and no restriction exists for the distribution of this reserve.

Share-based payments reserve

This reserve is used to record the value of equity benefits provided to Directors, employees and consultants as part of their remuneration. Refer to Note 30 for further details on share-based payments.

Available-for-sale reserve

This reserve records the fair value changes on the available-for-sale financial assets as set out in Note 18.

Foreign currency translation reserve

This reserve is used to record exchange differences arising on translation of the group entities that do not have a functional currency of US dollars and have been translated into US dollars for presentation purposes, as described in Note 3.

Convertible bond non-distributable reserve

This reserve records the equity portion of the convertible bonds issued as described in Note 7.

Acquisition reserve

This reserve represents the premium paid on the acquisition of a non-controlling interest in Summit.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**NOTE 9. FINANCIAL RISK MANAGEMENT**

**Financial Risk Management Objectives and Policies**

The Group's management of financial risk is aimed at ensuring net cash flows are sufficient to:

- meet all its financial commitments; and
- maintain the capacity to fund corporate growth activities.

The Group monitors its forecast financial position on a regular basis.

Market, liquidity and credit risk (including foreign exchange, commodity price and interest rate risk) arise in the normal course of the Group's business. These risks are managed under Board approved directives which underpin treasury practices and processes. The Group's principal financial instruments comprise interest bearing debt, cash and short-term deposits and available for sale financial assets. Other financial instruments include trade receivables and trade payables, which arise directly from operations.

The Group's forecast financial risk position with respect to key financial objectives and compliance with treasury practice is regularly reported to the Board.

**Market Risk**

Foreign Exchange Risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures.

Foreign exchange risk arises from future commitments, assets and liabilities that are denominated in a currency that is not the functional currency of the relevant Group company.

The Group's borrowings and deposits are largely denominated in US dollars. Currently there are no foreign exchange hedge programmes in place. However, the Group treasury function manages the purchase of foreign currency to meet operational requirements.

The financial instruments exposed to movements in the Namibian dollar are as follows:

	<b>2014</b>	<b>2013</b>
	<b>US\$M</b>	<b>US\$M</b>
<b>Financial assets</b>		
Cash and cash equivalents	6.5	1.0
Trade and other receivables	9.3	15.1
	15.8	16.1
<b>Financial liabilities</b>		
Trade and other payables	(23.7)	(23.0)
Net exposure	(7.9)	(6.9)

Based on the Group's net exposure at the Balance Sheet date, a reasonably possible change in the exchange rate would not have a material impact on profit or equity.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**NOTE 9. FINANCIAL RISK MANAGEMENT (continued)**

**Market Risk (continued)**

Interest Rate Risk

Interest rate risk 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 debt or opportunity losses that may arise on fixed rate borrowings 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 short-term nature of these financial instruments.

The Group's main interest rate risk arises from long-term debt. Floating rate debt exposes the Group to cash flow interest rate risk and fixed rate debt exposes the Group to fair value interest rate risk. All other financial assets and liabilities in the form of receivables, investments in shares, payables and provisions, are non-interest bearing.

The Group currently does not engage in any hedging or derivative transactions to manage interest rate risk.

The floating rate financial instruments exposed to interest rates movements are as follows:

	<b>2014 US\$M</b>	<b>2013 US\$M</b>
<b>Financial assets</b>		
Cash and cash equivalents – short-term deposits	78.5	68.3
<b>Financial liabilities</b>		
Interest-bearing liabilities	(196.8)	(169.6)
Net exposure	(118.3)	(101.3)

Based on the Group's net exposure at the Balance Sheet date, a reasonably possible change in LIBOR would not have a material impact on profit or equity.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**NOTE 9. FINANCIAL RISK MANAGEMENT (continued)**

**Liquidity Risk**

The liquidity position of the Group is managed to ensure sufficient liquid funds are available to meet the Group's financial commitments in a timely and cost effective manner.

The Group treasury function continually reviews the Group's liquidity position including cash flow forecasts to determine the forecast liquidity position and maintain appropriate liquidity levels. Sensitivity analysis is conducted on a range of pricing and market assumptions to ensure the Group has the ability to meet repayment commitments. This enables the Group to manage cash flows on a long-term basis and provides the flexibility to pursue a range of funding alternatives if necessary. Note 7 details the repayment obligations in respect of the amount of the facilities.

The maturity analysis of payables at the reporting date was as follows:

	<b>Payables maturity analysis</b>				
	<b>Total</b>	<b>&lt;1 year</b>	<b>1-2 years</b>	<b>2-3 years</b>	<b>&gt;3 years</b>
<b>2014</b>	<b>US\$M</b>	<b>US\$M</b>	<b>US\$M</b>	<b>US\$M</b>	<b>US\$M</b>
Trade and other payables	39.3	39.3	-	-	-
Loans and borrowings	770.8	39.9	312.9	283.1	134.9
Interest payable	100.7	34.2	28.3	22.4	15.8
<b>Total payables</b>	<b>910.8</b>	<b>113.4</b>	<b>341.2</b>	<b>305.5</b>	<b>150.7</b>
<hr/>					
<b>2013</b>					
Trade and other payables	57.9	57.9	-	-	-
Loans and borrowings	743.6	65.7	62.0	323.8	292.1
Interest payable	103.7	31.7	30.7	23.8	17.5
<b>Total payables</b>	<b>905.2</b>	<b>155.3</b>	<b>92.7</b>	<b>347.6</b>	<b>309.6</b>

**Credit Risk**

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 significant.

The maximum exposure to credit risk at the reporting date was a total of US\$288.5M (2013 US\$156.4M), comprising cash and receivables.

	<b>2014</b>	<b>2013</b>
	<b>US\$M</b>	<b>US\$M</b>
<b>Current</b>		
Cash and cash equivalents*	88.8	78.1
Trade receivables	18.9	60.3
Other receivables – other entities	179.8	17.9
	<hr/>	<hr/>
	287.5	156.3
<b>Non Current</b>		
Other receivables – other entities	1.0	0.1
	<hr/>	<hr/>
<b>Total</b>	<b>288.5</b>	<b>156.4</b>

\* The Group's maximum deposit with a single financial institution represents 53% (2013: 57%) of cash and cash equivalents.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**NOTE 9. FINANCIAL RISK MANAGEMENT (continued)**

**Credit Risk (continued)**

	Receivables ageing analysis		
	Total	Current	<1 year
<b>2014</b>	<b>US\$M</b>	<b>US\$M</b>	<b>US\$M</b>
Trade receivables	18.9	18.9	-
Other receivables	180.8	179.8	1.0
<b>Total receivables</b>	<b>199.7</b>	<b>198.7</b>	<b>1.0</b>
	Total	Current	<1 year
<b>2013</b>	<b>US\$M</b>	<b>US\$M</b>	<b>US\$M</b>
Trade receivables	60.3	60.3	-
Other receivables	18.0	17.9	0.1
<b>Total receivables</b>	<b>78.3</b>	<b>78.2</b>	<b>0.1</b>

No receivables are past due or impaired.

**Fair Values**

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values as at 30 June 2014:

	2014		2013	
	Carrying amount US\$M	Fair value US\$M	Carrying amount US\$M	Fair value US\$M
Financial liabilities				
Interest bearing loans and borrowings:				
- Secured bank loan	39.4	39.9	63.6	65.7
<b>Total current</b>	<b>39.4</b>	<b>39.9</b>	<b>63.6</b>	<b>65.7</b>
Interest bearing loans and borrowings				
- Secured bank loan	59.4	60.9	101.6	103.9
- Unsecured convertible bonds	530.8 <sup>(1)</sup>	491.7	512.6 <sup>(1)</sup>	499.7
<b>Total non-current</b>	<b>590.2</b>	<b>552.6</b>	<b>614.2</b>	<b>603.6</b>
<b>Total</b>	<b>629.6</b>	<b>592.5</b>	<b>677.8</b>	<b>669.3</b>

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

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).

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**NOTE 9. FINANCIAL RISK MANAGEMENT (continued)**

**Fair Values (continued)**

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:

	Year ended 30 June 2014			Total	Year ended 30 June 2013			Total
	Quoted market price (Level 1)	Valuation technique-market observable inputs (Level 2)	Valuation technique-non market observable inputs (Level 3)		Quoted market price (Level 1)	Valuation technique-market observable inputs (Level 2)	Valuation technique-non market observable inputs (Level 3)	
	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M
<b>Financial assets measured at fair value</b>								
Available-for-sale investments								
Listed investments	6.6	-	-	6.6	10.3	-	-	10.3
	6.6	-	-	6.6	10.3	-	-	10.3
<b>Financial liabilities for which fair values are disclosed</b>								
Interest bearing loans and borrowings								
Floating rate borrowings <sup>(1)</sup>	-	100.8	-	100.8	-	169.6	-	169.6
Convertible bonds <sup>(2)</sup>	-	491.7	-	491.7	-	499.7	-	499.7
	-	592.5	-	592.5	-	669.3	-	669.3

- (1) The fair value has been determined by discounting the future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.
- (2) The fair value has been determined using a valuation technique based on the quoted market price of the bonds less the equity component attributable to the conversion feature, which was valued using an option pricing model.

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs. The fair value of the listed equity investments are based on quoted market prices.

For financial instruments not quoted in active markets, the Group uses valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs.

For financial instruments that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

**Capital Management**

When managing capital, management's objective is to ensure adequate cash resources to meet the Company's commitments are maintained, as well as to maintain optimal returns to shareholders through ensuring the lowest cost of capital available to the entity.

The Company utilises a combination of debt, equity and convertible bonds to provide the cash resources required. Management reviews the capital structure from time to time as appropriate.



**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**NOTE 9. FINANCIAL RISK MANAGEMENT (continued)**

**Capital Management (continued)**

The Group 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.

Group treasury monitors gearing and compliances with various contractual financial covenants. The Company's project finance facility is subject to various financial undertakings including a negative pledge, debt service coverage ratio, loan life coverage ratio and project life coverage ratio. At the time of reporting, the Company was in compliance with all of the facility's financial undertakings.

	<b>2014</b>	<b>2013</b>
	<b>US\$M</b>	<b>US\$M</b>
Total borrowings	725.6	677.8
Less cash and cash equivalents	(88.8)	(78.1)
<b>Net debt</b>	<b>636.8</b>	<b>599.7</b>
Total equity	432.4	648.2
<b>Total Capital</b>	<b>1,069.2</b>	<b>1,247.9</b>
Gearing Ratio	60%	48%

**Commodity Price Risk**

Uranium is not traded in any significant volume on global commodity exchanges. The Group has customer sales contracts in place for delivery over the period 2014 to 2024.

Contracted selling prices are determined by a range of mechanisms including base-escalated pricing and formulas which reference common industry published prices. Contracts may be subject to escalating floor and ceiling prices.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**PERFORMANCE FOR THE YEAR**

**NOTE 10. REVENUE**

	<b>2014 US\$M</b>	<b>2013 US\$M</b>
Sale of uranium	328.8	408.4
Interest income from non-related parties	0.7	0.9
Other revenue	-	2.2
	<hr/>	<hr/>
Total	329.5	411.5

**Recognition and measurement**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of duties and taxes paid. Revenue is recognised for the major business activities as follows:

**Sale of Uranium**

Revenue from sale of uranium is recognised when risk and reward of ownership pass, which is when title of the product passes from the Group pursuant to an enforceable contract, when selling prices are known or can be reasonably estimated and when the product is in a form that requires no further treatment by the Group.

**Interest Revenue**

Interest revenue from investments in cash is recognised in the Income Statement as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

**NOTE 11. OTHER INCOME AND EXPENSES**

	<b>2014 US\$M</b>	<b>2013 US\$M</b>
<b>Cost of Sales</b>		
Production costs before depreciation and amortisation	(300.9)	(305.8)
Depreciation and amortisation	(49.4)	(56.7)
Impairment loss reversed on sale of inventory	41.9	32.2
Product distribution costs	(16.5)	(12.9)
Royalties	(8.0)	(12.4)
Total	<hr/> (332.9) <hr/>	<hr/> (355.6) <hr/>
<b>Other Income</b>		
Foreign exchange gain (net)	-	1.4
Gain on disposal of available-for-sale investments	0.4	1.6
Total	<hr/> 0.4 <hr/>	<hr/> 3.0 <hr/>
<b>Administration, Marketing and Non-Production Costs</b>		
Corporate and marketing	(14.5)	(21.9)
Restructure costs	(0.1)	(0.3)
Mine sites (LHM & KM)	(4.6)	(8.5)
Canadian operations	(0.2)	(0.4)
Non-cash – share-based payments	(0.5)	(3.9)
Non-cash - depreciation	(1.6)	(1.9)
LHM Stage 4 expansion study	(0.4)	(1.1)
KM research and development	-	(1.5)
Total	<hr/> (21.9) <hr/>	<hr/> (39.5) <hr/>

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**NOTE 11. OTHER INCOME AND EXPENSES (continued)**

	2014 US\$M	2013 US\$M
<b>Other Expenses</b>		
Impairment of exploration assets <sup>(1)</sup>	(323.6)	(62.1)
Impairment of aircraft	(3.8)	-
Impairment for available for sale financial assets	(4.3)	(5.0)
KM fixed costs during plant shutdown	(4.6)	(3.7)
Impairment of asset <sup>(2)</sup>	-	(237.9)
KM slope remediation	(0.1)	(0.2)
Foreign Exchange Loss (net)	(1.2)	-
<b>Total</b>	<b>(337.6)</b>	<b>(308.9)</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\$404.3M (US\$344.9M 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> 2013 - The continued deterioration of the uranium price has resulted in a reduction of the carrying value to the recoverable amount of US\$Nil of the KM assets from US\$237.9M resulting in an impairment charge in 2013 of US\$237.9M (2014: US\$Nil).

**Finance Costs**

Interest expense	(34.1)	(40.7)
Accretion relating to convertible bonds (non-cash)	(18.1)	(17.7)
Mine closure provision discount interest expense	(1.9)	(2.1)
Facility costs	(5.6)	(3.3)
<b>Total</b>	<b>(59.7)</b>	<b>(63.8)</b>

Total depreciation and amortisation expense

51.0                      58.6

**Employee Benefits Expense**

Wages and salaries	(56.5)	(68.1)
Defined contribution superannuation	(2.9)	(3.4)
Share-based payments	(0.7)	(5.0)
Other employee benefits	(3.1)	(4.6)
<b>Total employee benefits expense</b>	<b>(63.2)</b>	<b>(81.1)</b>

**Recognition and measurement****Superannuation**

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

**Employee Performance Share Rights Plan**

Details of the Employee Performance Share Rights Plan for the Company are disclosed in Note 30.

Depreciation – refer to Note 19.

Employee benefits – refer to Note 24.

**Borrowing Costs**

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed as incurred including the unwinding of discounts related to mine closure provisions. The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**NOTE 12. INCOME AND OTHER TAXES**

	<b>2014</b>	<b>2013</b>
	<b>US\$M</b>	<b>US\$M</b>
<b>Income Tax Benefit/(Expense)</b>		
<i>Current income tax</i>		
Current income tax benefit/(expense)	-	1.3
<i>Deferred income tax</i>		
Related to the origination and reversal of temporary differences	96.0	(7.2)
De-recognising of Malawi deferred tax assets	-	(82.3)
Tax benefits previously not recognised now recognised	-	0.2
Adjustments relating to prior period	-	(0.4)
	<hr/>	<hr/>
Income tax (expense)/benefit reported in the Income Statement	96.0	(88.4)
<b>Amounts Charged or Credited Directly to Equity</b>		
<i>Deferred income tax related to items charged or credited directly to equity:</i>		
Foreign currency translation reserve movement	0.4	17.7
Other and prior period	0.3	2.3
	<hr/>	<hr/>
Income tax benefit reported in equity	0.7	20.0
<b>Numerical Reconciliation of Income Tax Benefit to Prima Facie Tax Payable</b>		
Loss before income tax expense	485.6	385.6
	<hr/>	<hr/>
Tax at the Australian tax rate of 30% (2013 – 30%)	145.7	115.7
Difference in overseas tax rates	(3.4)	(6.6)
Non - deductible items	25.0	(0.9)
Under/over prior year adjustment	-	5.8
Losses not recognised	(73.6)	(105.4)
Other foreign exchange differences	41.7	(119.0)
Other	(39.4)	22.0
	<hr/>	<hr/>
Income tax (expense)/benefit reported in the Income Statement	96.0	(88.4)
<b>Tax Losses</b>		
Australian unused tax losses for which no deferred tax asset has been recognised	(309.6)	(278.8)
Other unused tax losses for which no deferred tax asset has been recognised	(381.1)	(253.0)
	<hr/>	<hr/>
Total unused tax losses for which no deferred tax asset has been recognised	(690.7)	(531.8)
Potential tax benefit at the Australian tax rate of 30%	(207.2)	(159.6)
	<hr/>	<hr/>

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**NOTE 12. INCOME AND OTHER TAXES (continued)**

	2014 US\$M	2013 US\$M
<b>Deferred Income Tax</b>		
<i>Deferred tax liabilities</i>		
Accelerated prepayment deduction for tax purposes	0.8	0.6
Accelerated depreciation for tax purposes	109.2	116.6
Exploration expenditure	16.5	22.2
Recognition of acquired exploration expenditure	59.4	157.5
Convertible bond	9.7	15.1
Other	1.3	1.3
	<hr/>	<hr/>
Gross deferred tax liabilities	196.9	313.3
Set off of deferred tax assets	(106.7)	(126.4)
	<hr/>	<hr/>
Net deferred tax liabilities	90.2	186.9
<i>Deferred tax assets</i>		
Revenue losses available for offset against future taxable income	(42.5)	(67.8)
Available for sale securities	(9.0)	(11.6)
Accruals	-	(11.5)
Foreign currency balances	(48.2)	(32.3)
Interest bearing liabilities	(1.2)	(3.0)
Other	(5.8)	(0.2)
	<hr/>	<hr/>
Gross deferred tax assets	(106.7)	(126.4)
Set off against deferred tax liabilities	106.7	126.4
	<hr/>	<hr/>
Net deferred tax assets recognised	-	-

Paladin and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian tax law.

The net deferred tax assets recognised are in respect of revenue losses expected to be offset against future taxable income.

This benefit for tax losses will only be obtained if:

- (1) the Consolidated Entities derive future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- (2) the Consolidated Entities continue to comply with the conditions for deductibility imposed by tax legislation; and
- (3) no changes in tax legislation adversely affect the Consolidated Entities in realising the benefit from the deductions for the losses.

**Recognition and measurement**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to integration and establishes provisions where appropriate.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

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**NOTE 12. INCOME AND OTHER TAXES (continued)**

**Recognition and measurement (continued)**

Deferred tax assets and liabilities are recognised using the full liability method for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity. Deferred tax assets and liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

**Significant Accounting Estimates and Assumptions**

Deferred Tax Assets and Liabilities

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining deferred tax assets and liabilities. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

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**NOTE 13. EARNINGS PER SHARE**

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	<b>2014 US\$M</b>	<b>2013 US\$M</b>
Net loss attributable to ordinary equity holders of the Parent from continuing operations	(338.4)	(420.9)
	<b>2014 Number of Shares</b>	<b>2013 Number of Shares</b>
Weighted average number of ordinary shares for basic and diluted earnings per share	982,535,396	858,113,521
Total number of securities not included in weighted average calculation due to their antidilutive nature in the current period, that could potentially dilute basic earnings per share in the future	180,688,256	181,968,119

The earnings per share calculations have been adjusted to reflect the bonus element of the private share placement completed on 2 August 2013. The adjustment factor applied was 1.04 to the current period prior to 2 August 2013 and the comparative period.

**Recognition and measurement****Basic Earnings Per Share**

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

**Diluted Earnings Per Share**

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares. Diluted earnings per share is the same as basic earnings per share in 2014 and 2013 as the Group is in a loss position.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 30 JUNE 2014**

**NOTE 14. RECONCILIATION OF EARNINGS AFTER INCOME TAX TO NET CASH FLOW FROM OPERATING ACTIVITIES**

	<b>2014 US\$M</b>	<b>2013 US\$M</b>
<b>Reconciliation of Net Loss After Tax to Net Cash Flows Used in Operating Activities</b>		
Net loss	(389.6)	(474.0)
<i>Adjustments for</i>		
Depreciation and amortisation	44.8	52.1
Gain on disposal of property, plant and equipment	(0.1)	-
Gain on disposal of investments	(0.4)	(1.6)
Net exchange differences	1.2	(3.5)
Share-based payments	0.4	4.2
Non-cash financing costs	26.6	22.1
Inventory impairment and obsolescence expense	61.7	30.9
Asset impairment	3.8	237.9
Available-for-sale asset impairment	4.3	5.0
Exploration impairment	323.6	62.1
<i>Changes in assets and liabilities</i>		
Decrease in prepayments	5.9	1.0
Decrease/(increase) in trade and other receivables	48.7	(4.1)
(Decrease)/increase in trade and other payables	(19.7)	0.4
Increase/(decrease) in provisions	(5.8)	4.2
Increase in unearned revenues	-	200.0
Decrease/(increase) in inventories	0.3	(30.4)
Increase/(decrease) in deferred tax liabilities	(95.6)	3.2
Decrease in deferred tax assets	-	85.0
Net cash flows provided by operating activities	10.1	194.5



**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**OPERATING ASSETS AND LIABILITIES**

**NOTE 15. TRADE AND OTHER RECEIVABLES**

	Notes	2014 US\$M	2013 US\$M
<b>Current</b>			
Trade receivables	(a)	18.9	60.4
GST and VAT	(b)	7.5	13.5
LHM purchase consideration – receivable	(c)	170.0	-
Sundry debtors		2.3	4.4
		<u>198.7</u>	<u>78.3</u>
Total current receivables		<u>198.7</u>	<u>78.3</u>

- (a) Trade receivables are non-interest bearing and are generally on 30 day terms. Carrying value approximates fair value due to the short-term nature of the receivables. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired. No allowance has been recognised for the current year or the previous year.
- (b) GST and VAT debtor relates to Australia, Namibia, Malawi, Netherlands and Canada.
- (c) On 23 July 2014, the Company received US\$170M from CNNC, being the balance of the consideration receivable on the sale of its 25% interest in the Langer Heinrich Mine.

**Non Current**

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

**Recognition and measurement**

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non current assets.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the group will not be able to collect the debt. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**NOTE 16. INVENTORIES**

	<b>2014 US\$M</b>	<b>2013 US\$M</b>
<b>Current</b>		
Stores and consumables (at cost)	10.3	33.5
Stockpiles (at cost)	7.1	2.0
Work in progress (at cost)	-	2.3
Work in progress (at net realisable value)	5.1	11.4
Finished goods (at cost)	-	57.5
Finished goods (at net realisable value)	55.6	52.1
	<b>78.1</b>	<b>158.8</b>
<b>Total current inventories at the lower of cost and net realisable value</b>		
<b>Non Current</b>		
Stockpiles (at cost)	160.2	141.4
	<b>160.2</b>	<b>141.4</b>
<b>Total non current inventories at the lower of cost and net realisable value</b>		

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

**Inventory Expense**

Inventories sold recognised as an expense for the year ended 30 June 2014 totalled US\$332.9M (2013: US\$355.6M) for the Group.

**Impairment of Inventories**

During 2014, finished goods held at LHM and KM were reduced to net realisable value resulting in an impairment loss of US\$35.7M (2013: US\$12.0M) for the year, recognised in cost of sales.

During 2014, stockpiles held at KM were reduced to net realisable value resulting in an impairment loss of US\$8.2M (2013: US\$18.9M) for the year, recognised in cost of sales.

During 2014 stores and consumables held at KM were reduced by US\$17.8M (2013: US\$Nil) due to obsolescence. This resulted in an obsolescence expense recognised in cost of sales.

**Recognition and measurement**

Consumable stores inventory are valued at the lower of cost and net realisable value using the weighted average cost method, after appropriate allowances for redundant and slow moving items.

Finished goods and work in progress inventory are valued at the lower of cost and net realisable value using the weighted average cost method. Cost is derived on an absorption costing basis, including both fixed and variable production costs and attributable overheads incurred up to the delivery point where legal title to the product passes. No accounting value is attributed to stockpiles containing ore at less than the cut-off grade.

The costs of production include labour costs, materials and contractor expenses which are directly attributable to the extraction and processing of ore (including any recognised expense of stripping costs); the depreciation of property, plant and equipment used in the extraction and processing of ore; and production overheads.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**NOTE 16. INVENTORIES (continued)****Significant Estimates and Assumptions**

## Net Realisable Value of Inventories

The Group reviews the carrying value of inventories regularly to ensure that their cost does not exceed net realisable value. In determining net realisable value various factors are taken into account, including sales prices and costs to complete inventories to their final form.

**NOTE 17. ASSETS CLASSIFIED AS HELD FOR SALE**

	<b>2014</b>	<b>2013</b>
	<b>US\$M</b>	<b>US\$M</b>
Plant and equipment	3.8	-
Total assets classified as held for sale	<u><b>3.8</b></u>	<u><b>-</b></u>

As a result of KM being placed on care and maintenance, the Company has made a decision to sell its aircraft and on 3 July 2014 a brokering agreement was signed for the sale of the aircraft. It is highly probable that the sale will be completed within the next twelve months. An impairment expense of US\$3.8M has been recorded in the 'Unallocated' portion of the segment information.

**NOTE 18. OTHER FINANCIAL ASSETS**

	<b>2014</b>	<b>2013</b>
	<b>US\$M</b>	<b>US\$M</b>
<b>Non Current</b>		
Available-for-sale financial assets	6.6	10.3
Total non current other financial assets	<u><b>6.6</b></u>	<u><b>10.3</b></u>

The Group has an investment in DYL and at 30 June 2014 held 304,400,275 (2013: 304,400,275) fully paid ordinary shares. The holding of these fully paid ordinary shares represents an 18.9% interest at 30 June 2014 (2013: 19.5%) of the ordinary shares of DYL, a uranium explorer listed on ASX. The market value of the shares in DYL at 30 June 2014 is A\$5.8M (US\$5.5M) (2013: A\$10.0M / US\$9.2M) based on a share price of 1.9 Australian cents per share (2013: 3.3 Australian cents).

The Group also holds minor investments in other companies.

**Recognition and measurement**

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date which is the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

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**NOTE 18. OTHER FINANCIAL ASSETS (continued)**

**Recognition and measurement (continued)**

Available-for-sale financial assets are subsequently carried at fair value. Unrealised gains and losses which arise from changes in the fair value of non monetary securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the Income Statement as gains and losses from investment securities.

**Fair value of Financial Instruments**

The fair values of quoted investments are based on current bid prices.

**Impairment of Financial Instruments**

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss is removed from equity and recognised in the Income Statement. Any subsequent increase in value is recognised in equity.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**NOTE 19. PROPERTY, PLANT AND EQUIPMENT**

	<b>2014 US\$M</b>	<b>2013 US\$M</b>
Plant and equipment – at cost	706.6	704.8
Less accumulated depreciation and impairment	(436.1)	(414.5)
Net carrying value plant and equipment	<u>270.5</u>	<u>290.3</u>
Land and buildings - at cost	11.2	11.4
Less accumulated depreciation	(2.5)	(2.2)
Net carrying value land and buildings	<u>8.7</u>	<u>9.2</u>
Construction work in progress – at cost	5.8	4.3
Less impairment	(3.2)	(2.8)
Net carrying value construction work in progress	<u>2.6</u>	<u>1.5</u>
Net carrying value property, plant and equipment	<b><u>281.8</u></b>	<b><u>301.0</u></b>

**Property, Plant and Equipment Pledged as Security for Liabilities**

Refer to Note 7 for information on property, plant and equipment pledged as security.

**Reconciliations**

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

	<b>Total US\$M</b>	<b>Plant and Equipment US\$M</b>	<b>Land and Buildings US\$M</b>	<b>Construction Work in Progress US\$M</b>
<b>2014</b>				
Net carrying value at start of year	301.0	290.3	9.2	1.5
Additions	16.7	4.9	-	11.8
Depreciation and amortisation expense	(24.8)	(24.0)	(0.4)	(0.4)
Impairment of assets	(4.2)	(3.8)	(0.4)	-
Reclassification of assets	-	9.0	0.5	(9.5)
Reclassification to mine development	(0.8)	-	-	(0.8)
Disposal of assets	(2.4)	(2.1)	(0.3)	-
Foreign currency translation	0.1	-	0.1	-
Reclassification to assets held for sale	(3.8)	(3.8)	-	-
Net carrying value at end of year	<u>281.8</u>	<u>270.5</u>	<u>8.7</u>	<u>2.6</u>
<b>2013</b>				
Net carrying value at start of year	491.7	477.5	9.6	4.6
Additions	34.4	24.9	-	9.5
Depreciation and amortisation expense	(37.1)	(36.7)	(0.4)	-
Impairment of assets	(186.2)	(184.1)	-	(2.1)
Reclassification of assets	-	8.8	0.8	(9.6)
Reclassification to mine development	(0.9)	-	-	(0.9)
Disposal of assets	(0.5)	(0.1)	(0.4)	-
Foreign currency translation	(0.4)	-	(0.4)	-
Net carrying value at end of year	<u>301.0</u>	<u>290.3</u>	<u>9.2</u>	<u>1.5</u>

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

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**NOTE 19. PROPERTY, PLANT AND EQUIPMENT (continued)**

**Recognition and measurement**

All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

Property, plant and equipment costs include both the costs associated with construction of equipment associated with establishment of an operating mine, and the estimated costs of dismantling and removing the asset and restoring the site on which it is located.

Land is not depreciated. Depreciation on other assets is calculated using either the unit of production basis or the straight line method to allocate their cost amount, net of their residual values, over their estimated useful lives, as follows:

- Buildings 20 years
- Databases 10 years
- Plant and equipment 2-6 years
- Leasehold improvements period of lease
- Mine plant and equipment lesser of life of asset and unit of production basis

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the Income Statement.

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

**Significant Estimates and Assumptions**

Impairment of Property, Plant and Equipment; Mine Development and Intangibles

Property, plant and equipment; mine development and intangibles are tested for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

The Group conducts an internal review of asset values at each reporting date, which is used as a source of information to assess for any indicators of impairment. Factors, such as changes in uranium prices, production performance and mining and processing costs are monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**NOTE 20. MINE DEVELOPMENT**

	<b>2014</b>	<b>2013</b>
	<b>US\$M</b>	<b>US\$M</b>
Mine development – at cost	206.5	185.1
Less accumulated depreciation and impairment <sup>(1)</sup>	(162.6)	(142.3)
<b>Net carrying value – mine development</b>	<b>43.9</b>	<b>42.8</b>
Net carrying value at start of year	42.8	88.3
Additions	19.9	13.9
Depreciation and amortisation expense	(19.9)	(14.9)
Effects in changes of underlying assumptions & discount rates	0.5	2.3
Reclassification from property, plant and equipment	0.8	0.8
Impairment	-	(47.6)
Disposals	(0.2)	-
<b>Net carrying value at end of year</b>	<b>43.9</b>	<b>42.8</b>

<sup>(1)</sup>Refer to Note 11 for details of impairment.

**Recognition and measurement**

Mine development

Pre-production costs are deferred as development costs until such time as the asset is capable of being operated in a manner intended by management and depreciated on a units of production basis. Post-production costs are recognised as a cost of production.

Stripping (waste removal) costs

As part of its mining operations, the Group incurs stripping (waste removal) costs both during the development phase and production phase of its operations. Stripping costs incurred in the development phase of a mine, before the production phase commences (development stripping), are capitalised as part of the cost of constructing the mine and subsequently amortised over its useful life using a units-of-production method. The capitalisation of development stripping costs ceases when the mine/component is commissioned and ready for use as intended by management.

Stripping activities undertaken during the production phase of a surface mine (production stripping) are accounted for as set out below. After the commencement of production, further development of the mine may require a phase of stripping that is similar in nature to development phase stripping. The costs of such stripping are accounted for in the same way as development stripping (as outlined above).

Stripping costs incurred during the production phase are generally considered to create two benefits, being either the production of inventory or improved access to the ore to be mined in the future. Where the benefits are realised in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where the benefits are realised in the form of improved access to ore to be mined in the future, the costs are recognised as a non-current asset, referred to as a stripping activity asset, if the following criteria are met:

- a) Future economic benefits (being improved access to the ore body) are probable;
- b) The component of the ore body for which access will be improved can be accurately identified; and
- c) The costs associated with the improved access can be reliably measured.

If all of the criteria are not met, the production stripping costs are charged to the statement of profit or loss as operating costs as they are incurred.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

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**NOTE 20. MINE DEVELOPMENT (continued)**

**Recognition and measurement (continued)**

Stripping (waste removal) costs (continued)

In identifying components of the ore body, the Group works closely with the mining operations personnel for each mining operation to analyse each of the mine plans. Generally, a component will be a subset of the total ore body, and a mine may have several components. The mine plans, and therefore the identification of components, can vary between mines for a number of reasons. These include, but are not limited to: the geological characteristics of the ore body, the geographical location, and/or financial considerations.

The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of ore, plus an allocation of directly attributable overhead costs. If incidental operations are occurring at the same time as the production stripping activity, but are not necessary for the production stripping activity to continue as planned, these costs are not included in the cost of the stripping activity asset.

If the costs of the inventory produced and the stripping activity asset are not separately identifiable, a relevant production measure is used to allocate the production stripping costs between the inventory produced and the stripping activity asset. This production measure is calculated for the identified component of the ore body and is used as a benchmark to identify the extent to which the additional activity of creating a future benefit has taken place. The Group uses the expected volume of waste extracted compared with the actual volume for a given volume of ore production of each component.

The stripping activity asset is accounted for as an addition to, or an enhancement of, an existing asset, being the mine asset, and is presented as part of 'Mine Development' in the statement of financial position.

The stripping activity asset is subsequently depreciated using the units-of-production method over the life of the identified component of the ore body that became more accessible as a result of the stripping activity. Economically recoverable reserves, which comprise proven and probable reserves, are used to determine the expected useful life of the identified component of the ore body. The stripping activity asset is then carried at cost less depreciation and any impairment losses.

**Key Judgements**

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 has accounted for production stripping costs as a production cost in the years ended 30 June 2013 and 2014.

Proved and Probable Reserves

The Group uses the concept of a life of mine as an accounting value to determine such things as depreciation rates and the appropriate period to discount mine closure provisions. In determining life of mine, the proved and probable reserves measured in accordance with the 2004 edition of the JORC Code specific to a mine are taken into account which by their very nature require judgements, estimates and assumptions.



**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**  
EXPRESSED IN US DOLLARS

**NOTE 21. EXPLORATION AND EVALUATION EXPENDITURE**

The following table details the expenditures on interests in mineral properties by area of interest for the year ended 30 June 2014:

Areas of interest	Valhalla /Skal	Isa North	Fusion	Angela Pamela	Bigrlyi	Niger	KM	LHM	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	US\$M	US\$M
Balance 30 June 2013	576.1	137.7	10.9	-	10.0	-	-	-	261.7	8.5	1,004.9
<b>Project exploration and evaluation expenditure</b>											
Labour	0.1	0.1	-	0.1	-	0.1	0.2	-	2.3	0.5	3.4
Outside services	-	-	-	-	-	-	0.2	-	0.9	0.1	1.2
Other expenses	0.3	0.2	0.1	0.2	-	0.1	0.1	-	2.0	0.5	3.5
Total expenditure	0.4	0.3	0.1	0.3	-	0.2	0.5	-	5.2	1.1	8.1
Expenditure expensed	-	(0.3)	-	(0.3)	-	(0.2)	(0.5)	-	-	(0.4)	(1.7)
Expenditure capitalised	<b>0.4</b>	-	<b>0.1</b>	-	-	-	-	-	<b>5.2</b>	<b>0.7</b>	<b>6.4</b>
Foreign exchange differences	2.7	(0.3)	0.3	-	0.3	-	-	-	(3.6)	0.2	(0.4)
Impairment of exploration and evaluation	(246.7)	(76.9)	-	-	-	-	-	-	-	-	(323.6)
<b>Balance 30 June 2014</b>	<b>332.5</b>	<b>60.5</b>	<b>11.3</b>	-	<b>10.3</b>	-	-	-	<b>263.3</b>	<b>9.4</b>	<b>687.3</b>

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**  
EXPRESSED IN US DOLLARS

**NOTE 21. EXPLORATION AND EVALUATION EXPENDITURE (continued)**

The following table details the expenditures on interests in mineral properties by area of interest for the year ended 30 June 2013:

Areas of interest	Valhalla /Skal	Isa North	Fusion	Angela Pamela	Bigrlyi	Niger	KM	LHM	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	US\$M
Balance 30 June 2012	639.4	152.5	11.9	7.4	30.7	36.8	-	-	259.7	4.8	1,143.2
<b>Acquisition property payments</b>	-	-	-	-	-	-	-	-	-	<b>0.4</b>	<b>0.4</b>
<b>Project exploration and evaluation expenditure</b>											
Labour	0.5	0.4	0.1	0.1	0.1	0.3	0.2	-	3.6	1.3	6.6
Outside services	0.1	-	-	-	0.1	-	0.1	-	2.0	2.4	4.7
Other expenses	0.5	0.3	-	0.1	0.1	0.3	0.3	-	3.6	1.3	6.5
Total expenditure	1.1	0.7	0.1	0.2	0.3	0.6	0.6	-	9.2	5.0	17.8
Expenditure expensed	-	-	-	(0.1)	-	-	(0.6)	-	-	(0.7)	(1.4)
Expenditure capitalised	<b>1.1</b>	<b>0.7</b>	<b>0.1</b>	<b>0.1</b>	<b>0.3</b>	<b>0.6</b>	-	-	<b>9.2</b>	<b>4.3</b>	<b>16.4</b>
Foreign exchange differences	(64.4)	(15.5)	(1.1)	(0.7)	(3.1)	-	-	-	(7.2)	(1.0)	(93.0)
Impairment of exploration and evaluation	-	-	-	(6.8)	(17.9)	(37.4)	-	-	-	-	(62.1)
<b>Balance 30 June 2013</b>	<b>576.1</b>	<b>137.7</b>	<b>10.9</b>	<b>-</b>	<b>10.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>261.7</b>	<b>8.5</b>	<b>1,004.9</b>

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**  
EXPRESSED IN US DOLLARS

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**NOTE 21. EXPLORATION AND EVALUATION EXPENDITURE (continued)**

**Recognition and measurement**

Exploration and evaluation expenditure related to areas of interest is capitalised and carried forward to the extent that:

1. rights to tenure of the area of interest are current; and
2. costs are expected to be recouped through successful development and exploitation of the area of interest or alternatively by its sale.

Exploration and evaluation expenditure is allocated separately to specific areas of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure directly related to activities in the area of interest.

Costs related to the acquisition of properties that contain Mineral Resources are allocated separately to specific areas of interest.

If costs are not expected to be recouped through successful development and exploitation of the area of interest, or alternatively by sale, costs are expensed in the period in which they are incurred.

Exploration and evaluation expenditure that is capitalised is included as part of cash flows from investing activities, whereas exploration and evaluation expenditure that is expensed is included as part of cash flows from operating activities.

When a decision to proceed to development is made, the exploration and evaluation capitalised to that area is transferred to mine development. All costs subsequently incurred to develop a mine prior to the start of mining operations within the area of interest are capitalised and carried at cost. These costs include expenditure incurred to develop new ore bodies within the area of interest, to define further mineralisation in existing areas of interest, to expand the capacity of a mine and to maintain production.

Capitalised amounts for an area of interest may be written down to their recoverable amount if the area of interest's carrying amount is greater than their estimated recoverable amount.

**Significant Estimates and Assumptions**

**Carrying Value of Exploration and Evaluation Expenditure**

The Group reviews the carrying value of exploration and evaluation expenditure at each reporting date. This requires judgement as to the status of the individual projects and their future economic value.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**NOTE 22. INTANGIBLE ASSETS**

	2014 US\$M	2013 US\$M
<b>At 30 June</b>		
Intangible assets – at cost	27.8	27.8
Less accumulated depreciation and impairment <sup>(1)</sup>	(15.6)	(15.0)
Net carrying value – intangible assets	<u>12.2</u>	<u>12.8</u>

<sup>(1)</sup>Refer to Note 11 for details of impairment.

Amortisation of US\$NIL (2013: US\$1.1M) is included in cost of sales in the Income Statement.

**Movements in Intangible Assets**

Movements in each group of intangible asset during the financial year are set out below:

	Right to Supply of Power US\$M	Right to Supply of Water US\$M	Kayelekera Mining Lease US\$M	Total US\$M
<b>2014</b>				
Net carrying value at 1 July 2013	3.8	9.0	-	12.8
Amortisation expense	(0.2)	(0.4)	-	(0.6)
Impairment	-	-	-	-
Net carrying value at 30 June 2014	<u>3.6</u>	<u>8.6</u>	<u>-</u>	<u>12.2</u>
<b>2013</b>				
Net carrying value at 1 July 2012	4.0	9.4	4.7	18.1
Amortisation expense	(0.2)	(0.4)	(0.5)	(1.1)
Impairment	-	-	(4.2)	(4.2)
Net carrying value at 30 June 2013	<u>3.8</u>	<u>9.0</u>	<u>-</u>	<u>12.8</u>

**Description of the Group's Intangible Assets**

1. Right to supply of power

LHJPL has entered into a contract with NamPower in Namibia for the right to access power at LHM. In order to obtain this right, the power line connection to the mine was funded by LHM. However, ownership of the power line rests with NamPower. The amount funded is being amortised on a unit of production basis.

2. Right to supply of water

LHJPL has entered into a contract with NamWater in Namibia for the right to access water at LHM. In order to obtain this right, the water pipeline connection to the mine was funded by LHM. However, ownership of the pipeline rests with NamWater. The amount funded is being amortised on a unit of production basis.

**Recognition and measurement**

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in the Income Statement in the year in which the expenditure is incurred.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**NOTE 22. INTANGIBLE ASSETS (continued)**

**Recognition and measurement (continued)**

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on the intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

A summary of the policies applied to the Group's intangible assets is as follows:

Right to use water and power supply

Useful lives	Life of mine
Amortisation method used	Amortised over the life of the mine on a unit of production basis
Impairment testing	Annually and more frequently when an indication of impairment exists. The amortisation method is reviewed at each financial year-end.

The rights to use water and power supply have been granted for a minimum of 17 years from April 2007 by the relevant utilities with the option of renewal without significant cost at the end of this period.

**NOTE 23. TRADE AND OTHER PAYABLES**

	<b>2014</b>	<b>2013</b>
	<b>US\$M</b>	<b>US\$M</b>
<b>Current</b>		
Trade and other payables	39.3	57.9
Total current payables	<u>39.3</u>	<u>57.9</u>

Trade payables are non-interest bearing and are normally settled on 30 day terms.

**Recognition and measurement**

Trade and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**NOTE 24. PROVISIONS**

	Note	2014 US\$M	2013 US\$M
<b>Current</b>			
Employee benefits	11	5.5	9.9
Total current provisions		<b>5.5</b>	<b>9.9</b>
<b>Non Current</b>			
Employee benefits	11	2.0	3.0
Rehabilitation provision		68.9	52.3
Demobilisation provision		1.8	1.7
Total non current provisions		<b>72.7</b>	<b>57.0</b>

**Movements in Provisions**

Movements in each class of provision during the financial year, excluding provisions relating to employee benefits, are set out below:

	Demobilisation US\$M	Rehabilitation US\$M	Total US\$M
At 1 July 2013	1.7	52.3	54.0
Arising during the year	0.1	16.9	17.0
Effects of changes in discount rates	0.1	0.4	0.5
Foreign currency movements	(0.1)	(0.7)	(0.8)
At 30 June 2014	1.8	68.9	70.7
<b>2014</b>			
Current	-	-	-
Non current	1.8	68.9	70.7
	1.8	68.9	70.7
<b>2013</b>			
Current	-	-	-
Non current	1.7	52.3	54.0
	1.7	52.3	54.0

**Nature and Timing of Provisions****Rehabilitation**

A provision for rehabilitation and mine closure has been recorded in relation to LHM and KM. A provision is made for rehabilitation work when the obligation arises and this is recognised as a cost of production or development as appropriate. Additionally the provision includes the costs of dismantling and demolition of infrastructure or decommissioning, the removal of residual material and the remediation of disturbed areas specific to the infrastructure to a state acceptable to various authorities. The provision is estimated using the assumption that remediation will not take place until 3 to 20 years' time.

**Demobilisation**

A provision for demobilisation has been recorded in relation to LHM for the costs of demobilising the mining contractor.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

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**NOTE 24. PROVISIONS (continued)**

**Recognition and measurement**

Provisions

Mine closure and restoration costs include the costs of dismantling and demolition of infrastructure or decommissioning, the removal of residual material and the remediation of disturbed areas specific to the infrastructure. Mine closure costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the mine development or during the production phase, based on the net present value of estimated future costs.

As the value of the provision for mine closure represents the discounted value of the present obligation to restore, dismantle and close the mine, the increase in this provision due to the passage of time is recognised as a finance cost. The discount rate used is a pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the liability.

Provision is made for rehabilitation work when the obligation arises and this is recognised as a cost of production or development. The rehabilitation costs provided for are the present value of the estimated costs to restore operating locations. The value of the provision represents the discounted value of the current estimate to restore and the discount rate used is the pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability.

Employee benefits

Short-term benefits

Liabilities for short-term benefits, including wages and salaries, and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised as a current liability in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Long Service Leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Long-Term Incentive Plan

The liability for the retention programme is recognised in the provision for employee benefits as the present value of expected future payments to be made in respect of the retention bonus programme. Consideration is given to expected future salary levels and experience of employee departures. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms of maturity and currency that match, as closely as possible, the estimated future cash outflows. Projected unit credit method has been used to calculate the provision.

**Significant Accounting Judgements, Estimates and Assumptions**

Rehabilitation Provision

The value of this provision represents the discounted value of the present obligation to rehabilitate the mine and to restore, dismantle and close the mine. The discounted value reflects a combination of management's assessment of the cost of performing the work required, the timing of the cash flows and the discount rate. A change in any, or a combination, of the three key assumptions (estimated cash flows, discount rates or inflation rates), used to determine the provision could have a material impact to the carrying value of the provision.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**NOTE 25. UNEARNED REVENUE**

	2014 US\$M	2013 US\$M
<b>Non Current</b>		
Unearned revenue	200.0	200.0
<b>Total unearned revenue</b>	<b>200.0</b>	<b>200.0</b>

**Recognition and measurement**

Revenue from the long-term off-take agreement is a payment for future product to be delivered. Advance customer payments are unearned revenues at the time of receipt. When the product is delivered to the customer the unearned revenue will be released to the Income Statement on an undiscounted basis.

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.

**OTHER NOTES**

**NOTE 26. KEY MANAGEMENT PERSONNEL**

**Details of Key Management Personnel**

(i) Directors

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

(ii) Executives

Ms Gillian Swaby	Company Secretary and Executive General Manager – Corporate Services
Mr Dustin Garrow	Executive General Manager – Marketing
Mr Mark Chalmers	Executive General Manager – Production
Mr Alan Rule	Chief Financial Officer (resigned effective 30 June 2014)
Mr Craig Barnes	Chief Financial Officer (commenced on 5 May 2014. Appointment as Chief Financial Officer effective 1 July 2014)



**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**NOTE 26. KEY MANAGEMENT PERSONNEL (continued)**

**Compensation of Key Management Personnel: Compensation by Category**

	2014 US\$'000	2013 US\$'000
Short-term employee benefits	4,094	4,850
Post employment benefits	(11)	169
Long-term benefits	84	903
Share-based payment	792	1,594
	4,959	7,516

The average exchange rate used for the year to 30 June 2014 to translate the Australian dollar remuneration to Key Management Personnel was, US\$1 = A\$1.09006 (2013: US\$1 = A\$0.97471).

**NOTE 27. AUDITORS' REMUNERATION**

The auditor of the Paladin Energy Ltd Group is Ernst & Young.

	2014 US\$'000	2013 US\$'000
<i>Amounts received or due and receivable by Ernst &amp; Young (Australia) for:</i>		
• Audit or review of the financial report of the consolidated Group	527	563
• Other services	52	23
• Taxation services:		
Tax compliance services	53	101
International tax consulting	30	40
Tax advice on mergers and acquisitions	-	48
Other tax advice	10	139
Sub-total	672	914
<i>Amounts received or due and receivable by related practices of Ernst &amp; Young (Australia) for:</i>		
• Audit or review of the financial report of subsidiaries and audit related services	143	188
• Taxation services:		
Tax compliance services	36	13
International tax consulting	5	140
Other	4	30
Sub-total	188	371

The level of non-audit related fees was driven by the tax compliance requirements of multiple jurisdictions and by the specialist advice requirements of potential acquisitions and group restructures.

Whilst always striving to meet the highest corporate governance standards, Paladin is also cognisant of the need to retain the value of the best available specialist advice. Paladin engaged Ernst & Young because of their specialised experience in both Africa and the mining sector and Ernst & Young's detailed understanding of the Paladin Group.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**NOTE 27. AUDITORS' REMUNERATION (continued)**

In terms of the Company's Corporate Governance Policy all non-audit services are reviewed and approved by the Audit Committee prior to commencement to ensure that they do not adversely affect the integrity and objectivity of the auditor and that the nature of the services provided does not compromise the Code of Ethics for Professional Accountants APES 110 issued by the Accounting Professional and Ethical Standards Board.

All non-audit services provided by Ernst & Young were allowable services that received the sign off of the audit partner confirming that, in his professional opinion, they do not in any way impair the independence of the firm. Where any service might be perceived to be subjective, Ernst & Young policy requires approval by the Oceania Independence and Conflicts Leader.

**NOTE 28. COMMITMENTS AND CONTINGENCIES**

There were no outstanding commitments or contingencies, which are not disclosed in the Financial Report of the Group as at 30 June 2014 other than:

	2014 US\$M	2013 US\$M
<b>Tenements</b>		
Commitments for tenements contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	2.6	1.0
Later than one year but not later than 5 years	6.4	6.0
More than 5 years	16.8	24.6
	<hr/>	<hr/>
Total tenements commitment	25.8	31.6

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

**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 5 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 30 June are as follows:

	2014 US\$M	2013 US\$M
Within one year	1.0	1.4
Later than one year but not later than 5 years	1.0	2.2
More than 5 years	-	-
	<hr/>	<hr/>
Total operating lease commitment	2.0	3.6

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**NOTE 28. COMMITMENTS AND CONTINGENCIES (continued)**

**Other Commitments**

Commitments for mining, transport and reagents contracted for at the reporting date but not recognised as liabilities, payable:

	<b>2014 US\$M</b>	<b>2013 US\$M</b>
Within one year	22.2	50.5
Later than one year but not later than 5 years	2.1	2.0
More than 5 years	-	-
Total other commitment	<u>24.3</u>	<u>52.5</u>

In relation to the Oobagooma Uranium Project, the Group holds a first ranking application for an exploration licence. The Group will pay AREVA Australia A\$0.37M (US\$0.35M) on final grant of the tenement. This payment was made in July 2014.

In relation to the Manyingee Uranium Project, the re-negotiated acquisition terms provide for a payment of A\$0.75M (US\$0.71M) (2013: A\$0.75M (US\$0.68M)) by the Group to the vendors when all project development approvals are obtained.

**Bank Guarantees**

As at 30 June 2014 the Group has outstanding US\$679,877 (A\$721,792) (2013: US\$959,302 / A\$1,050,387) as a current guarantee provided by a bank for the corporate office lease; a US\$248,199 (A\$263,500) (2013: US\$219,193 / A\$240,005) guarantee for tenements; a US\$103,612 (A\$110,000) (2013: Nil) guarantee for corporate credit cards, and a US\$10M (2013: US\$10M) KM environmental performance guarantee.

**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 ZAR276M (US\$26.0M). 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.

**NOTE 29. RELATED PARTIES**

**Key Management Personnel**

The only related party transactions are with Directors and Key Management Personnel. Refer to Note 26. Details of material controlled entities are set out in Note 31.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**NOTE 30. SHARE-BASED PAYMENT PLANS**

	<b>2014 US\$M</b>	<b>2013 US\$M</b>
Share-based payment expense	0.5	3.9

The share-based payment plans are described below.

**Types of Share-Based Payment Plans**

Employee Performance Share Rights Plan

The Employee Performance Share Rights Plan (Rights Plan) was approved by shareholders on 25 November 2009.

The Rights Plan is a long-term incentive plan aimed at advancing the interests of the Company by creating a stronger link between employee performance and reward and increasing shareholder value by enabling participants to have a greater involvement with, and share in the future growth and profitability of the Company. It is an important tool to assist in attracting and retaining talented people.

Share Rights are granted under the plan for no consideration. Share Rights are rights to receive fully paid ordinary shares in the capital of the Company (Shares) in the future if certain individual and/or corporate performance metrics (Performance Conditions) are met in the measurement period.

The Board is cognisant of general shareholder concern that long-term equity based reward for staff should be linked to the achievement by the Company of a performance condition. Share Rights granted under the Rights Plan are subject to performance conditions as determined by the Board from time to time.

The Share Rights issued are subject to a combination of Performance Conditions:-

- **Time-based Performance** conditions which prescribe a period of time that the employee must stay employed by the Company prior to automatic vesting.
- **The Total Shareholder Return (TSR)** measure which represents the change in the Company's Share price over the relevant period, plus dividends (if any) notionally reinvested in the Company's Shares, expressed as a percentage of the opening value.

The TSR of the Company from the date of the offer to the measurement date will be compared with the TSR of all mining companies in the ASX S&P 200 Index for the same period excluding, for such time as Paladin does not pay a dividend, all companies that paid a dividend during any year of the measurement period.

The number of Share Rights that vest depends on the TSR percentile ranking of the Company, as set out below:

<b>Relative TSR Percentile Ranking</b>	<b>Percentage of share rights that may vest if the relative TSR performance condition is met</b>
Less than 50 <sup>th</sup> percentile	0% of the Share Rights subject to the TSR condition
at 50 <sup>th</sup> percentile	50% of the Share Rights subject to the TSR condition
Greater than the 50 <sup>th</sup> percentile but less than the 75 <sup>th</sup> percentile	Pro-rated vesting between 51% and 99% of the Share Rights subject to the TSR condition
At 75 <sup>th</sup> percentile or greater	100% of the Share Rights subject to the TSR condition

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**NOTE 30. SHARE BASED PAYMENT PLANS (continued)**

**Types of Share-Based Payment Plans (continued)**

Employee Performance Share Rights Plan (continued)

- **The Market Price Performance condition** measures the increase in share price of the Company. Share Rights subject to the Market Price Performance Condition will vest if, at the end of the measurement period, the Share price of the Company is 25% above the market price as at the date of the offer.

The vesting schedule of the Share Rights subject to the EPS conditions is as follows:

<b>Average compound growth EPS over the performance period</b>	<b>Percentage of share rights that may vest if the EPS condition is met</b>
Less than 10% pa	0% of the Share Rights subject to the EPS condition
At 10% pa	50% of the Share Rights subject to the EPS condition
More than 10% pa but less than 20% pa	Pro-rated vesting between 51% and 99% of the Share Rights subject to the EPS condition
At 20% pa or greater	100% of the Share Rights subject to the EPS condition

When a participant ceases employment prior to the vesting of their Share Rights, the Share Rights lapse unless cessation of employment is due to retirement, total and permanent disablement, redundancy or death. In the event of a change of control all the Share Rights will vest.

Contractor Performance Share Rights Plan

The Company has also implemented a plan to reward a small number of key individual contractors, who provide similar services to employees. This plan and the Rights Plan applicable to employees, as detailed above, differ only in respect of the class of individuals who are eligible for participation. This Plan was approved by shareholders on 25 November 2009.

One-Time Issue of Share Rights

A number of management personnel agreed to a 10% reduction in salary and fees. This reduction in fees and salaries will remain in place until certain market conditions are met, at which point they will return to their pre-adjusted rates. To compensate, individuals (other than directors) were offered a choice of a one-time issue of shares, share rights, additional leave or an option of reduced working hours, to the value of the 12 months of their reduction in salary.

**Summaries of Performance Share Rights Granted Under the Rights Plans**

The following table illustrates the number (No.) of and movements in share rights issued during the year:

	<b>2014 No.</b>	<b>2013 No.</b>
Outstanding at the beginning of the year	3,358,957	6,885,882
Granted during the year <sup>(1)</sup>	1,671,104	-
Forfeited during the year	(1,307,162)	(1,809,075)
Vested during the year <sup>(2)</sup>	(1,643,805)	(1,717,850)
Outstanding at the end of the year	2,079,094	3,358,957

<sup>(1)</sup> 240,690 rights were granted under the Contractor Performance Share Rights Plan (2013: nil).

<sup>(2)</sup> The weighted average share price at the vesting date is A\$0.48 (2013: A\$1.21).

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**NOTE 30. SHARE BASED PAYMENT PLANS (continued)**

**Types of Share-Based Payment Plans (continued)**

The outstanding balance as at 30 June 2014 is represented by:

<b>Date rights granted</b>	<b>Vesting date</b>	<b>Vesting Performance Conditions</b>	<b>Number</b>
5 November 2010	5 November 2014	Relative total shareholder return	250,000
2 April 2012	1 September 2014	Time based	398,850
2 April 2012	1 September 2014	Relative total shareholder return	279,080
2 April 2012	1 September 2014	Market price	418,620
15 November 2013	14 November 2014	Time based	732,544
<b>Total</b>			<b>2,079,094</b>

Please refer to Outstanding Share Information table in the Management Discussion & Analysis for movements since the year end.

**Weighted Average Remaining Contractual Life**

The weighted average remaining contractual life for the share rights outstanding as at 30 June 2014 is 0.3 years (2013: 0.7 years).

**Weighted Average Fair Value**

The weighted average fair value of share rights granted during the year was A\$0.41 (2013: N/A).

Contractor Performance Share Rights Plan (continued)

**Rights Pricing Model**

The fair value of the equity-settled share rights granted under the plan is estimated as at the date of grant using either the Black-Scholes valuation model for rights with non-market based performance conditions (time based and EPS) or the Monte-Carlo simulation model for rights that contained a market based performance condition (TSR and market price).

**Recognition and measurement**

Share-based compensation benefits are provided to employees via the Employee Performance Share Rights Plan and the Contractor Performance Share Rights Plan (Rights Plans).

The fair value of rights granted under the Rights Plans is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the rights.

The fair value of rights at grant date is independently determined using the Black-Scholes valuation model that takes into account the exercise price, the term of the option or right, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the right, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the right. The Monte-Carlo model is used to model the future value of the Company's shares and the movement of the comparator companies' Total Shareholder Return (TSR) on the various vesting dates associated with vesting requirements of the rights.

The rights with a non-market based performance condition (time based and EPS) were valued using a Black-Scholes valuation model. The rights that contained a market based performance condition (TSR and market price) were valued using a Monte-Carlo simulation model.

Non-market vesting conditions are included in assumptions about the number of rights that are expected to become exercisable or granted. At each balance date, the entity revises its estimate of the number of rights that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**NOTE 30. SHARE BASED PAYMENT PLANS (continued)**

**Types of Share-Based Payment Plans (continued)**

Upon the conversion of rights, the balance of the share-based payments reserve relating to those rights is transferred to share capital.

**Significant Estimates and Assumptions**

The Group measures the cost of equity-settled transactions with other parties by reference to the fair value of the goods or services received. Where the fair value of the goods or services cannot be reliably determined, or where the goods or services cannot be identified, the Group measures the cost of the transaction by reference to the fair value of the equity instruments granted.

**NOTE 31. GROUP INFORMATION**

	<b>2014 US\$M</b>	<b>2013 US\$M</b>
<b>Information Relating to Paladin Energy Ltd</b>		
Current assets	205.6	85.1
Total assets	1160.8	1,388.5
Current liabilities	9.5	11.8
Total liabilities	765.4	755.1
Issued capital	1,926.9	1,845.7
Retained earnings	(1,665.3)	(1,348.1)
Option application reserve	0.1	0.1
Share-based payments reserve	47.6	50.2
Available-for-sale investment revaluation reserve	0.6	-
Convertible bond non distributable reserve	85.5	85.5
Total shareholders' equity	395.4	633.4
Net loss after tax from operations	(317.2)	(440.0)
Total comprehensive loss	(316.6)	(440.5)

**Details of Any Guarantees Entered Into by the Parent in Relation to the Debts of its Subsidiaries**

As part of the Project Finance Facility for the construction of KM, Paladin has provided a guarantee for the loan outstanding to the lenders.

**Details of Any Contingent Liabilities of the Parent Entity**

Paladin has provided the following guarantees:

- i. Guarantee of US\$35.9M for the LHM Environmental Trust Fund.

**Details of Any Contractual Commitments by the Parent Entity for the Acquisition of Property, Plant and Equipment**

There are no contractual commitments by the parent entity for the acquisition of property, plant and equipment as at reporting date.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 30 JUNE 2014**

**NOTE 31. GROUP INFORMATION (continued)**

**Tax Consolidation**

Paladin and its 100% owned Australian resident subsidiaries formed a tax consolidated group (the Group) with effect from 1 July 2003. Paladin is the head entity of the Group. Members of the Group have entered into a tax-sharing agreement that provides that the head entity will be liable for all taxes payable by the Group from the consolidation date. The parties have agreed to apportion the head entity's taxation liability within the Group based on each contributing member's share of the Group's taxable income and losses.

**Investments in Material Controlled Entities**

NAME	COUNTRY OF INCORPORATION	PERCENTAGE INTEREST HELD	
		2014 %	2013 %
Paladin Finance Pty Ltd	Australia	100	100
Paladin Energy Minerals NL	Australia	100	100
PEM Malawi Pty Ltd	Australia	100	100
Eden Creek Pty Ltd	Australia	100	100
Paladin Asset Management Pty Ltd	Australia	100	100
Paladin (Africa) Limited	Malawi	85	85
Kayelekera Holdings SA	Switzerland	100	100
Paladin Netherlands BV	Netherlands	100	100
Paladin Netherlands Holdings Cooperatief U.A.	Netherlands	100	100
Langer Heinrich Mauritius Holdings Ltd	Mauritius	75	100
Langer Heinrich Uranium (Pty) Ltd	Namibia	75	100
Valhalla Uranium Pty Ltd	Australia	100	100
Northern Territory Uranium Pty Ltd	Australia	100	100
Mount Isa Uranium Pty Ltd	Australia	100	100
Paladin Nuclear Ltd	Australia	100	100
Summit Resources Ltd	Australia	82	82
Summit Resources (Aust) Pty Ltd	Australia	82	82
Pacific Mines Pty Ltd	Australia	82	82
Paladin NT Pty Ltd	Australia	100	100
Fusion Resources Pty Ltd	Australia	100	100
NGM Resources Pty Ltd	Australia	100	100
Indo Energy Ltd	B.V.I.	100	100
Paladin Energy Canada Ltd	Canada	100	100
Michelin Uranium Ltd	Canada	100	100
Paladin Canada Investment (NL) Ltd	Canada	100	100
Paladin Canada Holdings (NL) Ltd	Canada	100	100
Aurora Energy Ltd	Canada	100	100

All investments comprise ordinary shares and all shares held are unquoted, with the exception of Summit's shares, which are quoted on the ASX and Paladin Netherlands Holdings Cooperatief U.A. which issues membership equity.

Financial information of subsidiaries that have material non-controlling interests is provided below:

**Proportion of equity interest held by non-controlling interests**

Name	COUNTRY OF OPERATION	2014 %	2013 %
Paladin (Africa) Limited (PAL)	Malawi	15	15
Summit Resources Ltd (SRL)	Australia	18	18
Langer Heinrich Mauritius (LHM)	Mauritius	25	-



**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 30 JUNE 2014**

**NOTE 31. GROUP INFORMATION (continued)**

On 28 June 2014 the Group disposed of 25% of the ownership interests of Langer Heinrich Mauritius Holdings Limited (LHM). Following the disposal, the Group still controls LHM and retains 75% of the ownership interests. The transaction has been accounted for as an equity transaction with non-controlling interests (NCI), resulting in the following:

	<b>US\$M</b>
Proceeds from sale of 25% ownership interest	190.0
Net assets attributable to NCI	(31.3)
Loan attributable to NCI	(96.0)
Increase in equity attributable to parent	62.7
Represented by:	
Increase in Consolidation Reserve	62.7

	<b>2014 US\$M</b>	<b>2013 US\$M</b>
<b>Accumulated balances of material non-controlling interest</b>		
Paladin (Africa) Limited	(83.9)	(80.1)
Summit Resources Ltd	30.6	71.5
Langer Heinrich Mauritius	30.8	-
<b>Profit/(loss) allocated to material non-controlling interest</b>		
Paladin (Africa) Ltd	(10.6)	(52.9)
Summit Resources Ltd	(40.7)	(0.1)
Langer Heinrich Mauritius	-	-

The summarised financial information of these subsidiaries is provided below. This information is based on amounts before intercompany eliminations.

**Summarised income statement for the year ended 30 June 2014**

	<b>LHM US\$M</b>	<b>PAL US\$M</b>	<b>SRL US\$M</b>
Revenue	207.2	121.9	0.2
Cost of Sales	(212.5)	(182.0)	-
Impairment of assets/exploration	-	-	(323.6)
Finance costs	(13.0)	(8.2)	-
Other expenses	(7.8)	(5.8)	(0.9)
<b>Profit before tax</b>	<b>(26.1)</b>	<b>(74.1)</b>	<b>(324.3)</b>
Income tax	10.7	-	97.1
<b>Profit after tax</b>	<b>(15.4)</b>	<b>(74.1)</b>	<b>(227.2)</b>
<b>Total comprehensive income</b>	<b>(15.4)</b>	<b>(74.1)</b>	<b>(228.1)</b>
Attributable to non-controlling interests	-	(10.6)	(40.9)
Dividends paid to non-controlling interests	-	-	-

**Summarised income statement for the year ended 30 June 2013**

	<b>PAL US\$M</b>	<b>SRL US\$M</b>
Revenue	145.7	0.2
Cost of Sales	(169.3)	-
Impairment of assets/exploration	(237.9)	-
Finance costs	(19.2)	-
Other expenses	(9.7)	(0.9)
<b>Profit before tax</b>	<b>(290.4)</b>	<b>(0.7)</b>
Income tax	(85.0)	-
<b>Profit after tax</b>	<b>(375.4)</b>	<b>(0.7)</b>
<b>Total comprehensive income</b>	<b>(375.4)</b>	<b>(45.1)</b>
Attributable to non-controlling interests	(52.9)	(8.1)
Dividends paid to non-controlling interests	-	-

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**NOTE 31. GROUP INFORMATION (continued)**

**Summarised statement of financial position as at 30 June 2014**

	<b>LHM US\$M</b>	<b>PAL US\$M</b>	<b>SRL US\$M</b>
Current assets	112.0	47.0	2.5
Non current assets	579.3	127.2	236.7
Current liabilities	(45.4)	(126.6)	(0.1)
Non current liabilities	(522.9)	(606.7)	(71.8)
<b>Total equity</b>	<b>123.0</b>	<b>(559.1)</b>	<b>167.3</b>
Attributable to:			
-Equity holders of parent	92.2	(475.2)	136.7
-Non-controlling interest	30.8	(83.9)	30.6

**Summarised statement of financial position as at 30 June 2013**

	<b>PAL US\$M</b>	<b>SRL US\$M</b>
Current assets	140.2	3.3
Non current assets	196.4	562.5
Current liabilities	(156.3)	(0.4)
Non current liabilities	(669.3)	(169.4)
<b>Total equity</b>	<b>(489.0)</b>	<b>396.0</b>
Attributable to:		
-Equity holders of parent	(408.9)	324.5
-Non-controlling interest	(80.1)	71.5

**Summarised statement of cash flow for the year ended 30 June 2014**

	<b>PAL US\$M</b>	<b>SRL US\$M</b>
Operating	25.1	(0.4)
Investing	(6.8)	(0.2)
Financing	(26.1)	-
<b>Net decrease in cash and cash equivalents</b>	<b>(7.8)</b>	<b>(0.6)</b>

**Summarised statement of cash flow for the year ended 30 June 2013**

	<b>PAL US\$M</b>	<b>SRL US\$M</b>
Operating	1.4	(0.5)
Investing	(8.4)	(0.9)
Financing	6.2	-
<b>Net decrease in cash and cash equivalents</b>	<b>(0.8)</b>	<b>(1.4)</b>

**NOTE 32. EVENTS AFTER THE BALANCE DATE**

Other than disclosed below, since the end of the financial year, 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 years with the exception of the following, the financial effects of which have not been provided for in the 30 June 2014 Financial Report:

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

On 23 July 2014, the Company announced the settlement of the sale of 25% interest in its flagship Langer Heinrich mining operation in Namibia to CNNC Overseas Uranium Holding Limited, a wholly-owned subsidiary of CNNC, the leading Chinese nuclear utility, for consideration of US\$190M. The sale was subject to a number of conditions precedent, which were met in full by 30 June 2014, and accordingly the sale has been accounted for at 30 June 2014.

The offtake component of the agreement allows CNNC to purchase its pro-rata share of product from Langer Heinrich at the prevailing market spot price.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**NOTE 32. EVENTS AFTER THE BALANCE DATE (continued)**

**Successful Refinancing of Langer Heinrich Facility**

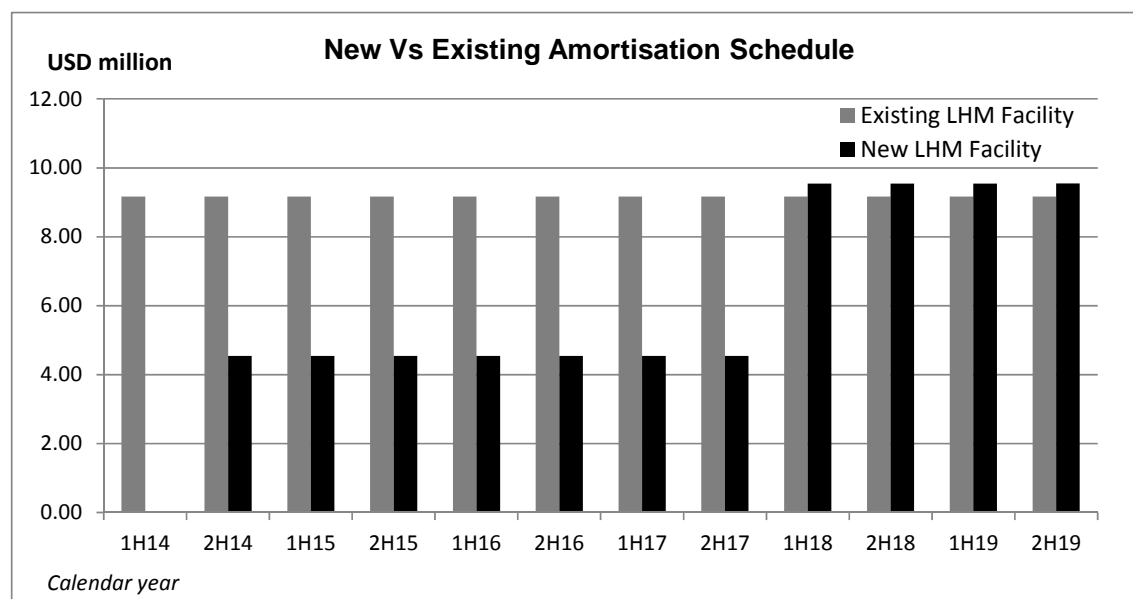
In summary

- Facility reduced to US\$70M.
- US\$32M reduction in debt repayments over 2014 to 2017 calendar years.
- Langer Heinrich debt repayments reduced by US\$9.2M per annum to 2018.
- Additional positive cash flow implications to the January 2014 refinancing.

On 23 July 2014, the Company announced it had entered into agreements with its existing lenders to refinance the LHM project finance facility. The facility was drawn down in conjunction with financial close of the LHM minority sale.

Paladin has refinanced the existing US\$110M project finance facility and US\$20M working capital facility into a new US\$70M syndicated loan facility. Proceeds from the LHM minority sale were utilised to prepay US\$30.8M of the existing facility, taking the outstanding balance to US\$70M.

This new facility will provide significant cash flow benefits and further strengthens Paladin's financial position. As shown below, the annual principal repayments will reduce by US\$32.4M over the first 3.5 years of the facility, from US\$18.3M per annum to US\$9.1M per annum, with the first repayment of US\$4.6M not due until December 2014.



The Borrower of the new facility remains PFPL. The new facility is security light with Langer Heinrich Mauritius Holdings Limited and LHUPL providing no guarantees or security over the project assets. The facility will also have a financial covenant holiday for the first four 6-monthly calculations periods commencing 31 December 2014.

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

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**NOTE 33. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS**

**Accounting Standards and Interpretations issued but not yet effective**

The following Australian Accounting Standards that have recently been issued or amended but are not yet effective are relevant to the Group but have not been applied by the Group for the annual reporting period ending 30 June 2014:

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 9/IFRS 9	Financial Instruments	<p>On 24 July 2014 The IASB issued the final version of IFRS 9 which replaces IAS 39 and includes a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.</p> <p>IFRS 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. The own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments.</p> <p>The final version of IFRS 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.</p> <p>The AASB is yet to issue the final version of AASB 9. A revised version of AASB 9 (AASB 2013-9) was issued in December 2013 which included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.</p> <p>AASB 9 includes requirements for a simplified approach for classification and measurement of financial assets compared with the requirements of AASB 139.</p> <p>The main changes are described below.</p> <ol style="list-style-type: none"> <li>a. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.</li> <li>b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</li> <li>c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</li> <li>d. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: <ul style="list-style-type: none"> <li>▶ The change attributable to changes in credit risk are presented in other comprehensive income (OCI)</li> <li>▶ The remaining change is presented in profit or loss</li> </ul> </li> </ol> <p>AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss.</p> <p>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E.</p>	1 January 2018	1 July 2018

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**NOTE 33. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (continued)**

**Accounting Standards and Interpretations issued but not yet effective (continued)**

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 2014-1 Part A -Annual Improvements 2010–2012 Cycle	Amendments to Australian Accounting Standards - Part A Annual Improvements to IFRSs 2010–2012 Cycle	<p>AASB 2014-1 Part A: This standard sets out amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs) <i>Annual Improvements to IFRSs 2010–2012 Cycle</i> and <i>Annual Improvements to IFRSs 2011–2013 Cycle</i>.</p> <p>Annual Improvements to IFRSs 2010–2012 Cycle addresses the following items:</p> <ul style="list-style-type: none"> <li>▶ AASB 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'.</li> <li>▶ AASB 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to AASB 137.</li> <li>▶ AASB 8 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' asset to the entity's total assets.</li> <li>▶ AASB 116 &amp; AASB 138 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts.</li> <li>▶ AASB 124 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of AASB 124 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.</li> </ul>	1 July 2014	1 July 2014
AASB 2013-3	Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets	AASB 2013-3 amends the disclosure requirements in AASB 136 Impairment of Assets. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.	1 January 2014	1 July 2014
AASB 2013-9	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	<p>The Standard contains three main parts and makes amendments to a number Standards and Interpretations.</p> <p>Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1.</p> <p>Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards.</p> <p>Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 <i>Hedge Accounting</i> into AASB 9 <i>Financial Instruments</i>.</p>	^	^

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**NOTE 33. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (continued)**

**Accounting Standards and Interpretations issued but not yet effective (continued)**

Reference	Title	Summary	Application date of standard*	Application date for Group*
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.	1 January 2016	1 July 2016
IFRS 15 ****	Revenue from Contracts with Customers	In May 2014, the IASB issued IFRS 15 <i>Revenue from Contracts with Customers</i> , which replaces IAS 11 <i>Construction Contracts</i> , IAS 18 <i>Revenue</i> and related Interpretations (IFRIC 13 <i>Customer Loyalty Programmes</i> , IFRIC 15 <i>Agreements for the Construction of Real Estate</i> , IFRIC 18 <i>Transfers of Assets from Customers</i> and SIC-31 <i>Revenue—Barter Transactions Involving Advertising Services</i> )  The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:  (a) Step 1: Identify the contract(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the performance obligations in the contract (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation  Early application of this standard is permitted.	1 January 2017	1 July 2017

\* Designates the beginning of the applicable annual reporting period unless otherwise stated.

^ The application dates of AASB 2013-9 are as follows:

Part A – periods ending on or after 20 Dec 2013

Application date for the Group: period ending 30 June 2014

Part B - periods beginning on or after 1 January 2014

Application date for the Group: period beginning 1 July 2014

Part C - reporting periods beginning on or after 1 January 2015

Application date for the Group: period beginning 1 July 2015

The potential effect of these Standards is yet to be fully determined. For Standards and Interpretations effective from 1 July 2014, it is not expected that the new Standards and Interpretations will significantly affect the Group's financial performance.

## 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 Paladin Energy Ltd are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 3;
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2014.

On behalf of the Board



Mr John Borshoff  
Managing Director/CEO  
Perth, Western Australia  
28 August 2014



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 GPO Box M939 Perth WA 6843

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## Independent auditor's report to the members of Paladin Energy Ltd

### Report on the financial report

We have audited the accompanying financial report of Paladin Energy Ltd, which comprises the consolidated statement of financial position as at 30 June 2014 and 30 June 2013, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for each of the years then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial years.

### Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

### Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian and International Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Independence

In conducting our audit 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.





## Opinion

In our opinion:

- a) the financial report of Paladin Energy Ltd is in accordance with the Corporations Act 2001, including:
  - i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and 30 June 2013 and of its performance for each of the years ended on those dates; and
  - ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

## Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## Opinion

In our opinion the Remuneration Report of Paladin Energy Ltd for the year ended 30 June 2014 complies with section 300A of the Corporations Act 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  
28 August 2014

## ADDITIONAL INFORMATION

Pursuant to the Listing Requirements of ASX as at 22 August 2014:

- (a) Distribution and number of holders

Range	Total Holders	No. of Shares
1 - 1,000	9,349	4,850,583
1,001 - 5,000	10,265	27,595,625
5,001 - 10,000	3,659	29,203,084
10,001 - 100,000	4,945	153,999,174
100,001 - maximum	580	748,718,818
	<b>28,798</b>	<b>964,367,284</b>

10,580 shareholders hold less than a marketable parcel of shares.

- (b) The twenty largest shareholders hold 60.91% of the total shares issued.

Holder	No. of Shares	%
CDS & Co	164,880,916	17.10
Citicorp Nominees Pty Limited	123,001,661	12.75
HSBC Custody Nominees (Australia) Limited	95,342,436	9.89
JP Morgan Nominees Australia Limited	58,154,384	6.03
CEDE & Co	36,472,984	3.78
National Nominees Limited	25,079,968	2.60
Mr J Borshoff*	16,081,794	1.67
HSBC Custody Nominees (Australia) Limited - A/C 3	16,030,178	1.66
BNP Paribas Noms Pty Ltd <DRP>	6,949,768	0.72
ABN AMRO Clearing Sydney Nominees Pty Ltd <Custodian A/C>	6,921,731	0.72
UBS Wealth Management Australia Nominees Pty Ltd	6,186,415	0.64
Mr R Crabb*	5,181,528	0.54
Brispot Nominees Pty Ltd <House Head Nominee No 1 A/C>	4,896,785	0.51
Ms Seng Bee Teoh + Mr Sin Mong Wong	4,815,881	0.50
QIC Limited	3,384,682	0.35
Comsec Nominees Pty Limited	3,023,704	0.31
Zero Nominees Pty Ltd	3,000,000	0.31
Grandor Pty Ltd <Mark Scott Family P/F A/C>	2,994,772	0.31
Bainpro Nominees Pty Limited	2,653,456	0.28
CS Fourth Nominees Pty Ltd	2,354,225	0.24
	<b>587,407,268</b>	<b>60.91</b>

\* Aggregates all associated holdings

Substantial shareholders as disclosed in substantial shareholder notices given to the Company are as follows:

GIC Private Limited (formerly known as "Government of Singapore Investment Corporation Pte Ltd")	74,281,934
UBS AG and its related bodies corporate	61,887,621

- (c) Voting rights

### Ordinary Shares

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

### Share Rights

There are no voting rights attached to share rights.

- (d) Securities Subject to Voluntary Escrow

There are 888,560 ordinary fully paid shares subject to voluntary escrow with a release date of 14 November 2014.

- (e) Unquoted securities

### Unlisted Share Rights

The Company has 2,079,094 share rights on issue, issued in accordance with the Share Rights Plan approved by shareholders in November 2012. The number of beneficial holders of share rights totals 106.

## ADDITIONAL INFORMATION (continued)

### Tenements held

#### URANIUM PROJECTS

#### NAMIBIA – AFRICA

Project	Tenements	Interest %	JV Partner/s	Operator	Note
Langer Heinrich	1 MLI	100.00%	-	LHU	1
Gawib	1 MLI (A)	100.00%	-	LHU	1

#### NIGER – AFRICA

Tagait 4	1 EPL	100.00%	-	IEL	
Terzemazour 1	1 EPL	100.00%	-	IEL	
Toulouk 1	1 EPL	100.00%	-	IEL	
Ekazan 1	1 EPL (A)	100.00%	-	IEL	

#### MALAWI – AFRICA

Kayelekera	1 MLI	100.00%	-	PAL	2
Chilumba	1 EPL (A)	100.00%	-	PAL	2
Chilongo	1 EPL (A)	100.00%	-	PAL	2
Mpata	1 EPL (A)	100.00%	-	PAL	2
Mapambo	1 EPL	100.00%	-	PAL	2
Ngana	1 EPL (A)	100.00%	-	PAL	2

#### LABRADOR/NEWFOUNDLAND – CANADA

Central Mineral Belt	31 MLC	100.00%	-	AUR	
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#### QUEENSLAND

Isa North	5 EPMs	82.08%	(see Note 4)	SRA	3,4
	4 MDLs (A)	82.08%	(see Note 4)	SRA	3,4
Valhalla North	1 EPM	100.00%	-	FSN	
	2 MDLs (A)	100.00%	-	FSN	

#### NORTHERN TERRITORY

Angela and Pamela	1 EL	100.00%	-	PDN	
	1 EL (A)	100.00%	-	PDN	
Bigrlyi	12 ELRs	41.71%	) Energy Metals Limited	EME	
	11 MCs (A)	41.71%	) Southern Cross Exploration NL	EME	
	2 MLs (A)	41.71%	)	EME	
Walbiri	1 ELR	58.13%	Energy Metals Limited	EME	
Malawiri	1 ELR	47.96%	Energy Metals Limited	EME	
Minerva	12 ELRs (A)	100.00%		NTU	
Beatrice South	1 EL (A)	33.33%	Afmeco Mining and Exploration Pty Ltd	Afmeco	
Mount Gilruth	1 EL (A)	33.33%	Afmeco Mining and Exploration Pty Ltd	Afmeco	

## ADDITIONAL INFORMATION (continued)

### Tenements held (continued)

#### WESTERN AUSTRALIA

Manyingee	3 MLs	100.00%	-	PEM
Spinifex Well	1 EL	100.00%	-	PEM
Oobagooma	1 EL (A)	100.00%	-	PEM

#### SOUTH AUSTRALIA

Project	Tenements	Interest %	JV Partner/s	Operator	Note
Petermorra	1 EL	20.00%	Quasar Resources Pty Ltd	Quasar	
Mt Yerila	1 EL	15.00%	Quasar Resources Pty Ltd J E Risinger	Quasar	

#### NON-URANIUM PROJECTS

#### QUEENSLAND

**Western Isa Joint Venture** (See Note 4)  
(Summit Resources (Aust) Pty Ltd, Pacific Mines Pty Ltd)

Isa South	6 EPMs	20.00%	Aeon Metals Limited	AML	5
	1 EPM	18.00%	Aeon Metals Limited	AML	5
			Centaurus Metals Limited		
May Downs	3 EPMs	20.00%	Aeon Metals Limited	AML	5
Mount Kelly	1 EPM	20.00%	Aeon Metals Limited	AML	5
Constance Range	4 EPMs	20.00%	Aeon Metals Limited	AML	5

#### SOUTH AUSTRALIA

Reaphook JV	1 EL	7.50%	Perilya Limited Signature Resources NL	Perilya	
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## ADDITIONAL INFORMATION (continued)

### Tenements held (continued)

Operators	Paladin Equity (direct and indirect)	Note
AFMECO Afmeco Mining and Exploration Pty Ltd	0%	
AML Aeon Metals Limited	0%	
AUR Aurora Energy Ltd	100%	
EME Energy Metals Limited	0%	
FSN Fusion Resources Pty Ltd	100%	
IEL Indo Energy Ltd	100%	
LHU Langer Heinrich Uranium (Pty) Ltd	75%	1
MIU Mount Isa Uranium Pty Ltd	100%	
NTU Northern Territory Uranium Pty Ltd	100%	
PAC Pacific Mines Pty Ltd	100%	
PAL Paladin (Africa) Ltd	85%	2
PEM Paladin Energy Minerals NL	100%	
QUASAR Quasar Resources Pty Ltd	0%	
SRA Summit Resources (Aust) Pty Ltd	82.08%	3
PDN Paladin Energy Ltd		
PERILYA Perilya Limited	0%	

### Notes

1. Paladin holds an ultimate 75% interest in LHUPL with 25% held by CNNC.
2. Paladin holds 85% equity in PAL with 15% equity having been issued to the Government of Malawi pursuant to the terms of the Development Agreement for KM between the Government of Malawi, PAL and Paladin Energy Minerals NL.
3. Paladin's interest in these tenements is held by virtue of Paladin's 82.08% equity holding in Summit Resources Limited which in turn holds 100% equity interest in Summit Resources (Aust) Pty Ltd ("SRA") and Pacific Mines Pty Ltd.
4. The Valhalla and Skal uranium deposits lie within the Isa North tenement block within defined blocks of land (17km<sup>2</sup> and 10km<sup>2</sup> respectively) subject to the Isa Uranium Joint Venture between SRA (50% and Operator) and Mount Isa Uranium Pty Ltd (50%).
5. Aeon Metals Limited earned 80% equity in the Western Isa Joint Venture tenements through expenditure of A\$8M within three years of commencement (10 December 2007). SRA and Pacific Mines Pty Ltd have retained up to 20% equity in each of these tenements. Aeon Metals Limited were formally known as Aston Metals (Qld) Limited.

### Tenement Types

EL	Exploration Licence (Australia)
EPL	Exclusive Prospecting Licence (Africa)
EPM	Exploration Permit for Minerals (Australia)
ELR	Exploration Licence in Retention (Australia)
MC	Mineral Claim (Australia)
ML	Mining Lease (Australia)
MLI	Mining Licence (Africa)
MLC	Mineral Licence (Newfoundland/Labrador)
(A)	Pending Application

## ADDITIONAL INFORMATION (continued)

### LIST OF ABBREVIATIONS

A\$	Australian dollars	Ma	million years
bcm	bank cubic metres	MIK	multiple indicator kriging
BFS	bankable feasibility study	mm	millimetres
CCD	counter current decantation	MMI	mobile metal ion
DFS	definitive feasibility study	mSv	millisiverts
DIFR	disabling incident frequency rate	Mtpa	million tonnes per annum
ft	feet	NI 43-101	National Instrument 43-101 – <i>Standards of Disclosure for Mineral Projects</i> of the Canadian Securities Administrators
g	gram		
g/m <sup>3</sup>	grams per cubic metre	NOSA	National Occupational Safety Association
g/t	grams per tonne	NPV	net present value
hr	hours	OK	ordinary kriging
ISO	International Organisation for Standardisation	pa	per annum
ISR	in situ recovery	PAL	Paladin (Africa) Limited
JORC	Joint Ore Reserves Committee	PFS	pre-feasibility study
K	thousand	ppb	parts per billion
kg	kilogram	ppm	parts per million
kg/t	kilogram per tonne	QAQC	quality assurance and quality control
km	kilometres	QC	quality control
KM	Kayelekera Mine	RC	reverse circulation
km <sup>2</sup>	square kilometres	RIP	resin-in-pulp
kW	kilowatts	t	tonnes
lb	pounds	t/m <sup>3</sup>	tonnes per cubic metre
LHM	Langer Heinrich Mine	tpa	tonnes per annum
LHUPL	Langer Heinrich Uranium (Pty) Ltd	tph	tonnes per hour
LTI	lost time injury	U	uranium
LTIFR	lost time injury frequency rate	U <sub>3</sub> O <sub>8</sub>	uranium oxide
M	million	US\$	US dollars
Mlb	million pounds	w:o	waste to ore ratio
m	metres		

## ADDITIONAL INFORMATION (continued)

### SHAREHOLDER REPORTING TIMETABLE

**Please note the lodgement dates are deadlines  
and reports may be released early.**

#### Important Dates

#### 2014

31 October 2014	September Quarterly Activities Report (ASX)
13 November 2014	September Quarterly Financial Statements including MD&A (TSX)
14 November 2014	Conference Call and Investor Update (proposed date)
20 November 2014	Annual General Meeting to be held in Perth, Western Australia

#### 2015

30 January 2015	December Quarterly Activities Report (ASX)
12 February 2015	Half Yearly Financial Statements incorporating December Quarter and MD&A (Appendix 4D - ASX)
13 February 2015	Conference Call and Investor Update (proposed date)
30 April 2015	March Quarterly Activities Report (ASX)
14 May 2015	March Quarterly Financial Statements including MD&A (TSX)
15 May 2015	Conference Call and Investor Update (proposed date)
31 July 2015	June Quarterly Activities Report (ASX)
27 August 2015	Audited Annual Financial Statements for the year ended 30 June 2015 including MD&A (ASX/TSX) & (Appendix 4E - ASX)
28 August 2015	Conference Call and Investor Update (proposed date)
25 September 2015	Annual Information Form (TSX)
30 October 2015	September Quarterly Activities Report (ASX)
12 November 2015	September Quarterly Financial Statements including MD&A (TSX)
13 November 2015	Conference Call and Investor Update (proposed date)
19 November 2015	Annual General Meeting to be held in Perth, Western Australia

## CORPORATE DIRECTORY

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### Directors

#### Non-executive Chairman

Mr Rick Crabb

#### Managing Director/CEO

Mr John Borshoff

#### Non-executive Directors

Mr Sean Llewelyn

Mr Donald Shumka

Mr Peter Donkin

Mr Philip Baily

#### Registered Office

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#### Share Registries

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

Paladin Energy Ltd  
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 SUBIACO WA 6008

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the Company. All press releases, financial statements and other information are available on our website [www.paladinenergy.com.au](http://www.paladinenergy.com.au).

### Investor Relations

#### Australia – Corporate Office

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#### Auditors

Ernst & Young  
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 Perth Western Australia 6000

#### Stock Exchange Listings

Australian Securities Exchange  
 and Toronto Stock Exchange

Code: PDN

Munich, Berlin, Stuttgart  
 and Frankfurt Stock Exchanges

Code: PUR

Namibian Stock Exchange

Code: NM-PDN