



# PALADIN ENERGY LTD

ACN 061 681 098

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27 February 2018

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

By Electronic Lodgement

Dear Sir/Madam

## **31 December 2017 Half Year Financial Report**

Attached please find Half Year Financial Report for the six months ended 31 December 2017 including News Release, Appendix 4D, Management Discussion and Analysis, Interim Financial Statements and Certifications as required in accordance with Canadian reporting requirements. Additionally the Half Year Report includes an Independence Declaration and Review Opinion from the Company's Auditors.

Yours faithfully  
Paladin Energy Ltd

**RANKO MATIĆ**  
**Company Secretary**



# PALADIN ENERGY LTD

ACN 061 681 098

## NEWS RELEASE

### FINANCIAL REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

Perth, Western Australia – 27 February 2018: Paladin Energy Ltd (“Paladin” or “the Company”) (ASX:PDN) announces the release of its consolidated financial report for the half-year reporting period ended 31 December 2017. The condensed consolidated financial report is appended to this News Release.

#### HIGHLIGHTS

*References below to 2017 and 2016 are to the equivalent six months ended 31 December 2017 and 2016 respectively.*

#### Operations

- Langer Heinrich Mine (LHM) produced 1.714Mlb U<sub>3</sub>O<sub>8</sub> for the six months ended 31 December 2017, down 31% from 2016.
  - Production and unit costs impacted by mining curtailment plan implemented November 2016.
  - Ore milled of 1,741,382t, down 6% vs. 2016.
  - Average plant feed grade of 508ppm U<sub>3</sub>O<sub>8</sub>, down 27% vs. 2016.
  - Overall recovery of 87.9%, largely unchanged from 2016.
  - C1 cash cost of production<sup>(1)</sup> for 2017 of US\$23.11/lb, up 42% vs. 2016.

#### Sales and revenue

- Sales revenue of US\$36,893,000 for 2017, selling 1.691Mlb U<sub>3</sub>O<sub>8</sub>.
- Average realised uranium sales price for 2017 was US\$21.82/lb U<sub>3</sub>O<sub>8</sub> compared to the average TradeTech weekly spot price for the period of US\$21.46/lb U<sub>3</sub>O<sub>8</sub>.

#### Profitability

- Gross loss for 2017 of US\$17,410,000 compared to a gross loss for 2016 of US\$17,816,000.
- Underlying EBITDA<sup>(2)</sup> for 2017 of negative US\$33,000, a US\$5,674,000 deterioration from an underlying EBITDA of US\$5,641,000 for 2016.
- Underlying all-in cash expenditure<sup>(3)</sup> per pound of uranium production for 2017 was US\$31.24/lb, an increase of 10% compared to 2016 of US\$28.38/lb.

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

<sup>2</sup> EBITDA = The Company's Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) represents profit before finance costs, taxation, depreciation and amortisation, impairments, foreign exchange gains/losses, restructure costs and other income. EBITDA, which is non-IFRS information, is a widely used 'industry standard' term.

<sup>3</sup> Underlying All-In Cash Expenditure = total cash cost of production plus non-production costs, capital expenditure, KM care & maintenance expenses, corporate costs, exploration costs and debt servicing costs and mandatory repayments, excluding one-off restructuring and non-recurring costs. Underlying All-In Cash Expenditure, which is a non-IFRS measure, is widely used in the mining industry as a benchmark to reflect operating performance.

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## Corporate

- **Appointment of administrators:** On 30 July 2017, Paladin appointed Administrators to Paladin and certain other related companies. The appointment followed the demand from Électricité de France (EdF) for the repayment of approximately US\$276,768,000 due to it on 10 July 2017 under the Long Term Supply Contract.
- **New financing facility:** On 21 July 2017, Paladin entered into agreements with Deutsche Bank AG, London Branch (Deutsche Bank) to fund working capital for LHM, refinance the Nedbank Revolving Credit Facility and meet the general corporate working capital requirements of the Paladin Group. Under the agreements Deutsche Bank acquired the existing Nedbank Revolving Credit Facility and increased the size of the facility from US\$20,000,000 to US\$60,000,000 (Deutsche Bank Facility). Under the terms of the Deutsche Bank Facility, LHM drew down US\$45,000,000 for its working capital (including the US\$20,000,000 already drawn) and Paladin and Paladin Finance Pty Ltd drew down US\$15,000,000 to fund the working capital requirements of the Group.
- **TSX delisting:** The TSX delisted Paladin's shares effective at the close of market on 10 August 2017. The delisting was imposed for failure by Paladin to meet the continued listing requirements of the TSX and the Administrators have transferred the TSX register to the ASX.
- **EdF Long Term Supply Contract terminated:** On 13 October 2017, EdF terminated the Long Term Supply Contract on the basis that Paladin had failed to repay approximately US\$276,768,000 by 9 October 2017, being the due date for cure of the default.
- **Proposed Restructure:** Since the Administrators were appointed, a group of Paladin's Bondholders organised themselves into an ad-hoc committee and, together with their advisers, presented a proposed capital restructure of Paladin (Proposed Restructure) to the Administrators and sought to garner the support of the remaining creditors. On 30 November 2017, the Administrators issued their report to creditors pursuant to section 439A of the Australian Corporations Act. The Administrators provided their opinion that, having considered the alternatives available to creditors and the fact that the only proposal received at the time of the report was the Proposed Restructure, it was in creditors' interests for Paladin to enter into a deed of company arrangement (DOCA) to execute the Proposed Restructure.
- **DOCA approved and executed:** On 7 December 2017, at the second meeting of creditors of Paladin convened under section 439A of the Australian Corporations Act, the creditors of Paladin resolved to execute the proposed DOCA and it was executed by the Administrators on 8 December 2017.
- **EdF's claims sold:** On 21 December 2017, EdF's claims in respect of Paladin's obligations under the Long Term Supply Contract and the provision of security over its interests in the Michelin Project were sold to Deutsche Bank. Deutsche Bank has sold some or all of those claims to other third-party investors.
- **DOCA effectuated:** On 18 January 2018, the Supreme Court of New South Wales approved the transfer of Paladin shares to creditors and the DOCA was effectuated on 1 February 2018. In accordance with the DOCA, 98% of Paladin shares were transferred to creditors and other investors pursuant to section 444GA of the Corporations Act and 2% were retained by shareholders. In addition, the offer for US\$115,000,000 in new notes was fully subscribed and the new notes were issued.

## **Results**

*(References below to 2017 and 2016 are to the equivalent six months ended 31 December 2017 and 2016 respectively).*

### **Safety and sustainability**

The Company's 12 month moving average Lost Time Injury Frequency Rate<sup>(4)</sup> (LTIFR) increased to 3.1 as compared to 2.0 at the end of the last quarter. The 12 month moving average LTIFR for the previous year was 1.9.

Two Lost Time Injuries (LTI) were reported during the six months: a boilermaker twisted his ankle and suffered a hairline fracture and a process operator sustained an ankle injury when he twisted his ankle while disembarking from a ladder trolley.

The Company achieved 1,275 LTI free days at KM.

### **Langer Heinrich Mine (LHM)**

LHM produced 1,714Mlb U<sub>3</sub>O<sub>8</sub> for the six months ended 31 December 2017, down 31% from 2016 (2016: 2,500Mlb U<sub>3</sub>O<sub>8</sub>).

- Ore milled of 1,741,382t, down 6% vs. 2016.
- Average plant feed grade of 508ppm U<sub>3</sub>O<sub>8</sub>, down 27% vs. 2016.
- Overall recovery of 87.9%, largely unchanged from 2016.
- C1 cash cost of production for 2017 of US\$23.11/lb, up 42% vs. 2016.

### **Kayelekera Mine (KM) remains on care and maintenance**

- Activities at site focused on water treatment, discharge and monitoring.

### **Profit and Loss**

Total sales volume for 2017 was 1.691Mlb U<sub>3</sub>O<sub>8</sub> (2016: 2.125Mlb).

Sales revenue for 2017 decreased by 33% from US\$55,169,000 in 2016 to US\$36,893,000 in 2017, as a result of a 16% decrease in realised sales price and a 20% decrease in sales volume.

The average realised uranium sales price for 2017 was US\$21.82/lb U<sub>3</sub>O<sub>8</sub> (2016: US\$25.96/lb U<sub>3</sub>O<sub>8</sub>), compared to the TradeTech weekly spot price average for the period of US\$21.46/lb U<sub>3</sub>O<sub>8</sub>.

Gross loss for the period decreased by 2% from a gross loss of US\$17,816,000 in 2016 to a gross loss of US\$17,410,000 in 2017 due to a 16% decrease in realised sales price, a 20% decrease in sales volume, and an inventory write-down of US\$16,576,000 (2016: US\$22,306,000), which was partially offset by a 26% decrease in cost of sales.

Inventory write-downs of US\$16,576,000 were recognised in 2017 (2016: US\$22,306,000).

Write-downs comprise of a US\$4,841,000 write-down of LHM ore stockpiles, US\$3,934,000 write-down of LHM product-in-circuit and a US\$7,801,000 write-down of finished goods due to low uranium prices.

Net loss after tax attributable to members of the Parent for 2017 of US\$52,142,000 (2016: Net loss US\$45,996,000).

Underlying EBITDA has deteriorated by US\$5,674,000 for the period from an underlying EBITDA of US\$5,641,000 for 2016 to negative US\$33,000 for 2017.

<sup>4</sup> All frequency rates are per million personnel hours

### Cash flow

The Group's principal source of liquidity as at 31 December 2017, was cash of US\$26,902,000 (30 June 2016: US\$11,502,000). 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\$17,274,000 is held in US dollars.

Cash outflow from operating activities was US\$23,867,000 in 2017 (2016: outflow US\$40,951,000), primarily due to payments to suppliers and employees of US\$55,668,000, net interest paid of US\$4,309,000 and exploration and evaluation expenditure of US\$1,210,000, which were partially offset by receipts from customers of US\$36,960,000 and other income of US\$360,000.

Cash outflow from investing activities for 2017 was US\$667,000 (2016: US\$1,254,000):

- Plant and equipment acquisitions of US\$820,000
- Capitalised exploration expenditure of US\$47,000
- Partially offset by the proceeds from the sale of property, plant and equipment of US\$200,000.

Cash inflow from financing activities was US\$40,000,000 in 2017 (2016: inflow US\$9,576,000), was attributable to the drawdown of US\$60,000,000 under the Deutsche Bank Facility, which was partially offset by the repayment of the US\$20,000,000 LHM secured Revolving Credit Facility.

### Cash position

At 31 December 2017, the Group's cash and cash equivalents were US\$26,902,000.

*The documents comprising the condensed consolidated interim financial report for the half-year reporting period ended 31 December 2017, including 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).*

### **Company strategy**

Paladin's current strategy is based around four key elements, including:

- We are maximising operating cash flows from LHM through optimisation and cost reduction initiatives whilst preserving the integrity of the long-term mine plan.
- Our exploration business and KM are being maintained on a minimal expenditure and care and maintenance basis until such time as the uranium price recovers substantially.
- Corporate costs and administrative expenses are minimised.
- We are committed to maintaining a capital structure that is sustainable for the uranium price environment.

Through the combination of our focussed strategy, the quality of our asset base and more importantly, the quality of the Paladin team implementing the strategy, the post-restructure Company is well positioned to take advantage of evolving conditions in the uranium market.

## GENERALLY ACCEPTED ACCOUNTING PRACTICE

*The news release includes non-GAAP performance measures: C1 cost of production, EBITDA, 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.*

## CONTACTS

For additional information, please contact:

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**Appendix 4D - Financial Report  
Half year ended 31 December 2017**

**Paladin Energy Ltd**

ABN or equivalent company reference

ACN. 061 681 098

**Results for announcement to the market**

				31 December 2017 US\$'000	31 December 2016 US\$'000
Revenue from sales of uranium oxide	Down	33%	to	36,893	55,169
Total revenue	Down	33%	to	36,893	55,169
Loss after tax attributable to members	Up	13%	to	(52,142)	(45,996)
Net loss for the year attributable to members	Up	13%	to	(52,142)	(45,996)
Loss per share (US cents)				(3.0)	(2.7)

<b>Dividends</b>	<b>Amount per security</b>	<b>Franked amount per security</b>
It is not proposed to pay dividends for the year	N/A	N/A
Previous corresponding year: No dividend paid	N/A	N/A
An explanation of the results is included in the Management Discussion & Analysis and the Financial Report attached.		
Net tangible (liabilities)/assets per share	31 December 2017 US\$(0.29)	31 December 2016 US\$(0.01)
<b>Other</b>		
Previous corresponding period is the half year ended 31 December 2016.		
All foreign subsidiaries are prepared using IFRS.		
<b>Commentary on Results for the Year</b>		
A commentary on the results for the year is contained in the press release dated 27 February 2018.		



**PALADIN ENERGY LTD**

A.C.N.061 681 098

**FINANCIAL REPORT**

**FOR THE SIX MONTHS ENDED**

**31 DECEMBER 2017**

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# PALADIN ENERGY LTD

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

# PALADIN ENERGY LTD

## **Management Discussion and Analysis** *For the Six Months Ended 31 December 2017* *(All figures are in US dollars unless otherwise indicated)*

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 condensed consolidated interim financial report for the six months ended 31 December 2017. The effective date of this unaudited report is 27 February 2018.

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).

**Additional information relating to the Company and its operations, including the Company's Quarterly Activities Report for each of the periods ended 31 March 2017, 30 September 2017 and 31 December 2017, and the most recent Audited Annual Report for the year ended 30 June 2017 and other public announcements are available at [www.paladinenergy.com.au](http://www.paladinenergy.com.au).**

### **FORWARD LOOKING STATEMENTS**

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

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

### **OVERVIEW**

The Group has two uranium mines in Africa<sup>1</sup>, uranium exploration projects in Australia, Africa and Canada, and a strategy to become a major uranium mining house. The Company is incorporated under the laws of Western Australia with a primary share market listing on the Australian Securities Exchange (“ASX”); as well as the Munich, Berlin, Stuttgart and Frankfurt Stock Exchanges in Europe; and the Namibian Stock Exchange in Africa. The securities of Paladin were suspended from official quotation, at the request of the Company, on 13 June 2017. Following completion of the recapitalisation the securities of Paladin were reinstated to the official quotation on 16 February 2018.

<sup>1</sup> Langer Heinrich Mine, Namibia (operating). Kayelekera Mine, Malawi (on care and maintenance).

# PALADIN ENERGY LTD

## **Management Discussion and Analysis** For the Six Months Ended 31 December 2017 (All figures are in US dollars unless otherwise indicated)

The main activities and results during the six months ended 31 December 2017 were:

References below to 2017 and 2016 are to the equivalent six months ended 31 December 2017 and 2016 respectively.

### OPERATIONS

- Langer Heinrich Mine (LHM) produced 1.714Mlb U<sub>3</sub>O<sub>8</sub> for the six months ended 31 December 2017, down 31% from 2016.
  - Production and unit costs impacted by mining curtailment plan implemented November 2016.
  - Ore milled of 1,741,382t, down 6% vs. 2016.
  - Average plant feed grade of 508ppm U<sub>3</sub>O<sub>8</sub>, down 27% vs. 2016.
  - Overall recovery of 87.9%, largely unchanged from 2016.
  - C1 cash cost of production for 2017 of US\$23.11/lb, up 42% vs. 2016.
- Kayelekera Mine (KM) remains on care and maintenance.
  - Activities at site focused on water treatment, discharge and monitoring.
- Annual production guidance expected to be within the range of 3.3Mlb to 3.5Mlb U<sub>3</sub>O<sub>8</sub>.
- The Company's 12 month moving average Lost Time Injury Frequency Rate (LTIFR) increased to 3.1 as compared to 2.0 at the end of the last quarter. The 12 month moving average LTIFR for the previous year was 1.9. Two Lost Time Injuries (LTI) were reported during the six months: a boilermaker twisted his ankle and suffered a hairline fracture and a process operator sustained an ankle injury when he twisted his ankle while disembarking from a ladder trolley. The Company achieved 1,275 LTI free days at KM.

### SALES AND REVENUE

- Sales revenue of US\$36,893,000 for the six months, selling 1.691Mlb U<sub>3</sub>O<sub>8</sub> at an average price of US\$21.82/lb U<sub>3</sub>O<sub>8</sub> (vs. average spot price of US\$21.46/lb).

### CORPORATE

- **Appointment of administrators:** On 3 July 2017, Paladin appointed Administrators to Paladin and certain other related companies. The appointment followed the demand from Électricité de France (EdF) for the repayment of approximately US\$276,768,000 due to it on 10 July 2017 under the Long Term Supply Contract.
- **New financing facility:** On 21 July 2017, Paladin entered into agreements with Deutsche Bank AG, London Branch (Deutsche Bank) to fund working capital for LHM, refinance the Nedbank Revolving Credit Facility and meet the general corporate working capital requirements of the Paladin Group. Under the agreements Deutsche Bank acquired the existing Nedbank Revolving Credit Facility and increased the size of the facility from US\$20,000,000 to US\$60,000,000 (Deutsche Bank Facility). Under the terms of the Deutsche Bank Facility, Langer Heinrich Uranium (Pty) Ltd drew down US\$45,000,000 for its working capital (including the US\$20,000,000 already drawn) and Paladin and Paladin Finance Pty Ltd drew down US\$15,000,000 to fund the working capital requirements of the Group. Paladin and Paladin Finance Pty Ltd are jointly and severally liable for the entire facility and Langer Heinrich Uranium (Pty) Ltd is only liable for the amounts it drew down. The entire facility is guaranteed by Paladin Energy Ltd and Paladin Finance Pty Ltd. The term of the Deutsche Bank Facility is 12 months. Additional security was given to that provided under the Nedbank Revolving Credit Facility.
- **TSX delisting:** The TSX delisted Paladin's shares effective at the close of market on 10 August 2017. The delisting was imposed for failure by Paladin to meet the continued listing requirements of the TSX and the Administrators have transferred the TSX register to the ASX.
- **EdF Long Term Supply Contract terminated:** On 13 October 2017, EdF terminated the Long Term Supply Contract on the basis that Paladin had failed to repay approximately US\$276,768,000 by 9 October 2017, being the due date for cure of the default.

## PALADIN ENERGY LTD

### **Management Discussion and Analysis** *For the Six Months Ended 31 December 2017* *(All figures are in US dollars unless otherwise indicated)*

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- **Proposed Restructure:** Since the Administrators were appointed, a group of Paladin's Bondholders organised themselves into an ad-hoc committee and, together with their advisers, presented a proposed capital restructure of Paladin (Proposed Restructure) to the Administrators and sought to garner the support of the remaining creditors.
- On 30 November 2017, the Administrators issued their report to creditors pursuant to section 439A of the Australian Corporations Act. The Administrators provided their opinion that, having considered the alternatives available to creditors and the fact that the only proposal received at the time of the report was the Proposed Restructure, it is in creditors' interests for Paladin to enter into a deed of company arrangement (DOCA) to execute the Proposed Restructure.
- **DOCA approved and executed:** On 7 December 2017, at the second meeting of creditors of Paladin convened under section 439A of the Australian Corporations Act, the creditors of Paladin resolved to execute the proposed DOCA and it was executed by the Administrators on 8 December 2017.
- **EdF's claims sold:** On 21 December 2017, EdF's claims in respect of Paladin's obligations under the Long Term Supply Contract and the provision of security over its interests in the Michelin Project were sold to Deutsche Bank. Deutsche Bank has sought to sell-down some or all of those claims to other third-party investors.
- **DOCA effectuated:** On 18 January 2018, the Supreme Court of New South Wales approved the transfer of Paladin shares to creditors and the DOCA was effectuated on 1 February 2018. In accordance with the DOCA, 98% of Paladin shares were transferred to creditors and other investors pursuant to section 444GA of the Corporations Act and 2% were retained by shareholders. In addition, the offer for US\$115,000,000 in new notes was fully subscribed and the new notes were issued.

#### OTHER

- Underlying EBITDA of US\$(33,000) has deteriorated by US\$5,674,000 compared to the six months ended 31 December 2016.
- Underlying all-in cash expenditure per pound of uranium production for the six months ended 31 December 2017 of US\$31.24/lb, an increase of 10% compared to the six months ended 31 December 2016 of US\$28.38/lb.
- The TradeTech weekly spot price average for the six months ended 31 December 2017 was US\$21.46/lb, a fall of 5% compared to the weekly spot average for the six months ended 31 December 2016 average of US\$22.63/lb.
- At 31 December 2017, the Group's cash and cash equivalents were US\$26,902,000, an increase of US\$15,400,000 from US\$11,502,000 at 30 June 2017.

# PALADIN ENERGY LTD

## **Management Discussion and Analysis** *For the Six Months Ended 31 December 2017* *(All figures are in US dollars unless otherwise indicated)*

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### **NON IFRS MEASURES**

#### C1 Cost of Production

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 8 to the financial statements. Refer to page 9 for reconciliation.

#### Underlying EBITDA

The Company's Earnings Before Interest, Tax, Depreciation and Amortisation (Underlying EBITDA) represents profit before finance costs, taxation, depreciation and amortisation, impairments, foreign exchange gains/losses, restructure costs and other income. As the mining industry is a capital-intensive industry, capital expenditures, the level of gearing and finance costs may have a significant impact on the net profit of companies with similar operating results. Therefore, the Company believes underlying EBITDA may be helpful in analysing the operating results of a mining company like itself. Although underlying EBITDA is widely used in the mining industry as a benchmark to reflect operating performance, financing capability and liquidity, it is not regarded as a measure of operating performance and liquidity under IFRS. Refer to page 8 for reconciliation.

#### Underlying All-In Cash Expenditure per Pound

Underlying All-In Cash Expenditure = total cash cost of production plus non-production costs, capital expenditure, KM care & maintenance expenses, corporate costs, exploration costs and debt servicing costs and mandatory repayments, excluding one-off restructuring costs and non-recurring costs. Underlying All-In Cash Expenditure, which is a non-IFRS measure, is widely used in the mining industry as a benchmark to reflect operating performance. We use this measure as a meaningful way to compare our performance from period to period as it provides a more comprehensive view of costs than the cash cost approach. Refer to page 9 for reconciliation.

# PALADIN ENERGY LTD

## **Management Discussion and Analysis** For the Six Months Ended 31 December 2017 (All figures are in US dollars unless otherwise indicated)

### FINANCIAL RESULTS

	% Change	SIX MONTHS ENDED 31 DECEMBER	
		2017	2016
Production volume (Mlb)	(31)%	1.714	2.500
Sales volume (Mlb)	(20)%	1.691	2.125
Realised sales price (US\$/lb)	(16)%	21.82/lb	25.96/lb
		<b>US\$'000</b>	<b>US\$'000</b>
<b>Revenue</b>	(33)%	36,893	55,169
Cost of Sales	26%	(37,727)	(50,679)
Inventory write-down	26%	(16,576)	(22,306)
<b>Gross loss</b>	<b>2%</b>	<b>(17,410)</b>	<b>(17,816)</b>
<b>Loss after tax attributable to members of the parent</b>	<b>(13)%</b>	<b>(52,142)</b>	<b>(45,996)</b>
Other comprehensive loss for the period, net of tax		1,644	(8,089)
<b>Total comprehensive loss attributable to the members of the parent</b>	<b>7%</b>	<b>(50,498)</b>	<b>(54,085)</b>
Loss per share - basic & diluted (US cents)	(11)%	(3.0)	(2.7)

References below to 2017 and 2016 are to the equivalent six months ended 31 December 2017 and 2016 respectively.

Revenue in 2017 decreased by 33%, due to a 16% decrease in realised sales price and a 20% decrease in sales volume.

Gross Loss in 2017 of US\$17,410,000 is a reduction from the gross loss in 2016 of US\$17,816,000 due to a smaller write-down of inventory of US\$16,576,000 (2016: US\$22,306,000) and a 26% decrease in cost of sales, which was partially offset by a 16% decrease in realised sales price and a 20% decrease in sales volume. Inventory write down comprises a US\$4,841,000 write-down of LHM ore stockpiles, US\$3,934,000 write-down of LHM product-in-circuit and a US\$7,801,000 write-down of finished goods due to low uranium prices.

Loss after Tax Attributable to the Members of the Parent for 2017 of US\$52,142,000 is higher than the loss of US\$45,996,000 in 2016 and is predominantly due to a US\$1,993,000 increase in restructure costs and a US\$9,309,000 increase in finance costs, including the accretion expense of US\$10,295,000 (2016: US\$Nil) relating to interest due on the prepayment amount owing under the EdF Long Term Supply Contract and higher finance costs on the Deutsche Bank Facility of US\$6,730,000 (2016: US\$Nil) This has been partially offset by a US\$1,495,000 decrease in corporate and marketing costs, a US\$5,295,000 decrease in foreign exchange loss, a US\$880,000 decrease in KM care and maintenance expenses and a decrease in the tax expense of US\$1,139,000.

#### Segment Information

The Namibian segment loss decreased by US\$2,592,000, mainly as a result of a US\$5,046,780 decrease in foreign exchange loss which was partially offset by a US\$3,792,000 increase in finance costs relating to the Deutsche Bank Facility. The Malawian segment loss decreased by US\$1,215,000 as a result of lower care and maintenance costs. The exploration activities loss has increased by US\$905,000. In the

## PALADIN ENERGY LTD

### **Management Discussion and Analysis** For the Six Months Ended 31 December 2017 (All figures are in US dollars unless otherwise indicated)

Unallocated portion, the Group reflected the remaining Income Statement activities, which for 2017 comprise mainly of marketing, corporate, finance and administration costs. The loss (costs) in this area has increased by US\$7,883,000. This is predominantly due to an increase in finance costs, which includes the accretion expense of US\$10,295,000 (2016: US\$Nil) relating to interest due on the prepayment amount owing under the EdF Long Term Supply Contract and higher finance costs on the Deutsche Bank facility of US\$1,555,000 (2016: US\$Nil).

#### **Underlying EBITDA**

	Note	SIX MONTHS ENDED 31 DECEMBER	
		2017 US\$'000	2016 US\$'000
Loss/Profit before interest and tax		(28,623)	(31,812)
Depreciation and amortisation		6,372	8,323
Write-down of inventory	10	16,576	22,306
Foreign exchange losses	8	2,613	7,908
Restructure costs	8	3,345	1,352
Write-down of stores and consumables	8	10	-
Profit on disposal of assets	8	(14)	(2,436)
Proceeds from litigation	8	(312)	-
<b>Underlying EBITDA</b>		<b>(33)</b>	<b>5,641</b>

Underlying EBITDA has decreased by US\$5,674,000.

#### **REALISED SALES PRICE AND SALES & PRODUCTION VOLUMES**

	% Change	SIX MONTHS ENDED 31 DECEMBER	
		2017 US\$	2016 US\$
Realised uranium sales price	(16)%	US\$21.82/lb	US\$25.96/lb
		<b>Mlb U<sub>3</sub>O<sub>8</sub></b>	<b>Mlb U<sub>3</sub>O<sub>8</sub></b>
Sales volume	(20)%	1.691	2.125
Production	(31)%	1.714	2.500

The average realised uranium sales price for the six months ended 31 December 2017 was US\$21.82/lb U<sub>3</sub>O<sub>8</sub> compared to the TradeTech weekly spot price average for the period of US\$21.46/lb U<sub>3</sub>O<sub>8</sub>.

# PALADIN ENERGY LTD

## Management Discussion and Analysis For the Six Months Ended 31 December 2017 (All figures are in US dollars unless otherwise indicated)

### RECONCILIATION OF C1 COST OF PRODUCTION TO COST OF SALES (UNAUDITED)

	SIX MONTHS ENDED 31 DECEMBER	
	2017	2016
Volume Produced (Mlb)	1.714	2.500
Cost of Production/lb (C1)	US\$23.11/lb	US\$16.25/lb
	<b>US\$'000</b>	<b>US\$'000</b>
Cost of Production (C1)	(39,602)	(40,613)
Depreciation & amortisation	(10,175)	(8,203)
Production distribution costs	(1,127)	(2,129)
Royalties	(1,233)	(1,556)
Other	-	(121)
Inventory movement	14,410	1,943
<b>Cost of sales</b>	<b>(37,727)</b>	<b>(50,679)</b>

The C1 cost of production for the six months ended 31 December 2017 increased by 42% to US\$23.11/lb U<sub>3</sub>O<sub>8</sub> (2016: US\$16.25/lb U<sub>3</sub>O<sub>8</sub>). The unit C1 cash cost of production increase was primarily due to lower production resulting from lower plant feed grade and lower plant throughput.

### ANALYSIS OF UNDERLYING ALL-IN CASH EXPENDITURE PER POUND OF URANIUM PRODUCTION

	% Change	SIX MONTHS ENDED 31 DECEMBER	
		2017 US\$/lb	2016 US\$/lb
LHM – C1 cost of production		23.11	16.25
Mining – (decrease)/increase in ore stockpiles		2.82	3.44
Royalties		0.72	0.62
Product distribution costs		0.72	0.95
Commercial & administration – non production		0.49	0.72
Social development		0.10	0.02
LHM – total cash cost of production		27.96	22.00
Capex		0.48	1.81
LHM – total cash cost of production after capex		28.44	23.81
KM – care & maintenance expenses		1.11	1.28
Corporate costs		1.03	0.62
Exploration costs		0.66	0.62
Debt servicing costs		-	2.05
<b>Underlying all-in cash expenditure</b>		<b>31.24</b>	<b>28.38</b>

Underlying all-in cash expenditure per pound of uranium production for the period ended 31 December 2017 was US\$31.24/lb, an increase of 10% compared to the period ended 31 December 2016 of US\$28.38/lb.

# PALADIN ENERGY LTD

## Management Discussion and Analysis For the Six Months Ended 31 December 2017 (All figures are in US dollars unless otherwise indicated)

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

	% Change	SIX MONTHS ENDED 31 DECEMBER	
		2017 US\$'000	2016 US\$'000
Total	10%	(5,595)	(5,091)

Costs for the six months ended 31 December 2017 increased by US\$504,000, mainly due to a 147% increase in restructure costs from US\$1,352,000 in 2016 to US\$3,345,000 in 2017, which were partially offset by a 39% decrease in corporate and marketing costs from US\$1,865,000 in 2016 to US\$1,141,000 in 2017 and a 26% decrease in LHM mine site non production costs from US\$1,439,000 in 2016 to US\$1,069,000 in 2017.

Certain Balance Sheet items are set out below:

### SUMMARISED STATEMENT OF FINANCIAL POSITION

	31 December 2017 2017 US\$'000	30 June 2017 2016 US\$'000
Cash and cash equivalents	26,902	11,502
Inventories	30,060	27,456
Total assets	448,980	438,944
Interest bearing loans and borrowings	541,899	487,587
Unearned revenue	288,488	278,182
Total long-term liabilities	183,135	177,739
<b>Net Liabilities</b>	<b>(495,573)</b>	<b>(435,799)</b>

Cash and Cash Equivalents have increased by US\$15,400,000, mainly as a result of the drawdown of US\$60,000,000 under the Deutsche Bank Facility and receipts from customers of US\$36,960,000, which was partially offset by the repayment of the US\$20,000,000 LHM secured Revolving Credit Facility, payments to suppliers and employees of US\$55,668,000, net interest paid of US\$4,309,000, payments for property, plant and equipment at LHM of US\$820,000 and exploration expenditure of US\$1,257,000.

Inventories have increased by US\$2,604,000, predominantly due to an increase in the number of pounds of finished goods at 31 December 2017.

Interest Bearing Loans and Borrowings have increased by US\$54,312,000, primarily as a result of the drawdown of US\$60,000,000 under the Deutsche Bank Facility and the interest accrued on the convertible bonds of US\$12,151,000 and CNNC loan of US\$1,848,000, which was partially offset by the repayment of the US\$20,000,000 LHM secured Revolving Credit Facility.

Unearned Revenue has increased by US\$10,306,000 which is the result of the accretion of the EdF repayment amount (Refer to Note 14).

Segment Assets: Namibian assets have increased predominantly due to an increase in cash, inventories and mine development, which was partially offset by a decrease in trade and other receivables, property, plant and equipment and intangible assets. Malawian assets, which are predominantly cash and stores and consumables, have increased slightly. The Exploration segment assets have increased predominantly as a result of an increase in the US dollar value of exploration assets. The Australian dollar and the Canadian dollar strengthened against the US dollar which resulted in an increase in the US dollar value of Australian and Canadian dollar denominated exploration assets. In the Unallocated portion, assets

## PALADIN ENERGY LTD

### **Management Discussion and Analysis** For the Six Months Ended 31 December 2017 (All figures are in US dollars unless otherwise indicated)

increased primarily due to an increase in cash and cash equivalents resulting from the drawdown of US\$15,000,000 under the Deutsche Bank Facility.

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

The Group's principal source of liquidity as at 31 December 2017, was cash of US\$26,902,000 (30 June 2017: US\$11,502,000). 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\$17,274,000 is held in US dollars.

Net Cash Outflow from Operating Activities was US\$23,867,000 in 2017 (2016 Outflow: US\$40,951,000), primarily due to payments to suppliers and employees of US\$55,668,000 (2016: US\$76,466,000), net interest paid of US\$4,309,000 (2016: US\$14,063,000) and exploration and evaluation expenditure of US\$1,210,000 (2016: US\$438,000), which were partially offset by receipts from customers of US\$36,960,000 (2016: US\$50,008,000) and other income of US\$360,000 (2016: US\$8,000).

Net Cash Outflow from Investing Activities was US\$667,000 in 2017 (2016: US\$1,254,000) and is due primarily to plant and equipment acquisitions of US\$820,000 (2016: US\$4,457,000) at LHM, including construction of the Namwater storage (US\$307,000) and new tailings storage (US\$290,000) facilities, as well as capitalised exploration expenditure of US\$47,000 (2016: US\$1,193,000), which were partially offset by the proceeds from the sale of property, plant and equipment of US\$200,000 (2016: US\$3,000). In 2016, Paladin sold its entire shareholding in Deep Yellow Ltd for US\$2,609,000, its interest in the Bigryli project for US\$375,000 and its interest in the Oobagooma and Angela/Pamela exploration projects for US\$1,499,000.

Net Cash Inflow from Financing Activities of US\$40,000,000 in 2017 is attributable to the drawdown of US\$60,000,000 under the Deutsche Bank Facility, which was partially offset by the repayment of the US\$20,000,000 LHM secured Revolving Credit Facility. The net inflow in 2016 of US\$9,576,000 was attributable to the drawdown of US\$20,000,000 under the LHM secured Revolving Credit Facility which was partially offset by a US\$10,424,000 distribution to CNNC by way of repayment of intercompany loans owing by LHM that have been assigned to CNNC.

#### **GOING CONCERN**

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The Group incurred a net loss after tax attributable to the ordinary equity holders of US\$52,142,000 (31 December 2016: loss US\$45,996,000) for the six months ended 31 December 2017 and a net cash outflow from operating activities of US\$23,867,000 (31 December 2016: outflow US\$40,951,000). As at 31 December 2017, the Group had a net current asset deficit of US\$688,390,000 (30 June 2017: deficit US\$641,787,000), including cash on hand of US\$26,902,000 (30 June 2017: US\$11,502,000). Included within this cash on hand is US\$1,011,000 (30 June 2017: US\$1,010,000, which is restricted for use in respect of environmental and supplier guarantees provided by LHM).

On 1 February 2018, a deed of company arrangement (DOCA) was effectuated and a capital restructure was completed. In accordance with the DOCA, 98% of Paladin shares were transferred to certain creditors and other investors in consideration for the Group's debt obligations covered by the DOCA and 2% were retained by shareholders. In addition, an offer for US\$115,000,000 notes resulted in net proceeds of US\$36,921,000 following the repayment of the Deutsche Bank facility and a US\$10,000,000 payment to cash back the KM performance bond due to the Government of Malawi.

# PALADIN ENERGY LTD

## **Management Discussion and Analysis** For the Six Months Ended 31 December 2017 (All figures are in US dollars unless otherwise indicated)

The Group has a number of options available to it to obtain sufficient funding to repay the notes by their maturity in 2023. These options include generating sufficient surplus operating cash flows, which is reliant on the operating performance of its mines and the uranium price amongst other factors, the sale of some or all of the Group's assets, raising new equity or the refinance of the notes.

The Group's current operating strategy, including the physical curtailment of mining, is dependent on processing available medium grade stockpiles at LHM. At the current processing rate it is expected that such stockpiles will be exhausted in early-to-mid-2019. At least six months in advance of that, the Company will need to consider alternative operational options for LHM going forward including: a restart of physical mining operations; processing of LG ore stockpiles; or placing the mine on care and maintenance. Various factors will need to be considered to determine the appropriate operating strategy including uranium market conditions. Should the mine be placed into care and maintenance the Group will no longer have any operating assets.

As a result of these matters, there is a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern and, therefore, that the entity may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial report does not include adjustments relating to the recoverability or classification of the recorded assets nor to the amounts or classification of liabilities that might be necessary should the Company not be able to continue as a going concern.

Following completion of the capital restructure and receipt of the net proceeds from the notes, which will be utilised in executing the operating strategy options noted above, the Directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

### **OUTSTANDING SHARE INFORMATION**

As at 27 February 2018, Paladin had 1,712,843,812 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 27 February 2018</b>	<b>Number</b>
Ordinary shares	1,712,843,812
Issuable under Performance Share Rights Plan (SARs) <sup>(1)</sup>	-
Issuable under Executive Share Option Plan	3,000,000
<b>Total</b>	<b>1,715,843,812</b>

<sup>(1)</sup> The number of ordinary shares ultimately issuable upon vesting of the Share Appreciation Rights will vary as the number of ordinary shares to be issued is based upon Paladin's relative share price growth over the relevant vesting periods. The number disclosed in the table above is based on the closing share price at 26 February 2018 of A\$0.15.

### **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, property, plant and equipment, intangibles, mineral properties, deferred tax assets, carrying value of rehabilitation, mine closure and deferred tax liabilities.

# PALADIN ENERGY LTD

## **Management Discussion and Analysis** *For the Six Months Ended 31 December 2017* *(All figures are in US dollars unless otherwise indicated)*

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### **FINANCIAL INSTRUMENTS**

At 31 December 2017, 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 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 Dollar payables.

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

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

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 period ended 31 December 2017, 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.

### **INTERNAL CONTROLS**

The Group has designed appropriate Internal Controls over Financial Reporting (ICFR) and ensured that these were in place for the period ended 31 December 2017. An evaluation of the design of ICFR has concluded that it is adequate to prevent a material misstatement of the Group's Unaudited Consolidated Financial Report as at 31 December 2017.

### **DESIGNATED FOREIGN ISSUER PURSUANT TO CANADIAN SECURITY LAWS**

Pursuant to Canadian National Instrument 71-102 Continuous Disclosure and Other Exemptions Relating to Foreign Issuers, Paladin Energy Ltd hereby discloses that it is a Designated Foreign Issuer as such

## PALADIN ENERGY LTD

### **Management Discussion and Analysis** *For the Six Months Ended 31 December 2017* *(All figures are in US dollars unless otherwise indicated)*

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term is defined in the Instrument and is subject to the regulatory requirements of Australian Securities laws and the rules and regulations of the Australian Securities Exchange.

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

The Group has adopted all new and amended Australian Accounting Standards and AASB Interpretations effective from 1 July 2017. The nature and impact of each new standard and amendment is described in Note 2 – Basis of Preparation.

#### **SUBSEQUENT EVENTS**

Other than disclosed below, since 31 December 2017, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this report, that has significantly or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent periods with the exception of the following, the financial effects of which have not been provided for in the 31 December 2017 Financial Report:

##### **Supreme Court approves s444GA transfer**

On 18 January 2018, the Company announced that the s444GA Application had been heard by Justice Black on 16 January 2018 at the Supreme Court of New South Wales and he had delivered judgment on 18 January 2018, granting leave for the application and approving the s444GA Transfer.

##### **Effectuation of DOCA, appointment of new directors and intention to apply for reinstatement to official quotation**

On 1 February 2018, the Company announced the effectuation of the DOCA, dated 8 December 2017, and the completion of the restructure. As a result the Deed Administrators provided notice to ASIC that the DOCA had been fully effectuated, the Deed Administrators had retired, the DOCA had terminated in accordance with its terms and the day to day management and control had reverted to the Company's directors.

Two new directors were appointed to the board of Paladin: Mr David Riekie and Mr Daniel Harris.

In accordance with clause 5.1(c) of the DOCA, 98% of Paladin shares were transferred to creditors and other investors pursuant to section 444GA of the Corporations Act and 2% were retained by shareholders.

##### **Issue of US\$115,000,000 New Notes**

On 1 February 2018, the offer for the US\$115,000,000 new notes was fully subscribed and the new notes were issued. Net proceeds of US\$36,921,000 were received by the Company following a US\$63,834,000 payment to Deutsche Bank to acquire the Company's Deutsche Bank Facility (including fees and advisor costs), a US\$10,000,000 payment to cash back Nedbank Limited's issue of a US\$10,000,000 performance bond to the Government of Malawi for the KM environmental rehabilitation obligations and payments totalling US\$4,245,000 million for certain advisors' fees.

##### **Application for reinstatement to official quotation**

On 2 February 2018, the Company announced it had formally applied for its securities to be reinstated to official quotation on the Australian Securities Exchange. Following completion of the recapitalisation the securities of Paladin were reinstated to the official quotation on 16 February 2018.

##### **Transfer of Canadian sub-register**

On 6 February 2018, the Company announced that the transfer of the Canadian Register had taken effect and all shares on the Canadian Register have been transferred to the Australian Ordinary Share Register.

## PALADIN ENERGY LTD

**Management Discussion and Analysis** *For the Six Months Ended 31 December 2017*  
*(All figures are in US dollars unless otherwise indicated)*

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### **Langer Heinrich shareholders agreement – CNNC option risk**

On 7 February 2018, the Company announced that it had not received an appraisal notice requiring a valuation process by an independent expert as the first step towards potentially exercising CNNC Overseas Uranium Holdings Ltd's (CNNC) option to purchase Paladin's Finance Pty Ltd's interest in Langer Heinrich Mauritius Holdings Ltd (LHMHL), the ultimate holding company of LHM. The applicable 60 day period ended on 6 February 2018.

### **Appointment of director**

On 14 February 2018, the Company announced the appointment of Mr John Hodder as a non-executive director of Paladin.

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# PALADIN ENERGY LTD

## Directors' Report

For the Six Months Ended 31 December 2017  
(All figures are in US dollars unless otherwise indicated)

The Directors present their report on the Company consisting of Paladin Energy Ltd ("Company") and the entities it controlled ("Group") at the end of, or during, the six months ended 31 December 2017.

### Directors

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

Mr Rick Wayne Crabb (Non-executive Chairman)  
Mr Donald Shumka (Non-executive Director) (resigned 8 December 2017)  
Mr Peter Donkin (Non-executive Director) (resigned 8 December 2017)  
Mr Philip Baily (Non-executive Director) (resigned 8 December 2017)  
Mr Wendong Zhang (Non-executive Director) (resigned 8 December 2017)  
Mr David Riekie (Non-executive Director) (appointed 1 February 2018)  
Mr Daniel Harris (Non-executive Director) (appointed 1 February 2018)  
Mr John Hodder (Non-executive Director) (appointed 14 February 2018)

### Review of Operations

A detailed operational and financial review of the Group is set out on pages 3 to 15 under the section titled Management Discussion and Analysis.

The loss after tax attributable to the ordinary equity holders for the six months ended 31 December 2017 was US\$52,142,000 (loss after tax of US\$45,996,000 for the six months ended 31 December 2016).

### Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 17, which forms part of the Directors' Report.

### Rounding

The amounts contained in this report, the Financial Report and the Management, Discussion and Analysis have been rounded to the nearest US\$1,000 (where rounding is applicable) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which the Instrument applies.

Signed in accordance with a resolution of the Directors.



Mr Rick Crabb  
Chairman  
Perth, Western Australia  
27 February 2018



## Auditor's Independence Declaration

As lead auditor for the review of Paladin Energy Ltd for the half-year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Paladin Energy Ltd and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Ben Gargett', is written over a light grey watermark that says 'For personal use only'.

Ben Gargett  
Partner  
PricewaterhouseCoopers

Perth  
27 February 2018

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

		Six months ended 31 December	
	Notes	2017 US\$'000	2016 US\$'000
<b>Revenue</b>			
Revenue		36,893	55,169
Cost of sales	8	(37,727)	(50,679)
Inventory write-down	10	(16,576)	(22,306)
Gross loss		<u>(17,410)</u>	<u>(17,816)</u>
Other income	8	434	2,540
Exploration and evaluation expenses	12	(1,210)	(438)
Administration, marketing and non-production costs	8	(5,595)	(5,091)
Other expenses	8	<u>(4,842)</u>	<u>(11,007)</u>
Loss before interest and tax		(28,623)	(31,812)
Finance costs	8	<u>(32,910)</u>	<u>(23,601)</u>
<b>Net loss before income tax from continuing operations</b>		<b>(61,533)</b>	<b>(55,413)</b>
Income tax expense		-	(1,139)
<b>Net loss after tax from continuing operations</b>		<b>(61,533)</b>	<b>(56,552)</b>
Profit after tax from discontinued operations	8	-	1,250
<b>Net loss after tax</b>		<b><u>(61,533)</u></b>	<b><u>(55,302)</u></b>
Attributable to:			
Non-controlling interests		(9,391)	(9,306)
Members of the parent		<u>(52,142)</u>	<u>(45,996)</u>
<b>Net loss after tax</b>		<b><u>(61,533)</u></b>	<b><u>(55,302)</u></b>
<b>Loss per share (US cents)<sup>(1)</sup></b>			
Loss after tax from operations attributable to ordinary equity holders of the Company			
- basic and diluted (US cents)		(3.0)	(2.7)

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**  
EXPRESSED IN US DOLLARS

	Six months ended 31 December	
	2017	2016
	US\$'000	US\$'000
<b>Net loss after tax from operations</b>	<b>(61,533)</b>	<b>(55,302)</b>
<b>Other comprehensive income</b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Transfer of realised gains to other income on disposal of available-for-sale financial assets	-	(993)
Net gain on available-for-sale financial assets	-	993
Foreign currency translation	1,644	(8,186)
Income tax on items of other comprehensive income	-	98
<b>Items that will not be subsequently reclassified to profit or loss:</b>		
Foreign currency translation attributable to non-controlling interests	115	(100)
<b>Other comprehensive loss for the period, net of tax</b>	<b>1,759</b>	<b>(8,188)</b>
<b>Total comprehensive loss for the period</b>	<b>(59,774)</b>	<b>(63,490)</b>
Total comprehensive loss attributable to:		
Non-controlling interests	(9,276)	(9,406)
Members of the parent	(50,498)	(54,084)
	<u>(59,774)</u>	<u>(63,490)</u>

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

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

	Notes	As at 31 December 2017 US\$'000	As at 30 June 2017 US\$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		26,902	11,502
Trade and other receivables	9	11,133	13,744
Prepayments		4,933	2,350
Inventories	10	30,060	27,456
Assets held for sale		-	165
<b>TOTAL CURRENT ASSETS</b>		<b>73,028</b>	<b>55,217</b>
<b>Non current assets</b>			
Trade and other receivables	9	412	384
Property, plant and equipment	11	230,594	244,297
Mine development		40,856	36,396
Exploration and evaluation expenditure	12	93,766	92,025
Intangible assets		10,324	10,625
<b>TOTAL NON CURRENT ASSETS</b>		<b>375,952</b>	<b>383,727</b>
<b>TOTAL ASSETS</b>		<b>448,980</b>	<b>438,944</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		19,644	18,241
Interest bearing loans and borrowings	5	450,662	398,199
Provisions	13	2,624	2,382
Unearned revenue	14	288,488	278,182
<b>TOTAL CURRENT LIABILITIES</b>		<b>761,418</b>	<b>697,004</b>
<b>Non current liabilities</b>			
Other interest bearing loans - CNNC	6	91,237	89,388
Provisions	13	91,898	88,351
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>183,135</b>	<b>177,739</b>
<b>TOTAL LIABILITIES</b>		<b>944,553</b>	<b>874,743</b>
<b>NET LIABILITIES</b>		<b>(495,573)</b>	<b>(435,799)</b>
<b>EQUITY</b>			
Contributed equity	7(a)	2,101,085	2,101,085
Reserves		34,080	32,436
Accumulated losses		(2,516,922)	(2,464,780)
Parent interests		(381,757)	(331,259)
Non-controlling interests		(113,816)	(104,540)
<b>TOTAL EQUITY</b>		<b>(495,573)</b>	<b>(435,799)</b>

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

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

	Contributed Equity US\$'000	Available for Sale Reserve US\$'000	Share- Based Payments Reserve US\$'000	Convertible Bond Non- Distrib- utable Reserve US\$'000	Foreign Exchange Revaluation Reserve US\$'000	Acquisition Reserve US\$'000	Option Application Reserve US\$'000	Consoli- -dation Reserve US\$'000	Accumu- lated Losses US\$'000	Owners of the Parent US\$'000	Non- Controlling Interests US\$'000	Total US\$'000
<b>Balance at 1 July 2016</b>	<b>2,101,085</b>	<b>(4,674)</b>	<b>46,722</b>	<b>94,374</b>	<b>(149,846)</b>	<b>14,916</b>	<b>137</b>	<b>48,319</b>	<b>(2,023,683)</b>	<b>127,350</b>	<b>(78,494)</b>	<b>48,856</b>
Transfer of Reserves	-	4,576	-	-	(20,999)	-	-	-	16,688	265	-	265
Loss for the period	-	-	-	-	-	-	-	-	(45,996)	(45,996)	(9,306)	(55,302)
Other comprehensive income	-	98	-	-	(8,186)	-	-	-	-	(8,088)	(100)	(8,188)
Total comprehensive loss for the period, net of tax	-	98	-	-	(8,186)	-	-	-	(45,996)	(54,084)	(9,406)	(63,490)
Share-based payment	-	-	537	-	-	-	-	-	-	537	-	537
<b>Balance at 31 December 2016</b>	<b>2,101,085</b>	<b>-</b>	<b>47,259</b>	<b>94,374</b>	<b>(179,031)</b>	<b>14,916</b>	<b>137</b>	<b>48,319</b>	<b>(2,052,991)</b>	<b>74,068</b>	<b>(87,900)</b>	<b>(13,832)</b>
<b>Balance at 1 July 2017</b>	<b>2,101,085</b>	<b>-</b>	<b>47,259</b>	<b>94,374</b>	<b>(172,569)</b>	<b>14,916</b>	<b>137</b>	<b>48,319</b>	<b>(2,464,780)</b>	<b>(331,259)</b>	<b>(104,540)</b>	<b>(435,799)</b>
Loss for the period	-	-	-	-	-	-	-	-	(52,142)	(52,142)	(9,391)	(61,533)
Other comprehensive income	-	-	-	-	1,644	-	-	-	-	1,644	115	1,759
Total comprehensive loss for the period, net of tax	-	-	-	-	1,644	-	-	-	(52,142)	(50,498)	(9,276)	(59,774)
<b>Balance at 31 December 2017</b>	<b>2,101,085</b>	<b>-</b>	<b>47,259</b>	<b>94,374</b>	<b>(170,925)</b>	<b>14,916</b>	<b>137</b>	<b>48,319</b>	<b>(2,516,922)</b>	<b>(381,757)</b>	<b>(113,816)</b>	<b>(495,573)</b>

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

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

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2017</b>	<b>2016</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	36,960	50,008
Payments to suppliers and employees	(55,668)	(76,466)
Exploration and evaluation expenditure	(1,210)	(438)
Other income	360	8
Interest received	75	92
Interest paid	(4,384)	(14,155)
	<hr/>	<hr/>
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	<b>(23,867)</b>	<b>(40,951)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property, plant and equipment	(820)	(4,547)
Proceeds from sale of property, plant and equipment	200	3
Proceeds from sale of investments	-	2,609
Proceeds from sale of subsidiary	-	375
Proceeds from sale of tenements	-	1,499
Capitalised exploration expenditure	(47)	(1,193)
	<hr/>	<hr/>
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>	<b>(667)</b>	<b>(1,254)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of loans and borrowings	(20,000)	(10,424)
Drawdown of secured Revolving Credit Facility	-	20,000
Drawdown of Deutsche Bank Facility	60,000	-
	<hr/>	<hr/>
<b>NET CASH INFLOW FROM FINANCING ACTIVITIES</b>	<b>40,000</b>	<b>9,576</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>15,466</b>	<b>(32,629)</b>
Cash and cash equivalents at the beginning of the period	11,502	59,204
Effects of exchange rate changes on cash and cash equivalents	(66)	142
	<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>	<b>26,902</b>	<b>26,717</b>

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

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2017**  
EXPRESSED IN US DOLLARS

**NOTE 1. CORPORATE INFORMATION**

The Interim Financial Report of the Group for the six months ended 31 December 2017 was authorised for issue in accordance with a resolution of the Directors on 27 February 2018.

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

The Group's principal place of business is Level 4, 502 Hay Street, Subiaco, Western Australia. The nature of the operations and principal activities of the Group are described in the Management Discussion and Analysis (unaudited) on pages 3 to 15.

**NOTE 2. BASIS OF PREPARATION**

This consolidated interim financial report for the half-year reporting period ended 31 December 2017 has been prepared in accordance with Australian Accounting Standards Board ("AASB") 134 *Interim Financial Reporting* and the Corporations Act 2001.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this unaudited report is to be read in conjunction with the Annual Report for the year ended 30 June 2017 and any public announcements made by Paladin during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The consolidated interim financial report is presented in United States dollars and all values are rounded to the nearest thousand dollars (US\$1,000) unless otherwise stated under the option available to the Company under Australian Securities and Investments Commission ("ASIC") Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which the Instrument applies.

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

**New and amended accounting standards and interpretations**

From 1 July 2017 the Group has adopted all Australian Accounting Standards and Interpretations effective for annual periods beginning on or before 1 July 2017. The Group has not elected to early adopt any new accounting standards and interpretations. These new standards have had no impact on the financial position and performance of the Group.

**NOTE 3. GOING CONCERN**

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The Group incurred a net loss after tax attributable to the ordinary equity holders of US\$52,142,000 (31 December 2016: loss US\$45,996,000) for the six months ended 31 December 2017 and a net cash outflow from operating activities of US\$23,867,000 (31 December 2016: outflow US\$40,951,000). As at 31 December 2017, the Group had a net current asset deficit of US\$688,390,000 (30 June 2017: deficit US\$641,787,000), including cash on hand of US\$26,902,000 (30 June 2017: US\$11,502,000). Included within this cash on hand is US\$1,011,000 (30 June 2017: US\$1,010,000), which is restricted for use in respect of environmental and supplier guarantees provided by LHM.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2017**  
EXPRESSED IN US DOLLARS

**NOTE 3. GOING CONCERN (continued)**

On 1 February 2018, a deed of company arrangement (DOCA) was effectuated and a capital restructure was completed. In accordance with the DOCA, 98% of Paladin shares were transferred to certain creditors and other investors in consideration for the Group's debt obligations covered by the DOCA and 2% were retained by shareholders. In addition, an offer for US\$115,000,000 notes resulted in net proceeds of US\$36,921,000 following the repayment of the Deutsche Bank facility and a US\$10,000,000 payment to cash back the KM performance bond due to the Government of Malawi.

The Group has a number of options available to it to obtain sufficient funding to repay the notes by their maturity in 2023. These options include generating sufficient surplus operating cash flows, which is reliant on the operating performance of its mines and the uranium price amongst other factors, the sale of some or all of the Group's assets, raising new equity or the refinance of the notes.

The Group's current operating strategy, including the physical curtailment of mining, is dependent on processing available medium grade stockpiles at LHM. At the current processing rate it is expected that such stockpiles will be exhausted in early-to-mid-2019. At least six months in advance of that, the Company will need to consider alternative operational options for LHM going forward including: a restart of physical mining operations; processing of LG ore stockpiles; or placing the mine on care and maintenance. Various factors will need to be considered to determine the appropriate operating strategy including uranium market conditions. Should the mine be placed into care and maintenance the Group will no longer have any operating assets.

As a result of these matters, there is a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern and, therefore, that the entity may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial report does not include adjustments relating to the recoverability or classification of the recorded assets nor to the amounts or classification of liabilities that might be necessary should the Company not be able to continue as a going concern.

Following completion of the capital restructure and receipt of the net proceeds from the notes, which will be utilised in executing the operating strategy options noted above, the Directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2017**  
EXPRESSED IN US DOLLARS

**NOTE 4. 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<sup>(1)</sup> 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 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.

(1) Currently on care and maintenance due to low uranium price. Production ceased on 6 May 2014.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2017**  
**EXPRESSED IN US DOLLARS**

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

The following tables present revenue, expenditure and asset information regarding operating segments for the six months ended 31 December 2017 and 31 December 2016.

<b>Six months ended 31 December 2017</b>	<b>Exploration US\$'000</b>	<b>Namibia US\$'000</b>	<b>Malawi US\$'000</b>	<b>Unallocated US\$'000</b>	<b>Consolidated US\$'000</b>
Sales to external customers	-	36,893	-	-	36,893
Other revenue	-	-	-	-	-
Total consolidated revenue	-	36,893	-	-	36,893
Cost of sales	-	(37,727)	-	-	(37,727)
Inventory write-down	-	(16,576)	-	-	(16,576)
Gross loss	-	(17,410)	-	-	(17,410)
Other income and expenses	(1,211)	(3,652)	(1,923)	(4,427)	(11,213)
Segment loss before income tax and finance costs	(1,211)	(21,062)	(1,923)	(4,427)	(28,623)
Finance costs	-	(8,909)	-	(24,001)	(32,910)
Segment loss before income tax	(1,211)	(29,971)	(1,923)	(28,428)	(61,533)
Income tax benefit/(expense)	-	-	-	-	-
Segment loss after income tax	(1,211)	(29,971)	(1,923)	(28,428)	(61,533)
<b>At 31 December 2017</b>					
Segment total assets	<b>94,946</b>	<b>333,392</b>	<b>1,182</b>	<b>19,460<sup>(1)</sup></b>	<b>448,980</b>
<sup>(1)</sup> Includes US\$17,279,434 in cash and cash equivalents.					
<b>Six months ended 31 December 2016</b>	<b>Exploration US\$'000</b>	<b>Namibia US\$'000</b>	<b>Malawi US\$'000</b>	<b>Unallocated US\$'000</b>	<b>Consolidated US\$'000</b>
Sales to external customers	-	55,169	-	-	55,169
Other revenue	-	-	-	-	-
Total consolidated revenue	-	55,169	-	-	55,169
Cost of sales	-	(50,679)	-	-	(50,679)
Inventory write-down	-	(22,306)	-	-	(22,306)
Gross loss	-	(17,816)	-	-	(17,816)
Other income and expenses	(438)	(9,630)	(3,038)	(890)	(13,996)
Segment loss before income tax and finance costs	(438)	(27,446)	(3,038)	(890)	(31,812)
Finance costs	-	(5,117)	(100)	(18,384)	(23,601)
Segment loss before income tax	(438)	(32,563)	(3,138)	(19,274)	(55,413)
Income tax benefit/(expense)	132	-	-	(1,271)	(1,139)
Segment loss after income tax	(306)	(32,563)	(3,138)	(20,545)	(56,552)
<b>At 30 June 2017</b>					
Segment total assets	<b>93,280</b>	<b>332,202</b>	<b>981</b>	<b>12,481<sup>(1)</sup></b>	<b>438,944</b>
<sup>(1)</sup> Includes US\$9,149,000 in cash and cash equivalents.					

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2017**  
EXPRESSED IN US DOLLARS

**NOTE 5. INTEREST BEARING LOANS AND BORROWINGS**

	Maturity	31 December 2017 US\$'000	30 June 2017 US\$'000
<b>Current</b>			
Secured Revolving Credit Facility <sup>(1)</sup>	2018	-	19,688*
Deutsche Bank Facility <sup>(1)</sup>	2018	60,000	-
Unsecured convertible bonds <sup>(2)</sup>	2017	227,163	220,544
Unsecured convertible bonds <sup>(3)</sup>	2020	163,499	157,967
		<b>450,662</b>	<b>398,199</b>
Total current interest bearing loans and borrowings		<b>450,662</b>	<b>398,199</b>

\* Includes transaction costs which offset the balance in accordance with the requirements of Accounting Standards.

*Secured bank loans*

- (1) In June 2016, a US\$25,000,000 24-month Revolving Credit Facility was implemented at LHM, which was subsequently reduced to US\$20,000,000 in September 2016. The purpose was to provide a buffer facility that could be drawn in periods where LHM-level working capital requirements were in deficit, mainly due to the timing of sales receipts. The provider of the Revolving Credit Facility was Nedbank Limited (Nedbank), through its UK registered subsidiary, N.B.S.A. Limited. At 30 June 2017 the Company had drawn US\$20,000,000 under this facility. The facility was repayable on 9 June 2018 and bore interest at LIBOR plus 5.17%.

On 21 July 2017, Paladin entered into agreements with Deutsche Bank to fund working capital for LHM, refinance the Nedbank Revolving Credit Facility and meet the general corporate purposes of the Paladin Group.

Under the agreements Deutsche Bank acquired the existing Nedbank Revolving Credit Facility and increased the size of the facility from US\$20,000,000 to US\$60,000,000. Under the terms of the Deutsche Bank Facility, LHM drew down US\$45,000,000 for its working capital (including the US\$20,000,000 already drawn) and Paladin and Paladin Finance Pty Ltd (PFPL) drew down US\$15,000,000.

Paladin and PFPL are jointly and severally liable for the entire facility and Langer Heinrich Uranium (Pty) Ltd is only liable for the amounts drawn down. The entire facility is guaranteed by Paladin and PFPL. The term of the Deutsche Bank Facility is 12 months. Additional security has been given to that provided under the Nedbank Revolving Credit Facility.

*Unsecured convertible bonds*

- (2) On 30 April 2012, the Company issued US\$274,000,000 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\$1.83 for Company shares. During the year ended 30 June 2016, the Company repurchased a principal amount of US\$62,000,000 thereby reducing the principal amount outstanding to US\$212,000,000. The cash expenditure for the repurchase was approximately US\$57,500,000 (including accrued interest) as the bonds were bought back at an average price of 91.0 per cent. The balance outstanding at 31 December 2017 comprises the principal amount of US\$212,000,000 plus accrued unpaid interest of US\$15,163,000.
- (3) On 31 March 2015, the Company issued US\$150,000,000 in convertible bonds with a coupon rate of 7% (underlying effective interest rate of 12.37%) maturing on 31 March 2020 with a conversion price of US\$0.356 for Company shares. Following the appointment of administrators on 3 July 2017, as a result of the demand from EdF for the payment of the approximately US\$278,182,000 due to it on 10 July 2017, under the Long Term Supply Agreement, the Group has accreted the debt to the principal amount of US\$150,000,000 plus accrued unpaid interest of US\$13,499,000 at 31 December 2017.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2017**  
EXPRESSED IN US DOLLARS

**NOTE 6. OTHER INTEREST BEARING LOANS AND BORROWINGS - CNNC**

<b>Non Current</b>	<b>Maturity</b>	<b>31 December 2017 US\$'000</b>	<b>30 June 2017 US\$'000</b>
Other loan – CNNC	2018 to 2020	<u>91,237</u>	<u>89,388</u>

As part of the sale of the 25% interest in LHM in 2014, US\$96,000,000 (representing 25%) of the intercompany shareholder loans owing by LHM to PFPL were assigned to CNNC under the same interest rate (LIBOR plus a margin between 2% and 4.25%) and conditions as those existing at the time.

Pursuant to the intercompany shareholder loan agreements, repayment dates range from 2018 to 2020, however, under the Shareholders' Agreement between CNNC and PFPL, each shareholder has agreed not to demand repayment without the prior written consent of the other shareholder. As neither CNNC nor PFPL can demand repayment, the repayment of the loans can be deferred. Repayment is dependent on LHM generating sufficient free cash flows to repay the loans and the loans have not been guaranteed by Paladin.

All intercompany shareholder loan repayments from LHM will be paid on a pro rata basis against the outstanding balances.

On consolidation, PFPL's 75% share of the LHM intercompany shareholder loans are eliminated against the intercompany shareholder loans receivable recorded in PFPL and therefore, they do not appear on Paladin's consolidated statement of financial position. As a result of the consolidation of 100% of LHM's assets and liabilities, LHM's total liability of US\$91,237,000 to CNNC is recognised on the consolidated statement of financial position.

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**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 7. CONTRIBUTED EQUITY**

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

Ordinary shares	31 December 2017 Number of Shares	30 June 2017 Number of Shares	31 December 2017 US\$'000	30 June 2017 US\$'000
Issued and fully paid	1,712,843,812	1,712,843,812	2,101,085	2,101,085

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

Date	Number of Shares	Issue Price A\$	Exchange Rate US\$ : A\$	Total US\$'000
Balance 30 June 2016	1,712,843,812 <sup>(1)</sup>			2,101,085
Balance 30 June 2017	1,712,843,812 <sup>(1)</sup>			2,101,085
Balance 31 December 2017	1,712,843,812 <sup>(1)</sup>			2,101,085

<sup>(1)</sup> Includes 184 shares held by Paladin Employee Plan Pty Ltd.

**(c) Options**

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

	31 December 2017 Number	30 June 2017 Number
Number of unlisted employee options	3,000,000	3,000,000

Consisting of the following:

<u>Date granted</u>	<u>Exercisable date</u>	<u>Expiry date</u>	<u>Fair value</u>	<u>Exercise price</u>	<u>Number</u>
10 August 2015	10 August 2015	10 August 2018	A\$0.07	A\$0.20	1,000,000
10 August 2015	8 November 2015	8 November 2018	A\$0.06	A\$0.30	1,000,000
10 August 2015	23 December 2015	23 December 2018	A\$0.06	A\$0.40	1,000,000
<b>Total</b>					<b>3,000,000</b>

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 7. CONTRIBUTED EQUITY (continued)**

**(d) Share Appreciation Rights (SARs)**

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

	<b>31 December 2017 Number</b>	<b>30 June 2017 Number</b>
Number of unlisted employee share appreciation rights	7,468,000	9,611,000

Consisting of the following:

<u>Date granted</u>	<u>Exercisable date</u>	<u>Expiry date</u>	<u>Fair value</u>	<u>Exercise price</u>	<u>Number</u>
20 October 2015	1 November 2016	1 November 2021	A\$0.13	A\$0.20	2,450,000
20 October 2015	1 November 2017	1 November 2022	A\$0.13	A\$0.20	1,225,000
20 October 2015	1 November 2018	1 November 2023	A\$0.13	A\$0.20	1,225,000
3 March 2016	1 November 2016	1 November 2021	A\$0.10	A\$0.20	157,500
3 March 2016	1 November 2017	1 November 2022	A\$0.10	A\$0.20	78,750
3 March 2016	1 November 2018	1 November 2023	A\$0.10	A\$0.20	78,750
27 September 2016	11 November 2017	11 November 2022	A\$0.08	A\$0.20	751,000
27 September 2016	11 November 2018	11 November 2023	A\$0.08	A\$0.20	751,000
27 September 2016	11 November 2019	11 November 2024	A\$0.08	A\$0.20	751,000
<b>Total</b>					<b>7,468,000</b>

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**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 8. OTHER INCOME AND EXPENSES**

	Six months ended 31 December	
	2017 US\$'000	2016 US\$'000
<b>Cost of sales</b>		
Cost of production (C1)	(39,602)	(40,613)
Depreciation and amortisation	(10,175)	(8,203)
Production distribution costs	(1,127)	(2,129)
Royalties	(1,233)	(1,556)
Other	-	(121)
Inventory movement	14,410	1,943
<b>Total</b>	<b>(37,727)</b>	<b>(50,679)</b>
<b>Other income</b>		
Interest income	70	96
Other revenue	38	8
Proceeds from litigation	312	-
Gain on disposal of investments	-	1,666
Gain on disposal of tenements	-	766
Gain on disposal of assets	14	4
<b>Total</b>	<b>434</b>	<b>2,540</b>
<b>Administration, marketing and non-production costs</b>		
Corporate and marketing	(1,141)	(1,865)
Restructure costs	(3,345)	(1,352)
LHM mine site	(1,069)	(1,439)
Canada site	(13)	(6)
Depreciation and amortisation	(27)	(34)
Other	-	(395)
<b>Total</b>	<b>(5,595)</b>	<b>(5,091)</b>
<b>Other expenses</b>		
KM care and maintenance expenses	(2,219)	(3,099)
Foreign exchange loss (net)	(2,613)	(7,908)
Write-down of stores and consumables	(10)	-
<b>Total</b>	<b>(4,842)</b>	<b>(11,007)</b>
<b>Finance costs</b>		
Interest expense	(20,730)	(13,876)
Accretion expense relating to convertible bonds	-	(6,774)
Accretion expense relating to unearned revenue	(10,295)	-
Accretion expense relating to mine closure provision	(1,885)	(2,951)
<b>Total</b>	<b>(32,910)</b>	<b>(23,601)</b>

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
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**NOTE 8. OTHER INCOME AND EXPENSES (continued)**

	Six months ended	
	31 December 2017 US\$'000	2016 US\$'000
<b>Profit after tax from discontinued operations</b>		
Reclassification of foreign currency translation reserve	-	875
Gain on disposal of subsidiary	-	375
	-	1,250
<b>Total</b>	-	1,250

In December 2016, Paladin sold a subsidiary company, Northern Territory Uranium Pty Ltd, which holds an interest in the Bigrlyi exploration project located in the Northern Territory, to Uranium Africa Ltd for approximately US\$375,000.

**NOTE 9. TRADE AND OTHER RECEIVABLES**

	31 December 2017 US\$'000	30 June 2017 US\$'000
	<b>Current</b>	
Trade receivables	606	674
GST and VAT	9,681	12,164
Sundry debtors	843	897
Interest receivable	3	9
	11,133	13,744
<b>Total current receivables</b>	11,133	13,744
<b>Non Current</b>		
Sundry debtors	412	384
	412	384
<b>Total non current receivables</b>	412	384

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
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**NOTE 10. INVENTORIES**

	<b>31 December 2017 US\$'000</b>	<b>30 June 2017 US\$'000</b>
<b>Current</b>		
Stores and consumables	9,112	9,183
Work-in-progress	5,285	4,840
Finished goods	15,663	13,433
	<hr/>	<hr/>
<b>Total current inventories at the lower of cost and net realisable value</b>	<b>30,060</b>	<b>27,456</b>

During the period ended 31 December 2017, the carrying value of inventories held was reduced to net realisable value resulting in an inventory write-down of US\$16,576,000 (2016: US\$22,306,000) for the period, recognised in cost of sales. The write-down of inventories includes:

- a. Write-down of ore stockpiles of US\$4,841,000 (2016: US\$16,208,000). During the year ended 30 June 2016, a change in LHM's life of mine plan, in order to reduce costs and improve cash flows, resulted in a change in the timescale for processing the ore stockpiles. The stockpiles are expected to be processed over the next one to two years, which due to the lower forecast prices (compared to forecast prices in future periods when the ore stockpiles were originally planned to be processed) resulted in the net realisable value at 31 December 2017 being estimated as US\$Nil (2016: US\$Nil). The net realisable value of the ore stockpiles is dependent on a number of key factors including: uranium price (for which a combination of spot and forward pricing has been used for the next two to three years), future processing costs, grade and recovery rates.
- b. Write-down of product-in-circuit of US\$3,934,000 (2016: US\$2,885,000) due to low uranium prices.
- c. Write-down of finished product of US\$7,801,000 (2016: US\$3,213,000) due to low uranium prices.

During the period ended 31 December 2017, stores and consumables held at KM were reduced by US\$10,000 (2016: US\$Nil) due to obsolescence.

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

	<b>31 December 2017 US\$'000</b>	<b>30 June 2017 US\$'000</b>
Plant and equipment (at cost) <sup>(1)</sup>	717,165	713,321
Less accumulated depreciation and impairment	(493,375)	(485,801)
<b>Total plant and equipment</b>	<b>223,790</b>	<b>227,520</b>
Land and buildings (at cost) <sup>(2)</sup>	10,100	10,052
Less accumulated depreciation	(4,253)	(4,013)
<b>Total land and buildings</b>	<b>5,847</b>	<b>6,039</b>
Construction work in progress (at cost) <sup>(3)</sup>	957	10,738
Less impairment	-	-
<b>Total construction work in progress</b>	<b>957</b>	<b>10,738</b>
<b>Total property, plant and equipment</b>	<b>230,594</b>	<b>244,297</b>

<sup>(1)</sup> Includes additions of US\$Nil (30 June 2017: US\$32,456)

<sup>(2)</sup> Includes additions of US\$Nil (30 June 2017: US\$Nil)

<sup>(3)</sup> Includes additions of US\$6,813,131 (30 June 2017: US\$9,061,955)

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 of disposal 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).

The future recoverability of the property, plant and equipment, mine development and intangibles is dependent on a number of key factors including: uranium price, discount rates used in determining the estimated discounted cash flows, foreign exchanges rates, tax rates, the level of proved and probable reserves and measured, indicated and inferred mineral resources, future technological changes which could impact the cost of production and future legal changes, including changes to environmental restoration obligations.

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**NOTE 11. PROPERTY, PLANT AND EQUIPMENT (continued)**

The recoverable value of the LHM property, plant and equipment has been determined based on the higher of an asset's or CGU's fair value less costs of disposal ("FVLCD") or value in use ("VIU").

The Administrators engaged an independent expert to prepare an Independent Expert's Report which was used to assist the Court to assess the S444GA Application to implement the proposed DOCA. The Independent Expert's Report, released on 22 December 2017, determined LHM's enterprise value as being in a valuation range of US\$536,245,000 to US\$693,422,000 (midpoint US\$614,834,000).

The following key assumptions were used by the independent expert in their valuation of LHM:

- Future production based on the latest LOM.
- Uranium price forecasts 2017 to 2021 (nominal) ranging from US\$28/lb to US\$56/lb.
- Long term uranium price forecast (real) of US\$58/lb.
- Average future cost of production of US\$26/lb based on the current LOM.
- Discount rate applied to cash flow projections ranging from 11% to 12%.

The current carrying value of the LHM CGU is US\$255,171,000. Considering that this independent valuation is significantly higher than the carrying value of the LHM CGU, no impairment of the LHM CGU has been recognised at 31 December 2017.

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**NOTE 12. EXPLORATION AND EVALUATION EXPENDITURE**

The following table details the expenditures on interests in mineral properties by area of interest for the six months ended 31 December 2017:

Areas of interest	Valhalla/ Skal <sup>(1)</sup> US\$'000	Isa North US\$'000	Carley Bore US\$'000	Canada US\$'000	Manyingee US\$'000	Fusion US\$'000	Total US\$'000
<b>Balance 30 June 2017</b>	<b>40,308</b>	<b>8,500</b>	<b>7,800</b>	<b>28,140</b>	<b>7,277</b>	-	<b>92,025</b>
Acquisition property payments	-	-	-	-	-	-	-
<b>Project exploration and evaluation expenditure</b>							
Labour	14	128	7	145	2	4	300
Outside services	-	215	-	6	-	-	221
Other expenses	63	267	30	274	40	57	731
<b>Total expenditure</b>	<b>77</b>	<b>610</b>	<b>37</b>	<b>425</b>	<b>42</b>	<b>61</b>	<b>1,252</b>
Expenditure expensed	(77)	(610)	(37)	(425)	-	(61)	(1,210)
<b>Expenditure capitalised</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>42</b>	<b>-</b>	<b>42</b>
Foreign exchange differences	268	386	-	1,043	2	-	1,699
<b>Balance 31 December 2017</b>	<b>40,576</b>	<b>8,886</b>	<b>7,800</b>	<b>29,183</b>	<b>7,321</b>	-	<b>93,766</b>

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

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**NOTE 13. PROVISIONS**

	31 December 2017 US\$'000	30 June 2017 US\$'000
<b>Current</b>		
Employee benefits	2,624	2,382
<b>Total current provisions</b>	<b>2,624</b>	<b>2,382</b>
<b>Non Current</b>		
Employee benefits	51	46
Rehabilitation provision	90,902	86,933
Demobilisation provision	945	1,372
<b>Total non current provisions</b>	<b>91,898</b>	<b>88,351</b>

**NOTE 14. UNEARNED REVENUE**

	31 December 2017 US\$'000	30 June 2017 US\$'000
<b>Non Current</b>		
Unearned revenue	288,488	278,182
<b>Total unearned revenue</b>	<b>288,488</b>	<b>278,182</b>

In 2012, Paladin entered into a six-year Long Term Supply Contract 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 sold to EdF under the contract was at prevailing spot prices at the time of delivery, subject to escalating floor and ceiling prices, with the floor price being at a significant premium to both current spot and long term reference prices. The Long Term Supply Contract was an obligation of the Company and it was intended to be fulfilled through the acquisition of U<sub>3</sub>O<sub>8</sub> from the Company's operating assets and joint ventures at the time of delivery.

Under this agreement, a US\$200,000,000 cash prepayment was received in 2012. The prepayment related to 44.51% of the total volume to be delivered under the contract, at the present value of the contracted floor price, determined using an imputed interest rate of 7.619%.

The Company granted EdF security over 60.1% of the Michelin project in Canada. Under certain circumstances, the company could elect, or be required to replace the Michelin security with other appropriate security.

On 28 December 2016, Paladin received a notice from EdF requesting security for the prepayment in addition to its existing security over 60.1% of the Michelin project in Canada. Under certain circumstances, Paladin may have been required to provide additional security and Paladin discussed potential additional security, and the value of that additional security, with EdF.

The Company and EdF appointed an independent expert to determine the value of additional security proposed by Paladin under the Long Term Supply Contract. If the expert determined that the value of the additional security was less than the value required by the Long Term Supply Contract, the outstanding amount (being approximately US\$278,182,000 at 30 June 2017) would need to be repaid within 30 days of the determination. On 9 June 2017, the independent expert ruled that the additional security proposed was insufficient. Paladin and EdF entered into discussions about a possible standstill from EdF, however on

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
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**NOTE 14. UNEARNED REVENUE (continued)**

3 July 2017, EdF informed Paladin that it was not prepared to enter into a standstill agreement and required payment of the outstanding amount when due, on 10 July 2017.

Following receipt of the demand from EdF, the board of Paladin met and resolved to appoint administrators.

On 13 October 2017, Paladin announced that EdF had given notice terminating the Long Term Supply Contract on the basis that Paladin had failed to repay the outstanding amount (being approximately US\$278,182,000 at 30 June 2017) by 9 October 2017, being the due date for cure of the default.

On 29 November 2017, Paladin announced that EdF had issued a demand under the guarantees given by three of Paladin's subsidiaries (Paladin Energy Canada Ltd, Aurora Energy Ltd, and Paladin Canada Investments (NL) Ltd) (Paladin's Canadian Subsidiaries), in respect of Paladin's obligations under the Long Term Supply Contract and the provision of security and guarantees over their interests in the Michelin Project.

On 21 December 2017, EdF sold its claims in respect of Paladin's obligations under the Long Term Supply Contract and the provision of security over their interests in the Michelin Project to Deutsche Bank. Deutsche Bank has sold some or all of those claims to other third-party investors. Accordingly EdF is no longer a creditor of Paladin and its subsidiaries. The Company is currently in discussions with Deutsche Bank and the other purchasers of EdF's claims to determine what their intentions are with regard to the guarantees provided by Paladin's Canadian Subsidiaries.

**NOTE 15. COMMITMENTS AND CONTINGENCIES**

There were no outstanding commitments or contingencies, which are not disclosed in the Financial Report of the Group as at 31 December 2017 other than:

	<b>31 December 2017 US\$'000</b>	<b>30 June 2017 US\$'000</b>
<b>(a) Tenements</b>		
Commitments for tenements contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	1,678	1,722
Later than one year but not later than 5 years	6,473	10,188
More than 5 years	2,967	3,493
	<b>11,118</b>	<b>15,403</b>
<b>Total tenements commitments</b>		

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.

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**NOTE 15. COMMITMENTS AND CONTINGENCIES (continued)**

**(b) Operating Lease Commitments**

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

These non-cancellable leases have remaining terms of between 1 month and 40 months. All leases include a clause to enable upward revision of rental charge on an annual basis according to prevailing market conditions.

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

	<b>31 December 2017 US\$'000</b>	<b>30 June 2017 US\$'000</b>
Within one year	442	510
Later than one year but not later than 5 years	753	915
More than 5 years	-	-
<b>Total operating lease commitments</b>	<b>1,195</b>	<b>1,425</b>

**(c) Other Commitments**

Commitments for mining, transport and reagents contracted for at the reporting date but not recognised as liabilities, payable

Within one year	15,866	14,985
Later than one year but not later than 5 years	-	-
More than 5 years	-	-
<b>Total other commitments</b>	<b>15,866</b>	<b>14,985</b>

**(d) Acquisition Costs**

In relation to the Manyingee Uranium Project, the re-negotiated acquisition terms provide for a payment of A\$750,000 / (US\$585,000) (30 June 2017: A\$750,000 (US\$575,000) by the Group to the vendors when all project development approvals are obtained.

**(e) Bank Guarantees**

As at 31 December 2017 the Group has outstanding US\$175,722 / (A\$225,145) (30 June 2017: US\$172,521/ A\$225,000) as a current guarantee provided by a bank for the corporate office lease, a US\$132,750 / (A\$170,086) (30 June 2017: US\$130,266 (A\$170,000) guarantee for tenements, and a US\$52,396 / (A\$67,132) (30 June 2017: US\$49,807 (A\$65,000) guarantee for corporate credit cards. The KM environmental performance guarantee expired on 31 December 2017, but it is in the process of being renewed following the US\$10,000,000 cash backing of the guarantee out of proceeds from the New Notes issued on 1 February 2018.

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**NOTE 16. EVENTS AFTER THE REPORTING PERIOD**

Other than disclosed below, since the 31 December 2017, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this report, that has significantly or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent periods with the exception of the following, the financial effects of which have not been provided for in the 31 December 2017 Financial Report:

**Supreme Court approves s444GA transfer**

On 18 January 2018, the Company announced that the s444GA Application had been heard by Justice Black on 16 January 2018 at the Supreme Court of New South Wales and he had delivered judgment on 18 January 2018, granting leave for the application and approving the s444GA Transfer.

**Effectuation of DOCA, appointment of new directors and intention to apply for reinstatement to official quotation**

On 1 February 2018, the Company announced the effectuation of the DOCA and the completion of the restructure. As a result the Deed Administrators provided notice to ASIC that the DOCA had been fully effectuated, the Deed Administrators had retired, the DOCA had terminated in accordance with its terms and the day to day management and control had reverted to the Company's directors.

Two new directors were appointed to the board of Paladin: Mr David Riekie and Mr Daniel Harris.

In accordance with clause 5.1(c) of the DOCA, 98% of Paladin shares were transferred to creditors and other investors pursuant to section 444GA of the Corporations Act and 2% were retained by shareholders.

**Issue of US\$115,000,000 New Notes**

On 1 February 2018, the offer for the US\$115,000,000 new notes was fully subscribed and the new notes were issued. Net proceeds of US\$36,921,000 were received by the Company following a US\$63,834,000 payment to Deutsche Bank to acquire the Company's Deutsche Bank Facility (including fees and advisor costs), a US\$10,000,000 payment to cash back Nedbank Limited's issue of a US\$10,000,000 performance bond to the Government of Malawi for the KM environmental rehabilitation obligations and payments totalling US\$4,245,000 million for certain advisors' fees.

**Application for reinstatement to official quotation**

On 2 February 2018, the Company announced it had formally applied for its securities to be reinstated to official quotation on the Australian Securities Exchange. Following completion of the recapitalisation the securities of Paladin were reinstated to the official quotation on 16 February 2018.

**Transfer of Canadian sub-register**

On 6 February 2018, the Company announced that the transfer of the Canadian Register had taken effect and all shares on the Canadian Register have been transferred to the Australian Ordinary Share Register.

**Langer Heinrich shareholders agreement – CNNC option risk**

On 7 February 2018, the Company announced that it had not received an appraisal notice requiring a valuation process by an independent expert as the first step towards potentially exercising CNNC's option to purchase PFPL's interest in LHMHL, the ultimate holding company of LHM. The applicable 60 day period ended on 6 February 2018.

**Appointment of director**

On 14 February 2018, the Company announced the appointment of Mr John Hodder as a non-executive director of Paladin.

*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 for the half-year ended 31 December 2017 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 31 December 2017 and its performance for the half year ended on that date; and
  - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, International Financial Reporting Standard, IAS 34 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) subject to the matters set out in Note 3 to the Financial Statements, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Mr Rick Crabb  
Chairman  
Perth, Western Australia  
27 February 2018



## **Independent auditor's review report to the members of Paladin Energy Ltd**

### ***Report on the Half-Year Financial Report***

We have reviewed the accompanying half-year financial report of Paladin Energy Ltd (the company), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Paladin Energy Ltd Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

### ***Directors' responsibility for the half-year financial report***

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

### ***Auditor's responsibility***

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Paladin Energy Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### ***Independence***

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

---

**PricewaterhouseCoopers, ABN 52 780 433 757**

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### *Conclusion*

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

1. giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### *Material uncertainty related to going concern*

We draw attention to Note 3 in the financial report, which indicates the Group was in administration during the period and had a net current asset deficit of US\$688,390,000 as at 31 December 2017 and net cash outflows from operations of US\$23,867,000 for the half year then ended. Subsequent to 31 December 2017, the Group successfully effectuated a deed of company arrangement and raised US\$115,000,000 in new notes, the repayment of which is dependent on a successful operational strategy, the sale of Group assets or raising additional equity or finance. These conditions, along with other matters set forth in Note 3, indicate that a material uncertainty exists that may cast significant doubt on the consolidated entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

PricewaterhouseCoopers

Ben Gargett  
Partner

Perth  
27 February 2018

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

I, Alexander Molyneux, the certifying officer and Chief Executive Officer, Paladin Energy Ltd, certify the following:

1. **Review:** I have reviewed the interim financial statements and interim MD&A (together, the “interim filings”) of Paladin Energy Ltd for the interim period ended 31 December 2017.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the interim filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable due diligence, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.
4. **Responsibility:** The issuer’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 Certification of Disclosure in Issuer’s Annual and Interim Filings, for the issuer.
5. **Design:** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer’s other certifying officer and I have, as at the end of the period covered by the interim filings
  - (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that:
    - (i) material information relating to the issuer is made known to us by others, particularly during the period in which the annual filings are being prepared; and
    - (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarised and reported within the time periods specified in securities legislation; and
  - (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s GAAP.
- 5.1 **Control Framework:** The control framework the issuer’s other certifying officer and I used to design the issuer’s ICFR is the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission (COSO).
- 5.2 **ICFR – material weakness relating to design:** N/A
- 5.3 **Limitation on scope of design:** N/A
6. **Reporting changes in ICFR:** The issuer has disclosed in its interim MD&A any change in the issuer’s ICFR that occurred during the period beginning on 1 July 2017 and ended on 31 December 2017 that has materially affected, or is reasonably likely to materially affect, the issuer’s ICFR.

Dated: 27 February 2017



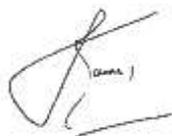
**Alexander Molyneux**  
**Chief Executive Officer**

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

I, Craig Barnes, the certifying officer and Chief Financial Officer, Paladin Energy Ltd, certify the following:

1. Review: I have reviewed the interim financial statements and interim MD&A (together, the “interim filings”) of Paladin Energy Ltd for the interim period ended 31 December 2017.
2. No misrepresentations: Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the interim filings.
3. Fair presentation: Based on my knowledge, having exercised reasonable due diligence, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.
4. Responsibility: The issuer’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 Certification of Disclosure in Issuer’s Annual and Interim Filings, for the issuer.
  - (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that:
    - (i) material information relating to the issuer is made known to us by others, particularly during the period in which the annual filings are being prepared; and
    - (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarised and reported within the time periods specified in securities legislation; and
  - (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s GAAP.
- 5.1 Control Framework: The control framework the issuer’s other certifying officer and I used to design the issuer’s ICFR is the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission (COSO).
- 5.2 ICFR – material weakness relating to design: N/A
- 5.3 Limitation on scope of design: N/A
6. Reporting changes in ICFR: The issuer has disclosed in its interim MD&A any change in the issuer’s ICFR that occurred during the period beginning on 1 July 2017 and ended on 31 December 2017 that has materially affected, or is reasonably likely to materially affect, the issuer’s ICFR.

Dated: 27 February 2018



**Craig Barnes**  
**Chief Financial Officer**