

**Appendix 4D - Financial Report  
Half year ended 31 December 2018**

**Paladin Energy Ltd**

ABN or equivalent company reference

ACN. 061 681 098

**Results for announcement to the market**

				31 December 2018 US\$'000	31 December 2017 US\$'000
Revenue from sales of uranium oxide	Down	42%	to	21,491	36,893
Total revenue	Down	42%	to	21,491	36,893
Loss after tax attributable to members	Down	65%	to	(18,373)	(52,142)
Net loss for the year attributable to members	Down	65%	to	(18,373)	(52,142)
Loss per share (US cents)				(1.1)	(3.0)

<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 Operating and Financial Review and the Financial Report attached.		
Net tangible assets/(liabilities) per share	31 December 2018 US\$0.05	31 December 2017 US\$(0.29)
<b>Other</b>		
Previous corresponding period is the half year ended 31 December 2017.		
All foreign subsidiaries are prepared using IFRS.		



**PALADIN ENERGY LTD**

A.C.N.061 681 098

**FINANCIAL REPORT**

**FOR THE SIX MONTHS ENDED**

**31 DECEMBER 2018**

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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

## Operating and Financial Review

For the Six Months Ended 31 December 2018  
(All figures are in US dollars unless otherwise indicated)

### OVERVIEW OF OPERATIONS

The Group has two uranium mines in Africa<sup>1</sup> and uranium exploration projects in Australia, Africa and Canada. 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.

### HIGHLIGHTS

- Sales of 742,423 U<sub>3</sub>O<sub>8</sub> at an average selling price of US\$28.96/lb.
- Cash and cash equivalents at 31 December 2018 of US\$33.0M (excluding restricted cash of US\$11.1M).
- Langer Heinrich Mine
  - Successfully transitioned to care and maintenance in August 2018.
  - Concept study underway to optimise the Langer Heinrich operation in preparation for a restart decision.
  - Concept study will be followed by prefeasibility study expected to be completed in 2019.
- Kayelekera Mine
  - Continues to be on care and maintenance
  - No water treatment carried out during the period.
  - Target levels achieved for all water storage ponds.
- On 1 August 2018, Paladin announced an off-market takeover offer for all the shares in Summit Resources Ltd (Summit) that Paladin did not already own and after receiving the required acceptances and completing the acquisition on 16 November 2018 Paladin now owns 100% of Summit (previously 82.08%).
- On 31 August 2018, all existing claims which the Michelin Claimants (parties with a claim against several of Paladin's Canadian subsidiaries which had provided guarantees and security in respect of Paladin's obligations under the Électricité de France S.A. (EdF) Long Term Supply Agreement) had against Paladin's Canadian subsidiaries and Michelin were irrevocably extinguished, released and discharged and in consideration for the release of these claims, the Michelin Claimants received a 50% participating interest in the Michelin Project. Paladin has an earn back right of 5% p.a., up to 75%, by funding basic project holding costs for the next five year period.

<sup>1</sup> Langer Heinrich Mine, Namibia (on care and maintenance). Kayelekera Mine, Malawi (on care and maintenance).  
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# PALADIN ENERGY LTD

## Operating and Financial Review

For the Six Months Ended 31 December 2018  
(All figures are in US dollars unless otherwise indicated)

### 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 of production, 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 6 to the financial statements. Refer to page 5 for reconciliation.

### OPERATING PERFORMANCE

Key operating performance metrics		Six months ended 31 December		
		2018	2017	% Change
Ore mined	Mt	-	-	(100)
Ore mined - Grade	ppm	-	-	(100)
Ore and waste mined	Mt	-	-	(100)
Strip ratio	w:o	-	-	(100)
Ore processed	Mt	-	1,741	(100)
Ore processed - Grade	ppm	-	508	(100)
Overall recovery	%	-	87.9	(100)
U <sub>3</sub> O <sub>8</sub> production	Mlb	-	1.714	(100)
C1 cost of production	US\$/lb	-	23.11	(100)

#### Production

There was no production during the six months ended 31 December 2018 as LHM transitioned to care and maintenance in August 2018 and mining had previously been curtailed in November 2016.

# PALADIN ENERGY LTD

## Operating and Financial Review

For the Six Months Ended 31 December 2018  
(All figures are in US dollars unless otherwise indicated)

### C1 Cost of Production

A reconciliation of C1 cost of production to the Cost of sales reported in the financial statements is set out below.

	Six month ended 31 December	
	2018	2017
	US\$'000	US\$'000
C1 cost of production	-	39,602
Depreciation and amortisation	-	10,175
Production distribution costs	140	1,127
Royalties	204	1,233
Inventory movement	5,784	(14,410)
Purchased inventory	10,813	-
<b>Cost of sales</b>	<b>16,941</b>	<b>37,727</b>

### FINANCIAL PERFORMANCE

Key financial performance metrics		Six months ended 31 December		
		2018	2017	% Change
<b>Earnings</b>				
Average selling price	US\$/lb	28.96	21.82	33
U <sub>3</sub> O <sub>8</sub> sold	Mlb	0.742	1.691	(56)
Revenue	US\$'000	21,491	36,893	(42)
Cost of sales	US\$'000	(16,941)	(37,727)	(55)
Inventory write-down	US\$'000	-	(16,576)	(100)
Gross profit/(loss)	US\$'000	4,550	(17,410)	126
Net loss after tax	US\$'000	(25,443)	(61,533)	(59)
<b>Cash Flows</b>				
Cash flows from operating activities	US\$'000	(5,658)	(23,867)	(76)
Capital expenditure	US\$'000	(916)	(867)	6
Free cash flows	US\$'000	(6,574)	(24,734)	(73)
<b>Financial Position<sup>2</sup></b>				
Unrestricted cash and cash equivalents	US\$'000	32,965	39,166	(16)
Debt (principal amount + accrued interest)	US\$'000	125,934	119,905	5
Net debt	US\$'000	92,969	80,739	15
Total equity	US\$'000	93,792	106,761	(12)
Gearing ratio (Net debt / (net debt + equity))	%	50	43	7

<sup>2</sup> As at 31 December 2018 and 30 June 2018 respectively  
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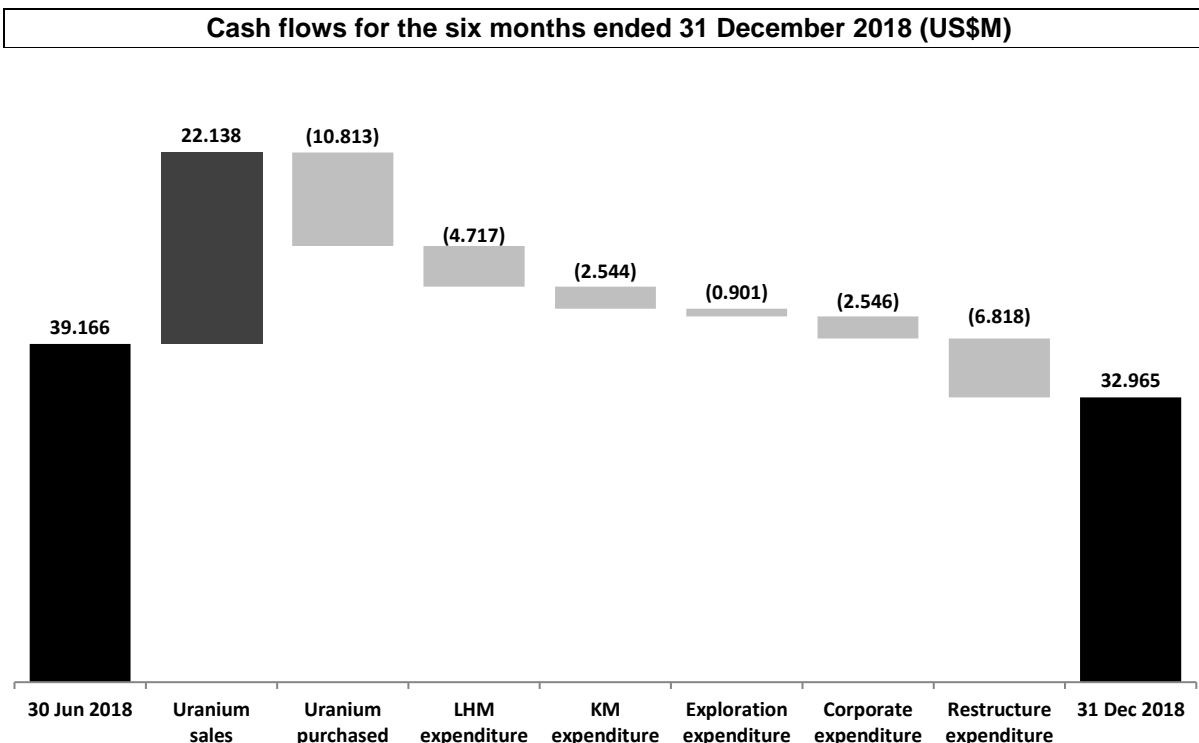
# PALADIN ENERGY LTD

## Operating and Financial Review

For the Six Months Ended 31 December 2018  
(All figures are in US dollars unless otherwise indicated)

### Cash Flows

The Group had unrestricted cash and cash equivalents at 31 December 2018 of US\$32,965,000. An analysis of the cash flows for the year is set out below.



Unrestricted cash and cash equivalents decreased by US\$6,201,000 during the period comprising of the following cash flows:

- Uranium sales – during the period the Group received US\$22,138,000 from customers for uranium sales.
- Uranium purchased – to meet delivery commitments during the period the Company purchased 439,339lb of uranium at a cost of US\$10,813,000.
- LHM expenditure – transitioning to C&M, LHM utilised US\$4,717,000 in cash flows from operations for the period.
- KM expenditure – ongoing C&M resulted in KM utilising US\$2,544,000 in cash flows from operations for the period.
- Exploration – the Company utilised US\$901,000 for minimum tenement commitments at its exploration projects during the period.
- Corporate – during the period US\$2,546,000 was paid for corporate expenditure.
- Restructure expenditure – the Group incurred US\$6,818,000 in restructure expenditure which resulted from LHM transitioning into care and maintenance, including employee retrenchment costs and contract termination costs.

# PALADIN ENERGY LTD

## Operating and Financial Review

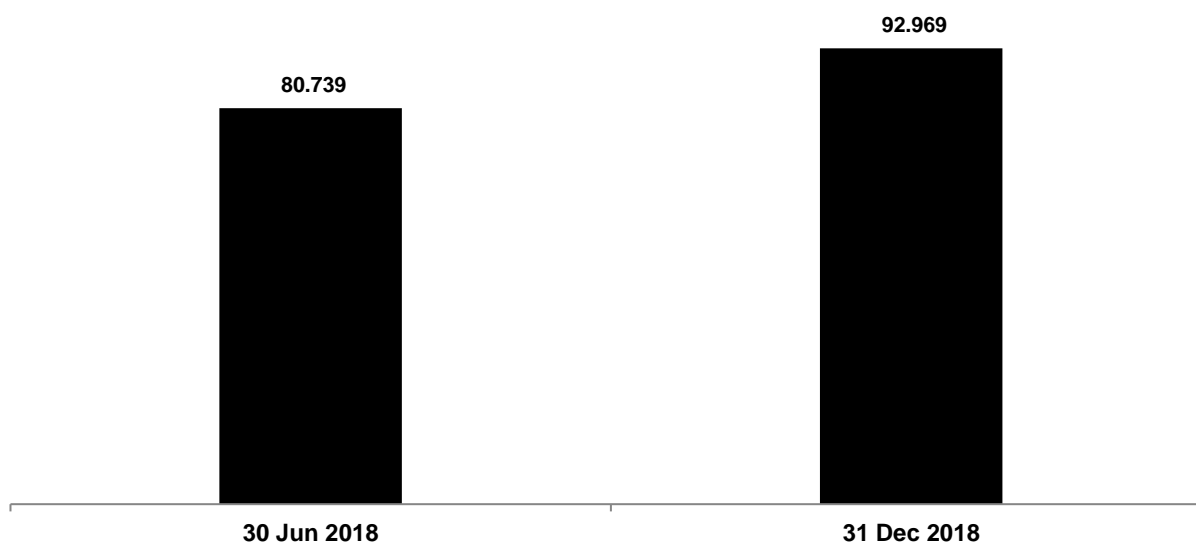
For the Six Months Ended 31 December 2018

(All figures are in US dollars unless otherwise indicated)

### Financial Position

Unrestricted group cash and cash equivalents decreased by 16% from US\$39,166,000 at 30 June 2018 to US\$32,965,000 at 31 December 2018 and net debt increased by 15%, from US\$80,739,000 at 30 June 2018 to US\$92,969,000 at 31 December 2018. In addition, the Company's gearing ratio increased by 7% from 43% at 30 June 2018 to 50% at 31 December 2018.

#### Net debt 31 December 2018 vs. 30 June 2018 (US\$M)





# PALADIN ENERGY LTD

## Directors' Report

For the Six Months Ended 31 December 2018  
(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 2018.

### 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 David Riekie (Non-executive Director)  
Mr Daniel Harris (Non-executive Director)  
Mr John Hodder (Non-executive Director)

### Review of Operations

A detailed Operating and Financial Review of the Group is set out on pages 3 to 7.

The loss after tax attributable to the ordinary equity holders for the six months ended 31 December 2018 was US\$18,373,000 (loss after tax of US\$52,142,000 for the six months ended 31 December 2017).

### 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 9, which forms part of the Directors' Report.

### Rounding

The amounts contained in this report, the Financial Report and the Operating and Financial Review 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  
26 February 2019



## *Auditor's Independence Declaration*

As lead auditor for the review of Paladin Energy Limited for the half-year ended 31 December 2018, 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 Limited and the entities it controlled during the period.

A handwritten signature in black ink that reads 'Ben Gargett'.

Ben Gargett  
Partner  
PricewaterhouseCoopers

Perth  
26 February 2019

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

		Six months ended 31 December	
	Notes	2018 US\$'000	2017 US\$'000
<b>Revenue</b>			
Revenue		21,491	36,893
Cost of sales	6	(16,941)	(37,727)
Inventory write-down	7	-	(16,576)
Gross profit/(loss)		4,550	(17,410)
Other income		1,928	434
Exploration and evaluation expenses	9	(14)	(1,210)
Administration, marketing and non-production costs	6	(20,911)	(7,814)
Other expenses		-	(2,623)
Loss before interest and tax		(14,447)	(28,623)
Finance costs		(10,996)	(32,910)
<b>Net loss before income tax</b>		<b>(25,443)</b>	<b>(61,533)</b>
Income tax expense		-	-
<b>Net loss after tax</b>		<b>(25,443)</b>	<b>(61,533)</b>
Attributable to:			
Non-controlling interests		(7,070)	(9,391)
Members of the parent		(18,373)	(52,142)
<b>Net loss after tax</b>		<b>(25,443)</b>	<b>(61,533)</b>
<b>Loss per share (US cents)</b>			
Loss after tax attributable to ordinary equity holders of the Company			
- basic and diluted (US cents)		(1.1)	(3.0)

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

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2018</b>	<b>2017</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Net loss after tax</b>	<b>(25,443)</b>	<b>(61,533)</b>
<b>Other comprehensive income</b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Foreign currency translation	(1,578)	1,644
Foreign currency translation attributable to non-controlling interests	(242)	115
<b>Other comprehensive loss for the period, net of tax</b>	<b>(1,820)</b>	<b>1,759</b>
<b>Total comprehensive loss for the period</b>	<b>(27,263)</b>	<b>(59,774)</b>
Total comprehensive loss attributable to:		
Non-controlling interests	(7,312)	(9,276)
Members of the parent	(19,951)	(50,498)
	<u>(27,263)</u>	<u>(59,774)</u>

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

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

	Notes	As at 31 December 2018 US\$'000	As at 30 June 2018 US\$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		32,965	39,166
Restricted cash		11,153	11,072
Trade and other receivables		1,263	8,121
Prepayments		1,387	1,511
Inventories	7	3,094	10,717
<b>TOTAL CURRENT ASSETS</b>		<b>49,862</b>	<b>70,587</b>
<b>Non current assets</b>			
Trade and other receivables		337	374
Property, plant and equipment	8	215,102	223,986
Mine development		26,236	28,142
Exploration and evaluation expenditure	9	89,794	76,439
Intangible assets		9,778	10,093
<b>TOTAL NON CURRENT ASSETS</b>		<b>341,247</b>	<b>339,034</b>
<b>TOTAL ASSETS</b>		<b>391,109</b>	<b>409,621</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		3,156	12,971
Provisions	10	723	5,249
<b>TOTAL CURRENT LIABILITIES</b>		<b>3,879</b>	<b>18,220</b>
<b>Non current liabilities</b>			
Interest bearing loans and borrowings		110,847	103,883
Other interest bearing loans - CNNC		95,719	93,330
Provisions	10	86,872	87,427
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>293,438</b>	<b>284,640</b>
<b>TOTAL LIABILITIES</b>		<b>297,317</b>	<b>302,860</b>
<b>NET ASSETS</b>		<b>93,792</b>	<b>106,761</b>
<b>EQUITY</b>			
Contributed equity	5(a)	2,306,925	2,301,286
Reserves		(66,042)	(62,769)
Accumulated losses		(2,021,017)	(2,002,644)
Parent interests		219,866	235,873
Non-controlling interests		(126,074)	(129,112)
<b>TOTAL EQUITY</b>		<b>93,792</b>	<b>106,761</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	Reserves US\$'000	Accumulated Losses US\$'000	Owners of the Parent US\$'000	Non- Controlling Interests US\$'000	Total US\$'000
<b>Balance at 1 July 2017</b>	<b>2,101,085</b>	<b>32,438</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>(34,080)</b>	<b>(2,516,922)</b>	<b>(381,757)</b>	<b>(113,816)</b>	<b>(495,573)</b>
<b>Balance at 1 July 2018</b>	<b>2,301,286</b>	<b>(62,769)</b>	<b>(2,002,644)</b>	<b>235,873</b>	<b>(129,112)</b>	<b>106,761</b>
Loss for the period	-	-	(18,373)	(18,373)	(7,070)	(25,443)
Other comprehensive income	-	(1,578)	-	(1,578)	(242)	(1,820)
Total comprehensive loss for the period, net of tax	-	(1,578)	(18,373)	(19,951)	(7,312)	(27,263)
Share-based payment	-	47	-	47	-	47
SARS exercised	90	(90)	-	-	-	-
Acquisition of 17.92% interest in Summit Resources Ltd	5,549	(1,652)	-	3,897	(3,897)	-
Disposal of 50% interest in Michelin	-	-	-	-	14,247	14,247
<b>Balance at 31 December 2018</b>	<b>2,306,925</b>	<b>(66,042)</b>	<b>(2,021,017)</b>	<b>219,866</b>	<b>(126,074)</b>	<b>93,792</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>2018</b>	<b>2017</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	22,138	36,960
Payments to suppliers and employees	(28,088)	(55,668)
Exploration and evaluation expenditure	(14)	(1,210)
Other income	167	360
Interest received	139	75
Interest paid	-	(4,384)
	<hr/>	<hr/>
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	<b>(5,658)</b>	<b>(23,867)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property, plant and equipment	(29)	(820)
Proceeds from sale of property, plant and equipment	312	200
Capitalised exploration expenditure	(887)	(47)
	<hr/>	<hr/>
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>	<b>(604)</b>	<b>(667)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from secured revolving credit facility	-	40,000
	<hr/>	<hr/>
<b>NET CASH INFLOW FROM FINANCING ACTIVITIES</b>	<b>-</b>	<b>40,000</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(6,262)</b>	<b>15,466</b>
Cash and cash equivalents at the beginning of the period	39,166	11,502
Effects of exchange rate changes on cash and cash equivalents	61	(66)
	<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>	<b>32,965</b>	<b>26,902</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 2018**  
EXPRESSED IN US DOLLARS

**NOTE 1. CORPORATE INFORMATION**

The Interim Financial Report of the Group for the six months ended 31 December 2018 was authorised for issue in accordance with a resolution of the Directors on 26 February 2019.

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 Operating and Financial Reviews (unaudited) on pages 3 to 7.

**NOTE 2. BASIS OF PREPARATION**

This consolidated interim financial report for the half-year reporting period ended 31 December 2018 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 2018 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 2018 the Group has adopted all Australian Accounting Standards and Interpretations effective for annual periods beginning on or before 1 July 2018, including AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments. 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\$18,373,000 for the six months ended 31 December 2018 (31 December 2017: loss US\$52,142,000) and a net cash outflow from operating activities of US\$5,658,000 (31 December 2017: outflow US\$23,867,000). As at 31 December 2018, the Group had a net current asset surplus of US\$45,983,000 (30 June 2018: US\$52,367,000), including cash and cash equivalents of US\$32,965,000 (30 June 2018: US\$39,166,000).



**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2018**  
EXPRESSED IN US DOLLARS

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

During the next twelve months, there are currently no repayment obligations in respect of interest bearing loans and borrowings of US\$110,547,000 and 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, a combination of: generating sufficient surplus operating cash flows, which are reliant on a restart of its mines, their operating performance and the uranium price amongst other factors; the sale of Group assets; raising new equity; or the refinance of the notes.

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.

The Directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis on the basis that the above can be reasonably expected to be accomplished.

**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<sup>(1)</sup> and Malawi<sup>(2)</sup> is the production and sale of uranium from the mines located in these geographic regions. The Exploration<sup>(3)</sup> segment is focused on developing exploration and evaluation projects in Australia and Canada. The 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, East Asia and Western Europe. 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 13 May 2018.

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

(3) In FY2018, the Company has only undertaken the work required to meet minimum tenement commitments.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
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**NOTE 4. SEGMENT INFORMATION (continued)**

The following tables present revenue, expenditure and asset information regarding operating segments for the six months ended 31 December 2018 and 31 December 2017.

<b>Six months ended 31 December 2018</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	-	21,491	-	-	21,491
Other revenue	-	-	-	-	-
Total consolidated revenue	-	21,491	-	-	21,491
Cost of sales	-	(16,491)	-	-	(16,941)
Inventory write-down	-	-	-	-	-
Gross profit	-	4,550	-	-	4,550
Other income and expenses	(14)	(16,687)	(2,211)	(85)	(18,997)
Segment loss before income tax and finance costs	(14)	(12,137)	(2,211)	(85)	(14,447)
Finance costs	-	(7,083)	-	(3,913)	(10,996)
Segment loss before income tax	(14)	(19,220)	(2,211)	(3,998)	(25,443)
Income tax expense	-	-	-	-	-
Segment loss after income tax	(14)	(19,220)	(2,211)	(3,998)	(25,443)
<b>At 31 December 2018</b>					
Segment total assets	<b>90,676</b>	<b>261,853</b>	<b>11,245<sup>(1)</sup></b>	<b>27,335<sup>(2)</sup></b>	<b>391,109</b>

(1) Includes US\$10,130,834 Kayelekera Performance Bond (restricted cash).

(2) Includes US\$26,454,798 in cash and cash equivalents.

<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 expense	-	-	-	-	-
Segment loss after income tax	(1,211)	(29,971)	(1,923)	(28,428)	(61,533)
<b>At 30 June 2018</b>					
Segment total assets	<b>77,458</b>	<b>285,002</b>	<b>10,708<sup>(1)</sup></b>	<b>36,453<sup>(2)</sup></b>	<b>409,621</b>

(1) Includes US\$10,058,000 in restricted cash relating to the environmental performance bond at KM.

(2) Includes US\$34,923,000 in cash and cash equivalents.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
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**NOTE 5. CONTRIBUTED EQUITY**

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

<b>Ordinary shares</b>	<b>31 December 2018</b>	<b>30 June 2018</b>	<b>31 December 2018</b>	<b>30 June 2018</b>
	<b>Number of Shares</b>		<b>US\$'000</b>	<b>US\$'000</b>
Issued and fully paid	1,752,084,272	1,712,843,812	2,306,925	2,301,286

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

<b>Date</b>		<b>Number of Shares</b>	<b>Issue Price A\$</b>	<b>Exchange Rate US\$: A\$</b>	<b>Total US\$'000</b>
<b>Balance 30 June 2018</b>		<b>1,712,843,812</b>			<b>2,301,286</b>
September 2018	SARs exercised	170,373	-	-	-
October 2018	Acquisition of Summit	34,291,724	0.20	1.39668	4,854
November 2018	Acquisition of Summit	4,778,363	0.20	1.37493	695
	Transfer from share-based payment reserve				90
<b>Balance 31 December 2018</b>		<b>1,752,084,272</b>			<b>2,306,925</b>

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
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**NOTE 5. CONTRIBUTED EQUITY (continued)**

**(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:

	<b>31 December 2018 Number</b>	<b>30 June 2018 Number</b>
Number of unlisted employee options	-	3,000,000

All options expired during the six months ended 31 December 2018.

**(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 2018 Number</b>	<b>30 June 2018 Number</b>
Number of unlisted employee share appreciation rights	17,085,000	14,519,000

Consisting of the following:

Date granted	Exercisable date	Expiry date	Fair value	Exercise price	Number
20 October 2015	1 November 2016	1 November 2021	A\$0.13	A\$0.20	1,842,500
20 October 2015	1 November 2017	1 November 2022	A\$0.13	A\$0.20	921,250
20 October 2015	1 November 2018	1 November 2023	A\$0.13	A\$0.20	921,250
3 March 2016	1 November 2016	1 November 2021	A\$0.10	A\$0.20	75,000
3 March 2016	1 November 2017	1 November 2022	A\$0.10	A\$0.20	37,500
3 March 2016	1 November 2018	1 November 2023	A\$0.10	A\$0.20	37,500
27 September 2016	11 November 2017	11 November 2022	A\$0.08	A\$0.20	561,000
27 September 2016	11 November 2018	11 November 2023	A\$0.08	A\$0.20	561,000
27 September 2016	11 November 2019	11 November 2024	A\$0.08	A\$0.20	561,000
16 April 2018	16 April 2018	16 April 2023	A\$0.17	A\$0.15	2,942,500
16 April 2018	16 April 2019	16 April 2024	A\$0.05	A\$0.15	1,812,500
16 April 2018	16 April 2020	16 April 2025	A\$0.07	A\$0.15	1,812,500
1 July 2018	1 July 2019	1 July 2024	A\$0.04	A\$0.1775	1,000,000
1 July 2018	1 July 2020	1 July 2025	A\$0.06	A\$0.1775	1,000,000
1 July 2018	1 July 2021	1 July 2026	A\$0.07	A\$0.1775	1,000,000
1 July 2018	1 July 2022	1 July 2027	A\$0.08	A\$0.1775	2,000,000
<b>Total</b>					<b>17,085,500</b>

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
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**NOTE 6. EXPENSES**

	Six months ended 31 December	
	2018 US\$'000	2017 US\$'000
<b>Cost of sales</b>		
Cost of production (C1)	-	(39,602)
Depreciation and amortisation	-	(10,175)
Production distribution costs	(140)	(1,127)
Royalties	(204)	(1,233)
Inventory movement	(5,784)	14,410
Purchased inventory	(10,813)	-
	<hr/>	<hr/>
<b>Total</b>	<b>(16,941)</b>	<b>(37,727)</b>
<b>Administration, marketing, care and maintenance, and non-production costs</b>		
Corporate and marketing	(2,685)	(1,141)
Corporate restructure costs	(724)	(3,345)
LHM care & maintenance expenses and non-production costs	(4,056)	(1,069)
LHM restructure costs	(28)	-
KM care and maintenance expenses	(2,544)	(2,219)
Canada site	(15)	(13)
Depreciation and amortisation	(10,811)	(27)
Share-based payments	(48)	-
	<hr/>	<hr/>
<b>Total</b>	<b>(20,911)</b>	<b>(7,814)</b>

**NOTE 7. INVENTORIES**

	31 December 2018 US\$'000	30 June 2018 US\$'000
<b>Current</b>		
Stores and consumables	3,094	4,933
Work-in-progress	-	232
Finished goods	-	5,552
	<hr/>	<hr/>
<b>Total current inventories at the lower of cost and net realisable value</b>	<b>3,094</b>	<b>10,717</b>

**Inventory Expense**

Inventories sold recognised as an expense for the six months ended 31 December 2018 totalled US\$16,941,000, which included purchased inventory of US\$10,813,000 (six months ended 31 December 2017: US\$37,727,000) for the Group.

During the period ended 31 December 2018, the carrying value of inventories held was reduced to net realisable value resulting in an inventory write-down of US\$Nil (2017: US\$16,576,000) for the period, recognised in cost of sales. The write-down of inventories included:

- a. Write-down of ore stockpiles of US\$Nil (2017: US\$4,841,000).
- b. Write-down of product-in-circuit of US\$Nil (2017: US\$3,934,000) due to low uranium prices.
- c. Write-down of finished product of US\$Nil (2017: US\$7,801,000) due to low uranium prices.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
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**NOTE 8. PROPERTY, PLANT AND EQUIPMENT**

	<b>31 December 2018 US\$'000</b>	<b>30 June 2018 US\$'000</b>
Plant and equipment (at cost) <sup>(1)</sup>	714,749	716,919
Less accumulated depreciation and impairment	(505,820)	(499,420)
<b>Total plant and equipment</b>	<b>208,929</b>	<b>217,499</b>
Land and buildings (at cost) <sup>(2)</sup>	9,843	9,958
Less accumulated depreciation	(4,448)	(4,323)
<b>Total land and buildings</b>	<b>5,395</b>	<b>5,635</b>
Construction work in progress (at cost) <sup>(3)</sup>	778	852
Less impairment	-	-
<b>Total construction work in progress</b>	<b>778</b>	<b>852</b>
<b>Total property, plant and equipment</b>	<b>215,102</b>	<b>223,986</b>

<sup>(1)</sup> Includes additions of US\$28,853 (30 June 2018: US\$15,235)

<sup>(2)</sup> Includes additions of US\$Nil (30 June 2018: US\$Nil)

<sup>(3)</sup> Includes additions of US\$Nil (30 June 2018: US\$1,372,848)

Change in accounting estimate

There has been a change in the basis for depreciating the LHM Plant during care and maintenance. Previously the plant was depreciated using the Units of Production method which would have resulted in zero depreciation during care and maintenance. The basis of depreciation has changed prospectively to the straight line method over the remaining useful life of the assets. This will result in additional depreciation charges of approximately US\$14M in FY19.

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. Since the 30 June 2018, there have been no events or changes in circumstances to indicate that the carrying value may not be recoverable.

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**NOTE 9. EXPLORATION AND EVALUATION EXPENDITURE**

The following table details the expenditures on interests in mineral properties by area of interest for the year ended 31 December 2018:

	<b>Valhalla /Skal</b>	<b>Isa North</b>	<b>Carley Bore</b>	<b>Canada<sup>(1)</sup></b>	<b>Manyingee/ Other</b>	<b>Fusion</b>	<b>Total</b>
<b>Areas of interest</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Balance 30 June 2018	39,781	7,666	7,800	13,883	7,309	-	76,439
<b>Project exploration and evaluation expenditure</b>							
Total expenditure	78	214	42	450	38	78	900
Expenditure expensed	-	-	-	-	(14)	-	(14)
Expenditure capitalised	<b>78</b>	<b>214</b>	<b>42</b>	<b>450</b>	<b>24</b>	<b>78</b>	<b>886</b>
Foreign exchange differences	(644)	(946)	-	(187)	-	-	(1,777)
Consolidation over Michelin project	-	-	-	14,246	-	-	14,246
<b>Balance 31 December 2018</b>	<b>39,215</b>	<b>6,934</b>	<b>7,842</b>	<b>28,392</b>	<b>7,333</b>	<b>78</b>	<b>89,794</b>

<sup>(1)</sup> EdF claimants accepted a proposal whereby all existing claims which EdF had against the Michelin Project were released and in consideration for the release of these claims, the EdF Claimants received a 50% participating interest in the Michelin Project. There will be a farm out over a five year period whereby the EdF Claimants will transfer 5% participating interest in the Michelin Project to Paladin on an annual basis in return for Paladin funding all obligations for the Michelin Project over this period.

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**NOTE 10. PROVISIONS**

	31 December 2018 US\$'000	30 June 2018 US\$'000
<b>Current</b>		
Employee benefits	709	5,249
Demobilisation provision	14	-
<b>Total current provisions</b>	<b>723</b>	<b>5,249</b>
<b>Non Current</b>		
Employee benefits	-	-
Rehabilitation provision	86,872	86,817
Demobilisation provision	-	610
<b>Total non current provisions</b>	<b>86,872</b>	<b>87,427</b>

**NOTE 11. 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 2018 other than:

	31 December 2018 US\$'000	30 June 2018 US\$'000
<b>(a) Tenements</b>		
Commitments for tenements contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	460	1,055
Later than one year but not later than 5 years	949	1,417
More than 5 years	822	869
<b>Total tenements commitments</b>	<b>2,231</b>	<b>3,341</b>

These include commitments relating to tenement lease rentals and the minimum expenditure requirements of the Namibian, Malawian, Canadian, Western Australian 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 12. EVENTS AFTER THE REPORTING PERIOD**

Other than disclosed below, since the 31 December 2018, 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 2018 Financial Report:

**Langer Heinrich Restart Prefeasibility Study (PFS)**

Paladin will commence a PFS for the restart of the Langer Heinrich uranium mine in Namibia (Langer Heinrich) after a concept study completed by the Company identified multiple options to reduce operating costs, improve process reliability and potentially recover a saleable vanadium product. The PFS is expected to cost US\$6.2M and will be funded from existing cash resources.

A two-stage PFS is planned to commence in March 2019. The first stage of PFS, to refine restart plan, is due for completion in Q1 FY20, with the second stage, for process optimisation, due for completion in Q3 FY20. This approach retains rapid restart potential while developing cost reduction opportunities, including vanadium production. Relatively low initial restart capital funding requirements have been verified. The PFS is a significant investment to restart Langer Heinrich as a reliable, low cost, long life uranium producer, reflecting the value that is on offer and targeting aspirational average life of mine all-in cash costs of US\$30/lb after vanadium credits.

*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 2018 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 2018 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  
26 February 2019

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

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

We have reviewed the accompanying half-year financial report of Paladin Energy Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2018, 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 other explanatory notes and the directors' declaration for the Paladin Energy Limited Group. The Group 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 Group's financial position as at 31 December 2018 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 Limited, 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*.

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**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 Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2018 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 that the Group incurred a net loss after tax attributable to the ordinary equity holders of US\$18,373,000 for the six months ended 31 December 2018. The Group has interest bearing loans and borrowings of US\$110,847,000 which have no repayment obligations until their maturity in 2023. While the Langer Heinrich Mine remains on care and maintenance, the Group will not generate any cash to fund its operations or to repay the loan and borrowing obligations. These conditions, along with other matters set forth in Note 3, indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script that reads 'Ben Gargett'.

Ben Gargett  
Partner

Perth

26 February 2019

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