



PALADIN ENERGY LTD

ACN 061 681 098

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12 February 2015

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

By Electronic Lodgement

Dear Sir/Madam

31 December 2014 Half Year Financial Report

Attached please find Half Year Financial Report for the six months ended 31 December 2014 including News Release, Appendix 4D, Management Discussion and Analysis, Interim Financial Statements and Certifications as required in accordance with Canadian reporting requirements. Additionally the Half Year Report includes an Independence Declaration and Review Opinion from the Company's Auditors.

Yours faithfully
Paladin Energy Ltd

GILLIAN SWABY
Company Secretary



PALADIN ENERGY LTD

ACN 061 681 098

NEWS RELEASE

For Immediate Distribution

PALADIN ENERGY: FINANCIAL REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

Perth, Western Australia – 12 February 2015: Paladin Energy Ltd (“Paladin” or “the Company”) (TSX:PDN / ASX:PDN) announces the release of its consolidated Financial Report for the six months ended 31 December 2014. The Financial Report is appended to this News Release.

HIGHLIGHTS

OPERATIONS

- Langer Heinrich Mine (LHM) produced 1.304Mlb U₃O₈ for the three months ended 31 December 2014, up 27% from the last quarter.
- C1 cost of production⁽¹⁾:
 - LHM C1 unit cost of production for the quarter decreased by 14% from US\$35.1/lb in the September 2014 quarter to US\$30.2/lb in the December 2014 quarter.
- FY2015 production guidance revised to 5.2 – 5.5Mlb U₃O₈.

SALES AND REVENUE

- Sales revenue of US\$108.6M for the six month period ended 31 December 2014, selling 3.161Mlb U₃O₈.
- The average realised uranium sales price for the six months was US\$34.35/lb U₃O₈ compared to the average UxC spot price for the period of US\$34.30/lb U₃O₈.
- Uranium spot price continued to demonstrate significant volatility, having risen from US\$28.10/lb in mid-CY2014, reaching US\$44.00/lb by the middle of November 2014 and declining to US\$35.50/lb at 31 December 2014. During CY2015, the spot price has risen to US\$38.25/lb at 10 February 2015.
- Japan reactor restart programme continued to make progress.

CORPORATE

- Successful recapitalisation was completed in December 2014. Two capital raising initiatives were completed to strengthen the balance sheet and deal with repayment of its US\$300M convertible bond due in November 2015. These included the introduction of a cornerstone strategic investor – HOPU Clean Energy (Singapore) Pte. Ltd. (HOPU), via a 15% placement, and an entitlement offer (fully underwritten by JP Morgan), together raising A\$205M.
- On 12 February 2015, the Board resolved to launch an offering to raise US\$100M of senior, unsecured convertible bonds due 31 March 2020. There may be up to an additional US\$50M of senior, unsecured convertible bonds issued to current or potential strategic partners, on the same terms, at the discretion of the Company for additional balance sheet flexibility. These issues will be subject to shareholder approval at a General Meeting scheduled to be held at the end of March 2015. The proceeds of the US\$100M issue along with the existing cash balance will be used to fund Paladin’s concurrent tender offer to acquire any or all of its US\$300M convertible bonds due November 2015 issued by the Company on 4 November 2010.
- Future cost optimisation focus continues for both production and corporate costs.

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

Results

(References below to 2014 and 2013 are to the equivalent six months ended 31 December 2014 and 2013 respectively).

- **Safety and Sustainability:**

- Paladin has operated for over 150 days without a lost time injury (LTI) due to new initiatives and improvements implemented across the group.

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

- As reported in January LHM produced 1.304Mlb U_3O_8 for the three months ended 31 December 2014, up 27% from the previous quarter's production.
 - Feed grade for the quarter: 773ppm U_3O_8 .
 - Recovery: 84.5%, up from 82.7% last quarter.
 - Ore feed for the quarter of 916,576t, up 25% from the last quarter.
 - Remediation of scaling issues now successfully completed and production back to budget levels.
 - Bi-carbonate recovery project well advanced and commissioning commenced in February. This facility will reduce reagent costs and improve site water balance.
- LHM C1 unit cost of production for the December 2014 quarter has decreased by 14% to US\$30.2/lb from US\$35.1/lb U_3O_8 in the September 2014 quarter.

- **Cost Reduction Initiatives:**

- The bi-carbonate recovery project is now well advanced with commissioning underway. After a short assessment period, the next phase of this innovation based optimisation programme will commence.
- Target for LHM is C1 unit cost below US\$26/lb by the end of FY2015, and US\$22/lb in FY2017 (in FY2014 terms) focusing primarily on reagent recycling, increased recovery and plant utilisation.

- **Kayelekera Mine (KM) remains on care and maintenance:**

- The feasibility study for a recommencement of production when market conditions allow has been commenced and will incorporate a detailed re-start plan.
- Preparations have been completed for water treatment in order to maintain the site in a secure and safe state during the care and maintenance period.
- The modified water treatment process has been successfully tested at full scale to satisfy the stringent discharge conditions placed upon the Company by the Government of Malawi (GoM).
- A discharge licence for the release of treated water has been issued by GoM.

- **Profit and Loss:**

- Total sales volume for the six months of 3.161Mlb U_3O_8 .
- Sales revenue for the six months decreased 36% from US\$171.0M in 2013 to US\$108.6M in 2014, as a result of an 11% decrease in realised sales price and a 29% decrease in sales volume predominantly due to KM being placed on care and maintenance. The average realised uranium sales price for the six months ended 31 December 2014 was US\$34.35/lb U_3O_8 (2013: US\$38.40/lb U_3O_8), compared to the TradeTech weekly spot price average for the six months of US\$34.30/lb U_3O_8 .
- Gross Profit for the six months of US\$3.9M is a turnaround from a US\$29.3M gross loss in 2013. In 2013 KM recorded a gross loss of US\$31.4M which included a US\$24.9M impairment of inventory, stores and consumables.
- Net loss before tax attributable to members of the Group for the six months was US\$59.3M.

- **Cash Flow:**

- Cash outflow from operating activities for the six months was US\$40.5M, after net interest payments of US\$15.1M and exploration expenditure of US\$0.9M.
- Cash outflow from investing activities for the six months totalled US\$9.7M:
 - plant and equipment acquisitions of US\$7.4M, including, the nano-filtration equipment and spiral heat exchangers at LHM; and,

- capitalised exploration expenditure of US\$2.4M.
- Cash inflow from financing activities for the six months of US\$297.0M is mainly attributable to:
 - the final proceeds from the sale of a 25% interest in LHM of US\$170M, the proceeds from the entitlement offer of US\$119.7M and the share placement to HOPU of US\$52.7M, all of which has been partially offset by a US\$30.8M repayment of the LHM project finance facility, US\$4.6M repayment of the LHM syndicated loan facility and US\$5.5M in equity capital raising costs.
- **Cash Position:**
 - Cash of US\$333.9M at 31 December 2014.
 - Final settlement of the sale of a 25% interest in LHM of US\$170M, US\$119.7M proceeds from the entitlement offer and US\$52.7M from the share placement to HOPU.
 - US\$30.8M repayment of the existing LHM project finance facility and US\$4.6M principal repayment of the LHM syndicated loan facility.
- **Production Guidance**
 - Paladin's FY2015 production guidance has been revised to 5.2 – 5.5Mlb U₃O₈.
- **Sales Volumes**
 - Uranium sales volumes are expected to fluctuate quarter-on-quarter due to the uneven timing of contractual commitments and resultant delivery scheduling by customers. Sales, production volumes and inventories are expected to be comparable on an annualised basis.
- **Capital Management**
 - During November and December 2014, Paladin successfully completed two capital raising initiatives to strengthen its balance sheet and deal with repayment of its US\$300M convertible bond due in November 2015. This involved introducing a cornerstone strategic investor – HOPU, via a 15% placement as well as the completion of a well-supported entitlement offer (fully underwritten by JP Morgan), together raising A\$205M.
 - HOPU is part of a private equity firm focusing on China-related investment opportunities. With offices in Beijing, Hong Kong, and Singapore, HOPU's team has unique expertise in investment, financing and capital markets, as well as diverse experience working with State Owned Chinese Enterprises and private entrepreneurs.
 - HOPU's key investment focus is to create, develop and pursue investment opportunities that are driven by China's ongoing economic reforms and developments, in particular, in consumer, energy, mining, agriculture and financial services sectors.
 - After receiving Foreign Investment Review Board (FIRB) approval on 21 November 2014, HOPU acquired a 15% interest in Paladin via a placement at A\$0.42 per share and it participated pro rata in the general entitlement offer at A\$0.26 per share, leading to a final shareholding post fundraising of 14.99%.
- **Uranium Outlook**
 - During the December quarter, the uranium spot price continued to demonstrate significant volatility, having risen from US\$28.10/lb in mid-CY2014, reaching US\$44.00/lb by the middle of November. During the latter half of the quarter, the spot price declined to US\$35.50/lb, as near-term demand decreased and a limited number of suppliers reduced offer prices to complete end-of-year sales. During CY2015, the spot price has risen to 38.25/lb at 10 February 2015.
 - The term contracting market showed a substantially greater volume for CY2014, exceeding 80Mlb as compared to slightly more than 20Mlb during CY2013. As has been the case in the recent past, the majority of the long-term agreements involved non-US utilities, which were predominately located in the Asia/Pacific region. US utilities tended to execute smaller volume agreements with deliveries generally confined to the mid-term market period (2015-2018), providing for limited deliveries post-2019/2021. TradeTech's long-term U₃O₈ price, which had declined to US\$44/lb-US\$45/lb through most of CY2014, increased during the December quarter to US\$50/lb at the end of November and held at that level to year-end.
 - The Japanese reactor restart programme continued to make progress during the December quarter. In mid-November, the governor of Kagoshima Prefecture granted his approval for the restart of the Sendai 1&2 reactors (Kyushu Electric Power Company), which are undergoing final documentation reviews and plant

inspections by the Nuclear Regulatory Authority (NRA). Actual operations are now anticipated to commence during the second quarter of CY2015.

- Furthermore, the NRA released its draft report, which states that the Takahama 3 & 4 reactors (Kansai Electric Power Company) met safety standards introduced subsequent to the Fukushima accident. The Takahama reactors will now move into the local government approval phase.
- Global uranium production totalled 155Mlb during CY2013. However, due to operational cut-backs at facilities such as Rossing (Namibia) as well as placing Paladin's Kayelekera Mine (Malawi) and Uranium One's Honeymoon ISR Mine (South Australia) on care and maintenance, CY2014 worldwide uranium output is expected to be reported close to 145Mlb, a decrease of more than six percent year-on-year.

The documents comprising the Appendix 4D - Financial Report for the six months ended 31 December 2014, including the Management Discussion and Analysis, Financial Statements and Certifications are attached and will be filed with the Company's other documents on Sedar (sedar.com) and on the Company's website (paladinenergy.com.au).

Generally Accepted Accounting Practice

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

Declaration

The information in this announcement that relates to minerals exploration and mineral resources is based on information compiled by David Princep BSc, FAusIMM (CP) who has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code). Mr Princep is a full-time employee of Paladin Energy Ltd. Mr. Princep consents to the inclusion of the information in this announcement in the form and context in which it appears.

Conference Call

Conference Call and Investor Update is scheduled for 06:30 Perth & Hong Kong, Friday 13 February 2015, 17:30 Toronto and 22:30 London, Thursday 12 February 2015. Details are included in a separate news release dated 9 February 2015.

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Appendix 4D - Financial Report

Half year ended 31 December 2014

Paladin Energy Ltd

ABN or equivalent company reference

ACN. 061 681 098

Results for announcement to the market

				31 December 2014 US\$M	31 December 2013 US\$M
Revenue from sales of uranium oxide	Down	36%	to	108.6	171.0
Total revenue	Down	36%	to	109.7	171.4
Loss after tax attributable to members	Down	77%	to	(59.3)	(255.0)
Net loss for the year attributable to members	Down	77%	to	(59.3)	(255.0)
Loss per share (US cents)	Down	78%		(5.5) ⁽¹⁾	(25.1) ⁽¹⁾

Dividends	Amount per security	Franked amount per security
It is not proposed to pay dividends for the year	N/A	N/A
Previous corresponding year: No dividend paid	N/A	N/A
An explanation of the results is included in the Management Discussion & Analysis and the Financial Report attached.		
Net tangible assets per share	31 December 2014 US\$0.27	31 December 2013 US\$0.40
Other		
Previous corresponding period is the half year ended 31 December 2013.		
All foreign subsidiaries are prepared using IFRS.		
Commentary on Results for the Year		
A commentary on the results for the year is contained in the press release dated 12 February 2015.		

⁽¹⁾ The loss per share calculations for all periods prior to 31 December 2014 have been adjusted by factors of 1.03 and 1.02 to reflect the bonus element of the institutional and retail entitlement offers.



PALADIN ENERGY LTD

A.C.N. 061 681 098

FINANCIAL REPORT

FOR THE SIX MONTHS ENDED

31 DECEMBER 2014

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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.

The following Management Discussion and Analysis (“MD&A”) for Paladin Energy Ltd (“Company”) and its controlled entities (“Group”) should be read in conjunction with the Consolidated Financial Statements for the six months ended 31 December 2014. The effective date of this report is 12 February 2015.

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 and its operations, including the Company’s Quarterly Activities Report for each of the periods ended 31 March 2014, 30 September 2014 and 31 December 2014, and the most recent Annual Report for the year ended 30 June 2014 and other public announcements are available at www.paladinenergy.com.au.

FORWARD LOOKING STATEMENTS

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

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

NON IFRS MEASURE

C1 cost of production = cost of production excluding product distribution costs, sales royalties and depreciation and amortisation before adjustment for impairment. C1 cost, which is a non-IFRS measure, is a widely used ‘industry standard’ term. We use this measure as a meaningful way to compare our performance from period to period. We believe that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate our performance. C1 cost information has been extracted from the financial statements and is unreviewed. For an analysis of total cost of sales refer to Note 11 to the financial statements. Refer to page 7 and 10 for reconciliation.

OVERVIEW

The Group has two uranium mines in Africa¹, uranium exploration projects in Australia, Africa and Canada, and a strategy to become a major uranium mining house. The Company is incorporated under the laws of Western Australia with a primary share market listing on the Australian Securities Exchange (“ASX”) and additional listings on the Toronto Stock Exchange (“TSX”) in Canada; as well as the Munich, Berlin, Stuttgart and Frankfurt Stock Exchanges in Europe; and the Namibian Stock Exchange in Africa.

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

The main activities and results during the three months ended 31 December 2014 were:

OPERATIONS

- Langer Heinrich Mine (LHM) produced 1.304Mlb U₃O₈ for the three months ended 31 December 2014, up 27% from the last quarter.
 - Feed grade for the quarter: 773ppm U₃O₈.
 - Recovery: 84.5% up from 82.7% last quarter.
 - Ore feed for the quarter of 916,576t, up 25% from the last quarter.
 - Remediation of prior scaling issues were successful and production was back to budget levels.
 - Bi-carbonate recovery project is well advanced and to be commissioned in March quarter. This fully commissioned facility will reduce reagent costs and improve site water balance.
- Kayelekera Mine (KM) remains on care and maintenance.
 - Feasibility study team has started to develop a detailed plan for the recommencement of production when uranium prices justify.
 - Preparations for water treatment is underway in order to maintain the site in a secure and safe state during the care and maintenance period.
 - Discharge licence for treatment and release of water issued by the Government of Malawi.
- C1 cost of production:
 - LHM unit C1 cost of production for the December 2014 quarter decreased by 14% to US\$30.2/lb U₃O₈ from US\$35.1/lb in the September 2014 quarter.
- Paladin's FY2015 production guidance revised to 5.2 – 5.5Mlb U₃O₈.
- Paladin has operated for over 150 days without a lost time injury (LTI) due to new initiatives and improvements implemented across the group.

SALES AND REVENUE

- Sales revenue of US\$69.6M for the quarter, selling 1.911Mlb U₃O at an average price of US\$36.43/lb U₃O₈. Sales revenue of US\$108.6M for the half-year, selling 3.161Mlb U₃O₈ at an average of US\$34.35/lb.

CORPORATE INITIATIVES

- Successful recapitalisation completed December 2014.
 - During November and December 2014, Paladin successfully completed two capital raising initiatives to strengthen its balance sheet and deal with repayment of its US\$300M convertible bond due in November 2015. This involved introducing a cornerstone strategic investor – HOPU Clean Energy (Singapore) Pte. Ltd. (HOPU), via a 15% placement, as well as the completion of a well-supported entitlement offer (fully underwritten by JP Morgan), together raising A\$205M.

OTHER

- Uranium spot price continued to demonstrate significant volatility, having risen from US\$28.10/lb in mid-CY2014, reaching US\$44.00/lb by the middle of November 2014 and declining to US\$35.50/lb at 31 December 2014. During CY2015 the spot price has risen to US\$38.25/lb at 10 February 2015.
- Japan reactor restart programme continued to make progress.
- The Company's cost optimisation focus continues for both production and corporate costs.

PALADIN ENERGY LTD

Management Discussion and Analysis

For the Six Months Ended 31 December 2014

(All figures are in US dollars unless otherwise indicated)

FINANCIAL RESULTS FOR THE THREE MONTHS

	Change from 2013 to 2014	THREE MONTHS ENDED 31 DECEMBER		
		2014	2013	2012
Production volume (Mlb)	(41)%	1.304	2.208	2.191
Sales volume (Mlb)	(31)%	1.911	2.775	2.783
Realised sales price (US\$/lb)	(1)%	36.4/lb	36.7/lb	48.1/lb
		US\$M	US\$M	US\$M
Revenue	(31)%	70.4	102.0	134.2
Cost of Sales	34%	(67.9)	(103.5)	(116.8)
Impairment – inventory	100%	-	(12.9)	(7.8)
Gross profit/(loss)	117%	2.5	(14.4)	9.6
Impairments	99%	(1.7)	(324.4)	(54.9)
Loss after tax attributable to members of the parent	90%	(20.5)	(215.0)	(147.6)
Other comprehensive (loss)/income for the period, net of tax		(30.1)	(35.6)	0.3
Total comprehensive loss attributable to the members of the parent	80%	(50.6)	(250.6)	(147.3)
Loss per share - basic & diluted (US cents)	92%	(1.7)	(21.2)	(17.1)

References below to 2014 and 2013 are to the equivalent three months ended 31 December 2014 and 2013 respectively.

Revenue decreased by 31%, due predominantly to KM being placed on care and maintenance.

Gross Profit in 2014 of US\$2.5M is a turnaround from a US\$14.4M gross loss in 2013 due to there being no impairment of inventory, stores and consumables in 2014 (2013: US\$12.9M impairment of KM inventory, stores and consumables). The gross loss in 2013 included a gross loss before impairments from KM of US\$1.1M.

Impairments of US\$1.7M were recognised in this quarter relating to the impairment of available-for-sale financial assets predominantly due to the impairment of the investment in Deep Yellow Ltd (DYL). In 2013, there was a US\$323.6M (US\$226.5M after tax) impairment of the Queensland exploration assets and an impairment of available-for-sale financial assets of US\$0.8M was recognised due to the impairment of the investment in DYL.

Loss after Tax Attributable to the Members of the Parent for 2014 of US\$20.5M is lower than the loss of US\$215.0M in 2013, and is predominantly due to a 31% decrease in sales volume and finance costs of US\$14.4M. In 2013, the loss was predominantly due to the impairment of the Queensland exploration assets, discussed above.

Three Year Trend

Revenue has decreased by 47% since 2012 due to a 24% decrease in realised sales price and a 13% decrease in sales volume. Gross profit in 2014 of US\$2.5M is lower than the gross profit in 2012 of US\$9.6M due to lower sales prices and sales volumes in 2014 being partially offset, in 2012, by an impairment of inventory, stores and consumables at KM of US\$7.8M and a gross loss from KM.

PALADIN ENERGY LTD

Management Discussion and Analysis

For the Six Months Ended 31 December 2014

(All figures are in US dollars unless otherwise indicated)

ANALYSIS OF REALISED SALES PRICE AND SALES & PRODUCTION VOLUMES

	% Change	THREE MONTHS ENDED 31 DECEMBER	
		2014 US\$	2013 US\$
LHM realised uranium sales price	(3)%	US\$36.4/lb	US\$37.6/lb
KM realised uranium sales price	5%	US\$36.9/lb	US\$35.0/lb
Group realised uranium sales price	(1)%	US\$36.4/lb	US\$36.7/lb
		Mlb U₃O₈	Mlb U₃O₈
LHM sales volume	Nil%	1.807	1.800
KM sales volume	(89)%	0.104	0.975
Total sales volume	(31)%	1.911	2.775
LHM production	(9)%	1.304	1.431
KM production	(100)%	-	0.777
Total production	(41)%	1.304	2.208

The average realised uranium sales price for the three months ended 31 December 2014 was US\$36.43/lb U₃O₈ compared to the TradeTech weekly spot price average for the quarter of US\$37.66/lb U₃O₈.

RECONCILIATION OF C1 COST OF PRODUCTION TO COST OF GOODS SOLD (UNAUDITED)

	THREE MONTHS ENDED 31 DECEMBER 2014			THREE MONTHS ENDED 31 DECEMBER 2013		
	LHM	KM	TOTAL	LHM	KM	TOTAL
<i>Volume Produced (Mlb)</i>	<i>1.304</i>	<i>-</i>	<i>1.304</i>	<i>1.431</i>	<i>0.777</i>	<i>2.208</i>
	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M
Cost of Production (C1)	39.3	-	39.3	39.3	25.7	65.0
Cost of Production/lb (C1)	US\$30.2/lb	-		US\$27.5/lb	US\$33.1/lb	
Depreciation & amortisation	6.7	-	6.7	7.9	0.5	8.4
Production distribution costs	1.0	-	1.0	1.7	1.9	3.6
Royalties	2.3	-	2.3	1.3	1.4	2.7
Inventory movement	15.0	3.8	18.8	18.4	5.7	24.1
Other	(0.2)	-	(0.2)	(0.3)	-	(0.3)
Cost of goods sold	64.1	3.8	67.9	68.3	35.2	103.5

The unit C1 cost of production for the quarter for LHM increased by 10% to US\$30.2/lb U₃O₈ (2013: US\$27.5/lb U₃O₈), however total C1 cost of production has remained stable at US\$39.3M.

Production ceased at KM on 6 May 2014.

PALADIN ENERGY LTD

Management Discussion and Analysis

For the Six Months Ended 31 December 2014

(All figures are in US dollars unless otherwise indicated)

ANALYSIS OF ADMINISTRATION, MARKETING & NON-PRODUCTION COSTS

	% Change	THREE MONTHS ENDED 31 DECEMBER	
		2014 US\$M	2013 US\$M
Total	20%	(5.6)	(7.0)

Costs for the three months ended 31 December 2014 decreased by US\$1.4M primarily due to a reduction of US\$1.2M in non-production mine site costs as KM has been placed on care and maintenance.

FINANCIAL RESULTS FOR THE SIX MONTHS

	Change from 2013 to 2014	SIX MONTHS ENDED 31 DECEMBER		
		2014	2013	2012
Production volume (Mlb)	(45)%	2.331	4.253	4.120
Sales volume (Mlb)	(29)%	3.161	4.448	4.008
Realised sales price (US\$/lb)	(11)%	34.3/lb	38.4/lb	48.6/lb
		US\$M	US\$M	US\$M
Revenue	(36)%	109.7	171.4	195.5
Cost of Sales	40%	(105.8)	(175.8)	(173.8)
Impairment – inventory	100%	-	(24.9)	(10.4)
Gross profit/(loss)	113%	3.9	(29.3)	11.3
Impairments	99%	(1.7)	(327.9)	(96.0)
Loss after tax attributable to members of the parent	77%	(59.3)	(255.0)	(193.5)
Other comprehensive (loss)/income for the period, net of tax		(67.6)	(20.1)	22.8
Total comprehensive loss attributable to the members of the parent	54%	(126.9)	(275.1)	(170.7)
Loss per share - basic & diluted (US cents)	78%	(5.5)	(25.1)	(22.6)

References below to 2014 and 2013 are to the equivalent six months ended 31 December 2014 and 2013 respectively.

Revenue in 2014 decreased by 36%, due to an 11% decrease in realised sales price and a 29% decrease in sales volume due to KM being placed on care and maintenance.

Gross Profit in 2014 of US\$3.9M is a turnaround from a US\$29.3M gross loss in 2013 due to there being no impairment of inventory, stores and consumables in 2014 (2013: US\$24.9M impairment of KM inventory, stores and consumables). The gross loss in 2013 included a gross loss before impairments from KM of US\$6.5M.

Impairments of US\$1.7M were recognised in 2014 relating to the impairment of available-for-sale financial assets discussed earlier. In 2013, the US\$327.9M total impairment was predominantly due to the impairment of the Queensland exploration assets, discussed earlier.

PALADIN ENERGY LTD

Management Discussion and Analysis

For the Six Months Ended 31 December 2014

(All figures are in US dollars unless otherwise indicated)

Loss after Tax Attributable to the Members of the Parent for 2014 of US\$59.3M is lower than the loss of US\$255.0M in 2013, and is predominantly due to a 29% decrease in sales volume, an 11% decrease in realised sales price, finance costs of US\$29.5M, and a tax expense of US\$20.4M, which has arisen as a result of deferred tax recognised on foreign exchange temporary differences. In 2013, the loss was predominantly due to the impairment of the Queensland exploration assets discussed earlier.

Segment Information

The Namibian segment profit decreased by US\$25.1M, due mainly to the tax expense in 2014, which has arisen as a result of deferred tax recognised on foreign exchange temporary differences. The Malawian segment loss decreased by US\$30.5M as a result of KM ceasing production and being placed on care and maintenance. Exploration activities loss has decreased by US\$225.2M predominantly due to the impairment of Queensland projects discussed earlier. In the Unallocated portion, the Group reflected the remaining Income Statement activities, which for 2014 comprise mainly marketing, corporate, finance and administration costs. The loss in this area has decreased by US\$4.5M through a cost rationalisation review.

Three Year Trend

Revenue has decreased by 44% since 2012 due to a 29% decrease in realised sales price and a 23% decrease in sales volume. Gross profit in 2014 of US\$3.9M is lower than the gross profit in 2012 of US\$11.3M due to lower sales prices and sales volumes in 2014 being partially offset, in 2012, by an impairment of inventory, stores and consumables at KM of US\$10.4M and a gross loss from KM.

ANALYSIS OF REALISED SALES PRICE AND SALES & PRODUCTION VOLUMES

		SIX MONTHS ENDED 31 DECEMBER	
		%	
	Change	2014	2013
		US\$	US\$
LHM realised uranium sales price	(11)%	US\$34.5/lb	US\$39.0/lb
KM realised uranium sales price	(13)%	US\$32.8/lb	US\$37.6/lb
Group realised uranium sales price	(11)%	US\$34.3/lb	US\$38.4/lb
		Mlb U₃O₈	Mlb U₃O₈
LHM sales volume	11%	2.957	2.673
KM sales volume	(88)%	0.204	1.775
Total sales volume	(29)%	3.161	4.448
LHM production	(18)%	2.331	2.861
KM production	(100)%	-	1.392
Total production	(45)%	2.331	4.253

The average realised uranium sales price for the six months ended 31 December 2014 was US\$34.35/lb U₃O₈ compared to the TradeTech weekly spot price average for the six months of US\$34.30/lb U₃O₈.

PALADIN ENERGY LTD

Management Discussion and Analysis

For the Six Months Ended 31 December 2014

(All figures are in US dollars unless otherwise indicated)

RECONCILIATION OF C1 COST OF PRODUCTION TO COST OF GOODS SOLD (UNAUDITED)

	SIX MONTHS ENDED 31 DECEMBER 2014			SIX MONTHS ENDED 31 DECEMBER 2013		
	LHM	KM	TOTAL	LHM	KM	TOTAL
Volume Produced (Mlb)	2.331	-	2.331	2.861	1.392	4.253
	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M
Cost of Production (C1)	75.3	-	75.3	79.2	49.9	129.1
Cost of Production/lb (C1)	US\$32.3/lb	-		US\$27.7/lb	US\$35.8/lb	
Depreciation & amortisation	12.5	-	12.5	15.4	5.5	20.9
Production distribution costs	3.0	-	3.0	3.2	3.4	6.6
Royalties	3.3	-	3.3	2.9	2.3	5.2
Inventory movement	5.4	6.7	12.1	2.3	12.2	14.5
Other	(0.4)	-	(0.4)	(0.5)	-	(0.5)
Cost of goods sold	99.1	6.7	105.8	102.5	73.3	175.8

The unit C1 cost of production for the six months for LHM increased by 17% to US\$32.3/lb U₃O₈ (2013: US\$27.7/lb U₃O₈), however, total C1 cost of production decreased by 5%, to US\$75.3M.

Production ceased at KM on 6 May 2014.

ANALYSIS OF ADMINISTRATION, MARKETING & NON-PRODUCTION COSTS

	% Change	SIX MONTHS ENDED 31 DECEMBER	
		2014 US\$M	2013 US\$M
Total	23%	(10.2)	(13.2)

Costs for the six months ended 31 December 2014 decreased by US\$3.0M primarily due to a reduction of US\$2.6M in non-production mine site costs as KM has been placed on care and maintenance and a US\$0.7M reduction in expenditure on the LHM Stage 4 expansion study.

PALADIN ENERGY LTD

Management Discussion and Analysis

For the Six Months Ended 31 December 2014

(All figures are in US dollars unless otherwise indicated)

SUMMARY OF QUARTERLY FINANCIAL RESULTS

		2014 Dec Qtr	2014 Sep Qtr	2014 Jun Qtr	2014 Mar Qtr
LHM					
Production U ₃ O ₈	Mlb	1.304	1.027	1.339	1.393
C1 cost of production	US\$/lb	30.2	35.1	31.2	29.0
KM					
Production U ₃ O ₈	Mlb	-	-	0.262	0.697
C1 cost of production	US\$/lb	-	-	44.7	32.9
Total revenues	US\$M	69.6	39.3	69.4	88.6
Sales volume	Mlb	1.911	1.250	1.812	2.405
Realised uranium sales price	US\$/lb	36.4	31.2	38.2	36.8
Impairments	US\$M	(1.7)	-	(40.6)	-
Loss after tax attributable to members	US\$M	(20.5)	(38.8)	(63.5)	(19.9)
Basic and diluted loss per share	US cents	(1.7)	(3.8)	(6.2)	(2.0)
		2013 Dec Qtr	2013 Sep Qtr	2013 Jun Qtr	2013 Mar Qtr
LHM					
Production U ₃ O ₈	Mlb	1.431	1.429	1.353	1.230
C1 cost of production	US\$/lb	27.5	28.0	29.4	29.8
KM					
Production U ₃ O ₈	Mlb	0.777	0.615	0.790	0.762
C1 cost of production	US\$/lb	33.1	39.3	39.2	39.8
Total revenues	US\$M	102.1	69.4	109.6	106.4
Sales volume	Mlb	2.775	1.673	2.326	1.920
Realised uranium sales price	US\$/lb	36.7	41.4	46.2	55.2
Impairments	US\$M	(337.3)	(15.5)	(181.4)	(48.1)
Loss after tax attributable to members	US\$M	(215.0)	(40.0)	(173.3)	(54.1)
Basic and diluted loss per share	US cents	(21.2)	(3.9)	(19.6)	(6.1)

The unit C1 cost of production for LHM increased 10% over the last year, from US\$27.5/lb in the December 2013 quarter to US\$30.2/lb in the December 2014 quarter, due to lower production as discussed earlier.

Improvements in C1 costs are expected over the next two years due to a number of additional cost saving initiatives. A nano-filtration circuit, similar in principle to the very successful acid recovery plant at KM, is under construction at LHM. This plant is the first phase in a range of innovations and optimisations aimed at achieving a substantial reduction in IX and leach reagent consumptions as well as increased overall recovery. The plant in question is designed to recycle up to 30% of the sodium bicarbonate needed for the operation of the plant, and, in so doing, will also reduce total sodium hydroxide consumption by up to 30%. These two reagents alone represent a significant proportion (circa 50%) of process operating costs. Construction is well advanced and the Bicarbonate Recovery Plant (BRP) remains on schedule for commissioning in the March quarter

PALADIN ENERGY LTD

Management Discussion and Analysis

For the Six Months Ended 31 December 2014

(All figures are in US dollars unless otherwise indicated)

2015. After a short assessment period, the next phase of the overall optimisation programme will commence.

Total revenues for the quarters ended March 2014 and June 2014 were lower than the comparative quarters, mainly because of lower uranium prices. Total revenue for the quarters ended December 2014 and September 2014 were lower than the comparative quarter, mainly because of lower uranium sales volumes from KM, which is now in care and maintenance. Production ceased at KM on 6 May 2014.

Certain Balance Sheet items are set out below:

SUMMARISED STATEMENT OF FINANCIAL POSITION

	31 DECEMBER 2014 UNAUDITED US\$M	AS AT 30 JUNE 2014 AUDITED US\$M	30 JUNE 2013 AUDITED US\$M
Cash and cash equivalents	333.9	88.8	78.1
Inventories	237.5	238.3	300.2
Total assets	1,578.7	1,565.7	1,837.7
Interest bearing loans and borrowings	602.6	629.6	677.8
Total long-term financial liabilities	780.2	1,049.1	1,058.1
Net Assets	458.0	432.4	648.2

Cash and Cash Equivalents have increased by US\$245.1M, mainly as a result of the final US\$170.0M proceeds received in July 2014 from the sale of a 25% interest in LHM, US\$119.7M from the entitlement offer and US\$52.7M from the share placement to HOPU, which have been partially offset by a US\$30.8M repayment of the LHM project finance facility and US\$4.6M repayment of the LHM syndicated loan facility. Additionally, there were payments for plant and equipment of US\$7.4M and exploration and evaluation project expenditure of US\$3.3M.

Inventories have remained relatively stable. The remainder of KM finished goods were sold in December 2014. The Group's sales volumes for the six months of 3.161Mlb U₃O₈ were 0.830Mlb U₃O₈ higher than production of 2.331Mlb U₃O₈.

Interest Bearing Loans and Borrowings have decreased by US\$27.0M primarily as a result of the US\$30.8M repayment of the LHM project finance facility in July 2014 and the US\$4.6M principal repayment of the syndicated loan facility in December 2014 and establishment costs for the new syndicated loan of US\$3.1M, less non-cash accretion of the convertible bonds of US\$9.7M.

Segment Assets: Namibian assets have increased predominantly due to an increase in trade debtors and inventory. Malawian assets have decreased as a result of a decrease in the value of inventory held by KM, as all finished product has now been sold, and a decrease in cash and trade debtors. KM is on care and maintenance. The Exploration segment assets have decreased as a result of a decrease in the US dollar value of exploration assets, which is due to the foreign exchange decremental movement on the Australian and Canadian dollar currencies against the US dollar. In the Unallocated portion, assets increased primarily due to an increase in cash from the placement and entitlement offer.

LIQUIDITY AND CAPITAL RESOURCES

The Group's principal source of liquidity as at 31 December 2014 was cash of US\$333.9M (30 June 2014: US\$88.8M). 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\$323.0M is held in US dollars.

Cash flow - three months ended 31 December 2014

Net Cash Outflow from Operating Activities was US\$33.8M in 2014 (2013: inflow US\$1.0M), primarily due to receipts from customers of US\$34.1M (2013: US\$105.7M), which were offset by payments to suppliers and employees of US\$53.2M (2013: US\$89.5M) and net interest paid of US\$14.8M (2013: US\$14.8M).

Net Cash Outflow from Investing Activities was US\$2.6M in 2014 and is due primarily to plant and equipment acquisitions of US\$1.8M as well as capitalised exploration expenditure of US\$0.9M. The net cash outflow of US\$4.2M in 2013 was due to plant and equipment acquisitions of US\$3.3M as well as capitalised exploration expenditure of US\$0.9M.

Net Cash Inflow from Financing Activities of US\$162.0M in 2014 is attributable to the proceeds received from the entitlement offer of US\$119.7M and the share placement to HOPU of US\$52.7M, and has been partially offset by a US\$4.6M repayment of the LHM project finance facility and US\$5.5M in equity capital raising costs. The net outflow in 2013 of US\$21.9M was solely attributable to repayment of project financing for KM of US\$10.0M and LHM of US\$11.9M.

Cash flow - six months ended 31 December 2014

Net Cash Outflow from Operating Activities was US\$40.5M in 2014 (2013: inflow US\$4.3M), primarily due to receipts from customers of US\$91.9M (2013: US\$205.2M), which were offset by payments to suppliers and employees of US\$117.1M (2013: US\$183.8M) and net interest paid of US\$15.1M (2013: US\$16.2M).

Net Cash Outflow from Investing Activities was US\$9.7M in 2014 and is due primarily to plant and equipment acquisitions of US\$7.4M, including, at LHM, the nano-filtration equipment, spiral heat exchangers and purolite resin, as well as capitalised exploration expenditure of US\$2.4M. The net cash outflow of US\$17.2M in 2013 was due primarily to plant and equipment acquisitions of US\$15.0M, predominantly the new tailings facility at LHM and nano-filtration equipment and tailings pipeline at KM, as well as capitalised exploration expenditure of US\$2.6M.

Net Cash Inflow from Financing Activities of US\$297.0M in 2014 is attributable to the proceeds received from the sale of a 25% interest in LHM for US\$170M, proceeds from the entitlement offer of US\$119.7M and the share placement to HOPU of US\$52.7M, and has been partially offset by a US\$35.4M repayment of the LHM project finance and syndicated loan facility, US\$1.5M in syndicated loan facility establishment costs, US\$3.0M in costs attributable to sale of non controlling interest in LHM and US\$5.5M in equity capital raising costs. The net inflow in 2013 of US\$34.3M was attributable to the net proceeds received from the share placement of US\$78.1M, which was partially offset by a repayment of project financing of US\$43.8M.

PALADIN ENERGY LTD

Management Discussion and Analysis

For the Six Months Ended 31 December 2014

(All figures are in US dollars unless otherwise indicated)

DEBT REFINANCING

As at 31 December 2014, the Group had a net working capital surplus of US\$125.5M (30 June 2014: US\$288.5M), including cash on hand of US\$333.9M (30 June 2014: US\$88.8M). Included within this cash on hand is US\$31.3M (30 June 2014: US\$13.2M), which is restricted for use in respect of the LHM syndicated loan facility and supplier guarantees provided by LHM.

The amount outstanding at 31 December 2014 on the syndicated loan facility was US\$65.5M.

Repayment obligations during the next twelve months to 31 December 2015 in respect of interest bearing loans and borrowings are summarised as follows:

- secured bank loan principal repayments of US\$9.1M for syndicated loan facility;
- interest payments of US\$31.0M for syndicated loan facility and convertible bonds; and
- unsecured convertible bond repayment of US\$300M.

In December 2014, the Group successfully completed an equity capital raising of A\$205M through the introduction of a strategic investor, together with completion of a well-supported entitlement offer. As set out in Note 24, the Board of Directors resolved to launch an offering to raise US\$100M of senior, unsecured convertible bonds due 31 March 2020. There may be up to an additional US\$50M of senior, unsecured convertible bonds issued to current or potential strategic partners, on the same terms, at the discretion of the Company for additional balance sheet flexibility. The proceeds of the US\$100M issue along with the existing cash balance will be used to fund Paladin's concurrent tender offer to acquire any or all of its US\$300M convertible bonds due November 2015 issued by the Company on 4 November 2010. At the date of this report, the Directors are satisfied there are reasonable grounds to believe that, having regard to the Group's position and its available financing options, the Group will be able to meet its obligations as and when they fall due.

The following is a summary of the Group's outstanding commitments as at 31 December 2014:

	Total	Less than 1yr	1 to 5yrs	5yrs+ or Unknown
Payments due by period	US\$M	US\$M	US\$M	US\$M
Tenements	23.2	0.8	10.5	11.9
Operating leases	1.4	0.9	0.5	-
Mining, transport and reagents	31.4	29.3	2.1	-
Manyingee acquisition costs	0.6	-	-	0.6
Total commitments	56.6	31.0	13.1	12.5

In relation to the Manyingee Uranium Project, the acquisition terms provide for a payment of A\$0.75M (US\$0.61M) by the Group to the vendors when all project development approvals are obtained.

The Group has no other material off balance sheet arrangements.

PALADIN ENERGY LTD

Management Discussion and Analysis

For the Six Months Ended 31 December 2014

(All figures are in US dollars unless otherwise indicated)

OUTSTANDING SHARE INFORMATION

As at 12 February 2015, Paladin had 1,666,927,668 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:

As at 12 February 2015	Number
Ordinary shares	1,666,927,668
Issuable under Employee Performance Share Rights Plan	788,754
Issuable in relation to the US\$300M Convertible Bonds	63,993,174
Issuable in relation to the US\$274M Convertible Bonds	149,726,776
Total	1,881,436,372

CRITICAL ACCOUNTING ESTIMATES

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

FINANCIAL INSTRUMENTS

At 31 December 2014, the Group had 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 syndicated loan facility or opportunity losses that may arise on fixed rate convertible bonds in a falling interest rate environment. Interest rate risk on cash and short-term deposits is not considered to be a material risk due to the historically low US dollar interest rates of these financial instruments.

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

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

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 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

TRANSACTIONS WITH RELATED PARTIES

During the six months ended 31 December 2014, no payments were made to Director related entities. Directors of the Company receive fees as outlined in the Company's management circular forming part of the Company's Notice of AGM. The only related party transactions are with Directors and Key Management Personnel.

DISCLOSURE CONTROLS

The Group has applied its Disclosure Control Policy to the preparation of the Consolidated Financial Report for the six months ended 31 December 2014 and associated Management Discussion and Analysis. An evaluation of the Group's disclosure controls and procedures used has been undertaken and concluded that the disclosure controls and procedures were effective.

INTERNAL CONTROLS

The Group has designed appropriate Internal Controls over Financial Reporting (ICFR) and ensured that these were in place for the six months ended 31 December 2014. An evaluation of the design of ICFR has concluded that it is adequate to prevent a material misstatement of the Group's Consolidated Financial Report as at 31 December 2014.

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

SUBSEQUENT EVENTS

Other than disclosed below, since 31 December 2014, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this report, that has significantly or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent periods with the exception of the following, the financial effects of which have not been provided for in the 31 December 2014 Financial Report.

Issue of Convertible Bonds to fund a concurrent tender for its 2015 Bonds

On 12 February 2015, the Board resolved to launch an offering to raise US\$100M of senior, unsecured convertible bonds due 31 March 2020. There may be up to an additional US\$50M of senior, unsecured convertible bonds issued to current or potential strategic partners, on the same terms, at the discretion of the Company for additional balance sheet flexibility. These issues will be subject to shareholder approval at a General Meeting scheduled to be held at the end of March 2015. The proceeds of the US\$100M issue along with the existing cash balance will be used to fund Paladin's concurrent tender offer to acquire any or all of its US\$300M convertible bonds due November 2015 issued by the Company on 4 November 2010.

PALADIN ENERGY LTD

Directors' Report

For the Six Months Ended 31 December 2014

(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 2014.

Directors

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

Mr Rick Wayne Crabb (Non-executive Chairman)
Mr John Borshoff (Managing Director/CEO)
Mr Sean Llewelyn (Non-executive Director)
Mr Donald Shumka (Non-executive Director)
Mr Peter Donkin (Non-executive Director)
Mr Philip Baily (Non-executive Director)
Mr Wendong Zhang (Non-executive Director) – appointed 25 November 2014

Review of Operations

A detailed operational and financial review of the Group is set out on pages 3 to 16 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 2014 was US\$59.3M (loss after tax of US\$255.0M for the six months ended 31 December 2013).

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 18, which forms part of the Directors' Report.

Rounding

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

Signed in accordance with a resolution of the Directors.



Mr John Borshoff
Managing Director/CEO

Perth, Western Australia
12 February 2015



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Auditor's independence declaration to the Directors of Paladin Energy Ltd

In relation to our review of the financial report of Paladin Energy Ltd for the half-year ended 31 December 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in black ink, appearing to read 'Ernst & Young', is written over a faint, larger 'Ernst & Young' logo.

Ernst & Young

A handwritten signature in black ink, appearing to read 'G H Meyerowitz', is written over a faint, larger 'Ernst & Young' logo.

G H Meyerowitz
Partner
12 February 2015

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

		Three months ended 31 December		Six months ended 31 December	
	Notes	2014 US\$M	2013 US\$M	2014 US\$M	2013 US\$M
Revenue					
Revenue	10	70.4	102.0	109.7	171.4
Cost of sales	11	(67.9)	(103.5)	(105.8)	(175.8)
Impairment – inventory		-	(12.9)	-	(24.9)
Gross profit/(loss)		2.5	(14.4)	3.9	(29.3)
Other income	11	1.1	-	3.7	0.4
Exploration and evaluation expenses	19	(0.5)	(0.5)	(0.9)	(0.9)
Administration, marketing and non- production costs	11	(5.6)	(7.0)	(10.2)	(13.2)
Other expenses	11	(6.1)	(324.6)	(13.8)	(333.9)
Loss before interest and tax		(8.6)	(346.5)	(17.3)	(376.9)
Finance costs	11	(14.4)	(13.7)	(29.5)	(27.9)
Net loss before income tax		(23.0)	(360.2)	(46.8)	(404.8)
Income tax benefit/(expense)	12	1.6	101.7	(20.4)	102.5
Net loss after tax		(21.4)	(258.5)	(67.2)	(302.3)
Attributable to:					
Non-controlling interests		(0.9)	(43.5)	(7.9)	(47.3)
Members of the parent		(20.5)	(215.0)	(59.3)	(255.0)
Net loss after tax		(21.4)	(258.5)	(67.2)	(302.3)
Loss per share (US cents)⁽¹⁾					
Loss after tax from operations attributable to ordinary equity holders of the Company - basic and diluted (US cents)		(1.7)	(21.2)	(5.5)	(25.1)

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

⁽¹⁾ The loss per share calculations for all periods prior to 31 December 2014 have been adjusted by factors of 1.03 and 1.02 to reflect the bonus element of the institutional and retail entitlement offers.

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

	Three months ended 31 December		Six months ended 31 December	
	2014 US\$M	2013 US\$M	2014 US\$M	2013 US\$M
Net loss after tax from operations	(21.4)	(258.5)	(67.2)	(302.3)
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Transfer of realised gains to other income on disposal of available-for-sale financial assets	(0.2)	-	(0.4)	(0.3)
Net loss on available-for-sale financial assets	(1.1)	(0.8)	(2.3)	(4.0)
Transfer of impairment loss on available-for-sale financial assets to income statement	1.7	0.8	1.7	4.3
Foreign currency translation	(30.5)	(35.8)	(66.9)	(20.2)
Income tax on items of other comprehensive income	0.1	0.1	0.3	0.1
Items that will not be subsequently reclassified to profit or loss:				
Foreign currency translation attributable to non- controlling interests	(1.8)	(3.5)	(4.1)	(1.9)
Other comprehensive loss for the period, net of tax	(31.8)	(39.2)	(71.7)	(22.0)
Total comprehensive loss for the period	(53.2)	(297.7)	(138.9)	(324.3)
 Total comprehensive loss attributable to:				
Non-controlling interests	(2.6)	(47.1)	(12.0)	(49.2)
Members of the parent	(50.6)	(250.6)	(126.9)	(275.1)
	<u>(53.2)</u>	<u>(297.7)</u>	<u>(138.9)</u>	<u>(324.3)</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 2014 Unaudited US\$M	As at 30 June 2014 Audited US\$M
ASSETS			
Current assets			
Cash and cash equivalents	5	333.9	88.8
Trade and other receivables	13	44.4	198.7
Prepayments		6.8	3.3
Inventories	14	77.1	78.1
Assets classified as held for sale	15	3.8	3.8
TOTAL CURRENT ASSETS		466.0	372.7
Non current assets			
Trade and other receivables	13	0.7	1.0
Inventories	14	160.4	160.2
Other financial assets	16	4.1	6.6
Property, plant and equipment	17	278.8	281.8
Mine development	18	46.6	43.9
Exploration and evaluation expenditure	19	610.2	687.3
Intangible assets	20	11.9	12.2
TOTAL NON CURRENT ASSETS		1,112.7	1,193.0
TOTAL ASSETS		1,578.7	1,565.7
LIABILITIES			
Current liabilities			
Trade and other payables		36.2	39.3
Interest bearing loans and borrowings	6	299.3	39.4
Provisions	21	5.0	5.5
TOTAL CURRENT LIABILITIES		340.5	84.2
Non current liabilities			
Interest bearing loans and borrowings	6	303.3	590.2
Other interest bearing loans - CNNC	7	97.3	96.0
Deferred tax liabilities		101.7	90.2
Provisions	21	77.9	72.7
Unearned revenue	22	200.0	200.0
TOTAL NON CURRENT LIABILITIES		780.2	1,049.1
TOTAL LIABILITIES		1,120.7	1,133.3
NET ASSETS		458.0	432.4
EQUITY			
Contributed equity	8(a)	2,095.6	1,926.9
Reserves		85.6	161.9
Accumulated losses		(1,693.2)	(1,633.9)
Parent interests		488.0	454.9
Non-controlling interests		(30.0)	(22.5)
TOTAL EQUITY		458.0	432.4

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

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

	Contributed Equity US\$M	Available for Sale Reserve US\$M	Share- Based Payments Reserve US\$M	Convertible Bond Non- Distrib- utable Reserve US\$M	Foreign Exchange Revaluation Reserve US\$M	Acquisition Reserve US\$M	Option Application Reserve US\$M	Consoli- -dation Reserve US\$M	Accum- -lated Losses US\$M	Owners of the Parent US\$M	Non- Controlling Interests US\$M	Total US\$M
Balance at 1 July 2013	1,845.7	(4.2)	50.2	85.5	(39.7)	14.9	0.1	(0.2)	(1,295.5)	656.8	(8.6)	648.2
Loss for the period	-	-	-	-	-	-	-	-	(255.0)	(255.0)	(47.3)	(302.3)
Other comprehensive income	-	0.1	-	-	(20.2)	-	-	-	-	(20.1)	(1.9)	(22.0)
Total comprehensive income/ (loss) for the period, net of tax	-	0.1	-	-	(20.2)	-	-	-	(255.0)	(275.1)	(49.2)	(324.3)
Contributions of equity, net of transaction costs	78.1	-	-	-	-	-	-	-	-	78.1	-	78.1
Share-based payment	-	-	0.1	-	-	-	-	-	-	0.1	-	0.1
Vesting of performance rights	2.4	-	(2.4)	-	-	-	-	-	-	-	-	-
Balance at 31 December 2013	1,926.2	(4.1)	47.9	85.5	(59.9)	14.9	0.1	(0.2)	(1,550.5)	459.9	(57.8)	402.1
Balance at 1 July 2014	1,926.9	(3.6)	47.6	85.5	(38.4)	14.9	0.1	55.8	(1,633.9)	454.9	(22.5)	432.4
Loss for the period	-	-	-	-	-	-	-	-	(59.3)	(59.3)	(7.9)	(67.2)
Other comprehensive income	-	(0.7)	-	-	(66.9)	-	-	-	-	(67.6)	(4.1)	(71.7)
Total comprehensive loss for the period, net of tax	-	(0.7)	-	-	(66.9)	-	-	-	(59.3)	(126.9)	(12.0)	(138.9)
Contributions of equity, net of transaction costs	166.9	-	-	-	-	-	-	-	-	166.9	-	166.9
Allotment of 15% interest in Paladin (Africa) to maintain Govt of Malawi's 15% ownership	-	-	-	-	-	-	-	(4.5)	-	(4.5)	4.5	-
Sale of 25% interest in Langer Heinrich to CNNC, net of costs	-	-	-	-	-	-	-	(3.0)	-	(3.0)	-	(3.0)
Share-based payment	-	-	0.6	-	-	-	-	-	-	0.6	-	0.6
Vesting of performance rights	1.8	-	(1.8)	-	-	-	-	-	-	-	-	-
Balance at 31 December 2014	2,095.6	(4.3)	46.4	85.5	(105.3)	14.9	0.1	48.3	(1,693.2)	488.0	(30.0)	458.0

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

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

	Three months ended 31 December		Six months ended 31 December	
	2014	2013	2014	2013
	US\$M	US\$M	US\$M	US\$M
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	34.1	105.7	91.9	205.2
Payments to suppliers and employees	(53.2)	(89.5)	(117.1)	(183.8)
Exploration and evaluation expenditure	(0.5)	(0.4)	(0.9)	(0.9)
Other income	0.6	-	0.7	-
Interest received	0.2	0.2	0.4	0.4
Interest paid	(15.0)	(15.0)	(15.5)	(16.6)
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	(33.8)	1.0	(40.5)	4.3
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for property, plant and equipment	(1.8)	(3.3)	(7.4)	(15.0)
Proceeds from sale of investments	0.1	-	0.3	0.4
Payments for available-for-sale investments	-	-	(0.2)	-
Capitalised exploration expenditure	(0.9)	(0.9)	(2.4)	(2.6)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(2.6)	(4.2)	(9.7)	(17.2)
CASH FLOWS FROM FINANCING ACTIVITIES				
Syndicated loan facility establishment costs	(0.2)	-	(1.5)	-
Repayment of borrowings	(4.6)	(21.9)	(35.4)	(43.8)
Proceeds from sale of non controlling interest	-	-	170.0	-
Costs relating to sale of non controlling interest	(0.1)	-	(3.0)	-
Share placement	52.7	-	52.7	80.6
Proceeds from entitlement issue	119.7	-	119.7	-
Equity capital raising costs	(5.5)	-	(5.5)	(2.5)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	162.0	(21.9)	297.0	34.3
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	125.6	(25.1)	246.8	21.4
Cash and cash equivalents at the beginning of the period	209.5	125.0	88.8	78.1
Effects of exchange rate changes on cash and cash equivalents	(1.2)	(0.5)	(1.7)	(0.1)
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	333.9	99.4	333.9	99.4

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 2014
EXPRESSED IN US DOLLARS

NOTE 1. CORPORATE INFORMATION

The Interim Financial Report of the Group for the six months ended 31 December 2014 was authorised for issue in accordance with a resolution of the Directors on 12 February 2015.

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

The nature of the operations and principal activities of the Group are described in the Management Discussion and Analysis on pages 3 to 16.

NOTE 2. BASIS OF PREPARATION

This general purpose condensed financial report for the six months ended 31 December 2014 has been prepared in accordance with Australian Accounting Standards Board ("AASB") 134 *Interim Financial Reporting*, International Financial Reporting Standard, IAS 34 *Interim Financial Reporting* and the Corporations Act.

This financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2014 and any public announcements made by Paladin during the interim reporting period in accordance with the continuous disclosure requirements of ASX listing rules.

The financial report is presented in United States dollars and all values are rounded to the nearest hundred thousand dollars (US\$100,000) unless otherwise stated under the option available to the Company under Australian Securities and Investments Commission ("ASIC") Class Order 98/100. The Company is an entity to which the class order 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 2014, the Group has adopted all Australian Accounting Standards and Interpretations effective for annual periods beginning on or before 1 July 2014. The Group has not elected to early adopt any new accounting standards and interpretations.

New standards adopted by the Group include:

AASB 2014-1 Part A - Annual Improvements 2010–2012 Cycle – Amendments to Australian Accounting Standards - Part A Annual Improvements to IFRSs 2010–2012 Cycle

AASB 2014-1 Part A: This standard sets out amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs) Annual Improvements to IFRSs 2010–2012 Cycle and Annual Improvements to IFRSs 2011–2013 Cycle. AASB 2014-1 has had no impact on the financial position and performance of the Group.

AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets

AASB 2013-3 amends the disclosure requirements in AASB 136 Impairment of Assets. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. AASB 2013-3 has had no impact on the financial position and performance of the Group.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014
EXPRESSED IN US DOLLARS

NOTE 3. DEBT REFINANCING

As at 31 December 2014, the Group had a net working capital surplus of US\$125.5M (30 June 2014: US\$288.5M), including cash on hand of US\$333.9M (30 June 2014: US\$88.8M). Included within this cash on hand is US\$31.3M (30 June 2014: US\$13.2M), which is restricted for use in respect of the LHM syndicated loan facility and supplier guarantees provided by LHM.

The amount outstanding at 31 December 2014 on the syndicated loan facility was US\$65.5M.

Repayment obligations during the next twelve months to 31 December 2015 in respect of interest bearing loans and borrowings are summarised as follows:

- secured bank loan principal repayments of US\$9.1M for syndicated loan facility;
- interest payments of US\$31.0M for syndicated loan facility and convertible bonds; and
- unsecured convertible bond repayment of US\$300M.

In December 2014, the Group successfully completed an equity capital raising of A\$205M through the introduction of a strategic investor, together with completion of a well-supported entitlement offer. As set out in Note 24, the Board of Directors resolved to launch an offering to raise US\$100M of senior, unsecured convertible bonds due 31 March 2020. There may be up to an additional US\$50M of senior, unsecured convertible bonds issued to current or potential strategic partners, on the same terms, at the discretion of the Company for additional balance sheet flexibility. The proceeds of the US\$100M issue along with the existing cash balance will be used to fund Paladin's concurrent tender offer to acquire any or all of its US\$300M convertible bonds due November 2015 issued by the Company on 4 November 2010. At the date of this report, the Directors are satisfied there are reasonable grounds to believe that, having regard to the Group's position and its available financing options, the Group will be able to meet its obligations as and when they fall due.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014
EXPRESSED IN US DOLLARS

NOTE 4. SEGMENT INFORMATION

Identification of reportable segments

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

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

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

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

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

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

- interest revenue;
- non syndicated loan facility interest and borrowing expense; and
- unallocated corporate and labour costs.

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

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014
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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 2014 and 31 December 2013.

Six months ended 31 December 2014	Exploration US\$M	Namibia US\$M	Malawi US\$M	Unallocated US\$M	Consolidated US\$M
Sales to external customers	-	101.9	6.7	-	108.6
Other revenue	-	-	0.1	1.0	1.1
Total consolidated revenue	-	101.9	6.8	1.0	109.7
Cost of goods sold	-	(99.1)	(6.7)	-	(105.8)
Gross profit	-	2.8	0.1	1.0	3.9
Write off of exploration and evaluation expenditure	(1.4)	-	-	-	(1.4)
Impairment of asset	-	-	-	(1.7)	(1.7)
Other income and expenses	(0.9)	(0.9)	(9.6)	(6.7)	(18.1)
Segment (loss)/profit before income tax and finance costs	(2.3)	1.9	(9.5)	(7.4)	(17.3)
Finance costs	-	(5.0)	(1.2)	(23.3)	(29.5)
Loss before income tax	(2.3)	(3.1)	(10.7)	(30.7)	(46.8)
Income tax benefit/(expense)	0.7	(19.5)	-	(1.6)	(20.4)
Loss after income tax	(1.6)	(22.6)	(10.7)	(32.3)	(67.2)
At 31 December 2014					
Segment total assets	613.5	651.7	18.2	295.3	1,578.7
Six months ended 31 December 2013	Exploration US\$M	Namibia US\$M	Malawi US\$M	Unallocated US\$M	Consolidated US\$M
Sales to external customers	-	104.2	66.8	-	171.0
Other revenue	-	-	-	0.4	0.4
Total consolidated revenue	-	104.2	66.8	0.4	171.4
Cost of goods sold	-	(102.5)	(73.3)	-	(175.8)
Impairment of inventory, stores and consumables	-	-	(24.9)	-	(24.9)
Gross profit/(loss)	-	1.7	(31.4)	0.4	(29.3)
Impairment of exploration and evaluation expenditure	(323.6)	-	-	-	(323.6)
Impairment of asset	-	-	-	(4.3)	(4.3)
Other income and expenses	(0.4)	(1.8)	(7.3)	(10.2)	(19.7)
Segment (loss)/profit before income tax and finance costs	(324.0)	(0.1)	(38.7)	(14.1)	(376.9)
Finance costs	-	(2.8)	(2.5)	(22.6)	(27.9)
Loss before income tax	(324.0)	(2.9)	(41.2)	(36.7)	(404.8)
Income tax benefit/(expense)	97.2	5.4	-	(0.1)	102.5
(Loss)/profit after income tax	(226.8)	2.5	(41.2)	(36.8)	(302.3)
At 30 June 2014					
Segment total assets	691.3	615.9	47.0	211.5	1,565.7

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014
EXPRESSED IN US DOLLARS

NOTE 5. CASH AND CASH EQUIVALENTS

	31 December 2014 US\$M	30 June 2014 US\$M
Cash at bank and on hand	9.4	10.3
Short-term bank deposits	324.5	78.5
Total cash and cash equivalents	333.9	88.8

Total cash and cash equivalents includes US\$31.3M (30 June 2014: US\$13.2M) restricted for use in respect of the LHM syndicated loan facility (refer to Note 6) and supplier guarantees provided by LHM.

NOTE 6. INTEREST BEARING LOANS AND BORROWINGS

Current	Maturity		
Unsecured convertible bonds ⁽¹⁾	2015	290.9	-
Secured bank loans		8.4	39.4
Total current interest bearing loans and borrowings		299.3	39.4
Non Current			
Unsecured convertible bonds ⁽¹⁾	2015	-	285.8
Unsecured convertible bonds ⁽²⁾	2017	249.5	245.0
Secured bank loan	amortised to 2019	53.8	59.4
Total non current interest bearing loans and borrowings		303.3	590.2

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

Unsecured convertible bonds

- (1) On 5 November 2010, the Company issued US\$300M in convertible bonds with a coupon rate of 3.625%, (underlying effective interest rate of 7.47%) maturing on 5 November 2015 with a conversion price of US\$4.688, for Company shares.
- (2) On 30 April 2012, the Company issued US\$274M in convertible bonds with a coupon rate of 6% (underlying effective interest rate of 10.68%) maturing on 30 April 2017 with a conversion price of US\$1.83 for Company shares.

Pursuant to the terms of the Bonds the prevailing Conversion Price is subject to adjustment where any new issue of shares is at less than 95% of the Current Market Price. Following the completion of the Entitlement Offer on 17 December 2014, the Conversion Prices have been adjusted as follows:

- Convertible bonds due 2015: US\$4.688 (previously US\$5.403); and
- Convertible bonds due 2017: US\$1.83 (previously US\$2.109).

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014
EXPRESSED IN US DOLLARS

NOTE 6. INTEREST BEARING LOANS AND BORROWINGS (continued)

Unsecured convertible bonds (continued)

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

Secured bank loans

Langer Heinrich Mine, Namibia

On July 23 2014, the Company entered into agreements with its existing lenders to refinance the existing US\$110M LHM project finance facility and US\$20M working capital facility into a new US\$70M Syndicated Facility Agreement. Proceeds from the LHM minority sale were utilised to repay US\$30.8M of the existing facility, taking the outstanding balance to US\$70M. The Borrower of the new facility remains Paladin Finance Pty Ltd ("PFPL"). The new facility has less security with neither Langer Heinrich Mauritius Holdings Limited ("LHMHL") nor Langer Heinrich Uranium (Pty) Ltd ("LHU") granting any security or providing any guarantees to support the new facility. The new facility is secured by a Share Pledge Agreement from PFPL over its 75% interest in LHMHL. The facility has a financial covenant holiday for the first four 6-monthly calculations periods commencing 31 December 2014. The first debt covenant ratios calculation date is 31 December 2016. The new facility is provided by Nedbank Capital, a division of Nedbank Limited, Nedbank Namibia Limited, along with the Standard Bank of South Africa Limited and Standard Bank Namibia Limited. The facility is repayable on a semi-annual basis over the term of the loan (five and a half years) commencing 31 December 2014 with seven instalments of US\$4.454M and 3 instalments of US\$9.545M and one of US\$9.550M and bears interest at the LIBOR plus 5.50%. 50% of any distributions from LHU to PFPL are repayable to the financiers.

At 31 December 2014 US\$65.5M (30 June 2014: US\$100.8M) was outstanding under the syndicated loan facility. Transaction costs relating to the establishment of the facilities have been included as part of interest bearing loans and borrowings.

NOTE 7. OTHER INTEREST BEARING LOANS AND BORROWINGS - CNNC

		31 December 2014 US\$M	30 June 2014 US\$M
Non Current	Maturity		
Intercompany loan assigned to CNNC	2016 to 2021	97.3	96.0
		97.3	96.0

As part of the sale of a 25% interest in the Langer Heinrich mining operation, US\$96M (representing 25%) of the intercompany shareholder loans owing by LHU to PFPL were assigned to CNNC under the same interest rate (LIBOR plus a margin between 2% and 4.25%) and conditions as those presently existing.

Pursuant to the intercompany shareholder loan agreements, repayment dates range from 2016 to 2021, however repayment is dependent on LHU generating sufficient free cash flows to repay the loans and the loans have not been guaranteed by Paladin Energy Ltd (Paladin). If LHU does not have sufficient funds to repay the intercompany shareholder loans, neither CNNC nor PFPL can demand repayment and repayment of the loans will be deferred.

All loan repayments from LHU will be paid on a pro rata basis against the outstanding balances, i.e. 75% to PFPL and 25% to CNNC.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 7. OTHER INTEREST BEARING LOANS AND BORROWINGS – CNNC (continued)

On consolidation, PFPL's 75% share of the LHU intercompany shareholder loans are eliminated against the intercompany shareholder loans receivable recorded in PFPL and therefore they do not appear on Paladin's consolidated balance sheet. As a result of the consolidation of 100% of LHU's assets and liabilities, LHU's liability of US\$97.3M to CNNC is recognised on the consolidated balance sheet.

NOTE 8. CONTRIBUTED EQUITY

(a) Issued and paid up capital

	31 December 2014	30 June 2014	31 December 2014	30 June 2014
Ordinary shares	Number of Shares		US\$M	US\$M
Issued and fully paid	1,666,927,668	964,367,284	2,095.6	1,926.9

(b) Movements in ordinary shares on issue

Date		Number of Shares	Issue A\$	Exchange Price US\$: A\$	Total Rate US\$M
Balance 30 June 2013		837,187,808			1,845.7
August 2013	Share placement	125,578,171	0.70	1.08998	80.6
September 2013	Rights vested	566,095	-	-	-
November 2013	Rights vested	786,493	-	-	-
December 2013	Rights vested	85,437	-	-	-
January 2014	Rights vested	37,630	-	-	-
February 2014	Rights vested	125,650	-	-	-
	Transfer from share-based payments reserve				3.1
	Transaction costs				(2.5)
Balance 30 June 2014		964,367,284 ⁽¹⁾			1,926.9

⁽¹⁾ Includes 1,084 shares held by Paladin Employee Plan Pty Ltd.

Date		Number of Shares	Issue A\$	Exchange Price US\$: A\$	Total Rate US\$M
Balance 30 June 2014		964,367,284			1,926.9
September 2014	Rights vested	527,290	-	-	-
November 2014	Rights vested	857,544	-	-	-
November 2014	Share placement	144,862,817	0.42	1.15423	52.7
December 2014	Rights vested	1,003,238	-	-	-
December 2014	Institutional entitlement offer	191,530,053	0.26	1.18827	41.9
December 2014	Retail entitlement offer	363,779,442	0.26	1.21563	77.8
	Transfer from share-based payments reserve				1.8
	Transaction costs				(5.5)
Balance 31 December 2014		1,666,927,668 ⁽¹⁾			2,095.6

⁽¹⁾ Includes 184 shares held by Paladin Employee Plan Pty Ltd.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014
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NOTE 8. CONTRIBUTED EQUITY (continued)

(c) Performance Share Rights

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

	31 December 2014 Number	30 June 2014 Number
Number of unlisted employee share rights	788,754	2,079,094

NOTE 9. FINANCIAL INSTRUMENTS

Risk Management Activities

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

Financial Instruments

Set out below is an overview of financial instruments held by the Group:

	As at 31 December 2014 Unaudited US\$M	As at 30 June 2014 Audited US\$M
Financial assets:		
Cash and cash equivalents	333.9	88.8
Trade and other receivables – at amortised cost	44.4	198.7
Total current	378.3	287.5
Trade and other receivables - at amortised cost	0.7	1.0
Available-for-sale financial assets - at fair value	4.1	6.6
Total non-current	4.8	7.6
Total	383.1	295.1
Financial liabilities:		
Trade and other payables - at amortised cost	36.2	39.3
Interest bearing loans and borrowings - at amortised cost	299.3	39.4
Total current	335.5	78.7
Interest bearing loans and borrowings - at amortised cost	303.3	590.2
Other interest bearing loans - CNNC	97.3	96.0
Total non-current	400.6	686.2
Total	736.1	764.9

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 9. FINANCIAL INSTRUMENTS (continued)

Fair Values

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values as at 31 December 2014:

	As at 31 December 2014		As at 30 June 2014	
	Carrying amount US\$M	Fair value US\$M	Carrying amount US\$M	Fair value US\$M
Financial liabilities				
Interest bearing loans and borrowings:				
- Secured bank loan	8.4 ⁽¹⁾	9.1	39.4 ⁽¹⁾	39.9
- Unsecured convertible bonds	290.9 ⁽¹⁾	294.0	-	-
Total current	299.3	303.1	39.4	39.9
Interest bearing loans and borrowings				
- Secured bank loan	53.8 ⁽¹⁾	56.4	59.4 ⁽¹⁾	60.9
- Unsecured convertible bonds	249.5 ⁽¹⁾	251.4	530.8 ⁽¹⁾	491.7
Total non-current	303.3	307.8	590.2	552.6
Total	602.6	610.9	629.6	592.5

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

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NOTE 9. FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

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

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

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

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

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

	As at 31 December 2014				As at 30 June 2014		
	Quoted market price (Level 1)	Valuation technique-market observable inputs (Level 2)	Valuation technique-non market observable inputs (Level 3)	Total	Quoted market price (Level 1)	Valuation technique-market observable inputs (Level 2)	Valuation technique-non market observable inputs (Level 3)
	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M
Financial assets measured at fair value							
Available-for-sale investments							
Listed investments	4.1	-	-	4.1	6.6	-	-
	4.1	-	-	4.1	6.6	-	-
Financial liabilities for which fair values are disclosed							
Interest bearing loans and borrowings							
Floating rate borrowings ⁽¹⁾	-	65.5	-	65.5	-	100.8	-
Convertible bonds ⁽²⁾	-	545.4	-	545.4	-	491.7	-
	-	610.9	-	610.9	-	592.5	-

- (1) The fair value has been determined by discounting the future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.
- (2) The fair value has been determined using a valuation technique based on the quoted market price of the bonds less the equity component attributable to the conversion feature, which was valued using an option pricing model.

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs. The fair value of the listed equity investments are based on quoted market prices.

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NOTE 9. FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

For financial instruments not quoted in active markets, the Group uses valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs.

For financial instruments that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

NOTE 10. REVENUE

	Three months ended 31 December		Six months ended 31 December	
	2014	2013	2014	2013
	US\$M	US\$M	US\$M	US\$M
Revenue				
Sale of uranium	69.6	101.8	108.6	171.0
Interest income from non-related parties	0.2	0.1	0.4	0.3
Other revenue	0.6	0.1	0.7	0.1
Total	70.4	102.0	109.7	171.4

NOTE 11. OTHER INCOME AND EXPENSES

Cost of Sales

Costs before depreciation and amortisation	(63.3)	(93.6)	(102.0)	(154.1)
Depreciation and amortisation	(10.9)	(14.7)	(18.9)	(29.4)
Impairment loss reversed on sale of inventory	11.1	12.8	23.3	21.3
Product distribution costs	(2.5)	(5.4)	(4.6)	(9.0)
Royalties	(2.3)	(2.6)	(3.6)	(4.6)
Total	(67.9)	(103.5)	(105.8)	(175.8)

Other income

Foreign exchange gain (net)	0.7	-	3.1	-
Gain on disposal of investment	0.4	-	0.6	0.4
Total	1.1	-	3.7	0.4

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NOTE 11. OTHER INCOME AND EXPENSES (continued)

	Three months ended 31 December		Six months ended 31 December	
	2014	2013	2014	2013
	US\$M	US\$M	US\$M	US\$M
Administration, marketing and non-production costs				
Corporate and marketing	(4.1)	(4.2)	(8.0)	(8.0)
LHM mine site	(0.9)	(0.4)	(1.3)	(0.8)
KM mine site	-	(1.2)	-	(2.6)
Other	(0.6)	(1.2)	(0.9)	(1.8)
Total	(5.6)	(7.0)	(10.2)	(13.2)

Other expenses

Write off of exploration assets ⁽¹⁾	(1.4)	-	(1.4)	-
Impairment of exploration assets ⁽²⁾	-	(323.6)	-	(323.6)
Impairment of available-for-sale financial assets	(1.7)	(0.8)	(1.7)	(4.3)
LHM fixed costs during plant shutdown	-	-	(2.7)	-
KM fixed costs during plant shutdown	-	(0.4)	-	(4.6)
KM care and maintenance expenses	(3.0)	-	(8.0)	-
Foreign exchange loss (net)	-	0.2	-	(1.4)
Total	(6.1)	(324.6)	(13.8)	(333.9)

⁽¹⁾ 2014, the licence for Spinifex Well was surrendered on 22 September 2014. All capitalised costs were written off.

⁽²⁾ At 31 December 2013, due to the continuing depressed uranium price, an impairment charge of US\$323.6M (US\$226.5M after tax) was recognised to reduce the carrying value of the Queensland exploration assets. The estimated recoverable amount of the project of US\$381.0M (US\$325M net of deferred tax liability) was determined on the basis of fair value less costs to dispose, using a valuation range provided by recent comparable market transactions and other market indicators.

Finance costs

Interest expense	(8.0)	(8.2)	(16.8)	(17.0)
Accretion relating to convertible bonds (non-cash)	(4.9)	(4.5)	(9.7)	(8.9)
Unwind of discount on mine closure provision	(1.3)	(0.4)	(2.7)	(0.9)
Facility costs	(0.2)	(0.6)	(0.3)	(1.1)
Total	(14.4)	(13.7)	(29.5)	(27.9)

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 12. INCOME TAX

Reconciliation of accounting loss to income tax benefit/expense

	Three months ended 31 December		Six months ended 31 December	
	2014 US\$M	2013 US\$M	2014 US\$M	2013 US\$M
Loss before income tax expense	(23.0)	(360.2)	(46.8)	(404.8)
Tax at the Australian rate of 30% (2014 – 30%)	6.9	108.1	14.0	121.4
Difference in overseas tax rates	(0.1)	3.0	-	2.7
Non-deductible items	29.7	23.0	26.1	30.3
Under/(over) prior year adjustment	-	(69.4)	(6.7)	(87.5)
Foreign exchange differences	(2.9)	44.8	(26.0)	50.4
Other	(32.0)	(7.8)	(27.8)	(14.8)
Income tax benefit/(expense) reported in Income Statement	1.6	101.7	(20.4)	102.5

NOTE 13. TRADE AND OTHER RECEIVABLES

	31 December 2014 US\$M	30 June 2014 US\$M
Current		
Trade receivables	35.5	18.9
GST and VAT	6.7	7.5
LHM purchase consideration receivable	-	170.0
Sundry debtors	2.2	2.3
Total current receivables	44.4	198.7
Non Current		
Sundry debtors	0.7	1.0
Total non current receivables	0.7	1.0

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
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NOTE 14. INVENTORIES

	31 December 2014 US\$M	30 June 2014 US\$M
Current		
Stores and consumables (at cost)	7.9	7.5
Stores and consumables (at net realisable value)	2.9	2.8
Stockpiles (at cost)	13.6	7.1
Work-in-progress (at cost)	11.5	-
Work-in-progress (at net realisable value)	-	5.1
Finished goods (at cost)	41.2	-
Finished goods (at net realisable value)	-	55.6
Total current inventories at the lower of cost and net realisable value	77.1	78.1

During the six months ended 31 December 2013, an impairment of US\$24.9M (2014: US\$Nil) was required to reduce the cost of inventory, stores and consumables held at KM to net realisable value. This resulted in an impairment expense recognised in cost of sales.

Non Current

Stockpiles (at cost)	160.4	160.2
Total non current inventories at the lower of cost and net realisable value	160.4	160.2

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

NOTE 15. ASSETS CLASSIFIED AS HELD FOR SALE

	31 December 2014 US\$M	30 June 2014 US\$M
Plant and equipment	3.8	3.8
Total assets classified as held for sale	3.8	3.8

As a result of KM being placed on care and maintenance, the Company has made a decision to sell its aircraft and on 3 July 2014, a brokering agreement was signed for the sale of the aircraft. It is highly probable that the sale will be completed within the next six months.

NOTE 16. OTHER FINANCIAL ASSETS

	31 December 2014 US\$M	30 June 2014 US\$M
Available-for-sale financial assets	4.1	6.6

The Group has an investment in DYL and at 31 December 2014 held 319,106,156 shares with a market value of US\$3.6M (30 June 2014: 304,400,275 shares with a market value of US\$5.5M).

The Group also holds minor investments in other companies.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
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NOTE 17. PROPERTY, PLANT AND EQUIPMENT

	31 December 2014 US\$M	30 June 2014 US\$M
Plant and equipment (at cost) ⁽¹⁾	712.2	706.6
Less accumulated depreciation and impairment	(444.7)	(436.1)
Total plant and equipment	267.5	270.5
Land and buildings (at cost) ⁽²⁾	10.7	11.2
Less accumulated depreciation	(2.6)	(2.5)
Total land and buildings	8.1	8.7
Construction work in progress (at cost) ⁽³⁾	6.8	5.8
Less impairment	(3.6)	(3.2)
Total construction work in progress	3.2	2.6
Total property, plant and equipment	278.8	281.8

- ⁽¹⁾ Includes additions of US\$3.6M (30 June 2014: US\$4.9M)
⁽²⁾ Includes additions of US\$NIL (30 June 2014: US\$Nil)
⁽³⁾ Includes additions of US\$3.4M (30 June 2014: US\$11.8M)

NOTE 18. MINE DEVELOPMENT

	31 December 2014 US\$M	30 June 2014 US\$M
Mine development (at cost) ⁽¹⁾	213.0	206.5
Less accumulated depreciation and impairment	(166.4)	(162.6)
Total mine development	46.6	43.9

- ⁽¹⁾ Includes additions of US\$6.5M (30 June 2014: US\$19.9M)

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NOTE 19. 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 2014:

Areas of interest	Valhalla /Skal ⁽¹⁾	Isa North	Fusion	Angela/ Pamela	Bigirlyi	Niger	KM	Canada	Other Uranium Projects	Total
	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M
Balance 30 June 2014	332.5	60.5	11.3	-	10.3	-	-	263.3	9.4	687.3
Acquisition property payments	-	-	-	-	-	-	-	-	0.4	0.4
Project exploration and evaluation expenditure										
Labour	0.1	0.1	-	-	-	-	0.1	0.9	0.3	1.5
Outside services	-	-	-	-	-	-	-	0.1	-	0.1
Other expenses	0.1	0.1	-	0.1	0.1	-	-	0.8	0.3	1.5
Total expenditure	0.2	0.2	-	0.1	0.1	-	0.1	1.8	0.6	3.1
Expenditure expensed	(0.2)	(0.2)	-	(0.1)	(0.1)	-	(0.1)	-	(0.2)	(0.9)
Expenditure capitalised	-	-	-	-	-	-	-	1.8	0.4	2.2
Foreign exchange differences	(43.8)	(8.6)	(1.5)	-	(1.4)	-	-	(21.8)	(1.2)	(78.3)
Write off of Spinifex Well	-	-	-	-	-	-	-	-	(1.4)	(1.4)
Balance 31 December 2014	288.7	51.9	9.8	-	8.9	-	-	243.3	7.6	610.2

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

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NOTE 20. INTANGIBLE ASSETS

	31 December 2014 US\$M	30 June 2014 US\$M
Intangible assets – at cost	27.8	27.8
Less accumulated depreciation and impairment	(15.9)	(15.6)
Net carrying value – intangible assets	11.9	12.2

NOTE 21. PROVISIONS

	31 December 2014 US\$M	30 June 2014 US\$M
Current		
Employee benefits	5.0	5.5
Total current provisions	5.0	5.5
Non Current		
Employee benefits	1.7	2.0
Rehabilitation provision	74.5	68.9
Demobilisation provision	1.7	1.8
Total non current provisions	77.9	72.7

NOTE 22. UNEARNED REVENUE

	31 December 2014 US\$M	30 June 2014 US\$M
Non Current		
Unearned revenue	200.0	200.0
Total unearned revenue	200.0	200.0

Total prepayment of US\$200M under a six-year off-take agreement with EdF, a major electricity generator and distribution company in France, to deliver a total of 13.73Mlb U₃O₈ in the period from 2019 to 2024. Uranium delivered under the off-take agreement will be sold to EdF at market prices prevailing at the time of delivery bounded by escalating floor and ceiling prices.

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

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
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NOTE 23. 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 2014 other than:

	31 December 2014 US\$M	30 June 2014 US\$M
(a) Tenements		
Commitments for tenements contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	0.8	2.6
Later than one year but not later than 5 years	10.5	6.4
More than 5 years	<u>11.9</u>	<u>16.8</u>
Total tenements commitment	<u>23.2</u>	<u>25.8</u>

These include commitments relating to tenement lease rentals and the minimum expenditure requirements of the Namibian, Malawian, Canadian, Western Australian, South Australian, Northern Territorian and Queensland Mines Departments attaching to the tenements and are subject to re-negotiation upon expiry of the exploration leases or when application for a mining licence is made.

These are necessary in order to maintain the tenements in which the Group and other parties are involved. All parties are committed to meet the conditions under which the tenements were granted in accordance with the relevant mining legislation in Namibia, Malawi, Australia and Canada.

(b) Operating Lease Commitments

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

These non-cancellable leases have remaining terms of between 1 month and 5 years. All leases include a clause to enable upward revision of rental charge on an annual basis according to prevailing market conditions.

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

	31 December 2014 US\$M	30 June 2014 US\$M
Within one year	0.9	1.0
Later than one year but not later than 5 years	0.5	1.0
More than 5 years	<u>-</u>	<u>-</u>
Total operating lease commitment	<u>1.4</u>	<u>2.0</u>

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NOTE 23. COMMITMENTS AND CONTINGENCIES (continued)

	31 December 2014 US\$M	30 June 2014 US\$M
(c) Other Commitments		
Commitments for mining, transport and reagents contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	29.3	22.2
Later than one year but not later than 5 years	2.1	2.1
More than 5 years	-	-
Total other commitments	31.4	24.3

(d) Acquisition Costs

In relation to the Manyingee Uranium Project, the re-negotiated acquisition terms provide for a payment of A\$0.75M / (US\$0.61M) (30 June 2014: A\$0.75M (US\$0.71M)) by the Group to the vendors when all project development approvals are obtained.

(e) Bank Guarantees

As at 31 December 2014 the Group has outstanding US\$409,272 / (A\$501,792) (30 June 2014: US\$679,877 / A\$721,792) as a current guarantee provided by a bank for the corporate office lease, a US\$185,554 / (A\$227,500) (30 June 2014: US\$248,199 / A\$263,500) guarantee for tenements, a US\$89,718 / (A\$110,000) (30 June 2014: US\$103,612 / A\$110,000) guarantee for corporate credit cards and a US\$10M (30 June 2014: US\$10M) KM environmental performance guarantee.

(f) Contingent Liability

A dispute has arisen between a Group company and a contractor in relation to the contract for the Stage 3 expansion at LHM. The contractor is seeking payment of the disputed sum of N\$151.1M, which is approximately US\$13.0M. The Group denies the claim and will vigorously defend it. The Group is also counter claiming damages from the contractor and cross-claiming from another contractor. The precise quantum of the counter-claim and cross claim has not yet been established, but is expected to exceed the contractor's claim.

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NOTE 24. EVENTS AFTER THE REPORTING PERIOD

Other than disclosed below, since 31 December 2014, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this report, that has significantly or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent periods with the exception of the following, the financial effects of which have not been provided for in the 31 December 2014 Financial Report.

Issue of Convertible Bonds to fund a concurrent tender of 2015 Bonds

On 12 February 2015, the Board resolved to launch an offering to raise US\$100M of senior, unsecured convertible bonds due 31 March 2020. There may be up to an additional US\$50M of senior, unsecured convertible bonds issued to current or potential strategic partners, on the same terms, at the discretion of the Company for additional balance sheet flexibility. These issues will be subject to shareholder approval at a General Meeting scheduled to be held at the end of March 2015. The proceeds of the US\$100M issue along with the existing cash balance will be used to fund Paladin's concurrent tender offer to acquire any or all of its US\$300M convertible bonds due November 2015 issued by the Company on 4 November 2010.

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 2014 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 2014 and its performance for the second quarter and half year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, International Financial Reporting Standard, IAS 34 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Mr John Borshoff
Managing Director/CEO

Perth, Western Australia
12 February 2015



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Independent review report to members of Paladin Energy Ltd

Report on the second quarter and half-year financial report

We have reviewed the accompanying second quarter and half-year financial report of Paladin Energy Ltd, which comprises the statement of financial position as at 31 December 2014, the income statements, statements of comprehensive income and statements of cash flows for the second quarter and half-year ended on that date and the statement of changes in equity for the half-year ended on that date and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the second quarter and half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the second quarter and half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the second quarter and half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Paladin Energy Ltd and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



Conclusion

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the second quarter and half-year ended on that date
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Ernst & Young

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

G H Meyerowitz
Partner
Perth
12 February 2015

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

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

1. Review: I have reviewed the interim financial statements and interim MD&A (together, the “interim filings”) of Paladin Energy Ltd for the interim period ended 31 December 2014.
2. No misrepresentation: Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the interim filings.
3. Fair presentation: Based on my knowledge, having exercised reasonable due diligence, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.
4. Responsibility: The issuer’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 Certification of Disclosure in Issuer’s Annual and Interim Filings, for the issuer.
5. Design: Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer’s other certifying officer and I have, as at the end of the period covered by the interim filings
 - (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that:
 - (i) material information relating to the issuer is made known to us by others, particularly during the period in which the annual filings are being prepared; and
 - (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarised and reported within the time periods specified in securities legislation; and
 - (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s GAAP.
- 5.1 Control Framework: The control framework the issuer’s other certifying officer and I used to design the issuer’s ICFR is the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission (COSO).
- 5.2 ICFR – material weakness relating to design: N/A
- 5.3 Limitation on scope of design: N/A
6. Reporting changes in ICFR: The issuer has disclosed in its interim MD&A any change in the issuer’s ICFR that occurred during the period beginning on 1 July 2014 and ended on 31 December 2014 that has materially affected, or is reasonably likely to materially affect, the issuer’s ICFR.

Dated: 12 February 2015



John Borshoff
Managing Director/CEO

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 2014.
2. No misrepresentation: Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the interim filings.
3. Fair presentation: Based on my knowledge, having exercised reasonable due diligence, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.
4. Responsibility: The issuer’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 Certification of Disclosure in Issuer’s Annual and Interim Filings, for the issuer.
5. Design: Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer’s other certifying officer and I have, as at the end of the period covered by the interim filings
 - (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that:
 - (i) material information relating to the issuer is made known to us by others, particularly during the period in which the annual filings are being prepared; and
 - (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarised and reported within the time periods specified in securities legislation; and
 - (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s GAAP.
- 5.1 Control Framework: The control framework the issuer’s other certifying officer and I used to design the issuer’s ICFR is the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission (COSO).
- 5.2 ICFR – material weakness relating to design: N/A
- 5.3 Limitation on scope of design: N/A
6. Reporting changes in ICFR: The issuer has disclosed in its interim MD&A any change in the issuer’s ICFR that occurred during the period beginning on 1 July 2014 and ended on 31 December 2014 that has materially affected, or is reasonably likely to materially affect, the issuer’s ICFR.

Dated: 12 February 2015

A handwritten signature in black ink, appearing to read 'C Barnes', is written over a horizontal line.

Craig Barnes
Chief Financial Officer