Appendix 4E - Financial Report
Financial year ended 30 June 2018

Paladin Energy Ltd

ABN or equivalent company reference

ACN 061 681 098

Results for announcement to the market

				30 June 2018 US$'000	30 June 2017 US$'000
Revenue from sales of uranium oxide	**Down**	24%	to	72,917	95,844
Revenue	**Down**	24%	to	72,917	95,844
Profit/(loss) after tax attributable to members	**Up**	180%	to	367,762	(457,785)
Net profit/(loss) for the year attributable to members	**Up**	180%	to	367,762	(457,785)
Profit/(Loss) per share (US cents)				21.5	(26.7)

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 Operating and Financial Review and the Financial Report attached.

	30 June 2018	30 June 2017
Net tangible assets/(liabilities) per share	US$0.06	US$(0.26)

Other

Previous corresponding period is the year ended 30 June 2017.

All foreign subsidiaries are prepared using IFRS.

PALADIN ENERGY LTD

ACN 061 681 098

ANNUAL

REPORT

2018

CONTENTS

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

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

Paladin Energy Ltd
Level 4
502 Hay Street
SUBIACO WA 6008

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

CORPORATE VALUES AND PALADIN TODAY

CORPORATE VALUES

- Create stakeholder value by developing the opportunities Paladin has when the uranium price recovers to a sustainable level.
- Operate at global best practice with particular emphasis on safety and the environment.
- Maintain financial discipline and a value-minded approach to project management, investments and capital structure decisions.
- Provide employees with an equal and fulfilling work environment.
- Contribute to the communities in which we operate.
- Act with integrity, honesty and cultural sensitivity in all dealings.

PALADIN TODAY

Overview

- Paladin's value is based on five key drivers – a strategic tier one core production base, a globally diversified quality suite of exploration and development assets, experienced team, uranium industry positioning and sustainability of operations.

Operations

- Langer Heinrich Mine (LHM)
  - a strategic tier one mine in the global uranium industry with circa 5 million pounds per year of uranium production capacity.
  - placed on care and maintenance due to persistent low uranium prices.
  - top 10 mine by uranium production with a first quartile position on the cash cost curve.
  - long-term asset with in excess of 40 million pounds of cumulative historical uranium production and a remaining productive life in excess of 20 years (at current processing rates).
  - undertaking operational review to assess process optimisation, cost reduction, production capacity and life of mine alternatives.
  - aim to maintain plant, infrastructure and critical aspects of intellectual property and operational knowhow to allow for a restart, when justified.
- Kayelekera Mine (KM)
  - fully-built mine commissioned in 2008 with circa 3 million pounds per year of uranium production capacity.
  - placed on care and maintenance due to persistent low uranium prices.
  - maintaining plant, infrastructure and critical aspects of intellectual property and operational knowhow to allow for a restart, when justified.

Positioning Going Forward

- Unhedged, pure-play exposure to uranium.
- One of the only independent, publicly listed, large-scale uranium producers in the world.
- Leverage to a rising uranium market greatly enhanced by ability to grow organically through a restart of LHM and KM and quality suite of exploration and development assets.
- Experienced team with respect to uranium project construction, efficient project management and technical innovation.
- Financially disciplined.

CHAIRMAN'S LETTER

Dear Stakeholders

In my address at the 2017 Annual General Meeting held, for reasons we are all aware, only earlier this year, I noted the challenges still facing the uranium industry and also the unique position Paladin held to benefit from a revival in the uranium price.

During the balance of the 2018 financial year and indeed since then, Paladin has taken further important steps to ensure it is well placed to emerge as a leading uranium producer once the uranium market normalises. The decision in May 2018 to place the Langer Heinrich Mine into care and maintenance was not taken lightly, particularly due to its impact on local employees, contractors and community. However, there was a compelling argument to preserve the valuable uranium resource and mitigate cash flow losses. I wish to acknowledge the understanding and co-operation from our joint venture partner CNNC Overseas Uranium Holding Limited and the Government of Namibia in this regard.

In June this year, we announced the appointment of Scott Sullivan, a mining engineer with considerable operating experience in several commodities and jurisdictions, as Chief Executive Officer. Scott will lead a fresh and thorough focus on all our projects, particularly the Langer Heinrich Mine as part of the Board's endeavour to guide Paladin to be appropriately positioned for a uranium price resurgence. Again I thank our outgoing CEO, Alex Molyneux for his leadership, drive and commitment to Paladin over the past 3 very challenging years.

The restructure of the Company by Deed of Company Arrangement, effectuated in February 2018, whilst painful for shareholders at the time, has certainly put Paladin in a stronger position to plan for a restart of production at Langer Heinrich at the appropriate time and consider other opportunities within its portfolio of projects to increase shareholder value.

I wish to thank our new directors John Hodder, Daniel Harris and David Riekie for the manner in which they have applied themselves during this post Administration period. Once again, I sincerely thank all employees and contractors for their hard work despite ongoing uncertainties and personal challenges for them.

Yours faithfully

Rick Crabb
Chairman

INSIGHTS FROM THE CEO

Dear Stakeholders

I am excited to join the Company as only the third CEO in its 25 year history and I look forward to working closely with the new Board and the Paladin team in Australia, Africa and Canada and focus on the many challenges and opportunities that we have in front of us.

I thank my predecessor, Mr Alexander Molyneux and the Paladin workforce for their tireless efforts in seeing through the financial restructuring and securing Paladin’s future. At the same time, I acknowledge and sincerely thank those employees affected by necessary cost reduction initiatives the Company has had to face.

We emerge from this period refreshed with a new Board, a new CEO and a smaller focused workforce. Moving forward, we will be a leaner organisation with a workforce who act with a strong sense of ownership and urgency to position Paladin at the starting line ready for a market correction.

The past year of course, has been one of significant change for Paladin. In February this year, Paladin emerged from voluntary administration and was reinstated to official quotation on the ASX. Paladin’s debt was restructured with a single bond remaining and maturing in 2023 and Paladin was left with a healthy cash reserve.

A material decision was made in May to place Paladin’s flagship Tier 1 asset, Langer Heinrich in Namibia, on care and maintenance. We have subsequently seen further restructuring on the supply side with the announcement by Cameco in July to extend the suspension of production at its McArthur River uranium mine and Key Lake uranium mill in Saskatchewan, Canada for an indefinite duration. We embarked on this strategy to preserve the value of our primary asset in a depressed market. At the end of September the workforce at Langer Heinrich will be reduced to its final number of 20 people, all significant work will have ceased and stable care and maintenance operations will have commenced.

This period of closure also presents a unique opportunity which we will capitalise on, to systematically and objectively examine several potential projects available to us, to further optimise the Langer Heinrich operation, reducing operating costs, extending its productive life and potentially increasing throughput. This will be a prime focus for myself and the extended team during this period and I look forward to reporting on progress throughout the year.

Kayelekera in Malawi remains on care and maintenance and the team recently proudly celebrated 4 years LTI free. The year was free of significant environmental and safety incidents.

With respect to our performance, Langer Heinrich's first full year of mining curtailment before transitioning towards care and maintenance in May 2018, had a negative impact on operating performance for FY2018. Uranium production of 2.739Mlb for FY2018 was 34% lower than the previous year, mainly as a result of a 16% decrease in ore processed and a 22% decrease in grade.

The decrease in ore processed was predominantly due to ore type on the medium grade ore stockpiles exhibiting poor settling and compaction characteristics. The transition of operations to care and maintenance also contributed to the decrease in ore processed for the year. The C1 cash cost of production for the year increased by 39% to US$26.23/lb, largely attributable to the lower production for the year.

Financial performance for FY2018 was adversely affected by the continued decline in the uranium spot price as well as Langer Heinrich's reduced operating performance. A 10% decrease in the company's realised uranium sales price together with a 16% decline in uranium sales volumes resulted in a 371% decrease in EBITDA for the year.

Although underlying all-in costs increased by 20% to US$37.56/lb in FY2018, primarily as a result of lower production, we continued to reduce non-Langer Heinrich costs during the year. As a result of ongoing cost reduction initiatives, Kayelekera care and maintenance, group exploration and corporate costs have been reduced by 65% since FY2015.

Following the execution of the Deed of Company Arrangement and completion of the capital restructure in February 2018, the Company’s financial position has strengthened significantly. Unrestricted group cash and cash equivalents increased by 273% to US$39.1M and net debt reduced by 88%, from US$665.9M at 30 June 2017 to US$80.7M at 30 June 2018. The Company’s gearing ratio decreased from 289% at 30 June 2017, to 43% at 30 June 2018.

INSIGHTS FROM THE CEO

We continue to expect that the uranium market will undergo a fundamental restructuring in the short to medium term. Primary production and secondary supply continues to be short of forecast growth in consumption whilst demand continues to grow in existing and new markets, even as some countries withdraw from nuclear power or reduce the proportion in their energy mix. Today, there are some 57 reactors under construction or commissioning with another 152 at the planning stage with approvals and/or funding already in place. Growth in the utilisation of nuclear energy is focussed in Asian and Middle Eastern regions with China, India and Russia leading the argument for stable, reliable, low emissions nuclear energy.

Notwithstanding improved uranium market activity in the last quarter of FY2018, forward price indicators remain well below incentive costs for almost all new primary uranium production and as such, are unlikely to promote a near term commitment to new development. Nonetheless, we are confident that a nascent market recovery has commenced and that normalisation of long-term contracting volumes will follow in due course. Similarly, although much has been made of inventory overhang in the uranium market, we continue to believe that available inventories are less onerous and that drawdown is well advanced.

The low levels of forward utility contracting witnessed over recent years make current uncommitted demand higher than any period since 2010. The pace of any market recovery is always difficult to gauge, but Paladin believes that FY2019 will see marked improvements in market dynamics for uranium suppliers and developers.

Yours faithfully

Scott Sullivan
Chief Executive Officer

OPERATING AND FINANCIAL REVIEW

OVERVIEW OF OPERATIONS

The Group has two uranium mines in Africa[1] and uranium exploration projects in Australia, Africa and Canada. The Company is incorporated under the laws of Western Australia with a primary share market listing on the Australian Securities Exchange ("ASX"); as well as the Munich, Berlin, Stuttgart and Frankfurt Stock Exchanges in Europe; and the Namibian Stock Exchange in Africa.

Langer Heinrich Mine (LHM)

LHM is located in the Namib Desert in Namibia, 80km east of the major seaport of Walvis Bay and about 40km south-east of the large-scale, hard-rock Rössing uranium mine operated by the Rio Tinto Group.

Following the sale of a 25% equity stake to CNNC Overseas Uranium Holding Limited (CNNC), a wholly owned subsidiary of China National Nuclear Corporation, Paladin owns 75% of LHM in Namibia through its Namibian subsidiary, Langer Heinrich Uranium (Pty) Ltd.

<u>History of LHM</u>

1973 The deposit was discovered in 1973 after a government-sponsored airborne radiometric survey of the area.

1980 Between 1974 and 1980, General Mining Union Corporation Limited (Gencor) undertook extensive evaluation work at the site and suspended work on the project in the mid-1980s, following a fall in the prevailing uranium price.

1998 Acclaim Uranium NL acquired the project from Gencor in 1998 and completed a pre-feasibility study. The project was again put on hold due to prevailing uranium prices.

2002 In August 2002, the Company acquired Langer Heinrich Uranium (Pty) Ltd and its assets from Aztec Resources Ltd (formerly Acclaim Uranium NL). The purchase consideration was A$15,000 and a production royalty of 12 Australian cents per kilogram of U_3O_8 sold.

2007 LHM commenced production in 2007 with a capacity of 2.7Mlb U_3O_8 pa.

2008 Construction of the Stage 2 expansion to 3.7Mlb U_3O_8 pa commenced in 2008.

2009 LHM reached the Stage 2 design capacity in December 2009.

2012 Construction of the Stage 3 expansion to 5.2Mlb U_3O_8 pa commenced at the beginning of 2010 and was completed on 31 March 2012.

2014 On 23 July 2014 the sale process for a 25% interest in LHM to CNNC was completed.

2015 Process innovation focused on the Bicarbonate Recovery Plant (BRP), which was commissioned in early March 2015 and resulted in significant reagent cost reductions.

2016 Following the continued decline in uranium prices, LHM introduced a mining curtailment strategy in November 2016.

2018 In May 2018 the Company received the consent of relevant stakeholders to place LHM into care and maintenance (C&M) and stopped presenting ore to the plant.

FY2018 proved to be a difficult year for the operation. The processing of medium grade ore stockpiles as a result of the mining curtailment strategy introduced in November 2016 revealed different ore characteristics to that which the mine had experienced previously. Ore took longer to settle, affecting production throughput and water recovery from tailings facilities was erratic which also impacted production output. Lower production together with increased reagent costs were further exacerbated by the continued decline in the uranium spot price which adversely affected profitability and cash flows.

In May 2018, the Company received the consent of relevant stakeholders to place LHM into C&M and LHM stopped presenting ore to the plant. There will be a run-down phase of up to three months where various stages of the plant will be progressively suspended and cleaned. Once the run-down phase is complete, operations will have been completely suspended and LHM will be on C&M. The C&M programme will affect some 600 staff and contractors on the mine, with the bulk leaving at the end of June and July 2018. A staff of approximately 20 will remain for the C&M period.

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[1] Langer Heinrich Mine, Namibia (transitioning to care and maintenance). Kayelekera Mine, Malawi (on care and maintenance).

OPERATING AND FINANCIAL REVIEW

Negotiations on severance packages, as required by the Namibian Labour Act, 2007 were held with the Mineworkers Union of Namibia ('MUN') and an Agreement with the MUN was reached on 18 June 2018. In terms of the Agreement LHM will pay each staff member a severance package of 2 weeks' pay for every completed year of service plus 2 months' salary.

LHM is currently on track with the cleaning of all tanks and is expected to commence C&M in September 2018. The mine is expected to remain on C&M until the uranium spot price again makes it economical to restart on a sustainable basis. During this C&M period the mine will ensure that the plant is properly maintained for a restart and operating processes will be reviewed for potential optimisation that could result in cost savings once the mine is restarted.

Kayelekera Mine (KM)

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

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

History of KM

1982 The Central Electricity Generating Board of Great Britain (CEGB) discovered the Kayelekera sandstone uranium deposit in 1982.

1992 The project was abandoned in 1992 due largely to the poor uranium outlook, as well as privatisation of CEGB and resultant pressure to return to its core business.

1998 In 1998, the Company acquired a 90% interest in Kayelekera through a joint venture with Balmain Resources Pty Ltd (Balmain), which then held exploration rights over the Project area.

2005 In July 2005, the Company acquired the remaining 10% interest in Kayelekera held by Balmain.

In April 2005, the Company announced the go-ahead of a Bankable Feasibility Study (BFS) as a result of the improved economics shown by the pre-feasibility work.

2007 After completing the Development Agreement with the Malawi Government, the BFS and a full Environmental Impact Assessment, the Mining Licence (ML 152) covering 5,550 hectares, was granted in April 2007 for a period of 15 years.

Construction of KM, with a 3.3Mlb U_3O_8 pa design capacity, began in June 2007.

2008 Open pit mining commenced in June 2008 to develop initial stockpiles.

2009 Commissioning began in January 2009, with first production achieved in April 2009.

2010 KM continued to ramp-up its production volumes and commercial production was declared from 1 July 2010.

2012 In 2012, the operation made substantial positive steps toward design capacity of 3.3Mlb U_3O_8 pa through a programme of plant upgrades aimed at addressing bottlenecks.

The focus at KM turned to production optimisation with the acid recycling project (nano-filtration technology) representing a key element. The acid recovery plant was operational up to the cessation of ore processing.

2013 The plant achieved record annual production totalling 2.963Mlb U_3O_8 for FY2013.

2014 Continuing low uranium prices resulted in a decision to place the project on C&M in February 2014.

On 7 February 2014, the Company announced that it was suspending production at KM and placing the mine on C&M due to the low uranium price and non-profitability of the operation. The plant operated until all reagents in the supply chain were consumed to the maximum extent possible and the plant ceased production on 6 May 2014. After a transition period, during which the site was made safe, the plant cleaned and all remaining product dispatched to customers, the C&M period commenced on 26 May 2014. During C&M the project will be maintained and secured with adequate staffing.

OPERATING AND FINANCIAL REVIEW

In FY2018 activities continued to focus on the water treatment programme. The license to treat and release water was renewed by the Government of Malawi in January 2018 for the 2017/2018 wet season, with the Government maintaining the prior strict conditions regulating critical water quality parameters, including the World Health Organisation drinking water guideline for uranium content. Comprehensive monitoring of samples was undertaken upstream and downstream from KM. At 30 June 2018 water inventories had been reduced in the two major storage ponds and were on track to reach their pre-wet season targets. A new application to treat and discharge water for the 2018/19 wet season was submitted in July 2018.

EXPLORATION

The Company has uranium exploration projects in Australia, Africa and Canada. Details of these exploration projects and their Mineral Resources are summarised in the Ore Reserves and Mineral Resources section on pages 17 to 28.

During the year, the Company has only undertaken the work required to meet minimum tenement commitments at these exploration projects.

NON-IFRS MEASURES

C1 Cost of Production

C1 cost of production = cost of production excluding product distribution costs, sales royalties and depreciation and amortisation before adjustment for impairment. C1 cost of production, which is a non-IFRS measure, is a widely used 'industry standard' term. We use this measure as a meaningful way to compare our performance from period to period. We believe that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate our performance. C1 cost information (unaudited) has been extracted from the financial statements. For an analysis of total cost of sales refer to Note 12 to the financial statements. Refer to page 11 for reconciliation.

Underlying EBITDA

The Company's Earnings Before Interest, Tax, Depreciation and Amortisation (Underlying EBITDA) represents profit before finance costs, taxation, depreciation and amortisation, impairments, foreign exchange gains/losses, restructure costs and other income. As the mining industry is a capital-intensive industry, capital expenditures, the level of gearing and finance costs may have a significant impact on the net profit of companies with similar operating results. Therefore, the Company believes underlying EBITDA may be helpful in analysing the operating results of a mining company like itself. Although underlying EBITDA is widely used in the mining industry as a benchmark to reflect operating performance, financing capability and liquidity, it is not regarded as a measure of operating performance and liquidity under IFRS. Refer to page 12 for reconciliation.

Underlying All-In Cost

Underlying All-In Cost = total cash cost of production plus non-production costs, capital expenditure, KM and LHM care and maintenance expenses, exploration costs and corporate costs, excluding one-off restructuring costs and non-recurring costs. Underlying All-In Cost, which is a non-IFRS measure, is widely used in the mining industry as a benchmark to reflect operating performance. We use this measure as a meaningful way to compare our performance from period to period as it provides a more comprehensive view of costs than the cash cost approach. Refer to page 13 for reconciliation.

OPERATING AND FINANCIAL REVIEW

OPERATING PERFORMANCE

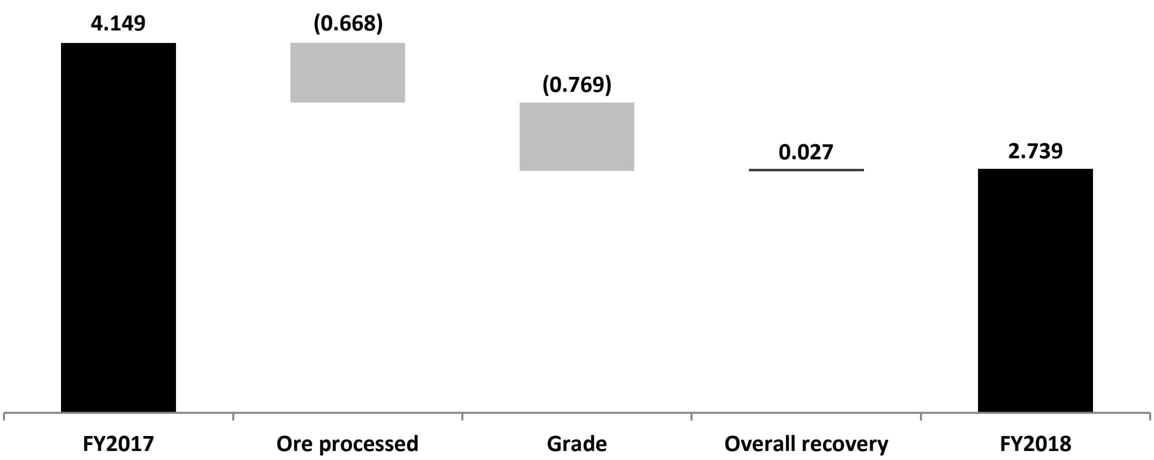
The Company's operating performance during the year was affected by LHM's first full year of ongoing mining curtailment before transitioning of the mine towards C&M in May 2018.

Key operating performance metrics		Year ended 30 June		
		2018	**2017**	**% Change**
Ore mined	Mt	**-**	1.492	(100)
Ore mined - Grade	ppm	**-**	719	(100)
Ore and waste mined	Mt	**-**	7.663	(100)
Strip ratio	w:o	**-**	4.14	(100)
Ore processed	Mt	**2.954**	3.521	(16)
Ore processed - Grade	ppm	**475**	610	(22)
Overall recovery	%	**88.5**	87.7	1
U_3O_8 production	Mlb	**2.739**	4.149	(34)
C1 cost of production	US$/lb	**26.23**	18.91	39

Production

U_3O_8 production for FY2018 of 2.739Mlb was 34% lower than the previous year mainly as a result of a 16% decrease in ore processed and a 22% decrease in grade. The decrease in ore processed was predominantly due to ore type on the medium grade ore stockpiles exhibiting poor settling and compaction characteristics. This was exacerbated by erratic water recovery from tailings facilities and reduced water supply from the Namibian national water supplier, which was restricted due to sea water feed stream problems at their desalination plant. The transition of operations to C&M from 13 May 2018 also contributed to the decrease in ore processed for the year.

U_3O_8 production (Mlb) FY2018 vs. FY2017



OPERATING AND FINANCIAL REVIEW

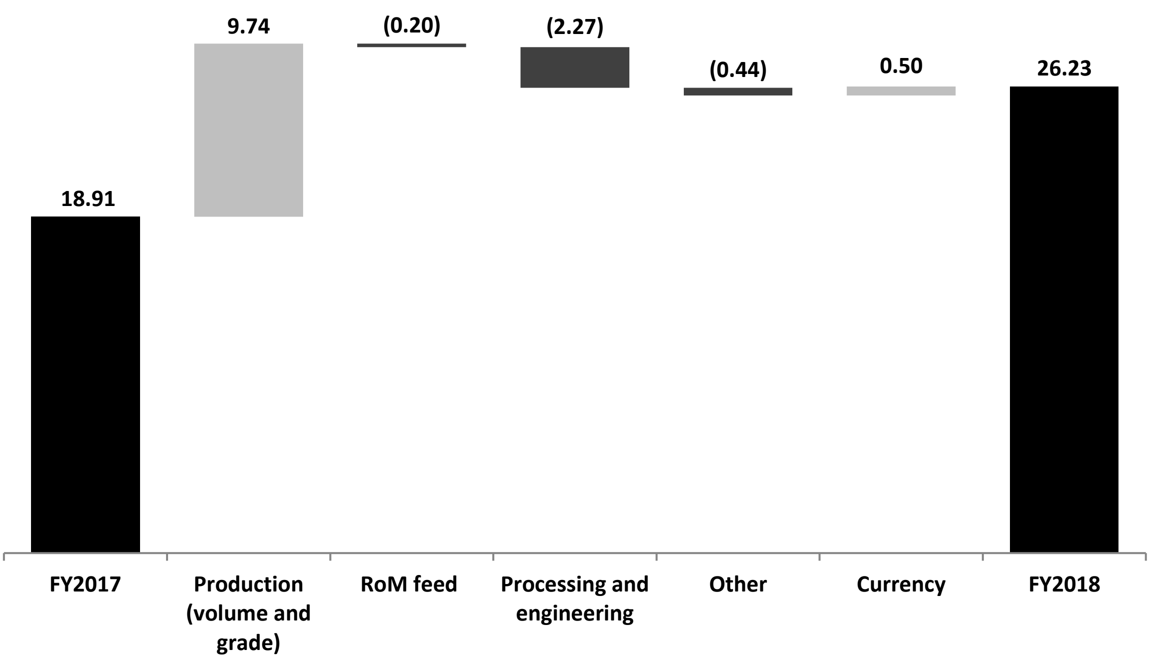
C1 Cost of Production

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

	Year ended 30 June	
	2018	**2017**
	US$'000	**US$'000**
C1 cost of production	**71,845**	78,476
Depreciation and amortisation	**19,061**	15,209
Production distribution costs	**2,358**	3,999
Royalties	**2,280**	3,054
Inventory movement	**(7,173)**	(8,094)
Other	**187**	121
Cost of sales	**88,558**	**92,765**

LHM unit C1 cash cost of production for the year increased by 39% from US$18.91/lb in FY2017 to US$26.23/lb in FY2018. The increase in unit C1 cash costs was largely attributable to lower production for the year resulting from a decrease in ore processed and grade, as well as the transition of operations to C&M. These cost increases were partially offset by lower RoM feed, processing and engineering costs.

C1 cost of production (US$/lb) FY2018 vs. FY2017



OPERATING AND FINANCIAL REVIEW

FINANCIAL PERFORMANCE

Key financial performance metrics		Year ended 30 June		
		2018	**2017**	**% Change**
Earnings				
Average selling price	US$/lb	**21.45**	23.82	(10)
U_3O_8 sold	Mlb	**3.399**	4.023	(16)
Revenue	US$'000	**72,917**	95,844	(24)
Cost of sales	US$'000	**(88,558)**	(92,765)	5
Net profit/(loss) after tax	US$'000	**343,413**	(484,182)	171
Underlying EBITDA	US$'000	**(13,981)**	5,151	(371)
Underlying All-in Cost	US$/lb	**37.56**	31.37	20
Cash Flows				
Cash flows from operating activities	US$'000	**(44,805)**	(51,913)	14
Capital expenditure	US$'000	**(3,688)**	(11,638)	68
Free cash flows	US$'000	**(48,493)**	(63,551)	24
Financial Position				
Unrestricted cash and cash equivalents	US$'000	**39,166**	10,492	273
Debt (principal amount + accrued interest)	US$'000	**119,905**	676,381	(82)
Net debt	US$'000	**80,739**	665,889	(88)
Total equity	US$'000	**106,761**	(435,799)	124
Gearing ratio (Net debt / (net debt + equity))	%	**43**	289	(246)

Underlying EBITDA

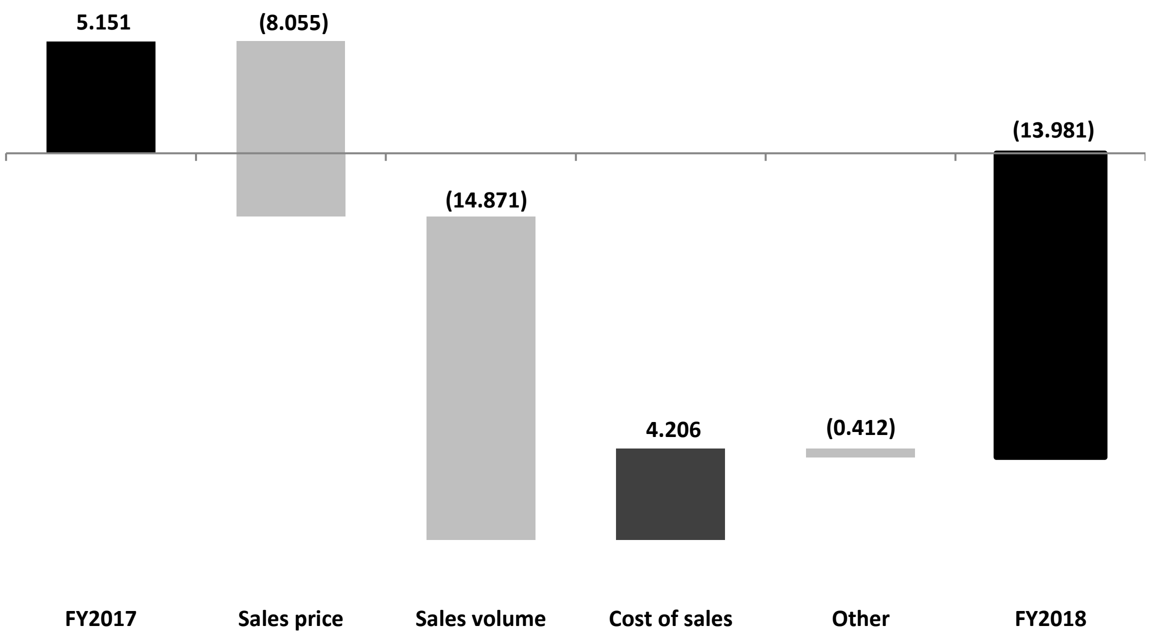
Underlying EBITDA for the year was negative US$13,981,000, a decrease of US$19,132,000 from the underlying EBITDA of US$5,151,000 in FY2017. The reconciliation of Underlying EBITDA to the loss before interest and tax reported in the financial statements is set out below.

		Year ended 30 June	
		2018	**2017**
	Note	**US$'000**	**US$'000**
Profit/(loss) before interest and tax		**392,798**	(306,902)
Depreciation and amortisation		**15,468**	14,794
Write-down of inventory		**28,119**	38,046
Gain on disposal of assets	**12**	**(13)**	(2,437)
Proceeds from litigation	**12**	**(312)**	-
Gain on extinguishment of debt	**12**	**(483,721)**	-
Foreign exchange (gain)/loss	**12**	**(1,865)**	10,244
Corporate restructure costs	**12**	**11,208**	7,506
LHM restructure costs	**12**	**5,970**	-
Impairment of assets	**12**	**8,233**	243,900
Re-measurement of KM rehabilitation provision	**12**	**10,134**	-
Underlying EBITDA		**(13,981)**	**5,151**

OPERATING AND FINANCIAL REVIEW

The 371% decrease in underlying EBITDA for the year was mainly attributable to a decrease in the realised uranium sales price and uranium sales volumes by 10% and 16% respectively.

Underlying EBITDA (US$M) FY2018 vs. FY2017



Underlying All-in Cost

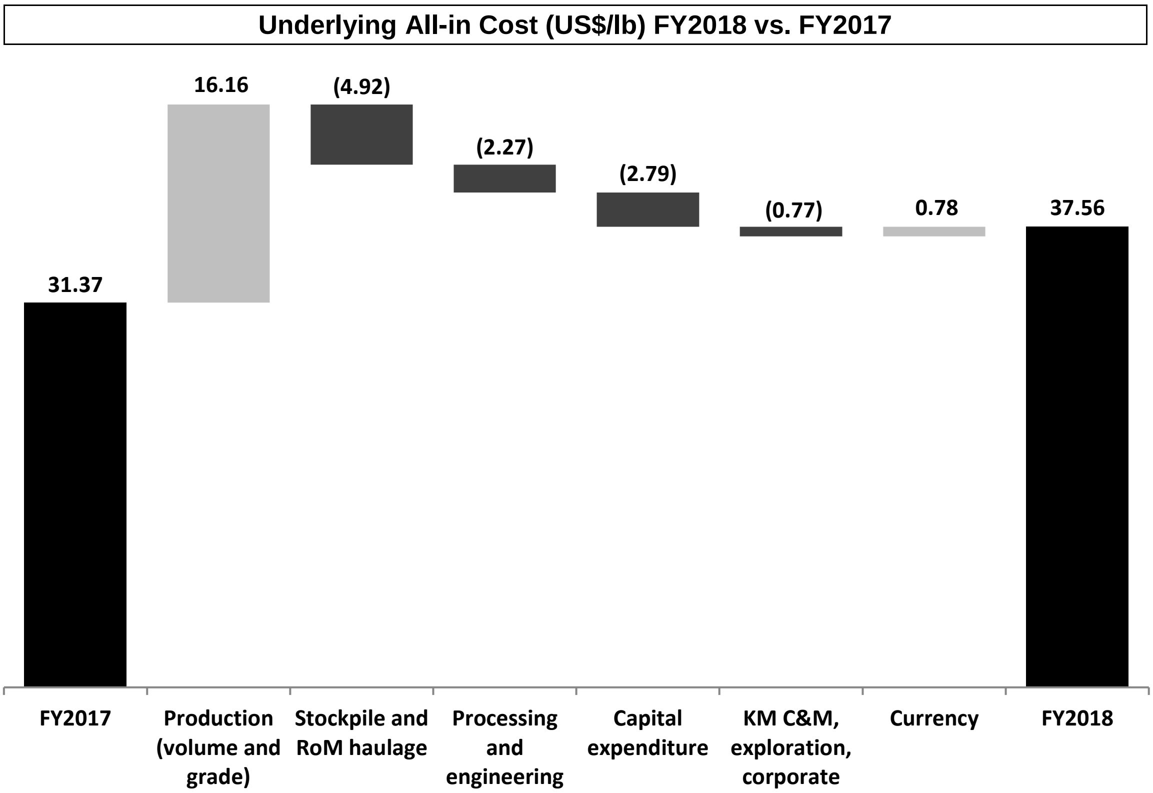
A reconciliation of Underlying All-in Cost to C1 cost of production is set out below.

	Year ended 30 June		
	2018 US$/lb	**2017 US$/lb**	**% Change**
LHM – C1 cost of production	**26.23**	18.91	39
Increase in RoM stockpiles	**3.09**	5.04	
Royalties	**0.83**	0.74	
Product distribution costs	**1.05**	1.02	
Non-production costs	**1.65**	0.52	
Capital expenditure	**0.50**	2.17	
LHM – total cash cost after capex	**33.35**	28.40	17
KM – care and maintenance expenses	**2.12**	1.53	
Exploration costs	**0.78**	0.55	
Corporate costs	**1.31**	0.89	
Underlying All-in Cost	**37.56**	**31.37**	**20**

The comparatives for the year ended 30 June 2017 have been restated to exclude debt servicing costs and mandatory repayments and *to include movements in ore stockpiles previously excluded as non-recurring costs.*

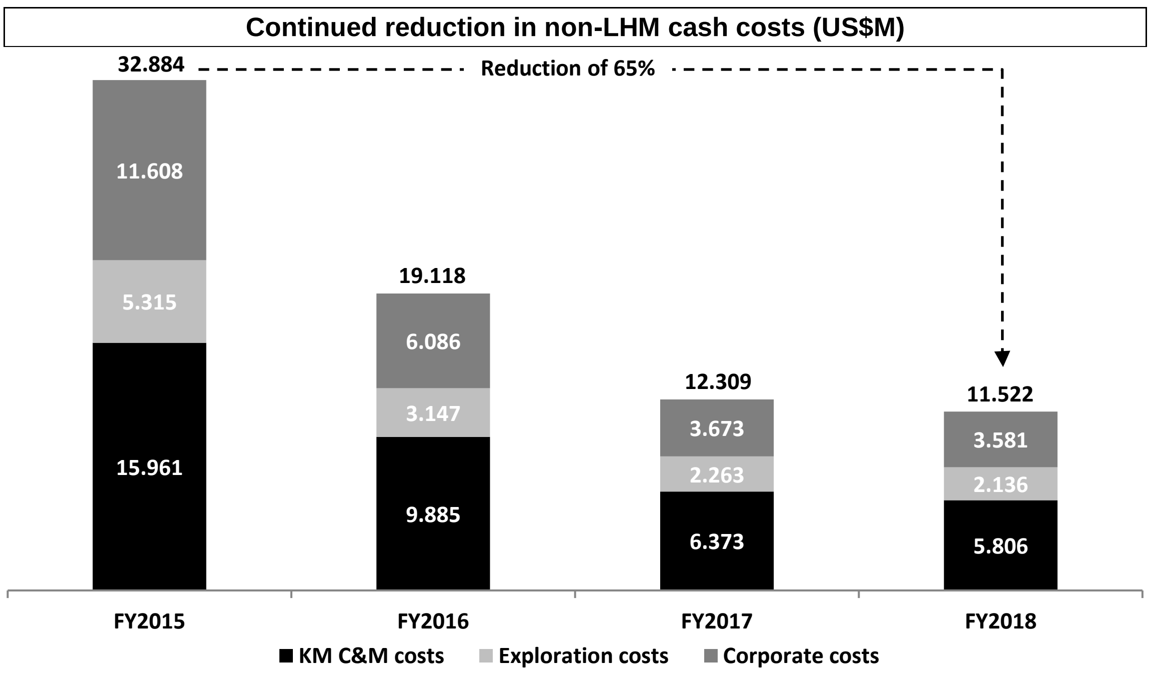
OPERATING AND FINANCIAL REVIEW

Underlying All-in Cost for the year increased by 20% from US$31.37/lb in FY2017 to US$37.56/lb in FY2018 largely due to lower production resulting from LHM's first full year of ongoing mining curtailment, as well as the transitioning of the mine towards C&M in May 2018.



Cost Reductions

As a result of ongoing costs reduction initiatives, exploration and other controllable costs have been reduced by 65% since FY2015.

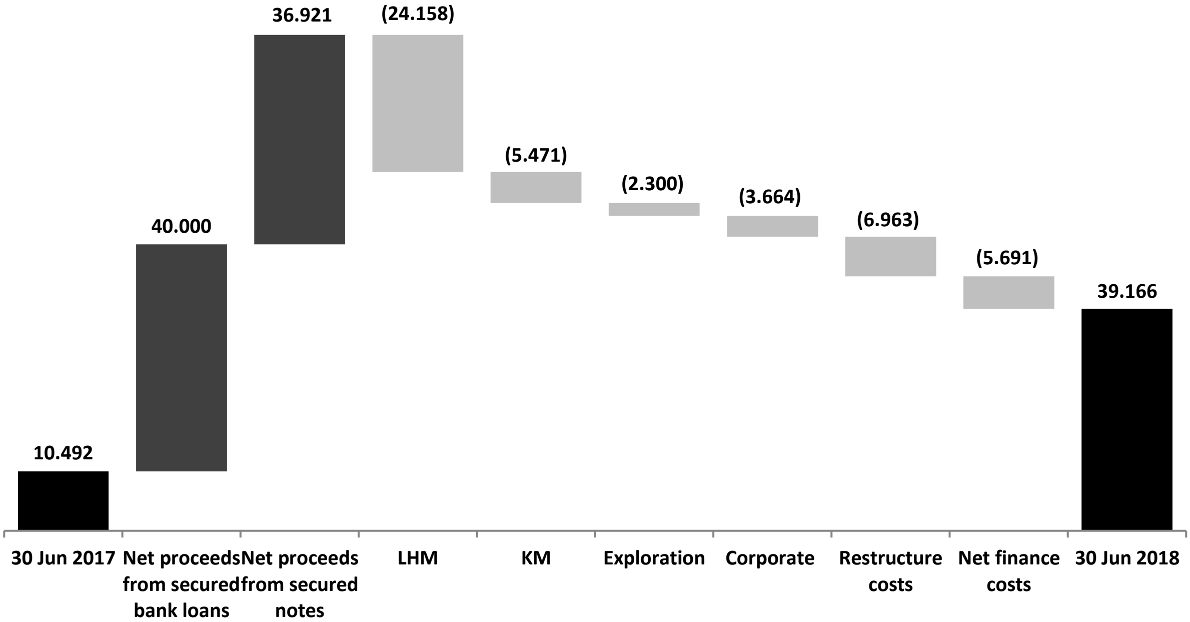


OPERATING AND FINANCIAL REVIEW

Cash Flows

The Group had unrestricted cash and cash equivalents at 30 June 2018 of US$39,166,000. An analysis of the cash flows for the year is set out below.

Cash flows for the year ended 30 June 2018 (US$M)



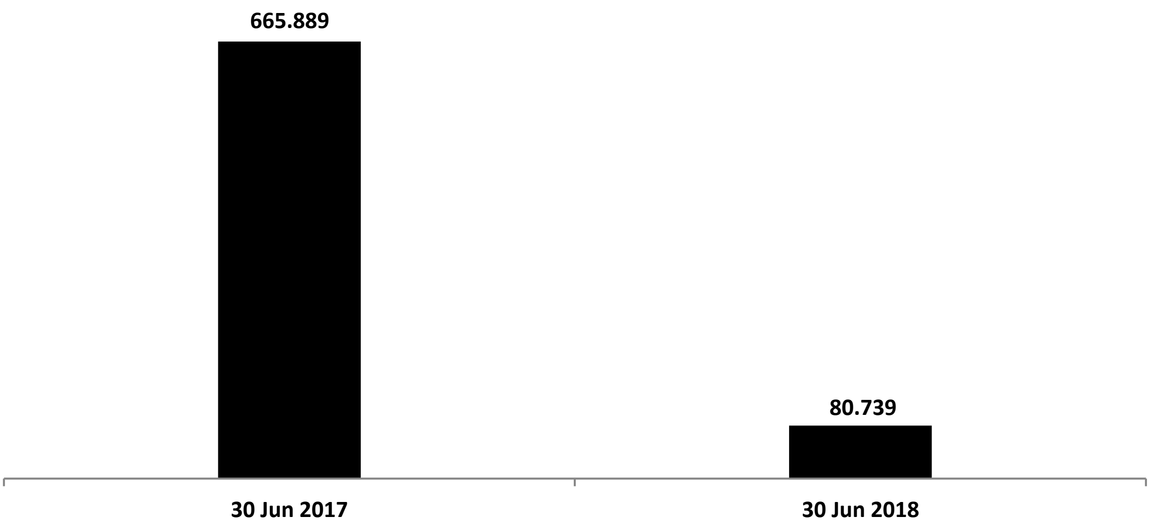
Unrestricted cash and cash equivalents increased by US$28,674,000 during the year comprising of the following cash flows:

- Secured bank loans – the Company entered into agreements with Deutsche Bank on 21 July 2017 to refinance the Nedbank Revolving Credit Facility and fund working capital for LHM and the Company. Deutsche Bank acquired the existing US$20,000,000 Nedbank Revolving Credit Facility and increased the size of the facility from US$20,000,000 to US$60,000,000.
- Senior secured notes – as part of the effectuation of a Deed of Company Arrangement (DOCA) the offer for the US$115,000,000 senior secured notes was fully subscribed and the new notes were issued. Net proceeds of US$36,921,000 were received by the Company following a US$63,834,000 payment to Deutsche Bank to acquire the Company's Deutsche Bank Facility (including fees and advisor costs), a US$10,000,000 payment to cash back Nedbank Limited's issue of a US$10,000,000 performance bond to the Government of Malawi for the KM environmental rehabilitation obligations and payments totalling US$4,245,000 for certain advisors' fees.
- LHM – mainly as a result of lower uranium prices and lower sales volumes, LHM utilised US$24,158,000 in cash flows from operations before finance costs for the year.
- KM – ongoing C&M and water treatment resulted in KM utilising US$5,471,000 in cash flows from operations before finance costs for the year.
- Exploration – the Company utilised US$2,300,000 for minimum tenement commitments at its exploration projects during the year.
- Corporate – during the year US$3,664,000 was paid for corporate expenditure.
- Restructure costs – the Company incurred US$6,963,000 in restructure costs (excludes restructure costs of US$4,245,000 for certain advisors' fees included under net proceeds from senior secured notes), which resulted from the Company being in voluntary administration for approximately seven months of the current year. Restructure costs included the Administrators' fees, as well as legal and other advisors' costs relating to the effectuation of the DOCA and completion of the capital restructure.
- Net finance costs – during the year the Group paid US$5,691,000 in net finance costs, most of which related to the Deutsche Bank Facility.

Financial Position

Following the effectuation of the DOCA and completion of the capital restructure on 1 February 2018, the Company's financial position has strengthened significantly. Unrestricted group cash and cash equivalents increased by 273% to US$39,166,000 and net debt reduced by 88%, from US$665,889,000 at 30 June 2017 to US$80,739,000 at 30 June 2018. In addition, the Company's gearing ratio decreased from 289% at 30 June 2017 to 43% at 30 June 2018.

Net debt (US$M) FY2018 vs. FY2017



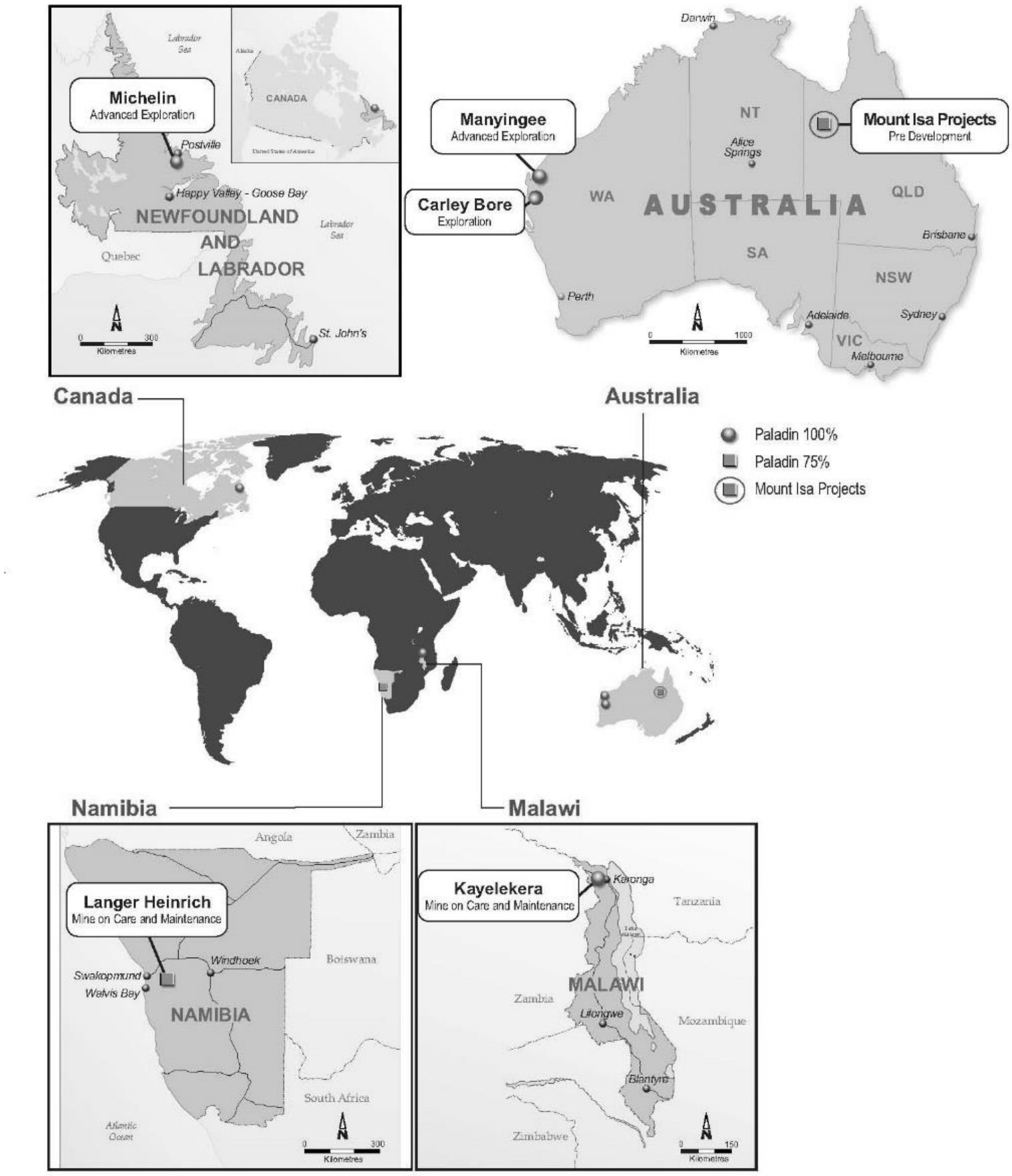
On 25 January 2018, as part of the effectuation of the DOCA, the Company issued US$115,000,000 9%/10% payment in kind (PIK) toggle senior secured notes repayable on 25 January 2023.

PIK Interest on the notes accrues at a rate of 10% pa and will be deferred on each interest payment date commencing on 31 March 2018. Each amount of deferred PIK interest also bears interest at the rate of 10% pa from and including the date on which the payment was deferred. However Paladin shall be required to pay cash interest (rather than PIK interest) at a rate of 9% pa if (a) the operating cash flow (determined in accordance with IFRS) minus maintenance capital expenditure of Paladin and its subsidiaries (on an attributable basis) for the half-year immediately preceding such interest payment date is no less than US$5,000,000 and (b) Paladin and its subsidiaries (on a consolidated basis) have, after giving pro forma effect to such cash interest payment, no less than US$50,000,000 of unrestricted cash and cash equivalents as of the last day falling 15 calendar days before the relevant interest payment date.

Paladin may also elect to pay cash interest at a rate of 9% pa on each payment date commencing from 31 March 2018 for interest due in respect of any interest period except for the final interest period, with respect to 25%, 50%, 75% or 100% of the applicable interest payment (with the relevant balance being deferred PIK interest), even if the Company is not required to pay cash interest. All amounts of deferred PIK interest (and any interest accrued thereon) is due and payable (in cash) when the notes are redeemed.

ORE RESERVES AND MINERAL RESOURCES

PROJECT LOCATIONS AND RESOURCE OVERVIEW



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

Paladin's attributable Mineral Resources inventory, with effect from 30 June 2018, includes 126,627t U_3O_8 (279.2Mlb) at 635ppm U_3O_8 in the Indicated and Measured categories (including ROM stockpiles) and 37,817t U_3O_8 (83.4Mlb) at 530ppm U_3O_8 in the Inferred Resource category. A summary of the status of each of the advanced projects is detailed in the following table. This table does not include additional JORC(2004) compliant Mineral Resources from Bikini, Andersons, Mirrioola, Watta or Warwai deriving from Paladin's 82.08% ownership of Summit Resources Ltd, nor from the Duke Batman or Honey Pot deposits.

ORE RESERVES AND MINERAL RESOURCES

Project	Overview	Mining Method/ Deposit Type	Outlook	Mineral Resources	
Uranium Production					
**Langer Heinrich Mine - 75% (Namibia, Southern Africa)	The Company's cornerstone asset commenced production in 2007. The Stage 3 expansion is complete with production capacity at 5.2Mlb per annum (pa).	Conventional open pit; calcrete	Project life of 20 years Currently transitioning to care and maintenance due to low uranium prices	M&I (inc stockpiles):	113.0Mt @ 460ppm (114.5Mlb U_3O_8)
				Inferred:	8.7Mt @ 470ppm (9.0Mlb U_3O_8)
*Kayelekera Mine – 85% (Malawi, Southern Africa)	Paladin's second uranium mine, capable of operating at nameplate of 3.3Mlb pa.	Conventional open pit; sandstone	Currently on care and maintenance due to low uranium prices	M&I (inc stockpiles):	15.0Mt @ 720ppm (23.9Mlb U_3O_8)
				Inferred:	5.4Mt @ 620ppm (7.4Mlb U_3O_8)
Uranium Exploration					
*Michelin Project – 50% (Labrador, Canada)	Maintained on a minimum activity basis.	Open pit - underground; metasomatic	Further work dependent on market conditions	M&I:	54.4Mt @ 880ppm (105.6Mlb U_3O_8)
				Inferred:	13.1Mt @ 760ppm (22.1Mlb U_3O_8)
**Manyingee Project – 100% (Western Pilbara, Western Australia)	Maintained on a minimum activity basis.	In-situ leach; sandstone	3 year staged feasibility study dependent on market conditions	M&I:	13.8Mt @ 680ppm (20.7Mlb U_3O_8)
				Inferred:	22.8Mt @ 410ppm (20.8Mlb U_3O_8)
*Mount Isa Project – 82.08% (Queensland, Australia)	Maintained on a minimum activity basis.	Open pit - underground; metasomatic	Development dependent on market conditions	M&I:	57.2Mt @ 745ppm (93.7Mlb U_3O_8)
				Inferred:	16.3Mt @ 610ppm (22.0Mlb U_3O_8)

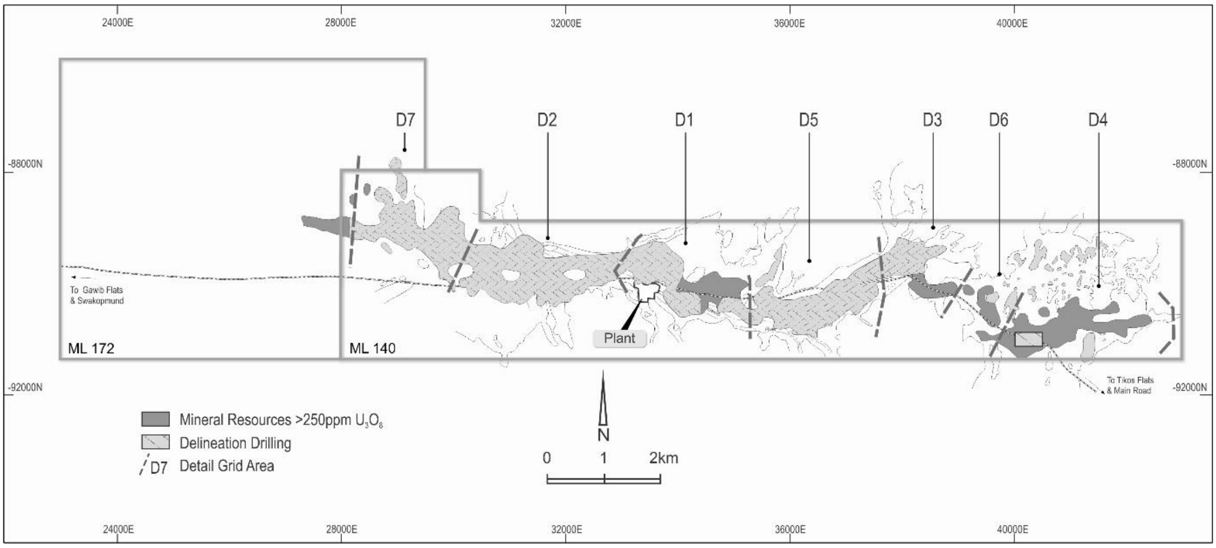
Mineral Resources are quoted inclusive of any Ore Reserves that may be applicable.
Mineral Resources detailed above in all cases represent 100% of the resource – not the participant's share.
**Conforms to JORC(2004) guidelines, in addition the Mineral Resources for the Michelin and Jacques Lake deposits conform to the JORC(2012) guidelines.*
***Conforms to JORC(2012) guidelines.*
(a) For Kayelekera, the Government of Malawi holds a 15% equity interest in the subsidiary, Paladin (Africa) Limited, the holder of the Kayelekera Mining Licence.
(b) For Michelin, the Michelin Claimants will receive a 50% participating interest in the Michelin Project.
Langer Heinrich and Kayelekera Mineral Resources have been depleted for mining to the end of June 2018 and June 2014 respectively.
M&I = Measured and Indicated.

ORE RESERVES AND MINERAL RESOURCES

NAMIBIA

Langer Heinrich

Langer Heinrich is a surficial calcrete type uranium deposit containing a Mineral Resource of 51,928t U_3O_8 at a grade of 460ppm U_3O_8 in the Measured and Indicated categories (including RoM stockpiles) in seven mineralised zones designated Detail 1 to 7 *(see figure below)* along the length of the Langer Heinrich valley within the 15km length of a contiguous paleo drainage system.



Mineral Resources and Ore Reserves Estimation

Mineral Resources and Ore Reserves conforming to the JORC(2012) code are detailed below.

Mineral Resource Estimate (250ppm U_3O_8 cut-off)

	Mt	Grade ppm U_3O_8	t U_3O_8	Mlb U_3O_8
Measured	60.71	515	31,169	68.72
Indicated	21.48	460	9,854	21.72
Measured and Indicated	**82.19**	**500**	**41,022**	**90.44**
Stockpiles	**30.78**	**355**	**10,906**	**24.04**
Inferred	**8.70**	**470**	**4,073**	**8.98**

Figures may not add due to rounding and are quoted inclusive of any Ore Reserves, and have been depleted for mining to the end of June 2018.

Ore Reserves

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

Ore Reserve Estimate (250ppm U_3O_8 cut-off)

	Mt	Grade ppm U_3O_8	t U_3O_8	Mlb U_3O_8
Proved	41.97	525	21,997	48.49
Probable	13.14	485	6,366	14.04
Stockpiles	30.78	355	10,906	24.04
Total	**85.89**	**455**	**39,269**	**86.57**

Ore Reserve has been depleted for mining to the end of June 2018.

ORE RESERVES AND MINERAL RESOURCES

MALAWI

Kayelekera

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

Paladin operates KM under the provisions of Environmental Certificate 27.3.1, granted in March 2007, following approval of the Kayelekera Project Environmental Impact Assessment (EIA) and Mining Licence ML152, granted in April 2007. ML152 covers an area of some 55km² surrounding the Kayelekera deposit and was granted for a period of 15 years, renewable for further 10-year periods.

Mineral Resources and Ore Reserves Estimation

Mineral Resources and Ore Reserves are unchanged from those reported in 2014.

Mineral Resources and Ore Reserves conforming to the JORC(2004) code are detailed below.

Mineral Resource at 300ppm U_3O_8 Cut-off

	Mt	Grade ppm U_3O_8	t U_3O_8	Mlb U_3O_8
Measured	0.74	1,010	753	1.66
Indicated	12.71	700	8,901	19.62
Measured and Indicated	**13.45**	**715**	**9,654**	**21.28**
Stockpiles	**1.59**	**755**	**1,199**	**2.64**
Inferred	**5.35**	**620**	**3,334**	**7.35**

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

The Mineral Resource estimate is based on Multi Indicator Kriging techniques with a specific adjustment based on parameters derived from the mining process.

Ore Reserves

Economic analysis on this Mineral Resource has indicated a break-even cut-off grade of 400ppm U_3O_8.

Ore Reserve at 400ppm U_3O_8 Cut-off

	Mt	Grade ppm U_3O_8	t U_3O_8	Mlb U_3O_8
Proved	0.39	1,170	457	1.00
Probable	5.34	880	4,709	10.38
Stockpiles	1.59	755	1,199	2.64
Total Reserves	**7.32**	**870**	**6,365**	**14.03**

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

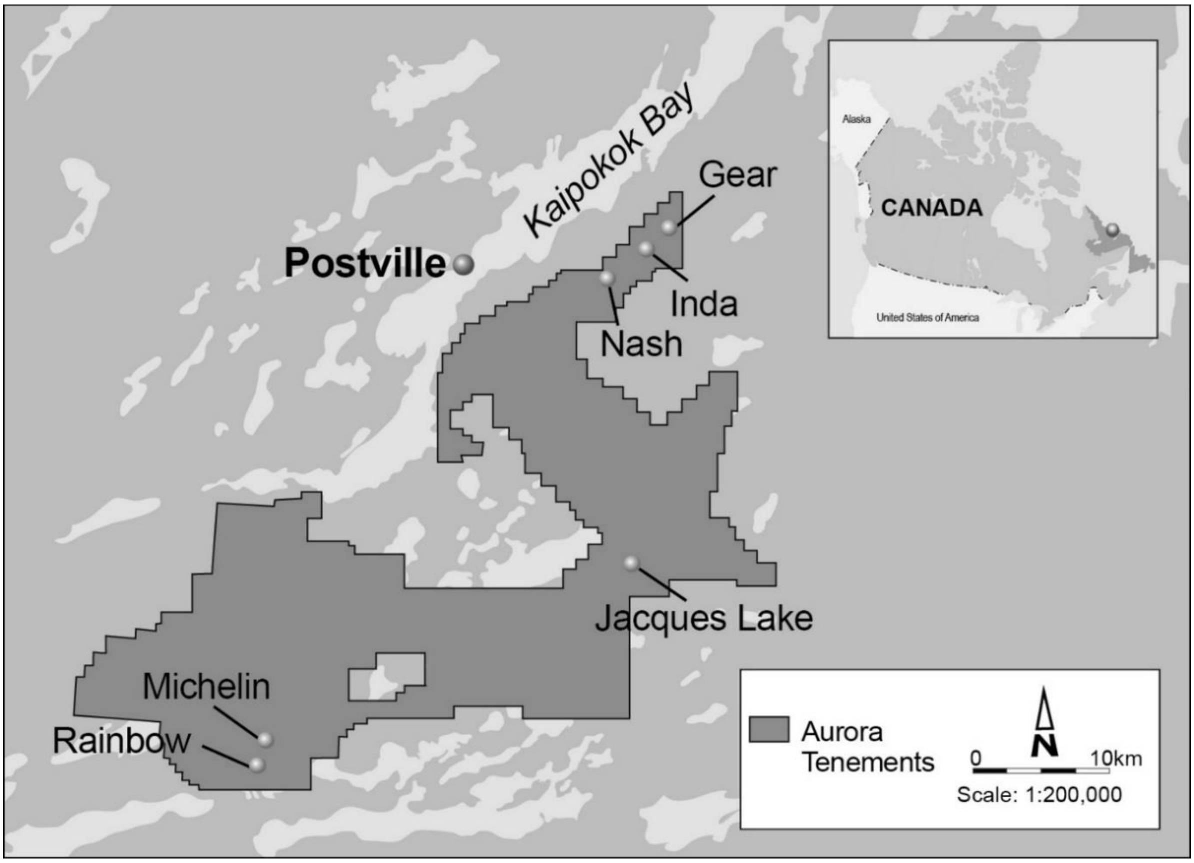
ORE RESERVES AND MINERAL RESOURCES

CANADA

MICHELIN PROJECT (Michelin)

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

Several of Paladin's Canadian subsidiaries have given guarantees and provided security (Michelin Security) over their 60.1% interest in the Michelin Project in respect of Paladin's obligations under the Électricité de France S.A. (EdF) Long Term Supply Agreement between EdF and Paladin dated 8 June 2012. On 29 November 2017 EdF issued a demand under these guarantees and sought to exercise its security. These claims were sold to Deutsche Bank AG, who subsequently sold down parts of its interest in the Michelin Security to a number of parties (Michelin Claimants). On 28 May 2018, Paladin finalised terms with the Michelin Claimants for a proposal whereby all existing claims which the Michelin Claimants have against Paladin's Canadian subsidiaries and Michelin will be released and in consideration for the release of these claims, the Michelin Claimants will receive a 50% participating interest in the Michelin Project. There will be a farm out over a five year period whereby the Michelin Claimants will transfer a 5% participating interest in the Michelin Project to Paladin on an annual basis in return for Paladin funding all obligations for the Michelin Project over this period. The Michelin Project proposal was accepted by the creditors of Paladin's Canadian subsidiaries at a meeting held on 21 June 2018.



The mineral claims cover a significant area of prospective ground over the CMB. The claims contain 105.6Mlb U_3O_8 Measured and Indicated Mineral Resources as well as an additional 22Mlb U_3O_8 Inferred Mineral Resource in 6 deposits. The largest of these deposits is Michelin which contains a total resource of 92Mlb U_3O_8, 82.2Mlb of which is classified measured and indicated. Michelin is still open along strike and at depth. The estimated resources are summarised in the table below. Cut-off grades for all deposits except Jacques Lake reflect the use of open cut (200ppm) and underground (500ppm) mining methodologies in the determination of prospects for eventual economic extraction. For Jacques Lake, there was insufficient Mineral Resources remaining after pit optimisation studies to warrant any portion being considered for underground mining.

ORE RESERVES AND MINERAL RESOURCES

Deposit		Measured Resources				Indicated Resources				Inferred Resources				Paladin Share
	Cut-off ppm U_3O_8	Mt	Grade ppm	t U_3O_8	Mlb	Mt	Grade ppm	t U_3O_8	Mlb	Mt	Grade ppm	t U_3O_8	Mlb	
Michelin	200/500	17.6	965	17,045	37.6	20.6	980	20,225	44.6	4.5	985	4,470	9.9	50%
Jacques Lake	250					13.0	630	8,145	18.0	3.6	550	1,988	4.4	50%
Rainbow	200/500	0.2	920	193	0.4	0.8	860	654	1.4	0.9	810	739	1.6	50%
Inda	200/500					1.2	690	826	1.8	3.3	670	2,171	4.8	50%
Nash	200/500					0.7	830	564	1.2	0.5	720	367	0.8	50%
Gear	200/500					0.4	770	270	0.6	0.3	920	279	0.6	50%
Total Resources		**17.8**	**965**	**17,238**	**38.0**	**36.6**	**840**	**30,685**	**67.6**	**13.1**	**765**	**10,014**	**22.1**	
Total Attributable Resources		**8.9**	**965**	**8,619**	**19.0**	**18.3**	**840**	**15,342**	**33.8**	**6.6**	**765**	**5,007**	**11.0**	

Figures may not add due to rounding.

As a consequence of the continuing weakness in the uranium spot price, the project operates on minimum activity and expenditure, at a level intended to maintain the tenements in good standing.

QUEENSLAND

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

The three projects include 10 deposits containing 106.2Mlb U_3O_8 Measured and Indicated Mineral Resources as well as 42.2Mlb U_3O_8 Inferred Mineral Resources. Of this, 95.8Mlb U_3O_8 Measured and Indicated Mineral Resources as well as 37.4Mlb U_3O_8 Inferred Mineral Resources are attributable to Paladin. 51.4% of the Mineral Resources are located at Valhalla; the rest is distributed over the other tabled deposits. The table below lists JORC(2004) and NI 43-101 compliant Mineral Resources by deposit, on a 100% project basis.

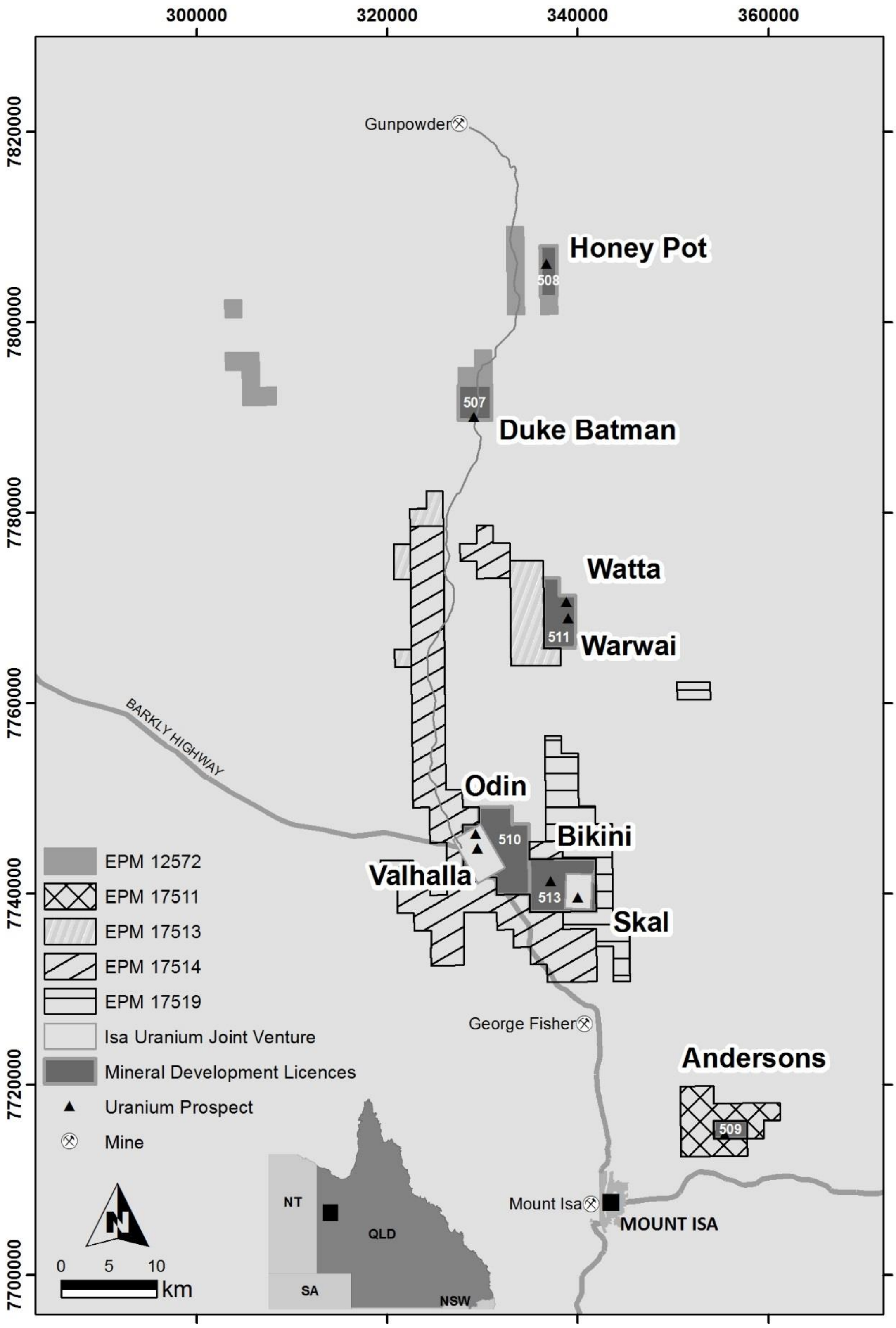
Deposit		Measured Resources				Indicated Resources				Inferred Resources				Paladin Share
	Cut-off ppm U_3O_8	Mt	Grade ppm	t U_3O_8	Mlb	Mt	Grade ppm	t U_3O_8	Mlb	Mt	Grade ppm	t U_3O_8	Mlb	
Valhalla*	230	16.0	820	13,116	28.9	18.6	840	15,662	34.5	9.1	640	5,824	12.8	91%
Skal*	250					14.3	640	9,177	20.2	1.4	520	708	1.6	91%
Odin*	250					8.2	555	4,534	10.0	5.8	590	3,430	7.6	91%
Bikini*	250					5.8	495	2,868	6.3	6.7	490	3,324	7.3	82%
Andersons*	250					1.4	1,450	2,079	4.6	0.1	1,640	204	0.4	82%
Watta	250									5.6	400	2,260	5.0	82%
Warwai	250									0.4	360	134	0.3	82%
Mirrioola	250									2.0	560	1,132	2.5	82%
Duke Batman*	250					0.5	1,370	728	1.6	0.3	1,100	325	0.7	100%
Honey Pot	250									2.6	700	1,799	4.0	100%
Total Resources		**16.0**	**820**	**13,116**	**28.9**	**48.8**	**720**	**35,048**	**77.3**	**33.9**	**565**	**19,140**	**42.2**	
Total Attributable Resources		**14.6**	**820**	**11,941**	**26.3**	**43.9**	**720**	**31,530**	**69.5**	**29.8**	**570**	**16,983**	**37.4**	

Figures may not add due to rounding.

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

ORE RESERVES AND MINERAL RESOURCES

The exploration is managed through separate projects and operates on minimum activity and expenditure, at a level intended to maintain the tenements in good standing, as a consequence of the continuing weakness in the uranium spot price. The locations of the separate projects are shown in the following map and details are set out below.



ORE RESERVES AND MINERAL RESOURCES

ISA URANIUM JOINT VENTURE (IUJV)

Summit Resources (Aust) Pty Ltd (SRA) 50% and Manager
Mount Isa Uranium Pty Ltd (MIU) 50%

The IUJV, managed by SRA, covers 17.24km^2 of ground containing the Valhalla and Odin deposits and 10km^2 of ground containing the Skal uranium deposits and are approximately 40km north of Mount Isa. Paladin's effective participating interest in the IUJV is 91.04% through its ownership of 82.08% of the issued capital of Summit and 100% ownership of MIU. Valhalla and Odin are held by MDL 510 and Skal by MDL 513.

MOUNT ISA NORTH PROJECT (MINP)

The MINP tenements cover 596km^2 of area prospective for uranium and base metals and are located 10 to 70km north and east of Mount Isa. The area is 100% held and managed by SRA utilising Paladin staff and expertise. The MINP includes the Andersons (MDL 509), Watta (MDL 511), Warwai (MDL 511), Bikini (MDL 513) and Mirrioola (MDL 513) uranium deposits as well as numerous other uranium prospects.

In late 2017 a 2,500m RC drilling programme at the Round Hill and Elbow prospects was completed as well as a helicopter borne magnetic and radiometric survey over the Sybella prospect located to the south west of Valhalla.

VALHALLA NORTH PROJECT (VNP)

The VNP tenements cover 70km^2 over EPM 12572, MDLs 507 and MDL 508 and are located approximately 80km north of the Valhalla deposit. The VNP includes the Duke Batman (MDL 507) and Honey Pot deposits (MDL 508). The geological setting is similar to the Summit/Paladin projects to the south where albitised basalts with interbedded metasediments are mineralised along east-west and north-south structures in Eastern Creek Volcanics.

WESTERN AUSTRALIA

MANYINGEE URANIUM PROJECT (Manyingee)

Manyingee is located in the north-west of Western Australia, 1,100km north of Perth and 85km inland from the coastal township of Onslow. The property is comprised of three mining leases covering 1,307 hectares. Paladin purchased Manyingee in 1998 from Afmeco Mining and Exploration Pty Ltd (AFMEX), a subsidiary of Cogema from France.

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

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

Mineral Resource Estimate (250ppm U_3O_8 and 0.2m cut-off)

Mineral Resources Category	Mt	Grade ppm U_3O_8	t U_3O_8	Mlb U_3O_8
Indicated	**8.4**	**850**	**7,127**	**15.71**
Inferred	**5.4**	**850**	**4,613**	**10.17**

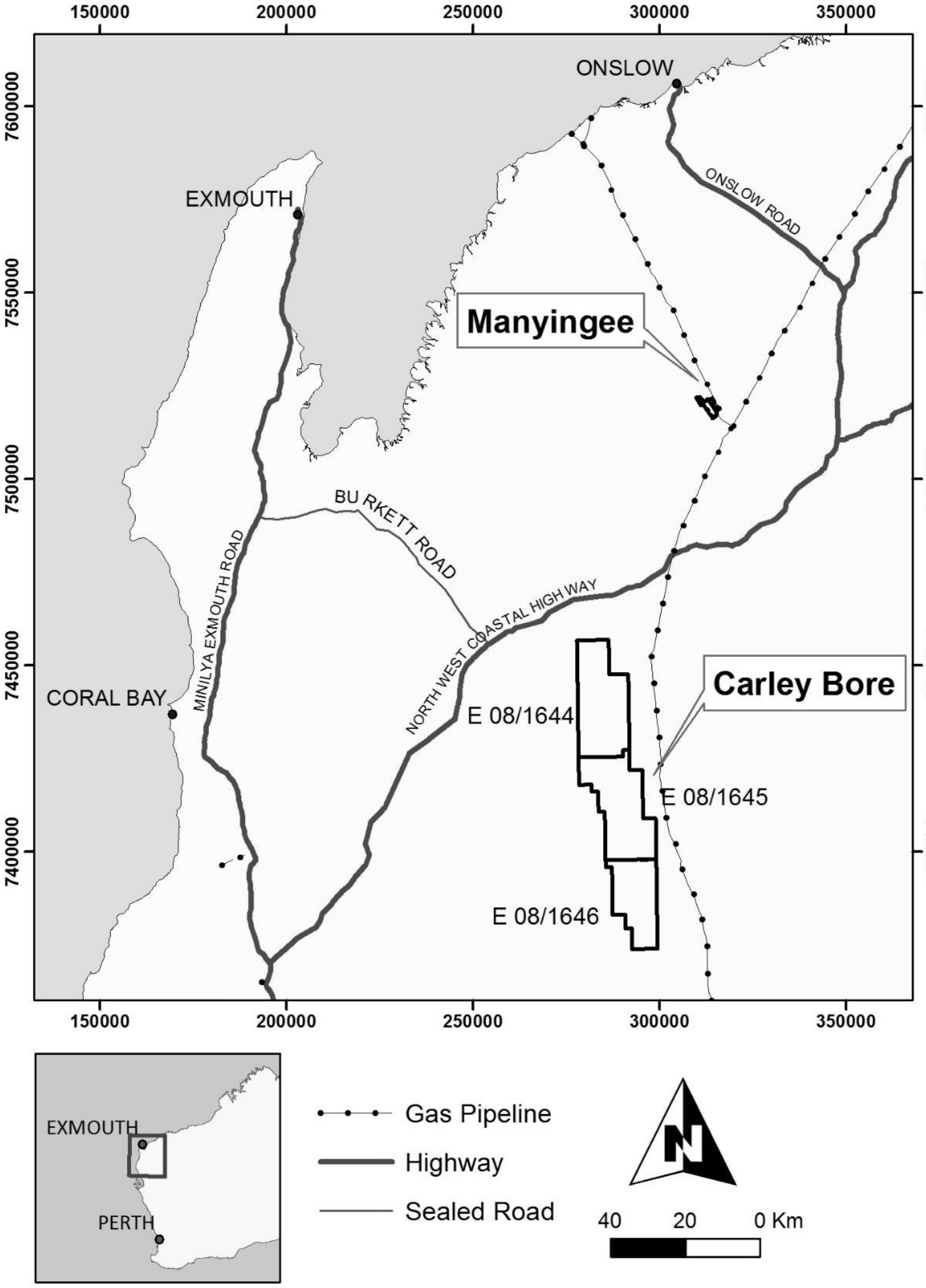
Figures may not add due to rounding.

As a consequence of the continuing weakness in the uranium spot price, Manyingee operates on minimum activity and expenditure, at a level intended to maintain the tenements in good standing.

ORE RESERVES AND MINERAL RESOURCES

CARLEY BORE

Carley Bore consists of three contiguous exploration licences that are located approximately 100km south of Manyingee as shown in the location map below. The Carley Bore deposit, contains an Indicated Mineral Resource of 5.0Mlb U_3O_8 grading 420ppm and an Inferred Mineral Resource of 10.6Mlb U_3O_8 grading 280ppm (JORC (2012)) at a cut-off grade of 150ppm U_3O_8. Potential exists for extensions to mineralisation north and south of the estimated Carley Bore resource.



Carley Bore and Manyingee Tenement Package Location

ORE RESERVES AND MINERAL RESOURCES

Mineral Resource Estimate (150ppm U_3O_8 cut-off)

Mineral Resources Category	Mt	Grade ppm U_3O_8	t U_3O_8	Mlb U_3O_8
Indicated	**5.4**	**420**	**2,268**	**5.00**
Inferred	**17.4**	**280**	**4,825**	**10.64**

The three Carley Bore tenements are coincident with geology similar to that which hosts the Carley Bore and Manyingee deposits and is also coincident with numerous identified regional targets that warrant further investigation.

Carley Bore operates on minimum activity and expenditure, at a level intended to maintain the tenements in good standing, as a consequence of the continuing weakness in the uranium spot price.

MINERAL RESOURCES AND ORE RESERVES SUMMARY

The following tables detail the Company's Mineral Resources and Ore Reserves and the changes that have occurred within FY2018. The only changes to Mineral Resources and Ore Reserves information were due to depletion of stockpiles used for processing and a minor stockpile adjustment at Langer Heinrich. There were no other material changes to the Company's Mineral Resources and Ore Reserves.

ORE RESERVES AND MINERAL RESOURCES

		30 June 2017			30 June 2018			Change	
Mineral Resources		**Mt**	**Grade ppm U_3O_8**	**Mlb U_3O_8**	**Mt**	**Grade ppm U_3O_8**	**Mlb U_3O_8**	**Mt**	**Mlb U_3O_8**
Namibia									
Measured	Langer Heinrich	60.7	515	68.7	60.7	515	68.7	-	-
Indicated		21.5	460	21.7	21.5	460	21.7	-	-
Inferred		8.7	470	9.0	8.7	470	9.0	-	-
Stockpiles		33.9	380	28.5	30.8	355	24.0	-3.1	-4.4
Malawi									
Measured	Kayelekera	0.7	1,010	1.7	0.7	1,010	1.7	-	-
Indicated		12.7	700	19.6	12.7	700	19.6	-	-
Inferred		5.4	620	7.4	5.4	620	7.4	-	-
Stockpiles		1.6	755	2.6	1.6	755	2.6	-	-
Canada									
Measured	Michelin	17.6	965	37.6	17.6	965	37.6	-	-
	Rainbow	0.2	920	0.4	0.2	920	0.4	-	-
Indicated	Gear	0.4	770	0.6	0.4	770	0.6	-	-
	Inda	1.2	690	1.8	1.2	690	1.8	-	-
	Jacques Lake	13.0	630	18.0	13.0	630	18.0	-	-
	Michelin	20.6	980	44.6	20.6	980	44.6	-	-
	Nash	0.7	830	1.2	0.7	830	1.2	-	-
	Rainbow	0.8	860	1.4	0.8	860	1.4	-	-
Inferred	Gear	0.3	920	0.6	0.3	920	0.6	-	-
	Inda	3.3	670	4.8	3.3	670	4.8	-	-
	Jacques Lake	3.6	550	4.4	3.6	550	4.4	-	-
	Michelin	4.5	985	9.9	4.5	985	9.9	-	-
	Nash	0.5	720	0.8	0.5	720	0.8	-	-
	Rainbow	0.9	810	1.6	0.9	810	1.6	-	-
Australia									
Measured	Valhalla	16.0	820	28.9	16.0	820	28.9	-	-
Indicated	Andersons	1.4	1,450	4.6	1.4	1,450	4.6	-	-
	Bikini	5.8	495	6.3	5.8	495	6.3	-	-
	Duke Batman	0.5	1,370	1.6	0.5	1,370	1.6	-	-
	Odin	8.2	555	10.0	8.2	555	10.0	-	-
	Skal	14.3	640	20.2	14.3	640	20.2	-	-
	Valhalla	18.6	840	34.5	18.6	840	34.5	-	-
	Carley Bore	5.4	420	5.0	5.4	420	5.0	-	-
	Manyingee	8.4	850	15.7	8.4	850	15.7	-	-
Inferred	Andersons	0.1	1,640	0.4	0.1	1,640	0.4	-	-
	Bikini	6.7	490	7.3	6.7	490	7.3	-	-
	Duke Batman	0.3	1,100	0.7	0.3	1,100	0.7	-	-
	Honey Pot	2.6	700	4.0	2.6	700	4.0	-	-
	Mirrioola	2.0	560	2.5	2.0	560	2.5	-	-
	Odin	5.8	590	7.6	5.8	590	7.6	-	-
	Skal	1.4	520	1.6	1.4	520	1.6	-	-
	Valhalla	9.1	640	12.8	9.1	640	12.8	-	-
	Watta	5.6	400	5.0	5.6	400	5.0	-	-
	Warwai	0.4	360	0.3	0.4	360	0.3	-	-
	Carley Bore	17.4	280	10.6	17.4	280	10.6	-	-
	Manyingee	5.4	850	10.2	5.4	850	10.2	-	-

ORE RESERVES AND MINERAL RESOURCES

Ore Reserves		30 June 2017 Mt	grade ppm U_3O_8	Mlb U_3O_8	30 June 2018 Mt	grade ppm U_3O_8	Mlb U_3O_8	Change Mt	Mlb U_3O_8
Namibia	Langer Heinrich								
Proven		42.0	525	48.5	42.0	525	48.5	-	-
Probable		13.1	485	14.0	13.1	485	14.0	-	-
Stockpiles		33.9	381	28.5	30.8	355	24.0	-3.1	-4.4
Malawi	Kayelekera								
Proven		0.4	1,170	1.0	0.4	1,170	1.0	-	-
Probable		5.3	880	10.4	5.3	880	10.4	-	-
Stockpiles		1.6	755	2.6	1.6	755	2.6	-	-

Figures may not add due to rounding. Mineral Resources and Ore Reserves quoted on a 100% basis.

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

The information above relating to exploration, mineral resources and ore reserves is, except where stated, based on information compiled by David Princep B.Sc P.Geo FAusIMM(CP) who is an employee of RPM Advisory Services Pty Ltd (an RPMGlobal Holdings Limited company) and who is a member of the AusIMM. Mr Princep has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he/she 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". Mr Princep consents to the inclusion of this information in the form and context in which it appears.

HEALTH AND SAFETY

HEALTH AND SAFETY

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

Paladin's safety and health performance of its operations is measured through the external internationally recognised National Occupational Safety Association (NOSA) Five Star System ensuring transparency and complementing its own internal audit processes. During the year, Paladin undertook one external NOSA grading audit at the LHM retaining a 4 Star Platinum grade rating.

In addition, the Company's annual Lost Time Injury Frequency Rate (LTIFR) reduced to 1.25 (2017:1.8). For FY2018, there were two Lost Time Injuries (LTIs) compared to four LTIs for the previous year.

Operational Area	**Langer Heinrich Mine**			**Kayelekera Mine**		
	Employees	Mine Contractors	Other Contractors	Employees	Mine Contractors	Other Contractors
Hours Worked	669,904	186,867	325,341	337,696	0	49,354
Lost Time Injuries	**2**	**0**	**0**	**0**	**0**	**0**
Fatalities	0	0	0	0	0	0
LTIFR	**1.69**	**0**	**0**	**0**	**0**	**0**
	Langer Heinrich Mine Total LTIFR = 1.7 Duration Rate = 28			**Kayelekera Mine Total LTIFR = 0.0 Duration Rate = 0.0**		

Operational Area	**Perth**	**Exploration**		**Group**	
	Corporate Office	Employees	Contractors	Paladin Employees	All Contractors
Hours Worked	27,678	0	-	1,233,306	958,003
Lost Time Injuries	**0**	**0**	**0**	**2**	**0**
Fatalities	0	0	0	0	0
LTIFR	**0**	**0**	**0**	**1.26**	**0**
	Perth LTIFR = 0.0 Duration Rate = 0.0	**Exploration LTIFR = 0 Duration Rate = 0**		**Paladin Group + All Contractors LTIFR = 1.26 Duration Rate = 20.75**	

FY2018 Company Safety Statistics

Lost Time Injury (LTI):	Work injury that results in an absence from work for at least one full day or shift, any time after the day or shift on which the injury occurred.
Lost Time Injury Frequency Rate (LTIFR):	Number of lost time injuries inclusive of fatalities per million hours worked.
Duration Rate:	Average number of workdays lost per injury.

HEALTH AND SAFETY (continued)

Langer Heinrich Mine

During this reporting period LHM reported two LTIs. The site's annual LTIFR decreased from 1.8 to 1.7 with the decrease being attributed to a continued focus on safety, health, environment and radiation management.

There has been no NOSA conducted after June 2017.

LHM has continued to focus on training, further up-skilling and broadening the employees and contractors safety and health knowledge base to ensure a safer work environment. The focus also included improving the permit to work and isolation systems.

The 2017 Annual Radiation Report[2] was compiled and delivered to the Namibian Radiation Protection Authority (NRPA). Radiation doses reported (excluding natural background) showed:

- The mean dose to individual Designated Workers was 1.2 mSv, compared with 1.6 mSv in 2016;
- The dose to the Non-Designated Worker Group was 1.0 mSv (compared to 1.6 mSv in 2016);
- The dose to a hypothetical group living on the site boundary (Remote Gate) for the entire 2017 year would have been 2.1 mSv (including natural background). This is less than the mean world member of the public dose as reported by the United Nations Scientific Committee on the Effects of Atomic Radiation (UNSCEAR) of 2.4 mSv. This year we have been able to assess that the contribution from the mine to this annual dose was 0.1 mSv. This can be compared to the 1 mSv recommended annual limit to members of the public from a radiation facility.

Kayelekera Mine

KM continues to operate under care and maintenance. The site did not report any LTIs during the reporting period. The site's annual rolling average LTIFR remained 0 from the previous 0 in 2017. KM has achieved 1456 LTI free days with 2,250,292 man hours worked at 30 June 2018. This outcome is the result of the continued focus on high risk tasks and an emphasis on risk management of these tasks. The continued focus on behaviour based safety as well as employees being actively encouraged to report all potential safety issues and incidents has led to a reduction in workplace injuries.

Internal NOSA based health, safety and environment audits were conducted for the period July 2017 to June 2018.

KM continues using the "Take 5" risk assessment system which was implemented in the 2016. The Take 5 system is a straightforward tool used to identify and control hazards before employees start a task. All site personnel receive ongoing training on the use of this system.

The 2017[2] Annual Dose Report was compiled and delivered to all employees and contractors at KM. The mean radiation dose for workers for 2017 was 1.2 mSv, somewhat higher when compared to the mean dose of 0.88 mSv reported in 2016. This increase is attributed to increased radon concentrations due to limited dust suppression capacity during the reporting period. This has since been rectified. All employees or contractors at KM fall into just two similar exposure groups for monitoring, namely process operators and process maintainers.

The long lived radioactive dust concentrations and radon decay product concentrations are monitored around the site to provide an indication of ambient conditions and also to provide baseline data for when production resumes.

Exploration

Paladin's exploration activities included an exploration and resource confirmation drilling programme at Carley Bore in Australia, a soil sampling in Canada and limited ground surveys in Malawi. No LTIs were recorded for the year with the exploration group.

[2] Calendar Year (1 January 2017 to 31 December 2017)

SUSTAINABLE DEVELOPMENT

Paladin is committed to the goal of sustainable development, which is reflected in its corporate values. The Company's values include promoting the creation of shared wealth, becoming a major uranium supplier, operating at global best practice, safety and environmental stewardship, employee welfare and recognition, and contributing and responding to the attitudes and expectations of local communities in the countries in which Paladin operates. The Company emphasises acting with integrity, honesty and cultural sensitivity in all of its dealings. In support of this commitment, Paladin applies and adheres to established and internationally recognised principles of sustainable development for all global activities.

In implementing its sustainable development programme, Paladin aims to achieve a balance between economic, environmental and social needs in all phases of its projects, and takes into consideration its employees, communities, shareholders and other key stakeholders.

Corporate Sustainability Reporting

Paladin produced its sixth Sustainability Report (FY2017), which can be found on the Company's website www.paladinenergy.com.au.

Paladin is continuing the data collection process from LHM and KM for input into future Sustainability Reports. Data is collected specifically to meet the reporting guidelines of the Global Reporting Initiative (GRI) Framework applying the G4 requirements. The GRI Sustainability Reporting Guidelines provide principles for and guidance on defining report content. Paladin's focus is on those indicators that are considered material to the Company and have therefore conducted materiality assessments to define the reporting parameters. .

The following discussion provides an overview of Paladin's environmental management.

ENVIRONMENT

Our Commitment

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

- Complying with applicable environmental legislation;
- Ensuring operations have developed an environmental management system;
- Identifying, assessing and managing environmental risks;
- Implementing and assigning accountabilities for standards, guidelines and procedures;
- Striving to achieve continuous improvement in environmental performance;
- Preventing and mitigating pollution;
- Communicating environmental responsibility to employees and contractors;
- Effective consultation with stakeholders on environmental issues;
- Inspections and audits of environmental performance; and
- Reporting on environmental performance.

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

Environmental Management System

Within the Paladin Environmental Management System (EMS) Standard, each operating site is required to develop and implement an EMS that is consistent with the requirements of ISO14001:2015. EMS for LHM was certified until April 2018. Whilst in C&M, LHM will still follow all of the relevant ISO14001:2015 requirements but will not be audited.

SUSTAINABLE DEVELOPMENT
(continued)

When LHM recommences production it will re-apply for registration and certification. The implementation of an EMS at KM is continuing for the care and maintenance phase.

The Operational Environmental Management Plan (EMP) for LHM is regularly updated and revised as part of the site's continual improvement process. A care and maintenance EMP for KM was approved by the Malawian Government and is being adhered to during the care and maintenance phase.

Environment Regulatory Reporting

Both LHUPL and PAL prepare various environmental reports for the Namibian and Malawi Governments, respectively. Regulatory reporting for LHM is conducted monthly and annually for water aspects, and, annually for general environmental reporting. Regulatory environmental reporting at KM is conducted on a quarterly basis for data provision and for regulatory compliance, and on an annual basis for general environmental reporting.

Inspection and Audit Programme

The Paladin Environmental Audit Standard requires operating sites to establish and implement environmental inspection and audit programmes to ensure that the environmental performance of the operations is reviewed, audited and reported to the Board.

Energy

Energy requirements at Paladin's operations are principally in the form of fuel for vehicles and electricity generation. Electricity at LHM is purchased from the Namibian grid, which can be supplemented, if necessary, with power generated from the on-site power plant. Power for the care and maintenance activities at KM is generated by a diesel-fuelled power station. Fuel usage at both sites for vehicles comprises diesel and minor amounts of petrol.

Water

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

A specific care and maintenance water management strategy has been developed for KM which focuses on reducing stored water in the water collection ponds to ensure sufficient capacity remains in the ponds to capture rainfall runoff from the mining and processing areas of disturbance. This water management strategy is reviewed periodically. Water from the ponds is being treated in an on-site water treatment plant to drinking water standards and a quality suitable for discharge. Treated water is discharged into the local river under licence conditions.

A comprehensive surface and groundwater monitoring programme is undertaken at LHM and KM. All water monitoring data are collated in reports that consolidate and summarise the key water aspects across Paladin's operations.

Land Use, Biodiversity and Rehabilitation

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

Paladin's aim is to conserve biodiversity by obtaining knowledge of the ecosystems within the regions in which the Company operates, and to ensure that impacts on biodiversity are minimised and managed. Data on land use and biodiversity management aspects is being collated from LHM and KM and will be presented in the 2017 Sustainability Report.

SUSTAINABLE DEVELOPMENT
(continued)

Air Emissions

Paladin has an Air Quality Standard in place with the intent to ensure that air pollutant emissions generated by any of Paladin's activities are identified, impacts assessed and management measures established and implemented. The common air pollutants generated by Paladin activities which have the potential to impact on human health and/or the environment include; radon, particulate matter (dust), sulphur oxides (SO_X); carbon oxides (CO and CO_2), and nitrogen oxides (NOx).

Dust generation during exploration activities and at the mine sites is suppressed using water sprays to enable a safe working environment and to minimise impacts on the environment and surrounding communities. Fugitive dust level monitoring is conducted at both the LHM and KM sites and the results are collated in Annual Environmental Reports and submitted to the respective Governments.

SO_X emissions are generated at the operations by the burning of fuel for heating and power generation, and vehicle emissions. The sulphuric acid plant at KM has been mothballed whilst the site is on care and maintenance. Ambient ground level concentrations of SO_2 are monitored around KM. Monitoring data are analysed and the results reported in the Annual Environmental Report submitted to the Malawi Government.

The radon inhalation pathway has been identified in many studies as the main contributor to public radiation dose received from a practice such as uranium mining and milling. This is particularly true for permanent habitation occurring on or in the immediate vicinity of a mine site. At KM radon concentrations in the air are monitored at 9 locations both on and off site and to allow calculation of dose to the public. Passive radon gas monitors (PRGM) are positioned around the mine site and at Kayelekera Village. Five polycarbonate track etch radon monitors are deployed at each monitoring location for a period of three months, after which the radon monitors are collected and returned to the external radiological laboratory for analyses

The principal direct greenhouse gas emissions from Paladin's operations are those from fuel burning for power generation, boilers, burners, emulsions for explosives and automotive exhausts. The key indirect greenhouse gas emissions relate to the energy purchased from the Namibian electricity grid to power the LHM operations. Greenhouse gas emissions data are collected from the operating sites and will be calculated as Carbon Dioxide (CO_2) equivalent emissions. Paladin's current Australian activities are confined to Paladin's limited exploration activities and the corporate Perth office.

Waste Rock

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

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

Tailings

Tailings and tailings storage facility (TSF) management continues to be a high priority at the LHM operational site and also at KM whilst in care and maintenance. Paladin applies measures to ensure that its TSFs are appropriately designed, operated and managed according to acceptable standards. Specialist TSF engineers have designed the TSFs at both LHM and KM. The specialists have also defined the operational practice and management to ensure that the tailings and TSFs are appropriately managed and any potential environmental impacts from the tailings or the facility are minimised.

SUSTAINABLE DEVELOPMENT
(continued)

Non-Mineral Waste

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

Environmental Incidents

A standardised Paladin Incident Reporting Procedure is in place to ensure there is consistency across the business in terms of incident classification and reporting. Statistics and information on incidents occurring during the reporting period will be included in the 2017 Sustainability Report.

Closure

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

SUSTAINABLE DEVELOPMENT
(continued)

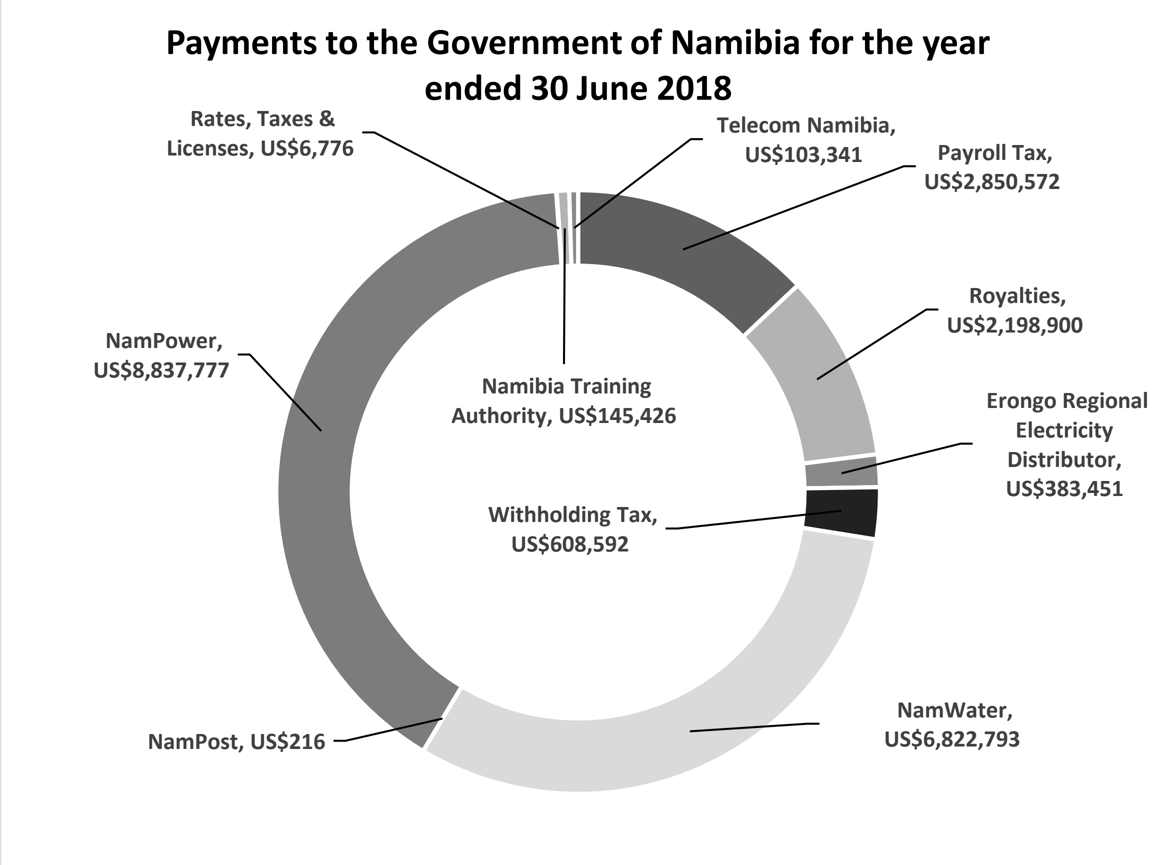
CORPORATE SOCIAL RESPONSIBILITY

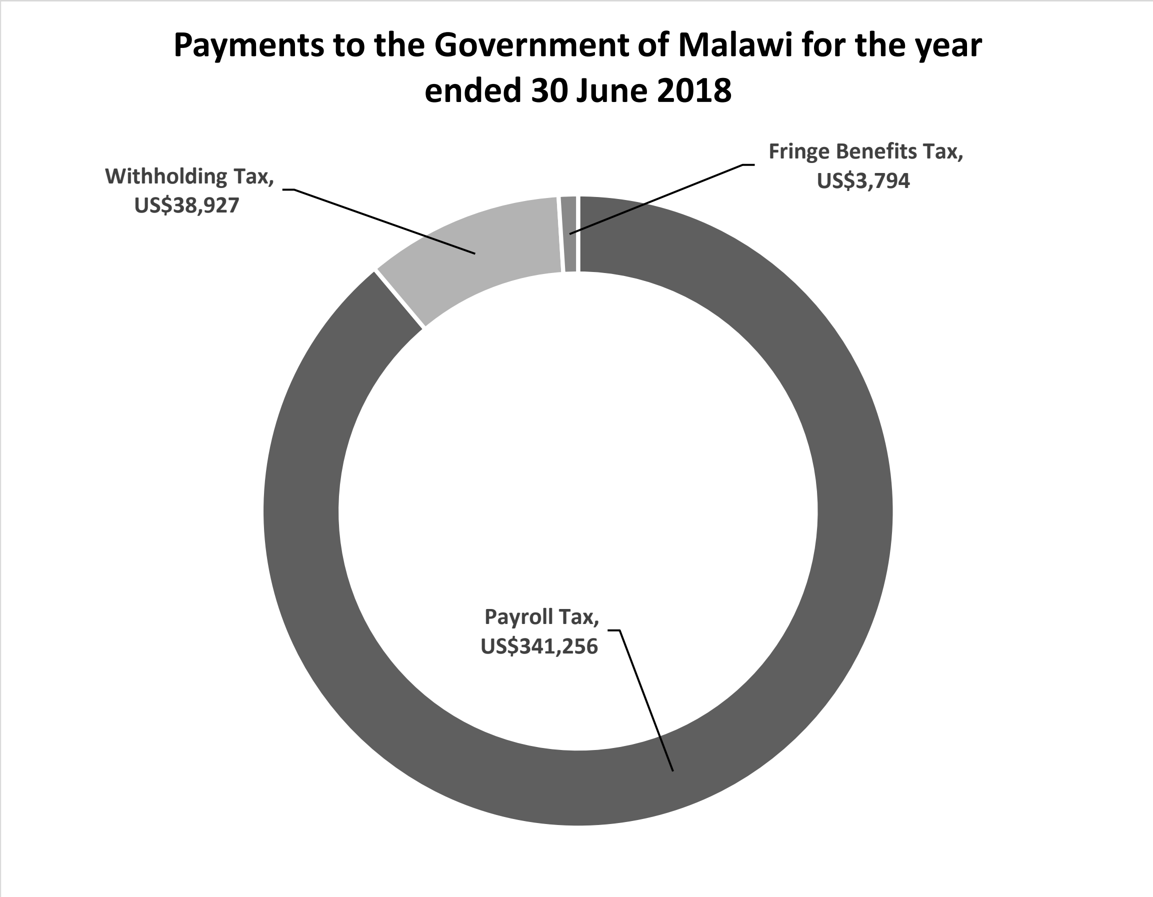
Paladin's purpose is to create value for its shareholders. In pursuit of this goal, the Company recognises that encompassing economic, environmental and social values are all important components of corporate success. Paladin stakeholders expect their Company to be a good corporate citizen, with fair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

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

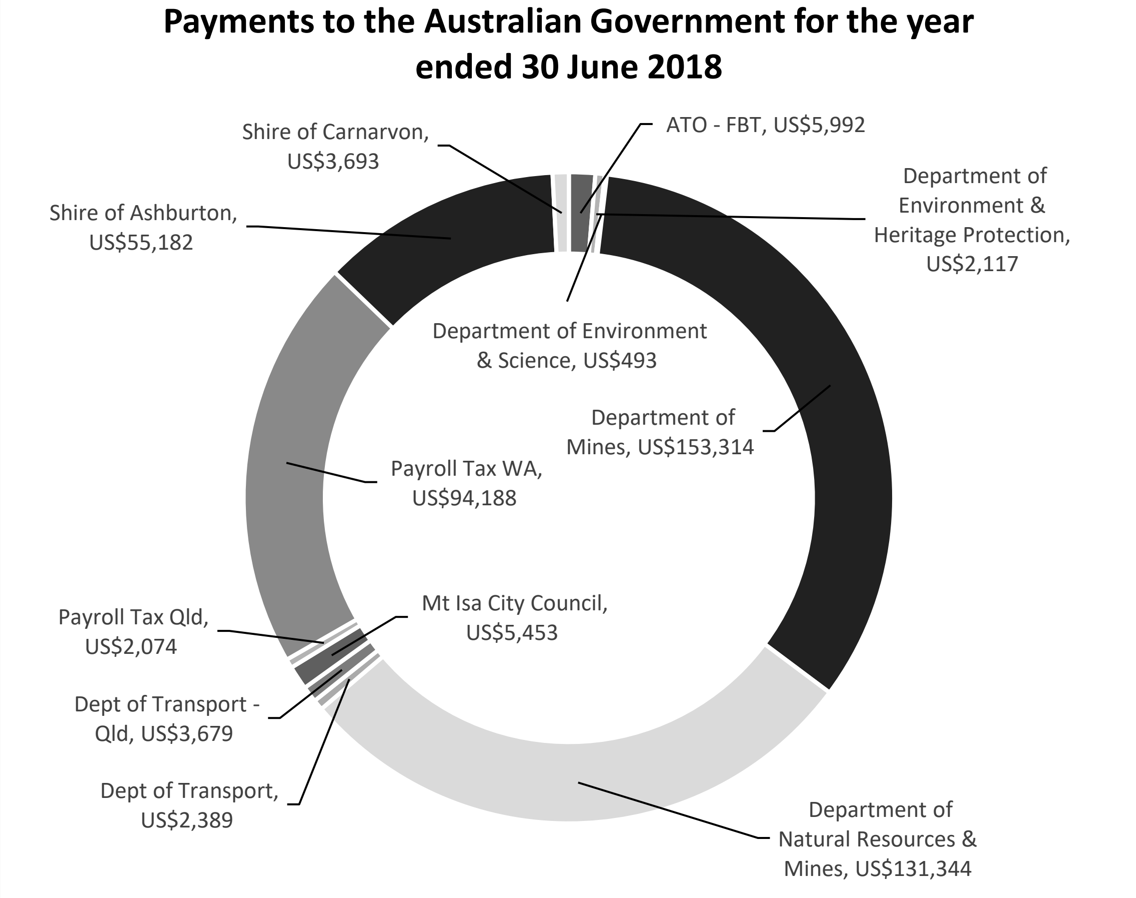
Paladin seeks to achieve these objectives by example, both through its own actions and by its active participation in industry and community-based organisations that foster and promote these values and aspirations. Below is a summary of the organisations in which the Company participates:

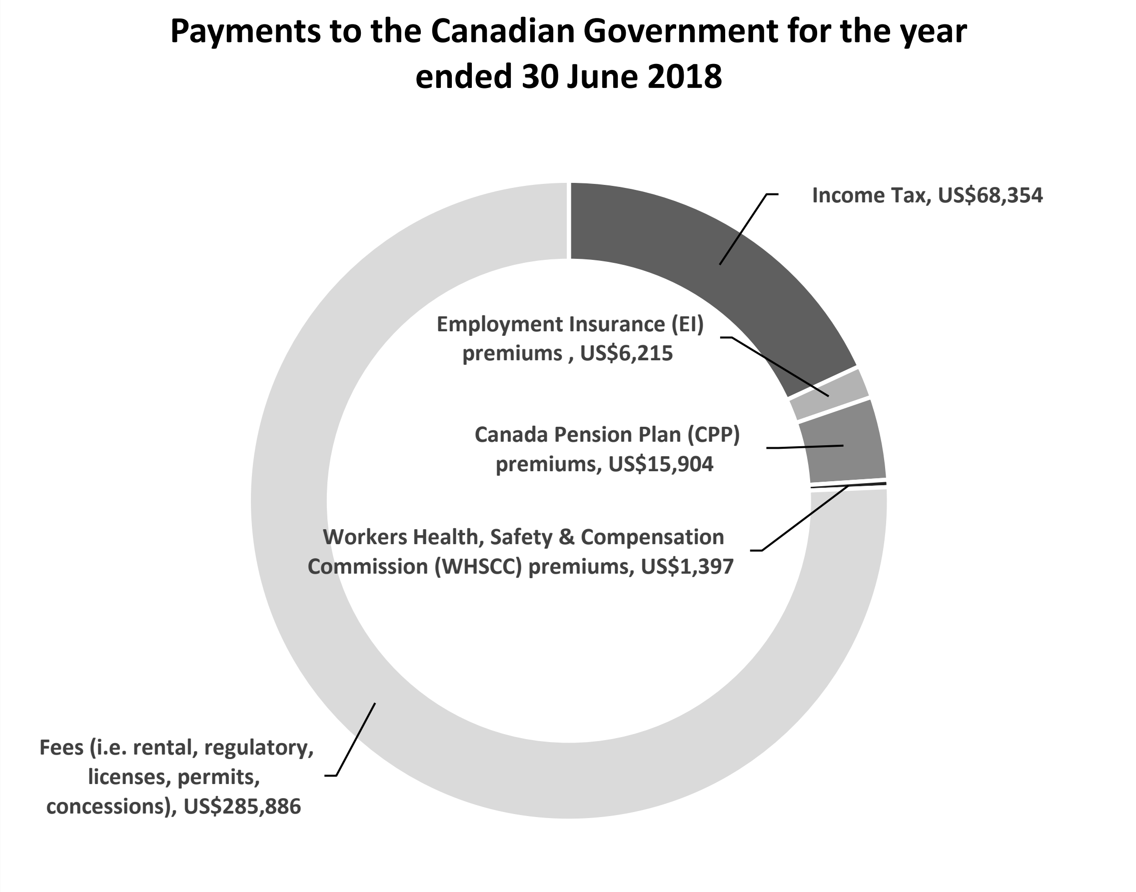
- Paladin played an instrumental role in establishing the Australia-Africa Minerals & Energy Group (AAMEG) – an industry body that facilitates the sharing of knowledge and experience to create better outcomes on the ground. It partners with Australian and African governments to promote active engagement and promotes best practice in CSR among Australian mining companies active in Africa.
- Paladin has committed to the principles contained in *Enduring Value – the Australian Minerals Industry Framework for Sustainable Development.* This commitment is aligned with the Ten Sustainable Development Principles of the International Council on Mining and Metals.
- Paladin supports the Extractive Industries Transparency Initiative (EITI) and has registered as an EITI Supporting Company, endorsing its principles and criteria. Taxes paid by Paladin to the Malawian and Namibian governments are presented in the Company's Sustainability Report.
- Paladin supports and respects a number of international guiding documents and seeks to conduct its business in accordance with the spirit and intent of them. These include the UN International Bill of Human Rights, the UN Guiding Principles on Business and Human Rights, The UN Global Compact, the ILO Declaration, the Voluntary Principles on Security and Human Rights, the OECD Guidelines for Multi-National Enterprises and the Equator Principles. These are embodied in Paladin's governance framework.
- Paladin's CSR programmes are developed, managed and assessed in compliance with the Group's Community Relations Policy.
- Paladin contributes significantly to those economies in its countries of operation through a variety of government taxes. These are detailed below for both Malawi and Namibia, where the Group's mines are located. It should be noted that the Kayelekera Mine in Malawi is currently on care and maintenance.


Payments to the Government of Namibia for the year ended 30 June 2018
Rates, Taxes & Licenses, US$6,776
Telecom Namibia, US$103,341
Payroll Tax, US$2,850,572
Royalties, US$2,198,900
Erongo Regional Electricity Distributor, US$383,451
Withholding Tax, US$608,592
NamPower, US$8,837,777
Namibia Training Authority, US$145,426
NamWater, US$6,822,793
NamPost, US$216


Payments to the Government of Malawi for the year ended 30 June 2018
Withholding Tax, US$38,927
Fringe Benefits Tax, US$3,794
Payroll Tax, US$341,256

SUSTAINABLE DEVELOPMENT
(continued)





SUSTAINABLE DEVELOPMENT
(continued)

Human Rights

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

The Human Rights Policy provides the overarching framework to assist in achieving Paladin's commitment to respect human rights throughout its business. The Board reviews this regularly to ensure that it is current and that the requirements of the Policy reflect Paladin's commitment to human rights principles.

Training on human rights is conducted across the entire Paladin Group at all levels. This also extends to key external stakeholders and suppliers with specific training tailored for the security contingents at each site.

Industry Participation

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

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

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

LHUPL also supports the Namibian Uranium Association (NUA), an advocacy body that represents the uranium industry exclusively.

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

LHM continues to provide strong support to the Namibian Chamber of Mines, which organised a Namibian Mining Expo in April 2016. This very successful conference was attended by almost 500 delegates from all over the country and from South Africa and provided an important forum for interaction between industry leaders and stakeholders.

Stakeholder Interaction

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

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

SUSTAINABLE DEVELOPMENT
(continued)

MALAWI

Paladin has continued to fulfil its Social Development responsibilities in Malawi under the terms of the Kayelekera Development Agreement and Environmental Impact Assessment. Following on from its decision to place KM on care and maintenance in 2014, Paladin has maintained its community relations presence in Karonga, albeit at a reduced level of expenditure consistent with Kayelekera's non-producing status. Paladin completed the construction and hand over of the clinic at the Kayelekera village in May 2017.

Paladin has continued its ongoing community programmes focused primarily on health and education. Through its corporate CSR programmes and projects undertaken and funded by the Paladin staff charity, Friends and Employees for African Children (FEPAC), the Company social development footprint extends throughout the Karonga District, so ensuring that villages other than those in the immediate vicinity of KM benefit from its programmes.

Garnet Halliday Karonga Water Supply Project

The Garnet Halliday Karonga Water Project was built at a cost of more than US$10M and is the centrepiece of Paladin's Social Development commitment to Malawi, the objective being to provide a safe and reliable water supply to the town of Karonga.

The plant was operating as per design until the early part of 2016 when it was decommissioned and another installed in its place by a third party. The plant was providing Karonga with a safe and reliable water supply and maintenance support continued to be provided before decommissioning by the third party.

Community Liaison

Monthly meetings are held with the Kayelekera village leadership and on a more informal basis, with the Karonga District Commissioner and his/her staff together with traditional authorities and their advisors. Attendance at the Village Development Committee assists in communicating about current CSR projects. The Company engages the District Health Administrator and the District Officer from the Ministry of Agriculture, Irrigation and Water Development.

These forums ensure open communication between local stakeholders and the Company, particularly with the local CSR team on the ground and operating in the community on agreed schedules.

Community Education and HIV/AIDS Awareness

There are 36 education-through-storybooks in circulation though no longer being issued, covering a variety of community-focused subjects and have been translated into a number of local languages. They continue to be a very effective communication medium and remain extremely popular, given the general lack of reading material in the district, particularly in local languages.

Community Health Care

Paladin continued its support of local health clinics by providing transport for government medical staff in the region, alleviating the need for local villagers to travel long distances, and facilitating an under-five clinic.

The construction of the local clinic was completed and handed over to the Government of Malawi on behalf of the community in May 2017.

Educational Support

Paladin's Community Relations team continues to assist in the maintenance of local schools and teacher housing and assistance with teacher wages.

Solar power and a solar powered bore pump was supplied and installed by Paladin which supplies power and water to the Kayelekera clinic and clinic houses at the Kayelekera village. Paladin continues providing maintenance to the clinic facilities when the need arises.

Paladin donates all usable second hand vehicle tyres to the Malawi police department on a regular basis.

SUSTAINABLE DEVELOPMENT
(continued)

NAMIBIA

In line with Paladin's policies and procedures, Langer Heinrich Uranium (Pty) Ltd ('LHUPL') continues to support the Government of Namibia in its endeavours to develop skilled, talented, ambitious and productive citizens, focusing specifically on its immediate impact areas within the Erongo region, while also investing in other regions of Namibia.

LHUPL's core Community Investments focus areas are Education and Skills Development; the promotion of healthy lifestyles through Sports Development and Food Security; as well as the promotion of sustainable Environmental practices and Culture. The primary target group of all LHUPL's community investments is the Namibian Youth.

We believe that Education and Skills Development are basic enablers for economic progress, without which sustained development cannot take place. These enablers are acknowledged as key in human development and critical for economic progression and increased equality.

The development of Sports skills and talents and the support to Food Security allow for the promotion of healthy lifestyles and a healthy nation. Good health is one of the basic requirements for quality of life. There is a direct causal relationship between good health and increased productivity and learning abilities. In addition to improved physical health, sport plays a primarily positive role in youth development, including improved academic achievement, higher self-esteem, fewer behavioural problems, and better psychosocial. Food insecurity on the other hand may cause malnutrition, which leads to bad health. In order to counter the impacts of malnutrition, LHUPL supports two feeding initiatives.

LHUPL is committed to ensuring effective environmental management across all aspects of its operation as well as, where possible, outside its immediate impact areas.

During the year under review, LHUPL supported the following programmes:

EDUCATION

Mondesa Youth Opportunities (MYO)

This non-profit organisation, established in 2005 as an after-school programme, offers financially underprivileged, yet academically able Grades 4 to 8 learners with after-school support in Mathematics, English, Life skills, Music and Computer skills five days in the week. The Centre supports 120 learners on an annual basis with its whole child approach, which incorporates academic and sport performance as well as physical, emotional and nutritional health (through a daily feeding programme).

LHUPL has been MYO's the main sponsor for the past eight years and supported the Centre with a donation of N$800 during the year under review. The funds are utilised for the annual running costs of the Centre as well as the feeding scheme.

The National Mathematics Congress

Skilled teachers are one of the most critical success factors for effective education, while a focus on teacher development assures a bigger outreach and impact. LHUPL therefore supports the Annual Mathematics Congress which targets the development of mathematics and teaching skills of teachers across Namibia. The 13th Annual Congress was again hosted in Swakopmund and was attended by 280 mathematics educators, including classroom teachers, advisory teachers, UNAM lecturers and officials from the Ministry of Education, Arts and Culture. LHUPL has been associated with the National Mathematics Congress since its inception in 2010. During the year under review, LHUPL donated N$50,000 towards the Congress.

The Mathematics Enrichment and Support Programme

This programme was initiated by LHUPL seven years ago and supports gifted learners in reaching their full academic potential. Through curriculum-based after school classes provided throughout the year, it benefits senior secondary learners enrolled for higher level or extended level mathematics. Other activities include regional mathematics competitions and teacher mathematics workshops. On

SUSTAINABLE DEVELOPMENT
(continued)

average, the programme benefits 200 learners on an annual basis. LHUPL's contribution was N$121,400 during the past financial year.

The Gobabeb Research and Training Internship Programme (GRTIP)

The Gobabeb Research and Training Programme supports the development of scientific research skills of young environmental professionals through a five-month field-based internship programme facilitated at the Gobabeb Research and Training Centre located in the Namib Desert. It aims to build capacity for the sustainable management of the Namibia's natural resources.

Students, chosen after an intensive selection process, are expected to design and implement original, independent research projects focused on the management and restoration of degraded ecosystems. Close mentorship and supervision to ensure scientific quality is maintained, while critical thinking, systematic problem solving and improved communication skills are fostered.

LHUPL began its involvement in the GTRIP in 2014 with a pledge of N$1.2 million over a five year period. This year, the programme concluded its fourth round, with 18 young Namibians (14 female) successfully completing the programme thus far.

SPORTS DEVELOPMENT

The Blue Waters Sports Club

LHUPL has been in a long-term partnership with Namibia's second oldest Sports Club, namely the Blue Waters Sports Club, which was founded in 1936, making it rich with history and culture. LHUPL's support goes towards the promotion of youth sports in codes such as boys' and girls' soccer, boys' and girls' handball, netball, and girls' and boys' cricket. On average, 160 young girls and boys, mostly from schools in low income areas, benefit from the Programme on an annual basis.

Young Namibian athletes gain from national and international exposure during competitions. The Club also has a programme supporting schools' sports administration and coaching. N$150,000 was donated towards the Blue Waters Sports Club during the reporting year.

FOOD SECURITY

The Promiseland Trust

LHUPL has been supporting the Promiseland Trust Feeding Scheme for the past eight years. The Scheme caters for 250 disadvantaged children in Walvis Bay on a daily basis. The Promiseland Trust also has a foster child programme and has recently included pre-school classes using the Montessori Education Model in its activities. LHUPL donated N$180,000 towards the feeding Scheme during the year under review.

SPECIAL PROJECTS AND SHORT-TERM SUPPORT

Education

Through funds raised during its Annual Charity Golf events, LHUPL has supported various children-centered projects over the last seven years. During the reporting period, N$1 million was raised for the construction of five classrooms and one storeroom at the Etoto West Primary School Unit in the Kunene region.

In addition, N$55,000 was donated towards the successful hosting of the following events: the Annual Erongo Regional Teachers Awards, prize giving events of all schools in the Erongo region and a career exhibition.

Culture

LHUPL supported the commemoration of Swakopmund's 100th birthday.

Safety

LHUPL supported the annual West Coast Road Safety initiative.

SUSTAINABLE DEVELOPMENT
(continued)

STAKEHOLDER ENGAGEMENT

LHUPL is a member and active participant in many mining industry bodies including the Chamber of Mines and the Namibia Uranium Association, while it participates in various local and reginal socio-economic planning and implementation platforms. This enables LHUPL to contribute to the discussions and development of public policy initiatives, codes of practice, environmental stewardship and key industry issues. This also allows LHUPL to understand and remain abreast of key challenges and opportunities facing the uranium sector as well as Namibia as a whole, and facilitates the development of LHUPL's strategies, plans and policies to better reflect and respond to market needs and stakeholder expectations. During this review period, key engagement sessions took place with the following stakeholders;

The Ministry of Education, Arts and Culture, the Erongo Regional Council, the Swakopmund and Walvis Bay Municipalities, the Chamber of Mines, the Namibia Uranium Association, the Erongo Development Foundation and the Namibia Chamber of Commerce.

We facilitate regular public and interest group site visits to the LHUPL mine site, while LHUPL also participated in the annual Namibian Chamber of Mines' Mining Expo as well as the Swakopmund International Trade Expo (SWAITEX).

EMPLOYEE CHARITABLE FOUNDATION, SUPPORTED BY PALADIN

Friends and Employees of Paladin for African Children (FEPAC) is a charitable foundation established in 2008 by Paladin employees, as a means of funding some smaller social projects in Malawi that were outside the scope of the Kayelekera development agreement between Paladin and the Government of Malawi. In recent years, the focus has shifted towards setting up a number of self-sustaining projects designed to generate both ongoing food and income for supported organisations that will exceed FEPAC's current annual funding contribution and is expected to allow for the winding up of the trust in the near future.

OUR PEOPLE

The Company has continued to review its workforce throughout all departments and projects with a view of efficiency, rationalisation and consolidation. This has led to a continued decrease in total employee numbers seen across the Group.

Turnover for the Group is detailed in the following table.

Location		Total at Year-end	Female %	Local Nationals %	Turnover %*
Australia	- Corporate, administration, financial & marketing	10	40%	n/a	0%**
	- Technical Services	0	n/a	n/a	n/a
	- Exploration	3	67%	n/a	40%**
Namibia	- LHM	165***	16%	92%	49%**
Malawi	- KM	129	11%	99%	3%**
	- Exploration	0	0%	0%	0%
Canada	- Exploration	4	0%	100%	0%
Total		**307**	**15%**		

* Employee turnover is based on a 12 month rolling average.
** Due to retrenchments during the financial year
*** Includes LHM Permanent Employees and Paladin employees seconded to LHM.

Diversity overall, and gender diversity specifically, remains a focus and, despite the overall headcount decreasing over the period, the percentage of female representation within the workforce has remained reasonably steady. Supporting a diverse workforce remains one of the cornerstones of Paladin's strategy with a commitment to equitable gender representation amongst its workforce,

SUSTAINABLE DEVELOPMENT
(continued)

balanced with availability of appropriate candidates in the region of operation. Further information on diversity can be found in the Corporate Governance Statement available on Paladin's website.

Australia (Head Office & Mount Isa)

The Perth head office currently has 14 employees, a reduction from 15 at the same time last year. Females within the head office represent 46% of employees.

During the period, the total turnover was 13%. In light of the continued focus on consolidating the organisational structure and cost reduction one role was made redundant. In instances of natural attrition only those roles that were deemed essential were replaced.

During the period all Corporate employees and employees seconded to LHM and KM received a 5% salary increase. There has been no increase in salaries for 4 years with executive management accepting a 10% reduction in 2014 and 2015.

Exploration

Group-wide the exploration team totals 7 spread across projects based in Australia, Malawi and Canada. Paladin places a large focus on the development of its geoscience capabilities and has the benefit of exposing its professionals to a number of different geological terrains and environments within the global project portfolio. Additionally, a number of senior technical individuals within the Group are consistently invited to present papers at industry conferences, providing yet another opportunity to transfer expert knowledge amongst the Group and aid in the development of junior professionals.

The Perth based exploration team is a small group comprised of senior technical roles focussed on providing support and guidance across the Group. This small group consistently has minimal turnover.

When the Company is active in exploration in Canada, it employs up to 30 seasonal staff for each field season. Of these individuals, generally 80% are employed from the surrounding communities of Postville, Makkovik and Rigolet with the majority consistently re-employed for the past field seasons. Currently, programmes that are run in Australia are relatively small and, as a consequence, involve very limited numbers of outside contractors (mainly drilling and earthworks).

Malawi (Kayelekera Mine)

With Kayelekera Mine remaining on C&M, the focus has continued to be on adapting the workforce and operations to better suit this change. The current financial year has seen the operation in a continued settled state within C&M, and further decreases to both the national and expatriate employee numbers during the year. At year end there were 128 national employees and 1 expatriate employee.

Namibia (Langer Heinrich Mine)

The relentless depressed uranium spot price together with an uncertain likelihood of improvement in the foreseeable future resulted in a strategic intervention of operational and human resources requirements at LHM. In view of the uncertain market and economic constraints the LHUPL Board resolved to implement a care and maintenance strategy at LHM. The LHM care and maintenance strategy required amongst others, the regrettable collective retrenchments of the workforce, commencing June 2018 and retaining only a limited number of staff to maintain the plant and comply with statutory requirements. It is expected that the mine will remain on care and maintenance until the uranium price appreciates in value to successfully allow for the profitable restart of operations. The retrenchments during the financial year end June 2018 resulted in an overall 12 month rolling total turnover of 53% with further retrenchment to continue during July and August 2018.

The challenging financial constraints mentioned resulted in limiting external training for our human resources skills development, other than statutory and/or specific technical training interventions. Notwithstanding, LHUPL contributed to the Namibian Vocational Education & Training Levy, invested N$70,556 in the training of 18 Namibians, supporting, 7 Graduate students in the fields of Metallurgy, Chemical Engineering, Environment and Radiation and 11 Artisan Apprentices in Electrical, Fitting & Turning and Boilermaker Trades. LHM continued with its technical job attachments programme

SUSTAINABLE DEVELOPMENT
(continued)

whereby trainee students from the Namibia Institute of Mining and Technology (NIMT) and the Namibia Training Authority (NTA) receive a 1 year fixed term contract in order to practice and improve their trade skills before taking employment in the general market.

LHM continued to adhere to the regulatory compliance requirements and received recertification of our employment equity compliance practises in terms of the Affirmative Action Act. Additionally the Labour commissioner has issued the compliance certificate for our collective retrenchment process implemented by LHM.

LHM's workforce demographics in terms of Employment Equity categories as at 30 June 2018 was as follows:

	CY2016	CY2017	CY2018
% Female Employees	18%	18%	16%
% Historically Racially Disadvantaged Employees*	85%	89%	92%
% Non-Namibians	9%	5%	6%
Total Employees	**446****	**368****	**165****

* As defined in the Affirmative Action (Employment) Act 1998
** Includes FTC employee numbers

The year ahead will continue to require measures to ensure the attraction of skilled artisans, retention of skilled employees and overall competency building to provide for an engaged and high performing workforce.

CORPORATE GOVERNANCE STATEMENT

CORPORATE GOVERNANCE FRAMEWORK

The Board of Directors of Paladin Energy Ltd (subject to Deed of Company Arrangement) is responsible for the corporate governance of the Group.

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

This Corporate Governance Statement, dated 30 June 2018, and approved by the Board on 27 August 2018, outlines the key principles and practices of the Company which, taken as a whole, represents the system of governance.

The ASX Listing Rules require the Company to report on the extent to which it has followed the Corporate Governance Recommendations contained in the ASX Corporate Governance Council's (ASX CGC) 3rd Edition of its Corporate Governance Principles and Recommendations. For FY2018, Paladin has complied with most of the recommendations and has referenced these throughout this Corporate Governance Statement.

Paladin's Corporate Governance Statement can be found in the Corporate Governance section of the Investor Centre on its website at www.paladinenergy.com.au, along with the ASX Appendix 4G, a checklist cross-referencing the ASX Principles and Recommendations to disclosures in this statement, the current Annual Report and the Company website. The Corporate Governance Statement, together with the 4G, has been lodged with the ASX.

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

DIRECTORS' REPORT

The Directors of Paladin Energy Ltd present their report together with the financial report of the Group consisting of Paladin Energy Ltd (Company) and the entities (Group) it controlled at the end of, or during, the year ended 30 June 2018 and the auditor's report.

DIRECTORS

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

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

Mr. Crabb holds degrees of Bachelor of Jurisprudence (Honours), Bachelor of Laws and Master of Business Administration from the University of Western Australia. He practised as a solicitor from 1980 to 2004 specialising in mining, corporate and commercial law and advised in relation to numerous project developments in Australia, Asia and Africa. Mr. Crabb now focuses on his public company directorships and investments. He is also chairman of Eagle Mountain Mining Limited (since 6 September 2017), a non-executive director of Thundelarra Limited (since November 2017) and was a non-executive director of Golden Rim Resources Ltd (from August 2001 to November 2017) and was non-executive chairman of Otto Energy Ltd (from November 2004 to November 2015) and Lepidico Ltd (formerly Platypus Minerals Ltd) (from September 1999 to October 2015). Mr. Crabb was a councilor on the Western Australian Division of the Australian Institute of Company Directors from 2008 to 2017.

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

Special Responsibilities
Chairman of the Board
Chairman of Remuneration Committee from 1 February 2018 (member from 1 June 2005)
Chairman of Nomination and Governance Committee from 1 February 2018 (member from 1 June 2005)
Member of Sustainability Committee from 25 November 2010

Mr David Riekie *B. Econ. Dip Acc. CA, MAICD*
(Non-executive Director)

Mr Riekie is an experienced ASX director at both the Executive and Non-executive level. He has operated in a variety of countries globally and throughout Africa; notably Namibia and Tanzania. He is Managing Director of junior explorer MetalsTech Limited which is focussed on high grade cobalt in Ontario and Lithium in Quebec Canada. He has throughout his career provided corporate, strategic and compliance services to a variety of organisations operating in the Resource and Industrial sector, usually enterprises seeking expansion capital and listing on ASX. He has been directly responsible for successful capital raising, stakeholder engagement, acquisition and divestment programmes. Additional experiences were been gained during his time as a corporate reconstruction specialist with Price Waterhouse. He has overseen, exploration and resource development, scoping and feasibility studies, production, optimisation and rehabilitation initiatives. He has special interest in the energy and energy storage sector, primarily through energy storage minerals and commodities with specific knowledge of uranium (Uranio Limited), oil and gas (Hawkley Oil and Gas), graphite (Battery Minerals Limited) and cobalt (MetalsTech Limited).

Mr Riekie was appointed to the Paladin Board on 1 February 2018.

Special Responsibilities
Chairman of Audit and Risk Committee from 1 February 2018
Member of Remuneration Committee from 1 February 2018
Member of Nomination and Governance Committee from 1 February 2018

Mr Daniel Harris *B.Sc*
(Non-executive Director)

Mr Harris is a seasoned and highly experienced mining executive and director. Most recently Mr Harris held the role of interim CEO and Managing Director of ASX listed Atlas Iron until January 2017 when he resumed his role as a Non-executive Director and is Chairman of the Audit and Risk Committee. Mr Harris has been involved in all aspects of the industry for over 40 years and held both COO and CEO positions in Atlantic Ltd and Strategic Minerals Corporation and was also the former Vice President of EVRAZ Plc in Moscow. Mr Harris is a consultant and member of the Advisory Board of Black Rock Metals in Montreal and is a consultant and advisor to GSA Environmental in the UK. Mr Harris currently a Non-executive Director of Perth based Australian Vanadium Ltd. and is a Non-executive Director of Queensland Energy and Minerals, based in Brisbane.

Mr Harris was appointed to the Paladin Board on 1 February 2018.

Special Responsibilities
Chairman of Sustainability Committee from 1 February 2018
Member of Remuneration Committee from 1 February 2018
Member of Nomination and Governance Committee from 1 February 2018
Member of Audit and Risk Committee from 1 February 2018

Mr John Hodder *B.Sc. B.Com.*
(Non-executive Director)

Mr. Hodder is a Geologist by background with a B.Sc. in Geological Sciences and a B.Com. in Finance and Commerce from the University of Queensland. He spent ten years in the mining and oil and gas industries before completing a M.B.A. at London Business School. Mr Hodder established the Commonwealth Development Corporation (CDC) mining, oil and gas investment department in 1995 and was responsible for its investment activities for some eight years. He has served as a director of a number of junior mining companies and has significant experience of operating and investing in Africa. Mr Hodder also worked at Suncorp and Solaris as a Fund Manager focusing on the resources sector managing an index-linked natural resource portfolio of $1.25bn. In 2014 Mr Hodder was one of three principals who established Tembo Capital a mining focused private equity fund group.

Mr Hodder was appointed to the Paladin Board on 14 February 2018.

Special Responsibilities
Member of Audit and Risk Committee from 14 February 2018
Member of Nomination and Governance Committee from 14 February 2018

Mr Donald Shumka *B.A., MBA (resigned 8 December 2017)*
(Non-executive Director)

Mr Shumka is a Vancouver-based Corporate Director with more than 40 years' experience in financial roles. From 2004 to 2011, he was President and Managing Director of Walden Management, a consulting firm specialising in natural resources. From 1989 to 2004, he was Managing Director, Investment Banking with CIBC World Markets and Raymond James Ltd. Prior to 1989, Mr Shumka was Vice President, Finance and Chief Financial Officer of West Fraser Timber Co. Ltd., one of Canada's largest forest products companies. He holds a Bachelor of Arts Degree in Economics from the University of British Columbia and a Master of Business Administration Degree from Harvard University. Mr Shumka is also a director of Alterra Energy Corp. (since March 2008), Lumina Gold Corp. (formerly Odin Mining and Exploration Ltd) (since July 2014), RIWI Corporation (since September 2015) and was a director of Eldorado Gold Corp. (from May 2005 to May 2016).

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

DIRECTORS' REPORT
(continued)

Mr Peter Mark Donkin *BEc, LLB. F Fin (resigned 8 December 2017)*
(Non-executive Director)

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

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

Mr Philip Baily *BSc, MSc (resigned 8 December 2017)*
(Non-executive Director)

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

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

Mr Wendong Zhang *(resigned 8 December 2017)*
(Non-executive Director)

Mr Zhang has over 25 years' experience in financial services and international capital markets and was among the first generation Chinese bankers on Wall Street working with Morgan Stanley, UBS and Citi across New York, Hong Kong and Beijing. He also co-founded two boutique investment advisory firms focusing on China opportunities. He has completed a number of advisory, financing and investment transactions and established relationships with leading players in various sectors including conventional energy, nuclear utilities and natural resources. Mr Zhang graduated from Dartmouth College, New Hampshire USA, in 1991 with a B.A. in Engineering and Economics.

Mr Zhang was appointed to the Paladin Board on 25 November 2014.

CHIEF EXECUTIVE OFFICER

Mr Alexander Molyneux *BEc (resigned on 1 July 2018)*

Mr Molyneux is an experienced mining industry executive. He is Co-Founder and Chairing Member of Azarga Resources Group (2012 – present). Mr. Molyneux currently serves as Non-executive Chairman of Azarga Metals Corp. (TSX-V:AZR) (May 2016 – present), Non-executive Chairman of Argosy Minerals Limited (ASX:AGY) (2016 – present) and Non-executive Director of Metalla Royalty & Streaming Ltd (TSXV:MTA) (2018 – present). He was previously Executive Chairman of Azarga Uranium Corp (TSX:AZZ) and its predecessor companies (2012 – 2015), Non-executive Director of Goldrock Mines Corp (TSX-V:GRM) (2012 – 2016) and CEO of SouthGobi Resources Limited (Ivanhoe Mines Group) (TSX:SGQ / HKEX:1878) (2009 – 2012). Prior to joining SouthGobi, Mr Molyneux was Managing Director, Head of Metals and Mining Investment Banking, Asia Pacific, with Citigroup. In his position as a specialist resources investment banker he spent approximately 10 years providing advice and investment banking services to natural resources corporations.

CHANGE OF CHIEF EXECUTIVE OFFICER

On 12 June 2018, Paladin Energy Ltd announced that Mr Scott Sullivan had been appointed as Chief Executive Officer commencing on 1 July 2018.

Mr Sullivan brings 30 years of diversified mining experience to Paladin, across multiple commodities and projects domestically and internationally. His experience spans strategic planning in mines and smelters; feasibilities; commissioning; mine expansion and restructuring; mine, port and rail infrastructure; project management; sustainability and government and has a strong emphasis on operational optimisation.

He was most recently General Manager of Newcrest's large and complex Telfer gold-copper mine in the Pilbara Western Australia. Prior roles include CEO and Managing Director roles with ASX-listed companies centered in West Africa and the US and Asset President of NSW Energy Coal at BHP Billiton, being directly responsible for the operation and rapid expansion of one of Australia's iconic and highest producing coal mines, Mt Arthur, along with the Caroona Coal project and BHPB's share in the NCIG port infrastructure in Newcastle. Mr Sullivan was also GM of the Wambo Coal OC and UG operations in the Hunter Valley with Peabody Energy and successfully commissioned the UG mine to be one of the most productive thin seam Long Wall mines in the world.

Mr Sullivan is a Fellow of the Australian Institute of Mining and Metallurgy (FAusIMM) and Graduate of the Australian Institute of Company Directors (GAICD). He holds a Bachelor of Engineering in Mining and an MBA.

JOINT COMPANY SECRETARY

Mr Ranko Matic *B.Bus, CA*

Mr Matic is a Chartered Accountant with over 25 years' experience in the areas of financial and executive management, accounting, audit, business and corporate advisory. Mr Matic serves as a Non-executive Director and Company Secretary for a number of publicly listed natural resources companies.

Andrea Betti *CA, AGIA, BCom, MBA (appointed 6 April 2018)*

Ms Betti is an accounting and corporate governance professional with over 20 years' experience in accounting, corporate governance, corporate advisory, finance and corporate banking. Ms Betti has acted as Chief Financial Officer and Company Secretary for companies in the private and publicly listed sectors, as well as senior executive roles in the banking and finance industry.

DIRECTORS' REPORT
(continued)

BOARD AND COMMITTEE MEETINGS

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

	Board of Directors		Audit Committee		Remuneration Committee		Nomination and Governance Committee		Sustainability Committee	
Name	**Number attended**	**Number eligible to attend**	**Number attended**	**Number eligible to attend**	**Number attended**	**Number eligible to attend**	**Number attended**	**Number eligible to attend**	**Number attended**	**Number eligible to attend**
Mr Rick Crabb	6	6	-	-	1	1	1	1	1	1
Mr David Riekie	5	5	1	1	1	1	1	1	-	-
Mr Daniel Harris	5	5	1	1	1	1	1	1	1	1
Mr John Hodder	5	5	1	1	-	-	1	1	-	-
Mr Donald Shumka	1	1	-	-	-	-	-	-	-	-
Mr Peter Donkin	1	1	-	-	-	-	-	-	-	-
Mr Philip Baily	1	1	-	-	-	-	-	-	-	-
Mr Wendong Zhang	1	1	-	-	-	-	-	-	-	-

Of the above Board meetings, 2 were face to face with the remainder held via electronic means. The Board meeting schedule also includes a scheduled conference call mid quarter between the face to face meetings.

INTERESTS IN THE SECURITIES OF THE COMPANY

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

Director	**Paladin Shares**	**Share rights (issued under the Paladin Employee Plan)**
Mr Rick Crabb	119,630	Nil
Mr John Hodder (Tembo Capital Management Ltd)*	223,589,744	Nil

*Mr John Hodder as a co-founding principal of Tembo Capital Management Ltd controls 223,589,744 shares through its holding in Paladin under the entity Ndovu Capital XII BV.

RESIGNATION OF DIRECTORS

Following the successful resolution in favour of execution of the proposed deed of company arrangement, Mr Donald Shumka, Mr Peter Donkin, Mr Philip Baily and Mr Wendong Zhang resigned on 8 December 2017.

PRINCIPAL ACTIVITY

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

REVIEW AND RESULTS OF OPERATIONS

A detailed operational and financial review of the Group is set out on pages 7 to 16 of this report under the section entitled Operating and Financial Review.

The Group's profit after tax for the year is US$343,413,000 (2017: loss after tax US$484,182,000) representing an increase of 171% from the previous year.

Included in the Consolidated Financial Statements for the year ended 30 June 2018 is an independent auditor's report which includes an Emphasis of Matter paragraph in regard to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. For further information, refer to Note 4 in the Consolidated Financial Statements, together with the auditor's report.

DIVIDENDS

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

DIRECTORS' REPORT
(continued)

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 1 February 2018, a deed of company arrangement was effectuated and a capital restructure was completed. On 2 February 2018, Paladin emerged from voluntary administration and was reinstated to official quotation on the ASX on 16 February 2018. In May 2018, the Company received the consent of relevant stakeholders to place LHM into care and maintenance and LHM stopped presenting ore to the plant.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Other than disclosed below, since 30 June 2018, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this report, that has significantly or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent periods with the exception of the following, the financial effects of which have not been provided for in the 30 June 2018 Financial Report:

Appointment of Chief Executive Officer

On 12 June 2018, Paladin Energy Ltd announced that Mr Scott Sullivan had been appointed as Chief Executive Officer (CEO) commencing on 1 July 2018.

Recommended Takeover Offer of Summit Resources Ltd

On 1 August 2018, Paladin Energy Ltd announced an off-market takeover offer for the shares in Summit Resources Ltd it does not presently own.

Highlights of the takeover offer (Offer):

- Consideration of one (1) new Paladin share for every one (1) Summit share held.
- Paladin currently holds 82.08% of the ordinary shares in Summit.
- If successful, Offer would result in approximately 39.1M new Paladin shares being issued to third-party shareholders representing approximately 2.28% of Paladin's shares outstanding.
- The Offer consideration is final and will not be increased.
- Summit's Independent Directors unanimously recommend the Offer (in the absence of a superior offer and subject to the independent expert not concluding that the Offer is not fair and not reasonable).
- The Offer is being made in line with Paladin's continued cost optimisation initiatives – If the Offer succeeds, will result in reduced compliance and regulatory costs associated with having a Paladin majority-owned subsidiary separately listed.
- Paladin encourages Summit third-party shareholders to accept in light of the opportunity to exchange for shares in Paladin, a larger, more comprehensive, more liquid uranium company.

LIKELY DEVELOPMENTS

Likely developments in the operations of the Group constituted by the Company and the entities it controls from time to time are set out under the section entitled Operating and Financial Review.

ENVIRONMENTAL REGULATIONS

The Group is subject to significant environmental regulation in respect to its exploration, evaluation, development and operational activities for uranium projects under the laws of the countries in which its activities are conducted. The Group currently has mining and processing operations in Namibia and Malawi (placed on care and maintenance in May 2018 and February 2014, respectively), as well as exploration projects in Australia, and Canada. The Group's Policy is to ensure compliance with all applicable environmental laws and regulations in the countries in which it conducts business.

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

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

REMUNERATION FOR THE YEAR AT A GLANCE

Executive Remuneration – cash value of earnings realised (unaudited)

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

The disclosure below aims to provide an overall picture of the group-wide remuneration platform and not simply focus on Key Management Personnel. Given the difficult business and operating conditions which have persisted throughout the year, specifically the continuing poor uranium price, and resulting cash constraints that the Company faced during the past year, the following initiatives have been implemented:

- Paladin reduced its corporate office staff by a further 7% during the year.
- Ex-pat numbers at the Kayelekera Mine were reduced by a further 50% during the year.
- During the year all Corporate employees and employees seconded to LHM and KM received a 5% salary increase. Prior to this, there had been no salary increases for 4 years and executive management had accepted two 10% salary reductions in 2013 and 2015.
- Cash bonuses totalling only US$68,286 were paid across the Group this year.
- 7,500,000(1) Share Appreciation Rights (SARs) were granted during the year.
- Long-term incentives on issue at balance date comprise 3,000,000 Options (0.18% of issued capital) and 14,519,000(1)(2) SARs.

(1) The number of ordinary shares ultimately issuable upon vesting of the SARs will vary as the number of ordinary shares to be issued is based upon Paladin's relative share price growth over the relevant vesting periods.

(2) Based on the closing share price at 30 June 2018 of A$0.175, 1,071,429 shares (0.06% of issued capital) would be issuable.

In keeping with the Company's practice since 2011, the tables below set out the cash value of earnings realised by the CEO and other executives considered to represent Key Management Personnel (KMP) for 2017 and 2018 and the intrinsic value of share-based payments that vested to the executives during the period. This voluntary disclosure is in addition and different to the disclosures required by the Corporations Act and Accounting Standards, particularly in relation to share rights. As a general principle, the Accounting Standards require a value to be placed on share rights based on probabilistic calculations at the time of grant, which may be reflected in the remuneration report even if ultimately the share rights do not vest because vesting conditions are not met. By contrast, this table discloses the intrinsic value of share rights, which represents only those share rights which actually vested and resulted in shares issued to a KMP. The intrinsic value is the Company's closing share price on the date of vesting.

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

The cash value of earnings realised include cash salary and fees, superannuation, cash bonuses and other benefits received in cash during the year and the intrinsic value of long-term incentives vesting during the 2018 year. The tables do not include the accounting value for share rights, share appreciation rights and options granted in the current and prior years, as this value may or may not be realised as they are dependent on the achievement of certain performance hurdles. The accounting value of other long-term benefits which were not received in cash during the year have also been excluded.

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

DIRECTORS' REPORT
(continued)

REMUNERATION FOR THE YEAR AT A GLANCE (continued)

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

2018 (A$) / (US$)

Name	Base Salary & Superannuation		Other		Separation Payment		Total Cash	
	A$	US$	A$	US$	A$	US$	A$	US$
Mr Alexander Molyneux	-	-	619,459[1]	480,000[1]	371,676[2]	288,000[2]	991,135	768,000
Mr Craig Barnes	375,567	291,016	-	-	-	-	375,567	291,016
Total	**375,567**	**291,016**	**619,459**	**480,000**	**371,676**	**288,000**	**1,366,702**	**1,059,016**

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

Exchange rate used is average for 2018 financial year US$1 = A$1.29054.

(1) Fees for services as CEO, includes payment of A$123,892 (US$96,000) in lieu of three month notice period.

(2) Separation payment – conditional upon the effectuation of a deed of company arrangement, payment equal to nine months' salary A$371,676 (US$288,000) in full and final satisfaction of all benefits entitlements arising out of his engagement.

2017 (A$) / (US$)

Name	Base Salary & Superannuation		Other		Total Cash	
	A$	US$	A$	US$	A$	US$
Mr Alexander Molyneux	-	-	509,656[1]	384,000[1]	509,656	384,000
Mr Craig Barnes	370,931	279,477	-	-	370,931	279,477
Total	**370,931**	**279,477**	**509,656**	**384,000**	**880,587**	**663,477**

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

Exchange rate used is average for 2017 financial year US$1 = A$1.32723.

(1) Fees for services as CEO.

DIRECTORS' REPORT
(continued)

REMUNERATION REPORT (Audited)

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

Key Management Personnel comprise:

- Mr Rick Crabb, *Non-executive Chairman*
- Mr Alexander Molyneux, *Chief Executive Officer (resigned 1 July 2018)*
- Mr Scott Sullivan, *Chief Executive Officer (appointed 1 July 2018)*
- Mr David Riekie, *Non-executive Director (appointed 1 February 2018)*
- Mr Daniel Harris, *Non-executive Director (appointed 1 February 2018)*
- Mr John Hodder, *Non-executive Director (appointed 14 February 2018)*
- Mr Donald Shumka, *Non-executive Director (resigned 8 December 2017)*
- Mr Philip Baily, *Non-executive Director (resigned 8 December 2017)*
- Mr Peter Donkin, *Non-executive Director (resigned 8 December 2017)*
- Mr Wendong Zhang, *Non-executive Director (resigned 8 December 2017)*
- Mr Craig Barnes, *Chief Financial Officer*

For the purposes of this report, the term 'Executive' encompasses the CEO, senior executives, managers and Company Secretary of the Parent and the Group.

REMUNERATION APPROVAL PROCESS

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

The Remuneration Committee, chaired by Mr Rick Crabb, held one meeting during the year. Messrs Riekie and Harris are also Committee members. The CEO is invited to attend those meetings which consider the remuneration strategy of the Group and recommendations in relation to senior executives.

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

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

REMUNERATION REPORT (Audited) (continued)

KEY ELEMENTS OF KEY MANAGEMENT PERSONNEL/EXECUTIVE REMUNERATION STRATEGY

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

- Provide competitive and fair reward;
- Be flexible and responsive in line with market expectations;
- Align executive interests with those of the company's shareholders; and,
- Comply with applicable legal requirements and appropriate standards of governance.

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

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

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

The Board is cognisant of general shareholder concern that long-term equity-based remuneration be linked to Company performance and growth in shareholder value. SARs issued under the LTI programme have a one to three-year performance period. These SARs will only vest at the end of a one to three-year period. If a Key Management Personnel/Executive resigns during this period, they will ordinarily forfeit their shares. This promotes a focus on long-term performance as the value of the shares is linked to the ongoing performance of the Company. This period represents an appropriate balance between providing a genuine and foreseeable incentive to Key Management Personnel/Executives and fostering a long-term view of shareholder interests.

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

	30 June 2014	**30 June 2015**	**30 June 2016**	**30 June 2017**	**30 June 2018**
EPS	US$(0.33)	US$(0.19)	US$(0.07)	US$(0.27)	US$0.215
Share Price	A$0.29	A$0.245	A$0.185	A$0.047[1]	A$0.175

[1] The securities of Paladin were suspended from official quotation, at the request of the Company, on 13 June 2017 and were reinstated on 16 February 2018.

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

- Fixed remuneration;
- Short-term variable remuneration; and,
- Long-term incentives.

DIRECTORS' REPORT
(continued)

REMUNERATION REPORT (Audited) (continued)

COMPONENTS OF KEY MANAGEMENT PERSONNEL/EXECUTIVE REMUNERATION

These are detailed as follows:

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

Fixed Remuneration

This is reviewed annually with consideration given to both the Company and the individual's performance and effectiveness. Market data, focused on the mining industry, is analysed with a focus on maintaining parity or above with companies of similar complexity and size operating in the resources sector and becoming an employer of choice. The Company did not engage remuneration consultants.

Despite the challenging economic times, there was a general salary increase at LHM as part of the wage agreement and in an effort to maintain a competitive remuneration structure. There were discretionary increases at KM to realign salaries to market. During the year all Corporate employees and Company employees seconded to LHM and KM received a 5% salary increase.

REMUNERATION REPORT (Audited) (continued)

COMPONENTS OF KEY MANAGEMENT PERSONNEL/EXECUTIVE REMUNERATION (continued)

Variable Remuneration (continued)

Short-term Incentives

The Company provides short-term incentives comprising a cash bonus to Executives of up to 30% of base salary. The bonus is entirely discretionary with the goal of focusing attention on short-term strategic and financial objectives. The amount is dependent on the Company's performance in its stated objectives and the individual's performance, together with the individual's position and level of responsibility. This component is an "at risk" component of overall remuneration designed to encourage exceptional performance whilst adhering to the Company values. Specific targets for individuals have not been set due to the philosophy of achieving a common goal for the Company, however, the following measures are taken into account where these are applicable to the Key Management Personnel and individual Executives and have been selected to align their interests to those of shareholders:

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

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

Given the priority of cost reduction and cash conservation with the uranium industry continuing to experience difficult times, cash bonuses totalling only US$68,286 were paid across the Group this year (FY2017 US$131,124). No bonuses were paid to KMPs.

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

Long-term Incentives

The Company believes that encouraging its employees to become shareholders is the best way of aligning their interests with those of its shareholders. In 2009, the Company implemented an Employee Performance Share Rights Plan (the Rights Plan) together with a Contractor Performance Share Rights Plan (the Contractor Rights Plan). These plans are referred to jointly as the Rights Plans and were reaffirmed by shareholders at the 2015 Annual General Meeting.

REMUNERATION REPORT (Audited) (continued)

COMPONENTS OF KEY MANAGEMENT PERSONNEL/EXECUTIVE REMUNERATION (continued)

Variable Remuneration (continued)

Long-term Incentives (continued)

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

SARs are granted under the plan for no consideration. SARs are a right to receive a bonus equal to the appreciation in the company's share price over a period. SARs benefit the holder with an increase in share price; the holder is not required to pay the exercise price, but rather just receives the amount of the increase in shares. The number of ordinary shares ultimately issuable upon vesting of the SARs will vary as the number of ordinary shares to be issued is based upon Paladin's relative share price growth over the relevant vesting periods. SARs granted under the FY2018 LTI Offer were granted in 3 tranches. The first tranche vested on 16 April 2018. The second and third tranche will only vest if the holder remains employed at the relevant vesting dates of 16 April 2019 and 16 April 2020.

The number of share rights able to be issued under the Plans is limited to 5% of the issued capital. The 5% limit includes incentive grants under all plans made in the previous 5 years (with certain exclusions under the Australian corporate legislation). This percentage now stands at 0.85%.

The Board is cognisant of general shareholder concern that long-term equity-based rewards should be linked to the performance of the Company. The holder of a SAR only receives an amount equivalent to the share price increase (i.e. the net appreciation amount, which is the market price on exercise date minus market price on grant date) in shares.

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

The CEO was granted 3,000,000 options upon appointment, on 10 August 2015, as follows:-

Date granted	Exercisable date	Expiry date	Exercise price	Number
10 August 2015	10 August 2015	10 August 2018	A$0.20	1,000,000
10 August 2015	8 November 2015	8 November 2018	A$0.30	1,000,000
10 August 2015	23 December 2015	23 December 2018	A$0.40	1,000,000
Total				**3,000,000**

The options issued to the CEO have different exercise prices and provide a direct link between the CEO's reward and shareholder return, and provide a clear line of sight between CEO performance and Company performance.

Shares Acquired Under the Rights Plan

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

Change of Control

All SARs will vest on a change of control event. The Remuneration Committee considers that this is appropriate given that shareholders (or a majority thereof) would have collectively elected to accept a change of control event. Moreover the number of SARs relative to total issued shares is very insignificant (0.85%) and thus are not considered a disincentive to a potential bidder.

DIRECTORS' REPORT
(continued)

REMUNERATION REPORT (Audited) (continued)

COMPONENTS OF KEY MANAGEMENT PERSONNEL/EXECUTIVE REMUNERATION (continued)

Cessation of Employment

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

Share Appreciation Rights at 30 June 2018

Date granted	Exercisable date	Expiry date	Fair value	Exercise price	Number
20 October 2015	1 November 2016	1 November 2021	A$0.13	A$0.20	2,275,000
20 October 2015	1 November 2017	1 November 2022	A$0.13	A$0.20	1,137,500
20 October 2015	1 November 2018	1 November 2023	A$0.13	A$0.20	1,137,500
3 March 2016	1 November 2016	1 November 2021	A$0.10	A$0.20	157,500
3 March 2016	1 November 2017	1 November 2022	A$0.10	A$0.20	78,750
3 March 2016	1 November 2018	1 November 2023	A$0.10	A$0.20	78,750
27 September 2016	11 November 2017	11 November 2022	A$0.08	A$0.20	718,000
27 September 2016	11 November 2018	11 November 2023	A$0.08	A$0.20	718,000
27 September 2016	11 November 2019	11 November 2024	A$0.08	A$0.20	718,000
16 April 2018	16 April 2018	16 April 2023	A$0.17	A$0.15	3,750,000
16 April 2018	16 April 2019	16 April 2024	A$0.05	A$0.15	1,875,000
16 April 2018	16 April 2020	16 April 2025	A$0.07	A$0.15	1,875,000
Total					**14,519,000**

In summary, this balance represents 0.85% of the issued capital.

KEY ELEMENTS OF NON-EXECUTIVE DIRECTOR REMUNERATION STRATEGY

The focus of the remuneration strategy is to:

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

In accordance with corporate governance principles, Non-executive Directors are remunerated solely by way of fees and statutory superannuation. The aggregate annual remuneration permitted to be paid to Non-executive Directors is A$1,200,000 (US$929,843) as approved by shareholders at the 2008 AGM. Fees paid for the year to 30 June 2018 total A$149,000 (US$115,455), a reduction of 59% from 2016.

Remuneration Component	Elements	Details (per annum)
Base Fee	Must be contained within aggregate limit	Chairman A$125,000 (US$96,859) Non-executive Director A$80,000 (US$61,990)
Superannuation	Statutory contributions are included in the fees set out above	Statutory % of fees

DIRECTORS' REPORT
(continued)

REMUNERATION REPORT (Audited) (continued)

COMPONENTS OF NON-EXECUTIVE DIRECTOR REMUNERATION (continued)

Other Fees/Benefits

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

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

REMUNERATION REPORT (audited) (continued)

Compensation of Key Management Personnel for the year ended 30 June 2018 of the Group.

	Short-Term Benefits			**Post Employment**	**Share Based Payment***	**Total**	**Total**	**Total Performance Related**	**Total Performance Related**
	Salary & Fees	Other	Cash Separation Payment	Superannuation	Share Rights				
	US$	US$	US$	US$	US$	US$	A$	US$	%
Directors									
Mr Rick Crabb[1]	36,856	-	-	3,501	-	40,357	52,083	-	-
Mr David Riekie[2]	23,588	-	-	2,241	-	25,829	33,333	-	-
Mr Daniel Harris[2]	25,829	-	-	-	-	25,829	33,333	-	-
Mr John Hodder[3]	23,431	-	-	-	-	23,431	30,238	-	-
Subtotal	109,704	-	-	5,742	-	115,446	148,987		
Key Management Personnel									
Mr Alexander Molyneux	-	480,000[4]	288,000[5]	-	-	768,000	991,135	-	-
Mr Craig Barnes	275,480	-	-	15,535	111,160	402,175	519,024	111,160	27.6
Subtotal	275,480	480,000	288,000	15,535	111,160	1,170,175	1,510,159		
Total	**385,184**	**480,000**	**288,000**	**21,277**	**111,160**	**1,285,621**	**1,660,146**		

Notes to the Compensation Table

Presentation Currency - The compensation table has been presented in US$, the Company's functional and presentation currency. The A$ value has also been shown as this is considered to be the most relevant comparator between years, given that in 2017 more than 51% of KMP's contracts for services were denominated in A$ and this eliminates the effects of fluctuations in the US$ and A$ exchange rate. Exchange rate used is average for 2018 financial year US$1 = A$1.29054.

(1) Mr Rick Crabb did not receive compensation during the period in which the Company was in voluntary administration.

(2) Appointed 1 February 2018.

(3) Appointed 14 February 2018.

(4) Represents fees paid for services as CEO. Includes payment of US$96,000 in lieu of three month notice period.

(5) Separation payment – conditional upon the effectuation of a deed of company arrangement, payment equal to nine months' salary US$288,000 (A$371,676) in full and final satisfaction of all benefits arising out of his engagement.

Mr Donald Shumka, Mr Philip Baily and Mr Peter Donkin resigned on 8 December 2017 and did not received any compensation for the year ended 30 June 2018.

* A reconciliation of this figure in A$ follows to enable a clearer understanding of how this number is calculated.

REMUNERATION REPORT (audited) (continued)

Reconciliation of Share-Based Payment Compensation of Key Management Personnel for the year ended 30 June 2018 of the Group.

	Share Appreciation Rights granted 16 April 2018 (exercisable CY2018 to CY2020)	
	A$	US$
Executives		
Mr Craig Barnes	143,456	111,160
TOTAL	**143,456**	**111,160**

It should be noted that service or performance vesting conditions are attached to all of the options and share appreciation rights referred to above. These are detailed elsewhere in this report.

Exchange rate used as the average for year US$1 = A$1.29054.

REMUNERATION REPORT (audited) (continued)

Compensation of Key Management Personnel for the year ended 30 June 2017 of the Group.

	Short-Term Benefits		Post Employment	Share Based Payment*	Total	Total	Total Performance Related	Total Performance Related
	Salary & Fees	Other	Superannuation	Share Rights				
	US$	US$	US$	US$	US$	A$	US$	%
Directors								
Mr Rick Crabb	83,717	-	7,953	-	91,670	121,667	-	-
Mr Donald Shumka	60,276	-	-	-	60,276	80,000	-	-
Mr Philip Baily	48,166	-	4,576	-	52,742	70,000	-	-
Mr Peter Donkin	48,166	-	4,576	-	52,742	70,000	-	-
Subtotal	240,325	-	17,105	-	257,430	341,667		
Key Management Personnel								
Mr Alexander Molyneux	-	384,000(1)	-	-	384,000	509,656	-	-
Mr Craig Barnes	264,698	-	14,779	17,721	297,198	394,451	17,721	6.0
Subtotal	264,698	384,000	14,779	17,721	681,198	904,107		
Total	**505,023**	**384,000**	**31,884**	**17,721**	**938,628**	**1,245,774**		

Notes to the Compensation Table

Presentation Currency - The compensation table has been presented in US$, the Company's functional and presentation currency. The A$ value has also been shown as this is considered to be the most relevant comparator between years, given that in 2017 more than 58% of KMP's contracts for services were denominated in A$ and this eliminates the effects of fluctuations in the US$ and A$ exchange rate. Exchange rate used is average for 2017 financial year US$1 = A$1.32723

(1) Represents fees paid for services as CEO.

* A reconciliation of this figure in A$ follows to enable a clearer understanding of how this number is calculated.

REMUNERATION REPORT (audited) (continued)

Reconciliation of Share-Based Payment Compensation of Key Management Personnel for the year ended 30 June 2017 of the Group.

	Share Appreciation Rights granted 27 September 2016 (exercisable CY2017 to CY2019)	
	A$	US$
Executives		
Mr Craig Barnes	23,520	17,721
TOTAL	**23,520**	**17,721**

It should be noted that service or performance vesting conditions are attached to all of the options and share appreciation rights referred to above. These are detailed elsewhere in this report.

Exchange rate used as the average for year US$1 = A$1.32723.

REMUNERATION REPORT (audited) (continued)

Options Holdings of Key Management Personnel (Group)

30 June 2018	01 Jul 17 number	Granted as remuneration number	Fair value at grant date US$'000	Vested as shares number	Lapsed number	30 Jun 18 Number
Executives						
Mr Alexander Molyneux	3,000,000	-	-	-	-	3,000,000
Total	3,000,000	-	-	-	-	3,000,000

Share Appreciation Rights Holdings of Key Management Personnel (Group)

30 June 2018	01 Jul 17 number	Granted as remuneration number	Fair value at grant date US$	Vested as shares number	Lapsed number	30 Jun 18 Number
Executives						
Mr Craig Barnes	1,079,000	1,250,000[1]	111,160	-	-	2,329,000
Total	1,079,000	1,250,000	11,160	-	-	2,329,000

[1] Granted 16 April 2018.
Fair value per right at grant date was US$0.09.

Shares held in Paladin Energy Ltd (number)

30 June 2017	Balance 01 Jul 17	On Vesting of Rights	Net Change Other	Balance 30 June 18
Directors				
Mr Rick Crabb	5,981,528	-	(5,861,898)[1]	119,630
Mr Donald Shumka	200,000	-	(200,000)[2]	-
Mr Peter Donkin	22,500	-	(18,000)[2]	-
Mr Philip Baily	18,000	-	(22,500)[2]	-
Mr Wendong Zhang	2,180,000	-	(2,180,000)[2]	-
Total	8,402,028	-	(8,282,398)	119,630

(1) 98% of shares transferred to creditors and other investors pursuant to the DOCA.

(2) Resigned on 8 December 2017.

No other Key Management Personnel held shares during the year ended 30 June 2018.

REMUNERATION REPORT (audited) (continued)

All equity transactions with Key Management Personnel have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

CONTRACTS FOR SERVICES

Remuneration and other terms of employment for the Key Management Personnel are normally formalised in contracts for services.

All contracts with Key Management Personnel may be terminated early by either party providing between three and six months written notice or providing payments in lieu of the notice period (based on fixed component of remuneration). On termination notice by the Company, any rights that have vested, or that will vest during the notice period, will be released. Rights that have not yet vested will be forfeited.

Mr Alexander Molyneux, Chief Executive Officer (resigned 1 July 2018)

Monthly fee – US$32,000.

Separation payment – conditional upon the effectuation of a deed of company arrangement, Mr Molyneux will be entitled to a payment equal to nine months' salary (US$288,000) in full and final satisfaction of all benefits or entitlements arising out of his engagement.

Termination – Mr Molyneux's engagement may be terminated by either party at any time by three months' notice.

Mr Scott Sullivan, Chief Executive Officer (appointed 1 July 2018)

Term of agreement – no fixed term.

Base salary, inclusive of superannuation of A$400,000.

Short term incentive: up to a maximum of 50% of the total remuneration package, to be paid in cash and determined having regard to market relativities, the performance of the Company and Mr Sullivan's performance.

Long term incentive: Mr Sullivan will also be issued 5,000,000 Share Appreciation Rights (SARs) under the Company's Employee Performance Share Rights Plan. The SARs will have an exercise price of 0.16 and will vest in accordance with the following vesting conditions:

- 1,000,000 will vest on 1 July 2019
- 1,000,000 will vest on 1 July 2020
- 1,000,000 will vest on 1 July 2021
- 2,000,000 will vest on 1 July 2022 provided the Langer Heinrich Mine has restarted production.

No termination benefit is specified in the agreement.

Notice period six months.

Mr Craig Barnes, Chief Financial Officer

Term of agreement – no fixed term.

Base salary, inclusive of superannuation of A$389,477 (2017: A$370,931).

No termination benefit is specified in the agreement.

Notice period six months.

Remuneration for all parties referred to above includes provision of an annual discretionary bonus and initial and ongoing discretionary participation in the Company's long-term incentive plans.

625,000 Share Appreciation Rights vested to Key Management Personnel during the year ended 30 June 2018. No Share Appreciation Rights were exercised during the year ended 30 June 2018.

End of audited Remuneration Report

OPTIONS

The outstanding balance of Options at the date of this report are as follows:

Date granted	Exercisable date	Expiry date	Fair value	Exercise price	Number
10 August 2015	8 November 2015	8 November 2018	A$0.06	A$0.30	1,000,000
10 August 2015	23 December 2015	23 December 2018	A$0.06	A$0.40	1,000,000
Total					**2,000,000**

No shares were issued on the exercise of Options during the year ended 30 June 2018.

SHARE APPRECIATION RIGHTS

The outstanding balance of Share Appreciation Rights at the date of this report are as follows:

Date granted	Exercisable date	Expiry date	Fair value	Exercise price	Number
20 October 2015	1 November 2016	1 November 2021	A$0.13	A$0.20	2,275,000
20 October 2015	1 November 2017	1 November 2022	A$0.13	A$0.20	1,137,500
20 October 2015	1 November 2018	1 November 2023	A$0.13	A$0.20	1,137,500
3 March 2016	1 November 2016	1 November 2021	A$0.10	A$0.20	157,500
3 March 2016	1 November 2017	1 November 2022	A$0.10	A$0.20	78,750
3 March 2016	1 November 2018	1 November 2023	A$0.10	A$0.20	78,750
27 September 2016	11 November 2017	11 November 2022	A$0.08	A$0.20	718,000
27 September 2016	11 November 2018	11 November 2023	A$0.08	A$0.20	718,000
27 September 2016	11 November 2019	11 November 2024	A$0.08	A$0.20	718,000
16 April 2018	16 April 2018	16 April 2023	A$0.17	A$0.15	3,750,000
16 April 2018	16 April 2019	16 April 2024	A$0.05	A$0.15	1,875,000
16 April 2018	16 April 2020	16 April 2025	A$0.07	A$0.15	1,875,000
Total					**14,519,000**

No shares were issued on the exercise of Share Appreciation Rights during the year ended 30 June 2018.

DIRECTORS' INDEMNITIES

During the year the Company has incurred premiums to insure the Directors and/or officers for liabilities incurred as costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company and or its controlled entities. Under the terms and conditions of the insurance contract, the nature of liabilities insured against and the premium paid cannot be disclosed.

INDEMINIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, PricewaterhouseCoopers, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). The Directors of Paladin Energy Limited have not provided PricewaterhouseCoopers with any indemnities. No payment has been made to indemnify PricewaterhouseCoopers during or since the financial year.

ROUNDING

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

AUDITOR

PricewaterhouseCoopers were appointed auditors for the Company by shareholders at the 2016 Annual General Meeting on 18 November 2016.

DIRECTORS' REPORT (continued)

NON-AUDIT SERVICES

During the year, non-audit and assurance services were provided by the Company's auditor, PricewaterhouseCoopers. The Directors are satisfied that the provision of non-audit and assurance services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit and assurance service provided means that auditor independence was not compromised.

Details of amounts paid or payable to PriceWaterhouseCoopers can be found in Note 28.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The Lead Auditor's Independence Declaration is set out on page 69 of the Financial Report.

Dated this 28th day of August 2018

Signed in accordance with a resolution of the Directors

Rick Crabb
Chairman
Perth, Western Australia

Auditor's Independence Declaration

As lead auditor for the audit of Paladin Energy Limited for the year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Ben Gargett
Partner
PricewaterhouseCoopers

Perth
28 August 2018

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PALADIN ENERGY LTD AND CONTROLLED ENTITIES
FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2018

EXPRESSED IN US DOLLARS

CONTENTS OF THE FINANCIAL REPORT

Note	Title	Page Number

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2018

EXPRESSED IN US DOLLARS

	Notes	2018 US$'000	2017 US$'000
Revenue			
Revenue	11	72,917	95,844
Cost of sales	12	(88,558)	(92,765)
Inventory write-down	18	(28,119)	(38,046)
Gross loss		(43,760)	(34,967)
Other income	12	486,247	2,641
Administration, marketing and non-production costs	12	(25,567)	(13,525)
Impairment of exploration assets	12	(2,300)	(244,560)
Other expenses	12	(21,822)	(16,491)
Profit/(loss) before interest and tax		392,798	(306,902)
Finance costs	12	(49,385)	(141,158)
Net profit/(loss) before income tax from continuing operations		**343,413**	**(448,060)**
Income tax expense	13	-	(37,372)
Net profit/(loss) after tax from continuing operations		**343,413**	**(485,432)**
Profit after tax from discontinued operations	12	-	**1,250**
Net profit/(loss) after tax		**343,413**	**(484,182)**
Attributable to:			
Non-controlling interests		(24,349)	(26,397)
Members of the parent		367,762	(457,785)
Net profit/(loss) after tax		**343,413**	**(484,182)**
Profit/(loss) per share (US cents)			
Profit/(loss) after tax from operations attributable to ordinary equity holders of the Company			
– continuing operations, basic and diluted (US cents)	14	21.5	(26.7)
– discontinued operations, basic and diluted (US cents)	14	-	(0.1)

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

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

EXPRESSED IN US DOLLARS

	2018 US$'000	2017 US$'000
Net profit/(loss) after tax	**343,413**	**(484,182)**
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss:		
Net loss on available-for-sale financial assets	-	(993)
Transfer of realised gains to other income on disposal of available-for-sale financial assets	-	993
Foreign currency translation	(1,498)	(1,724)
Income tax on items of other comprehensive income	-	97
Items that will not be subsequently reclassified to profit or loss:		
Foreign currency translation attributable to non-controlling interests	(223)	356
Other comprehensive loss for the year, net of tax	(1,721)	(1,271)
Total comprehensive income/(loss) for the year	**341,692**	**(485,453)**
Total comprehensive income/(loss) attributable to:		
Non-controlling interests	(24,572)	(26,041)
Members of the parent	366,264	(459,412)
	341,692	(485,453)

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

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

EXPRESSED IN US DOLLARS

	Notes	2018 US$'000	2017 US$'000
ASSETS			
Current assets			
Cash and cash equivalents	6a	39,166	10,492
Restricted cash	6b	11,072	1,010
Trade and other receivables	17	8,121	13,744
Prepayments		1,511	2,350
Inventories	18	10,717	27,456
Assets classified as held for sale	19	-	165
TOTAL CURRENT ASSETS		70,587	55,217
Non current assets			
Trade and other receivables	17	374	384
Property, plant and equipment	20	223,986	244,297
Mine development	21	28,142	36,396
Exploration and evaluation expenditure	22	76,439	92,025
Intangible assets	23	10,093	10,625
TOTAL NON CURRENT ASSETS		339,034	383,727
TOTAL ASSETS		409,621	438,944
LIABILITIES			
Current liabilities			
Trade and other payables	24	12,971	18,241
Interest bearing loans and borrowings	7	-	398,199
Provisions	25	5,249	2,382
Unearned revenue	26	-	278,182
TOTAL CURRENT LIABILITIES		18,220	697,004
Non current liabilities			
Interest bearing loans and borrowings	7	103,883	-
Other Interest bearing loans - CNNC	8	93,330	89,388
Provisions	25	87,427	88,351
TOTAL NON CURRENT LIABILITIES		284,640	177,739
TOTAL LIABILITIES		302,860	874,743
NET ASSETS		**106,761**	**(435,799)**
EQUITY			
Contributed equity	9	2,301,286	2,101,085
Reserves	9	(62,769)	32,436
Accumulated losses		(2,002,644)	(2,464,780)
Parent interests		235,873	(331,259)
Non-controlling interests	30	(129,112)	(104,540)
TOTAL EQUITY		**106,761**	**(435,799)**

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

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

FOR THE YEAR ENDED 30 JUNE 2018
EXPRESSED IN US DOLLARS

	Contributed Equity US$'000 (Note 9)	Reserve US$'000 (Note 9)	Accumulated Losses US$'000	Attributable to Owners of the Parent US$'000	Non-Controlling Interests US$'000 (Note 31)	Total US$'000
Balance at 1 July 2016	**2,101,085**	**49,949**	**(2,023,683)**	**127,351**	**(78,500)**	**48,851**
Transfer of reserves	-	(16,423)	16,688	265	1	266
Loss for the period	-	-	(457,785)	(457,785)	(26,397)	(484,182)
Other comprehensive (loss)/income	-	(1,627)	-	(1,627)	356	(1,271)
Total comprehensive loss)for the year net of tax	-	**(1,627)**	**(457,785)**	(459,412)	(26,041)	(485,453)
Share-based payment	-	537	-	537	-	537
Balance at 30 June 2017	**2,101,085**	**32,436**	**(2,464,780)**	**(331,259)**	**(104,540)**	**(435,799)**
Profit/(Loss) for the period	-	-	367,762	367,762	(24,349)	343,413
Other comprehensive loss	-	(1,498)	-	(1,498)	(223)	(1,721)
Total comprehensive income/ (loss) for the year net of tax	-	**(1,498)**	**367,762**	366,264	(24,572)	341,692
Shares transferred under DOCA	200,201	-	-	200,201	-	200,201
Share-based payment	-	667	-	667	-	667
Convertible bonds settled	-	(94,374)	94,374	-	-	-
Balance at 30 June 2018	**2,301,286**	**(62,769)**	**(2,002,644)**	**235,873**	**(129,112)**	**106,761**

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

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

EXPRESSED IN US DOLLARS

	Notes	2018 US$'000	2017 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		72,615	96,190
Payments to suppliers and employees		(112,101)	(132,890)
Interest received		231	165
Interest paid		(5,922)	(15,417)
Other income		372	39
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	15	**(44,805)**	**(51,913)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Capitalised exploration expenditure		(2,300)	(2,562)
Payments for property, plant and equipment		(1,388)	(9,076)
Proceeds from sale of subsidiary		-	375
Proceeds from sale of tenements		-	1,499
Proceeds from sale of property, plant & equipment		298	933
Proceeds from sale of investments		-	2,609
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**(3,390)**	**(6,222)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from senior secured notes	16	36,921	-
Proceeds from secured revolving credit facility	7	40,000	20,000
Repayment of borrowings		-	(10,424)
NET CASH INFLOW FROM FINANCING ACTIVITIES		**76,921**	**9,576**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**28,276**	**(48,559)**
Unrestricted cash and cash equivalents at the beginning of the financial year		10,492	58,608
Effects of exchange rate changes on cash and cash equivalents		(52)	443
UNRESTRICTED CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	6a	**39,166**	**10,492**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes. Non cash investing and financing activities are disclosed in Note 16.

BASIS OF PREPARATION

NOTE 1. CORPORATE INFORMATION

The Financial Report of Paladin for the year ended 30 June 2018 was authorised for issue by the Directors on 27 August 2018.

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

The Group's principal place of business is Level 4, 502 Hay Street, Subiaco, Western Australia. The nature of the operations and principal activities of the Group are described in the Operating and Financial Review (unaudited) on pages 7 to 16.

NOTE 2. STRUCTURE OF THE FINANCIAL REPORT

The Notes to the Consolidated Financial Statements have been grouped into six key categories, which are summarised as follows:

Basis of Presentation

This section sets out the group's significant accounting policies that relate to the financial statements as a whole. Where an accounting policy is specific to one note, the policy is described in the note to which it relates. Accounting policies determined non-significant are not included in the financial statements. There have been no changes to the Group's accounting policies that are no longer disclosed in the financial statements.

Segment Information

This section compares performance across operating segments.

Capital Structure

This section outlines how the group manages its capital and related financing costs.

Performance for the Year

This section focuses on the results and performance of the group. This covers both profitability and the resultant return to shareholders via earnings per share combined with cash generation.

Operating Assets and Liabilities

This section shows the assets used to generate the group's trading performance and the liabilities incurred as a result. Liabilities relating to the group's financing activities are addressed in the Capital Structure section.

Other Notes

This section deals with the remaining notes that do not fall into any of the other categories.

NOTE 3. BASIS OF PREPARATION

Introduction and Statement of Compliance

The Financial Report is a general purpose Financial Report, which has been prepared in accordance with the requirements of the *Corporations Act 2001,* Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

NOTE 3. BASIS OF PREPARATION (continued)

Introduction and Statement of Compliance (continued)

The Financial Report complies with International Financial Reporting Standards as issued by the International Accounting Standards Board. The Financial Report has also been prepared on a historical cost basis, except for available-for-sale investments, which have been measured at fair value. Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

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

Changes in Accounting Policies

Apart from the changes in accounting policies noted below, the accounting policies adopted are consistent with those disclosed in the Financial Report for the year ended 30 June 2017.

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the report results of the Group.

The Group has adopted all new and amended Australian Accounting Standards and AASB Interpretations effective from 1 July 2017. The nature and impact of each new standard and amendment is described below:

Reference	Title	Impact
AASB 2016-2	**Amendments to Australian Accounting Standards – Disclosure Initiative Amendments to AASB 107** The amendment to AASB 107 introduces additional disclosures that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment requires disclosure of changes arising from: (a) Cash flows, such as drawdowns and repayments of borrowings; and (b) Non-cash changes, such as acquisitions, disposals and unrealised exchange differences.	Additional disclosures in the Annual Report.

NOTE 3. BASIS OF PREPARATION (continued)

Basis of Consolidation

The consolidated financial statements comprise the financial statements of Paladin Energy Ltd and its subsidiaries as at 30 June 2018 (the Group).

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Foreign Currency Translation

Functional and Presentation Currency

Items included in the Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Consolidated Financial Statements are presented in United States dollars (US dollars).

Transactions and Balances

Foreign currency transactions are converted into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement. Translation differences on available-for-sale financial assets are included in the available-for-sale reserve.

NOTE 3. BASIS OF PREPARATION (continued)

Foreign Currency Translation (continued)

Group Companies

Some Group entities have a functional currency of US dollars which is consistent with the Group's presentational currency. For all other Group entities the functional currency has been translated into US dollars for presentation purposes. Assets and liabilities are translated using exchange rates prevailing at the balance date; revenues and expenses are translated using average exchange rates prevailing for the income statement year; and equity transactions are translated at exchange rates prevailing at the dates of transactions. The resulting difference from translation is recognised in a foreign currency translation reserve. Upon the sale of a subsidiary the Functional Currency Translation Reserve (FCTR) attributable to the parent is recycled to the Income Statement.

The functional currency of individual subsidiaries reflects their operating environment.

Significant Accounting Judgements, Estimates and Assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions, that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period, are dealt with elsewhere in the notes.

NOTE 4. GOING CONCERN

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

Excluding the one-off gain on extinguishment of debt of US$483,721,000, the Group incurred a net loss of US$140,308,000 (30 June 2017: loss US$484,182,000) for the year ended 30 June 2018 and a net cash outflow from operating activities of US$44,805,000 (30 June 2017: outflow US$51,913,000). As at 30 June 2018, the Group had a net current asset surplus of US$52,367,000 (30 June 2017: deficit US$641,787,000), including unrestricted cash of US$39,166,000 (30 June 2017: US$10,492,000).

On 1 February 2018, the DOCA was effectuated and a capital restructure was completed. In accordance with the DOCA, 98% of Paladin shares were transferred to certain creditors and other investors in consideration for the Group's debt obligations covered by the DOCA and 2% were retained by shareholders. In addition, an offer for US$115,000,000 senior secured notes resulted in net proceeds of US$36,921,000 following the repayment of the US$60,000,000 Deutsche Bank facility, a US$10,000,000 payment to cash back the KM performance bond due to the Government of Malawi and payments totalling US$8,079,000 for advisors' fees and other costs relating to the capital restructure and issue of the notes.

EdF claimants accepted a proposal whereby all existing claims which EdF have against the Michelin Project will be released and in consideration for the release of these claims, the EdF Claimants will receive a 50% participating interest in the Michelin Project. There will be a farm out over a five year period whereby the EdF Claimants will transfer 5% participating interest in the Michelin Project to Paladin on an annual basis in return for Paladin funding all obligations for the Michelin Project over this period. A loss on disposal of a 50% interest in the Michelin Project of US$13.9M has been recognised.

NOTE 4. GOING CONCERN (continued)

In May 2018, the Company received the consent of relevant stakeholders to place LHM into care and maintenance and LHM stopped presenting ore to the plant. The mine is currently in a run-down phase of up to three months where various stages of the plant will be progressively suspended and cleaned. Once the run-down phase is complete, operations will have been completely suspended and LHM will be on care and maintenance. As a result the Group will no longer have any operating assets and does not generate cash inflows.

During the next twelve months, there are currently no repayment obligations in respect of interest bearing loans and borrowings and the Group has a number of options available to it to obtain sufficient funding to repay the notes by their maturity in 2023. These options include, a combination of: generating sufficient surplus operating cash flows, which are reliant on a restart of its mines, their operating performance and the uranium price amongst other factors; the sale of Group assets; raising new equity; or the refinance of the notes.

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

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

SEGMENT INFORMATION

NOTE 5. SEGMENT INFORMATION

Identification of Reportable Segments

The Company has identified its operating segments to be Exploration, Namibia and Malawi, on the basis of the nature of the activity and geographical location and different regulatory environments. The main segment activity in Namibia(1) and Malawi(2) is the production and sale of uranium from the mines located in these geographic regions. The Exploration(3) segment is focused on developing exploration and evaluation projects in Australia and Canada. Unallocated portion covers the Company’s sales and marketing, treasury, corporate and administration.

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

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

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

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

The Group’s customers are major utilities and other entities located mainly in USA, East Asia and Western Europe. These revenues are attributed to the geographic location of the mines being the reporting segments Namibia and Malawi.

(1) In May 2018, the Company received the consent of relevant stakeholders to place LHM into care and maintenance and LHM stopped presenting ore to the plant.

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

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

NOTE 5. SEGMENT INFORMATION (continued)

The following table's present revenue, expenditure and asset information regarding operating segments for the years ended 30 June 2018 and 30 June 2017.

Year ended 30 June 2018	**Exploration US$'000**	**Namibia US$'000**	**Malawi US$'000**	**Unallocated US$'000**	**Consolidated US$'000**
Sales to external customers	-	72,917	-	-	72,917
Total consolidated revenue	**-**	**72,917**	-	**-**	**72,917**
Cost of sales	-	(88,558)	-	-	(88,558)
Inventory write-down	-	(28,119)	-	-	(28,119)
Gross loss	-	(43,760)	-	-	(43,760)
Other income	-	1,913	356	483,979	486,247
Impairment of exploration assets	(2,300)	-	-	-	(2,300)
Other expenses	-	(7,654)	(5,764)	(3,962)	(17,380)
Restructure costs	-	(2,734)	-	(11,208)	(13,942)
Impairment of assets	-	(5,889)	(44)	-	(5,933)
Change in estimate of mine closure provision	-	-	(10,134)	-	(10,134)
Segment (loss)/profit before income tax and finance costs	(2,300)	(58,124)	(15,586)	468,808	392,798
Finance costs	-	(16,466)	(59)	(32,860)	(49,385)
(Loss)/profit before income tax	(2,300)	(74,590)	(15,645)	435,948	343,413
Income tax expense	-	-	-	-	-
Net (loss)/profit after tax	**(2,300)**	**(74,590)**	**(15,645)**	**435,948**	**343,413**
At 30 June 2018					
Segment assets/total assets	**77,458**	**285,002**	**10,708**(1)	**36,453**(2)	**409,621**

	Australia US$'000	**Canada US$'000**	**Namibia US$'000**	**Other US$'000**	**Consolidated US$'000**
Non current assets (excluding financial instruments) by country	63,635	14,232	261,167	-	339,034

In 2018, the three most significant customers equated on a proportionate basis to 43% (US$31,632,000 Namibia), 18% (US$13,125,000 Namibia) and 18% (US$13,032,020 Namibia) of the Group's total sales revenue.

(1) Includes US$10,058,000 Kayelekera Performance Bond (restricted cash).
(2) Includes US$34,923,000 in cash and cash equivalents.

NOTE 5. SEGMENT INFORMATION (continued)

Year ended 30 June 2017	Exploration US$'000	Namibia US$'000	Malawi US$'000	Unallocated US$'000	Consolidated US$'000
Sales to external customers	-	95,844	-	-	95,844
Total consolidated revenue	**-**	**95,844**	**-**	**-**	**95,844**
Cost of sales	-	(92,765)	-	-	(92,765)
Inventory write-down	-	(38,046)	-	-	(38,046)
Gross loss	-	(34,967)	-	-	(34,967)
Other income	-	-	-	208	208
Gain on disposal of investments	-	-	-	1,667	1,667
Gain on disposal of tenements	766	-	-	-	766
Other expenses	(766)	(12,994)	(6,148)	(2,602)	(22,510)
Restructure costs	-	-	-	(7,506)	(7,506)
Impairment of assets	(244,560)	-	-	-	(244,560)
Segment loss before income tax and finance costs	(244,560)	(47,961)	(6,148)	(8,233)	(306,902)
Finance costs	-	(9,992)	(164)	(131,002)	(141,158)
Loss before income tax	(244,560)	(57,953)	(6,312)	(139,235)	(448,060)
Income tax expense	-	(36,305)	-	(1,067)	(37,372)
Loss after income tax from continuing operations	**(244,560)**	**(94,258)**	**(6,312)**	**(140,302)**	**(485,432)**
Profit after tax from discontinued operations	-	-	-	1,250	1,250
Net loss after tax	**(244,560)**	**(94,258)**	**(6,312)**	**(139,052)**	**(484,182)**
At 30 June 2017 Segment assets/total assets	**93,280**	**332,202**	**981**	**12,481**(1)	**438,944**

	Australia US$'000	Canada US$'000	Namibia US$'000	Other US$'000	Consolidated US$'000
Non current assets (excluding financial instruments) by country	65,189	28,570	289,968	-	383,727

In 2017, the five most significant customers equated on a proportionate basis to 32% (US$30,283,000 Namibia), 13% (US$12,617,000 Namibia), 12% (US$11,091,000 Namibia), 11% (US$10,125,000 Namibia) and 10% (US$9,704,000 Namibia) of the Group's total sales revenue.

(1) Includes US$9,089,000 in cash and cash equivalents.

CAPITAL STRUCTURE

The group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders and to maintain an efficient capital structure to reduce the cost of capital. Capital includes issued capital and all other equity reserves attributable to the equity holders of the parent.

In order to maintain or adjust the capital structure, the group may issue new shares or sell assets to reduce debt.

The group monitors capital on the basis of the level of return on capital and also the level of net cash/debt. The group manages funds on a group basis with all funds being drawn by the parent entity.

NOTE 6a. CASH AND CASH EQUIVALENTS

	2018 US$'000	2017 US$'000
Cash at bank and on hand	1,196	653
Short-term bank deposits	37,970	9,839
Total cash and cash equivalents	**39,166**	**10,492**

NOTE 6b. RESTRICTED CASH

	2018 US$'000	2017 US$'000
Restricted cash at bank	11,072	1,010
Total restricted cash and cash equivalents	**11,072**	**1,010**

Total cash and cash equivalents includes US$11,072,000 (30 June 2017: US$1,010,000) restricted for use in respect of environmental and supplier guarantees provided by LHM and the environmental performance bond at KM.

Recognition and measurement

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates.

NOTE 7. INTEREST BEARING LOANS AND BORROWINGS

	Maturity	2018 US$'000	2017 US$'000
Current			
Secured revolving credit facility[2]	2018	-	19,688
Unsecured convertible bonds[3]	2017	-	220,544
Unsecured convertible bonds[4]	2020	-	157,967
Total current interest bearing loans and borrowings		**-**	**398,199**
Non Current			
Senior secured notes[1]	2023	103,883*	-
Total non current interest bearing loans and borrowings		**103,883**	**-**

* Senior secured notes	2018	2017
Face value of senior secured notes issued	115,000	-
Equity component	(7,475)	-
Liability component on initial recognition	107,525	-
Transaction costs	(9,099)	-
Capitalised interest expense (Note 12)	5,457	
Liability component at 30 June	**103,883**	**-**

Fair value disclosures

Details of the fair value of the Group's interest bearing liabilities are set out in Note 10.

Secured loans and borrowings

(1) On 25 January 2018, as part of the effectuation of the DOCA, the Company issued US$115,000,000 9%/10% payment in kind (PIK) toggle senior secured notes repayable on 25 January 2023. The notes are secured by all-assets (with the main exceptions including: the shares in Summit and Paladin's Canadian subsidiaries that have provided security to the EdF claimants), security granted by the companies and certain other entities in the Group pursuant to various security agreements. Subscribers for the notes received a pro-rata allocation of 25% of the Company's issued shares. The notes are not convertible and are listed on the Singapore Stock Exchange. The underwriters of the notes received 3% of the Company's issued shares.

PIK Interest on the notes accrues at a rate of 10% pa and will be deferred on each interest payment date commencing on 31 March 2018. No additional notes will be issued in respect of such deferred PIK interest. Each amount of deferred PIK interest also bears interest at the rate of 10% pa from and including the date on which the payment was deferred. However Paladin shall be required to pay cash interest (rather than PIK interest) at a rate of 9% per annum if (a) the operating cash flows (determined in accordance with IFRS) minus maintenance capital expenditure of Paladin and its subsidiaries (on an attributable basis) for the half-year immediately preceding such interest payment date is no less than US$5,000,000 and (b) Paladin and its subsidiaries (on a consolidated basis) have, after giving pro forma effect to such cash interest payment, no less than US$50,000,000 of cash and cash equivalents (net of restricted cash) as of the last day falling 15 calendar days before the relevant interest payment date.

Paladin may also elect to pay cash interest at a rate of 9% pa on each payment date commencing from 31 March 2018 for interest due in respect of any interest period except for the final interest period, with respect to 25%, 50%, 75% or 100% of the applicable interest payment (with the relevant balance being deferred PIK interest), even if Paladin is not required to pay cash interest. All amounts of deferred PIK interest (and any interest accrued thereon) is due and payable (in cash) when the notes are redeemed.

NOTE 7. INTEREST BEARING LOANS AND BORROWINGS (continued)

Secured loans and borrowings (continued)

(2) In June 2016, LHM entered into a US$25,000,000 24-month Revolving Credit Facility, which was subsequently reduced to US$20,000,000 in September 2016. The provider of the Revolving Credit Facility was Nedbank Limited (Nedbank), through its UK registered subsidiary, N.B.S.A. Limited. At 30 June 2017 the Company had drawn US$20,000,000 under this facility. The facility was repayable on 9 June 2018 and bore interest at LIBOR plus 5.17%.

On 21 July 2017, Paladin entered into agreements with Deutsche Bank to refinance the Nedbank Revolving Credit Facility and fund working capital for LHM and the Paladin Group. Under the agreements Deutsche Bank acquired the existing Nedbank Revolving Credit Facility and increased the size of the facility from US$20,000,000 to US$60,000,000. Under the terms of the Deutsche Bank Facility, LHM drew down US$45,000,000 for its working capital (including the US$20,000,000 already drawn) and Paladin and Paladin Finance Pty Ltd (PFPL) drew down US$15,000,000.

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

On 1 February 2018, as part of the effectuation of the DOCA, approximately US$60,000,000 of the cash raised from the issue of senior secured notes was used to acquire the Deutsche Bank Facility.

Unsecured loans and borrowings

(3) On 30 April 2012, the Company issued US$274,000,000 in convertible bonds with a coupon rate of 6% (underlying effective interest rate of 10.68%) maturing on 30 April 2017 with a conversion price of US$1.83 for Company shares. During the year ended 30 June 2016, the Company repurchased a principal amount of US$62,000,000 thereby reducing the principal amount outstanding to US$212,000,000. The cash expenditure for the repurchase was approximately US$57,500,000 (including accrued interest) as the bonds were bought back at an average price of 91.0 per cent. On 1 February 2018, as part of the effectuation of the DOCA, the existing Bondholders and other creditors received 70% of all existing Company shares, as part of a debt for equity swap, pro rata to the value of their claims.

(4) On 31 March 2015, the Company issued US$150,000,000 in convertible bonds with a coupon rate of 7% (underlying effective interest rate of 12.37%) maturing on 31 March 2020 with a conversion price of US$0.356 for Company shares. On 1 February 2018, as part of the effectuation of the DOCA, the existing Bondholders and other creditors received 70% of all existing Company shares, as part of a debt for equity swap, pro rata to the value of their claims.

NOTE 7. INTEREST BEARING LOANS AND BORROWINGS (continued)

Recognition and measurement

Bank loan borrowings are initially recognised at fair value, net of transaction costs incurred. Bank loan borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

The component of secured notes and convertible bonds that exhibits characteristics of debt is recognised as a liability in the Statement of Financial Position, net of transaction costs. On issue of secured notes and convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds is allocated to the equity component and is recognised in shareholders' equity. The carrying amount of the equity component is not remeasured in subsequent years.

Financing facilities available

At reporting date, the following financing facilities had been negotiated and were available:

	2018 US$'000	2017 US$'000
Total facilities:		
Secured revolving credit facility	-	20,000
	-	20,000
Facilities used at reporting date:		
Secured revolving credit facility	-	20,000
	-	20,000
Facilities unused at reporting date:		
Senior secured notes	-	-
Unsecured convertible bonds	-	-
Secured revolving credit facility	-	-

NOTE 8. OTHER INTEREST BEARING LOANS - CNNC

Non Current	Maturity	30 June 2018 US$'000	30 June 2017 US$'000
LHM's loans from CNNC	2018 to 2020	**93,330**	**89,388**

The increase in the loan balance during FY2018 is as a result of accrued interest.

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

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

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

On consolidation, PFPL's 75% share of the LHM intercompany shareholder loans are eliminated against the intercompany shareholder loans receivable recorded in PFPL and therefore, they do not appear on Paladin's consolidated statement of financial position. As a result of the consolidation of 100% of LHM's assets and liabilities, LHM's total liability of US$93,330,000 to CNNC is recognised on the consolidated statement of financial position.

NOTE 9. CONTRIBUTED EQUITY AND RESERVES

Issued and Paid Up Capital

	Number of Shares			
	2018	2017	2018 US$'000	2017 US$'000
Ordinary shares				
Issued and fully paid	1,712,843,812	1,712,843,812	2,301,286	2,101,085

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Recognition and measurement

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Movements in Ordinary Shares on Issue

Date	Number of Shares	Total US$'000
Balance at 1 July 2016	**1,712,843,812**	**2,101,085**
Balance at 30 June 2017	**1,712,843,812**	**2,101,085**
Shares transferred under DOCA [(1)]		200,201
Balance at 30 June 2018	**1,712,843,812**	**2,301,286**

On 1 February 2018, as part of the effectuation of the DOCA, the existing bondholders, certain creditors, noteholders and underwriters of the new senior secured notes received 98% of all existing Company shares pro rata to the value of their claims, subscriptions and underwriting of the new senior secured notes.

[(1)] <u>Shares transferred under DOCA</u>

Fair value of Paladin shares transferred to creditors	185,465
Fair value of Paladin shares transferred to underwriters	7,893
Equity component of US$115M secured notes	7,475
US$115M secured notes funding costs allocated to equity	(632)
Total	**200,201**

NOTE 9. CONTRIBUTED EQUITY AND RESERVES (continued)

Reserves	Consolidation reserve US$'000	Listed option application reserve US$'000	Share-based payments reserve US$'000	Available-for-sale reserve US$'000	Foreign currency translation reserve US$'000	Convertible bond non-distributable reserve US$'000	Premium on acquisition reserve US$'000	Total US$'000
Balance at 1 July 2016	**48,319**	**137**	**46,722**	**(4,673)**	**(149,846)**	**94,374**	**14,916**	**49,949**
Transfer of reserves	-	-	-	4,576	(20,999)	-	-	(16,423)
Net unrealised movement on available-for-sale investments	-	-	-	993	-	-	-	993
Share-based payments	-	-	537	-	-	-	-	537
Foreign currency translation	-	-	-	-	(1,724)	-	-	(1,724)
Transfer of realised gains to Income Statement (net of tax)	-	-	-	(896)	-	-	-	(896)
Balance at 30 June 2017	**48,319**	**137**	**47,259**	**-**	**(172,569)**	**94,374**	**14,916**	**32,436**
Convertible bonds settled through DOCA implementation	-	-	-	-	-	(94,374)	-	(94,374)
Share-based payments	-	-	667	-	-	-	-	667
Foreign currency translation	-	-	-	-	(1,498)	-	-	(1,498)
Balance at 30 June 2018	**48,319**	**137**	**47,926**	**-**	**(174,067)**	**-**	**14,916**	**(62,769)**

NOTE 9. CONTRIBUTED EQUITY AND RESERVES (continued)

Nature and Purpose of Reserves

Consolidation reserve

This reserve recognises the difference between the fair value of the 15% interest in PAL allotted to the Government of Malawi, at the net present value of the Kayelekera Project on the date the Development Agreement was signed (22 February 2007), and the non-controlling interest in the net assets of PAL. It also recognises the excess of the proceeds received over the 25% interest in net assets of Langer Heinrich Mauritius Holdings limited and Langer Heinrich Uranium (Pty) Ltd disposed of to China Uranium Corporation Limited, a subsidiary of China National Nuclear Corporation, on 28 June 2014 under the Share Sale Agreement dated 18 January 2014.

Listed option application reserve

This reserve consists of proceeds from the issue of listed options, net of expenses of issue. These listed options expired unexercised and no restriction exists for the distribution of this reserve.

Share-based payments reserve

This reserve is used to record the value of equity benefits provided to Directors, employees and consultants as part of their remuneration.

Available-for-sale reserve

This reserve records the fair value changes on the available-for-sale financial assets.

Foreign currency translation reserve

This reserve is used to record exchange differences arising on translation of the group entities that do not have a functional currency of US dollars and have been translated into US dollars for presentation purposes, as described in Note 3.

Convertible bond non-distributable reserve

This reserve records the equity portion of the convertible bonds issued as described in Note 7.

Premium on acquisition reserve

This reserve represents the premium paid on the acquisition of a non-controlling interest in Summit.

NOTE 10. FINANCIAL RISK MANAGEMENT

Financial Risk Management Objectives and Policies

The Group's management of financial risk is aimed at ensuring net cash flows are sufficient to:

- Meet all its financial commitments; and
- Maintain the capacity to fund corporate growth activities.

The Group monitors its forecast financial position on a regular basis.

Market, liquidity and credit risk (including foreign exchange, commodity price and interest rate risk) arise in the normal course of the Group's business. These risks are managed under Board approved directives which underpin treasury practices and processes. The Group's principal financial instruments comprise interest bearing debt, cash and short-term deposits and available for sale financial assets. Other financial instruments include trade receivables and trade payables, which arise directly from operations.

The Group's forecast financial risk position with respect to key financial objectives and compliance with treasury practice is regularly reported to the Board.

Market Risk

<u>Foreign Exchange Risk</u>

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures.

Foreign exchange risk arises from future commitments, assets and liabilities that are denominated in a currency that is not the functional currency of the relevant Group company.

The Group's borrowings and deposits are largely denominated in US dollars. Currently there are no foreign exchange hedge programmes in place. However, the Group treasury function manages the purchase of foreign currency to meet operational requirements.

The financial instruments exposed to movements in the Namibian dollar are as follows:

	2018 US$'000	2017 US$'000
Financial assets		
Cash and cash equivalents	2,185	2,164
Trade and other receivables	6,498	12,779
	8,683	14,943
Financial liabilities		
Trade and other payables	(8,952)	(13,806)
Net exposure	(269)	1,137

Based on the Group's net exposure at the balance date, a reasonably possible change in the exchange rate would not have a material impact on profit or equity.

NOTE 10. FINANCIAL RISK MANAGEMENT (continued)

Market Risk (continued)

Interest Rate Risk

Interest rate risk is the risk that the Group's financial position will be adversely affected by movements in interest rates that will increase the cost of floating rate debt or opportunity losses that may arise on fixed rate borrowings in a falling interest rate environment. Interest rate risk on cash and short-term deposits is not considered to be a material risk due to the short-term nature of these financial instruments.

The Group's main interest rate risk arises from long-term debt. Floating rate debt exposes the Group to cash flow interest rate risk and fixed rate debt exposes the Group to fair value interest rate risk. All other financial assets and liabilities in the form of receivables, investments in shares, payables and provisions, are non-interest bearing.

The Group currently does not engage in any hedging or derivative transactions to manage interest rate risk.

The floating rate financial instruments exposed to interest rate movements are as follows:

	2018 US$'000	2017 US$'000
Financial assets		
Cash and cash equivalents – short-term deposits	39,166	10,492
Restricted cash	11,072	1,010
	50,238	**11,502**
Financial liabilities		
Interest-bearing liabilities	(93,330)	(109,076)
Net exposure	(43,092)	(97,574)

Based on the Group's net exposure at the balance date, a reasonably possible change in LIBOR would not have a material impact on profit or equity.

Liquidity Risk

The liquidity position of the Group is managed to ensure sufficient liquid funds are available to meet the Group's financial commitments in a timely and cost effective manner.

The Group treasury function continually reviews the Group's liquidity position including cash flow forecasts to determine the forecast liquidity position and maintain appropriate liquidity levels. Sensitivity analysis is conducted on a range of pricing and market assumptions to ensure the Group has the ability to meet repayment commitments. This enables the Group to manage cash flows on a long-term basis and provides the flexibility to pursue a range of funding alternatives if necessary. Note 7 details the repayment obligations in respect of the amount of the facilities.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

EXPRESSED IN US DOLLARS

NOTE 10. FINANCIAL RISK MANAGEMENT (continued)

The maturity profile of the Group's payables based on contractual undiscounted payments is as follows:

Payables maturity analysis

	Total	<1 year	1-2 years	2-3 years	>3 years
2018	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Trade and other payables	12,971	12,971	-	-	-
Loans and borrowings	115,000	-	-	-	115,000
Deferred interest[(1)]	4,856	-	-	-	4,856
LHM's loans from CNNC - principal	80,928	-	-	-	80,928
Interest payable on CNNC loans[(1)]	12,402	-	-	-	12,402
Total payables	**226,157**	**12,971**	**-**	**-**	**213,186**

[(1)] Interest is not payable unless cash flows permit as disclosed in Note 7.

2017	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Trade and other payables	18,241	18,241	-	-	-
Loans and borrowings	382,000	382,000	-	-	-
Deferred interest	19,071	19,071	-	-	-
LHM's loans from CNNC - principal	80,928	-	-	-	80,928
Interest payable on CNNC loans	8,460	-	-	-	8,460
Total payables	**508,700**	**419,312**	**-**	**-**	**89,388**

Credit Risk

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

The maximum exposure to credit risk at the reporting date was a total of US$58,733,000 (2017 US$25,630,000), comprising cash and receivables.

	2018 US$'000	2017 US$'000
Current		
Cash and cash equivalents*	39,166	10,492
Restricted cash	11,072	1,010
Trade receivables	976	674
Other receivables – other entities	7,145	13,070
	58,359	25,246
Non Current		
Other receivables – other entities	374	384
Total	58,733	25,630

* The Group's maximum deposit with a single financial institution represents 68% (2017: 69%) of cash and cash equivalents. This financial institution has a credit rating of Aa3 (2017: Aa3).

NOTE 10. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk (continued)

	Receivables ageing analysis		
	Total	**Current**	**>1 year**
2018	**US$'000**	**US$'000**	**US$'000**
Trade receivables	976	976	-
Other receivables	7,519	7,145	374
Total receivables	8,495	8,121	374

	Total	**Current**	**>1 year**
2017	**US$'000**	**US$'000**	**US$'000**
Trade receivables	674	674	-
Other receivables	13,454	13,070	384
Total receivables	14,128	13,744	384

No receivables are impaired.

Fair Values

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values as at 30 June 2018:

	2018		2017	
	Carrying amount US$'000	**Fair value US$'000**	**Carrying amount US$'000**	**Fair value US$'000**
Financial liabilities				
Interest bearing loans and borrowings:				
- Secured revolving credit facility	-	-	19,688(1)	19,688
- Liability component of unsecured convertible bonds	-	-	378,511	259,173
Total current	-	-	398,199	278,861
Interest bearing loans and borrowings				
- Senior secured notes	103,883	103,751	-	-
Total non-current	103,883	103,751	-	-
Total	103,883	103,751	398,199	278,861

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

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

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

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

NOTE 10. FINANCIAL RISK MANAGEMENT (continued)

Fair Values (continued)

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

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

	Year ended 30 June 2018				Year ended 30 June 2017			
	(Level 1) US$'000	(Level 2) US$'000	(Level 3) US$'000	Total US$'000	(Level 1) US$'000	(Level 2) US$'000	(Level 3) US$'000	Total US$'000
Financial assets measured at fair value								
Available-for-sale investments								
Listed investments	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Financial liabilities for which fair values are disclosed								
Interest bearing loans and borrowings								
Liability component of convertible bonds [(1)]	-	-	-	-	278,861	-	-	278,861
US$115M senior secured notes [(1)]	103,751	-	-	103,751	-	-	-	-
	103,751	-	-	103,751	278,861	-	-	278,861

[(1)] The fair value has been determined using a valuation technique based on the quoted market price of the bonds or notes less the estimated fair value.

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

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

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

Capital Management

When managing capital, management's objective is to ensure adequate cash resources to meet the Company's commitments are maintained, as well as to maintain optimal returns to shareholders through ensuring the lowest cost of capital available to the entity.

NOTE 10. FINANCIAL RISK MANAGEMENT (continued)

Capital Management (continued)

The Company utilises a combination of debt and equity to provide the cash resources required. Management reviews the capital structure from time to time as appropriate.

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

Group treasury monitors compliance with various restrictions and undertakings associated with the US$115M senior secured notes. At the time of reporting, the Company was in compliance with all of the facility's terms and conditions.

	2018 US$'000	2017 US$'000
Debt (face value plus accrued interest) [1]	119,856	676,693
Less cash and cash equivalents	(39,166)	(10,492)
Net debt	**80,739**	**666,201**
Total equity	106,761	(435,799)
Total Capital	**187,500**	**230,402**
Gearing Ratio	43%	289%

[1] Includes EdF prepayment amount but excludes LHM's loans from CNNC that were assigned by PFPL to CNNC and form part of CNNC's 25% interest in LHM as the Group views these as shareholder loans to LHM.

PERFORMANCE FOR THE YEAR

NOTE 11. REVENUE

	2018 US$'000	2017 US$'000
Sale of uranium	72,917	95,844
Total	**72,917**	**95,844**

Recognition and Measurement

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of duties and taxes paid. Revenue from sale of uranium is recognised when risk and reward of ownership pass, which is when title of the product passes from the Group pursuant to an enforceable contract, when selling prices are known or can be reasonably estimated and when the product is in a form that requires no further treatment by the Group.

NOTE 12. INCOME AND EXPENSES

	2018 US$'000	2017 US$'000
Cost of Sales		
Cost of production	(71,845)	(78,476)
Depreciation and amortisation	(19,061)	(15,209)
Product distribution costs	(2,358)	(3,999)
Royalties	(2,280)	(3,054)
Other	(187)	(121)
Inventory movement	7,173	8,094
Total	**(88,558)**	**(92,765)**
Other Income		
Interest income	286	204
Gain on disposal of investments	-	1,667
Gain on disposal of tenements	-	766
Gain on disposal of assets	13	4
Sundry Income	362	-
Gain on extinguishment of debt[(1)]	483,721	-
Foreign exchange gain (net)	1,865	-
Total	**486,247**	**2,641**
[(1)] Gain on extinguishment of debt		
Fair value of Paladin shares transferred to creditors	(185,465)	-
Carrying value of EdF creditor	290,344	-
Carrying value of convertible bonds	392,726	-
Loss of 50% interest in Michelin Project to EdF claimants	(13,884)	-
Total	**483,721**	**-**

NOTE 12. INCOME AND EXPENSES (continued)

	2018 US$'000	2017 US$'000
Administration, Marketing and Non-Production Costs		
Corporate and marketing	(3,111)	(3,064)
Corporate restructure costs	(11,208)	(7,506)
LHM mine site	(4,713)	(2,514)
LHM restructure costs	(5,970)	-
Canada site	(35)	(23)
Depreciation and amortisation	(70)	(63)
Other	(460)	(355)
Total	**(25,567)**	**(13,525)**
Impairment of exploration assets	(2,300)	(243,831)

Impairments of US$2,300,000 (2017: US$243,831,000) were recognised in 2018. The exploration and evaluation assets were written down at 30 June 2017 after considering the valuation determined by an independent expert.

	2018 US$'000	2017 US$'000
Other Expenses		
Impairment of assets[1]	-	(48)
LHM & KM stores & consumables obsolescence write off	(5,933)	(21)
KM care and maintenance expenses	(5,755)	(6,178)
Foreign exchange loss (net)	-	(10,244)
Change in estimate of KM mine closure provision	(10,134)	-
Total	**(21,822)**	**(16,491)**

(1) In 2017 the Company made a decision to sell its property at 9 Clarke St, Mt Isa and on 17 June 2017 a contract was signed. The sale was completed and monies were received on 2 August 2017.

	2018 US$'000	2017 US$'000
Finance Costs		
Interest expense:		
Deutsche Bank facility	(10,006)	(1,980)
Convertible bonds	(19,071)	(52,820)
Senior Secured Notes	(601)	-
LHM's loans from CNNC	(3,942)	(3,114)
Accretion expense relating to unearned revenue	(12,162)	(78,182)
Mine closure provision accretion expense	(3,603)	(5,062)
Total	**(49,385)**	**(141,158)**
Total depreciation and amortisation expense	(19,131)	(15,272)

Recognition and Measurement

Borrowing Costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed as incurred including the unwinding of discounts related to mine closure provisions. When relevant, the capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year.

NOTE 12. INCOME AND EXPENSES (continued)

	2018 US$'000	2017 US$'000
Profit after tax from discontinued operations		
Reclassification of foreign currency translation reserve	-	875
Gain on disposal of subsidiary	-	375
Total	**-**	**1,250**

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

	2018 US$'000	2017 US$'000
Employee Benefits Expense		
Wages and salaries	(17,130)	(18,056)
Defined contribution superannuation	(1,646)	(1,624)
Share-based payments	(667)	(469)
Other employee benefits	(4,321)	(1,799)
Total	**(23,764)**	**(21,948)**

Recognition and Measurement

Superannuation

The Company contributes to employees' superannuation plans in accordance with the requirements of Occupational Superannuation Legislation. Contributions by the Company represent a defined percentage of each employee's salary. Employee contributions are voluntary.

Details of the Employee Performance Share Rights Plan for the Company are disclosed in the Remuneration Report.

NOTE 13. INCOME AND OTHER TAXES

	2018 US$'000	2017 US$'000
Income Tax Expense		
Current income tax		
Current income tax expense	-	-
Deferred income tax		
Related to the origination and reversal of temporary differences	-	(37,372)
Income tax expense reported in the Income Statement	-	(37,372)
Amounts Charged or Credited Directly to Equity		
Deferred income tax related to items charged or credited directly to equity:		
Foreign currency translation reserve movement	-	-
Other and prior period	-	-
Income tax benefit reported in equity	-	-
Numerical Reconciliation of Income Tax Benefit to Prima Facie Tax Payable		
Profit/(loss) before income tax expense	343,413	(448,060)
Tax at the Australian tax rate of 30% (2017– 30%)	(103,024)	134,418
Difference in overseas tax rates	5,378	(2,143)
Non-deductible items	(867)	3,004
Under/over prior year adjustment	-	478
Tax losses utilised	107,748	-
Deferred tax assets on losses not recognised	(9,235)	(173,129)
Income tax expense reported in the income statement	-	(37,372)
Tax Losses		
Australian unused tax losses for which no deferred tax asset has been recognised	(52,932)	(412,092)
Other unused tax losses for which no deferred tax asset has been recognised	(599,173)	(490,910)
Total unused tax losses for which no deferred tax asset has been recognised	(652,105)	(903,002)

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2018

EXPRESSED IN US DOLLARS

NOTE 13. INCOME AND OTHER TAXES (continued)

	2018 US$'000	2017 US$'000
Deferred Income Tax		
Deferred tax liabilities		
Accelerated prepayment deduction for tax purposes	(347)	(471)
Accelerated depreciation for tax purposes	(84,356)	(90,593)
Foreign currency balances	(40,647)	-
Exploration expenditure	(12,412)	(12,403)
Inventory / Consumables	(1,978)	(4,519)
Gross deferred tax liabilities	(139,740)	(107,986)
Set off of deferred tax assets	139,740	107,986
Net deferred tax liabilities	-	-
Deferred tax assets		
Revenue losses available for offset against future taxable income	141,903	122,625
Foreign currency balances	-	64,039
Interest bearing liabilities	625	24,053
Deferred tax assets not recognised	(5,988)	(107,901)
Other	3,200	2,799
Gross deferred tax assets	139,740	105,615
Set off against deferred tax liabilities	(139,740)	(105,615)
Net deferred tax assets recognised	-	-

Paladin and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian tax law.

The net deferred tax assets recognised are in respect of revenue losses expected to be offset against future taxable income.

This benefit for tax losses will only be obtained if:

(1) the Consolidated Entities derive future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;

(2) the Consolidated Entities continue to comply with the conditions for deductibility imposed by tax legislation; and

(3) no changes in tax legislation adversely affect the Consolidated Entities in realising the benefit from the deductions for the losses.

Recognition and Measurement

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to integration and establishes provisions where appropriate.

NOTE 13. INCOME AND OTHER TAXES (continued)

Recognition and Measurement (continued)

Deferred tax assets and liabilities are recognised using the full liability method for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity. Deferred tax assets and liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Significant Accounting Estimates and Assumptions

Deferred Tax Assets and Liabilities

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining deferred tax assets and liabilities. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

NOTE 14. EARNINGS PER SHARE

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2018 US$'000	2017 US$'000
Net profit/(loss) attributable to ordinary equity holders of the Parent from continuing operations	367,762	(457,785)
	2018 Number of Shares	**2017 Number of Shares**
Weighted average number of ordinary shares used in calculation of basic earnings per share	1,712,843,812	1,712,843,812
Weighted average number of ordinary shares used in calculation for diluted earnings per share	1,713,066,904	1,712,843,812
Total number of securities not included in weighted average calculation due to their antidilutive nature in the current period, that could potentially dilute basic earnings per share in the future	-	549,806,310

Recognition and Measurement

Basic Earnings Per Share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted Earnings Per Share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares. Diluted earnings per share is the same as basic earnings per share in 2018 and 2017 as the number of potentially dilutive shares does not change the result of earnings per share.

NOTE 15. RECONCILIATION OF EARNINGS AFTER INCOME TAX TO NET CASH FLOW FROM OPERATING ACTVITIES

Reconciliation of Net Profit/(Loss) After Tax to Net Cash Flows Used in Operating Activities	**2018 US$'000**	**2017 US$'000**
Net profit/(loss)	343,413	(484,182)
Adjustments for		
Depreciation and amortisation	19,131	15,272
Gain on disposal in investments	-	(1,667)
Gain on Sale of Subsidiary	-	(375)
Gain on Sale of Tenements	-	(766)
Sundry income	3	-
Gain on disposal of property, plant and equipment	(13)	(4)
Gain from discontinued operations	-	(875)
Net exchange differences	(1,865)	10,244
Share-based payments	667	469
Non-cash financing costs	16,307	112,348
Inventory write-down	34,052	38,069
Asset impairments	12,434	244,608
Gain on extinguishment of debt	(483,721)	-
Changes in assets and liabilities		
Decrease/(increase) in prepayments	839	(801)
Decrease/(increase) in trade and other receivables	5,633	(685)
Increase in trade and other payables	22,794	8,412
Increase in provisions	2,834	188
Increase in inventories	(17,313)	(29,540)
Decrease in tax reserves	-	1,067
Decrease in deferred tax assets	-	36,305
Net cash flows used in operating activities	(44,805)	(51,913)

NOTE 16. NON CASH INVESTING AND FINANCING ACTIVITIES

The non-cash elements of the issuance of the senior secured notes are reconciled below:

Issue of US$115M Senior Secured Notes	**2018 US$'000**	**2017 US$'000**
US$115M senior secured notes	115,000	-
Repayment of Deutsche Bank Facility	(60,000)	-
Deutsche Bank interest and costs	(3,834)	-
Restructure costs	(4,245)	-
Nedbank KM environmental performance bond	(10,000)	-
Net cash proceeds received	**36,921**	**-**

Refer to Note 12 for non-cash financing activities relating to the effectuation of the DOCA which resulted in a gain on extinguishment of debt.

OPERATING ASSETS AND LIABILITIES

NOTE 17. TRADE AND OTHER RECEIVABLES

	Notes	2018 US$'000	2017 US$'000
Current			
Trade receivables	(a)	976	674
GST and VAT	(b)	5,537	12,164
Sundry debtors		1,606	897
Interest receivable		2	9
Total current receivables		**8,121**	**13,744**

(a) Trade receivables are non-interest bearing and are generally on 30 day terms. Carrying value approximates fair value due to the short-term nature of the receivables. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired. No allowance has been recognised for the current year or the previous year.

(b) GST and VAT receivables relates to amounts due from Governments in Australia, Namibia, Malawi, the Netherlands and Canada.

	2018 US$'000	2017 US$'000
Non Current		
Sundry debtors	374	384
Total non current receivables	**374**	**384**

Recognition and Measurement

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance date which are classified as non current assets.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the group will not be able to collect the debt. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment.

NOTE 18. INVENTORIES

	2018 US$'000	2017 US$'000
Current		
Stores and consumables (at cost – refer below)	4,933	9,183
Work in progress (net realisable value)	232	4,840
Finished goods (net realisable value)	5,552	13,433
Total current inventories at the lower of cost and net realisable value	**10,717**	**27,456**

Inventory Expense

Inventories sold recognised as an expense for the year ended 30 June 2018 totalled US$88,558,000 (2017: US$92,765,000) for the Group.

Write-down of Inventories

During 2018, the carrying value of inventories held was reduced to net realisable value resulting in an inventory write-down of US$28,119,000 (2017: US$38,046,000) for the year. The write-down of inventories includes:

a. Write-down of ore stockpiles of US$8,457,000 (2017: US$20,933,000) due to continued low expected uranium prices.
b. Write-down of product-in-circuit of US$6,657,000 (2017: US$8,709,000) due to continued low expected uranium prices.
c. Write-down of finished product of US$13,005,000 (2017: US$8,404,000) due to continued low expected uranium prices.

During 2018 stores and consumables held at LHM and KM were written down by US$5,933,000 (2017: US$21,000) due to expected obsolescence as a result of being placed on care and maintenance.

Recognition and Measurement

Consumable stores inventory are valued at the lower of cost and net realisable value using the weighted average cost method, after appropriate allowances for redundant and slow moving items.

Finished goods and work in progress inventory are valued at the lower of cost and net realisable value using the weighted average cost method. Cost is derived on an absorption costing basis, including both fixed and variable production costs and attributable overheads incurred up to the delivery point where legal title to the product passes. No accounting value is attributed to stockpiles containing ore at less than the cut-off grade.

The costs of production include labour costs, materials and contractor expenses which are directly attributable to the extraction and processing of ore (including any recognised expense of stripping costs); the depreciation of property, plant and equipment used in the extraction and processing of ore; and production overheads.

Significant Estimates and Assumptions

Net Realisable Value of Inventories

The Group reviews the carrying value of inventories regularly to ensure that their cost does not exceed net realisable value. In determining net realisable value various factors are taken into account, including sales prices and costs to complete inventories to their final form.

NOTE 19. ASSETS CLASSIFIED AS HELD FOR SALE

	2018 US$'000	2017 US$'000
Plant and equipment	-	165
Total assets classified as held for sale	**-**	**165**

At 30 June 2017, the Company made a decision to sell its property at 9 Clarke St, Mt Isa and on 17 June 2017 a contract was signed. The sale was completed and monies were received on 2 August 2017. An impairment expense of US$49,000 has been recorded in Property, Plant and Equipment.

NOTE 20. PROPERTY, PLANT AND EQUIPMENT

	2018 US$'000	2017 US$'000
Plant and equipment – at cost	716,919	713,321
Less accumulated depreciation and impairment	(499,420)	(485,801)
Net carrying value plant and equipment	217,499	227,520
Land and buildings - at cost	9,958	10,052
Less accumulated depreciation and impairment	(4,323)	(4,013)
Net carrying value land and buildings	5,635	6,039
Construction work in progress – at cost	852	10,738
Less impairment	-	-
Net carrying value construction work in progress	852	10,738
Net carrying value property, plant and equipment	**223,986**	**244,297**

Property, Plant and Equipment Pledged as Security for Liabilities

Refer to Note 7 for information on property, plant and equipment pledged as security.

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the year are set out below:

	Total US$'000	Plant and Equipment US$'000	Land and Buildings US$'000	Construction Work in Progress US$'000
2018				
Net carrying value at start of year	244,297	227,520	6,039	10,738
Additions	1,388	15	-	1,373
Depreciation and amortisation expense	(14,599)	(14,219)	(380)	-
Reclassification of assets	-	4,285	-	(4,285)
Reclassification to mine development	(6,584)	-	-	(6,584)
Adjustment	(489)	(99)	-	(390)
Foreign currency translation	(27)	(3)	(24)	-
Net carrying value at end of year	223,986	217,499	5,635	852
2017				
Net carrying value at start of year	256,754	247,844	6,576	2,334
Additions	9,092	30	-	9,062
Depreciation and amortisation expense	(12,736)	(12,368)	(368)	-
Reclassification of assets	-	647	11	(658)
Reclassification to assets held for sale	(165)	-	(165)	-
Adjustment [(1)]	(8,633)	(8,633)	-	-
Impairment of assets	(48)	-	(48)	-
Foreign currency translation	33	-	33	-
Net carrying value at end of year	244,297	227,520	6,039	10,738

[(1)] Reduction of $8,633,000 to previously capitalised costs due to the settlement of the litigation relating to Stage 3 expansion at LHM.

NOTE 20. PROPERTY, PLANT AND EQUIPMENT (continued)

Recognition and Measurement

All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

Property, plant and equipment costs include both the costs associated with construction of equipment associated with establishment of an operating mine, and the estimated costs of dismantling and removing the asset and restoring the site on which it is located.

Land is not depreciated. Depreciation on other assets is calculated using either the unit of production basis or the straight line method to allocate their cost amount, net of their residual values, over their estimated useful lives, as follows:

- Buildings — 20 years
- Databases — 10 years
- Plant and equipment — 2-6 years
- Leasehold improvements — period of lease
- Mine plant and equipment — lesser of life of asset and unit of production basis

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the Income Statement.

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Significant Estimates and Assumptions

Impairment of Property, Plant and Equipment; Mine Development and Intangibles

Property, plant and equipment; mine development and intangibles are tested for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

The Group conducts an internal review of asset values at each reporting date, which is used as a source of information to assess for any indicators of impairment. Factors, such as changes in uranium prices, production performance and mining and processing costs are monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset’s recoverable amount is calculated.

NOTE 20. PROPERTY, PLANT AND EQUIPMENT (continued)

Significant Estimates and Assumptions (continued)

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating unit or CGU).

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

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

At 30 June 2018, the Company has used a discounted cash flow (DCF) analysis under the FVLCD approach to assess the recoverable value of the mine.

The following key assumptions were used in the DCF valuation of LHM:

- Future production based on a range of life of mine (LOM) scenarios, including potential optimisation of the plant.
- Uranium price forecasts 2018 to 2022 (nominal) ranging from US$26/lb to US$42/lb.
- Long term uranium price forecast (real) of US$47/lb.
- Average future cost of production ranging from US$22/lb to US$34/lb based on a range of LOM scenarios.
- Discount rate (nominal post tax) applied to cash flow projections of 14.8%.

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

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

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

The current carrying value of the LHM CGU is US$225,559,000. The Company has assessed the carrying value of the LHM CGU in light of the continued low spot price of uranium and the decision to place LHM into C&M. After determining the fair value of LHM using discounted cash flow analysis and also considering recent independent expert valuations of LHM, the Company has determined that the recoverable amount of the LHM CGU exceeds its carrying value and therefore no impairment of the LHM CGU has been recognised at 30 June 2018.

NOTE 21. MINE DEVELOPMENT

	2018 US$'000	2017 US$'000
Mine development – at cost	220,067	213,487
Less accumulated depreciation and impairment	(191,925)	(177,091)
Net carrying value – mine development	**28,142**	**36,396**
Net carrying value at start of year	36,396	39,781
Depreciation and amortisation expense	(3,927)	(2,456)
Reclassification from property, plant and equipment	6,584	-
Adjustment to base amount of mine rehabilitation	(10,911)	-
Disposals	-	(929)
Net carrying value at end of year	28,142	36,396

Recognition and Measurement

Mine development

Pre-production costs are deferred as development costs until such time as the asset is capable of being operated in a manner intended by management and depreciated on a units of production basis. Post-production costs are recognised as a cost of production.

Stripping (waste removal) costs

As part of its mining operations, the Group incurs stripping (waste removal) costs both during the development phase and production phase of its operations. Stripping costs incurred in the development phase of a mine, before the production phase commences (development stripping), are capitalised as part of the cost of constructing the mine and subsequently amortised over its useful life using a units-of-production method. The capitalisation of development stripping costs ceases when the mine/component is commissioned and ready for use as intended by management.

Stripping activities undertaken during the production phase of a surface mine (production stripping) are accounted for as set out below. After the commencement of production, further development of the mine may require a phase of stripping that is similar in nature to development phase stripping. The costs of such stripping are accounted for in the same way as development stripping (as outlined above).

Stripping costs incurred during the production phase are generally considered to create two benefits, being either the production of inventory or improved access to the ore to be mined in the future. Where the benefits are realised in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where the benefits are realised in the form of improved access to ore to be mined in the future, the costs are recognised as a non-current asset, referred to as a stripping activity asset, if the following criteria are met:

a) Future economic benefits (being improved access to the ore body) are probable;
b) The component of the ore body for which access will be improved can be accurately identified; and
c) The costs associated with the improved access can be reliably measured.

If all of the criteria are not met, the production stripping costs are charged to the statement of profit or loss as operating costs as they are incurred.

NOTE 21. MINE DEVELOPMENT (continued)

Recognition and Measurement (continued)

In identifying components of the ore body, the Group works closely with the mining operations personnel for each mining operation to analyse each of the mine plans. Generally, a component will be a subset of the total ore body, and a mine may have several components. The mine plans, and therefore the identification of components, can vary between mines for a number of reasons. These include, but are not limited to: the geological characteristics of the ore body, the geographical location, and/or financial considerations.

The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of ore, plus an allocation of directly attributable overhead costs. If incidental operations are occurring at the same time as the production stripping activity, but are not necessary for the production stripping activity to continue as planned, these costs are not included in the cost of the stripping activity asset.

If the costs of the inventory produced and the stripping activity asset are not separately identifiable, a relevant production measure is used to allocate the production stripping costs between the inventory produced and the stripping activity asset. This production measure is calculated for the identified component of the ore body and is used as a benchmark to identify the extent to which the additional activity of creating a future benefit has taken place. The Group uses the expected volume of waste extracted compared with the actual volume for a given volume of ore production of each component.

The stripping activity asset is accounted for as an addition to, or an enhancement of, an existing asset, being the mine asset, and is presented as part of 'Mine Development' in the statement of financial position.

The stripping activity asset is subsequently depreciated using the units-of-production method over the life of the identified component of the ore body that became more accessible as a result of the stripping activity. Economically recoverable reserves, which comprise proven and probable reserves, are used to determine the expected useful life of the identified component of the ore body. The stripping activity asset is then carried at cost less depreciation and any impairment losses.

Significant Judgements, Estimates and Assumptions

The Group has assessed that the useful lives of the individual identifiable components of the relative ore bodies are short and that the strip ratio over the life of component is relatively uniform. Accordingly, the Group has accounted for production stripping costs as a production cost in the years ended 30 June 2017 and 2018. Refer to Note 20 for assessment of recoverability.

<u>Proved and Probable Reserves</u>

The Group uses the concept of a life of mine as an accounting value to determine such things as depreciation rates and the appropriate period to discount mine closure provisions. In determining life of mine, the proved and probable reserves measured in accordance with the 2004 edition of the JORC Code specific to a mine are taken into account which by their very nature require judgements, estimates and assumptions.

NOTE 22. EXPLORATION AND EVALUATION EXPENDITURE

The following table details the expenditures on interests in mineral properties by area of interest for the year ended 30 June 2018:

	Valhalla /Skal	Isa North	Carley Bore	Canada[1]	Manyingee	Fusion	Total
Areas of interest	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance 30 June 2017	40,308	8,500	7,800	28,140	7,277	-	92,025
Project exploration and evaluation expenditure							
Labour	28	169	15	300	11	15	538
Outside services	-	218	3	3	1	-	225
Other expenses	102	344	175	802	20	66	1,509
Total expenditure	130	731	193	1,105	32	81	2,272
Expenditure expensed	-	-	-	-	-	-	-
Expenditure capitalised	**130**	**731**	**193**	**1,105**	**32**	**81**	**2,272**
Foreign exchange differences	(527)	(774)	-	(373)	-	-	(1,674)
Impairment of exploration and evaluation expenditure	(130)	(791)	(193)	(1,105)	-	(81)	(2,300)
Disposal of interest in Michelin	-	-	-	(13,884)	-	-	(13,884)
Balance 30 June 2018	**39,781**	**7,666**	**7,800**	**13,883**	**7,309**	**-**	**76,439**

(1) EdF claimants accepted a proposal whereby all existing claims which EdF have against the Michelin Project will be released and in consideration for the release of these claims, the EdF Claimants will receive a 50% participating interest in the Michelin Project. There will be a farm out over a five year period whereby the EdF Claimants will transfer 5% participating interest in the Michelin Project to Paladin on an annual basis in return for Paladin funding all obligations for the Michelin Project over this period. A disposal of a 50% interest in the Michelin Project of US$13.9M has been recognised.

NOTE 22. EXPLORATION AND EVALUATION EXPENDITURE (continued)

The following table details the expenditures on interests in mineral properties by area of interest for the year ended 30 June 2017:

Areas of interest	**Valhalla /Skal** US$'000	**Isa North** US$'000	**Carley Bore** US$'000	**Canada** US$'000	**Niger** US$'000	**Manyingee/ Oobagooma/ Other** US$'000	**Angela/ Pamela Bigrlyi** [1] US$'000	**Fusion** US$'000	**Total** US$'000
Balance 30 June 2016	89,132	9,962	8,431	220,668	-	7,881	-	-	336,074
Project exploration and evaluation expenditure									
Labour	28	56	108	342	-	41	10	6	591
Outside services	1	1	253	69	2	-	9	-	335
Other expenses	92	323	299	634	98	148	32	43	1,669
Total expenditure	121	380	660	1,045	100	189	51	49	2,595
Relinquished tenement expenditure	-	25	-	-	-	-	-	-	25
Expenditure expensed	(121)	(405)	-	-	(100)	(3)	(51)	(49)	(729)
Expenditure capitalised	**-**	**-**	**660**	**1,045**	**-**	**186**	**-**	**-**	**1,891**
Foreign exchange differences	(696)	(337)	-	(285)	-	(58)	-	-	(1,376)
Cost of tenements sold - Oobagooma	-	-	-	-	-	(732)	-	-	(732)
Impairment of exploration and evaluation expenditure	(48,128)	(1,125)	(1,291)	(193,288)	-	-	-	-	(243,832)
Balance 30 June 2017	**40,308**	**8,500**	**7,800**	**28,140**	**-**	**7,277**	**-**	**-**	**92,025**

[1] In December 2016, Paladin sold a number of non-core Australian exploration assets to Uranium Africa Ltd for approximately US$1,874,000. The assets sold included the Oobagooma and Angela/Pamela projects located in Western Australia and the Northern Territory respectively and Paladin's interest in the Bigrlyi project located in the Northern Territory.

NOTE 22. EXPLORATION AND EVALUATION EXPENDITURE (continued)

Recognition and Measurement

Exploration and evaluation expenditure related to areas of interest is capitalised and carried forward to the extent that:

1. rights to tenure of the area of interest are current; and

2. costs are expected to be recouped through successful development and exploitation of the area of interest or alternatively by its sale.

Exploration and evaluation expenditure is allocated separately to specific areas of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure directly related to activities in the area of interest.

Costs related to the acquisition of properties that contain Mineral Resources are allocated separately to specific areas of interest.

If costs are not expected to be recouped through successful development and exploitation of the area of interest, or alternatively by sale, costs are expensed in the period in which they are incurred.

Exploration and evaluation expenditure that is capitalised is included as part of cash flows from investing activities, whereas exploration and evaluation expenditure that is expensed is included as part of cash flows from operating activities.

When a decision to proceed to development is made, the exploration and evaluation capitalised to that area is transferred to mine development. All costs subsequently incurred to develop a mine prior to the start of mining operations within the area of interest are capitalised and carried at cost. These costs include expenditure incurred to develop new ore bodies within the area of interest, to define further mineralisation in existing areas of interest, to expand the capacity of a mine and to maintain production.

Capitalised amounts for an area of interest may be written down to their recoverable amount if the area of interest's carrying amount is greater than their estimated recoverable amount.

Significant Estimates and Assumptions

<u>Impairment of Exploration and Evaluation Expenditure</u>

The Group reviews the carrying value of exploration and evaluation expenditure at each reporting date. This requires judgement as to the status of the individual projects and their future economic value.

In December 2016, Paladin received a notice from EdF requesting security for its prepayment in addition to its existing security over 60.1% of the Michelin project in Canada. Pursuant to the EdF off-take agreement, Paladin was required to provide additional security under certain circumstances and Paladin proposed potential additional security over its Mount Isa, Manyingee, Carley Bore and Michelin projects.

Paladin and EdF appointed an independent expert to determine the value of the additional security proposed. On 9 June 2017, the independent expert determined the value of the additional security was insufficient.

NOTE 22. EXPLORATION AND EVALUATION EXPENDITURE (continued)

Significant Estimates and Assumptions (continued)

Impairment of Exploration and Evaluation Expenditure (continued)

After considering the range of implied values contained in the independent expert's valuation report, the Company was of the opinion that there was an indication that an impairment was required and undertook an impairment assessment on all its exploration assets. The independent expert determined an implied fair value per pound of resource for each project. The Company used the low-end of the independent expert's valuation range in the impairment assessment, resulting in the projects being impaired by US$243,832,000 to a net carrying value of US$92,025,000 at 30 June 2017.

The following key assumptions were used by the independent expert in their valuation of Paladin's exploration assets:

- An estimate of the Company's mineral resources
- A long-term uranium price of US$55/lb was used to calculate cut-off grades for resource estimates.
- Total resource multiples were derived using the business enterprise values (BEV) of relevant comparable companies, calculated using market capitalisations, plus book value of minority interest, plus book value of debt, less total cash and investments. The BEV of each comparable company was divided by the total reserves and resources (R&R) owned by the company to calculate the BEV/Total R&R multiple.
- Precedent transactions were considered, involving uranium properties with delineated, measured, indicated, or inferred resources by identifying the implied enterprise value to resource multiples for non-producing properties with and without proven and probable reserves, comprised of the price paid per pound of contained uranium equivalent. The precedent transactions considered were those that most closely resembled each specific exploration asset, with specific focus on uranium projects with similar geography, political risk, resource grade, resource size and mining method type.

The fair value measurements, as described above, made by the independent expert, are Level 3 fair value measurements.

An impairment has been recognised for exploration expenditure capitalised in the current year amounting to US$2,300,000 (2017: US$ 243,832,000).

NOTE 23. INTANGIBLE ASSETS

	2018 US$'000	2017 US$'000
At 30 June		
Intangible assets – at cost	27,803	27,803
Less accumulated depreciation and impairment	(17,710)	(17,178)
Net carrying value – intangible assets	**10,093**	**10,625**

Amortisation of US$532,000 (2017: US$477,000) is included in cost of sales in the Income Statement.

Movements in Intangible Assets

Movements in each group of intangible asset during the financial year are set out below:

	Right to Supply of Power US$'000	Right to Supply of Water US$'000	Total US$'000
2018			
Net carrying value at 1 July 2017	2,976	7,649	10,625
Amortisation expense	(149)	(383)	(532)
Net carrying value at 30 June 2018	2,827	7,266	10,093
2017			
Net carrying value at 1 July 2016	3,110	7,992	11,102
Amortisation expense	(134)	(343)	(477)
Net carrying value at 30 June 2017	2,976	7,649	10,625

Description of the Group's Intangible Assets

1. Right to supply of power

   LHUPL has entered into a contract with NamPower in Namibia for the right to access power at LHM. In order to obtain this right, the power line connection to the mine was funded by LHM. However, ownership of the power line rests with NamPower. The amount funded is being amortised on a unit of production basis.

2. Right to supply of water

   LHUPL has entered into a contract with NamWater in Namibia for the right to access water at LHM. In order to obtain this right, the water pipeline connection to the mine was funded by LHM. However, ownership of the pipeline rests with NamWater. The amount funded is being amortised on a unit of production basis.

Recognition and Measurement

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in the Income Statement in the year in which the expenditure is incurred.

NOTE 23. INTANGIBLE ASSETS (continued)

Recognition and Measurement (continued)

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on the intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

A summary of the policies applied to the Group's intangible assets is as follows:

Right to use water and power supply

Useful lives	Life of mine
Amortisation method used	Amortised over the life of the mine on a unit of production basis
Impairment testing	Annually and more frequently when an indication of impairment exists. The amortisation method is reviewed at each financial year-end.

The rights to use water and power supply have been granted for a minimum of 17 years from April 2007 by the relevant utilities with the option of renewal without significant cost at the end of this period.

NOTE 24. TRADE AND OTHER PAYABLES

	2018 US$'000	2017 US$'000
Current		
Trade and other payables	9,735	18,241
Onerous contracts	3,236	-
Total current payables	**12,971**	**18,241**

Trade payables are non-interest bearing and are normally settled on 30 day terms.

Recognition and Measurement

Trade and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

NOTE 25. PROVISIONS

	2018 US$'000	2017 US$'000
Current		
Employee benefits	5,249	2,382
Total current provisions	**5,249**	**2,382**
Non Current		
Employee benefits	-	46
Environmental rehabilitation provision	86,817	86,933
Demobilisation provision	610	1,372
Total non current provisions	**87,427**	**88,351**

Movements in Provisions

Movements in each class of provision during the financial year, excluding provisions relating to employee benefits, are set out below:

	Demobilisation US$'000	Environmental Rehabilitation US$'000	Total US$'000
At 1 July 2017	1,372	86,933	**88,305**
Arising during the year	60	3,430	**3,490**
Utilised	(673)	-	**(673)**
Foreign currency movements	33	(2,769)	**(2,736)**
Change in estimate of provision - LHM	(182)	(10,911)	**(11,093)**
Change in estimate of provision - KM	-	10,134	**10,134**
At 30 June 2018	610	86,817	**87,427**
2018			
Current	-	-	**-**
Non current	610	86,817	**87,427**
	610	86,817	**87,427**
2017			
Current	-	-	**-**
Non current	1,372	86,933	**88,305**
	1,372	86,933	**88,305**

Nature and Timing of Provisions

<u>Environmental rehabilitation</u>

A provision for environmental rehabilitation and mine closure has been recorded in relation to LHM and KM. A provision is made for rehabilitation work when the obligation arises and this is recognised as a cost of production or development as appropriate. Additionally the provision includes the costs of dismantling and demolition of infrastructure or decommissioning, the removal of residual material and the remediation of disturbed areas specific to the infrastructure to a state acceptable to various authorities.

<u>Demobilisation</u>

A provision for demobilisation has been recorded in relation to LHM for the costs of demobilising the mining contractor.

NOTE 25. PROVISIONS (continued)

Recognition and Measurement

Provisions

Mine closure and restoration costs include the costs of dismantling and demolition of infrastructure or decommissioning, the removal of residual material and the remediation of disturbed areas specific to the infrastructure. Mine closure costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the mine development or during the production phase, based on the net present value of estimated future costs.

As the value of the provision for mine closure represents the discounted value of the present obligation to restore, dismantle and close the mine, the increase in this provision due to the passage of time is recognised as a finance cost. The discount rate used is a pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the liability.

Provision is made for rehabilitation work when the obligation arises and this is recognised as a cost of production or development. The rehabilitation costs provided for are the present value of the estimated costs to restore operating locations. The value of the provision represents the discounted value of the current estimate to restore and the discount rate used is the pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability.

Employee benefits

Short-term benefits

Liabilities for short-term benefits, including wages and salaries, and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised as a current liability in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Long Service Leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Significant Accounting Judgements, Estimates and Assumptions

Environmental rehabilitation provision

The value of this provision represents the discounted value of the present obligation to rehabilitate the mine and to restore, dismantle and close the mine. The discounted value reflects a combination of management's assessment of the cost of performing the work required, the timing of the cash flows and the discount rate. A change in any, or a combination, of the three key assumptions (estimated cash flows, discount rates or inflation rates), used to determine the provision could have a material impact to the carrying value of the provision.

NOTE 26. UNEARNED REVENUE

	2018 US,000	2017 US$'000
Current		
Unearned revenue	**-**	**278,182**

Recognition and Measurement

30 June 2017: In 2012, Paladin entered into a six-year Long Term Supply Contract (LTSC) with EdF, a major electricity generator and distribution company in France, to deliver a total of 13.73Mlb U_3O_8 in the period from 2019 to 2024. Under this agreement, a US$200,000,000 cash prepayment was received in 2012. The Company granted EdF security over 60.1% of the Michelin project in Canada.

On 3 July 2017, EdF informed Paladin that it required payment of the outstanding amount (approximately US$278,182,000 at 30 June 2017) when due, on 10 July 2017.

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

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

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

On 21 December 2017, EdF sold its claims in respect of Paladin's obligations under the LTSC and the provision of security over their interests in the Michelin Project to Deutsche Bank. Deutsche Bank has sold some or all of those claims to other third-party investors. Accordingly EdF is no longer a creditor of Paladin and its subsidiaries.

On 1 February 2018, the DOCA was effectuated. In accordance with the DOCA, 98% of Paladin shares were transferred to creditors and other investors pursuant to section 444GA of the Corporations Act and 2% were retained by shareholders. The carrying value of the EdF creditor was US$290,344,000 (refer to Note 12).

EXPRESSED IN US DOLLARS

OTHER NOTES

NOTE 27. KEY MANAGEMENT PERSONNEL

Details of Key Management Personnel

(i) Directors

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

(ii) Executives

Mr Alexander Molyneux	Chief Executive Officer (resigned 1 July 2018)
Mr Scott Sullivan	Chief Executive Officer (appointed 1 July 2018)
Mr Craig Barnes	Chief Financial Officer

Compensation of Key Management Personnel: Compensation by Category

	2018 US$	2017 US$
Short-term employee benefits	1,153,184	889,023
Post-employment benefits	21,277	31,884
Long-term benefits	-	-
Share-based payments	111,160	17,721
	1,285,621	**938,628**

EXPRESSED IN US DOLLARS

NOTE 28. AUDITORS' REMUNERATION

The auditor of the Paladin Energy Ltd Group is PricewaterhouseCoopers.

	2018 US$	2017 US$
Amounts received or due and receivable by PricewaterhouseCoopers (Australia) for:		
Audit or review of the financial report of the consolidated Group	288,601	218,901
Other services	103,900	-
Taxation services:		
Tax compliance services	27,382	43,205
International tax consulting	-	77,495
Other tax advice	65,816	8,816
Sub-total	485,699	348,417
Amounts received or due and receivable by related practices of PricewaterhouseCoopers (Australia) for:		
Audit or review of the financial report of subsidiaries and audit related services	61,085	48,393
Other services	4,983	7,236
Taxation services:		
International tax consulting	-	903
Sub-total	66,068	56,532
Total	**551,767**	**404,949**

NOTE 29. COMMITMENTS AND CONTINGENCIES

There were no outstanding commitments or contingencies, which are not disclosed in the Financial Report of the Group as at 30 June 2018 other than:

	2018 US$'000	2017 US$'000
Tenements		
Commitments for tenements contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	1,055	1,722
Later than one year but not later than 5 years	1,417	10,188
More than 5 years	869	3,493
Total tenements commitment	**3,341**	**15,403**

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

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

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 34 months. All leases include a clause to enable upward revision of rental charge on an annual basis according to prevailing market conditions.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	2018 US$'000	2017 US$'000
Within one year	310	510
Later than one year but not later than 5 years	583	915
More than 5 years	-	-
Total operating lease commitment	**893**	**1,425**

NOTE 29. COMMITMENTS AND CONTINGENCIES (continued)

Other Commitments

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

	2018 US$'000	2017 US$'000
Within one year	2,722	14,985
Later than one year but not later than 5 years	-	-
More than 5 years	-	-
Total other commitments	**2,722**	**14,985**

In relation to the Manyingee Uranium Project, the re-negotiated acquisition terms provide for a payment of A$750,000 (US$553,890) (2017: A$750,000 (US$574,703)) by the Group to the vendors when all project development approvals are obtained.

Bank Guarantees

As at 30 June 2018 the Group has outstanding US$166,274 (A$225,145) (2017: US$172,522 / A$225,145)) as a current guarantee provided by a bank for the corporate office lease; a US$121,920 (A$165,086) (2017: US$130,266 (A$170,000)) guarantee for tenements; a US$49,637 (A$67,212) (2017: US$49,808 / A$65,000) guarantee for corporate credit cards, and a US$10,000,000 (2017: US$10,000,000) KM environmental performance bond in favour of the Government of Malawi.

NOTE 30. RELATED PARTIES

Key Management Personnel

The only related party transactions are with Directors and Key Management Personnel. Refer to Note 27. Details of material controlled entities are set out in Note 31.

NOTE 31. GROUP INFORMATION

	2018 US$'000	2017 US$'000
Information Relating to Paladin Energy Ltd		
Current assets	36,258	8,534
Total assets	235,875	193,127
Current liabilities	1,742	657,740
Total liabilities	129,517	681,756
Issued capital	2,301,285	2,101,085
Accumulated losses	(2,242,991)	(2,731,484)
Option application reserve	137	137
Share-based payments reserve	47,927	47,259
Convertible bond non distributable reserve	-	94,374
Total shareholders' equity	106,358	488,629
Net loss after tax from operations	(394,119)	(945,144)
Total comprehensive loss	**(394,119)**	**(945,115)**

Details of Any Contingent Liabilities of the Parent Entity

Paladin has provided a guarantee of US$34,167,049 for the LHM Environmental Trust Fund.

Details of Any Contractual Commitments by the Parent Entity for the Acquisition of Property, Plant and Equipment

There are no contractual commitments by the parent entity for the acquisition of property, plant and equipment as at reporting date.

EXPRESSED IN US DOLLARS

NOTE 31. GROUP INFORMATION (continued)

Tax Consolidation

Paladin and its 100% owned Australian resident subsidiaries formed a tax consolidated group (the Group) with effect from 1 July 2003. Paladin is the head entity of the Group. Members of the Group have entered into a tax-sharing agreement that provides that the head entity will be liable for all taxes payable by the Group from the consolidation date. The parties have agreed to apportion the head entity's taxation liability within the Group based on each contributing member's share of the Group's taxable income and losses.

Investments in Material Controlled Entities

NAME	COUNTRY OF INCORPORATION	PERCENTAGE INTEREST HELD	
		2018 %	2017 %
Paladin Finance Pty Ltd	Australia	100	100
Paladin Energy Minerals NL	Australia	100	100
PEM Malawi Pty Ltd	Australia	100	100
Eden Creek Pty Ltd	Australia	100	100
Paladin (Africa) Limited	Malawi	85	85
Paladin Netherlands BV	Netherlands	100	100
Paladin Netherlands Holdings Cooperatief U.A.	Netherlands	100	100
Langer Heinrich Mauritius Holdings Ltd	Mauritius	75	75
Langer Heinrich Uranium (Pty) Ltd	Namibia	75	75
Valhalla Uranium Pty Ltd	Australia	100	100
Mount Isa Uranium Pty Ltd	Australia	100	100
Paladin Nuclear Ltd	Australia	100	100
Summit Resources Ltd	Australia	82	82
Summit Resources (Aust) Pty Ltd	Australia	82	82
Pacific Mines Pty Ltd	Australia	82	82
Paladin NT Pty Ltd	Australia	100	100
Paladin Intellectual Property Pty Ltd	Australia	100	100
Fusion Resources Pty Ltd	Australia	100	100
NGM Resources Pty Ltd	Australia	100	100
Paladin Energy Canada Ltd	Canada	100	100
Michelin Uranium Ltd	Canada	100	100
Paladin Canada Investment (NL) Ltd	Canada	100	100
Paladin Canada Holdings (NL) Ltd	Canada	100	100
Aurora Energy Ltd	Canada	100	100

All investments comprise ordinary shares and all shares held are unquoted, with the exception of Summit Resources Ltd's shares, which are quoted on the ASX and Paladin Netherlands Holdings Cooperatief U.A. which issues membership equity.

NOTE 32. EVENTS AFTER THE BALANCE DATE

Other than disclosed below, since 30 June 2018, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this report, that has significantly or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent periods with the exception of the following, the financial effects of which have not been provided for in the 30 June 2018 Financial Report:

Appointment of Chief Executive Officer

On 12 June 2018, Paladin Energy Ltd announced that Mr Scott Sullivan had been appointed as Chief Executive Officer (CEO) commencing on 1 July 2018.

Recommended Takeover Offer of Summit Resources Ltd

On 1 August 2018, Paladin Energy Ltd announced an off-market takeover offer for the shares in Summit Resources Ltd it does not presently own.

Highlights of the takeover offer:

- Consideration of one (1) new Paladin share for every one (1) Summit share held
- Paladin currently holds 82.08% of the ordinary shares in Summit
- If successful, Offer would result in approximately 39.1M new Paladin shares being issued to third-party shareholders representing approximately 2.28% of Paladin's shares outstanding
- The Offer consideration is final and will not be increased
- Summit's Independent Directors unanimously recommend the Offer (in the absence of a superior offer and subject to the independent expert not concluding that the Offer is not fair and not reasonable)
- The Offer is being made in line with Paladin's continued cost optimisation initiatives – If the Offer succeeds, will result in reduced compliance and regulatory costs associated with having a Paladin majority-owned subsidiary separately listed
- Paladin encourages Summit third-party shareholders to accept in light of the opportunity to exchange for shares in Paladin, a larger, more comprehensive and more liquid uranium company.

EXPRESSED IN US DOLLARS

NOTE 33. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Accounting Standards and Interpretations issued but not yet effective

The following Australian Accounting Standards that have recently been issued or amended but are not yet effective are relevant to the Group but have not been applied by the Group for the annual reporting period ending 30 June 2018:

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 9	**Financial Instruments**	AASB 9 (December 2014) is a new standard which replaces AASB 139. This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments. **Classification and measurement** AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. There are also some changes made in relation to financial liabilities. The main changes are described below. **Financial assets** a. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. **Financial liabilities** Changes introduced by AASB 9 in respect of financial liabilities are limited to the measurement of liabilities designated at fair value through profit or loss (FVPL) using the fair value option. Where the fair value option is used for financial liabilities, the change in fair value is to be accounted for as follows: ➢ The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ➢ The remaining change is presented in profit or loss AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains or losses attributable to changes in the entity's own credit risk would be recognised in OCI. These amounts recognised in OCI are not recycled to profit or loss if the liability is ever repurchased at a discount.	1 January 2018	1 July 2018

EXPRESSED IN US DOLLARS

Reference	Title	Summary	Application date of standard*	Application date for Group*
		Impairment The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. **Hedge accounting** Amendments to AASB 9 (December 2009 & 2010 editions and AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E. AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in Dec 2014. AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015 and applies to annual reporting periods beginning on after 1 January 2015.		
AASB 15	**Revenue from Contracts with Customers**	AASB 15 *Revenue from Contracts with Customers* replaces the existing revenue recognition standards AASB 111 *Construction Contracts*, AASB 118 *Revenue* and related Interpretations (Interpretation *13 Customer Loyalty Programmes*, Interpretation 15 *Agreements for the Construction of Real Estate,* Interpretation 18 *Transfers of Assets from Customers*, Interpretation 131 *Revenue—Barter Transactions Involving Advertising Services* and Interpretation 1042 *Subscriber Acquisition Costs in the Telecommunications Industry*). AASB 15 incorporates the requirements of IFRS 15 *Revenue from Contracts with Customers* issued by the International Accounting Standards Board (IASB) and developed jointly with the US Financial Accounting Standards Board (FASB). AASB 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards such as leases or financial instruments).The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps: (a) Step 1: Identify the contract(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the performance obligations in the contract (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation AASB 2015-8 amended the AASB 15 effective date so it is now effective for annual reporting periods commencing on or after 1 January 2018. Early application is permitted. AASB 2014-5 incorporates the consequential amendments to a number Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15.	1 January 2018	1 July 2018
AASB 2014-10	**Amendments to Australian Accounting Standards – Sale or**	AASB 2014-10 amends AASB 10 C*onsolidated Financial Statements* and AASB 128 to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (August 2011), in dealing with the sale or contribution of assets between an	1 January 2022	1 July 2022

EXPRESSED IN US DOLLARS

Reference	Title	Summary	Application date of standard*	Application date for Group*
	Contribution of Assets between an Investor and its Associate or Joint Venture	investor and its associate or joint venture. The amendments require: (a) a full gain or loss to be recognised when a transaction involves a business (whether it is housed in a subsidiary or not) (b) a partial gain or loss to be recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. AASB 2014-10 also makes an editorial correction to AASB 10. AASB 2015-10 defers the mandatory effective date (application date) of AASB 2014-10 so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2016.		
AASB 16	**Leases**	The key features of AASB 16 are as follows: Lessee accounting • Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. • A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. • Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. • AASB 16 contains disclosure requirements for lessees. Lessor accounting • AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. • AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk. AASB 16 supersedes: (a) AASB 117 Leases; (b) Interpretation 4 Determining whether an Arrangement contains a Lease; (c) SIC-15 Operating Leases—Incentives; and (d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as AASB 16.	1 January 2019	1 July 2019

***** Designates the beginning of the applicable annual reporting period unless otherwise stated.

NOTE 33. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (continued)

Accounting Standards and Interpretations issued but not yet effective (continued)

The Group has considered what impact AASB 9 Financial Instruments and AASB 15 Revenue from Contracts will have on the financial statements, when applied next year, and have concluded that they will have no impact. The Group is in the process of determining what impact AASB 16 Leases will have on the financial statements when applied in future periods.

The Group expects the adoption of AASB 15 to have no material impact on the timing of recognition, nor on the measurement of revenue in respect of sales of uranium.

The Group does not expect the application of AASB 9 to have a material impact on the measurement of financial assets and liabilities.

Information on the undiscounted amount of the Group's operating lease commitments is disclosed in Note 29. Under AASB 16, the present value of these commitments would be shown as a liability on the balance sheet together with an asset representing the right-of-use and expenses will be split between amortisation and interest expense.

The Group has elected not to early adopt these new standards or amendments in the financial statements.

For Standards and Interpretations effective from 1 July 2018, it is not expected that the new Standards and Interpretations will significantly affect the Group's financial performance.

DIRECTORS' DECLARATION

1. In the opinion of the Directors' of Paladin Energy Ltd:

   (a) The consolidated financial statements and notes that are set out on pages 70 to 133, are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and

      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

   (b) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 3 to the Financial Statements.

   (c) Subject to the matters set out in Note 4 to the Financial Statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2018 (**section 295A Declarations**). The section 295A Declarations have been made by the Chief Executive Officer, Scott Sullivan and the Chief Financial Officer, Craig Barnes.

Dated at Perth on 28th August 2018

On behalf of the board

Rick Crabb
Chairman

Independent auditor's report

To the members of Paladin Energy Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Paladin Energy Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2018
- the consolidated income statement for the year then ended
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Material uncertainty related to going concern

We draw attention to Note 4 in the financial report, which indicates that, excluding a one-off gain on the debt restructure, the Group incurred a loss after tax of US$140.3 million, and a net cash outflow from operations of US$44.8 million during the year ended 30 June 2018.

As a result of the Langer Heinrich Mine being placed into care and maintenance during the financial year it is expected that the Group will not generate any operating net cash inflows in the short term; therefore, the Group is dependent on raising new equity and/or a sufficient improvement in the uranium price to support the recommencement of operations. These conditions, along with other matters set forth in Note 4, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

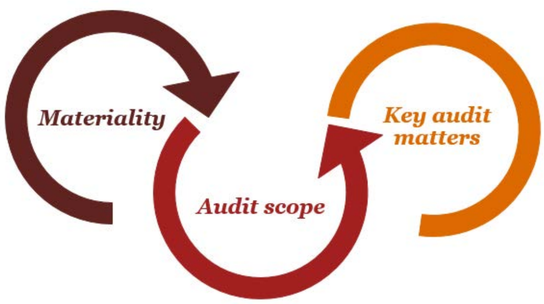
Our opinion is not modified in respect of this matter.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

The Group owns uranium mining and exploration assets in Namibia, Malawi, Canada and Australia.



Materiality

- For the purpose of our audit we used overall Group materiality of US$4.0 million which represents approximately 1% of the Group's total assets.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose total assets as the benchmark because the Group is not currently operating its assets which are in the care and maintenance or exploration stage. The use of total assets as a benchmark provides a level of materiality which, in our view, is appropriate for the audit having regard to the expected requirements of users of the Group's financial report.

- We selected 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable asset-related thresholds in the mining industry.

Audit Scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed by the group engagement team and by the component auditor in Namibia operating under our instruction. We structured our audit as follows:
  - The component auditor performed audit procedures on the financial information of Langer Heinrich Uranium (Pty) Ltd.
  - The group engagement team performed audit procedures, as required due to their financial significance, on the financial information of the Group's remaining subsidiaries.
  - The group engagement team and component auditor had active dialogue throughout the year through discussions, a site visit by the group engagement team to the Langer Heinrich mine, review of audit working papers and written instructions and reporting.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Impairment assessments for non-current assets *(Refer to note 20) US$224.0 million in property, plant and equipment and US$28.1 million in mine development* The Group's financial report includes significant non-current assets in the form of Mine Development and Property, Plant and Equipment, relating primarily to the Group's Langer Heinrich mine in Namibia.	We performed the following procedures, amongst others: • assessed whether the composition of the Group's CGUs, being Langer Heinrich and Kayelekera, was consistent with our knowledge of the Group's operations and internal Group reporting • evaluated whether the decision to place LHM into care and maintenance was an indicator of asset impairment at 30 June 2018 for the Langer Heinrich CGU taking into consideration the requirements of Australian Accounting Standards.

Key audit matter	*How our audit addressed the key audit matter*

Due to the decision to cease operations and put the Langer Heinrich mine on care and maintenance during the year, the Group identified indications of impairment for its Langer Heinrich Cash Generating Unit (CGU) and, as a result, the Group tested the Langer Heinrich CGU for impairment.
 	
The impairment assessment involved significant judgements in the assessment, such as:
• Forecast long term uranium prices
• Reserve and resource estimates and production and processing volumes
• Discount rates
• Operating costs, capital expenditure, foreign exchange rates and inflation rates
• Timing of the expected recommencement of mining and processing operations.
 	
This was a key audit matter due to the significant carrying value of the Group's Langer Heinrich CGU and the judgements and assumptions outlined above in determining whether an impairment charge was required.
	• assessed whether the Langer Heinrich CGU appropriately included all directly attributable assets and liabilities
	• considered if the discounted cash flow model used to estimate the recoverable amount of the Langer Heinrich CGU on a 'fair value less cost of disposal' basis (the impairment model) was consistent with Australian Accounting Standards
	• compared the forecast cash flows used in the impairment mode to the most recent budgets and business plans to restart, optimise and expand the plant to achieve the highest and best use of the assets
	• assessed whether the forecast cash flows in the impairment model were reasonable by comparing:
	  ◦ medium and long term uranium pricing data used to current independent industry forecasts
	  ◦ the Group's current forecast uranium production over the life of the mine to the Group's most recent reserves and resources statement
	  ◦ the previously forecast cash flows to actual cash flows for prior years to assess the historical accuracy of the Group's forecasting
	  ◦ foreign exchange rate and inflation rate assumptions to current independent economic forecasts, and assessed the Group's selection of an asset specific discount rate, assisted by PwC valuation experts
	• performed sensitivity analysis on the key assumptions used in the impairment model
	• performed tests of the mathematical accuracy of the impairment model
	• evaluated the adequacy of the disclosures made in note 20 including those regarding key assumptions used in the impairment assessment, in light of the requirements of Australian Accounting Standards.

Key audit matter	*How our audit addressed the key audit matter*
Closure and rehabilitation provisions *(Refer to note 25) US$87.4 million* As a result of its mining and processing operations, the Group is obliged to restore and rehabilitate the environment disturbed by these operations. Rehabilitation activities are governed by a combination of legislative and licence requirements. The Group evaluated the impact of their decision during the year to place the Langer Heinrich mine on care and maintenance on the closure and rehabilitation provision. At 30 June 2018 the consolidated statement of financial position included provisions for such obligations across all sites of US$87.4 million. This was a key audit matter given the determination of these provisions required judgement in the assessment of the nature and extent of future works to be performed, the future cost of performing the works, the timing of when the rehabilitation will take place and economic assumptions such as the discount rate and inflation rates applied to future cash outflows associated with rehabilitation activities to bring them to their present value.	We obtained the Group's assessment of their obligations to rehabilitate disturbed areas and the estimated future cost of that work, which forms the basis for the closure and rehabilitation provision calculations (the models) for the Langer Heinrich and Kayelekera mines. We evaluated and tested key assumptions utilised in these models by performing the following procedures: • compared the rehabilitation costs being estimated at Langer Heinrich and Kayelekera to an external expert's assessment of the rehabilitation obligations completed during the year • evaluated the competency and independence of the experts retained by the Group to assist with the assessment of the Langer Heinrich and Kayelekera rehabilitation obligations • examined supporting information for significant changes in future cost estimates from the prior year, with a focus on the impact on the timing and amount of expenditure required as a result of the Group placing the Langer Heinrich mine on care and maintenance • assessed the forecast timing of work to be performed by comparison to mine plans and environmental rehabilitation plans submitted to relevant authorities • considered the appropriateness of the discount rates and inflation rates utilised in calculating the provision by comparing them to current market consensus rates.

Key audit matter	*How our audit addressed the key audit matter*
Capital restructuring (extinguishment of debt and issuance of new senior secured notes) *(Refer to note 7 & 12) US$483.7 million gain* On 1 February 2018, the Company effectuated a Deed of Company Arrangement (DOCA) to extinguish debts incurred prior to entering into voluntary administration on 3 July 2017. This resulted in 98% of the Company's shares being transferred to creditors comprising; convertible bond holders, Électricité de France (the pre-DOCA debts), investors in a new US$115 million senior secured notes and the underwriters. As a result of this transaction, the pre-DOCA debts were extinguished through the transfer of shares, resulting in a gain of US$497.6 million being recorded in the income statement. During May 2018, the Company extinguished the final security claims against its Canadian subsidiaries through the establishment of the Michelin Joint Venture Agreement under which a 50% interest in the Michelin project was transferred for no consideration, resulting in a loss of US$13.9 million. This was a key audit matter given the impact of the Group's capital restructure on the consolidated statement of financial position and the magnitude of the related realised gain on the extinguishment of the pre-DOCA debts.	We performed the following procedures, amongst others: • assessed the appropriateness of the accounting treatment applied by the Company for extinguishing the pre-DOCA debts by transferring the Company's equity instruments in light of the requirements of Australian Accounting Standards • assessed the completeness and carrying value of liabilities subject to the DOCA, which were extinguished in exchange for the transfer of shares by agreeing them to accounting records and source documents • tested the fair value of shares and carrying value of interests in other assets, such as the 50% interest in the Michelin Project, transferred by the Company and certain subsidiaries in exchange for the extinguishment of its pre-DOCA debts and security claims • evaluated the tax advice obtained by the Company regarding the tax treatment of the capital restructure • recalculated the gain recorded on extinguishment of the pre-DOCA debts and security claims in the income statement • tested the recognition and measurement of the new senior secured notes by assessing the allocation of the consideration received by the Group between the fair value of the financial liability utilising trading data and recalculating the residual allocated to equity for the shares transferred.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, including the Corporate Values and Paladin Today, Insights from the CEO, Operating and Financial Review, Reserves and Resources, Health and Safety, Sustainable Development, Environment, Corporate Social Responsibility, Our People, Corporate Governance Statement, Directors' Report, Additional Information and Corporate Directory, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 54 to 66 of the directors' report for the year ended 30 June 2018.

In our opinion, the remuneration report of Paladin Energy Limited for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

Ben Gargett

Ben Gargett
Partner

Perth
28 August 2018

ADDITIONAL INFORMATION
(continued)

Pursuant to the Listing Requirements of ASX as at 10 August 2018:

(a) Distribution and number of holders

Range			Total Holders	No. of Shares
1	-	1,000	20,847	2,695,806
1,001	-	5,000	1,537	3,657,462
5,001	-	10,000	398	3,026,390
10,001	-	100,000	912	33,820,817
100,001	-	maximum	212	1,669,643,337
			23,906	**1,712,843,812**

21,775 shareholders hold less than a marketable parcel of shares.

(b) The twenty largest shareholders hold 89.84% of the total shares issued.

Holder	No. of Shares	%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	426,619,421	24.91
NDOVU CAPITAL XII B V	223,589,744	13.05
CITICORP NOMINEES PTY LIMITED	192,171,025	11.22
JP MORGAN NOMINEES AUSTRALIA LIMITED	141,675,748	8.27
HOPU CLEAN ENREGY (SINGAPORE) PTE LTD	115,384,615	6.74
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	63,478,640	3.71
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – GSCO ECA	54,174,984	3.16
NATIONAL NOMINEES LIMITED	49,302,055	2.88
THE BANK OF NEW YORK MELLON SA/NV	49,295,507	2.88
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-CWTH SUPER>	39,901,513	2.33
CS FOURTH NOMINEES PTY LTD <HSBC CUST NOM AU LTD 11 A/C>	28,336,096	1.65
CS THIRD NOMINEES PTY LTD <HSBC CUST NOM AU LTD 13 A/C>	24,139,008	1.41
BNP PARIBAS NOMS PTY LTD <DRP>	22,608,479	1.32
FIDELIDADE COMPANHIA DE SEGUROS SA	20,902,568	1.22
BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	19,063,885	1.11
NEON CAPITAL LTD	17,000,000	0.99
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <EUROCLEAR BANK>	15,664,017	0.91
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAIL CLIENT DRP>	15,030,996	0.88
NATIONAL NOMINEES LIMITED <DB A/C>	11,022,399	0.64
MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LTD <NO 1>	9,490,437	0.55
	1,538,851,137	**89.84**

Substantial shareholders as disclosed in substantial shareholder notices given to the Company are as follows:

Tembo Capital Mining Fund II LP and related entities	223,589,744
Paradice Investment Management Pty Ltd	170,303,351
Value Partners Greater China High Yield Income Fund and related funds	167,057,474
Royal Bank of Canada (RBC) and its related bodies corporate	142,170,177
Matthew David Woods in his capacity as trustee pursuant to DOCA	139,951,765
HOPU Clean Energy (Singapore) Pte Ltd	115,384,615
China Investment Corporation (CIC) and its controlled entities	96,131,600
Maso Capital Investments Limited and related entities	85,906,102

(c) Voting rights

Ordinary Shares
For all shares, voting rights are one vote per member on a show of hands and one vote per share in a poll.

Unlisted Options
There are no voting rights attached to options.

Share Appreciation Rights
There are no voting rights attached to share appreciation rights.

(d) Securities Subject to Voluntary Escrow

There are no ordinary fully paid shares subject to voluntary escrow.

ADDITIONAL INFORMATION
(continued)

(e) Unquoted securities

Unlisted Options

The Company has 3,000,000 unlisted options on issue, issued to Alexander Molyneux the CEO pursuant to the terms of his engagement letter:

1,000,000 options exercisable at $0.20 and expiring 10/08/2018
1,000,000 options exercisable at $0.30 and expiring 8/11/2018
1,000,000 options exercisable at $0.40 and expiring 23/12/2018

Unlisted Share Appreciation Rights

The Company has 14,519,000 share appreciation rights on issue, issued in accordance with the Share Rights Plan approved by shareholders in November 2015. The number of beneficial holders of share appreciation rights totals 23.

ADDITIONAL INFORMATION
(continued)

Tenements held

URANIUM PROJECTS

Project	Tenements	Interest %	JV Partner/s	Operator	Note
NAMIBIA – AFRICA					
Langer Heinrich	1 MLI	100.00%	-	LHUPL	1
Gawib	1 MLI	100.00%	-	LHUPL	1
MALAWI – AFRICA					
Kayelekera	1 MLI	100.00%	-	PAL	2
Nthalire	1 EPL	100.00%	-	PAL	2
Uliwa	1 EPL	100.00%	-	PAL	2
Rukuru	1 EPL	100.00%	-	PAL	2
Mapambo	1 EPL	100.00%	-	PAL	2
Juma-Miwanga	1 EPL	100.00%	-	PAL	2
LABRADOR/NEWFOUNDLAND – CANADA					
Central Mineral Belt	29 MLC	50.00%	-	AUR	
QUEENSLAND					
Isa North	4 EPMs	82.08%	refer to page 24	SRA	3,4
	4 MDLs	82.08%	refer to page 24	SRA	3,4
Valhalla North	1 EPM	100.00%	-	FSN	
	2 MDLs	100.00%	-	FSN	
WESTERN AUSTRALIA					
Manyingee	3 MLs	100.00%	-	PEM	
Carley Bore	3 ELs	100.00%	-	PEM	

ADDITIONAL INFORMATION
(continued)

Tenements held (continued)

NON-URANIUM PROJECTS

QUEENSLAND

Western Isa Joint Venture
(Summit Resources (Aust) Pty Ltd, Pacific Mines Pty Ltd)

Isa South	6 EPMs	20.00%	Aeon Metals Limited	AML	5
	1 EPM	18.00%	Aeon Metals Limited Centaurus Metals Limited	AML	5
May Downs	2 EPMs	20.00%	Aeon Metals Limited	AML	5
Mount Kelly	1 EPM	20.00%	Aeon Metals Limited	AML	5
Constance Range	4 EPMs	20.00%	Aeon Metals Limited	AML	5

SOUTH AUSTRALIA

Reaphook JV	1 EL	7.50%	Perilya Limited Signature Resources NL	Perilya	

ADDITIONAL INFORMATION
(continued)

Tenements held (continued)

Operators		Paladin Equity (direct and indirect)	Note
AML	Aeon Metals Limited	0%	
AUR	Aurora Energy Ltd	50%	
CNNC	CNNC Overseas Uranium Holding Limited	0%	1
FSN	Fusion Resources Pty Ltd	100%	
LHUPL	Langer Heinrich Uranium (Pty) Ltd	75%	1
MIU	Mount Isa Uranium Pty Ltd	100%	
PAC	Pacific Mines Pty Ltd	100%	
PAL	Paladin (Africa) Ltd	85%	2
PEM	Paladin Energy Minerals NL	100%	
SRA	Summit Resources (Aust) Pty Ltd	82.08%	3
PDN	Paladin Energy Ltd		
PERILYA	Perilya Limited	0%	

Notes

1. Paladin holds an ultimate 75% interest in LHUPL with 25% held by CNNC.

2. Paladin holds 85% equity in PAL with 15% equity having been issued to the Government of Malawi pursuant to the terms of the Development Agreement for KM between the Government of Malawi, PAL and Paladin Energy Minerals NL.

3. Paladin's interest in these tenements is held by virtue of Paladin's 82.08% equity holding in Summit Resources Limited which in turn holds 100% equity interest in Summit Resources (Aust) Pty Ltd ("SRA") and Pacific Mines Pty Ltd.

4. The Valhalla and Skal uranium deposits lie within the Isa North tenement block within defined blocks of land ($17km^2$ and $10km^2$ respectively) subject to the Isa Uranium Joint Venture between SRA (50% and Operator) and Mount Isa Uranium Pty Ltd (50%).

5. Aeon Metals Limited earned 80% equity in the Western Isa Joint Venture tenements through expenditure of A$8M within three years of commencement (10 December 2007). SRA and Pacific Mines Pty Ltd have retained up to 20% equity in each of these tenements. Aeon Metals Limited were formally known as Aston Metals (Qld) Limited.

Tenement Types

EL	Exploration Licence (Australia)
EPL	Exclusive Prospecting Licence (Africa)
EPM	Exploration Permit for Minerals (Australia)
MDL	Mineral Development Licence (Australia)
ML	Mining Lease (Australia)
MLI	Mining Licence (Africa)
MLC	Mineral Licence (Newfoundland/Labrador)

ADDITIONAL INFORMATION
(continued)

LIST OF ABBREVIATIONS

A$	Australian dollars	m	metres
bcm	bank cubic metres	Ma	million years
BFS	bankable feasibility study	MIK	multiple indicator kriging
BRP	bicarbonate recovery plant	mm	millimetres
CCD	counter current decantation	MMI	mobile metal ion
C&M	care and maintenance	mSv	millisiverts
DFS	definitive feasibility study	Mtpa	million tonnes per annum
DIFR	disabling incident frequency rate	NI 43-101	National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* of the Canadian Securities Administrators
ft	feet		
g	gram	NOSA	National Occupational Safety Association
g/m^3	grams per cubic metre	NPV	net present value
g/t	grams per tonne	OK	ordinary kriging
hr	hours	pa	per annum
ISO	International Organisation for Standardisation	PAL	Paladin (Africa) Limited
ISR	in situ recovery	PFS	pre-feasibility study
JORC	Joint Ore Reserves Committee	ppb	parts per billion
K	thousand	ppm	parts per million
kg	kilogram	QAQC	quality assurance and quality control
kg/t	kilogram per tonne	QC	quality control
km	kilometres	RC	reverse circulation
KM	Kayelekera Mine	RIP	resin-in-pulp
km^2	square kilometres	t	tonnes
kW	kilowatts	t/m^3	tonnes per cubic metre
lb	pounds	tpa	tonnes per annum
LHM	Langer Heinrich Mine	tph	tonnes per hour
LHUPL	Langer Heinrich Uranium (Pty) Ltd	U	uranium
LTI	lost time injury	U_3O_8	uranium oxide
LTIFR	lost time injury frequency rate	US$	US dollars
M	million	w:o	waste to ore ratio
Mlb	million pounds		

ADDITIONAL INFORMATION
(continued)

SHAREHOLDER REPORTING TIMETABLE

Please note the lodgement dates are proposed, with applicable due dates provided, as appropriate.

Important Dates

2018

19 October 2018	30 September 2018 ASX Quarterly Activities Report (due 31 October 2018)
26 October 2018	30 September 2018 ASX Appendix 5B (due 31 October 2018)
9 November 2018	Annual General Meeting to be held in Perth, Western Australia

2019

18 January 2019	31 December 2018 ASX Quarterly Activities Report (due 31 January 2019)
25 January 2019	31 December 2018 ASX Appendix 5B (due 31 January 2019)
28 February 2019	Half Yearly Financial Statements for the six months ended 31 December 2018 (Appendix 4D)
19 April 2019	31 March 2019 ASX Quarterly Activities Report (due 30 April 2019)
26 April 2019	31 March 2019 ASX Appendix 5B (due 30 April 2019)
19 July 2019	30 June 2019 ASX Quarterly Activities Report (due 31 July 2019)
26 July 2019	30 June 2019 ASX Appendix 5B (due 31 July 2019)
30 August 2019	Audited Annual Financial Statements for the year ended 30 June 2019 (Appendix 4E)
18 October 2019	30 September 2019 ASX Quarterly Activities Report (due 31 October 2019)
25 October 2019	30 September 2019 ASX Appendix 5B (due 31 October 2019)
14 November 2019	Annual General Meeting to be held in Perth, Western Australia

CORPORATE DIRECTORY

Directors

Non-executive Chairman
Mr Rick Crabb

Non-executive Directors
Mr David Riekie
Mr Daniel Harris
Mr John Hodder

CEO
Mr Scott Sullivan

Company Secretary
Mr Ranko Matic
Ms Andrea Betti

Registered Office

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Share Registries

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Level 11, 172 St Georges Terrace
Perth Western Australia 6000
Telephone: 1300 850 505 (within Australia)
or (+61 3) 9415 4000 (outside Australia)
Facsimile: (+61 3) 9473 2500

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

Paladin Energy Ltd
Level 4, 502 Hay Street
SUBIACO WA 6008

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

Investor Relations

Australia – Corporate Office

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Auditors

PricewaterhouseCoopers
125 St Georges Terrace
Perth Western Australia 6000

Stock Exchange Listings

Australian Securities Exchange

Code: PDN

Munich, Berlin, Stuttgart
and Frankfurt Stock Exchanges

Code: PUR

Namibian Stock Exchange

Code: NM-PDN