

**Appendix 4E - Financial Report**  
**Financial year ended 30 June 2019**

**Paladin Energy Ltd**

ABN or equivalent company reference

ACN 061 681 098

**Results for announcement to the market**

				<b>30 June 2019 US\$'000</b>	<b>30 June 2018 US\$'000</b>
Revenue from sales of uranium oxide	<b>Down</b>	71%	to	21,491	72,917
Revenue	<b>Down</b>	71%	to	21,491	72,917
(Loss)/profit after tax attributable to members	<b>Down</b>	108%	to	(30,345)	367,762
Net (loss)/profit for the year attributable to members	<b>Down</b>	108%	to	(30,345)	367,762
(Loss)/profit per share (US cents)				(1.7)	21.5

<b>Dividends</b>	<b>Amount per security</b>	<b>Franked amount per security</b>
It is not proposed to pay dividends for the year	N/A	N/A
Previous corresponding year:		
No dividend paid	N/A	N/A

An explanation of the results is included in the Operating and Financial Review and the Financial Report attached.

	<b>30 June 2019</b>	<b>30 June 2018</b>
Net tangible assets/(liabilities) per share	US\$0.04	US\$0.06

**Other**

Previous corresponding period is the year ended 30 June 2018.

All foreign subsidiaries are prepared using IFRS.



# **PALADIN ENERGY LTD**

ACN 061 681 098

## **ANNUAL REPORT**

# **2019**

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

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

Paladin Energy Ltd  
Level 4  
502 Hay Street  
SUBIACO WA 6008

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

## CHAIRMAN'S LETTER

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Dear Stakeholders

Paladin Energy is recognised as being uniquely placed within the ranks of listed uranium focussed companies, to benefit from the expected substantial increase in the uranium price. The timing of such increase however, still remains elusive due to a number of factors known and some unknowns given a degree of opaqueness in this market.

The Company's unique position is largely due to its 75% ownership of the Langer Heinrich Mine in Namibia. A proven past producer under Paladin Energy's management, with reserves that will support many more years production when taken off care and maintenance.

To ensure compliance with environmental and other legal obligations during care and maintenance and also to ensure a timely and effective re-start when appropriate, it is important that essential technical reviews, planning and test work is undertaken now. To do nothing but the bare minimum to retain the mine and facilities, would risk significant delay and substantially increased costs for future restart.

Of course, the Board and management are conscious of the need for cost control. The level and relevance of preparatory work undertaken is regularly reviewed, having regard to factors such as results from work undertaken and uranium market developments.

On behalf of the Board, I thank shareholders for your continued support and trust you appreciate our efforts to achieve the right balance between cost control and the desire to remain relevant and uniquely placed during a volatile uranium market.

Our CEO Scott Sullivan, during his first year, has led a fresh focus on understanding the Company's various uranium assets, the broader uranium market and the essential systems, policies and procedures under which we operate. The team (although greatly reduced in number) is energised to achieve success and share in the mission to again produce uranium for nuclear power generation to help reduce global emissions. The Board thanks all employees in Australia, Namibia, Malawi and Canada for their continued loyal work.

Yours faithfully



Rick Crabb  
Chairman

## INSIGHTS FROM THE CEO

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Dear Stakeholders

The past year has continued to be a formative one for Paladin. The Paladin Board and Executive aligned early in the financial year on a strategy to deliver renewed and significant focus on our flagship Tier 1 asset, Langer Heinrich in Namibia. We have successfully commissioned a talented study team to undertake feasibility studies into restart and process improvement options for Langer Heinrich to map out a path back into production and identify process improvement options to improve performance, lower costs and potentially increase production, particularly in the later stages of mine life.

We have also focused on lowering our remaining asset holding costs to the greatest extent possible, and where it would be value accretive, looked at monetising our extensive resource base. To this end, Langer Heinrich was transitioned into care and maintenance in August 2018 and in June 2019 we also announced the conditional sale of our Kayelekera Mine in Malawi, delivering significant value to the business and reducing ongoing costs.

With an absence of operating cash flow for the majority of the year, we are conscious of our budgeting and expenditure. We have kept discretionary spending focused on value adding strategies, such as the Langer Heinrich study and Kayelekera divestment.

The successful transition of Langer Heinrich into care and maintenance had a positive impact on cash flows for FY2019. Group net cash outflows from operating activities decreased by US\$32.0M compared to the previous year. In the first half of FY2019, Paladin purchased US\$10.8M of uranium inventory on market for a final term contract delivery in December 2018 which generated additional net cash flows of US\$4.1M.

During the year, unrestricted group cash and cash equivalents decreased by US\$13.7M to US\$25.4M and net debt increased by US\$26M, from US\$80.7M at 30 June 2018 to US\$106.8M at 30 June 2019. The Company's gearing ratio increased from 43% at 30 June 2018, to 58% at 30 June 2019.

The Company settled the last remaining creditor's claims following the execution of the Deed of Company Arrangement and completion of the capital restructure in early 2018. On 31 August 2018, all existing claims against Paladin's Canadian subsidiaries and the Michelin Project were irrevocably extinguished, released and discharged and in consideration for the release of these claims, the claimants received a 50% participating interest in the Michelin Project. Paladin has an earn back right of 5% pa, up to 75%, by funding basic project holding costs for a five-year period and received the first transfer of an additional 5% participating interest in the Michelin Project on 31 May 2019.

In line with its continued cost optimisation initiatives, Paladin completed the takeover of Summit Resources Ltd (Summit) on 16 November 2018 and the Company now owns 100% (previously 82.08%) of Summit. Compliance and regulatory cost savings will now be realised as a result of this transaction.

Consistent with the Company's strategy of developing opportunities to monetise non-core assets, Paladin executed an agreement to sell its 85% interest in Paladin (Africa) Ltd (PAL) for A\$200K cash, A\$4.8M in Hylea Metals Ltd (Hylea) shares, a 5% royalty capped at A\$5M and repayment of the US\$10M environmental performance bond funds over 3 years. Completion of the transaction is dependent on Hylea shareholder approval, Paladin noteholder consent and Government of Malawi approvals.

The Uranium Market showed early signs of a recovery in the later stages of CY2018, mainly driven by traders buying into new physical storage funds and Cameco buying to fulfil contracts after closure of Macarthur River. A lack of clarity over the outcome of the Department of Commerce Section 232 investigation into US uranium imports has weighed over the market for the last eighteen months and was only resolved in July with a rejection of quotas by the US President. A three-month Nuclear Fuel Cycle Review was initiated and as a result some uncertainty still exists in the market and utilities continue to remain out of the term market compared to historical levels. Whilst primary production has continued to be short of forecast growth, the uranium price recovery has retracted and temporarily stalled in the shadow of this market uncertainty.

## INSIGHTS FROM THE CEO

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Notwithstanding, market restructuring has continued with conversion and particularly enrichment seeing notable price increases during the first half of 2019. We believe that these improvements will feed across into the uranium market once the outcome of the Nuclear Fuel Cycle Review has been announced and its impact absorbed by the industry during the course of FY20.

Nuclear power growth remains focussed in Asian and Middle Eastern economies with important developments seen in China, India and Saudi Arabia over recent months. Development of new uranium supply necessary to support these programmes continues to be elusive, with forward uranium price indicators well below incentive prices. Long-term contracting levels have not recovered, further increasing forward uncommitted demand and ultimately improving the future prospects of uranium suppliers and developers. Supporting the case for growth, we have also seen the deferral of closure plans for older reactors in many countries including France, Britain, America and India with the realisation that emissions targets cannot be met with these retirements and we have seen changing positive nuclear sentiment in countries such as Taiwan and South Korea driven by the population who are concerned about energy security.

In February 2019, we released the results from our Concept Study at Langer Heinrich and announced the Board approval for commencement of a Pre-feasibility Study that would detail a rapid restart scenario for Langer Heinrich, whilst outlining plans for further cost reduction opportunities and vanadium production.

I look forward to the challenges of 2020 and not only in continuing to guide Langer Heinrich back into production when a suitable uranium incentive price is reached, but also leveraging off Langer Heinrich's potential and building growth plans for the Company once again. As I emphasised last year, re-positioning Paladin as a leading global uranium producer remains my primary long-term objective.

Yours faithfully



Scott Sullivan  
Chief Executive Officer

## OPERATING AND FINANCIAL REVIEW

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### OVERVIEW OF OPERATIONS

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

LHM transitioned into care and maintenance (C&M) in August 2018. During C&M the project will be properly maintained and secured.

In March 2019, Paladin commenced with a two-stage Pre-feasibility Study (PFS) for the possible restart of LHM. The first stage of the PFS will examine a rapid, low-risk restart and is on track to be completed in September 2019. The second stage of the PFS is expected to be completed by March 2020 and involves a more detailed study, including process optimisation aimed at lowering costs, recovering vanadium and potentially increasing production in the later stages of the mine life.

A restart of the Langer Heinrich Mine will be considered only if forecast cash flows from uranium sales provide an appropriate return on investment.

#### 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.

KM 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.

KM transitioned into C&M on 26 May 2014. During C&M the project will be maintained and secured.

In FY2019 activities continued to focus on the water treatment programme.

On 24 June 2019, Paladin announced it had entered into an agreement to sell its 85% interest in Paladin (Africa) Ltd (PAL) to Hylea Metals Limited’s (Hylea) subsidiary, Lotus Resources Pty Ltd, a joint venture with Chichewa Resources Pty Ltd. The transaction is subject to Hylea shareholder approval, Paladin Noteholder consent and customary terms and conditions, including Government of Malawi approvals, as well as containing standard representations and warranties. Completion is expected to occur in late 2019.

### EXPLORATION

The Company has uranium exploration projects in Australia and Canada. Details of these exploration projects and their Mineral Resources are summarised in the Ore Reserves and Mineral Resources section on pages 10 to 14.

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

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<sup>1</sup> Langer Heinrich Mine, Namibia and Kayelekera Mine, Malawi both on care and maintenance due to current uranium market conditions.

## OPERATING AND FINANCIAL REVIEW

### 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 below for reconciliation.

### OPERATING PERFORMANCE

Key operating performance metrics		Year ended 30 June		
		2019	2018	% Change
Ore processed	Mt	-	2.954	(100)
Ore processed - Grade	ppm	-	475	(100)
Overall recovery	%	-	88.5	(100)
U <sub>3</sub> O <sub>8</sub> production	Mlb	-	2.739	(100)
C1 cost of production	US\$/lb	-	26.23	(100)

#### Production

There was no production during the year ended 30 June 2019 as LHM stopped presenting ore to the plant on 13 May 2018 and transitioned to care and maintenance in August 2018.

#### 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	
	2019	2018
	US\$'000	US\$'000
C1 cost of production	-	71,845
Depreciation and amortisation	-	19,061
Production distribution costs	209	2,358
Royalties	181	2,280
Inventory movement	5,748	(7,173)
Other	-	187
Inventory purchased	10,813	-
<b>Cost of sales</b>	<b>16,951</b>	<b>88,558</b>



## OPERATING AND FINANCIAL REVIEW

### FINANCIAL PERFORMANCE

Key financial performance metrics		Year ended 30 June		
		2019	2018	% Change
<b>Earnings</b>				
Average selling price	US\$/lb	<b>28.96</b>	21.45	35
U <sub>3</sub> O <sub>8</sub> sold	Mlb	<b>0.742</b>	3.399	(78)
Revenue	US\$'000	<b>21,491</b>	72,917	(71)
Cost of sales	US\$'000	<b>(16,951)</b>	(88,558)	81
Net (loss)/profit after tax	US\$'000	<b>(42,992)</b>	343,413	(113)
<b>Cash Flows</b>				
Cash flows from operating activities	US\$'000	<b>(12,805)</b>	(44,805)	71
Capital expenditure	US\$'000	<b>(1,353)</b>	(3,688)	63
Free cash flows	US\$'000	<b>(14,158)</b>	(48,493)	71
<b>Financial Position</b>				
Unrestricted cash and cash equivalents	US\$'000	<b>25,360</b>	39,166	(35)
Debt (principal amount + accrued interest)	US\$'000	<b>132,178</b>	119,856	10
Net debt	US\$'000	<b>106,818</b>	80,690	(32)
Total equity	US\$'000	<b>76,638</b>	106,761	(28)
Gearing ratio (Net debt / (net debt + equity))	%	<b>58</b>	43	15

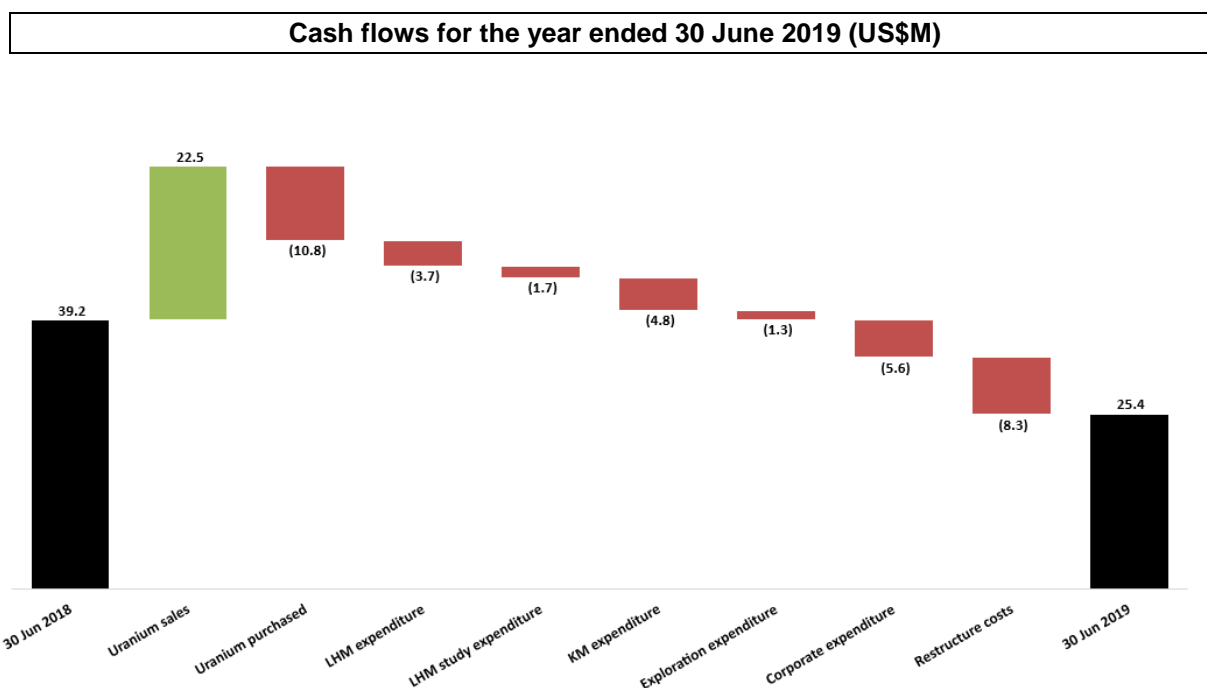
### Earnings

Net loss after tax increased by 113%, mainly as a result of a one-off gain on extinguishment of debt in 2018 of US\$483,721,000, which resulted from the effectuation of the Deed of Company Arrangement on 1 February 2018.

## OPERATING AND FINANCIAL REVIEW

### Cash Flows

The Group had unrestricted cash and cash equivalents at 30 June 2019 of US\$25,360,000. An analysis of the cash flows for the year is set out below.



Unrestricted cash and cash equivalents decreased by US\$13,806,000 during the year comprising of the following cash flows:

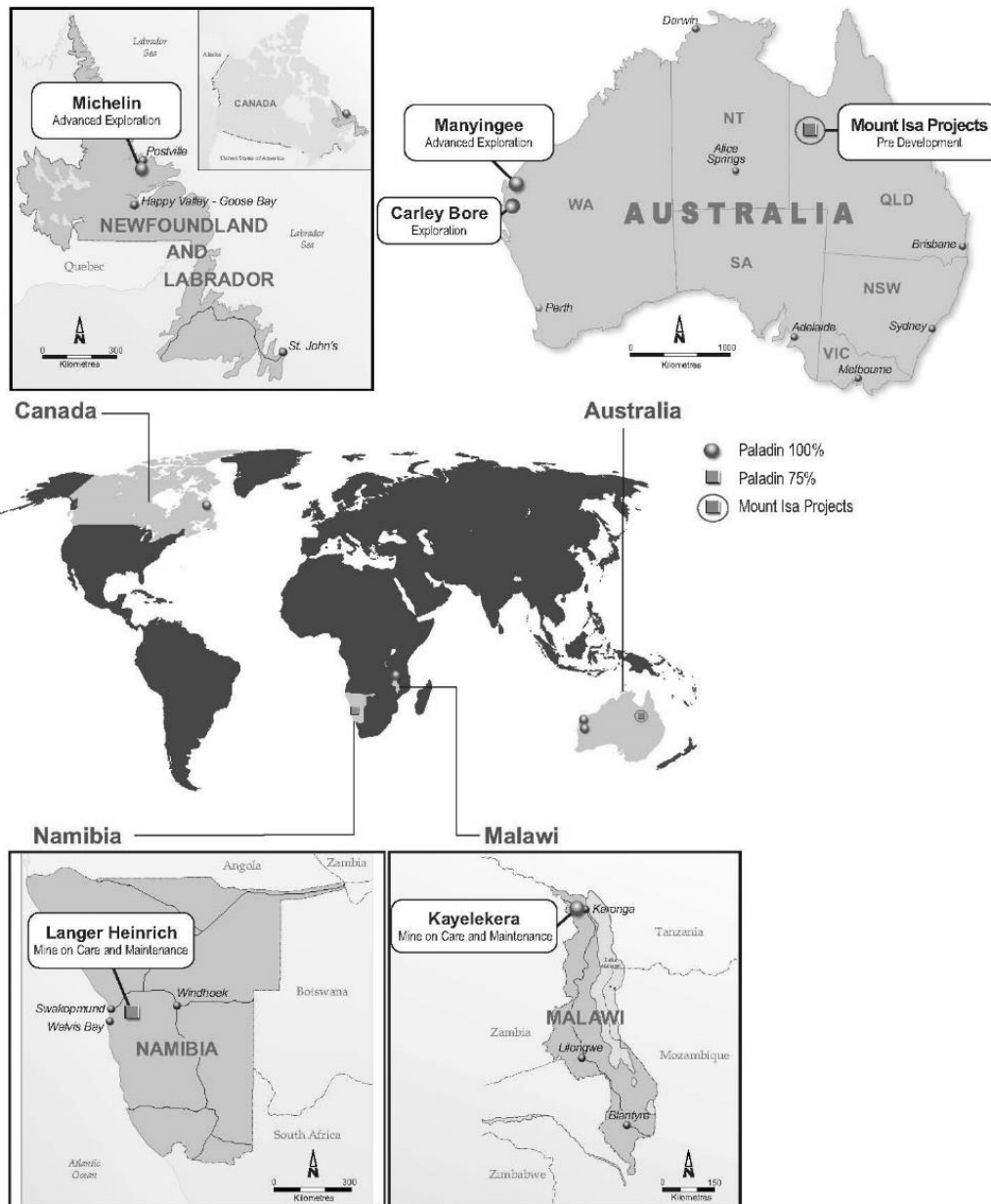
- Uranium sales – during the year the Group received US\$22,467,000 from customers for uranium sales.
- Uranium purchased – to meet delivery commitments during the year the Company purchased 439,339lb of uranium at a cost of US\$10,812,000.
- LHM expenditure – transitioning to C&M, LHM utilised US\$3,734,000 in cash flows from operations for the year.
- LHM study expenditure – the Group incurred US\$1,682,000 in restart study expenditure during the year.
- KM expenditure – ongoing C&M resulted in KM utilising US\$4,773,000 in cash flows from operations for the year.
- Exploration expenditure – the Company utilised US\$1,319,000 for minimum tenement commitments at its exploration projects during the year.
- Corporate expenditure – during the year US\$5,551,000 was paid for corporate expenditure.
- Restructure costs – the Group incurred US\$8,319,000 in restructure costs which resulted from LHM transitioning into C&M, including employee retrenchment costs and contract termination costs.
- Cash and cash equivalents of US\$82,000 held at KM transferred to ‘Assets Classified as Held for Sale’, refer to Note 19.

### Financial Position

Unrestricted group cash and cash equivalents decreased by 35% to US\$25,360,000 and net debt increased by 32%, from US\$80,739 at 30 June 2018 to US\$106,835 at 30 June 2019. In addition, the Company’s gearing ratio increased from 43% at 30 June 2018 to 58% at 30 June 2019.

# 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.*

### NAMIBIA

#### Langer Heinrich

Langer Heinrich is located in central western Namibia approximately 80km west of Swakopmund. Langer Heinrich is a surficial calcrete type uranium deposit containing a Mineral Resource of 51,928t U<sub>3</sub>O<sub>8</sub> at a grade of 460ppm U<sub>3</sub>O<sub>8</sub> in the Measured and Indicated categories (including RoM stockpiles) in seven mineralised zones designated Detail 1 to 7 along the length of the Langer Heinrich valley within the 15km length of a contiguous paleo drainage system.

Langer Heinrich transitioned to care and maintenance in August 2018.

## ORE RESERVES AND MINERAL RESOURCES

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### 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 of northern Malawi. 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 Kayelekera under the provisions of Environmental Certificate 27.3.1, granted in March 2007, following approval of the Kayelekera Project Environmental Impact Assessment and Mining Licence ML152, granted in April 2007. ML152 covers an area of some 55km<sup>2</sup> surrounding the Kayelekera deposit and was granted for a period of 15 years, renewable for further 10-year periods.

Kayelekera transitioned to care and maintenance in May 2014.

### CANADA

#### Michelin Project

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.

Paladin holds a 55% interest in a special purpose joint venture (Michelin Joint Venture) which owns the Michelin Project. The Michelin Joint Venture includes a farm out over a five year period whereby Paladin will receive an additional 5% participating interest in the Michelin Project on an annual basis in return for Paladin funding all obligations for the Michelin Project over this period.

The mineral claims cover a significant area of prospective ground over the CMB. The claims contain 105.6Mlb U<sub>3</sub>O<sub>8</sub> Measured and Indicated Mineral Resources as well as an additional 22Mlb U<sub>3</sub>O<sub>8</sub> Inferred Mineral Resource in six deposits. The largest of these deposits is Michelin which contains a total Mineral Resource of 92Mlb U<sub>3</sub>O<sub>8</sub>, 82.2Mlb of which is classified Measured and Indicated. Michelin is still open along strike and at depth. 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.

### QUEENSLAND

#### Mount Isa Project

The Mount Isa Project, which is now wholly-owned by Paladin, is located 40km north of Mount Isa and consists of three Exploration Permits for Minerals and six Mineral Development Licences.

The Mount Isa Project includes 10 deposits containing 106.2Mlb U<sub>3</sub>O<sub>8</sub> Measured and Indicated Mineral Resources as well as 42.2Mlb U<sub>3</sub>O<sub>8</sub> Inferred Mineral Resources.

### WESTERN AUSTRALIA

#### Manyingee Project

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. Field trials by AFMEX demonstrated that the Manyingee sandstone-hosted uranium deposit is amenable to extraction by in-situ recovery (ISR) in 1985.

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 a JORC (2012) compliant Mineral Resource for Manyingee. Manyingee contains an Indicated Mineral Resource of 15.0Mlb U<sub>3</sub>O<sub>8</sub> grading 850ppm and an Inferred Mineral Resource of 10.2Mlb U<sub>3</sub>O<sub>8</sub> grading 850ppm (JORC (2012)) at a cut-off grade of 250ppm U<sub>3</sub>O<sub>8</sub>.

## ORE RESERVES AND MINERAL RESOURCES

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### **Carley Bore**

Carley Bore is located approximately 100km south of Manyingee in Western Australia. Carley Bore consists of two contiguous exploration licences with granted retention status.

The Carley Bore deposit contains an Indicated Mineral Resource of 5.0Mlb U<sub>3</sub>O<sub>8</sub> grading 420ppm and an Inferred Mineral Resource of 10.6Mlb U<sub>3</sub>O<sub>8</sub> grading 280ppm (JORC (2012)) at a cut-off grade of 150ppm U<sub>3</sub>O<sub>8</sub>. Potential exists for extensions to mineralisation north and south of the estimated Carley Bore resource.

### **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 FY2019. There were no material changes to the Company's Mineral Resources and Ore Reserves.

## ORE RESERVES AND MINERAL RESOURCES

Mineral Resources		30 June 2018			30 June 2019			Change	
		Mt	Grade ppm U <sub>3</sub> O <sub>8</sub>	Mlb U <sub>3</sub> O <sub>8</sub>	Mt	Grade ppm U <sub>3</sub> O <sub>8</sub>	Mlb U <sub>3</sub> O <sub>8</sub>	Mt	Mlb U <sub>3</sub> O <sub>8</sub>
<b><u>Namibia</u></b>									
<b>Measured</b>	Langer Heinrich	60.7	515	68.7	60.7	515	68.7	-	-
<b>Indicated</b>		21.5	460	21.7	21.5	460	21.7	-	-
<b>Inferred</b>		8.7	470	9.0	8.7	470	9.0	-	-
<b>Stockpiles</b>		30.8	355	24.0	30.8	355	24.0	-	-
<b><u>Malawi</u></b>									
<b>Measured</b>	Kayelekera	0.7	1,010	1.7	0.7	1,010	1.7	-	-
<b>Indicated</b>		12.7	700	19.6	12.7	700	19.6	-	-
<b>Inferred</b>		5.4	620	7.4	5.4	620	7.4	-	-
<b>Stockpiles</b>		1.6	755	2.6	1.6	755	2.6	-	-
<b><u>Canada</u></b>									
<b>Measured</b>	Michelin	17.6	965	37.6	17.6	965	37.6	-	-
	Rainbow	0.2	920	0.4	0.2	920	0.4	-	-
<b>Indicated</b>	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	-	-
<b>Inferred</b>	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	-	-
<b><u>Australia</u></b>									
<b>Measured</b>	Valhalla	16.0	820	28.9	16.0	820	28.9	-	-
<b>Indicated</b>	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	-	-
<b>Inferred</b>	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

		30 June 2018			30 June 2019			Change	
		Mt	grade ppm U <sub>3</sub> O <sub>8</sub>	Mib U <sub>3</sub> O <sub>8</sub>	Mt	grade ppm U <sub>3</sub> O <sub>8</sub>	Mib U <sub>3</sub> O <sub>8</sub>	Mt	Mib U <sub>3</sub> O <sub>8</sub>
<b>Ore Reserves</b>									
<b>Namibia</b>	Langer Heinrich								
<b>Proven</b>		42.0	525	48.5	42.0	525	48.5	-	-
<b>Probable</b>		13.1	485	14.0	13.1	485	14.0	-	-
<b>Stockpiles</b>		30.8	355	24.0	30.8	355	24.0	-	-
<b>Malawi</b>	Kayelekera								
<b>Proven</b>		0.4	1,170	1.0	0.4	1,170	1.0	-	-
<b>Probable</b>		5.3	880	10.4	5.3	880	10.4	-	-
<b>Stockpiles</b>		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.

*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 independent consultant 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 / SUSTAINABLE DEVELOPMENT

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### 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.

The concept of proactive Lead Safety Indicators such as planned task observations were introduced in 2018 to further improve safety outcomes.

The Company’s annual Lost Time Injury Frequency Rate (LTIFR) reduced to 0.00 (2018:1.25). For FY2019, there were no Lost Time Injuries (LTIs) compared to two LTIs for the previous year.

### SUSTAINABLE DEVELOPMENT

Paladin is committed to the goal of sustainable development, which is reflected in its corporate values. The Company also 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 seventh Sustainability Report (FY2018), which can be found on the Company’s website [www.paladinenergy.com.au](http://www.paladinenergy.com.au). The Report summarises Paladin’s key sustainability issues, its approach to managing them and its related performance across the Company’s two operations; the Langer Heinrich Mine (LHM) in Namibia and the Kayelekera Mine (KM) in Malawi.

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) Reporting Standards, Core Option. The GRI Sustainability Reporting Standards provide the standards 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.

Sustainability reporting reflects Paladin’s commitment to be accountable to its internal and external stakeholders with regard to the Company’s sustainability performance and future direction.

Paladin has been reporting on its approach to sustainable development within its Annual Reports since 2008. Paladin produced its first stand-alone annual Sustainability Report for 2012. Paladin now has an established comprehensive process to systematically collect data for various sustainability metrics at its mining operations in Namibia and Malawi. The process involves the collection and consolidation of site-level data in accordance with the GRI Standards.



# CORPORATE GOVERNANCE STATEMENT

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## CORPORATE GOVERNANCE FRAMEWORK

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

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

This Corporate Governance Statement, dated 30 June 2019, and approved by the Board on 27 August 2019, 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) 3<sup>rd</sup> Edition of its Corporate Governance Principles and Recommendations. For FY2019, 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](http://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](http://www.paladinenergy.com.au)).

## DIRECTORS' REPORT

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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 2019 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 with Robison Cox (now Clayton Utz) and Blakiston & Crabb (now Gilbert + Tobin) specialising in mining, energy, corporate and commercial law and advised in relation to numerous project developments in Australia, Asia and Africa. He is also non-executive chairman of Eagle Mountain Mining Limited (since 6 September 2017) and non-executive chairman of Ora Gold Limited (director since November 2017). He was a non-executive director of Golden Rim Resources Ltd (from August 2001 to November 2017) and has held numerous other public listed company directorships over the past 30 years. 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

Current Directorships: Eagle Mountain Mining Limited, Ora Gold Limited

Former Directorships (last three years): Golden Rim Resources Ltd

**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 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, oil and gas, graphite, lithium, nickel, copper and cobalt. Mr Riekie is a Non-Executive Director of remote power generation and energy solutions specialist, ASX listed Zenith Energy 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

Current Directorships: Zenith Energy Limited

Former Directorships (last three years): MetalsTech Limited

## DIRECTORS' REPORT (continued)

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**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 and then resumed his role as a Non-executive Director and Chairman of the Audit and Risk Committee until March 2019. 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

Current Directorships: Australian Vanadium Ltd, QEM Ltd

Former Directorships (last three years): Atlas Iron Limited

**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 an 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

Current Directorships: Strandline Resources Limited

Former Directorships (last three years): Regal Resources Ltd

## DIRECTORS' REPORT (continued)

### CHIEF EXECUTIVE OFFICER

**Mr Scott Sullivan** *BEng (Hons1), MBA, FAusIMM), GAICD.*

Mr Sullivan is an experienced mining industry executive with over 30 years of diversified mining experience, 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 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 Caroon 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 commenced 1 July 2018.

### JOINT COMPANY SECRETARY

**Andrea Betti** *CA, AGIA, BCom, MBA*

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.

**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.

### 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:

Name	Board of Directors		Audit and Risk Committee		Remuneration Committee		Nomination and Governance Committee		Sustainability Committee	
	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend
Mr Rick Crabb	7	7	-	-	3	3	1	1	2	2
Mr David Riekie	7	7	3	3	3	3	1	1	-	-
Mr Daniel Harris	7	7	3	3	3	3	1	1	2	2
Mr John Hodder	7	7	3	3	-	-	1	1	-	-

Of the above Board meetings, 4 were face to face with the remainder held via electronic means.

## DIRECTORS' REPORT (continued)

### 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	219,630	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.

### 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 and Canada.

### REVIEW AND RESULTS OF OPERATIONS

A detailed operational and financial review of the Group is set out on pages 6 to 9 of this report under the section entitled Operating and Financial Review.

The Group's loss after tax from continuing operations for the year is US\$42,992,000 (2018: profit after tax US\$343,413,000) representing a decrease of 113% from the previous year.

Included in the Consolidated Financial Statements for the year ended 30 June 2019 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.

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the financial year not otherwise dealt with in this report. Please refer to 'Significant Events After The Balance Date below.

### SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Other than disclosed below, since 30 June 2019, 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 2019 Financial Report:

#### Appointment of Chief Financial Officer

On 13 June 2019, Paladin Energy Ltd announced that Ms Anna Sudlow had been appointed as Chief Financial officer (CFO) commencing on 1 July 2019.

#### Noteholder Consent: Sale of 85% Interest in Paladin (Africa) Ltd

On 20 August 2019, Paladin Energy Ltd announced that holders of more than 50% of the Senior Secured Notes due 2023 (Notes) outstanding had submitted voting instructions in favour of the resolution set out in the consent solicitation, which sought noteholder consent to certain waivers and releases under the terms of the Notes in order to facilitate the sale of its 85% interest in Paladin (Africa) Ltd to Hylea. As a result, the resolution will be passed without the meeting of Noteholders which was scheduled for 29 August 2019. The waivers and releases will become effective on execution of documentation by the Note Trustee which Paladin expects will occur on or about 28 August 2019.

## **DIRECTORS' REPORT (continued)**

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Paladin also referred to its previous announcements:

- (a) dated 23 July 2019 regarding the launch of a consent solicitation to its Noteholders pursuant to which Paladin sought Noteholder consent to certain waivers and releases under the terms of the Notes in order to facilitate the sale of its shares in Paladin (Africa) Limited to Hylea; and
- (b) dated 8 August 2019 regarding an amendment to the consent solicitation to introduce a consent fee equal to 1% of the aggregate principal amount of the Notes outstanding to that noteholder. Payable to each noteholder who votes in favour of the resolution. The consent fee is payable only if the waivers and releases in the consent solicitation are approved by the requisite majority of noteholders and if the share sale completes.

### **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 (both on care and maintenance due to current uranium market conditions), 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.

## DIRECTORS' REPORT (continued)

### 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:

- Following a large reduction in the number of staff since 2016, at Paladin's corporate office, head count remained unchanged.
- Following a salary benchmarking review, a small number of Corporate employees received a salary increase to realign salaries to market.
- Cash bonuses totalling US\$142,943 were awarded this year.
- 7,500,000<sup>(1)</sup> Share Appreciation Rights (SARs) were granted during the year.
- Long-term incentives on issue at balance date comprise 19,585,500<sup>(1)(2)</sup> SARs.

<sup>(1)</sup> 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.

<sup>(2)</sup> Based on the closing share price at 30 June 2019 of A\$0.125, no shares (0% 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 2018 and 2019 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 2019 year. The tables do not include the accounting value for 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)

##### 2019 (A\$) / (US\$)

Name	Base Salary & Superannuation		Other		Total Cash	
	A\$	US\$	A\$	US\$	A\$	US\$
Mr Scott Sullivan	400,000	285,885	200,000 <sup>(1)</sup>	142,943 <sup>(1)</sup>	600,000	428,828
Mr Craig Barnes	389,477	278,364	-	-	389,477	278,364
Mr Michael Drake	128,892	92,121	82,250 <sup>(2)</sup>	58,785 <sup>(2)</sup>	211,142	150,906
<b>Total</b>	<b>918,369</b>	<b>656,370</b>	<b>282,250</b>	<b>201,728</b>	<b>1,200,619</b>	<b>858,098</b>

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

Exchange rate used is average for 2019 financial year US\$1 = A\$1.39916.

<sup>(1)</sup> Bonus awarded for FY2019.

<sup>(2)</sup> Fees for services as a consultant prior to commencing as an employee on 11 February 2019.

##### 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 <sup>(1)</sup>	480,000 <sup>(1)</sup>	371,676 <sup>(2)</sup>	288,000 <sup>(2)</sup>	991,135	768,000
Mr Craig Barnes	375,567	291,016	-	-	-	-	375,567	291,016
<b>Total</b>	<b>375,567</b>	<b>291,016</b>	<b>619,459</b>	<b>480,000</b>	<b>371,676</b>	<b>288,000</b>	<b>1,366,702</b>	<b>1,059,016</b>

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

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

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

<sup>(2)</sup> 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.



## DIRECTORS' REPORT (continued)

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### REMUNERATION REPORT (Audited)

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

Key Management Personnel comprise:

- Mr Rick Crabb, *Non-executive Chairman*
- Mr Scott Sullivan, *Chief Executive Officer (appointed 1 July 2018)*
- Mr David Riekie, *Non-executive Director*
- Mr Daniel Harris, *Non-executive Director*
- Mr John Hodder, *Non-executive Director*
- Mr Craig Barnes, *Chief Financial Officer*
- Mr Michael Drake, *General Manager, Business Development and Projects (appointed 11 February 2019)*

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 three meetings 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 July in the year.

## DIRECTORS' REPORT (continued)

### 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 2015	30 June 2016	30 June 2017	30 June 2018	30 June 2019
<b>EPS</b>	US\$(0.19)	US\$(0.07)	US\$(0.27)	US\$0.215	US\$(1.7)
<b>Share Price</b>	A\$0.245	A\$0.185	A\$0.047 <sup>(1)</sup>	A\$0.175	A\$0.125

<sup>(1)</sup> 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 July 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, granted under the Rights Plan as equity or paid as a cash bonus	Rewards Executives for performance over a short period, being the year ending 30 June. 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 no increases at KM. Following a salary benchmarking review, a small number of Corporate employees received a salary increase to realign salaries to market.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (Audited) (continued)

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

##### Variable Remuneration (continued)

###### Short-term Incentives

Following the implementation of a structured incentive programme linked to both individual and corporate performance, specific targets for individuals have been set for FY2020. The short-term incentives comprise a bonus to Executives of up to 50% of base salary to be paid in cash or shares (or a combination of both at the Company's election). The objective of the bonus is to focus 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. 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 US\$142,943 were awarded this year (FY2018 US\$68,286).

###### 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 2018 Annual General Meeting.

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

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.

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 five years (with certain exclusions under the Australian corporate legislation).

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.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (Audited) (continued)

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

##### Variable Remuneration (continued)

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

The CEO was granted 5,000,000 SARs upon appointment, on 1 July 2018, as follows:-

Date granted	Exercisable date	Expiry date	Fair value	Exercise price	Number
1 July 2018	1 July 2019	1 July 2024	A\$0.04	A\$0.1775	1,000,000
1 July 2018	1 July 2020	1 July 2025	A\$0.06	A\$0.1775	1,000,000
1 July 2018	1 July 2021	1 July 2026	A\$0.07	A\$0.1775	1,000,000
1 July 2018	1 July 2022	1 July 2027	A\$0.08	A\$0.1775	2,000,000
<b>Total</b>					<b>5,000,000</b>

##### 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 and thus are not considered a disincentive to a change of control.

##### 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	1,842,500
20 October 2015	1 November 2017	1 November 2022	A\$0.13	A\$0.20	921,250
20 October 2015	1 November 2018	1 November 2023	A\$0.13	A\$0.20	921,250
3 March 2016	1 November 2016	1 November 2021	A\$0.10	A\$0.20	75,000
3 March 2016	1 November 2017	1 November 2022	A\$0.10	A\$0.20	37,500
3 March 2016	1 November 2018	1 November 2023	A\$0.10	A\$0.20	37,500
27 September 2016	11 November 2017	11 November 2022	A\$0.08	A\$0.20	561,000
27 September 2016	11 November 2018	11 November 2023	A\$0.08	A\$0.20	561,000
27 September 2016	11 November 2019	11 November 2024	A\$0.08	A\$0.20	561,000
16 April 2018	16 April 2018	16 April 2023	A\$0.17	A\$0.15	3,067,500
16 April 2018	16 April 2019	16 April 2024	A\$0.05	A\$0.15	1,750,000
16 April 2018	16 April 2020	16 April 2025	A\$0.07	A\$0.15	1,750,000
1 July 2018	1 July 2019	1 July 2024	A\$0.04	A\$0.1775	1,000,000
1 July 2018	1 July 2020	1 July 2025	A\$0.06	A\$0.1775	1,000,000
1 July 2018	1 July 2021	1 July 2026	A\$0.07	A\$0.1775	1,000,000
1 July 2018	1 July 2022	1 July 2027	A\$0.08	A\$0.1775	2,000,000
11 February 2019	1 March 2020	1 March 2025	A\$0.05	A\$0.20	700,000
11 February 2019	1 March 2021	1 March 2026	A\$0.07	A\$0.20	700,000
11 February 2019	1 March 2022	1 March 2027	A\$0.09	A\$0.20	1,100,000
<b>Total</b>					<b>19,585,500</b>

In summary, this balance represents 1.12% of the issued capital.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (Audited) (continued)

#### 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\$857,656) as approved by shareholders at the 2008 AGM. Fees paid for the year to 30 June 2019 total A\$365,000 (US\$260,870).

Remuneration Component	Elements	Details (per annum)
Base Fee	Must be contained within aggregate limit	Chairman A\$125,000 (US\$89,339)  Non-executive Director A\$80,000 (US\$57,177)
Superannuation	Statutory contributions are included in the fees set out above	Statutory % of fees

#### 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.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (audited) (continued)

Compensation of Key Management Personnel of the Group for the years ended 30 June 2019 and 2018.

	Year	Short-Term Benefits			Post Employment Superannuation US\$	Share Based Payment Share Rights US\$	Total US\$	Total A\$	Total Performance Related US\$	Total Performance Related %
		Salary & Fees US\$	Other US\$	Cash Separation Payment US\$						
<b>Directors</b>										
Mr Rick Crabb	2019	81,588	-	-	7,751	-	89,339	125,000	-	-
	2018 <sup>(1)</sup>	36,856	-	-	3,501	-	40,357	52,083	-	-
Mr David Riekie	2019	52,216	-	-	4,961	-	57,177	80,000	-	-
	2018 <sup>(2)</sup>	23,588	-	-	2,241	-	25,829	33,333	-	-
Mr Daniel Harris	2019	57,177	-	-	-	-	57,177	80,000	-	-
	2018 <sup>(2)</sup>	25,829	-	-	-	-	25,829	33,333	-	-
Mr John Hodder	2019	57,177	-	-	-	-	57,177	80,000	-	-
	2018 <sup>(3)</sup>	23,431	-	-	-	-	23,431	30,238	-	-
<b>Key Management Personnel</b>										
Mr Scott Sullivan	2019 <sup>(4)</sup>	271,211	142,943 <sup>(5)</sup>	-	14,674	80,643	509,471	712,833	223,586	43.9
Mr Craig Barnes	2019	263,690	-	-	14,674	-	278,364	389,477	-	-
	2018	275,480	-	-	15,535	111,160	402,175	519,024	111,160	27.6
Mr Michael Drake	2019 <sup>(6)</sup>	85,576	58,785 <sup>(7)</sup>	-	6,545	24,768	175,674	245,797	24,768	14.1
Mr Alexander Molyneux	2018 <sup>(8)</sup>	-	480,000 <sup>(9)</sup>	288,000 <sup>(10)</sup>	-	-	768,000	991,135	-	-
<b>Total - 2019</b>		<b>868,635</b>	<b>201,728</b>	<b>-</b>	<b>48,605</b>	<b>105,411</b>	<b>1,224,379</b>	<b>1,713,107</b>		
<b>Total - 2018</b>		<b>385,184</b>	<b>480,000</b>	<b>288,000</b>	<b>21,277</b>	<b>111,160</b>	<b>1,285,621</b>	<b>1,660,146</b>		

#### Notes to the Compensation Table

**Presentation Currency** - The compensation table has been presented in US\$, the Company's functional and presentation currency. The A\$ value has also been shown as this is considered to be the most relevant comparator between years, given that in 2019 100% 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 2019 financial year US\$1 = A\$1.39916 (2018 financial year US\$1 = A\$1.29054).

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

<sup>(2)</sup> Appointed 1 February 2018.

<sup>(3)</sup> Appointed 14 February 2018.

<sup>(4)</sup> Appointed 1 July 2018.

<sup>(5)</sup> Bonus awarded for FY2019.

<sup>(6)</sup> Appointed 11 February 2019.

<sup>(7)</sup> Fees for services as a consultant prior to commencing as an employee on 11 February 2019.

<sup>(8)</sup> Resigned 1 July 2018.

<sup>(9)</sup> Represents fees paid for services as CEO. Includes payment of US\$96,000 in lieu of three month notice period.

<sup>(10)</sup> 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.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (audited) (continued)

#### Options Holdings of Key Management Personnel (Group)

30 June 2019	01 Jul 18 number	Granted as remuneration number	Fair value at grant date US\$'000	Vested as shares number	Lapsed number	30 Jun 19 Number
<b>Executives</b>						
Mr Alexander Molyneux	3,000,000	-	-	-	(3,000,000)	-
<b>Total</b>	3,000,000	-	-	-	(3,000,000)	-

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
<b>Executives</b>						
Mr Alexander Molyneux	3,000,000	-	-	-	-	3,000,000
<b>Total</b>	3,000,000	-	-	-	-	3,000,000

#### Share Appreciation Rights Holdings of Key Management Personnel (Group)

30 June 2019	01 Jul 18 number	Granted as remuneration number	Fair value at grant date US\$	Vested as shares number	Lapsed number	30 Jun 19 Number
<b>Executives</b>						
Mr Scott Sullivan	-	5,000,000 <sup>(1)</sup>	216,386	-	-	5,000,000
Mr Craig Barnes	2,329,000	-	-	-	-	2,329,000
Mr Michael Drake	-	2,500,000 <sup>(2)</sup>	129,335	-	-	2,500,000
<b>Total</b>	2,329,000	7,500,000	345,721	-	-	9,829,000

<sup>(1)</sup> Granted 1 July 2018. Fair value per right at grant date was US\$0.04.

<sup>(2)</sup> Granted 11 February 2019. Fair value per right at grant date was US\$0.05.

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
<b>Executives</b>						
Mr Craig Barnes	1,079,000	1,250,000 <sup>(1)</sup>	111,160	-	-	2,329,000
<b>Total</b>	1,079,000	1,250,000	111,160	-	-	2,329,000

<sup>(1)</sup> Granted 16 April 2018. Fair value per right at grant date was US\$0.09.



## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (audited) (continued)

Shares held in Paladin Energy Ltd (number)

30 June 2019	Balance 01 Jul 18	On Vesting of Rights	Net Change Other	Balance 30 June 19
<b>Directors</b>				
Mr Rick Crabb	119,630	-	100,000 <sup>(1)</sup>	219,630
<b>Executives</b>				
Mr Scott Sullivan	-	-	100,000 <sup>(1)</sup>	100,000
<b>Total</b>	119,630	-	200,000	319,630

<sup>(1)</sup> On market purchase.

No other Key Management Personnel held shares during the year ended 30 June 2019.

30 June 2018	Balance 01 Jul 17	On Vesting of Rights	Net Change Other	Balance 30 June 18
<b>Directors</b>				
Mr Rick Crabb	5,981,528	-	(5,861,898) <sup>(1)</sup>	119,630
Mr Donald Shumka	200,000	-	(200,000) <sup>(2)</sup>	-
Mr Peter Donkin	22,500	-	(18,000) <sup>(2)</sup>	-
Mr Philip Baily	18,000	-	(22,500) <sup>(2)</sup>	-
Mr Wendong Zhang	2,180,000	-	(2,180,000) <sup>(2)</sup>	-
<b>Total</b>	8,402,028	-	(8,282,398)	119,630

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

<sup>(2)</sup> Resigned on 8 December 2017.

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

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.

## DIRECTORS' REPORT (continued)

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### REMUNERATION REPORT (audited) (continued)

#### CONTRACTS FOR SERVICES (continued)

##### 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/bonus: up to a maximum of 50% of the total annual 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 was 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 A\$0.1775 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 (2018: A\$389,477).

Short term incentive/bonus: up to a maximum of 40% of the total annual remuneration package, to be paid in cash or shares (or a combination of both at the Company's election) and determined having regard to market relativities, the performance of the Company and Mr Barnes' performance.

No termination benefit is specified in the agreement.

Notice period six months.

##### Mr Michael Drake, General Manager, Business Development and Projects (appointed 11 February 2019)

Term of agreement – no fixed term.

Base salary, inclusive of superannuation of A\$330,000.

Short term incentive/bonus: up to a maximum of 40% of the total annual remuneration package, to be paid in cash or shares in the Company (or a combination of both at the Company's election) and determined having regard to market relativities, the performance of the Company and Mr Drake's performance.

Long term incentive: Mr Drake was issued 2,500,000 Share Appreciation Rights (SARs) under the Company's Employee Performance Share Rights Plan. The SARs will have an exercise price of A\$0.20 and will vest in accordance with the following vesting conditions:

- 700,000 will vest on 1 March 2020
- 700,000 will vest on 1 March 2021
- 1,100,000 will vest on 1 March 2022

No termination benefit is specified in the agreement.

Notice period three months.

## **DIRECTORS' REPORT** **(continued)**

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### **REMUNERATION REPORT (audited) (continued)**

#### **CONTRACTS FOR SERVICES (continued)**

Ms Anna Sudlow, Chief Financial Officer (appointed 1 July 2019)

Term of agreement – no fixed term.

Base salary, inclusive of superannuation of A\$320,000.

Short term incentive/bonus: up to a maximum of 40% of the total annual remuneration package, to be paid in cash or shares in the Company (or a combination of both at the Company's election) and will be determined having regard to market factors, the performance of the Company and Ms Sudlow's performance.

Long term incentive: Ms Sudlow was issued 2,500,000 Share Appreciation Rights (SARs) under the Company's Employee Performance Share Rights Plan. The SARs will have an exercise price of A\$0.1226 and will vest in accordance with the following vesting conditions:

- 700,000 will vest on 1 July 2020
- 700,000 will vest on 1 July 2021
- 1,100,000 will vest on 1 July 2022

No termination benefit is specified in the agreement.

Notice period six months.

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

605,500 (2018: 625,000) Share Appreciation Rights vested to Key Management Personnel during the year ended 30 June 2019. 682,500 (2018: Nil) Share Appreciation Rights were exercised during the year ended 30 June 2019.

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End of audited Remuneration Report

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## DIRECTORS' REPORT (continued)

### OPTIONS

There are no outstanding Options at the date of this report as all outstanding Options expired during the year. No shares were issued on the exercise of Options during the year ended 30 June 2019.

### 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	1,842,500
20 October 2015	1 November 2017	1 November 2022	A\$0.13	A\$0.20	921,250
20 October 2015	1 November 2018	1 November 2023	A\$0.13	A\$0.20	921,250
3 March 2016	1 November 2016	1 November 2021	A\$0.10	A\$0.20	75,000
3 March 2016	1 November 2017	1 November 2022	A\$0.10	A\$0.20	37,500
3 March 2016	1 November 2018	1 November 2023	A\$0.10	A\$0.20	37,500
27 September 2016	11 November 2017	11 November 2022	A\$0.08	A\$0.20	561,000
27 September 2016	11 November 2018	11 November 2023	A\$0.08	A\$0.20	561,000
27 September 2016	11 November 2019	11 November 2024	A\$0.08	A\$0.20	561,000
16 April 2018	16 April 2018	16 April 2023	A\$0.17	A\$0.15	3,067,500
16 April 2018	16 April 2019	16 April 2024	A\$0.05	A\$0.15	1,750,000
16 April 2018	16 April 2020	16 April 2025	A\$0.07	A\$0.15	1,750,000
1 July 2018	1 July 2019	1 July 2024	A\$0.04	A\$0.1775	1,000,000
1 July 2018	1 July 2020	1 July 2025	A\$0.06	A\$0.1775	1,000,000
1 July 2018	1 July 2021	1 July 2026	A\$0.07	A\$0.1775	1,000,000
1 July 2018	1 July 2022	1 July 2027	A\$0.08	A\$0.1775	2,000,000
11 February 2019	1 March 2020	1 March 2025	A\$0.05	A\$0.20	700,000
11 February 2019	1 March 2021	1 March 2026	A\$0.07	A\$0.20	700,000
11 February 2019	1 March 2022	1 March 2027	A\$0.09	A\$0.20	1,100,000
7 June 2019	1 July 2020	1 July 2025	A\$0.05	A\$0.1226	700,000
7 June 2019	1 July 2021	1 July 2026	A\$0.06	A\$0.1226	700,000
7 June 2019	1 July 2022	1 July 2027	A\$0.07	A\$0.1226	1,100,000
<b>Total</b>					<b>22,085,500</b>

170,373 shares were issued on the exercise of Share Appreciation Rights during the year ended 30 June 2019.

### 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.

## DIRECTORS' REPORT (continued)

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### AUDITOR

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

### 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 27.

### LEAD AUDITOR'S INDEPENDENCE DECLARATION

The Lead Auditor's Independence Declaration is set out on page 37 of the Financial Report.

Dated this 27<sup>th</sup> day of August 2019

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 Ltd for the year ended 30 June 2019, 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 Ltd and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Ben Gargett', written in a cursive style.

Ben Gargett  
Partner  
PricewaterhouseCoopers

Perth  
27 August 2019

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES  
FINANCIAL REPORT**

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**FOR THE YEAR ENDED 30 JUNE 2019**

**EXPRESSED IN US DOLLARS**

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**PALADIN ENERGY LTD AND CONTROLLED ENTITIES  
CONSOLIDATED INCOME STATEMENT**

**FOR THE YEAR ENDED 30 JUNE 2019**

EXPRESSED IN US DOLLARS

	Notes	2019 US\$'000	2018 US\$'000
<b>Revenue</b>			
Revenue	11	21,491	72,917
Cost of sales	12	(16,951)	(88,558)
Inventory write-down	18	-	(28,119)
Gross profit/(loss)		4,540	(43,760)
Other income	12	1,028	485,891
Administration, marketing and non-production costs	12	(32,190)	(25,567)
Impairment of exploration assets	12	-	(2,300)
Other expenses	12	-	(5,880)
(Loss)/profit before interest and tax		(26,622)	408,384
Finance costs	12	(22,500)	(49,326)
<b>Net (loss)/profit before income tax from continuing operations</b>		<b>(49,122)</b>	<b>359,058</b>
Income tax expense	13	-	-
<b>Net (loss)/profit after tax from continuing operations</b>		<b>(49,122)</b>	<b>359,058</b>
<b>Profit/(loss) after tax from discontinued operations</b>	19	6,130	(15,645)
<b>Net (loss)/profit after tax</b>		<b>(42,992)</b>	<b>343,413</b>
Attributable to:			
Non-controlling interests		(12,647)	(24,349)
Members of the parent		(30,345)	367,762
<b>Net (loss)/profit after tax</b>		<b>(42,992)</b>	<b>343,413</b>
<b>(Loss)/profit per share (US cents)</b>			
(Loss)/profit after tax from operations attributable to ordinary equity holders of the Company			
– continuing operations, basic and diluted (US cents)	14	(1.7)	21.5
– discontinued operations, basic and diluted (US cents)	14	0.4	(0.9)

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 2019

EXPRESSED IN US DOLLARS

	2019 US\$'000	2018 US\$'000
<b>Net (loss)/profit after tax</b>	<b>(42,992)</b>	<b>343,413</b>
<b>Other comprehensive income</b>		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Foreign currency translation	(1,247)	(1,498)
Income tax on items of other comprehensive income	-	-
<i>Items that will not be subsequently reclassified to profit or loss:</i>		
Foreign currency translation attributable to non-controlling interests	(242)	(223)
<b>Other comprehensive loss for the year, net of tax</b>	<b>(1,489)</b>	<b>(1,721)</b>
<b>Total comprehensive (loss)/income for the year</b>	<b>(44,481)</b>	<b>341,692</b>
Total comprehensive (loss)/income attributable to:		
Non-controlling interests	(12,889)	(24,572)
Members of the parent	(31,592)	366,264
	<b>(44,481)</b>	<b>341,692</b>

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

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**AS AT 30 JUNE 2019**

EXPRESSED IN US DOLLARS

	Notes	2019 US\$'000	2018 US\$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	25,360	39,166
Restricted cash	6b	1,023	11,072
Trade and other receivables	17	1,017	8,121
Prepayments		1,224	1,511
Inventories	18	5,363	10,717
Assets classified as held for sale	19	10,829	-
<b>TOTAL CURRENT ASSETS</b>		<b>44,816</b>	<b>70,587</b>
<b>Non current assets</b>			
Trade and other receivables		338	374
Property, plant and equipment	20	206,599	223,986
Mine development	21	22,958	28,142
Exploration and evaluation expenditure	22	90,523	76,439
Intangible assets	23	9,462	10,093
<b>TOTAL NON CURRENT ASSETS</b>		<b>329,880</b>	<b>339,034</b>
<b>TOTAL ASSETS</b>		<b>374,696</b>	<b>409,621</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	24	2,350	12,971
Provisions	25	697	5,249
Unearned revenue		146	-
Liabilities classified as held for sale	19	42,394	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>45,587</b>	<b>18,220</b>
<b>Non current liabilities</b>			
Interest bearing loans and borrowings	7	118,149	103,883
Other Interest bearing loans - CNNC	8	98,264	93,330
Provisions	25	36,058	87,427
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>252,471</b>	<b>284,640</b>
<b>TOTAL LIABILITIES</b>		<b>298,058</b>	<b>302,860</b>
<b>NET ASSETS</b>		<b>76,638</b>	<b>106,761</b>
<b>EQUITY</b>			
Contributed equity	9	2,306,925	2,301,286
Reserves	9	(71,598)	(62,769)
Accumulated losses		(2,025,649)	(2,002,644)
Parent interests		209,678	235,873
Non-controlling interests		(133,040)	(129,112)
<b>TOTAL EQUITY</b>		<b>76,638</b>	<b>106,761</b>

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

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2019**  
**EXPRESSED IN US DOLLARS**

	Contributed Equity (Note 9) US\$'000	Reserves (Note 9) US\$'000	Accumulated Losses US\$'000	Attributable to Owners of the Parent US\$'000	Non-Controlling Interests US\$'000	Total US\$'000
<b>Balance at 1 July 2017</b>	<b>2,101,085</b>	<b>32,436</b>	<b>(2,464,780)</b>	<b>(331,259)</b>	<b>(104,540)</b>	<b>(435,799)</b>
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	-	<b>(1,498)</b>	<b>367,762</b>	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	-	-	-
<b>Balance at 30 June 2018</b>	<b>2,301,286</b>	<b>(62,769)</b>	<b>(2,002,644)</b>	<b>235,873</b>	<b>(129,112)</b>	<b>106,761</b>
Loss for the period	-	-	(30,345)	(30,345)	(12,647)	(42,992)
Other comprehensive loss	-	(1,247)	-	(1,247)	(242)	(1,489)
Total comprehensive loss for the year net of tax	-	<b>(1,247)</b>	<b>(30,345)</b>	(31,592)	(12,889)	(44,481)
SARS exercised	90	-	-	90	-	90
Share-based payment	-	26	-	26	-	26
Acquisition of 17.92% interest in Summit Resources Ltd	5,549	(1,652)	-	3,897	(3,897)	-
Summit Resources Ltd change in functional currency	-	(5,956)	5,952	(4)	-	(4)
Earn in of 5% share of Michelin Project	-	-	1,388	1,388	(1,388)	-
Acquisition of control of Michelin Project	-	-	-	-	14,247	14,247
<b>Balance at 30 June 2019</b>	<b>2,306,925</b>	<b>(71,598)</b>	<b>(2,025,649)</b>	<b>209,678</b>	<b>(133,040)</b>	<b>76,638</b>

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

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED 30 JUNE 2019

EXPRESSED IN US DOLLARS

	Notes	2019 US\$'000	2018 US\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		22,467	72,615
Payments to suppliers and employees		(35,950)	(112,101)
Exploration and evaluation expenditure		(16)	-
Other income		314	372
Interest received		380	231
Interest paid		-	(5,922)
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	15	<b>(12,805)</b>	<b>(44,805)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capitalised exploration expenditure		(1,303)	(2,300)
Payments for property, plant and equipment		(50)	(1,388)
Proceeds from sale of property, plant & equipment		402	298
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>		<b>(951)</b>	<b>(3,390)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from senior secured notes	16	-	36,921
Proceeds from secured revolving credit facility		-	40,000
<b>NET CASH INFLOW FROM FINANCING ACTIVITIES</b>		<b>-</b>	<b>76,921</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(13,756)</b>	<b>28,726</b>
Unrestricted cash and cash equivalents at the beginning of the financial year		39,166	10,492
Effects of exchange rate changes on cash and cash equivalents		32	(52)
Cash and cash equivalents transferred to 'Assets Classified as Held for Sale'		(82)	-
<b>UNRESTRICTED CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	6a	<b>25,360</b>	<b>39,166</b>

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.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2019**

EXPRESSED IN US DOLLARS

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

**FOR THE YEAR ENDED 30 JUNE 2019**

EXPRESSED IN US DOLLARS

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**BASIS OF PREPARATION**

**NOTE 1. CORPORATE INFORMATION**

The Financial Report of Paladin Energy Ltd (Paladin) for the year ended 30 June 2019 was authorised for issue by the Directors on 27 August 2019.

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 6 to 9.

**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.

**Segment Information**

This section compares performance across operating segments.

**Capital Structure**

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

**Performance for the Year**

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

**Operating Assets and Liabilities**

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

**Other Notes**

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

**NOTE 3. BASIS OF PREPARATION**

**Introduction and Statement of Compliance**

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

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

**FOR THE YEAR ENDED 30 JUNE 2019**

EXPRESSED IN US DOLLARS

**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. 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.

**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 2018.

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 2018. The nature and impact of each new standard and amendment is described below:

Reference	Summary	Impact
AASB 9	<p><b>Financial Instruments</b></p> <p>AASB 9 (December 2014) is a new standard which replaces AASB 139.</p> <p>AASB 9 simplifies the model for classifying and recognising financial instruments and aligns hedge accounting more closely with common risk management practices. Changes in own credit risk in respect of liabilities designated at fair value through profit or loss shall now be presented with Other Comprehensive Income.</p>	<p>There was no change in the classification or measurement of financial assets or liabilities. (Refer to Note 10).</p>
AASB 15	<p><b>Revenue from Contracts with Customers</b></p> <p>AASB 15 <i>Revenue from Contracts with Customers</i> replaces the existing revenue recognition standards AASB 111 <i>Construction Contracts</i>, AASB 118 <i>Revenue</i> and related Interpretations.</p> <p>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.</p>	<p>There was no material impact on the timing of recognition, nor on the measurement of revenue in respect of sales of uranium. (Refer to Note 11).</p>

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

**FOR THE YEAR ENDED 30 JUNE 2019**

EXPRESSED IN US DOLLARS

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**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 2019 (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.



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

**FOR THE YEAR ENDED 30 JUNE 2019**

EXPRESSED IN US DOLLARS

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**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.

Following Paladin's acquisition of the outstanding shares in Summit Resources Ltd and its subsequent delisting from the ASX, the functional currency of the Summit group of companies was changed to United States dollars from Australian dollars in line with the Paladin Energy Group. The decision was made by management to change the entity's functional currency to one which most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the Company.

**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.

**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.

The Group incurred a net loss after tax from operations attributable to the ordinary equity holders of US\$30,345,000 (30 June 2018: loss US\$115,959,000, excluding the one-off gain on extinguishment of debt of US\$483,721,000,) for the year ended 30 June 2019 and a net cash outflow from operating activities of US\$12,805,000 (30 June 2018: outflow US\$44,805,000). As at 30 June 2019, the Group had a net current asset surplus of US\$41,414,000 (excluding non current Kayelekera Mine (KM) environmental rehabilitation provision of US\$42,185,000 disclosed as part of liabilities directly associated with assets classified as held for sale) (30 June 2018: surplus US\$52,367,000). The Group has unrestricted cash of US\$25,360,000 (30 June 2018: US\$39,166,000).

During the next twelve months, there are currently no repayment obligations in respect of interest bearing loans and borrowings of US\$118,149,000 and the Group has a number of options available to it to obtain sufficient funding to repay the notes by their maturity in 2023. These options include: the sale of Group assets (such as the announced sale of Paladin (Africa) Ltd); raising new financing and/or renegotiating the tenure or terms of the senior secured notes or raising additional equity.

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

**FOR THE YEAR ENDED 30 JUNE 2019**

EXPRESSED IN US DOLLARS

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**NOTE 4. GOING CONCERN (continued)**

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, Malawi and Australia, on the basis of the nature of the activity and geographical location and different regulatory environments. The main segment activity in Namibia<sup>(1)</sup> and Malawi<sup>(2)</sup> is the production and sale of uranium from the mines located in this country's geographic regions. Australia is an operating segment in the current period as a result of marketing activity whereby a significant portion of the Group's revenue is in this segment. In the comparative year this was not the case and the segment was not separately disclosed. The Australian segment includes the Company's sales and marketing, treasury, corporate and administration and also includes revenue from stock purchased to fulfil a sales order. The Exploration<sup>(3)</sup> segment is focused on developing exploration and evaluation projects in Australia and Canada.

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 Australia.

The Group's customers are major utilities and other entities located mainly in USA, East Asia and Western Europe.

<sup>(1)</sup> 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.

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

<sup>(3)</sup> In FY2019, the Company has only undertaken the work required to meet minimum tenement commitments.

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

**FOR THE YEAR ENDED 30 JUNE 2019**

EXPRESSED IN US DOLLARS

**NOTE 5. SEGMENT INFORMATION (continued)**

The following table's present revenue, expenditure and asset information regarding operating segments for the years ended 30 June 2019 and 30 June 2018.

Year ended 30 June 2019	Exploration US\$'000	Namibia US\$'000	Malawi US\$'000	Australia US\$'000	Consolidated US\$'000
Sales to external customers	-	6,573	-	14,918 <sup>(3)</sup>	21,491
<b>Total consolidated revenue</b>	<b>-</b>	<b>6,573</b>	<b>-</b>	<b>14,918</b>	<b>21,491</b>
Cost of sales	-	(5,157)	-	(11,794)	(16,951)
Gross profit	-	1,416	-	3,124	4,540
Other income	-	669	571	359	1,599
Other expenses	(16)	(26,009)	(4,906)	(6,165)	(37,096)
Change in estimate of mine closure provision	-	-	10,465	-	10,465
Segment (loss)/profit before income tax and finance costs	(16)	(23,924)	6,130	(2,682)	(20,492)
Finance costs	-	(8,235)	-	(14,265)	(22,500)
(Loss)/profit before income tax	(16)	(32,159)	6,130	(16,947)	(42,992)
Income tax expense	-	-	-	-	-
<b>Net (loss)/profit after tax</b>	<b>(16)</b>	<b>(32,159)</b>	<b>6,130</b>	<b>(16,947)</b>	<b>(42,992)</b>
<b>At 30 June 2019</b>					
<b>Segment assets/total assets</b>	91,334	249,727	10,829 <sup>(1)</sup>	22,806 <sup>(2)</sup>	374,696
	<b>Australia US\$'000</b>	<b>Canada US\$'000</b>	<b>Namibia US\$'000</b>	<b>Other US\$'000</b>	<b>Consolidated US\$'000</b>
<b>Non current assets (excluding financial instruments) by country</b>	62,773	28,956	238,151	-	329,880
<b>Additions to non current assets by country</b>					
Property, Plant and Equipment	50	2	-	-	52
Exploration and Evaluation Expenditure	639	664	-	-	1,303

In 2019, the two most significant customers equated on a proportionate basis to 69% (US\$14,948,250 Taiwan) and 31% (US\$6,578,598 China) of the Group's total sales revenue.

<sup>(1)</sup> Includes US\$10,220,000 Kayelekera Performance Bond (restricted cash).

<sup>(2)</sup> Includes US\$21,587,000 in cash and cash equivalents.

<sup>(3)</sup> During the year, the Groups parent company, Paladin Energy Ltd purchased stock to fulfil a sales order.

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

**FOR THE YEAR ENDED 30 JUNE 2019**

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**NOTE 5. SEGMENT INFORMATION (continued)**

Year ended 30 June 2018	Exploration US\$'000	Namibia US\$'000	Malawi US\$'000	Australia US\$'000	Consolidated US\$'000
Sales to external customers	-	72,917	-	-	72,917
<b>Total consolidated revenue</b>	<b>-</b>	<b>72,917</b>	<b>-</b>	<b>-</b>	<b>72,917</b>
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	-	-	-	-	-
<b>Net (loss)/profit after tax</b>	<b>(2,300)</b>	<b>(74,590)</b>	<b>(15,645)</b>	<b>435,948</b>	<b>343,413</b>
<b>At 30 June 2018</b>					
<b>Segment assets/total assets</b>	77,458	285,002	10,708 <sup>(1)</sup>	36,453 <sup>(2)</sup>	409,621
	<b>Australia US\$'000</b>	<b>Canada US\$'000</b>	<b>Namibia US\$'000</b>	<b>Other US\$'000</b>	<b>Consolidated US\$'000</b>
<b>Non current assets (excluding financial instruments) by country</b>	63,635	14,232	261,167	-	339,034
<b>Additions to non current assets by country</b>					
Property, Plant and Equipment	7	8	1,373	-	1,388
Exploration and Evaluation Expenditure	1,167	1,105	-	-	2,272

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

<sup>(1)</sup> Includes US\$10,058,000 Kayelekera Performance Bond (restricted cash).

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

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

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**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**

	<b>2019</b>	<b>2018</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Cash at bank and on hand	7,297	1,196
Short-term bank deposits	18,063	37,970
	<u>25,360</u>	<u>39,166</u>
Total cash and cash equivalents	<b>25,360</b>	<b>39,166</b>

**NOTE 6b. RESTRICTED CASH**

Restricted cash at bank	1,023	11,072
	<u>1,023</u>	<u>11,072</u>
Total restricted cash and cash equivalents	<b>1,023</b>	<b>11,072</b>

The cash is restricted for use in respect of environmental and supplier guarantees provided by LHM. The 2018 restricted cash also includes the environmental performance bond at KM which has been transferred to assets classified as held for sale (Note 19).

**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.

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

**FOR THE YEAR ENDED 30 JUNE 2019**

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**NOTE 7. INTEREST BEARING LOANS AND BORROWINGS**

	Maturity	2019 US\$'000	2018 US\$'000
<b>Non Current</b>			
Senior secured notes <sup>(1)</sup>	2023	118,149	103,883
Total non current interest bearing loans and borrowings		<b>118,149</b>	<b>103,883</b>
<u>Senior secured notes</u>			
Face value of senior secured notes issued		115,000	115,000
Equity component		(7,475)	(7,475)
Liability component on initial recognition		107,525	107,525
Transaction costs		(9,099)	(9,099)
Accretion expense		2,545	601
Capitalised interest		17,178	4,856
Liability component at 30 June		<b>118,149</b>	<b>103,883</b>

*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*

<sup>(1)</sup> 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 the majority of the Group's assets, with the main exceptions being the Group's shares in Summit Resources Limited and the Canadian subsidiaries. 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% p.a. 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% p.a. 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% p.a. 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 (31 March and 30 September).

Paladin may also elect to pay cash interest at a rate of 9% p.a. 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.

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

**FOR THE YEAR ENDED 30 JUNE 2019**

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**NOTE 7. INTEREST BEARING LOANS AND BORROWINGS (continued)**

**Recognition and measurement**

Loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Loans and 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 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, 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.

**NOTE 8. OTHER INTEREST BEARING LOANS - CNNC**

	<b>30 June 2019 US\$'000</b>	<b>30 June 2018 US\$'000</b>
<b>Non Current</b>		
LHM's loans from CNNC	<b><u>98,264</u></b>	<b><u>93,330</u></b>

The increase in the loan balance during FY2019 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.

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.

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\$98,264,000 to CNNC is recognised on the consolidated statement of financial position.

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

FOR THE YEAR ENDED 30 JUNE 2019

EXPRESSED IN US DOLLARS

**NOTE 9. CONTRIBUTED EQUITY AND RESERVES**

**Issued and Paid Up Capital**

	Number of Shares		2019 US\$'000	2018 US\$'000
	2019	2018		
<b>Ordinary shares</b>				
Issued and fully paid	1,752,084,272	1,712,843,812	2,306,925	2,301,286

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

**Recognition and measurement**

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

**Movements in ordinary shares on issue**

Date	Number of Shares	Issue Price A\$	Exchange Rate US\$: A\$	Total US\$'000
<b>Balance at 1 July 2017</b>	<b>1,712,843,812</b>			<b>2,101,085</b>
Shares transferred under DOCA <sup>(1)</sup>				200,201
<b>Balance 30 June 2018</b>	<b>1,712,843,812</b>			<b>2,301,286</b>
September 2018	SARs exercised 170,373	-	-	-
October 2018	Acquisition of Summit 34,291,724	0.20	1.39668	4,854
November 2018	Acquisition of Summit 4,778,363	0.20	1.37493	695
	Transfer from share-based payment reserve			90
<b>Balance 30 June 2019</b>	<b>1,752,084,272</b>			<b>2,306,925</b>

<sup>(1)</sup> 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.

Shares transferred under DOCA	US\$'000
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)
<b>Total</b>	<b>200,201</b>



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

**FOR THE YEAR ENDED 30 JUNE 2019**  
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**NOTE 9. CONTRIBUTED EQUITY AND RESERVES (continued)**

Reserves	Consolidation reserve	Listed option application reserve	Share- based payments reserve	Foreign currency translation reserve	Convertible bond non- distributable reserve	Premium on acquisition reserve	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Balance at 1 July 2017</b>	<b>48,319</b>	<b>137</b>	<b>47,259</b>	<b>(172,569)</b>	<b>94,374</b>	<b>14,916</b>	<b>32,436</b>
Convertible bonds settled through DOCA implementation	-	-	-	-	(94,374)	-	(94,374)
Share-based payments	-	-	667	-	-	-	667
Foreign currency translation	-	-	-	(1,498)	-	-	(1,498)
<b>Balance at 30 June 2018</b>	<b>48,319</b>	<b>137</b>	<b>47,926</b>	<b>(174,067)</b>	<b>-</b>	<b>14,916</b>	<b>(62,769)</b>
<b>Balance at 1 July 2018</b>	<b>48,319</b>	<b>137</b>	<b>47,926</b>	<b>(174,067)</b>	<b>-</b>	<b>14,916</b>	<b>(62,769)</b>
Acquisition of 17.92% interest in Summit Resources Ltd	-	-	-	-	-	(830)	(830)
Share-based payments	-	-	26	-	-	-	26
Foreign currency translation	-	-	-	(8,025)	-	-	(8,025)
<b>Balance at 30 June 2019</b>	<b>48,319</b>	<b>137</b>	<b>47,952</b>	<b>(182,092)</b>	<b>-</b>	<b>14,086</b>	<b>(71,598)</b>

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

**FOR THE YEAR ENDED 30 JUNE 2019**

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**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 CNNC, 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.

Premium on acquisition reserve

This reserve represents the premium paid on the acquisition of an interest in Summit.

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

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**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**

Foreign Exchange Risk

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

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

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

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

	<b>2019</b>	<b>2018</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Financial assets</b>		
Cash and cash equivalents	2,196	2,185
Trade and other receivables	663	6,498
	<b>2,859</b>	<b>8,683</b>
<b>Financial liabilities</b>		
Trade and other payables	(178)	(8,952)
Net exposure	2,681	(269)

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.

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

**FOR THE YEAR ENDED 30 JUNE 2019**

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**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:

	<b>2019</b>	<b>2018</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Financial assets</b>		
Cash and cash equivalents – short-term deposits	25,360	39,166
Restricted cash	1,023	11,072
	<b>26,383</b>	<b>50,238</b>
<b>Financial liabilities</b>		
Interest-bearing liabilities	(98,264)	(93,330)
Net exposure	(71,881)	(43,092)

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)**

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**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
<b>2019</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Trade and other payables	2,350	2,350	-	-	-
Loans and borrowings	115,000	-	-	-	115,000
Deferred interest <sup>(1)</sup>	17,178	-	-	-	17,178
LHM's loans from CNNC - principal	80,928	-	-	-	80,928
Interest payable on CNNC loans <sup>(1)</sup>	17,335	-	-	-	17,335
<b>Total payables</b>	<b>232,791</b>	<b>2,350</b>	<b>-</b>	<b>-</b>	<b>230,441</b>
<sup>(1)</sup> Interest is not payable unless cash flows permit as disclosed in Note 7 and Note 8.					
<b>2018</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Trade and other payables	12,971	12,971	-	-	-
Loans and borrowings	115,000	-	-	-	115,000
Deferred interest <sup>(1)</sup>	4,856	-	-	-	4,856
LHM's loans from CNNC - principal	80,928	-	-	-	80,928
Interest payable on CNNC loans <sup>(1)</sup>	12,402	-	-	-	12,402
<b>Total payables</b>	<b>226,157</b>	<b>12,971</b>	<b>-</b>	<b>-</b>	<b>213,186</b>

**Credit Risk**

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

Cash and cash equivalents are also subject to the impairment requirements of AASB 9.

The maximum exposure to credit risk at the reporting date was a total of US\$27,738,000 (2018 US\$58,733,000), comprising cash and receivables.

	2019 US\$'000	2018 US\$'000
<b>Current</b>		
Cash and cash equivalents*	25,360	39,166
Restricted cash	1,023	11,072
Trade receivables	-	976
Other receivables – other entities	1,017	7,145
	<b>27,400</b>	<b>58,359</b>
<b>Non Current</b>		
Other receivables – other entities	338	374
<b>Total</b>	<b>27,738</b>	<b>58,733</b>

\* The Group's maximum deposit with a single financial institution represents 81% (2018: 68%) of cash and cash equivalents. This financial institution has a credit rating of Aa3 (2018: Aa3).

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

FOR THE YEAR ENDED 30 JUNE 2019

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**NOTE 10. FINANCIAL RISK MANAGEMENT (continued)**

**Credit Risk (continued)**

	Receivables ageing analysis		
	Total	Current	>1 year
<b>2019</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Trade receivables	-	-	-
Other receivables	1,355	1,017	338
<b>Total receivables</b>	<b>1,355</b>	<b>1,017</b>	<b>338</b>
<b>2018</b>			
Trade receivables	976	976	-
Other receivables	7,519	7,145	374
<b>Total receivables</b>	<b>8,495</b>	<b>8,121</b>	<b>374</b>

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 2019:

	2019		2018	
	Carrying amount	Fair value	Carrying amount	Fair value
	US\$'000	US\$'000	US\$'000	US\$'000
Interest bearing loans and borrowings				
- Senior secured notes	118,149	105,546	103,883	103,751
<b>Total non current</b>	<b>118,149</b>	<b>105,546</b>	<b>103,883</b>	<b>103,751</b>
<b>Total</b>	<b>118,149</b>	<b>105,546</b>	<b>103,883</b>	<b>103,751</b>

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

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

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

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

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

**FOR THE YEAR ENDED 30 JUNE 2019**

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**NOTE 10. FINANCIAL RISK MANAGEMENT (continued)**

**Fair Values (continued)**

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 2019				Year ended 30 June 2018			
	(Level 1)	(Level 2)	(Level 3)	Total	(Level 1)	(Level 2)	(Level 3)	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Financial liabilities for which fair values are disclosed</b>								
Interest bearing loans and borrowings								
US\$115M senior secured notes <sup>(1)</sup>	105,546	-	-	105,546	103,751	-	-	103,751
	<u>105,546</u>	<u>-</u>	<u>-</u>	<u>105,546</u>	<u>103,751</u>	<u>-</u>	<u>-</u>	<u>103,751</u>

<sup>(1)</sup> The fair value has been determined using a valuation technique based on the quoted market price of the notes.

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

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

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

**Capital Management**

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

The Company utilises a combination of debt 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.

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

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**NOTE 10. FINANCIAL RISK MANAGEMENT (continued)**

**Capital Management (continued)**

	2019 US\$'000	2018 US\$'000
Debt (face value plus accrued interest) <sup>(1)</sup>	132,178	119,856
Less cash and cash equivalents	(25,360)	(39,166)
<b>Net debt</b>	<b>106,818</b>	<b>80,690</b>
Total equity	76,638	106,761
<b>Total Capital</b>	<b>183,456</b>	<b>187,451</b>
Gearing Ratio (defined as net debt/total capital)	58%	43%

<sup>(1)</sup> 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**

Sale of uranium	21,491	72,917
<b>Total</b>	<b>21,491</b>	<b>72,917</b>

**Recognition and Measurement**

Amounts disclosed as revenue are net of duties and taxes paid. The Group's main source of revenue being is the sale of uranium. Revenue is measured based on the consideration specified in a contract with a customer. The Group's sales arrangements with its customers are pursuant to enforceable contracts that indicate the nature and timing of satisfaction of performance obligations, including payment terms and where payment due dates. Each delivery is considered a separate performance obligation under the contract.

The Group recognises revenue when it transfers control over a good or service to a customer. The Group has concluded that this occurs on the delivery of the product at the converter. When uranium is delivered to converters, the converter will credit the Group's account for the volume of accepted uranium. Based on delivery terms in the sales contract with its customer, the converter will transfer the title of a contractually specified quantity of uranium to the customer's account at the converter's facility. At this point, control has been transferred and the Group recognises revenue for the uranium supply.



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

FOR THE YEAR ENDED 30 JUNE 2019

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**NOTE 12. INCOME AND EXPENSES**

	2019 US\$'000	2018 US\$'000
<b>Cost of Sales</b>		
Cost of production	-	(71,845)
Depreciation and amortisation	-	(19,061)
Product distribution costs	(209)	(2,358)
Royalties	(181)	(2,280)
Other	-	(187)
Inventory movement	(5,748)	7,173
Inventory purchased	(10,813)	-
<b>Total</b>	<b>(16,951)</b>	<b>(88,558)</b>
<b>Other Income</b>		
Other income	466	305
Gain on extinguishment of debt <sup>(1)</sup>	-	483,721
Foreign exchange gain (net)	562	1,865
<b>Total</b>	<b>1,028</b>	<b>485,891</b>
<sup>(1)</sup> 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)
<b>Total</b>	<b>-</b>	<b>483,721</b>
<b>Administration, Marketing and Non-Production Costs</b>		
Corporate and marketing	(5,505)	(3,111)
Corporate restructure costs	(670)	(11,208)
LHM mine site	(1,651)	(4,713)
LHM depreciation	(22,251)	-
LHM restart study	(1,751)	-
LHM restructure costs	(174)	(5,970)
Other	(188)	(565)
<b>Total</b>	<b>(32,190)</b>	<b>(25,567)</b>
<b>Impairment of exploration assets</b>	<b>-</b>	<b>(2,300)</b>
<p>Impairments of US\$2,300,000 were recognised in 2018. The exploration and evaluation assets were written down at 30 June 2018 after considering the valuation determined by an independent expert.</p>		
<b>Other Expenses</b>		
LHM stores & consumables obsolescence write off	-	(5,880)
<b>Finance Costs</b>		
Interest expense:		
Deutsche Bank facility	-	(10,006)
Convertible bonds	-	(14,215)
Senior Secured Notes	(12,321)	(4,856)
LHM's loans from CNNC	(4,934)	(3,942)
Accretion expense relating to Unearned Revenue	-	(12,162)
Accretion expense relating to Senior Secured Notes	(1,944)	(601)
Mine closure provision accretion expense	(3,301)	(3,544)
<b>Total</b>	<b>(22,500)</b>	<b>(49,326)</b>
Total depreciation and amortisation expense	(22,279)	(19,131)

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

**FOR THE YEAR ENDED 30 JUNE 2019**

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**NOTE 12. INCOME AND EXPENSES (continued)**

**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.

	<b>2019</b>	<b>2018</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Employee Benefits Expense</b>		
Wages and salaries	(5,401)	(17,130)
Defined contribution superannuation	(451)	(1,646)
Share-based payments	(116)	(667)
Other employee benefits	(778)	(4,321)
	(6,746)	(23,764)
<b>Total</b>	<b>(6,746)</b>	<b>(23,764)</b>

The table above sets out personnel costs expensed during the year and are included within Administration, Marketing and Non-Production Costs within the Consolidated Income Statement.

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

FOR THE YEAR ENDED 30 JUNE 2019

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**NOTE 13. INCOME AND OTHER TAXES**

	2019 US\$'000	2018 US\$'000
<b>Income Tax Expense</b>		
<i>Current income tax</i>		
Current income tax expense	-	-
<i>Deferred income tax</i>		
Related to the origination and reversal of temporary differences	-	-
	-	-
Income tax expense reported in the Income Statement	-	-
<b>Amounts Charged or Credited Directly to Equity</b>		
<i>Deferred income tax related to items charged or credited directly to equity:</i>		
Foreign currency translation reserve movement	-	-
Other and prior period	-	-
	-	-
Income tax benefit reported in equity	-	-
<b>Numerical Reconciliation of Income Tax Benefit to Prima Facie Tax Payable</b>		
(Loss)/profit before income tax expense from continuing operations	(49,122)	359,058
Tax at the Australian tax rate of 30% (2018– 30%)	14,736	(107,717)
Difference in overseas tax rates	3,317	5,378
Non-deductible items	143	(867)
Under/over prior year adjustment	-	-
Tax losses utilised	-	112,441
Deferred tax assets on losses not recognised	(18,196)	(9,235)
	-	-
Income tax expense reported in the income statement	-	-
<b>Tax Losses</b>		
Australian unused tax losses for which no deferred tax asset has been recognised <sup>2</sup>	(62,097)	(52,932)
Other unused tax losses for which no deferred tax asset has been recognised <sup>3</sup>	(368,231)	(354,525)
Total unused tax losses for which no deferred tax asset has been recognised	(430,328)	(407,457)

<sup>2</sup> Including tax losses transferred from SRL on consolidation

<sup>3</sup> Excluding tax losses from discontinued operation

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

**FOR THE YEAR ENDED 30 JUNE 2019**

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**NOTE 13. INCOME AND OTHER TAXES (continued)**

	2019 US\$'000	2018 US\$'000
<b>Deferred Income Tax</b>		
<i>Deferred tax liabilities</i>		
Accelerated prepayment deduction for tax purposes	(283)	(347)
Accelerated depreciation for tax purposes	(77,484)	(84,356)
Foreign currency balances	(42,225)	(40,647)
Exploration expenditure	(10,042)	(12,412)
Inventory / Consumables	(3,198)	(1,978)
	<hr/>	<hr/>
Gross deferred tax liabilities	(133,232)	(139,740)
Set off of deferred tax assets	133,232	139,740
	<hr/>	<hr/>
Net deferred tax liabilities	-	-
<i>Deferred tax assets</i>		
Revenue losses available for offset against future taxable income	142,827	141,903
Foreign currency balances	-	-
Interest bearing liabilities	10,918	625
Deferred tax assets not recognised	(20,651)	(5,988)
Other	138	3,200
	<hr/>	<hr/>
Gross deferred tax assets	133,232	139,740
Set off against deferred tax liabilities	(133,232)	(139,740)
	<hr/>	<hr/>
Net deferred tax assets recognised	-	-

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

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

This benefit for tax losses will only be obtained if:

- (1) the Consolidated Entities derive future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- (2) the Consolidated Entities continue to comply with the conditions for deductibility imposed by tax legislation; and
- (3) no changes in tax legislation adversely affect the Consolidated Entities in realising the benefit from the deductions for the losses.

**Recognition and Measurement**

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

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

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

**FOR THE YEAR ENDED 30 JUNE 2019**

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**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.

**NOTE 14. EARNINGS PER SHARE**

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

	<b>2019</b> <b>US\$'000</b>	<b>2018</b> <b>US\$'000</b>
Net (loss)/profit attributable to ordinary equity holders of the Parent from continuing operations	(30,345)	367,762
	<b>2019</b> <b>Number</b> <b>of Shares</b>	<b>2018</b> <b>Number</b> <b>of Shares</b>
Weighted average number of ordinary shares used in calculation of basic earnings per share	1,739,349,593	1,712,843,812
Weighted average number of ordinary shares used in calculation for diluted earnings per share	1,740,156,128	1,712,893,481
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	806,535	49,669

**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 2019 and 2018 as the number of potentially dilutive shares does not change the result of earnings per share.

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

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

	2019 US\$'000	2018 US\$'000
<b>Reconciliation of Net (Loss)/Profit After Tax to Net Cash Flows Used in Operating Activities</b>		
Net (loss)/profit	(42,992)	343,413
<i>Adjustments for</i>		
Depreciation and amortisation	22,279	19,131
Sundry income	143	3
Gain on disposal of property, plant and equipment	(25)	(13)
Change in estimate of environmental rehabilitation provision - KM	(10,465)	-
Net exchange differences	(562)	(1,865)
Share-based payments	116	667
Non-cash financing costs	22,500	16,307
Inventory write-down	-	34,052
Asset impairments	-	12,434
Gain on extinguishment of debt	-	(483,721)
<i>Changes in operating assets and liabilities</i>		
Decrease in prepayments	287	839
Decrease in trade and other receivables	7,140	5,633
Decrease/(increase) in inventories	5,354	(17,313)
(Decrease)/increase in trade and other payables	(11,710)	22,794
(Decrease)/increase in provisions	(4,552)	2,834
(Increase) in assets classified as held for sale	(527)	-
Increase in liabilities directly associated with assets classified as held for sale	209	-
Net cash flows used in operating activities	<b>(12,805)</b>	<b>(44,805)</b>

**NOTE 16. NON CASH INVESTING AND FINANCING ACTIVITIES**

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

**Acquisition of outstanding shares (17.92%) in Summit Resources Ltd**

25 October 2018 issue of 34,291,724 shares	4,854	-
16 November 2018 issue of 4,778,363 shares	695	-
Acquisition of non-controlling interest (refer to Note 9)	<b>5,549</b>	-
<b>Transfer of 50% participating interest in Michelin Project</b>		
Consolidation of Michelin Project	14,247	-
Disposal of interest in Michelin Project	-	(13,884)
Transfer of participating interest (refer to Note 22)	<b>14,247</b>	<b>(13,884)</b>

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

**FOR THE YEAR ENDED 30 JUNE 2019**

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**NOTE 16. NON CASH INVESTING AND FINANCING ACTIVITIES (continued)**

	<b>2019</b>	<b>2018</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Issue of US\$115M Senior Secured Notes</b>		
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)
KM environmental performance bond	-	(10,000)
	-	36,921
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**

<b>Current</b>	<b>Notes</b>		
Trade receivables and other receivables	(a)	687	2,584
GST and VAT	(b)	330	5,537
		1,017	8,121
Total current receivables		1,017	8,121

(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 expected credit loss model is used for calculating an allowance for doubtful debts. 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.

**Recognition and Measurement**

Trade Receivables

Receivables are initially recognised at fair value and subsequently at the amounts considered receivable. Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current.

Due to the short-term nature of the current receivables, their carrying amount is assumed to approximate fair value.

AASB 9 includes revised guidance on a new expected credit loss model for calculating impairment on financial assets. As both our mines are currently in care and maintenance, this change did not have a material impact on the consolidated financial statements.

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

**FOR THE YEAR ENDED 30 JUNE 2019**

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**NOTE 18. INVENTORIES**

	2019 US\$'000	2018 US\$'000
<b>Current</b>		
Stores and consumables (at cost – refer below)	5,363*	4,933
Work in progress and finished goods (net realisable value)	-	5,784
	<u>5,363</u>	<u>10,717</u>
Total current inventories at the lower of cost and net realisable value	<u>5,363</u>	<u>10,717</u>

\* Stores and consumables held at KM have been transferred to 'Assets Classified as Held for Sale'. (Refer to Note 19).

**Inventory Expense**

Inventories sold recognised as an expense for the year ended 30 June 2019 totalled US\$16,951,000 (2018: US\$88,558,000) for the Group.

**Write-down of Inventories**

No write down of inventories during 2019.

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 for the year. The write-down of inventories includes:

- a. Write-down of ore stockpiles of US\$8,457,000 due to continued low expected uranium prices.
- b. Write-down of product-in-circuit of US\$6,657,000 due to continued low expected uranium prices.
- c. Write-down of finished product of US\$13,005,000 due to continued low expected uranium prices.

During 2019 the provision for obsolete stock at LHM was revised based on the actual usage during the first year of care and maintenance, which resulted in the reduction of the provision and an increase of stores and consumables by US\$3,735,000. (2018 stores and consumables held at LHM and KM were written down by US\$5,933,000 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.



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

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**NOTE 19. DISCONTINUED OPERATIONS AND ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE**

On 24 June 2019, Paladin announced that it had entered into an agreement to sell its 85% interest in Paladin (Africa) Ltd (PAL) to a Hylea Metals Limited (Hylea) led joint venture. This is the Malawi operating segment (refer to Note 5)

The consideration for the sale of Paladin's 85% shareholding in PAL is A\$5M (US\$3.6M), comprising A\$200,000 (US\$143,000) cash, A\$4.8M (US\$3.4M) in Hylea shares to be issued to Paladin (A\$1.8M (US\$1.3M) on completion, subject to a 12-month voluntary escrow, and A\$3M (US\$2.1M) on the third anniversary of completion). The issue price will be based on the lower of the 30-day VWAP at the time of issue, or the price of a Hylea capital raising in the 90 days preceding. Paladin is entitled to receive a 3.5% royalty based on revenues derived from future production at Kayelekera, capped at A\$5M (US\$3.6M).

Paladin is also entitled to receive the funds advanced to provide security for the US\$10M environmental performance bond issued to the Government of Malawi for KM. The repayments will occur in four tranches: US\$4M on completion, US\$1M on the first anniversary, US\$2M on the second anniversary, and the final US\$3M on the third anniversary.

The transaction is subject to Hylea shareholder approval, Paladin Noteholder consent and customary terms and conditions, including Government of Malawi approvals, as well as containing standard representations and warranties. Completion is expected to occur in late Q2 FY2020.

Assets and liabilities of disposal group classified as held for sale

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operation as at 30 June 2019:

	<b>2019</b>	<b>2018</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<u>Assets classified as held for sale</u>		
Cash and cash equivalents (Note 6a)	83	-
Restricted cash (Note 6b)	10,220	-
Trade and other receivables (Note 17)	130	-
Prepayments	65	-
Inventories (Note 18)	331	-
<b>Total assets of disposal group classified as held for sale</b>	<b>10,829</b>	<b>-</b>
<u>Liabilities directly associated with assets classified as held for sale</u>		
Trade and other payables (Note 24)	140	-
Provisions (Note 25)	69	-
Environmental rehabilitation provision (Note 25)	42,185	-
<b>Total liabilities of disposal group classified as held for sale</b>	<b>42,394</b>	<b>-</b>
<b>Net liabilities classified as held for sale</b>	<b>31,565</b>	<b>-</b>

Financial performance and cash flow information of discontinued operations

<u>Profit/(loss) after tax from discontinued operations</u>		
Other income	571	356
Change in estimate of KM mine closure provision	10,465	(10,134)
Care and maintenance expenses	(4,906)	(5,867)
<b>Profit/(loss) after tax from discontinued operations</b>	<b>6,130</b>	<b>(15,645)</b>
<u>Cash Flows</u>		
Net cash outflow from operating activities	(4,280)	(4,700)
Net cash inflow from investing activities	295	-
<b>Net decrease in cash and cash equivalents</b>	<b>(3,985)</b>	<b>(4,700)</b>

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
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**NOTE 19. DISCONTINUED OPERATIONS AND ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE (continued)**

**Recognition and Measurement**

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the noncurrent asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
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**NOTE 20. PROPERTY, PLANT AND EQUIPMENT**

	Total US\$'000	Plant and Equipment US\$'000	Land and Buildings US\$'000	Construction Work in Progress US\$'000
<b>2019</b>				
<b>Net carrying value</b>				
At 1 July 2018	223,986	217,499	5,635	852
Additions	52	52	-	-
Depreciation and amortisation expense	(17,108)	(16,688)	(420)	-
Reclassification of assets	-	74	-	(74)
Disposals	(35)	(13)	-	(22)
Adjustment	(272)	(272)	-	-
Foreign currency translation	(24)	1	(25)	-
At 30 June 2019	<b>206,599</b>	<b>200,653</b>	<b>5,190</b>	<b>756</b>
Cost*	380,844	370,228	9,860	756
Accumulated depreciation*	(174,245)	(169,575)	(4,670)	-
<b>2018</b>				
<b>Net carrying value</b>				
At 1 July 2017	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)	-
At 30 June 2018	<b>223,986</b>	<b>217,499</b>	<b>5,635</b>	<b>852</b>
Cost	727,729	716,919	9,958	852
Accumulated depreciation	(503,743)	(499,420)	(4,323)	-

\* Property, Plant and Equipment of net carrying value US\$Nil (US\$341,529,306 cost and US\$341,529,306 accumulated depreciation) at KM have been transferred to 'Assets Classified as Held for Sale'. (Refer to Note 19).

**Property, Plant and Equipment Pledged as Security for Liabilities**

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

**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.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
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**NOTE 20. PROPERTY, PLANT AND EQUIPMENT (continued)**

**Recognition and Measurement**

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 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 | remaining useful life of the assets |

The estimates of useful lives, residual values and depreciation method are reviewed at the end of each reporting period with the effect of any changes in estimate accounted for on a prospective basis.

**Change in accounting estimate**

There has been a change in the basis for depreciating the LHM Plant during care and maintenance. Previously the plant was depreciated using the Units of Production method which would have resulted in zero depreciation during care and maintenance. The basis of depreciation has changed prospectively to the straight line method over the remaining useful life of the assets. This resulted in depreciation charges of US\$14.6M in FY2019.

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.

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

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
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**NOTE 20. PROPERTY, PLANT AND EQUIPMENT (continued)**

**Significant Estimates and Assumptions (continued)**

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 2019, 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 life of asset (LOA) scenario determined by a concept study, including potential optimisation of the plant.
- Uranium price forecasts 2019 to 2043 (real) ranging from US\$29/lb to US\$48/lb.
- Long term uranium price forecast (real) of US\$48/lb.
- Average future cost of production (real) US\$30/lb.
- Discount rate (real post tax) applied to cash flow projections of 10.5% (2018: 12.5%).

The current carrying value of the LHM CGU is US\$206,611,000. 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 2019.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**NOTE 21. MINE DEVELOPMENT**

	2019 US\$'000	2018 US\$'000
Mine development – at cost	108,267*	220,067
Less accumulated depreciation and impairment	(85,309)*	(191,925)
	<b>22,958</b>	<b>28,142</b>
Net carrying value – mine development		
Net carrying value at start of year	28,142	36,396
Depreciation and amortisation expense	(4,461)	(3,927)
Reclassification from property, plant and equipment	-	6,584
Adjustment to base amount of mine rehabilitation	(723)	(10,911)
Disposals	-	-
Net carrying value at end of year	<b>22,958</b>	<b>28,142</b>

\* Mine Development of net carrying value US\$Nil (US\$111,800,648 cost and US\$111,800,648 accumulated depreciation) at KM have been transferred to 'Assets Classified as Held for Sale'. (Refer to Note 19).

**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 straight line basis. Post-production costs are recognised as a cost of production.

**Change in accounting estimate**

There has been a change in the basis for depreciating the LHM mine development during care and maintenance. Previously the mine development was depreciated using the Units of Production method which would have resulted in zero depreciation during care and maintenance. The basis of depreciation has changed prospectively to the straight line method over the remaining useful life of the assets. This resulted in depreciation charges of US\$4.5M in FY2019.

**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 2018 and 2019. Refer to Note 20 for assessment of recoverability.

Proved and Probable Reserves

The Group uses the concept of a life of mine as an accounting value to determine such things as depreciation rates and the appropriate period to discount mine closure provisions. In determining life of mine, the proved and probable reserves measured in accordance with the 2012 edition of the JORC Code specific to a mine are taken into account which by their very nature require judgements, estimates and assumptions.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
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**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 2019:

Areas of interest	Valhalla /Skal US\$'000	Isa North US\$'000	Carley Bore US\$'000	Canada US\$'000	Manyingee US\$'000	Fusion US\$'000	Total US\$'000
Balance 1 July 2017	40,308	8,500	7,800	28,140	7,277	-	92,025
Expenditure capitalised	130	731	193	1,105	32	81	2,272
Foreign exchange differences	(527)	(774)	-	(373)	-	-	(1,674)
Impairment	(130)	(791)	(193)	(1,105)	-	(81)	(2,300)
Disposal of interest in Michelin Project <sup>(1)</sup>	-	-	-	(13,884)	-	-	(13,884)
<b>Balance 30 June 2018</b>	<b>39,781</b>	<b>7,666</b>	<b>7,800</b>	<b>13,883</b>	<b>7,309</b>	<b>-</b>	<b>76,439</b>
Expenditure capitalised	112	337	47	664	45	98	1,303
Foreign exchange differences	(546)	(802)	-	(118)	-	-	(1,466)
Acquisition of control of Michelin Project <sup>(2)</sup>	-	-	-	14,247	-	-	14,247
<b>Balance 30 June 2019</b>	<b>39,347</b>	<b>7,201</b>	<b>7,847</b>	<b>28,676</b>	<b>7,354</b>	<b>98</b>	<b>90,523</b>

<sup>(1)</sup> EdF claimants accepted a proposal whereby all existing claims which EdF had against the Michelin Project would be released and in consideration for the release of these claims, the EdF Claimants received a 50% participating interest in the Michelin Project. A disposal of a 50% interest in the Michelin Project of US\$13.9M was recognised.

<sup>(2)</sup> Recognises Paladin's control over the Michelin JV resulting in the consolidation of 100% of the Canadian assets with a non-controlling interest recognised for Michelin Nominees Limited's 50% interest in the Michelin Project. There is 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.

**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.

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**NOTE 22. EXPLORATION AND EVALUATION EXPENDITURE (continued)**

**Recognition and Measurement (continued)**

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.

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

**NOTE 23. INTANGIBLE ASSETS**

	<b>2019</b>	<b>2018</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>At 30 June</b>		
Intangible assets – at cost	17,803*	27,803
Less accumulated depreciation and impairment	<u>(8,341)*</u>	<u>(17,710)</u>
Net carrying value – intangible assets	<b><u>9,462</u></b>	<b><u>10,093</u></b>

\* Intangible assets of net carrying value US\$Nil (US\$10,000,000 cost and US\$10,000,000 accumulated depreciation) at KM have been transferred to 'Assets Classified as Held for Sale'. (Refer to Note 19).

Amortisation of US\$631,000 (2018: US\$532,000) is included in cost of sales in the Consolidated Income Statement.

**Movements in Intangible Assets**

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

	<b>Right to Supply of Power US\$'000</b>	<b>Right to Supply of Water US\$'000</b>	<b>Total US\$'000</b>
<b>2019</b>			
Net carrying value at 1 July 2018	2,827	7,266	10,093
Amortisation expense	<u>(177)</u>	<u>(454)</u>	<u>(631)</u>
Net carrying value at 30 June 2019	<u>2,650</u>	<u>6,812</u>	<u>9,462</u>
<b>2018</b>			
Net carrying value at 1 July 2017	2,976	7,649	10,625
Amortisation expense	<u>(149)</u>	<u>(383)</u>	<u>(532)</u>
Net carrying value at 30 June 2018	<u>2,827</u>	<u>7,266</u>	<u>10,093</u>

**Description of the Group's Intangible Assets**

1. Right to supply of power

LHM 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 straight line basis.



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**NOTE 23. INTANGIBLE ASSETS (continued)**

2. Right to supply of water

LHM 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 straight line 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.

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	Straight line method over the remaining useful life (16 years). The amortisation method is reviewed at each financial year-end.
Impairment testing	Annually and more frequently when an indication of impairment exists.

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.

**Change in accounting estimate**

There has been a change in the basis for depreciating the LHM intangible assets during care and maintenance. Previously the intangible assets were depreciated using the Units of Production method which would have resulted in zero depreciation during care and maintenance. The basis of depreciation has changed prospectively to the straight line method over the remaining useful life of the assets. This resulted in depreciation charges of US\$0.6M in FY2019.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
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**NOTE 24. TRADE AND OTHER PAYABLES**

	<b>2019</b>	<b>2018</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Current</b>		
Trade and other payables	2,271	9,735
Onerous contracts	79	3,236
	<u>2,350</u>	<u>12,971</u>
Total current payables	<u><b>2,350</b></u>	<u><b>12,971</b></u>

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

**Recognition and Measurement**

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

**NOTE 25. PROVISIONS**

**Current**

Employee benefits	697	5,249
Total current provisions	<u><b>697</b></u>	<u><b>5,249</b></u>

**Non Current**

Environmental rehabilitation provision	36,058	86,817
Demobilisation provision	-	610
Total non current provisions	<u><b>36,058</b></u>	<u><b>87,427</b></u>

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

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**NOTE 25. PROVISIONS (continued)**

**Movements in Provisions**

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

	<b>Demobilisation US\$'000</b>	<b>Environmental Rehabilitation US\$'000</b>	<b>Total US\$'000</b>
At 1 July 2018	610	86,817	<b>87,427</b>
Unwinding of discount rate	-	3,301	<b>3,301</b>
Utilised	(314)	-	<b>(314)</b>
Foreign currency movements	(24)	(687)	<b>(711)</b>
Change in estimate of provision - LHM	(272)	(723)	<b>(995)</b>
Change in estimate of provision - KM	-	(10,465) <sup>(1)</sup>	<b>(10,465)</b>
Transfer to liabilities classified as held for sale	-	(42,185)	<b>(42,185)</b>
	-	36,058	<b>36,058</b>
At 30 June 2019	-	36,058	<b>36,058</b>
<b>2019</b>			
Current	-	-	-
Non current	-	36,058	<b>36,058</b>
	-	36,058	<b>36,058</b>
<b>2018</b>			
Current	-	-	-
Non current	610	86,817	<b>87,427</b>
	610	86,817	<b>87,427</b>

<sup>(1)</sup> A revised mine closure plan for KM was prepared and presented various options for rehabilitation. Following a review of the different options presented in the mine closure plan, management decided on the option that was the most likely to be implemented at KM which resulted in a decrease of the provision by US\$10,465,000 to US\$42,185,000 at 30 June 2019.

**Nature and Timing of Provisions**

Environmental rehabilitation

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.

Demobilisation

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

**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.

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**NOTE 25. PROVISIONS (continued)**

**Recognition and Measurement (continued)**

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.

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**OTHER NOTES****NOTE 26. KEY MANAGEMENT PERSONNEL****Details of Key Management Personnel**

(i)	Directors	
	Mr Rick Crabb	Chairman (Non-executive)
	Mr David Riekie	Director (Non-executive)
	Mr Daniel Harris	Director (Non-executive)
	Mr John Hodder	Director (Non-executive)
(ii)	Executives	
	Mr Scott Sullivan	Chief Executive Officer (appointed 1 July 2018)
	Mr Craig Barnes	Chief Financial Officer (resigned 1 July 2019)
	Mr Michael Drake	General Manager, Business Development and Projects (appointed 11 February 2019)
	Ms Anna Sudlow	Chief Financial Officer (appointed 1 July 2019)

**Compensation of Key Management Personnel: Compensation by Category**

	<b>2019</b>	<b>2018</b>
	<b>US\$</b>	<b>US\$</b>
Short-term employee benefits	1,070,363	1,153,184
Post-employment benefits	48,605	21,277
Share-based payments	105,411	111,160
	<u><b>1,224,379</b></u>	<u><b>1,285,621</b></u>

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

**FOR THE YEAR ENDED 30 JUNE 2019**

EXPRESSED IN US DOLLARS

**NOTE 27. AUDITORS' REMUNERATION**

The auditor of the Paladin Energy Ltd Group is PricewaterhouseCoopers.

	<b>2019 US\$</b>	<b>2018 US\$</b>
<i>Amounts received or due and receivable by PricewaterhouseCoopers (Australia) for:</i>		
Audit or review of the financial report of the consolidated Group	124,406	288,601
Other services	-	103,900
Taxation services:		
Tax compliance services	25,660	27,382
International tax consulting	110,090	-
Other tax advice	16,766	65,816
	276,922	485,699
 <i>Amounts received or due and receivable by related practices of PricewaterhouseCoopers (Australia) for:</i>		
Audit or review of the financial report of subsidiaries and audit related services	63,365	61,085
Other services	585	4,983
Taxation services:		
Tax compliance services	2,169	-
	66,119	66,068
<b>Total</b>	<b>343,041</b>	<b>551,767</b>

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

**FOR THE YEAR ENDED 30 JUNE 2019**

EXPRESSED IN US DOLLARS

**NOTE 28. COMMITMENTS AND CONTINGENCIES**

There were no outstanding commitments or contingencies, which are not disclosed in the Financial Report of the Group as at 30 June 2019 other than:

	<b>2019</b>	<b>2018</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Tenements</b>		
Commitments for tenements contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	337	1,055
Later than one year but not later than 5 years	848	1,417
More than 5 years	644	869
	<b>1,829</b>	<b>3,341</b>
<b>Total tenements commitment</b>	<b>1,829</b>	<b>3,341</b>

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

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

**Other Commitments**

Commitments for transport, capital, purchase order commitments, fuel and utilities and other supplies contracted for at the reporting date but not recognised as liabilities, payable:

Within one year	2,756	2,722
Later than one year but not later than 5 years	366	-
More than 5 years	1,372	-
	<b>4,494</b>	<b>2,722</b>
<b>Total other commitments</b>	<b>4,494</b>	<b>2,722</b>

In relation to the Manyingee Project, the re-negotiated acquisition terms provide for a payment of A\$750,000 (US\$527,144) (2018: A\$750,000 (US\$553,890)) by the Group to the vendors when all project development approvals are obtained.

**Bank Guarantees**

As at 30 June 2019 the Group has outstanding US\$158,245 (A\$225,145) (2018: US\$166,274 (A\$225,145)) as a current guarantee provided by a bank for the corporate office lease; a US\$110,700 (A\$157,500) (2018: US\$121,920 (A\$165,086)) guarantee for tenements; a US\$45,686 (A\$65,000) (2018: US\$49,637 (A\$67,212)) guarantee for corporate credit cards, and a US\$10,000,000 (2018: US\$10,000,000) KM environmental performance bond in favour of the Government of Malawi (pending renewal approval at 30 June 2019).

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

**FOR THE YEAR ENDED 30 JUNE 2019**

EXPRESSED IN US DOLLARS

**NOTE 29. RELATED PARTIES**

Key Management Personnel

The only related party transactions are with Directors and Key Management Personnel. Refer to Note 26. Details of material controlled entities are set out in Note 30.

Loans from related parties – LHM's loans from CNNC (refer to Note 8)

<b>Non Current</b>	<b>2019</b> <b>US\$'000</b>	<b>2018</b> <b>US\$'000</b>
At 1 July 2018	93,330	89,388
Interest charged	4,934	3,942
	<b>98,264</b>	<b>93,330</b>
Revenue from sale of uranium	6,579	31,632

**NOTE 30. GROUP INFORMATION**

**Information Relating to Paladin Energy Ltd (parent)**

Current assets	20,421	36,258
Total assets	205,784	238,597
Current liabilities	1,107	1,742
Total liabilities	131,899	118,355
Issued capital	2,306,925	2,301,285
Accumulated losses	(2,281,130)	(2,229,107)
Option application reserve	137	137
Share-based payments reserve	47,953	47,927
Total shareholders' equity	73,885	120,242
Net loss after tax from operations	(52,023)	408,003
<b>Total comprehensive loss</b>	<b>(52,023)</b>	<b>408,003</b>

**Details of Any Contingent Liabilities of the Parent Entity**

Paladin has provided a guarantee of US\$36,057,945 for the LHM Environmental Trust Fund.

**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.



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

**FOR THE YEAR ENDED 30 JUNE 2019**

EXPRESSED IN US DOLLARS

**NOTE 30. GROUP INFORMATION (continued)**

**Investments in Material Controlled Entities**

NAME	COUNTRY OF INCORPORATION	PERCENTAGE INTEREST HELD	
		2019	2018
		%	%
Paladin Energy Minerals NL	Australia	100	100
Paladin (Africa) Limited	Malawi	85	85
Langer Heinrich Mauritius Holdings Ltd	Mauritius	75	75
Langer Heinrich Uranium (Pty) Ltd	Namibia	75	75
Valhalla Uranium Pty Ltd	Australia	100	100
Summit Resources Ltd	Australia	100	82
Summit Resources (Aust) Pty Ltd	Australia	100	82
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.

**NOTE 31. EVENTS AFTER THE BALANCE DATE**

Other than disclosed below, since 30 June 2019, 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 2019 Financial Report:

**Appointment of Chief Financial Officer**

On 13 June 2019, Paladin Energy Ltd announced that Ms Anna Sudlow had been appointed as Chief Financial officer (CFO) commencing on 1 July 2019.

**Noteholder Consent: Sale of 85% Interest in Paladin (Africa) Ltd**

On 20 August 2019, Paladin Energy Ltd announced that holders of more than 50% of the Senior Secured Notes due 2023 (Notes) outstanding had submitted voting instructions in favour of the resolution set out in the consent solicitation, which sought noteholder consent to certain waivers and releases under the terms of the Notes in order to facilitate the sale of its 85% interest in Paladin (Africa) Ltd to Hylea. As a result, the resolution will be passed without the meeting of Noteholders which was scheduled for 29 August 2019. The waivers and releases will become effective on execution of documentation by the Note Trustee which Paladin expects will occur on or about 28 August 2019.

Paladin also referred to its previous announcements:

- (a) dated 23 July 2019 regarding the launch of a consent solicitation to its Noteholders pursuant to which Paladin sought Noteholder consent to certain waivers and releases under the terms of the Notes in order to facilitate the sale of its shares in Paladin (Africa) Limited to Hylea; and
- (b) dated 8 August 2019 regarding an amendment to the consent solicitation to introduce a consent fee equal to 1% of the aggregate principal amount of the Notes outstanding to that noteholder. Payable to each noteholder who votes in favour of the resolution. The consent fee is payable only if the waivers and releases in the consent solicitation are approved by the requisite majority of noteholders and if the share sale completes.

**PALADIN ENERGY LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2019**  
EXPRESSED IN US DOLLARS

**NOTE 32. 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 2019:

Reference/ Title	Summary	Application date of standard*	Application date for Group*
<b>AASB 16 Leases</b>	AASB 16 will primarily affect the accounting by lessees and will result in the recognition of almost all leases on the balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for almost all lease contracts. The accounting by lessors, however, will not significantly change.	1 January 2019	1 July 2019
<b>Narrow scope amendments to IFRS 9 and IAS 28 (AASB 2017-7)</b>	The IASB has issued amendments to IFRS 9 Financial Instruments and to IAS 28 Investments in Associates and Joint Ventures to aid with the implementation of IFRS 9. Equivalent amendments to the respective Australian Standards are expected to be issued shortly.	1 January 2019	1 July 2019
<b>Annual Improvements 2015–2017 Cycle (AASB 2018-1)</b>	This standard makes amendments to AASB 3 Business Combinations, AASB 11 Joint Arrangements, AASB 112 Income Taxes and AASB 123 Borrowing Costs.	1 January 2019	1 July 2019
<b>Amendments to AASB 19 – plan amendment, curtailment or settlement (AASB 2018 -2)</b>	The AASB has issued amendments to the guidance in AASB 119 Employee Benefits in connection with accounting for plan amendments, curtailments and settlements.	1 January 2019	1 July 2019
<b>IASB amends the definition of material</b>	The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and consequential amendments to other IFRSs which: i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify when information is material; and iii) incorporate some of the guidance in IAS 1 about immaterial information.	1 January 2020	1 July 2020
<b>IASB amends the definition of a business (IFRS 3)</b>	The IASB has issued amendments to the guidance in IFRS 3 Business Combinations that revises the definition of a business.	1 January 2020	1 July 2020
<b>Sale or contribution of assets between an investor and its associate or joint venture (AASB 2014-10)</b>	The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting depends on whether the contributed assets constitute a business or an asset.	1 January 2022*	1 July 2022

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

The Group has considered what impact AASB 16 Leases will have on the financial statements, when applied next year, and have concluded that they will have no impact the Group currently has minimal leases and are considered immaterial.

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 2019, it is not expected that the new Standards and Interpretations will significantly affect the Group's financial performance.

## DIRECTORS' DECLARATION

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1. In the opinion of the Directors' of Paladin Energy Ltd:
  - (a) The consolidated financial statements and notes that are set out on pages 38 to 89, 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 2019 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 2019 (**section 295A Declarations**). The section 295A Declarations have been made by the Chief Executive Officer, Scott Sullivan and the Chief Financial Officer, Anna Sudlow.

Dated at Perth on 27<sup>th</sup> August 2019

On behalf of the board



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Rick Crabb  
Chairman



## *Independent auditor's report*

To the members of Paladin Energy Ltd

### *Report on the audit of the financial report*

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#### *Our opinion*

In our opinion:

The accompanying financial report of Paladin Energy Ltd (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 2019 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 2019
- 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 consolidated income statement for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies, and
- 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 the Group incurred a net loss after tax attributable to ordinary equity holders of US\$30,345,000, and a net cash outflow from operations of US\$12,805,000 during the year ended 30 June 2019.

The Group has senior secured notes of US\$118,149,000 which have no repayment obligations until their maturity in 2023. While the Langer Heinrich Mine remains on care and maintenance, the Group will not generate any cash to fund its operations or to repay its senior secured notes.

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.

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### *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\$3.75 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 utilised a 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’s 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, and
  - The Group engagement team and component auditor had active dialogue throughout the year through discussions, 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 matters 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.

<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
<p><b>Impairment assessments for non-current assets</b></p> <p><i>(Refer to note 20, 21 and 23) US\$206.6 million in Property, Plant and Equipment, US\$23.0 million in Mine Development and US\$9.5 million in Intangible Assets</i></p> <p>The Group’s financial report includes significant non-current assets in the form of Property, Plant and Equipment, Mine Development and Intangible Assets relating primarily to the Group’s Langer Heinrich mine (LHM) in Namibia.</p> <p>The Group identified an indicator for impairment for its Langer Heinrich Cash Generating Unit</p>	<p>We performed the following procedures, amongst others:</p> <ul style="list-style-type: none"> <li>• assessed whether the composition of the Langer Heinrich CGU was consistent with our knowledge of the Group’s operations and internal Group reporting</li> <li>• evaluated the Group’s assessment that there were indicators of impairment as at 30 June 2019 for the Langer Heinrich CGU, taking into consideration the requirements of Australian Accounting Standards.</li> <li>• assessed whether the Langer Heinrich CGU appropriately included all directly</li> </ul>



<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p>(CGU). As a result, the Group tested the Langer Heinrich CGU for impairment. The impairment assessment involved significant judgements, such as:</p> <ul style="list-style-type: none"> <li>• forecasting long term uranium prices</li> <li>• determining Reserve and resource estimates and production and processing volumes</li> <li>• determining an appropriate discount rate</li> <li>• estimating future operating costs, capital expenditure, foreign exchange rates and inflation rates, and</li> <li>• estimating the timing of the expected recommencement of mining and processing operations.</li> </ul> <p>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.</p>	<p>attributable assets and liabilities</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• compared the forecast cash flows used in the impairment model 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</li> <li>• assessed whether the forecast cash flows in the impairment model were reasonable by comparing: <ul style="list-style-type: none"> <li>○ medium and long term uranium pricing data used to current independent industry forecasts</li> <li>○ the Group's current forecast uranium production over the life of the mine to the Group's most recent reserves and resources statement</li> <li>○ the forecasted cash flows to historical cash flows to assess the accuracy of the Group's forecasting</li> <li>○ the forecasted operating costs and capital expenditure to internal budgets and the most recently completed concept study</li> <li>○ foreign exchange rate and inflation rate assumptions to current external economic forecasts, and assessed the Group's selection of an asset specific discount rate, assisted by PwC valuation experts</li> </ul> </li> <li>• performed sensitivity analysis on the key assumptions used in the impairment model</li> <li>• performed tests of the mathematical accuracy of the impairment model on a sample basis, and</li> <li>• evaluated the adequacy of the disclosures made in note 20 including those</li> </ul>



<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p data-bbox="263 647 831 779"><b>Closure and rehabilitation provisions</b> <i>(Refer to note 19 and 25) US\$42.2 million in Liabilities Classified as Held for Sale and \$36.1 million in Non-current Provisions</i></p> <p data-bbox="263 790 847 1151">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. At 30 June 2019 the consolidated statement of financial position included provisions for such obligations across all sites of US\$78.3 million of which \$US42.2m in classified as Liabilities Classified as Held for Sale as a result of the announced sale of the Group's interest in the Kayalekera mine in Malawi.</p> <p data-bbox="263 1164 852 1464">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.</p>	<p data-bbox="983 506 1445 622">regarding key assumptions used in the impairment assessment, in light of the requirements of Australian Accounting Standards.</p> <p data-bbox="887 647 1477 891">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:</p> <ul data-bbox="935 902 1477 1637" style="list-style-type: none"><li>• evaluated the competency and objectivity of the experts retained by the Group to assist with the assessment of the Langer Heinrich and Kayelekera rehabilitation obligations</li><li>• compared the rehabilitation costs being estimated at Langer Heinrich and Kayelekera to an external expert's assessment of the rehabilitation obligations</li><li>• examined the Group's assessment 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</li><li>• assessed the forecast timing of work to be performed by comparison to mine plans and environmental rehabilitation plans submitted to relevant authorities, and</li><li>• considered the appropriateness of the discount rates and inflation rates utilised in calculating the provision by comparing them to current market consensus rates.</li></ul>





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### *Other information*

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2019, 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 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 on the other information that we obtained prior to the date of this auditor's report, 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.

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### *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 the *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.

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### *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](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf). This description forms part of our auditor's report.



## *Report on the remuneration report*

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### *Our opinion on the remuneration report*

We have audited the remuneration report included in pages 24 to 34 of the directors' report for the year ended 30 June 2019.

In our opinion, the remuneration report of Paladin Energy Ltd for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

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### *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.

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

PricewaterhouseCoopers

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

Ben Gargett  
Partner

Perth  
27 August 2019

## ADDITIONAL INFORMATION

Pursuant to the Listing Requirements of ASX as at 6 August 2019:

**(a) Distribution and number of holders**

Range		Total Holders	No. of Shares
1	-	1,000	19,425
1,001	-	5,000	1,596
5,001	-	10,000	639
10,001	-	100,000	1,471
100,001	-	maximum	305
		23,436	1,752,084,272

20,617 shareholders hold less than a marketable parcel of shares.

**(b) The twenty largest shareholders hold 91.02% of the total shares issued**

Holder	No. of Shares	%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	604,643,437	34.51
NDOVU CAPITAL XII B V	223,589,744	12.76
CITICORP NOMINEES PTY LIMITED	172,039,018	9.82
JP MORGAN NOMINEES AUSTRALIA LIMITED	147,056,971	8.39
HOPU CLEAN ENERGY (SINGAPORE) PTE LTD	115,384,615	6.59
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – GSCO ECA	80,199,021	4.58
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAIL CLIENT DRP>	51,644,145	2.95
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	41,503,047	2.37
BNP PARIBAS NOMS PTY LTD <DRP>	32,048,979	1.83
CS THIRD NOMINEES PTY LTD <HSBC CUST NOM AU LTD 13 A/C>	23,528,299	1.34
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <EUROCLEAR BANK>	20,727,361	1.18
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	16,616,051	0.95
WASHINGTON H SOUL PATTINSON & CO LTD	16,288,679	0.93
NATIONAL NOMINEES LIMITED	13,891,547	0.79
SACHEM COVE SPECIAL OPPORTUNITIES FUND LP	10,500,000	0.60
AMP LIFE LIMITED	7,863,004	0.45
LEXBAND PTY LTD <MACMILLAN SUPER FUND A/C>	5,000,000	0.29
HOPU CLEAN ENERGY (SINGAPORE) PTE LTD	4,997,767	0.29
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	4,528,423	0.26
MS SEND BEE TEOH + MR SIN MONG WONG	2,631,108	0.15
		1,594,681,216
		<b>91.02</b>

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
Paradise Investment Management Pty Ltd	170,303,351
Value Partners Greater China High Yield Income Fund and related funds	158,031,317
HOPU Clean Energy (Singapore) Pte Ltd	120,382,383
China Investment Corporation (CIC) and its controlled entities	96,131,600
Royal Bank of Canada (RBC) and its related bodies corporate	94,834,237

**(c) Voting Rights**

Ordinary Shares

For all shares, voting rights are one vote per member on a show of hands and one vote per share in a poll.

Share 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.

**(e) Unquoted securities**

Unlisted Share Appreciation Rights

The Company has 22,085,500 share appreciation rights on issue, issued in accordance with the Share Rights Plan approved by shareholders in November 2018. 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
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#### **NAMIBIA – AFRICA**

Langer Heinrich	2 MLI	100%	-	LHUPL	1
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#### **MALAWI – AFRICA**

Kayelekera	1 MLI	100%	-	PAL	2
	5 EPL	100%	-	PAL	2

#### **LABRADOR/NEWFOUNDLAND – CANADA**

Central Mineral Belt	21 MLC	55%	-	AUR	
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#### **QUEENSLAND**

Mount Isa	3 EPMs	100%		PDN	
	6 MDLs	100%		PDN	

#### **WESTERN AUSTRALIA**

Manyingee	3 MLs	100%	-	PDN	
Carley Bore	2 ELs	100%	-	PDN	

#### NON-URANIUM PROJECTS

#### **QUEENSLAND**

##### **Western Isa Joint Venture**

Mount Isa	11 EPMs	20%	Aeon Metals Limited	AML	3
	1 EPM	18%	Aeon Metals Limited	AML	3
		2%	Centaurus Metals Limited		

#### **SOUTH AUSTRALIA**

Reaphook JV	1 EL	7.5%	Perilya Limited Signature Resources NL	Perilya	
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## ADDITIONAL INFORMATION (continued)

### Tenements held (continued)

Operators	Paladin Equity (direct and indirect)	Note
AUR	Aurora Energy Ltd	50%
CNNC	CNNC Overseas Uranium Holding Limited	0%
LHUPL	Langer Heinrich Uranium (Pty) Ltd	75%
PAC	Pacific Mines Pty Ltd	100%
PAL	Paladin (Africa) Ltd	85%
SRA	Summit Resources (Aust) Pty Ltd	100%
PDN	Paladin Energy Ltd	

### 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. 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	Mlb	million pounds
C&M	care and maintenance	m	metres
ft	feet	mm	millimetres
g	gram	mSv	millisiverts
ISO	International Organisation for Standardisation	NOSA	National Occupational Safety Association
ISR	in situ recovery	NPV	net present value
JORC	Joint Ore Reserves Committee	pa	per annum
K	thousand	PAL	Paladin (Africa) Limited
kg	kilogram	PFS	pre-feasibility study
KM	Kayelekera Mine	ppm	parts per million
lb	pounds	t	tonnes
LHM	Langer Heinrich Mine	t/m <sup>3</sup>	tonnes per cubic metre
LHUPL	Langer Heinrich Uranium (Pty) Ltd	U	uranium
LTI	lost time injury	U <sub>3</sub> O <sub>8</sub>	uranium oxide
LTIFR	lost time injury frequency rate	US\$	US dollars
M	million	w:o	waste to ore ratio

## ADDITIONAL INFORMATION (continued)

### SHAREHOLDER REPORTING TIMETABLE

**Please note the lodgement dates are proposed,  
with applicable due dates provided, as appropriate.**

#### Important Dates

##### 2019

21 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)
15 November 2019	Annual General Meeting to be held in Perth, Western Australia

##### 2020

20 January 2020	31 December 2019 ASX Quarterly Activities Report (due 31 January 2020)
24 January 2020	31 December 2019 ASX Appendix 5B (due 31 January 2020)
28 February 2020	Half Yearly Financial Statements for the six months ended 31 December 2019 (Appendix 4D)
20 April 2020	31 March 2020 ASX Quarterly Activities Report (due 30 April 2020)
24 April 2020	31 March 2020 ASX Appendix 5B (due 30 April 2020)
20 July 2020	30 June 2020 ASX Quarterly Activities Report (due 31 July 2020)
24 July 2020	30 June 2020 ASX Appendix 5B (due 31 July 2020)
28 August 2020	Audited Annual Financial Statements for the year ended 30 June 2020 (Appendix 4E)
19 October 2020	30 September 2020 ASX Quarterly Activities Report (due 31 October 2020)
23 October 2020	30 September 2020 ASX Appendix 5B (due 31 October 2020)
13 November 2020	Annual General Meeting to be held in Perth, Western Australia

# CORPORATE DIRECTORY

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## 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

Level 4, 502 Hay Street  
Subiaco Western Australia 6008  
Telephone: (+61 8) 9381 4366  
Facsimile: (+61 8) 9381 4978  
Email: [paladin@paladinenergy.com.au](mailto:paladin@paladinenergy.com.au)  
Web: [www.paladinenergy.com.au](http://www.paladinenergy.com.au)

### Share Registries

#### Australia

Computershare Investor Services Pty Ltd  
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](http://www.paladinenergy.com.au).

## Investor Relations

### Australia – Corporate Office

#### Ms Karen Oswald

Level 4, 502 Hay Street  
Subiaco Western Australia 6008  
(PO Box 201, Subiaco, 6904)  
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Facsimile: (+61 8) 9381 4978  
Email: [karen.oswald@paladinenergy.com.au](mailto:karen.oswald@paladinenergy.com.au)

### 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