

**Appendix 4D - Financial Report
Half year ended 31 December 2012**

Paladin Energy Ltd

ABN or equivalent company reference

ACN. 061 681 098

Results for announcement to the market

				31 December 2012 US\$M	31 December 2011 US\$M
Revenue from sales of uranium oxide	Up	13%	to	194.9	172.7
Revenue	Up	13%	to	195.5	173.4
Loss after tax attributable to members	Up	61%	to	(193.5)	(120.2)
Net loss for the year attributable to members	Up	61%	to	(193.5)	(120.2)
Loss per share (US cents)				(23.1)	(14.9)

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

An explanation of the results is included in the Management Discussion & Analysis and the Financial Report attached.

	31 December 2012	31 December 2011
Net tangible assets per share	US\$1.17	US\$1.46

Other

Previous corresponding period is the half year ended 31 December 2011.

All foreign subsidiary accounts are prepared using IFRS.

Commentary on Results for the Year

A commentary on the results for the year is contained in the press release dated 14 February 2013.



PALADIN ENERGY LTD

ACN.061 681 098

HALF YEAR FINANCIAL REPORT

FOR THE SIX MONTHS ENDED

31 DECEMBER 2012

PALADIN ENERGY LTD

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

PALADIN ENERGY LTD

Management Discussion and Analysis *For the Six Months Ended 31 December 2012* *(All figures are in US dollars unless otherwise indicated)*

The following Management Discussion and Analysis (“MD&A”) for Paladin Energy Ltd (“Company”) and its controlled entities (“Group”) should be read in conjunction with the Consolidated Financial Statements for the six months ended 31 December 2012. The effective date of this report is 14 February 2013.

The financial information presented in this MD&A has been extracted from the attached financial statements.

In addition to these Australian requirements, further information has been included in the Consolidated Financial Statements for the six months ended 31 December 2012 in order to comply with applicable Canadian securities law, as the Company is also listed on the Toronto Stock Exchange.

Additional information relating to the Company and its operations, including the Company’s Quarterly Activities Report for each of the periods ended 30 September 2012 and 31 December 2012 and the most recent Annual Report for the year ended 30 June 2012 and other public announcements are available at www.paladinenergy.com.au.

FORWARD LOOKING STATEMENTS

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

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

OVERVIEW

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

PALADIN ENERGY LTD

Management Discussion and Analysis For the Six Months Ended 31 December 2012 (All figures are in US dollars unless otherwise indicated)

The main activities and results during the six months ended 31 December 2012 were:

- Record quarterly and annual production at both the Langer Heinrich and Kayelekera mines.
 - combined production for the December half year of 4.120Mlb (1,869t) U₃O₈ is an increase of 34% over the December 2011 half year and achieved 97% of nameplate production of 4.250Mlb U₃O₈ for the half year. The December 2012 half year included a 16-day planned annual maintenance shutdown at Kayelekera.
 - combined production for the December quarter of 2.191Mlb (994t) U₃O₈ is an increase of 14% over the September quarter and achieved 103% of nameplate production of 2.125Mlb U₃O₈ for the quarter.
 - total annual production for CY2012 of 7.946Mlb (3,604t) U₃O₈ is a 34% increase over the previous calendar year.
- Record Langer Heinrich Mine (LHM) quarterly production of 1.419Mlb (644t) U₃O₈ is an increase of 10% over the previous quarter and achieved 109% of nameplate design capacity. Additionally:
 - record recovery of 87.4% versus design of 85%.
 - feed grades of 805ppm U₃O₈ versus design of 800ppm.
 - demonstrated ability of the project to produce well above nameplate.
 - further optimisation initiatives underway.
 - Stage 3 Bankers' Completion Tests successfully completed.
- Kayelekera Mine (KM) quarterly production of 772,280lb (350t) U₃O₈ is an increase of 21% over the previous quarter and is an all-time quarterly record. Additionally:
 - quarterly production at 93.6% of nameplate while remaining constraints in the resin-in-pulp circuit (RIP) are being addressed.
 - feed grades of 1,159ppm U₃O₈ (design is 1,100ppm).
 - consistently improved acid plant production continued to provide positive cost implications with reduced dependence on imported acid.
 - increased likelihood of securing low cost grid power to site within the year is progressing well.
 - Bankers' Completion Tests successfully completed post quarter end.
- Record sales revenue of US\$133.9M for the quarter, selling 2.783Mlb U₃O₈ at average price of US\$48.10/lb. Sales for the half year of 4.008Mlb U₃O₈ generated revenue of US\$194.9M representing an average sale price of US\$48.63/lb.
- US\$150M second tranche payment received on 31 January 2013 pursuant to the Long Term Off-take Contract with Électricité de France S.A. (EdF).
- Cost savings and production optimisation initiatives continue successfully with total costs and unit production costs reducing at both mines.
- Remaining well on target to achieve FY2013 production guidance of 8.0 – 8.5Mlb U₃O₈.
- Due to continued uranium price weakness, an impairment expense of US\$54.9M has been recorded at Kayelekera for the December quarter, totalling US\$96.0M for the half year.

PALADIN ENERGY LTD

Management Discussion and Analysis *For the Six Months Ended 31 December 2012* *(All figures are in US dollars unless otherwise indicated)*

- Income tax expense for the six months of US\$79.7M is predominantly the result of the de-recognition of the net deferred tax asset of US\$98.2M at Kayelekera arising from unrealised foreign exchange differences and carry forward tax losses previously recognised. The unrealised foreign exchange difference on intercompany loans has arisen due to the extreme devaluation of 103% in the Malawian Kwacha over the last 12 months from an average of US\$1 = MWK160 to US\$1 = MWK 327 at 31 December 2012.

PALADIN ENERGY LTD

Management Discussion and Analysis For the Six Months Ended 31 December 2012 (All figures are in US dollars unless otherwise indicated)

SUMMARISED INCOME STATEMENT

	Three months ended 31 December		Six months ended 31 December	
	2012 US\$M	2011 US\$M	2012 US\$M	2011 US\$M
Revenue	134.2	70.4	195.5	173.4
Gross profit	10.1	17.0	12.5	27.0
Exploration and evaluation expenses	(0.4)	(0.6)	(0.9)	(1.4)
Administration, marketing and non-production costs	(12.5)	(11.8)	(22.9)	(25.6)
Other expenses and income	(55.1)	0.8	(99.0)	(185.1)
(Loss)/profit before interest and tax	(57.9)	5.4	(110.3)	(185.1)
Finance costs	(16.6)	(14.1)	(33.6)	(27.9)
Income tax (expense)/benefit	(97.8)	10.8	(79.7)	72.1
Net (loss)/profit after tax	(172.3)	2.1	(223.6)	(140.9)
(Loss)/profit after tax attributable to:				
Non-controlling interests	(24.7)	(1.1)	(30.1)	(20.7)
Members of the parent	(147.6)	3.2	(193.5)	(120.2)
	(172.3)	2.1	(223.6)	(140.9)
(Loss)/earnings per share - basic & diluted (US cents)	(17.6)	0.4	(23.1)	(14.9)

Three Months Ended 31 December 2012

References below to 2012 and 2011 are to the equivalent three months ended 31 December 2012 and 2011 respectively.

C1 cost of production = cost of production excluding product distribution costs, sales royalties and depreciation and amortisation before adjustment for impairment. C1 cost, which is non-IFRS information, is a widely used 'industry standard' term. C1 cost information (unreviewed) has been extracted from the financial statements. For an analysis of total cost of sales refer to Note 5(b) to the financial statements.

PALADIN ENERGY LTD

Management Discussion and Analysis For the Six Months Ended 31 December 2012 (All figures are in US dollars unless otherwise indicated)

Analysis of Income Statement

ANALYSIS OF REVENUE AND GROSS PROFIT

			Three months ended 31 December	
			2012	2011
			US\$M	US\$M
Revenue from sales of uranium oxide	Up	91%	133.9	69.9
Gross profit	Down	41%	10.1	17.0
Realised uranium sales price			US\$48.1/lb	US\$53.0/lb
			Mlb U₃O₈	Mlb U₃O₈
LHM sales volume	Up	89%	2.208 ⁽¹⁾	1.168 ⁽²⁾
KM sales volume	Up	283%	0.575	0.150
Total sales volume	Up	111%	2.783	1.318
LHM production	Up	19%	1.419	1.193
KM production	Up	22%	0.772	0.632
Total production	Up	20%	2.191	1.825

(1) Includes 0.491Mlb of LHM material sold through Paladin Nuclear Ltd.

(2) Includes 0.100Mlb of LHM material sold through Paladin Energy Ltd.

Revenue increased 91%, from US\$70.4M in 2011 to US\$134.2M in 2012 due to increased revenue from sales of uranium of US\$69.9M in 2011 to US\$133.9M in 2012. Sales volume in 2012 of 2.783Mlb U₃O₈ increased by 111% from 1.318Mlb U₃O₈ in 2011. The average realised uranium sales price in 2012 was US\$48.10/lb U₃O₈ (2011: US\$53/lb U₃O₈) compared to the average UxC spot price for the three months of US\$43.16/lb U₃O₈.

Gross Profit in 2012 of US\$10.1M is lower than in 2011 (US\$17.0M) due to the US\$7.8M impairment of KM ROM stockpiles which was partially offset by higher sales volumes. An impairment was required to reduce the cost of KM ROM stockpiles held at 31 December 2012 to a net realisable value using the current low uranium prices. The C1 cost of production for LHM in 2012 has decreased quarter on quarter since March 2012 from US\$32.4/lb U₃O₈ to US\$29.6/lb U₃O₈ in December 2012 (2011: US\$25.7/lb U₃O₈). December 2011 C1 cost was lower due to high feed grades being processed through the recently completed Stage 3 plant. The C1 cost of production for KM in 2012 (excluding impact of impairment) decreased to US\$43.5/lb U₃O₈ (2011: US\$55.8/lb U₃O₈). The benefits of increased production levels and cost benefits from the cost optimisation programme are now being realised. Cost optimisation continues to be a key focus, with specific target areas including mining, acid, reagents, diesel and transport. Further major benefits from these costs reductions are expected over the next 12 to 18 months.

Exploration and Evaluation Expenditure of US\$0.4M in 2012, which relates to early stage work and project generation activities in Australia and Malawi, decreased from 2011 (US\$0.6M).

PALADIN ENERGY LTD

Management Discussion and Analysis For the Six Months Ended 31 December 2012 (All figures are in US dollars unless otherwise indicated)

ANALYSIS OF ADMINISTRATION, MARKETING & NON-PRODUCTION COSTS

			Three months ended 31 December	
			2012	2011
			US\$M	US\$M
Corporate & marketing	Up	29%	(6.6)	(5.1)
Restructure costs	Up	100%	(0.4)	-
Mines sites (LHM & KM)	Down	19%	(2.1)	(2.6)
Canadian operations	Down	33%	(0.4)	(0.6)
Non-cash – share-based payments	Down	29%	(1.0)	(1.4)
Non-cash – depreciation	Down	20%	(0.4)	(0.5)
Royalties	Up	150%	(0.5)	(0.2)
LHM Stage 4 expansion project	Down	71%	(0.4)	(1.4)
KM research and development	Up	100%	(0.7)	-
Total			(12.5)	(11.8)

Administration, Marketing and Non-production Costs have increased by US\$0.7M from US\$11.8M to US\$12.5M. The increase is predominantly due to restructure costs of US\$0.4M. Corporate and marketing costs have increased due to one-off costs in relation to consultants and advisory services. Additionally, there has been a decrease of US\$0.4M in non-cash share-based payments expense as there was a reduction in the number of share rights granted compared to 2011 and a decrease of US\$1.0M relating to the LHM Stage 4 expansion evaluation project. These savings have been partially offset by expenditure of US\$0.7M relating to a metallurgical research and development project at KM.

Other Expenses and Income have moved from income of US\$0.8M to an expense of US\$55.1M predominantly due to an impairment of the KM assets of US\$54.9M (2011: nil). The continued low uranium price has resulted in a reduction of the recoverable value of KM assets, resulting in an impairment charge.

Finance Costs have increased from US\$14.1M by US\$2.5M to US\$16.6M due to an increase in debt outstanding and increased funding costs. Finance costs relate primarily to interest payable and accretion on the outstanding US\$134M convertible bonds issued 11 March 2008, the US\$300M convertible bonds issued 5 November 2010, the US\$274M convertible bonds issued 30 April 2012, the US\$78.0M project finance loan for KM and the US\$107.2M project finance loan for LHM Stage 3.

Income Tax Expense of US\$97.8M for the three months to 31 December 2012 is predominantly the result of the de-recognition of the US\$98.2M Kayelekera Mine net deferred tax asset (“DTA”) arising from unrealised foreign exchange losses and carry forward tax losses previously recognised. The unrealised foreign exchange difference on intercompany loans has arisen due to the extreme devaluation of 103% in the Malawian Kwacha over the last 12 months from an average of US\$1 = MWK160 to US\$1 = MWK 327 at 31 December 2012.

Non-controlling Interest in net losses of US\$24.7M is attributable to the 18.0% interest in Summit Resources Limited (Summit) held by third parties and the 15% interest in Paladin (Africa) Ltd (PAL) held by the Government of Malawi.

Loss after Tax attributable to the members of the parent for 2012 of US\$147.6M is a turnaround from the profit after tax for 2011 of US\$3.2M predominantly as a result of the de-recognition of the US\$98.2M Kayelekera Mine net DTA and the recognition of the KM impairments totalling US\$62.7M discussed earlier. The loss before impairment and de-recognition of the Kayelekera Mine net DTA was US\$19.0M.

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Management Discussion and Analysis For the Six Months Ended 31 December 2012 (All figures are in US dollars unless otherwise indicated)

Loss per Share noted on the Income Statement reflects the underlying result for the specific reported periods and the additional shares issued in 2012 compared to 2011.

Six Months Ended 31 December 2012

References below to 2012 and 2011 are to the equivalent six months ended 31 December 2012 and 2011 respectively.

Analysis of Income Statement

ANALYSIS OF REVENUE AND GROSS PROFIT

			Six months ended 31 December	
			2012	2011
			US\$M	US\$M
Revenue from sales of uranium oxide	Up	13%	194.9	172.7
Gross profit	Down	54%	12.5	27.0
Realised uranium sales price			US\$48.6/lb	US\$52.0/lb
			Mlb U₃O₈	Mlb U₃O₈
LHM sales volume	Up	17%	2.833 ⁽¹⁾	2.420 ⁽²⁾
KM sales volume	Up	31%	1.175	0.900
Total sales volume	Up	21%	4.008	3.320
			Mlb U₃O₈	Mlb U₃O₈
LHM production	Up	33%	2.709	2.042
KM production	Up	37%	1.411	1.027
Total production	Up	34%	4.120	3.069

(1) Includes 0.491Mlb of LHM material sold through Paladin Nuclear Ltd.

(2) Includes 0.650Mlb of LHM material sold through Paladin Energy Ltd.

Revenue increased 13%, from US\$173.4M in 2011 to US\$195.5M in 2012 due to increased revenue from sales of uranium from US\$172.7M in 2011 to US\$194.9M in 2012. Sales volume in 2012 of 4.008Mlb U₃O₈ increased by 21% from 3.320Mlb U₃O₈ in 2011. The average realised uranium sales price in 2012 was US\$48.63/lb U₃O₈ (2011: US\$52.0/lb U₃O₈) compared to the average UxC spot price for the six months of US\$45.95/lb U₃O₈.

Gross Profit in 2012 of US\$12.5M is lower than in 2011 (US\$27.0M) due to lower prices, partially offset by higher sales volumes and the US\$10.4M impairment of KM inventory. An impairment was required to reduce the cost of KM inventory held at 30 September and 31 December 2012 to a net realisable value using the current low uranium prices. The C1 cost of production for LHM, for the six months, in 2012 increased to US\$30.6/lb U₃O₈ (2011: US\$29.2/lb U₃O₈) despite the C1 cost of production for LHM decreasing quarter on quarter from March 2012. This is due to the affect of the low December 2011 quarter C1 cost, as a result of high feed grades being processed through the recently completed Stage 3 plant. The C1 cost of production for KM in 2012 (excluding impact of impairment) decreased to US\$46.0/lb U₃O₈ (2011: US\$54.4/lb U₃O₈) despite the plant shutdown in August 2012. The benefits of increased production levels and cost benefits from the cost optimisation programme are increasingly being realised. Cost optimisation continues to be a key focus, with specific target areas including mining, acid, reagents, diesel and transport. Further major benefits from these costs reductions are expected over the next 12 to 18 months.

Exploration and Evaluation Expenditure of US\$0.9M in 2012, which relates to early stage work and project generation activities in Australia and Malawi, decreased from 2011 (US\$1.4M).

PALADIN ENERGY LTD

Management Discussion and Analysis For the Six Months Ended 31 December 2012 (All figures are in US dollars unless otherwise indicated)

ANALYSIS OF ADMINISTRATION, MARKETING & NON-PRODUCTION COSTS

			Six months ended 31 December	
			2012 US\$M	2011 US\$M
Corporate & marketing	Up	3%	(11.4)	(11.0)
Restructure costs	Up	100%	(0.4)	-
Mines sites (LHM & KM)	Down	20%	(4.0)	(5.0)
Canadian operations	Down	27%	(0.8)	(1.1)
Non-cash – share-based payments	Down	23%	(2.6)	(3.4)
Non-cash – depreciation	Down	10%	(0.9)	(1.0)
Royalties	Up	20%	(1.2)	(1.0)
LHM Stage 4 expansion project	Down	80%	(0.6)	(3.1)
KM research and development	Up	100%	(1.0)	-
Total			(22.9)	(25.6)

Administration, Marketing and Non-production Costs have decreased by US\$2.7M from US\$25.6M to US\$22.9M. There has been a decrease of US\$0.8M in non-cash share-based payments expense as there was a reduction in the number of share rights granted compared to 2011 and a decrease of US\$2.5M relating to the LHM Stage 4 expansion evaluation project. These savings have been partially offset by expenditure of US\$1.0M relating to a metallurgical research and development project at KM and restructure costs of US\$0.4M. Corporate and marketing costs have increased due to one-off costs in relation to consultants and advisory services.

Other Expenses and Income have decreased from US\$185.1M to US\$99.0M due predominantly to a lower impairment charge of the KM assets in 2012 of US\$96.0M compared to US\$178.9M in 2011 and a lower write-off of the fixed costs of KM of US\$2.3M during the August 2012 plant shutdown compared to US\$9.2M in 2011. The continued low uranium price has resulted in a reduction of the recoverable value of KM assets, resulting in an impairment charge.

Finance Costs have increased from US\$27.9M by US\$5.7M to US\$33.6M due to increases in debt outstanding and funding costs. Finance costs relate primarily to interest payable and accretion on the outstanding US\$134M convertible bonds issued 11 March 2008, the US\$300M convertible bonds issued 5 November 2010, the US\$274M convertible bonds issued 30 April 2012, the US\$78.0M project finance loan for KM and the US\$107.2M project finance loan for LHM Stage 3.

Income Tax Expense of US\$79.7M for the six months to 31 December 2012 is predominantly the result of the de-recognition of the US\$98.2M Kayelekera Mine net DTA arising from unrealised foreign exchange losses and carry forward tax losses previously recognised. The unrealised foreign exchange difference on intercompany loans has arisen due to the extreme devaluation of 103% in the Malawian Kwacha over the last 12 months from an average of US\$1 = MWK160 to US\$1 = MWK 327 at 31 December 2012.

Non-controlling Interest in net losses of US\$30.1M is attributable to the 18.0% interest in Summit held by third parties and the 15% interest in PAL held by the Government of Malawi.

Loss after Tax attributable to the members of the parent for 2012 of US\$193.5M was higher than the loss after tax for 2011 of US\$120.2M predominantly as a result of the de-recognition of the Kayelekera Mine net DTA and the recognition of the KM impairments discussed earlier. The loss before impairment and de-recognition of the Kayelekera Mine net DTA was US\$35.7M.

Loss per Share noted on the Income Statement reflects the underlying result for the specific reported periods and the additional shares issued in 2012 compared to 2011.

PALADIN ENERGY LTD

Management Discussion and Analysis *For the Six Months Ended 31 December 2012* (All figures are in US dollars unless otherwise indicated)

Summary of Quarterly Financial Results

		2012	2012	2012	2012
		Dec Qtr	Sep Qtr	Jun Qtr	Mar Qtr
Total revenues	US\$M	134.2	61.3	126.2	67.8
Sales volume	Mib	2.783	1.224	2.241	1.137
Loss after tax attributable to members	US\$M	(147.6)	(45.9)	(35.2)	(17.5)
Basic and diluted loss per share	US cents	(17.6)	(5.5)	(4.2)	(2.0)
		2011	2011	2011	2011
		Dec Qtr	Sep Qtr	Jun Qtr	Mar Qtr
Total revenues	US\$M	70.4	103.0	60.2	92.9
Sales volume	Mib	1.318	2.002	1.099	1.396
Profit/(loss) after tax attributable to members	US\$M	3.2	(123.4)	(47.7)	(13.5)
Basic and diluted profit/(loss) per share	US cents	0.4	(15.3)	(6.3)	(1.8)

Total revenues for the quarters ended December 2012 and June 2012 have increased when compared to the equivalent comparative quarter as a result of higher sales volumes of uranium, whereas total revenues for the quarters ended September 2012 and March 2012 are lower than the comparative quarter due to lower sales volumes of uranium.

Uranium sales tend to fluctuate quarter on quarter due to the uneven timing of contractual commitments and resultant delivery scheduling by utility customers.

Loss after tax for the quarter ended December 2012 of US\$147.6M is a turnaround from the profit of US\$3.2M in the comparative quarter. The loss is predominantly due to the de-recognition of the US\$98.2M Kayelekera Mine net DTA and the recognition of the KM impairment discussed earlier.

Loss after tax for the quarter ended September 2012 of US\$45.9M is lower than the comparative quarter loss of US\$123.4M predominantly as a result of a smaller impairment of the KM assets in 2012 compared to 2011.

Loss after tax for the quarter ended June 2012 of US\$35.2M is lower than the comparative quarter loss of US\$47.7M predominantly as a result of higher revenues due to higher sales volumes of uranium.

Loss after tax for the quarter ended March 2012 of US\$17.5M is higher than the comparative quarter loss of US\$13.5M predominantly as a result of a US\$11.9M impairment of KM finished goods inventory.

PALADIN ENERGY LTD

Management Discussion and Analysis For the Six Months Ended 31 December 2012 (All figures are in US dollars unless otherwise indicated)

Segment Disclosure (refer to Note 4 in the Financial Statements)

The profit before tax and finance costs of US\$24.1M in the Namibian segment decreased by US\$6.2M (2011: US\$30.3M) as higher sales volumes have been offset by lower prices. The Malawian segment reflected a loss before tax and finance costs of US\$121.2M, which is lower compared to a loss of US\$197.7M in 2011 predominantly as a result of a smaller impairment of the KM assets in 2012 compared to 2011. Exploration activities have reduced slightly from 2011 to 2012. In the Unallocated portion, the Company reflected the remaining Income Statement activities, which for 2012 comprise mainly marketing, corporate, finance and administration costs. This area has decreased from a net loss before finance costs of US\$17.0M to a net loss of US\$12.9M.

Summary of Quarterly Production Results

		2012	2012	2012	2012
		Dec Qtr	Sep Qtr	June Qtr	Mar Qtr
LHM					
Production U ₃ O ₈	Mlb	1.419	1.290	1.322	1.052
C1 cost of production	US\$/lb	29.6	31.8	32.2	32.4
KM					
Production U ₃ O ₈	Mlb	0.772	0.639	0.726	0.724
C1 cost of production	US\$/lb	43.5	49.0	52.2	52.7

C1 cost of production for LHM has fallen quarter on quarter from US\$32.4/lb in the March 2012 quarter to US\$29.6/lb in the December 2012 quarter, a decrease of 9%.

C1 cost of production for KM has fallen quarter on quarter from US\$52.7/lb in the March 2012 quarter to US\$43.5/lb in the December 2012 quarter, a decrease of 17%.

These results provide evidence that the cost benefits from the cost optimisation programme at KM are increasingly being realised. Cost optimisation continues to be a key focus, with specific target areas including mining, acid, reagents, diesel and transport. Further major benefits from these costs reductions are expected over the next 12 to 18 months in addition to the production optimisation benefits expected.

PALADIN ENERGY LTD

Management Discussion and Analysis For the Six Months Ended 31 December 2012 (All figures are in US dollars unless otherwise indicated)

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME

	Three months ended		Six months ended	
	31 December	31 December	31 December	31 December
	2012	2011	2012	2011
	US\$M	US\$M	US\$M	US\$M
Net (loss)/profit after tax	(172.3)	2.1	(223.6)	(140.9)
Foreign currency translation	(3.8)	28.1	21.6	(42.2)
Transfer of realised gains to other income	-	-	(0.8)	-
Net gain/(loss) on available-for-sale financial assets	5.6	3.6	4.8	(4.9)
Income tax on items of other comprehensive income	(1.5)	(0.5)	(1.1)	2.5
Total comprehensive (loss)/income for the period	(172.0)	33.3	(199.1)	(185.5)

Three months ended 31 December 2012

Net Loss after Tax is discussed under the Summarised Income Statement section.

Foreign Currency Translation relates to the foreign currency translation reserve movement as a result of the translation of subsidiaries with Australian and Canadian dollar functional currencies into the Company presentation currency of US dollars on an ongoing basis and for the comparative quarter.

Net Gain on Available-for-Sale Financial Assets in 2012 of US\$5.6M primarily relates to the fair value increment in available-for-sale financial assets attributable to an increase in the share price.

Income Tax on Items of Other Comprehensive Income in 2012 relates to tax on movements in available-for-sale financial assets.

Six months ended 31 December 2012

Net Loss after Tax is discussed under the Summarised Income Statement section.

Foreign Currency Translation relates to the foreign currency translation reserve movement as a result of the translation of subsidiaries with Australian and Canadian dollar functional currencies into the Company presentation currency of US dollars on an ongoing basis and for the comparative half-year.

Transfer of Realised Gains to Other Income in 2012 of US\$0.8M relates to the disposal of an available-for-sale financial asset.

Net Gain on Available-for-Sale Financial Assets in 2012 of US\$4.8M primarily relates to the fair value increment in available-for-sale financial assets attributable to an increase in the share price.

PALADIN ENERGY LTD

Management Discussion and Analysis For the Six Months Ended 31 December 2012 (All figures are in US dollars unless otherwise indicated)

Income Tax on Items of Other Comprehensive Income in 2012 relates to tax on movements in available-for-sale financial assets.

SUMMARISED STATEMENT OF FINANCIAL POSITION	As at 31 December 2012 Unaudited US\$M	As at 30 June 2012 Audited US\$M
Total current assets	355.9	391.6
Total non current assets	1,817.3	1,956.1
Total assets	2,173.2	2,347.7
Total current liabilities	251.6	253.9
Total non current liabilities	923.2	899.0
Total liabilities	1,174.8	1,152.9
Net Assets	998.4	1,194.8

Current Assets have decreased to US\$355.9M at 31 December 2012 due to a decrease in cash and trade and other receivables, which have been partially offset by an increase in inventories.

Cash and cash equivalents have decreased from US\$112.1M to US\$104.7M at 31 December 2012 as a result of principal repayments for KM and LHM project finance facilities of US\$31.2M, payments for plant and equipment, exploration and evaluation project expenditure as well as finance costs, corporate costs and an increase in inventories. This has been partially offset by an increase in receipts from customers and the receipt of the first tranche of the off-take agreement funds of US\$50.0M from EdF.

Trade and other receivables have decreased from US\$82.8M to US\$51.3M at 31 December 2012 as a result of the timing of US\$52.0M of sales in June 2012 and a decrease in VAT receivable predominantly due to large receipts in Namibia.

Inventories have increased from US\$186.5M to US\$191.0M at 31 December 2012 due to sales volumes for the six months of 4.008Mlb U₃O₈, being lower than production volumes for the period of 4.120Mlb U₃O₈.

Non Current Assets have decreased from US\$1,956.1M to US\$1,817.3M at 31 December 2012 primarily as a result of the de-recognition of the Kayelekera Mine net DTA and the decrease in property, plant and equipment, mine development and intangible assets due to the Kayelekera Mine impairment discussed under the Summarised Income Statement section. This was partially offset by a US\$35.2M increase in the exploration assets, which is mainly due to the foreign exchange movement on the Australian and Canadian dollar denominated exploration assets because of the decrease in value of the US dollar against both currencies. ROM stockpiles increased as planned as part of Stage 3 production expansion in order to meet the future mine plan ore-blend requirements. Additionally, there was an increase in the fair value of other financial assets primarily attributable to the increase in the share price of Deep Yellow Ltd and the foreign exchange movement due to the appreciation of the Australian dollar against the U.S. dollar.

PALADIN ENERGY LTD

Management Discussion and Analysis For the Six Months Ended 31 December 2012 (All figures are in US dollars unless otherwise indicated)

Current Liabilities have decreased from US\$253.9M to US\$251.6M at 31 December 2012 primarily as a result of a slight decrease in creditors of US\$9.8M, which has been partially offset by an increase in employee provisions of US\$5.7M due to a transfer from non current employee provisions.

Non Current Liabilities have increased from US\$899.0M to US\$923.2M at 31 December 2012 primarily due to the receipt of the first tranche of the off-take agreement funds of US\$50.0M which has been partially offset by a decrease in the non current portion of interest bearing loans and borrowings of US\$22.9M. This is mainly attributable to the repayment of project financing for KM of US\$20.0M and LHM of US\$11.2M, offset by the accretion relating to convertible bonds and a decrease in employee provisions.

Segment Disclosure (refer to Note 4 in the Financial Statements)

In the Statement of Financial Position as at 31 December 2012, the Group reflected a decrease in assets for the Namibian segment in the period predominantly depreciation and amortisation. For the Malawian segment, assets have decreased as a result of the de-recognition of the Kayelekera Mine net DTA and the Kayelekera Mine impairment. The Exploration segment has increased due to the weakening of the US dollar against the Australian and Canadian dollars which has resulted in an increase in the US dollar value of exploration assets within Australian and Canadian dollar functional currency subsidiaries. There has also been additional capitalised exploration expenditure.

SUMMARISED STATEMENT OF CHANGES IN EQUITY

	Six months ended 31 December	
	2012 US\$M	2011 US\$M
Total equity at the beginning of the financial period	1,194.8	1,355.2
Total comprehensive loss for the period	(199.1)	(185.5)
Recognised value of unlisted employee options and performance share rights	2.7	4.3
Contributions of equity, net of transaction costs	-	63.2
Total Equity at the end of the financial period	998.4	1,237.2

Total Comprehensive Loss for the Six months Ended 31 December 2012 is discussed under the Statement of Comprehensive Income section.

Recognised Value of Unlisted Employee Options and Performance Rights in 2012 totals US\$2.7M (2011: US\$4.3M). During the period 1,305,611 performance share rights vested (2011: 921,415). Of these, 125,250 were issued from shares held in trust by Paladin Energy Ltd and 1,180,361 resulted in additional shares being issued. 1,709,625 performance share rights were cancelled (2011: 574,115). No performance rights were granted (2011: Nil). 51,879 employee options expired or were forfeited (2011: 563,097) with an exercise price of A\$4.50 per share (2011: A\$4.50).

Contributions of Equity in 2011 of \$63.2M relates to the share placement of 56,866,232 shares at A\$1.20 each. The number of fully paid ordinary shares on issue at 31 December 2012 is 836,825,651, an increase of 1,180,361 during the six month period. Share options of 4,165,450 and performance rights of 3,871,794 remain outstanding at 31 December 2012 to the employees

PALADIN ENERGY LTD

Management Discussion and Analysis For the Six Months Ended 31 December 2012 (All figures are in US dollars unless otherwise indicated)

and consultants directly engaged in corporate, mine construction, operations, exploration and evaluation work.

SUMMARISED STATEMENT OF CASH FLOWS

	Three months ended		Six months ended	
	31 December	31 December	31 December	31 December
	2012	2011	2012	2011
	US\$M	US\$M	US\$M	US\$M
Net cash (outflow)/inflow from operating activities	(5.5)	(58.7)	49.3	(78.0)
Net cash outflow from investing activities	(12.9)	(30.2)	(25.6)	(58.9)
Net cash (outflow)/inflow from financing activities	(21.3)	54.8	(31.7)	145.7
Net (decrease)/increase in cash and cash equivalents	(39.7)	(34.1)	(8.0)	8.8
Cash and cash equivalents at the beginning of financial period	144.3	158.4	112.1	117.4
Effects of exchange rate changes on cash and cash equivalents	0.1	2.6	0.6	0.7
Cash and cash equivalents at the end of the financial period	104.7	126.9	104.7	126.9

Three months ended 31 December 2012

Net Cash Outflow from Operating Activities was US\$5.5M in 2012 (2011: net cash outflow US\$58.7M), primarily due to payments to suppliers and employees of US\$96.3M (2011: US\$84.8M) associated with the increase in production levels at both LHM and KM. This was partially offset by receipts from customers of US\$108.7M (2011: US\$34.5). The LHM and KM operations generated US\$40.0M in cash in 2012 before investment in working capital required to support higher production levels and payments for administration, marketing and site non-production costs of US\$10.9M. The remaining expenditure was US\$0.4M for exploration (2011: US\$0.6M) and net interest paid of US\$17.5M (2011: US\$7.8M).

Net Cash Outflow from Investing Activities was US\$12.9M in 2012 and is due primarily to plant and equipment acquisitions of US\$8.0M, predominantly the new tailings facility at LHM, and additionally capitalised exploration expenditure of US\$4.9M. Exploration expenditure in foreseeable future periods will be lower than the December quarter. The net cash outflow of US\$30.2M in 2011 was due primarily to the Stage 3 expansion at LHM and capitalised exploration expenditure of US\$3.6M.

Net Cash Outflow from Financing Activities of US\$21.3M in 2012 is mainly attributable to the repayment of project financing for KM of US\$10.0M and LHM of US\$11.2M. The net inflow in 2011 of US\$54.8M was attributable to the US\$13.5M net proceeds from the drawdown of LHM Stage 3 project finance facilities, which has been offset by the repayment of US\$11.3M of the LHM Stage 3 project finance facility and US\$10.0M repayment from the KM project finance facility, as well as net proceeds received from the 2011 share placement of US\$62.6M.

PALADIN ENERGY LTD

Management Discussion and Analysis For the Six Months Ended 31 December 2012 (All figures are in US dollars unless otherwise indicated)

Net Decrease in Cash and Cash Equivalents in 2012 was US\$39.7M, as compared to a net decrease in cash over the previous corresponding period in 2011 of US\$34.1M. The lower net decrease in 2011 was predominantly the result of the higher level of fundraising in 2011 attributable to US\$13.5M net proceeds from the drawdown of LHM Stage 3 project finance facilities and net proceeds received from the share placement of US\$62.6M. This decrease in cash flows from financing activities has been partially offset by a higher level of receipts from customers in 2012 and together with lower spending on plant and equipment due to the completion of the eight-year long capital investment phase.

Effect of Exchange Rate Changes on cash balances is a gain of US\$0.1M for 2012.

Six months ended 31 December 2012

Net Cash Inflow from Operating Activities was US\$49.3M in 2012 (2011: net cash outflow US\$78.0M), primarily due to receipts from customers of US\$214.6M (2011: US\$132.2) and receipt of the first tranche of the off-take agreement funds of US\$50.0M (2011: Nil). This was partially offset by payments to suppliers and employees of US\$192.7M (2011: US\$191.5M) associated with the increase in production levels at both LHM and KM. The LHM and KM operations generated US\$47.5M in cash in 2012 before investment in working capital required to support higher production levels and payments for administration, marketing and site non-production costs of US\$19.8M. The remaining expenditure was US\$0.9M for exploration (2011: US\$1.4M) and net interest paid of US\$21.7M (2011: US\$17.3M).

Net Cash Outflow from Investing Activities was US\$25.6M in 2012 and is due primarily to plant and equipment acquisitions of US\$15.5M, predominantly the new tailings facility at LHM, and additionally capitalised exploration expenditure of US\$10.2M. Exploration expenditure in foreseeable periods will be lower. The net cash outflow of US\$58.9M in 2011 was due primarily to the Stage 3 expansion at LHM and capitalised exploration expenditure of US\$7.9M.

Net Cash Outflow from Financing Activities of US\$31.7M in 2012 is mainly attributable to the repayment of project financing for KM of US\$20.0M and LHM of US\$11.2M. The net inflow in 2011 of US\$145.7M was attributable to the US\$139.1M net proceeds from the drawdown of LHM Stage 3 project finance facilities, which has been partially offset by the full repayment of the outstanding balance of US\$24.8M of the LHM Stage 1 project finance facility, US\$11.3M repayment of the LHM Stage 3 project finance facility and US\$19.9M repayment from the KM project finance facility, as well as net proceeds received from the 2011 share placement of US\$62.6M

Net Decrease in Cash and Cash Equivalents in 2012 was US\$8.0M, as compared to a net increase in cash over the previous corresponding period in 2011 of US\$8.8M. The change is predominantly the result of the higher level of fundraising in 2011 through the US\$139.1M net proceeds from the drawdown of LHM Stage 3 project finance facilities and the US\$62.6M net proceeds received from the share placement. This decrease in cash flows from financing activities has been partially offset by a higher level of receipts from customers and the receipt of US\$50.0M from the off-take agreement together with lower spending on plant and equipment due to the completion of the high capital investment phase.

Effect of Exchange Rate Changes on cash balances is a gain of US\$0.6M for 2012.

PALADIN ENERGY LTD

Management Discussion and Analysis For the Six Months Ended 31 December 2012 (All figures are in US dollars unless otherwise indicated)

LIQUIDITY AND CAPITAL RESOURCES

The Group's principal source of liquidity as at 31 December 2012 is cash of US\$104.7M (30 June 2012: US\$112.1M). Any cash available to invest is held with Australian banks with a minimum AA-Standard & Poor's credit rating over a range of maturities. Of this, US\$89.9M is held in US dollars.

The Group's principal sources of cash for the six months ended 31 December 2012 were uranium sales receipts of US\$214.6M and proceeds from the off-take agreement with EdF of US\$50.0M.

The amount outstanding at 31 December 2012 on the LHM project finance facilities was US\$107.2M and for the KM project finance facility, US\$78.0M.

The Group's consolidated financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

During the half year ended 31 December 2012, the Group incurred net losses after tax attributable to the members of US\$193.5M (2011: US\$120.2M) and had net cash outflow of US\$8.0M (2011: inflow US\$8.8M). At balance date the Group had a net working capital surplus of US\$104.3M (30 June 2012: US\$137.7M) including cash on hand of US\$104.7M (30 June 2012: US\$112.1M). Included within this cash on hand is US\$25.6M (30 June 2012: US\$26.2M) which is restricted for use in respect of the LHM and KM project finance facilities.

Repayment obligations, during the next 12 months, in respect of interest bearing loans and borrowings are summarised as follows:

- Secured bank loans principal repayments of US\$59.5M for LHM and KM project financing;
- Interest payments of US\$37.2M for LHM and KM project financing and Convertible Bonds; and
- The final US\$134.0M payment on the US\$325.0M Convertible Bond, which matures on 11 March 2013.

As set out in note 17, the Group has entered into a six-year sales off-take agreement with EdF, a leading international utility, to sell a total of 13.73Mlb U₃O₈ in the period from 2019 to 2024. Pursuant to this agreement, a prepayment of US\$50M has been received prior to 31 December 2012. The remaining amount of US\$150M was received on 31 January 2013 and is therefore not reflected in the cash and cash equivalents figure on the Balance Sheet.

In addition, in arriving at its position in relation to going concern, the Directors have given consideration to the following:

- The Group has been in discussions with a select group of nuclear industry parties on strategic initiatives; and
- The Group has a history of refinancing some of its debt;
- The Group has a history of equity capital raisings.

PALADIN ENERGY LTD

Management Discussion and Analysis For the Six Months Ended 31 December 2012 (All figures are in US dollars unless otherwise indicated)

The following is a summary of the Group's outstanding commitments as at 31 December 2012:

	Total	Less than 1 yr	1 to 5yrs	5yrs+ or unknown
Payments due by period	US\$M	US\$M	US\$M	US\$M
Tenements	38.1	4.1	6.6	27.4
Operating leases	4.7	1.5	3.2	-
Other	27.1	24.7	2.4	-
Manyingee acquisition costs	0.8	-	-	0.8
Total commitments	70.7	30.3	12.2	28.2

In relation to the Manyingee Uranium Project, the acquisition terms provide for a payment of A\$0.75M (US\$0.78M) by the Company to the vendors when all project development approvals are obtained.

In addition to the outstanding commitments above, the Group acquired a call option on 19 June 1998 in relation to the purchase of the Oobagooma Uranium Project and, in turn, granted a put option to the original holder of the project. Both the call and put options have an exercise price of A\$0.75M (US\$0.78M) and are subject to the Western Australian Department of Minerals & Energy granting tenements comprising two exploration licence applications. The A\$0.75M (US\$0.78M) is payable by the Group within 10 business days of the later of the grant of the tenements or the exercise of either the call or put option. The options will expire three months after the date the tenements are granted.

The Group has no other material off balance sheet arrangements.

OUTSTANDING SHARE INFORMATION

As at 14 February 2013 the Company had 836,825,651 fully paid ordinary shares issued and outstanding. The following table sets out the fully paid ordinary outstanding shares and those issuable under the Company Executive Share Option Plan, the Company Employee Performance Share Rights Plan and in relation to the Convertible Bonds:

As at 14 February 2013	Number
Outstanding shares	836,825,651
Issuable under Executive Share Option Plan	1,203,480
Issuable under Employee Performance Share Rights Plan	3,791,914
Issuable in relation to the US\$134 million Convertible Bonds	20,542,695
Issuable in relation to the US\$300 million Convertible Bonds	53,495,007
Issuable in relation to the US\$274 million Convertible Bonds	125,114,155
Total	1,040,972,902

CRITICAL ACCOUNTING ESTIMATES

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

FINANCIAL INSTRUMENTS

At 31 December 2012, the Group has exposure to interest rate risk, which is the risk that the Group's financial position will be adversely affected by movements in interest rates that will increase the cost of floating rate project finance debt or opportunity losses that may arise on fixed rate convertible bonds in a falling interest rate environment. Interest rate risk on cash and short-term deposits is not considered to be a material risk due to the historically low US dollar interest rates of these financial instruments.

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

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

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

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

OTHER RISKS AND UNCERTAINTIES

Risk Factors

The Company is subject to other risks that are outlined in the Annual Information Form 51-102F2 which is available on SEDAR at sedar.com

PALADIN ENERGY LTD

Management Discussion and Analysis For the Six Months Ended 31 December 2012 (All figures are in US dollars unless otherwise indicated)

TRANSACTIONS WITH RELATED PARTIES

During the six months ended 31 December 2012 no payments were made to Director related entities. Directors of the Company receive compensation based on their personal contracts.

DISCLOSURE CONTROLS

The Company has applied its Disclosure Control Policy to the preparation of the Consolidated Financial Report for the six months ended 31 December 2012 and associated Management Discussion and Analysis. An evaluation of the Company's disclosure controls and procedures used has been undertaken and concluded that the disclosure controls and procedures were effective.

INTERNAL CONTROLS

The Company has designed appropriate internal controls over financial reporting (ICFR) and ensured that these were in place for the six months ended 31 December 2012. An evaluation of the design of ICFR has concluded that it is adequate to prevent a material misstatement of the Company's Consolidated Financial Report as at 31 December 2012.

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

SUBSEQUENT EVENTS

Other than disclosed below, since the end of the six month period, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this report, that has significantly or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent periods with the exception of the following, the financial effects of which have not been provided for in the 31 December 2012 Financial Report:

Receipt of Second Tranche of Long-term Off-take Contract Prepayment

On 1 February 2013, the Company announced receipt of the second tranche of US\$150M of the total prepayment of US\$200M under a six-year off-take agreement with EdF a major electricity generator and distribution company in France to deliver a total of 13.73Mlb U₃O₈ in the period from 2019 to 2024. Uranium delivered under the off-take agreement will be sold to EdF at market prices prevailing at the time of delivery bounded by escalating floor and ceiling prices.

Completion Tests Satisfied at Langer Heinrich & Kayelekera Mines

On 11 February 2013, the Company announced the satisfaction of the Completion Tests (CT) under both the Langer Heinrich Mine (LHM) project finance facility and the Kayelekera Mine (KM) project finance facility. The KM CT approval is conditional upon a minor amendment to an existing agreement and financial model which Paladin has accepted, with formal documentation anticipated by no later than 28 February 2013.

The CT for both project finance agreements requires a set of production tests to be satisfied over a 90 CT Period. Both mines have now completed these test periods with the Lenders' Independent Technical Consultants verifying the results.

PALADIN ENERGY LTD

Management Discussion and Analysis *For the Six Months Ended 31 December 2012* *(All figures are in US dollars unless otherwise indicated)*

As a result of passing the CT and in accordance with the facility agreements, a range of reporting requirements will fall away together with a number of financial undertakings which previously applied to Paladin, providing greater commercial flexibility at a corporate level. There is also now greater flexibility with regards to voluntary prepayments and distributions under both facility agreements. The margin over Libor for the Commercial Bank Facility portion of the KM facility will reduce by 0.50% (3.00% to 2.50%) whilst the margin over Libor for the LHM facility will reduce by 0.50% (3.75% to 3.25%).

PALADIN ENERGY LTD

Directors' Report

For the Six Months Ended 31 December 2012

(All figures are in US dollars unless otherwise indicated)

The Directors present their report on the Company consisting of Paladin Energy Ltd ("Company") and the entities it controlled ("Group") at the end of, or during, the six months ended 31 December 2012.

Directors

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

Mr Rick Wayne Crabb (Non-executive Chairman)
Mr John Borshoff (Managing Director/CEO)
Mr Sean Llewelyn (Non-executive Director)
Mr Donald Shumka (Non-executive Director)
Mr Peter Donkin (Non-executive Director)
Mr Philip Baily (Non-executive Director)

Review of Operations

A detailed operational and financial review of the Group is set out on pages 3 to 22 under the section titled Management Discussion and Analysis.

The loss after tax attributable to the ordinary equity holders for the six months ended 31 December 2012 was US\$193.5M (loss after tax of US\$120.2M for the six months ended 31 December 2011).

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 24, which forms part of the Directors' Report.

Rounding

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

Signed in accordance with a resolution of the Directors.



Mr John Borshoff
Managing Director/CEO

Perth, Western Australia
14 February 2013



Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843
Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
www.ey.com/au

Auditor's Independence Declaration to the Directors of Paladin Energy Ltd

In relation to our review of the financial report of Paladin Energy Ltd for the half-year ended 31 December 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

G H Meyerowitz
Partner
14 February 2013

Liability limited by a scheme approved
under Professional Standards Legislation

GHM:MJ:Paladin:2013:002

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

	Notes	Three months ended 31 December		Six months ended 31 December	
		2012 US\$M	2011 US\$M	2012 US\$M	2011 US\$M
Revenue	5(a)	134.2	70.4	195.5	173.4
Cost of sales	5(b)	(116.3)	(53.4)	(172.6)	(146.4)
Impairment – inventory		(7.8)	-	(10.4)	-
Gross Profit		10.1	17.0	12.5	27.0
Other income	5(c)	-	2.1	1.2	3.8
Exploration and evaluation expenses	13	(0.4)	(0.6)	(0.9)	(1.4)
Administration, marketing and non- production costs	5(d)	(12.5)	(11.8)	(22.9)	(25.6)
Other expenses	5(e)	(55.1)	(1.3)	(100.2)	(188.9)
(Loss)/profit before interest and tax		(57.9)	5.4	(110.3)	(185.1)
Finance costs	5(f)	(16.6)	(14.1)	(33.6)	(27.9)
Net loss before income tax		(74.5)	(8.7)	(143.9)	(213.0)
Income tax (expense)/benefit	6	(97.8)	10.8	(79.7)	72.1
Net (loss)/profit after tax		(172.3)	2.1	(223.6)	(140.9)
Attributable to:					
Non-controlling interests		(24.7)	(1.1)	(30.1)	(20.7)
Members of the parent		(147.6)	3.2	(193.5)	(120.2)
		(172.3)	2.1	(223.6)	(140.9)
(Loss)/earnings per share (US cents)					
(Loss)/earnings after tax from operations attributable to ordinary equity holders of the Company					
- basic and diluted (US cents)		(17.6)	0.4	(23.1)	(14.9)

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
EXPRESSED IN US DOLLARS

	Three months ended 31 December		Six months ended 31 December	
	2012 US\$M	2011 US\$M	2012 US\$M	2011 US\$M
Net (loss)/profit after tax	(172.3)	2.1	(223.6)	(140.9)
Other comprehensive income				
<u>Items that may be reclassified subsequently to (loss)/profit</u>				
Foreign currency translation	(3.8)	28.1	21.6	(42.2)
Transfer realised gains to other income	-	-	(0.8)	-
Net gain/(loss) on available-for-sale financial assets	5.6	3.6	4.8	(4.9)
Income tax on items of other comprehensive income	(1.5)	(0.5)	(1.1)	2.5
Other comprehensive income/(loss) for the period, net of tax	0.3	31.2	24.5	(44.6)
Total comprehensive (loss)/income for the period	(172.0)	33.3	(199.1)	(185.5)
Total comprehensive (loss)/profit attributable to:				
Non-controlling interests	(24.7)	1.9	(28.4)	(23.9)
Members of the parent	(147.3)	31.4	(170.7)	(161.6)
	<u>(172.0)</u>	<u>33.3</u>	<u>(199.1)</u>	<u>(185.5)</u>

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

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

	Notes	31 December 2012 US\$M	30 June 2012 US\$M
ASSETS			
Current assets			
Cash and cash equivalents	7	104.7	112.1
Trade and other receivables	8	51.3	82.8
Prepayments		8.9	10.2
Inventories	9	191.0	186.5
TOTAL CURRENT ASSETS		355.9	391.6
Non current assets			
Trade and other receivables	8	0.1	0.1
Inventories	9	128.6	114.2
Other financial assets	10	22.1	15.5
Property, plant and equipment	11	398.6	491.7
Mine development	12	73.9	88.3
Exploration and evaluation expenditure	13	1,178.4	1,143.2
Deferred tax asset		-	85.0
Intangible assets	14	15.6	18.1
TOTAL NON CURRENT ASSETS		1,817.3	1,956.1
TOTAL ASSETS		2,173.2	2,347.7
LIABILITIES			
Current liabilities			
Trade and other payables		57.3	67.1
Interest bearing loans and borrowings	15	185.2	183.4
Provisions	16	9.1	3.4
TOTAL CURRENT LIABILITIES		251.6	253.9
Non current liabilities			
Interest bearing loans and borrowings	15	632.2	655.1
Deferred tax liabilities		202.5	203.5
Provisions	16	38.5	40.4
Unearned revenue	17	50.0	-
TOTAL NON CURRENT LIABILITIES		923.2	899.0
TOTAL LIABILITIES		1,174.8	1,152.9
NET ASSETS		998.4	1,194.8
Equity			
Contributed equity	18(a)	1,843.8	1,839.2
Reserves		198.7	177.8
Accumulated losses		(1,068.1)	(874.6)
Parent interests		974.4	1,142.4
Non-controlling interests		24.0	52.4
TOTAL EQUITY		998.4	1,194.8

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

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

	Contributed Equity US\$M	Available for Sale Reserve US\$M	Share- Based Payments Reserve US\$M	Convertible Bond Non- Distrib- utable Reserve US\$M	Foreign Exchange Revaluation Reserve US\$M	Acquisition Reserve US\$M	Option Application Reserve US\$M	Conso- li- dation Reserve US\$M	Accumu- lated Losses US\$M	Owners of the Parent US\$M	Non- Controlling Interests US\$M	Total US\$M
Balance at 1 July 2011	1,768.1	11.7	49.5	60.4	68.8	14.9	0.1	(0.2)	(701.8)	1,271.5	83.7	1,355.2
Loss for the period	-	-	-	-	-	-	-	-	(120.2)	(120.2)	(20.7)	(140.9)
Other comprehensive income	-	(2.4)	-	-	(39.0)	-	-	-	-	(41.4)	(3.2)	(44.6)
Total comprehensive loss for the six months, net of tax	-	(2.4)	-	-	(39.0)	-	-	-	(120.2)	(161.6)	(23.9)	(185.5)
Contributions of equity, net of transaction costs	63.2	-	-	-	-	-	-	-	-	63.2	-	63.2
Share-based payment	-	-	4.3	-	-	-	-	-	-	4.3	-	4.3
Vesting of performance rights	3.6	-	(3.6)	-	-	-	-	-	-	-	-	-
Balance at 31 December 2011	1,834.9	9.3	50.2	60.4	29.8	14.9	0.1	(0.2)	(822.0)	1,177.4	59.8	1,237.2
Balance at 1 July 2012	1,839.2	(2.8)	52.2	85.5	28.1	14.9	0.1	(0.2)	(874.6)	1,142.4	52.4	1,194.8
Loss for the period	-	-	-	-	-	-	-	-	(193.5)	(193.5)	(30.1)	(223.6)
Other comprehensive income	-	2.8	-	-	20.0	-	-	-	-	22.8	1.7	24.5
Total comprehensive income/(loss) for the six months, net of tax	-	2.8	-	-	20.0	-	-	-	(193.5)	(170.7)	(28.4)	(199.1)
Share-based payment	-	-	2.7	-	-	-	-	-	-	2.7	-	2.7
Vesting of performance rights	4.6	-	(4.6)	-	-	-	-	-	-	-	-	-
Balance at 31 December 2012	1,843.8	-	50.3	85.5	48.1	14.9	0.1	(0.2)	(1,068.1)	974.4	24.0	998.4

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

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

	Three months ended 31 December		Six months ended 31 December	
	2012 US\$M	2011 US\$M	2012 US\$M	2011 US\$M
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	108.7	34.5	214.6	132.2
Proceeds from off-take agreement	-	-	50.0	-
Payments to suppliers and employees	(96.3)	(84.8)	(192.7)	(191.5)
Exploration and evaluation expenditure	(0.4)	(0.6)	(0.9)	(1.4)
Interest received	0.3	0.5	0.5	0.7
Interest paid	(17.8)	(8.3)	(22.2)	(18.0)
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	(5.5)	(58.7)	49.3	(78.0)
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for property, plant and equipment	(8.0)	(26.6)	(15.5)	(51.0)
Proceeds from sale of investments	-	-	1.4	-
Payments for available-for-sale investments	-	-	(1.3)	-
Capitalised exploration expenditure	(4.9)	(3.6)	(10.2)	(7.9)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(12.9)	(30.2)	(25.6)	(58.9)
CASH FLOWS FROM FINANCING ACTIVITIES				
Project finance facility establishment costs	(0.1)	(0.3)	(0.1)	(1.9)
Convertible bond finance costs	-	-	(0.4)	-
Repayment of borrowings	(21.2)	(21.3)	(31.2)	(56.0)
Proceeds from borrowings	-	13.8	-	141.0
Proceeds from share placement	-	64.7	-	64.7
Equity fundraising costs	-	(2.1)	-	(2.1)
NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES	(21.3)	54.8	(31.7)	145.7
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(39.7)	(34.1)	(8.0)	8.8
Cash and cash equivalents at the beginning of the financial period	144.3	158.4	112.1	117.4
Effects of exchange rate changes on cash and cash equivalents	0.1	2.6	0.6	0.7
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	104.7	126.9	104.7	126.9

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

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2012
EXPRESSED IN US DOLLARS

NOTE 1. CORPORATE INFORMATION

The Half Year Financial Report of the Group for the six months ended 31 December 2012 was authorised for issue in accordance with a resolution of the Directors on 14 February 2013.

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

The nature of the operations and principal activities of the Group are described in the Management Discussion and Analysis on pages 3 to 22.

NOTE 2. GOING CONCERN

The half-year financial report has been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

During the half year ended 31 December 2012, the Group incurred net losses after tax attributable to the members of US\$193.5M (2011: US\$120.2M) and had net cash outflow of US\$8.0M (2011: net inflow US\$8.8M). At balance date the Group had a net working capital surplus of US\$104.3M (30 June 2012: US\$137.7M) including cash on hand of US\$104.7M (30 June 2012: US\$112.1M). Included within this cash on hand is US\$25.6M (30 June 2012: US\$26.2M) which is restricted for use in respect of the LHM and KM project finance facilities.

Repayment obligations, during the next 12 months, in respect of interest bearing loans and borrowings are summarised as follows:

- Secured bank loans principal repayments of US\$59.5M for LHM and KM project financing;
- Interest payments of US\$37.2M for LHM and KM project financing and Convertible Bonds; and
- The final US\$134.0M payment on the US\$325.0M Convertible Bond which matures on 11 March 2013.

As set out in note 17, the Group has entered into a six year sales off-take agreement with EdF, a leading international utility, to sell a total of 13.73Mlb U₃O₈ in the period from 2019 to 2024. Pursuant to this agreement, a prepayment of US\$50M has been received prior to 31 December 2012. The remaining amount of US\$150M was received on 31 January 2013 and is therefore not reflected in the cash and cash equivalents figure on the Balance Sheet.

In addition, in arriving at its position in relation to going concern, the Directors have given consideration to the following:

- the Group has been in discussions with a select group of nuclear industry parties in strategic initiatives; and
- the Group has a history of refinancing some of its debt; and
- the Group has a history of equity capital raisings.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2012
EXPRESSED IN US DOLLARS

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

This general purpose condensed financial report for the six months ended 31 December 2012 has been prepared in accordance with Australian Accounting Standards Board (AASB) 134 *Interim Financial Reporting*, International Financial Reporting Standard, IAS 34 Interim Financial Reporting and the Corporations Act.

In addition to these requirements further information has been included in the Consolidated Financial Statements for the six months ended 31 December 2012 in order to comply with applicable Canadian securities law, as the Company is listed on the Toronto Stock Exchange.

This financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2012 and any public announcements made by Paladin during the interim reporting period in accordance with the continuous disclosure requirements of ASX listing rules.

The financial report is presented in United States dollars and all values are rounded to the nearest hundred thousand dollars (US\$100,000) unless otherwise stated under the option available to the Company under Australian Securities and Investments Commission (ASIC) Class Order 98/100. The Company is an entity to which the class orders applies.

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

New and amended accounting standards and interpretations

From 1 July 2012 the Company has adopted all Australian Accounting Standards and Interpretations effective for annual periods beginning on or before 1 July 2012.

The adoption of new and amended standards and interpretations had no impact on the financial position or performance of the Company.

The Company has not elected to early adopt any new accounting standards and interpretations.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2012
EXPRESSED IN US DOLLARS

NOTE 4. SEGMENT INFORMATION

Identification of reportable segments

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

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

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

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

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

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

- Interest revenue
- Non project finance interest and borrowing expense
- Unallocated corporate and labour costs

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

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2012
EXPRESSED IN US DOLLARS

NOTE 4. SEGMENT INFORMATION (continued)

The following tables present revenue, expenditure and asset information regarding operating segments for the six months ended 31 December 2012 and 31 December 2011.

Six months ended	Exploration	Namibia	Malawi	Unallocated	Consolidated
31 December 2012	US\$M	US\$M	US\$M	US\$M	US\$M
Sales to external customers	-	137.8	57.1	-	194.9
Other revenue	-	-	-	0.6	0.6
Inter segment sales	-	9.9	4.9	-	14.8
Total segment revenue	-	147.7	62.0	0.6	210.3
Elimination of inter segment sales	-	(9.9)	(4.9)	-	(14.8)
Total consolidated revenue	-	137.8	57.1	0.6	195.5
Cost of goods sold	-	(111.0)	(61.6)	-	(172.6)
Impairment of inventory	-	-	(10.4)	-	(10.4)
Gross Profit	-	26.8	(14.9)	0.6	12.5
Other (expenses)/income	(0.3)	(2.7)	(10.3)	(13.5)	(26.8)
Impairment of asset	-	-	(96.0)	-	(96.0)
Segment (loss)/profit before income tax and finance costs	(0.3)	24.1	(121.2)	(12.9)	(110.3)
Finance costs	-	(4.0)	(3.4)	(26.2)	(33.6)
(Loss)/profit before income tax	(0.3)	20.1	(124.6)	(39.1)	(143.9)
Income tax benefit/(expense)	0.1	0.2	(85.0)	5.0	(79.7)
(Loss)/profit after income tax	(0.2)	20.3	(209.6)	(34.1)	(223.6)
Segment assets/total assets	1,183.6	623.5	279.0	87.1	2,173.2
Six months ended	Exploration	Namibia	Malawi	Unallocated	Consolidated
31 December 2011	US\$M	US\$M	US\$M	US\$M	US\$M
Sales to external customers	-	126.0	46.7	-	172.7
Other revenue	-	0.2	-	0.5	0.7
Inter segment sales	-	-	-	-	-
Total segment revenue	-	126.2	46.7	0.5	173.4
Elimination of inter segment sales	-	-	-	-	-
Total consolidated revenue	-	126.2	46.7	0.5	173.4
Cost of goods sold	-	(93.6)	(52.8)	-	(146.4)
Gross Profit	-	32.6	(6.1)	0.5	27.0
Other (expenses)/income	(0.7)	(2.3)	(12.7)	(17.5)	(33.2)
Impairment of asset	-	-	(178.9)	-	(178.9)
Segment (loss)/profit before income tax and finance costs	(0.7)	30.3	(197.7)	(17.0)	(185.1)
Finance costs	-	(3.7)	(3.8)	(20.4)	(27.9)
(Loss)/profit before income tax	(0.7)	26.6	(201.5)	(37.4)	(213.0)
Income tax benefit	0.2	3.9	58.5	9.5	72.1
(Loss)/profit after income tax	(0.5)	30.5	(143.0)	(27.9)	(140.9)
At 30 June 2012					
Segment assets/total assets	1,148.0	628.7	465.1	105.9	2,347.7

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2012
EXPRESSED IN US DOLLARS

NOTE 5. REVENUE AND EXPENSES

	Three months ended 31 December		Six months ended 31 December	
	2012 US\$M	2011 US\$M	2012 US\$M	2011 US\$M
(a) Revenue				
Sale of uranium	133.9	69.9	194.9	172.7
Interest income from non-related parties	0.3	0.5	0.5	0.7
Other revenue	-	-	0.1	-
Total	134.2	70.4	195.5	173.4
(b) Cost of Sales				
Costs before depreciation and amortisation	(101.1)	(44.3)	(152.4)	(124.0)
Depreciation and amortisation	(17.9)	(7.4)	(29.0)	(24.7)
Impairment loss reversed on sale of inventory	9.0	1.3	19.4	11.3
Product distribution costs	(3.4)	(1.6)	(6.2)	(5.5)
Royalties	(2.9)	(1.4)	(4.4)	(3.5)
Total	(116.3)	(53.4)	(172.6)	(146.4)
(c) Other income				
Gain on disposal of investment	-	-	1.2	-
Foreign exchange gain (net)	-	2.1	-	3.8
Total	-	2.1	1.2	3.8
(d) Administration, marketing and non-production costs				
Corporate and marketing	(6.6)	(5.1)	(11.4)	(11.0)
Restructure costs	(0.4)	-	(0.4)	-
Mine sites (LHM and KM)	(2.1)	(2.6)	(4.0)	(5.0)
Canadian operations	(0.4)	(0.6)	(0.8)	(1.1)
Non-cash – Share based payments	(1.0)	(1.4)	(2.6)	(3.4)
Non-cash – Depreciation	(0.4)	(0.5)	(0.9)	(1.0)
Royalties	(0.5)	(0.2)	(1.2)	(1.0)
LHM Stage 4 expansion evaluation project	(0.4)	(1.4)	(0.6)	(3.1)
KM research and development	(0.7)	-	(1.0)	-
Total	(12.5)	(11.8)	(22.9)	(25.6)

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2012
EXPRESSED IN US DOLLARS

NOTE 5. REVENUE AND EXPENSES (continued)

	Three months ended 31 December		Six months ended 31 December	
	2012 US\$M	2011 US\$M	2012 US\$M	2011 US\$M
(e) Other expenses				
Impairment of asset ⁽¹⁾	(54.9)	-	(96.0)	(178.9)
Slope remediation ⁽²⁾	(0.1)	(0.1)	(0.2)	(0.8)
KM fixed costs during plant shutdown	-	(1.2)	(2.3)	(9.2)
Foreign exchange loss (net)	(0.1)	-	(1.7)	-
Total	(55.1)	(1.3)	(100.2)	(188.9)

⁽¹⁾ The continued deterioration of the uranium price has resulted in a reduction of the carrying value to the recoverable amount of US\$125.4M of the KM assets from US\$221.4M resulting in an impairment charge of US\$96.0M (2011: US\$178.9M).

⁽²⁾ Slope remediation expenditure expenses pending the outcome of the insurance claim currently with the underwriter's loss adjuster.

(f) Finance costs

Interest expense	(11.0)	(9.6)	(22.3)	(18.3)
Accretion relating to convertible bonds (non-cash)	(4.4)	(3.0)	(8.8)	(5.9)
Mine closure provision discount interest expense	(0.5)	(0.4)	(1.1)	(0.9)
Facility costs	(0.7)	(1.1)	(1.4)	(2.8)
Total	(16.6)	(14.1)	(33.6)	(27.9)

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2012
EXPRESSED IN US DOLLARS

NOTE 6. INCOME TAX

Reconciliation of accounting loss to income tax benefit/expense

	Three months ended		Six months ended	
	31 December		31 December	
	2012	2011	2012	2011
	US\$M	US\$M	US\$M	US\$M
Loss before income tax expense	(74.5)	(8.7)	(143.9)	(213.0)
Tax at the Australian rate of 30% (2011 – 30%)	(22.4)	(2.6)	(43.2)	(63.9)
Tax effect of amounts which are (deductible)/ non-deductible taxable in calculating taxable income:				
Share-based payments	0.3	0.5	0.7	1.1
Permanent foreign exchange functional currency differences	(10.3)	(0.9)	(25.0)	(32.5)
Other expenditure (deductible)/not allowable	0.5	0.6	(0.6)	0.8
	(31.9)	(2.4)	(68.1)	(94.5)
Difference in overseas tax rates	2.9	1.4	4.2	6.6
Under/(over) prior year adjustment	1.9	-	(5.8)	(7.1)
Losses not recognised	3.4	0.2	12.4	10.9
Foreign exchange translation differences	18.9	0.7	33.9	22.2
Convertible notes	1.1	-	2.2	-
Losses previously not recognised now recognised	5.8	(11.1)	5.2	(11.1)
Tax expense arising from the reversal of previously recognised tax losses	98.2	-	98.2	-
Other	(2.5)	0.4	(2.5)	0.9
Income tax (expense)/benefit reported in Income Statement	97.8	(10.8)	79.7	(72.1)

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2012
EXPRESSED IN US DOLLARS

NOTE 7. CASH AND CASH EQUIVALENTS

	31 December 2012 US\$M	30 June 2012 US\$M
Cash at bank and on hand	15.0	21.8
Short-term bank deposits	89.7	90.3
Total cash and cash equivalents	104.7	112.1

Total cash and cash equivalents includes US\$25.6M (30 June 2012: US\$26.2M) restricted for use in respect of the LHM and KM project finance facilities (refer to Note 14).

NOTE 8. TRADE AND OTHER RECEIVABLES

Current		
Trade receivables	32.3	52.0
GST and VAT	13.3	22.9
Sundry debtors	5.7	7.9
Total current receivables	51.3	82.8
Non Current		
Sundry debtors	0.1	0.1
Total non current receivables	0.1	0.1

NOTE 9. INVENTORIES

Current		
Stores and consumables (at cost)	39.2	39.4
Ore stockpiles (at cost)	1.7	0.4
Ore stockpiles (at net realisable value)	4.4	4.2
Work-in-progress (at cost)	2.4	2.2
Work-in-progress (at net realisable value)	14.3	11.3
Finished goods (at cost)	67.9	72.2
Finished goods (at net realisable value)	61.1	56.8
Total current inventories at the lower of cost and net realisable value	191.0	186.5
Non Current		
Ore stockpiles (at cost)	126.1	112.3
Ore stockpiles (at net realisable value)	2.5	1.9
Total non current inventories at the lower of cost and net realisable value	128.6	114.2

Stockpiles at LHM and KM that are classified as non current are unlikely to be processed within 12 months of the balance date.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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EXPRESSED IN US DOLLARS

NOTE 10. OTHER FINANCIAL ASSETS

	31 December 2012 US\$M	30 June 2012 US\$M
Available-for-sale financial assets	22.1	15.5

Included in the Group's available-for-sale financial assets is an investment in Deep Yellow Ltd (DYL), a uranium explorer listed on the ASX. In July 2012 the Group increased its interest from 19.9% to 23.4% following a non-renounceable entitlement issue by DYL which was partially underwritten by Paladin. For the quarter ended 30 September 2012, DYL was categorised as an investment in associate. During the quarter ended 31 December 2012 DYL issued 284M shares which reduced the Group's interest to 19.1%. As a consequence DYL ceased to be categorised as an investment in associate. The net accounting impact of this transaction was not material to the Group.

NOTE 11. PROPERTY, PLANT AND EQUIPMENT

Plant and equipment (at cost) ⁽¹⁾	691.2	700.6
Less accumulated depreciation and impairment ⁽²⁾	(306.3)	(223.1)
Total plant and equipment	384.9	477.5
Land and buildings (at cost)	12.2	11.4
Less accumulated depreciation	(2.0)	(1.8)
Total land and buildings	10.2	9.6
Construction work in progress (at cost) ⁽³⁾	6.0	5.3
Less impairment ⁽⁴⁾	(2.5)	(0.7)
Total construction work in progress	3.5	4.6
Total property, plant and equipment	398.6	491.7

⁽¹⁾ Includes additions of US\$2.4M

⁽²⁾ Includes US\$75.7M impairment charge (30 June 2012: US\$131.5M)

⁽³⁾ Includes additions of US\$4.2M

⁽⁴⁾ Includes US\$2.0M impairment charge (30 June 2012: US\$0.7M)

NOTE 12. MINE DEVELOPMENT

Mine development (at cost) ⁽¹⁾	177.4	167.7
Less accumulated depreciation and impairment ⁽²⁾	(103.5)	(79.4)
Total mine development	73.9	88.3

⁽¹⁾ Includes additions of US\$8.6M

⁽²⁾ Includes US\$16.4M impairment charge (30 June 2012: US\$41.9M)

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2012
EXPRESSED IN US DOLLARS

NOTE 13. EXPLORATION AND EVALUATION EXPENDITURE

The following table details the expenditures on interests in mineral properties by area of interest for the six months ended 31 December 2012:

Areas of interest	Valhalla /Skal ⁽¹⁾	Isa North	Fusion	Angela/ Pamela	Bigryli	Niger	KM	Canada	Other Uranium Projects	Total
	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M
Balance 30 June 2012	639.4	152.5	11.9	7.4	30.7	36.8	-	259.7	4.8	1,143.2
Project exploration and evaluation expenditure										
Labour	0.3	0.3	-	-	0.1	0.2	0.1	1.6	0.8	3.4
Outside services	0.1	-	-	-	0.1	-	0.3	1.2	2.1	3.8
Other expenses	0.3	0.2	-	-	0.1	0.3	0.2	2.2	0.8	4.1
Total expenditure	0.7	0.5	-	-	0.3	0.5	0.6	5.0	3.7	11.3
Expenditure expensed	-	-	-	-	-	-	(0.6)	-	(0.3)	(0.9)
Expenditure capitalised	0.7	0.5	-	-	0.3	0.5	-	5.0	3.4	10.4
Foreign exchange differences	12.9	3.5	0.3	0.1	0.6	-	-	7.3	0.1	24.8
Balance 31 December 2012	653.0	156.5	12.2	7.5	31.6	37.3	-	272.0	8.3	1,178.4

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

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
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NOTE 14. INTANGIBLE ASSETS

	31 December 2012 US\$M	30 June 2012 US\$M
Intangible assets (at cost)	27.8	27.8
Accumulated amortisation and impairment ⁽¹⁾	(12.2)	(9.7)
Net carrying amount of non current intangible assets	15.6	18.1

⁽¹⁾ Includes US\$1.9M impairment charge (30 June 2012: US\$3.8M)

NOTE 15. INTEREST BEARING LOANS AND BORROWINGS

	Maturity		
Current			
Secured bank loans		51.7	51.0
Unsecured convertible bonds ⁽¹⁾	March 2013	133.5	132.4
Total current interest bearing loans and borrowings		185.2	183.4
Non Current			
Unsecured convertible bonds ⁽²⁾	November 2015	271.3	267.0
Unsecured convertible bonds ⁽³⁾	April 2017	232.7	229.0
Secured bank loan	amortised to 2015	46.1	65.3
Secured bank loan	amortised to 2017	82.1	93.8
Total non current interest bearing loans and borrowings		632.2	655.1

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

Unsecured convertible bonds

- ⁽¹⁾ On 11 March 2008, the Company issued US\$325M in convertible bonds with an underlying coupon rate of 5.0% (underlying effective interest rate of 7.13%), maturity 11 March 2013 and a conversion price of US\$6.52 for Company shares. On 29 May 2012, pursuant to its tender offer the Company repurchased and cancelled US\$191M bonds. At 31 December 2012 US\$134M bonds remain.
- ⁽²⁾ On the 5 November 2010, the Company issued US\$300M in convertible bonds with an underlying coupon rate of 3.625%, (underlying effective interest rate of 7.47%) maturing on 5 November 2015 with a conversion price of US\$5.61 for Company shares.
- ⁽³⁾ On the 30 April 2012, the Company issued US\$274M in convertible bonds with an underlying coupon rate of 6.0%, (underlying effective interest rate of 10.68%) maturing on 30 April 2017 with a conversion price of US\$2.19 for Company shares.

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

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 15. INTEREST BEARING LOANS AND BORROWINGS (continued)

Secured bank loans

Kayelekera Mine, Malawi - US\$167M Project Finance Facility

On 30 March 2009, the Group entered into a project financing facility of US\$167M for the construction of KM. The project finance consists of a six year project finance facility of US\$145M, a standby cost overrun facility of US\$12M and a performance bond facility of US\$10M. The facilities were provided by Société Générale Corporate and Investment Banking (as inter-creditor agent and commercial lender), Nedbank Capital a division of Nedbank Limited (ECIC lender) and Standard Bank Limited (as ECIC facility agent and lender). The facilities are secured over the assets of Paladin (Africa) Ltd. The commercial bank tranche bears interest at the London Interbank Offered Rate (LIBOR) plus 3.0% and reduces to LIBOR plus 2.5% post the completion test date. The ECIC tranche bears interest at LIBOR plus 2.5% whilst the cost overrun facility bears interest at LIBOR plus 3.5%. The facilities are repayable on a four monthly basis over the term of the loan. The Company has provided a project completion guarantee as part of the facilities.

At 31 December 2012 US\$78.0M (30 June 2012: US\$98.0M) was outstanding under the KM project finance facility. US\$20.0M was paid during the period.

Langer Heinrich Mine, Namibia - US\$141M Stage 3 Project Finance Facility

On 26 August 2011 the Group entered into a project financing facility of US\$141M for the construction of Stage 3 of LHM. The facility consists of a six-year US\$135M project financing facility and a US\$6M cost overrun facility. The facility was provided by Société Générale (as Agent), Nedbank Capital, Standard Bank Plc, Barclays Capital (the investment banking division of Barclays Bank PLC) and Rand Merchant Bank, a division of FirstRand Bank Limited. The facility was fully drawn down during the December 2011 quarter. The facility bears interest at the London Interbank Offered Rate (LIBOR) plus 3.75% and reduces to LIBOR plus 3.25% post the completion test date. The completion test was satisfied on 25 January 2013. The facilities are repayable on a six monthly basis over the term of the loan. The facilities are secured with fixed and floating charges over the assets of Langer Heinrich Uranium (Pty) Ltd and its immediate holding companies.

At 31 December 2012 US\$107.25M (30 June 2012: US\$118.5M) was outstanding under the LHM Stage 3 project finance facility. US\$11.25M was paid during the period.

Deferred borrowing costs relating to the establishment of the facilities have been set off against the balance of the interest bearing loans and borrowings.

NOTE 16. PROVISIONS

	31 December 2012 US\$M	30 June 2012 US\$M
Current		
Employee benefits	9.1	3.4
Total current provisions	9.1	3.4
Non Current		
Employee benefits	3.0	6.5
Rehabilitation provision	33.4	31.9
Demobilisation provision	2.1	2.0
Total non current provisions	38.5	40.4

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
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NOTE 17. UNEARNED REVENUE

	31 December 2012 US\$M	30 June 2012 US\$M
Non Current		
Unearned revenue	50.0	-
Total unearned revenue	50.0	-

First tranche of US\$50M of the total prepayment of US\$200M under a 6 year off-take agreement with EdF a major electricity generator and distribution company in France to deliver a total of 13.73Mlb U₃O₈ in the period from 2019 to 2024. Uranium delivered under the off-take agreement will be sold to EdF at market prices prevailing at the time of delivery bounded by escalating floor and ceiling prices. The remaining amount of US\$150M was received on 31 January 2013.

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

NOTE 18. CONTRIBUTED EQUITY

(a) Issued and paid up capital

	31 December 2012 Number of Shares	30 June 2012 Number of Shares	31 December 2012 US\$M	30 June 2012 US\$M
Ordinary shares				
Issued and fully paid	836,825,651	835,645,290	1,843.8	1,839.2

(b) Movements in ordinary shares on issue

Date	Number of Shares	Issue Price A\$	Exchange Rate US\$: A\$	Total US\$M
Balance 30 June 2011	777,698,217			1,768.1
September 2011	Rights vested	827,515	-	-
October 2011	Share Placement	56,866,232	1.20	1.04459
October 2011	Rights vested	37,500	-	-
November 2011	Rights vested	54,600	-	-
January 2012	Rights vested	1,980	-	-
February 2012	Rights vested	159,246	-	-
	Transfer from reserves			4.7
	Tax effect on prior period			3.2
	Transaction costs			(2.1)
Balance 30 June 2012	835,645,290⁽¹⁾			1,839.2

⁽¹⁾ Includes 217,566 shares held by Paladin Employee Plan Pty Ltd.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
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NOTE 18. CONTRIBUTED EQUITY (continued)

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

Balance 30 June 2012		835,645,290			1,839.2
September 2012	Rights vested	1,180,361	-	-	-
	Transfer from reserves				4.6
Balance 31 December 2012		836,825,651⁽¹⁾			1,843.8

⁽¹⁾ Includes 92,316 shares held by Paladin Employee Plan Pty Ltd.

(c) Options

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

	31 December 2012 Number	30 June 2012 Number
Number of unlisted employee options	4,165,450	4,217,329

Consisting of the following:

Date options granted	Exercisable	Expiry date	Exercise price of options	Number under option
29 January 2008	29 January 2011	29 January 2013	A\$4.50	2,961,970
15 February 2008	15 February 2011	15 February 2013	A\$5.37	203,820
18 April 2008	18 April 2011	18 April 2013	A\$4.59	249,660
14 October 2008	14 October 2011	14 October 2013	A\$2.54	750,000
Total				4,165,450

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
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NOTE 18. CONTRIBUTED EQUITY (continued)

(d) Performance Share Rights

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

	31 December 2012 Number	30 June 2012 Number
Number of unlisted employee share rights	3,870,646	6,885,882

Consisting of the following:

<u>Date rights granted</u>	<u>Vesting date</u>	<u>Vesting performance conditions</u>	<u>Number</u>
26 March 2010	26 March 2013	Relative total shareholder return	150,000
26 March 2010	26 March 2013	Earnings per share	150,000
5 November 2010	5 November 2013	Relative total shareholder return	250,000
5 November 2010	5 November 2013	Earnings per share	250,000
5 November 2010	1 September 2013	Time based	385,647
5 November 2010	1 September 2013	Relative total shareholder return	308,520
5 November 2010	1 September 2013	Market price	462,780
15 February 2011	15 February 2013	Time based	154,203
15 February 2011	15 February 2014	Time based	184,786
2 April 2012	1 September 2013	Time based	250,785
2 April 2012	31 December 2013	Time based	20,000
2 April 2012	1 September 2014	Time based	467,975
2 April 2012	1 September 2014	Relative total shareholder return	334,380
2 April 2012	1 September 2014	Market price	501,570
Total			3,870,646

NOTE 19. COMMITMENTS AND CONTINGENCIES

There were no outstanding commitments or contingencies, which are not disclosed in the Financial Report of the Group as at 31 December 2012 other than:

	31 December 2012 US\$M	30 June 2012 US\$M
(a) Tenements		
Commitments for tenements contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	4.1	5.4
Later than one year but not later than 5 years	6.6	4.8
More than 5 years	27.4	26.6
Total tenements commitment	38.1	36.8

These include commitments relating to tenement lease rentals and the minimum expenditure requirements of the Namibian, Malawian, Nigerian, Canadian, Western Australian, South Australian.

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NOTE 19. COMMITMENTS AND CONTINGENCIES (continued)

(a) Tenements (continued)

Northern Territorian and Queensland Mines Departments attaching to the tenements and are subject to re-negotiation upon expiry of the exploration leases or when application for a mining licence is made.

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

	31 December 2012 US\$M	30 June 2012 US\$M
(b) Mine Construction Commitments		
Commitments for mine construction contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	-	1.5
Later than one year but not later than 5 years	-	-
More than 5 years	-	-
Total mine construction	-	1.5

These commitments in 2011 relate to construction of Stage 3 at LHM.

(c) Operating Lease Commitments

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

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

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

	31 December 2012 US\$M	30 June 2012 US\$M
Within one year	1.5	1.4
Later than one year but not later than 5 years	3.2	3.8
More than 5 years	-	-
Total operating lease commitment	4.7	5.2

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
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NOTE 19. COMMITMENTS AND CONTINGENCIES (continued)

	31 December	30 June
	2012	2012
	US\$M	US\$M
(d) Other Commitments		
Commitments for mining, transport and reagents contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	24.7	33.0
Later than one year but not later than 5 years	2.4	2.5
More than 5 years	-	-
Total mine construction	27.1	35.5

(e) Acquisition Costs

The Group acquired a call option on 19 June 1998 in relation to the purchase of the Oobagooma Uranium Project and, in turn, granted a put option to the original holder of the project. Both the call and put options have an exercise price of A\$0.75M (US\$0.78M) (2011: A\$0.75M (US\$0.76M)) and are subject to the Department of Minerals & Energy granting tenements comprising two exploration licence applications. The A\$0.75M is payable by the Group within 10 business days of the later of the grant of the tenements or the exercise of either the call or put option. The options will expire three months after the date the tenements are granted.

In relation to the Manyingee Uranium Project, the re-negotiated acquisition terms provide for a payment of A\$0.75M (US\$0.78M) (2011: A\$0.75M (US\$0.76M)) by the Group to the vendors when all project development approvals are obtained.

(f) Bank Guarantees

As at 31 December 2012 the Group has outstanding US\$918,836 (A\$885,979) (2011: US\$889,944 / A\$876,016) as a current guarantee provided by a bank for the corporate office lease and a US\$250,648 (A\$241,685) (2011: US\$270,960 / A\$266,719) guarantee for tenements.

(g) Contingent Liability

A dispute has arisen between a Group company and a contractor in relation to the contract for the Stage 3 expansion at LHM. The contractor is seeking payment of the disputed sum of US\$32M. The Group denies the claim and will vigorously defend it. The Group is also counterclaiming damages from the contractor and cross-claiming from another contractor. The precise quantum of the counter-claim and cross claim has not yet been established but is expected to exceed the contractor's claim.

NOTE 20. EVENTS AFTER THE BALANCE DATE

Other than disclosed below, since the end of the six months, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this report, that has significantly or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent periods with the exception of the following, the financial effects of which have not been provided for in the 31 December 2012 Financial Report:

Receipt of Second Tranche of Long-term Off-take Contract Prepayment

On 1 February 2013, the Company announced receipt of the second tranche of US\$150M of the total prepayment of US\$200M under a six-year off-take agreement with EdF a major electricity generator and distribution company in France to deliver a total of 13.73Mlb U₃O₈ in the period from 2019 to 2024. Uranium delivered under the off-take agreement will be sold to EdF at market prices prevailing at the time of delivery bounded by escalating floor and ceiling prices.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
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NOTE 20. EVENTS AFTER THE BALANCE DATE (continued)

Completion Tests Satisfied at Langer Heinrich & Kayelekera Mines

On 11 February 2013, the Company announced the satisfaction of the Completion Tests (CT) under both the Langer Heinrich Mine (LHM) project finance facility and the Kayelekera Mine (KM) project finance facility. The KM CT approval is conditional upon a minor amendment to an existing agreement and financial model which Paladin has accepted, with formal documentation anticipated by no later than 28 February 2013.

The CT for both project finance agreements requires a set of production tests to be satisfied over a 90 CT Period. Both mines have now completed these test periods with the Lenders' Independent Technical Consultants verifying the results.

As a result of passing the CT and in accordance with the facility agreements, a range of reporting requirements will fall away together with a number of financial undertakings which previously applied to Paladin, providing greater commercial flexibility at a corporate level. There is also now greater flexibility with regards to voluntary prepayments and distributions under both facility agreements. The margin over Libor for the Commercial Bank Facility portion of the KM facility will reduce by 0.50% (3.00% to 2.50%) whilst the margin over Libor for the LHM facility will reduce by 0.50% (3.75% to 3.25%).

Directors' Declaration

In accordance with a resolution of the directors of Paladin Energy Ltd, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the Company for the half-year ended 31 December 2012 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position as at 31 December 2012 and its performance for the second quarter and half year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, International Financial Reporting Standard, IAS 34 Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

A handwritten signature in blue ink, appearing to read 'John Borshoff', with a stylized flourish at the end.

Mr John Borshoff
Managing Director/CEO

Perth, Western Australia
14 February 2013



Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843
Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
www.ey.com/au

To the members of Paladin Energy Ltd

Report on the Second Quarter and Half-Year Financial Report

We have reviewed the accompanying second quarter and half-year financial report of Paladin Energy Ltd, which comprises the statement of financial position as at 31 December 2012, the income statement, statement of comprehensive income and statement of cash flows for the second quarter and half-year ended on that date and the statement of changes in equity for the half-year ended on that date and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Second Quarter and Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the second quarter and half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the second quarter and half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Paladin Energy Ltd and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



Conclusion

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

- i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the second quarter and half-year ended on that date; and
- ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink, appearing to read "Ernst & Young", written over a faint, larger version of the company logo.

Ernst & Young

A handwritten signature in black ink, appearing to read "G H Meyerowitz", written over a faint, larger version of the company logo.

G H Meyerowitz
Partner
Perth
14 February 2013

APPENDIX A

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

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

1. Review: I have reviewed the interim financial statements and interim MD&A (together, the “interim filings”) of Paladin Energy Ltd for the interim period ended 31 December 2012.
2. No misrepresentation: Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the interim filings.
3. Fair presentation: Based on my knowledge, having exercised reasonable due diligence, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.
4. Responsibility: The issuer’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 Certification of Disclosure in Issuer’s Annual and Interim Filings, for the issuer.
5. Design: Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer’s other certifying officer and I have, as at the end of the period covered by the interim filings
 - (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that:
 - (i) material information relating to the issuer is made known to us by others, particularly during the period in which the annual filings are being prepared; and
 - (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarised and reported within the time periods specified in securities legislation; and
 - (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s GAAP.
- 5.1 Control Framework: The control framework the issuer’s other certifying officer and I used to design the issuer’s ICFR is the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission (COSO).
- 5.2 ICFR – material weakness relating to design: N/A
- 5.3 Limitation on scope of design: N/A
6. Reporting changes in ICFR: The issuer has disclosed in its interim MD&A any change in the issuer’s ICFR that occurred during the period beginning on 1 July 2012 and ended on 31 December 2012 that has materially affected, or is reasonably likely to materially affect, the issuer’s ICFR.

Dated: 14 February 2013



John Borshoff
Managing Director/CEO

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

I, Alan Rule, the certifying officer and Chief Financial Officer, Paladin Energy Ltd, certify the following:

1. Review: I have reviewed the interim financial statements and interim MD&A (together, the “interim filings”) of Paladin Energy Ltd for the interim period ended 31 December 2012.
2. No misrepresentation: Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the interim filings.
3. Fair presentation: Based on my knowledge, having exercised reasonable due diligence, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.
4. Responsibility: The issuer’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 Certification of Disclosure in Issuer’s Annual and Interim Filings, for the issuer.
 - (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that:
 - (i) material information relating to the issuer is made known to us by others, particularly during the period in which the annual filings are being prepared; and
 - (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarised and reported within the time periods specified in securities legislation; and
 - (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s GAAP.
- 5.1 Control Framework: The control framework the issuer’s other certifying officer and I used to design the issuer’s ICFR is the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission (COSO).
- 5.2 ICFR – material weakness relating to design: N/A
- 5.3 Limitation on scope of design: N/A
6. Reporting changes in ICFR: The issuer has disclosed in its interim MD&A any change in the issuer’s ICFR that occurred during the period beginning on 1 July 2012 and ended on 31 December 2012 that has materially affected, or is reasonably likely to materially affect, the issuer’s ICFR.

Dated: 14 February 2013



Alan Rule
Chief Financial Officer