PALADIN ENERGY LTD

ACN 061 681 098

NEWS RELEASE **For Immediate Distribution**

PALADIN ENERGY: FINANCIAL REPORT FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2014

Perth, Western Australia – 13 November 2014: Paladin Energy Ltd ("Paladin" or "the Company") **(TSX:PDN / ASX:PDN)** announces the release of its consolidated Financial Report for the three months ended 30 September 2014. The Financial Report is appended to this News Release.

HIGHLIGHTS

OPERATIONS

- **Langer Heinrich Mine (LHM) produced 1.027Mlb U_3O_8 for the three months ended 30 September 2014 as signalled 16 September, 23% below the previous quarter's production largely because of planned maintenance delays, exacerbated by issues associated with unforeseen processing circuit scaling.**
- **LHM production, post quarter end, is back on track.**
- **C1 cost of production*[(1)]*:**
  - **LHM C1 cost of production for the quarter increased by 13% from US$31.2/lb in the June 2014 quarter to US$35.1/lb in the September 2014 quarter due to lower production mentioned above.**
- **FY2015 production guidance of 5.4 – 5.8Mlb U_3O_8 remains.**
- **Paladin continues to move closer to deleveraging the balance sheet.**

SALES AND REVENUE

- **Sales revenue of US$39.0M for the quarter, selling 1.250Mlb U_3O_8.**
- **The average realised uranium sales price for the three months ended 30 September 2014 was US$31.16/lb U_3O_8 compared to the average UxC spot price for the quarter of US$31.17/lb U_3O_8.**
- **Uranium deliveries scheduled for the December quarter total 1.91Mlb with a higher expected average sales price over the September quarter average**
- **Uranium spot price increased significantly (up 50% in 6 months post April 2014), reflecting tightness in product available in the spot market influenced largely by widespread production cutbacks in FY2014.**
- **Japan clears final hurdle for nuclear restart.**

CORPORATE

- **Sale of a 25% interest in the Langer Heinrich uranium mining operation in Namibia to CNNC Uranium Holding Limited, a wholly owned subsidiary of China National Nuclear Corporation, for consideration of US$190M completed.**
- **Existing US$110M project finance facility and US$20M working capital facility refinanced into a new US$70M syndicated loan facility.**
- **Future cost optimisation focus continues for both production and corporate costs.**

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

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Results

(References below to 2014 and 2013 are to the equivalent three months ended 30 September 2014 and 2013 respectively).

- **Safety and Sustainability:**
  - The Company incurred three lost time injuries (LTIs) during the quarter, two at LHM and one at Kayelekera Mine (KM).
  - The Company's 12 month moving average Lost Time Injury Frequency Rate (LTIFR) increased to 4.07 from 3.1 last quarter.
  - Following a review of existing practices, LHM conducted in-house training during the quarter in formal risk assessments, permit to work, working from heights, Level 1 isolations and general inductions. This training will assist our personnel in identifying and controlling hazards within the work place and providing knowledge on general work place hazards.
- **Production:**
  - LHM produced 1.027Mlb U_3O_8 for the three months ended 30 September 2014, 23% below the previous quarter's production largely because of planned maintenance delays, which were exacerbated by issues associated with unforeseen processing circuit scaling.
- **Langer Heinrich Mine (LHM):**
  - As signalled on 16 September 2014, production for the September 2014 quarter of 1.027Mlb (466t) U_3O_8 was 23% below the previous quarter's production largely because of planned maintenance delays, exacerbated by issues associated with unforeseen processing circuit scaling.
    - Overall recovery: 83% (FY2014: 87%).
    - Feed grades: 786ppm U_3O_8 (FY2014: 783ppm).
    - Completed resin replacement for both NIMCIX circuits.
    - Scaling issues now fully resolved.
  - LHM production, post quarter end, is back on track.
  - LHM C1 cost of production has increased by 13% from US$31.2/lb in the June 2014 quarter to US$35.1/lb in the September 2014 quarter due to lower production discussed above.
  - The process optimisation strategy will continue to focus on the better utilisation of existing equipment and unit operating costs. In addition, specific focus has been directed towards operator training and supervision as well as further integration of process control.
  - Optimisation strategies will produce improved operating performance that will be reflected in FY2015 C1 costs.
  - The resin replacement was undertaken, as planned, during the annual scrubber reline, flash/splash annual maintenance and inspection stoppage. By the end of the quarter, resin had been replaced in both NIMCIX systems and they were each operating, as anticipated, above budget efficiency and uranium transfer levels. This was the first resin replacement undertaken for either NIMCIX systems since they were commissioned in 2012 and resin replacement scheduled in the next financial year is expected to have immaterial impact on production with the optimised procedures now established for this change out.
- **Cost Reduction Initiatives:**
  - A nano-filtration circuit, similar in principle to the very successful acid recovery plant at KM, is under construction at LHM. This plant is the first phase in a range of innovations and optimisations aimed at achieving a substantial reduction in IX and leach reagent consumptions as well as increased overall recovery. The plant in question is designed to recycle up to 30% of the sodium bicarbonate needed for the operation of the plant, and, in so doing, will also reduce total sodium hydroxide consumption by up to 30%. These two reagents alone represent a significant proportion (circa 50%) of process operating costs. Construction is now well advanced and the Bicarbonate Recovery Plant (BRP) is scheduled for commissioning in the March quarter 2015.
  - Further cost savings and optimisation initiatives are being implemented to reduce corporate costs over FY2015.

- Target for LHM is C1 cost below US$26/lb by the end of FY2015 and US$22/lb in FY2017 (in FY2014 terms) focusing primarily on reagent recycling, increased recovery overall and plant utilisation improvement.

- **Kayelekera Mine (KM):**
  - KM did not operate during the quarter as production was suspended during the June 2014 quarter following the earlier decision to place the mine on care and maintenance.
  - KM orderly transition from production to care and maintenance was successfully completed.
  - Focus is now on optimising care and maintenance and planning rapid restart to exploit an upswing in the uranium price.
  - Further manning reduction was successfully completed.
  - Plant modifications for future water treatment were completed and successfully trialled.
  - Positive response was received from the Government of Malawi regarding plans for Kayelekera exploration and for future grid power supply development.

- **Profit and Loss:**
  - Total sales volume for the quarter: 1.250Mlb U_3O_8.
  - Sales revenue decreased 43% from US$69.2M in 2013 to US$39.0M in 2014, as a result of a 25% decrease in both realised sales price and sales volume. The average realised uranium sales price for the three months ended 30 September 2014 was US$31.16/lb U_3O_8 (2013: US$41.4/lb U_3O_8), compared to the average UxC spot price for the quarter of US$31.17/lb U_3O_8.
  - Gross Profit of US$1.4M in 2014 is a turnaround from a gross loss in 2013 due to there being no impairment of inventory, stores and consumables in 2014 (2013: US$12.0M impairment of KM inventory, stores and consumables). In addition, the gross loss in 2013 included a gross loss before impairments from KM of US$5.4M.
  - Net loss before tax attributable to members of the Group of US$23.8M was recorded for the quarter.

- **Cash Flow:**
  - Cash outflow from operating activities was US$9.5M for the quarter, after net interest payments of US$0.2M and exploration expenditure of US$0.4M.
  - Cash outflow from investing activities totalled US$7.1M:
    - plant and equipment acquisitions of US$5.5M, including at LHM, the nano-filtration equipment, spiral heat exchangers and purolite resin; and,
    - capitalised exploration expenditure of US$1.6M.
  - Cash inflow from financing activities of US$137.9M is mainly attributable to:
    - the final proceeds from the sale of a 25% interest in LHM of US$170M received during the quarter, which has been partially offset by a US$30.8M repayment of the LHM project finance facility and US$1.3M in syndicated loan facility establishment costs.

- **Cash Position:**
  - Cash of US$209.5M at 30 September 2014.
  - Settlement of the sale of a 25% interest in the Langer Heinrich mining operation for consideration of US$190M was completed in the quarter. A US$20M deposit was received in April 2014 with the balance of US$170M received on 23 July 2014.
  - US$30.8M repayment of the existing LHM US$110.0M project finance facility as part of refinancing into a new US$70M syndicated loan facility.

- **Exploration and Development:**
  - Aurora – Michelin Uranium Project, Canada – The summer exploration programme was completed by mid-October 2014. The concentrated exploration effort included a combination of geological mapping and prospecting, trenching, soil and biogeochemical surveys, systematic radon analysis in soil and water as well as a heli-borne frequency domain EM survey.

- Work concentrated mainly along the previously identified, prospective Michelin Rainbow Trend within a 5km radius of the Michelin deposit. Early results defined a new target for future testing at the Kojak prospect 3.5km northeast of Michelin. Here a 30m long, and up to 8m-wide, radiometric anomaly of 20-50 times background was identified in strongly altered rhyolite. This new target is situated within an area generally blanketed by glacial till and the anomaly could extend further beneath this cover material. At Melody Hill, 10km north of Michelin, a strong east-west trending magnetic anomaly under glacial till cover has emerged as the possible source for three, previously identified, radioactive boulder trains containing over 800 radiometrically significant boulders, with 19 previously returning grades >1% U_3O_8.
- All results from the summer programme will be collated and evaluated over the coming months, with new targets expected to emerge as more results become available.

- **Production Guidance**
  - FY2015 production guidance for LHM of 5.4-5.8Mlb U_3O_8 remains.

- **Sales Volumes**
  - Uranium sales volumes are expected to fluctuate quarter-on-quarter due to the uneven timing of contractual commitments and resultant delivery scheduling by customers. Now that production has reached design levels, sales, production volumes and inventories are expected to be comparable on an annualised basis.

- **Langer Heinrich Minority Interest Sale**
  - On 23 July 2014, the Company completed the settlement of the sale of a 25% interest in LHM to CNNC Overseas Uranium Holding Limited, a wholly owned subsidiary of CNNC, the leading Chinese nuclear utility, for consideration of US$190M.
  - An offtake component of the agreement will allow CNNC to purchase its pro-rata share of product based on the prevailing market spot price at the time of sale. There is also an opportunity for Paladin to benefit by securing additional long term offtake arrangements with CNNC, at arm’s length market rates, from Paladin’s share of LHM production.
  - Proceeds from the sale will be utilised to repay debt across the Company.
  - With this major initiative to joint venture a minority equity stake in Langer Heinrich now completed, the door is open to pursue other opportunities, utilising the unique platform Paladin has developed in the global uranium mining industry, to further consolidate and strengthen its balance sheet. This will, in turn, also prepare the Company for growth into a major Tier 1 uranium producer.

- **Successful Refinancing of Langer Heinrich Facilities**
  - On 23 July 2014, the Company refinanced the existing US$110M project finance facility and US$20M working capital facility into a new US$70M syndicated loan facility. Proceeds were utilised to repay US$30.8M of the existing facility, taking the outstanding balance to US$70M.
  - This new facility will provide significant cash flow benefits and further strengthens Paladin’s financial position. The annual principal repayments will be reduced by US$32M over the first 3.5 years of the facility (2014 to 2017 calendar years), from US$18.3M per annum to US$9.1M per annum, with the first repayment of US$4.55M not due until December 2014.

- **Capital Management**

  Paladin continues to move closer to deleveraging the balance sheet. The alternatives being considered look to capitalise on Paladin’s unique position in the global uranium market as a platform to growth, whilst ensuring the maximisation of shareholder value.

- **Uranium Outlook**

  Uranium spot price recovery in recent months from a low of US$28/lb to US$42/lb indicates both a tightness in supply and the effects of possible realignment of some supply sources due to negative geopolitical developments. With China as the nuclear growth leader, confirming its strong commitment in the build up of its reactor fleet over the next 30 years combined with supply shortfalls identified in the mid-term, uranium is set for a long period of price strength.

  Primary product available for the spot market has declined appreciably essentially due to production cutbacks that occurred during FY2014, which are all now affecting supply into the spot market for FY2015 and beyond. Amongst those factors contributing to production cutbacks and availability of product in the spot market are: Paladin placing KM on care and maintenance; Paladin’s sale of a minority equity stake in Langer Heinrich with its associated off-take arrangement; the sole uranium producer in Uzbekistan (Navoi) realigning previous spot market material into multi-year sales agreements with two major utility buyers, and US ISR producers and Rossing restricting production only to what they need to deliver into long term contracts. Consequently some 10Mlb to 12Mlb of annual production is removed from the market, thus creating a supply squeeze in the prompt spot market.

Also in Japan authorities have cleared the final hurdle for restart of the Sendai 1 & 2 reactors paving the way for a revival of the stalled Japanese nuclear industry. Start-up of the Sendai 1 & 2 reactors will signify confidence in follow-on approvals on those applications accounting for 18 additional reactors located across 12 sites in Japan.

The documents comprising the Financial Report for the three months ended 30 September 2014, including the Management Discussion and Analysis, Financial Statements and Certifications are attached and will be filed with the Company's other documents on Sedar (sedar.com) and on the Company's website (paladinenergy.com.au).

Generally Accepted Accounting Practice

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

Declaration

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

Conference Call

Conference Call and Investor Update is scheduled for 06:30 Perth & Hong Kong, Friday 14 November 2014, 17:30 Toronto and 22:30 London, Thursday 13 November 2014. Details are included in a separate news release dated 11 November 2014.

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PALADIN ENERGY LTD

A.C.N. 061 681 098

FINANCIAL REPORT

FOR THE THREE MONTHS ENDED

30 SEPTEMBER 2014

PALADIN ENERGY LTD

Table of Contents – First Quarter Report 30 September 2014

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

The following Management Discussion and Analysis ("MD&A") for Paladin Energy Ltd ("Company") and its controlled entities ("Group") should be read in conjunction with the Consolidated Financial Statements for the three months ended 30 September 2014. The effective date of this report is 13 November 2014.

The financial information presented in this MD&A has been extracted from the attached financial statements. For the purpose of preparing our MD&A, we consider the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in market price or value of our shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. We evaluate materiality with reference to all relevant circumstances, including potential market sensitivity.

Additional information relating to the Company, including public announcements, is available at www.paladinenergy.com.au.

Additional information relating to the Company and its operations, including the Company's Quarterly Activities Report for each of the periods ended 31 December 2013, 31 March 2014 and 30 September 2014, and the most recent Annual Report for the year ended 30 June 2014 and other public announcements are available at www.paladinenergy.com.au.

FORWARD LOOKING STATEMENTS

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

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

NON IFRS MEASURE

C1 cost of production = cost of production excluding product distribution costs, sales royalties and depreciation and amortisation before adjustment for impairment. C1 cost, which is a non-IFRS measure, is a widely used 'industry standard' term. We use this measure as a meaningful way to compare our performance from period to period. We believe that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate our performance. C1 cost information has been extracted from the financial statements. For an analysis of total cost of sales refer to Note 12 to the financial statements. Refer to page 8 for reconciliation.

OVERVIEW

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

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

The main activities and results during the three months ended 30 September 2014 were:

OPERATIONS

- Langer Heinrich Mine (LHM) produced 1.027Mlb U_3O_8 for the three months ended 30 September 2014 as signalled 16 September, 23% below the previous quarter's production largely because of planned maintenance delays, exacerbated by issues associated with unforeseen processing circuit scaling.
    - Feed grade for the quarter: 786ppm U_3O_8.
    - Recovery: 82.7%.
    - Scaling issues now fully resolved.
    - Completed resin replacement for both NIMCIX circuits.
    - LHM production, post quarter, is back on track.
- Kayelekera Mine (KM) orderly transition from production to care and maintenance successfully completed.
    - Focus is now on optimising care and maintenance and planning rapid restart to exploit an upswing in the uranium price.
    - Further manning reduction was successfully completed.
    - Plant modifications for future water treatment were completed and successfully trialled.
    - Positive response was received from the Government of Malawi regarding plans for Kayelekera exploration and for future grid power supply development.
- C1 cost of production:
    - LHM C1 cost of production for the quarter has increased by 13% from US$31.2/lb in the June 2014 quarter to US$35.1/lb in the September 2014 quarter due to lower production mentioned above.
- Paladin's FY2015 production guidance of 5.4 – 5.8Mlb U_3O_8 remains.

SALES AND REVENUE

- Sales revenue of US$39.0M for the quarter, selling 1.250Mlb U_3O_8.
- The average realised uranium sales price for the three months ended 30 September 2014 was US$31.16/lb U_3O_8 compared to the average UxC spot price for the quarter of US$31.17/lb U_3O_8.
- Uranium deliveries scheduled for the December quarter total 1.91Mlb with a higher expected average sales price over the September quarter average

CORPORATE INITIATIVES

- Completed sale of a 25% interest in the Langer Heinrich uranium mining operation in Namibia to CNNC Uranium Holding Limited, a wholly owned subsidiary of China National Nuclear Corporation, for consideration of US$190M.
- Existing US$110M project finance facility and US$20M working capital facility refinanced into a new US$70M syndicated loan facility.
- Paladin continues to move closer to deleveraging the balance sheet.

OTHER

- Uranium spot price increased significantly (up 50% in 6 months post April 2014), reflecting tightness in product available in the spot market influenced largely by the widespread production cutbacks in FY2014.
- Japan clears final hurdle for nuclear restart.
- Future cost optimisation focus continues for both production and corporate costs.

FINANCIAL RESULTS

		THREE MONTHS ENDED 30 SEPTEMBER		
	Change from 2013 to 2014	**2014**	**2013**	**2012**
Production volume (Mlb)	(50)%	1.027	2.044	1.929
Sales volume (Mlb)	(25)%	1.250	1.673	1.224
Realised sales price (US$/lb)	(25)%	31.2/lb	41.4/lb	49.8/lb
		US$M	**US$M**	**US$M**
Revenue	(43)%	39.3	69.4	61.3
Cost of Sales	47%	(37.9)	(72.3)	(57.0)
Impairment – inventory	100%	-	(12.0)	(2.6)
Gross profit/(loss)	**109%**	**1.4**	**(14.9)**	**1.7**
Impairments	100%	-	(3.5)	(41.1)
Loss after tax attributable to members of the parent	**3%**	**(38.8)**	**(40.0)**	**(45.9)**
Other comprehensive (loss)/income for the period, net of tax		(37.6)	15.7	22.5
Total comprehensive loss attributable to the members of the parent	**(216)%**	**(76.4)**	**(24.2)**	**(23.4)**
Loss per share - basic & diluted (US cents)	7%	(4.0)	(4.3)	(5.5)

References below to 2014 and 2013 are to the equivalent three months ended 30 September 2014 and 2013 respectively.

Revenue decreased by 43%, due to a 25% decrease in both realised sales price and sales volume.

Gross Profit in 2014 of US$1.4M is a turnaround from a gross loss in 2013 due to there being no impairment of inventory, stores and consumables in 2014 (2013: US$12.0M impairment of KM inventory, stores and consumables). In addition, the gross loss in 2013 included a gross loss before impairments from KM of US$5.4M.

Impairments are US$Nil this quarter. In 2013, there was a US$3.5M impairment of available-for-sale financial assets.

Loss after Tax Attributable to the Members of the Parent for 2014 has remained relatively stable at US$38.8M (2013: US$40.0M) and is predominantly due to a 25% decrease in both realised sales price and sales volume, finance costs of US$15.1M, and a tax expense of US$22.0M, which has arisen as a result of deferred tax recognised on foreign exchange temporary differences. In 2013, the loss was attributable to the US$12.0M impairment of inventory, stores and consumables at KM, a US$3.5M impairment of available-for-sale financial assets, and finance costs of US$14.2M.

Segment Information
The Namibian segment profit decreased by US$25.1M due mainly to the tax expense in 2014, which has arisen as a result of deferred tax recognised on foreign exchange temporary differences. The Malawian segment loss decreased by US$18.5M as a result of KM ceasing production and being placed on care and maintenance. Exploration activities loss remained stable. In the Unallocated portion, the Group reflected the remaining Income Statement activities, which for 2014 comprise

(All figures are in US dollars unless otherwise indicated)

mainly marketing, corporate, finance and administration costs. The loss in this area has decreased by US$4.7M through a cost rationalisation review.

Three Year Trend
Revenue has decreased by 36% since 2012 due to a 37% decrease in realised sales price. Gross profit in 2014 of US$1.4M is slightly lower than the gross profit in 2012 of US$1.7M due to lower prices in 2014 being partially offset, in 2012, by an impairment of inventory, stores and consumables at KM of US$2.6M and a gross loss from KM.

ANALYSIS OF REALISED SALES PRICE AND SALES & PRODUCTION VOLUMES

	THREE MONTHS ENDED 30 SEPTEMBER		
	% Change	**2014 US$**	**2013 US$**
LHM realised uranium sales price	(25)%	US$31.4/lb	US$41.8/lb
KM realised uranium sales price	(30)%	US$28.5/lb	US$40.9/lb
Group realised uranium sales price	**(25)%**	**US$31.2/lb**	**US$41.4/lb**
		Mlb U_3O_8	**Mlb U_3O_8**
LHM sales volume	32%	1.150	0.873
KM sales volume	(88)%	0.100	0.800
Total sales volume	**(25)%**	**1.250**	**1.673**
LHM production	(28)%	1.027	1.429
KM production		-	0.615
Total production	**(50)%**	**1.027**	**2.044**

The average realised uranium sales price for the three months ended 30 September 2014 was US$31.16/lb U_3O_8 compared to the average UxC spot price for the quarter of US$31.17/lb U_3O_8.

RECONCILIATION OF C1 COST OF PRODUCTION TO COST OF GOODS SOLD

	THREE MONTHS ENDED 30 SEPTEMBER 2014			THREE MONTHS ENDED 30 SEPTEMBER 2013		
	LHM	**KM**	**TOTAL**	**LHM**	**KM**	**TOTAL**
Volume Produced (Mlb)	*1.027*	-	*1.027*	*1.429*	*0.615*	*2.044*
	US$M	US$M	US$M	US$M	US$M	US$M
Cost of Production (C1)	36.0	-	36.0	40.0	24.1	64.1
Cost of Production/lb (C1)	*US$35.1/lb*	-		*US$28.0/lb*	*US$39.3/lb*	
Depreciation & amortisation	5.8	-	5.8	7.2	5.0	12.2
Production distribution costs	1.9	-	1.9	1.9	1.6	3.5
Royalties	1.1	-	1.1	1.0	0.9	1.9
Inventory movement	(9.6)	3.0	(6.6)	(15.7)	6.5	(9.2)
Other	(0.3)	-	(0.3)	(0.2)	-	(0.2)
Cost of goods sold	**34.9**	**3.0**	**37.9**	**34.2**	**38.1**	**72.3**

The unit C1 cost of production for the quarter for LHM increased by 25% to US$35.1/lb U_3O_8 (2013: US$28.0/lb U_3O_8), however total C1 cost of production decreased by 10%, to US$36.0M. As signalled on 16 September 2014, production for the September quarter of 1,027,033lb U_3O_8 was 23% below the previous quarter's production largely because of planned maintenance delays, but these were exacerbated by issues associated with unforeseen processing circuit scaling.

Production ceased at KM on 6 May 2014.

ANALYSIS OF ADMINISTRATION, MARKETING & NON-PRODUCTION COSTS

		THREE MONTHS ENDED 30 SEPTEMBER	
	% Change	**2014 US$M**	**2013 US$M**
Total	**35%**	**(4.6)**	**(6.3)**

Costs for the three months ended 30 September 2014 decreased by US$1.7M primarily due to a reduction of US$1.4M in non-production mine site costs as KM has been placed on care and maintenance and a US$0.6M reduction in expenditure on the LHM Stage 4 expansion study.

SUMMARY OF QUARTERLY FINANCIAL RESULTS

		2014 Sep Qtr	**2014 Jun Qtr**	**2014 Mar Qtr**	**2013 Dec Qtr**
LHM					
Production U_3O_8	**Mlb**	1.027	1.339	1.393	1.431
C1 cost of production	**US$/lb**	35.1	31.2	29.0	27.5
KM					
Production U_3O_8	**Mlb**	-	0.262	0.697	0.777
C1 cost of production	**US$/lb**	-	44.7	32.9	33.1
Total revenues	**US$M**	39.3	69.4	88.6	102.1
Sales volume	**Mlb**	1.250	1.812	2.405	2.775
Realised uranium sales price	**US$/lb**	31.2	38.2	36.8	36.7
Impairments	**US$M**	-	(40.6)	-	(337.3)
Loss after tax attributable to members	**US$M**	(38.8)	(63.5)	(19.9)	(215.0)
Basic and diluted loss per share	**US cents**	(4.0)	(6.6)	(1.8)	(22.3)

		2013 Sep Qtr	**2013 Jun Qtr**	**2013 Mar Qtr**	**2012 Dec Qtr**
LHM					
Production U_3O_8	**Mlb**	1.429	1.353	1.230	1.419
C1 cost of production	**US$/lb**	28.0	29.4	29.8	29.6
KM					
Production U_3O_8	**Mlb**	0.615	0.790	0.762	0.772
C1 cost of production	**US$/lb**	39.3	39.2	39.8	43.5
Total revenues	**US$M**	69.4	109.6	106.4	134.2
Sales volume	**Mlb**	1.673	2.326	1.920	2.783
Realised uranium sales price	**US$/lb**	41.4	46.2	55.2	48.1
Impairments	**US$M**	(15.5)	(181.4)	(48.1)	(62.7)
Loss after tax attributable to members	**US$M**	(40.0)	(173.3)	(54.1)	(147.6)
Basic and diluted loss per share	**US cents**	(4.3)	(20.1)	(6.4)	(17.1)

C1 cost of production for LHM increased 25% over the last year, from US$28.0/lb in the September 2013 quarter to US$35.1/lb in the September 2014 quarter, due to lower production as discussed earlier.

Improvements in C1 costs are expected over the next two years due to a number of additional cost saving initiatives. A nano-filtration circuit, similar in principle to the very successful acid recovery plant at KM, is under construction at LHM. This plant is the first phase in a range of innovations and optimisations aimed at achieving a substantial reduction in IX and leach reagent consumptions as well as increased overall recovery. The plant in question is designed to recycle up to 30% of the sodium bicarbonate needed for the operation of the plant, and, in so doing, will also reduce total sodium hydroxide consumption by up to 30%. These two reagents alone represent a significant proportion (circa 50%) of process operating costs. Construction is now well advanced and the Bicarbonate Recovery Plant (BRP) is scheduled for commissioning in the March quarter 2015.

Total revenues for the quarters ended December 2013, March 2014 and June 2014 were lower than the comparative quarters, mainly because of lower uranium prices. Total revenue for the quarter ended September 2014 was lower than the comparative quarter, mainly because of lower uranium sales volumes from KM which is now in care and maintenance. Production ceased at KM on 6 May 2014.

SUMMARISED STATEMENT OF FINANCIAL POSITION	AS AT		
	30 SEPTEMBER 2014 UNAUDITED US$M	30 JUNE 2014 AUDITED US$M	30 JUNE 2013 AUDITED US$M
Cash and cash equivalents	209.5	88.8	78.1
Inventories	249.6	238.3	300.2
Total assets	1,472.3	1,565.7	1,837.7
Interest bearing loans and borrowings	602.4	629.6	677.8
Total long-term financial liabilities	1,069.3	1,049.1	1,058.1
Net Assets	**343.9**	**432.4**	**648.2**

Cash and Cash Equivalents have increased by US$120.7M mainly as a result of the final US$170.0M proceeds received during the quarter from the sale of a 25% interest in LHM, which was partially offset by a US$30.8M repayment of the LHM project finance facility. Additionally there were payments for plant and equipment of US$5.5M and exploration and evaluation project expenditure of US$2.0M.

Inventories have increased by US$11.3M predominantly due to a planned increase in ROM stockpiles at LHM as part of Stage 3 production expansion required to meet the future mine plan ore-blend requirements and an increase in the value of inventory held by LHM due to cost increases discussed earlier. The Group's sales volumes for the quarter of 1.250Mlb U_3O_8 were 0.223Mlb U_3O_8 higher than production of 1.027Mlb U_3O_8.

Interest Bearing Loans and Borrowings have decreased by US$27.2M primarily as a result of the US$30.8M repayment of the LHM project finance facility and an increase in deferred borrowing costs of US$1.1M due to the capitalisation of the establishment costs for the new syndicated loan, less non-cash accretion of the convertible bonds of US$4.7M.

Segment Assets: Namibian assets have increased predominantly due to an increase in cash and inventory. Malawian assets have decreased as a result of a decrease in the value of inventory held by KM, which is now on care and maintenance. The Exploration segment assets have decreased as a result of a decrease in the US dollar value of exploration assets, which is due to the foreign exchange decremental movement on the Australian and Canadian dollar currencies against the US dollar. In the Unallocated portion, assets decreased primarily due to a US$30.8M repayment of the LHM project finance facility.

LIQUIDITY AND CAPITAL RESOURCES

The Group's principal source of liquidity as at 30 September 2014 was cash of US$209.5M (30 June 2014: US$88.8M). Any cash available to be invested is held with Australian banks with a minimum AA- Standard & Poor's credit rating over a range of maturities. Of this, US$201.6M is held in US dollars.

Cash flow - three months ended 30 September 2014

Net Cash Outflow from Operating Activities was US$9.5M in 2014 (2013: inflow US$3.4M), primarily due to receipts from customers of US$57.8M (2013: US$99.6M), which were offset by payments to suppliers and employees of US$66.8M (2013: US$94.2M) and net interest paid of US$0.2M (2013: US$1.6M).

Net Cash Outflow from Investing Activities was US$7.1M in 2014 and is due primarily to plant and equipment acquisitions of US$5.5M, including, at LHM, the nano-filtration equipment, spiral heat exchangers and purolite resin, as well as capitalised exploration expenditure of US$1.6M. The net cash outflow of US$13.0M in 2013 was due primarily to plant and equipment acquisitions of US$11.7M, predominantly the new tailings facility at LHM and nano-filtration equipment and tailings pipeline at KM, as well as capitalised exploration expenditure of US$1.7M.

Net Cash Inflow from Financing Activities of US$137.9M in 2014 is attributable to the proceeds received from the sale of a 25% interest in LHM for US$170M, which has been partially offset by a US$30.8M repayment of the LHM project finance facility and US$1.3M in syndicated loan facility establishment costs. The net inflow in 2013 of US$56.3M was attributable to the net proceeds received from the share placement of US$78.2M, which was partially offset by a repayment of project financing for KM of US$10.0M and LHM of US$11.9M.

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 three months ended 30 September 2014, the Group incurred net losses after tax attributable to the members of US$38.8M (2013: US$40.0M) and had net cash inflow of US$121.3M (2013: inflow US$46.7M). At 30 September 2014, the Group had a net working capital surplus of US$257.9M (30 September 2013: US$215.6M), including cash on hand of US$209.5M (30 June 2014: US$88.8M). Included within this cash on hand is US$35.8M (30 June 2014: US$13.2M), which is restricted for use in respect of the LHM syndicated loan facility and supplier guarantees provided by LHM.

The amount outstanding at 30 September 2014 on the syndicated loan facility was US$70.0M.

Repayment obligations during the next twelve months to 30 September 2015 in respect of interest bearing loans and borrowings are summarised as follows:

- secured bank loan principal repayments of US$9.1M for syndicated loan facility; and
- interest payments of US$31.3M for syndicated loan facility and convertible bonds.

The Board of Directors is currently reviewing a range of financing options. The financing is expected to be finalised within the short term to allow the repayment of the US$300M unsecured convertible bonds maturing on 5 November 2015. At the date of this report, the Directors are satisfied there are reasonable grounds to believe that, having regard to the Group's position and its available financing options, the Group will be able to meet its obligations as and when they fall due.

Should the Group not achieve the matters set out above, there is uncertainty whether the Group would continue as a going concern and therefore, whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include adjustments relating to the recoverability or classification of the recorded assets amounts nor to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

The following is a summary of the Group's outstanding commitments as at 30 September 2014:

Payments due by period	Total US$M	Less than 1 yr US$M	1 to 5yrs US$M	5yrs+ or Unknown US$M
Tenements	24.4	0.9	7.2	16.3
Operating leases	1.7	0.9	0.8	-
Mining, transport and reagents	21.7	19.8	1.9	-
Manyingee acquisition costs	0.7	-	-	0.7
Total commitments	**48.5**	**21.6**	**9.9**	**17.0**

In relation to the Manyingee Uranium Project, the acquisition terms provide for a payment of A$0.75M (US$0.65M) by the Group to the vendors when all project development approvals are obtained.

The Group has no other material off balance sheet arrangements.

OUTSTANDING SHARE INFORMATION

As at 13 November 2014, Paladin had 964,894,574 fully paid ordinary shares issued. The following table sets out the fully paid ordinary shares and those issuable under the Group Employee Performance Share Rights Plan and in relation to the Convertible Bonds:

As at 13 November 2014	Number
Ordinary shares	964,894,574
Issuable under Employee Performance Share Rights Plan	982,544
Issuable in relation to the US$300 million Convertible Bonds	55,524,708
Issuable in relation to the US$274 million Convertible Bonds	129,919,393
Total	**1,151,321,219**

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 30 September 2014, the Group had exposure to interest rate risk, which is the risk that the Group's financial position will be adversely affected by movements in interest rates that will increase the cost of floating rate syndicated loan facility or opportunity losses that may arise on fixed rate convertible bonds in a falling interest rate environment. Interest rate risk on cash and short-term deposits is not considered to be a material risk due to the historically low US dollar interest rates of these financial instruments.

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

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

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

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

OTHER RISKS AND UNCERTAINTIES

Risk Factors

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

TRANSACTIONS WITH RELATED PARTIES

During the three months ended 30 September 2014, no payments were made to Director related entities. Directors of the Company receive fees as outlined in the Company's management circular forming part of the Company's Notice of AGM. The only related party transactions are with Directors and Key Management Personnel.

DISCLOSURE CONTROLS

The Group has applied its Disclosure Control Policy to the preparation of the Consolidated Financial Report for the three months ended 30 September 2014 and associated Management Discussion and Analysis. An evaluation of the Group's disclosure controls and procedures used has been undertaken and concluded that the disclosure controls and procedures were effective.

INTERNAL CONTROLS

The Group has designed appropriate Internal Controls over Financial Reporting (ICFR) and ensured that these were in place for the three months ended 30 September 2014. An evaluation of the design of ICFR has concluded that it is adequate to prevent a material misstatement of the Group's Consolidated Financial Report as at 30 September 2014.

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

SUBSEQUENT EVENTS

Since 30 September 2014, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this report, that has significantly or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent periods.

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

	Notes	Three months ended 30 September 2014 US$M	2013 US$M
Revenue			
Revenue	**11**	39.3	69.4
Cost of sales	**12**	(37.9)	(72.3)
Impairment – inventory		-	(12.0)
Gross profit/(loss)		1.4	(14.9)
Other income	**12**	2.6	0.4
Exploration and evaluation expenses	**20**	(0.4)	(0.4)
Administration, marketing and non-production costs	**12**	(4.6)	(6.3)
Other expenses	**12**	(7.7)	(9.3)
Loss before interest and tax		(8.7)	(30.5)
Finance costs	**12**	(15.1)	(14.2)
Net loss before income tax		**(23.8)**	**(44.7)**
Income tax (expense)/benefit	**13**	(22.0)	0.9
Net loss after tax		**(45.8)**	**(43.8)**
Attributable to:			
Non-controlling interests		(7.0)	(3.8)
Members of the parent		(38.8)	(40.0)
Net loss after tax		**(45.8)**	**(43.8)**
Loss per share (US cents)[(1)]			
Loss after tax from operations attributable to ordinary equity holders of the Company - basic and diluted (US cents)		(4.0)	(4.3)

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 30 September	
	2014	**2013**
	US$M	**US$M**
Net loss after tax from operations	**(45.8)**	**(43.8)**
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Transfer of realised gains to other income on disposal of available-for-sale financial assets	(0.2)	(0.3)
Net loss on available-for-sale financial assets	(1.2)	(3.2)
Transfer of impairment loss on available-for-sale financial assets to income statement	-	3.5
Foreign currency translation	(36.4)	15.6
Income tax on items of other comprehensive income	0.2	0.1
Items that will not be subsequently reclassified to profit or loss:		
Foreign currency translation attributable to non-controlling interests	(2.3)	1.5
Other comprehensive (loss)/income for the period, net of tax	**(39.9)**	**17.2**
Total comprehensive loss for the period	**(85.7)**	**(26.6)**
Total comprehensive loss attributable to:		
Non-controlling interests	(9.3)	(2.4)
Members of the parent	(76.4)	(24.2)
	(85.7)	(26.6)

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

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

	Notes	As at 30 September 2014 Unaudited US$M	As at 30 June 2014 Audited US$M
ASSETS			
Current assets			
Cash and cash equivalents	6	209.5	88.8
Trade and other receivables	14	16.7	198.7
Prepayments		3.9	3.3
Inventories	15	83.1	78.1
Assets classified as held for sale	16	3.8	3.8
TOTAL CURRENT ASSETS		317.0	372.7
Non current assets			
Trade and other receivables	14	0.7	1.0
Inventories	15	166.5	160.2
Other financial assets	17	5.3	6.6
Property, plant and equipment	18	282.3	281.8
Mine development	19	42.1	43.9
Exploration and evaluation expenditure	20	646.3	687.3
Intangible assets	21	12.1	12.2
TOTAL NON CURRENT ASSETS		1,155.3	1,193.0
TOTAL ASSETS		1,472.3	1,565.7
LIABILITIES			
Current liabilities			
Trade and other payables		45.3	39.3
Interest bearing loans and borrowings	7	8.5	39.4
Provisions	22	5.3	5.5
TOTAL CURRENT LIABILITIES		59.1	84.2
Non current liabilities			
Interest bearing loans and borrowings	7	593.9	590.2
Other interest bearing loans - CNNC	8	96.6	96.0
Deferred tax liabilities		107.3	90.2
Provisions	22	71.5	72.7
Unearned revenue	23	200.0	200.0
TOTAL NON CURRENT LIABILITIES		1,069.3	1,049.1
TOTAL LIABILITIES		1,128.4	1,133.3
NET ASSETS		**343.9**	**432.4**
EQUITY			
Contributed equity	9(a)	1,927.8	1,926.9
Reserves		116.1	161.9
Accumulated losses		(1,672.7)	(1,633.9)
Parent interests		371.2	454.9
Non-controlling interests		(27.3)	(22.5)
TOTAL EQUITY		**343.9**	**432.4**

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

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

	Contributed Equity US$M	Available for Sale Reserve US$M	Share-Based Payments Reserve US$M	Convertible Bond Non-Distrib-utable Reserve US$M	Foreign Exchange Revaluation Reserve US$M	Acquisition Reserve US$M	Option Application Reserve US$M	Consoli-dation Reserve US$M	Accumu-lated Losses US$M	Owners of the Parent US$M	Non-Controlling Interests US$M	Total US$M
Balance at 1 July 2013	**1,845.7**	**(4.2)**	**50.2**	**85.5**	**(39.7)**	**14.9**	**0.1**	**(0.2)**	**(1,295.5)**	**656.8**	**(8.6)**	**648.2**
Loss for the period	-	-	-	-	-	-	-	-	(40.0)	(40.0)	(3.8)	(43.8)
Other comprehensive income	-	0.1	-	-	15.6	-	-	-	-	15.7	1.5	17.2
Total comprehensive income/ (loss) for the period, net of tax	-	0.1	-	-	15.6	-	-	-	(40.0)	(24.3)	(2.3)	(26.6)
Contributions of equity, net of transaction costs	78.2	-	-	-	-	-	-	-	-	78.2	-	78.2
Share-based payment	-	-	(0.8)	-	-	-	-	-	-	(0.8)	-	(0.8)
Vesting of performance rights	1.9	-	(1.9)	-	-	-	-	-	-	-	-	-
Balance at 30 September 2013	**1,925.8**	**(4.1)**	**47.5**	**85.5**	**(24.1)**	**14.9**	**0.1**	**(0.2)**	**(1,335.5)**	**709.9**	**(10.9)**	**699.0**
Balance at 1 July 2014	**1,926.9**	**(3.6)**	**47.6**	**85.5**	**(38.4)**	**14.9**	**0.1**	**55.8**	**(1,633.9)**	**454.9**	**(22.5)**	**432.4**
Loss for the period	-	-	-	-	-	-	-	-	(38.8)	(38.8)	(7.0)	(45.8)
Other comprehensive income	-	(1.2)	-	-	(36.4)	-	-	-	-	(37.6)	(2.3)	(39.9)
Total comprehensive loss for the period, net of tax	-	(1.2)	-	-	(36.4)	-	-	-	(38.8)	(76.4)	(9.3)	(85.7)
Allotment of 15% interest in Paladin (Africa) to Govt of Malawi	-	-	-	-	-	-	-	(4.5)	-	(4.5)	4.5	-
Sale of 25% interest in Langer Heinrich to CNNC	-	-	-	-	-	-	-	(2.9)	-	(2.9)	-	(2.9)
Share-based payment	-	-	0.1	-	-	-	-	-	-	0.1	-	0.1
Vesting of performance rights	0.9	-	(0.9)	-	-	-	-	-	-	-	-	-
Balance at 30 September 2014	**1,927.8**	**(4.8)**	**46.8**	**85.5**	**(74.8)**	**14.9**	**0.1**	**48.4**	**(1,672.7)**	**371.2**	**(27.3)**	**343.9**

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 30 September 2014 US$M	2013 US$M
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	57.8	99.6
Payments to suppliers and employees	(66.8)	(94.2)
Exploration and evaluation expenditure	(0.4)	(0.4)
Other income	0.1	-
Interest received	0.2	0.1
Interest paid	(0.4)	(1.7)
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	(9.5)	3.4
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(5.5)	(11.7)
Proceeds from sale of investments	0.2	0.4
Payments for available-for-sale investments	(0.2)	-
Capitalised exploration expenditure	(1.6)	(1.7)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(7.1)	(13.0)
CASH FLOWS FROM FINANCING ACTIVITIES		
Syndicated loan facility establishment costs	(1.3)	-
Repayment of borrowings	(30.8)	(21.9)
Proceeds from sale of non controlling interest	170.0	-
Share placement	-	80.6
Equity fundraising costs	-	(2.4)
NET CASH INFLOW FROM FINANCING ACTIVITIES	137.9	56.3
NET INCREASE IN CASH AND CASH EQUIVALENTS	121.3	46.7
Cash and cash equivalents at the beginning of the period	88.8	78.1
Effects of exchange rate changes on cash and cash equivalents	(0.6)	0.2
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	209.5	125.0

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

BASIS OF PREPARATION

NOTE 1. CORPORATE INFORMATION

The Interim Financial Report of the Group for the three months ended 30 September 2014 was authorised for issue in accordance with a resolution of the Directors on 13 November 2014.

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

The nature of the operations and principal activities of the Group are described in the Management Discussion and Analysis on pages 3 to 14.

NOTE 2. STRUCTURE OF FINANCIAL REPORT

The Notes to the Consolidated Financial Statements have been divided into six sections, which are summarised as follows:

Basis of Preparation

This section states that the group's accounting policies are consistent with those of the previous financial year unless otherwise stated.

Segment Information

This section compares performance across operating segments.

Capital Structure

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

Performance for the Year

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

Operating Assets and Liabilities

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

Other Notes

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

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

This general purpose condensed financial report for the three months ended 30 September 2014 has been prepared in accordance with Australian Accounting Standards Board ("AASB") 134 *Interim Financial Reporting,* International Financial Reporting Standard, IAS 34 Interim Financial Reporting and the Corporations Act.

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

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

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

New and amended accounting standards and interpretations

From 1 July 2014 the Group has adopted all Australian Accounting Standards and Interpretations effective for annual periods beginning on or before 1 July 2014.

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

New standards adopted by the Group include:

<u>AASB 2014-1 Part A -Annual Improvements 2010–2012 Cycle – Amendments to Australian Accounting Standards - Part A Annual Improvements to IFRSs 2010–2012 Cycle</u>
AASB 2014-1 Part A: This standard sets out amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs) Annual Improvements to IFRSs 2010–2012 Cycle and Annual Improvements to IFRSs 2011–2013 Cycle.

AASB 2014-1 has had no impact on the financial position and performance of the Group.

<u>AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets</u>
AASB 2013-3 amends the disclosure requirements in AASB 136 Impairment of Assets. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.

AASB 2013-3 has had no impact on the financial position and performance of the Group.

NOTE 4. GOING CONCERN

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 three months ended 30 September 2014, the Group incurred net losses after tax attributable to the members of US$38.8M (2013: US$40.0M) and had net cash inflow of US$121.3M (2013: inflow US$46.7M). At 30 September 2014, the Group had a net working capital surplus of US$257.9M (30 September 2013: US$215.6M), including cash on hand of US$209.5M (30 June 2014: US$88.8M). Included within this cash on hand is US$35.8M (30 June 2014: US$13.2M), which is restricted for use in respect of the LHM syndicated loan facility and supplier guarantees provided by LHM.

The amount outstanding at 30 September 2014 on the syndicated loan facility was US$70.0M.

Repayment obligations during the next twelve months to 30 September 2015 in respect of interest bearing loans and borrowings are summarised as follows:

- secured bank loan principal repayments of US$9.1M for syndicated loan facility; and
- interest payments of US$31.3M for syndicated loan facility and convertible bonds.

The Board of Directors is currently reviewing a range of financing options. The financing is expected to be finalised within the short term to allow the repayment of the US$300M unsecured convertible bonds maturing on 5 November 2015. At the date of this report, the Directors are satisfied there are reasonable grounds to believe that, having regard to the Group's position and its available financing options, the Group will be able to meet its obligations as and when they fall due.

Should the Group not achieve the matters set out above, there is uncertainty whether the Group would continue as a going concern and therefore, whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include adjustments relating to the recoverability or classification of the recorded assets amounts nor to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

SEGMENT INFORMATION

NOTE 5. SEGMENT INFORMATION

Identification of reportable segments

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

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

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

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

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

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

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

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

NOTE 5. SEGMENT INFORMATION (continued)

The following tables present revenue, expenditure and asset information regarding operating segments for the three months ended 30 September 2014 and 30 September 2013.

Three months ended 30 September 2014	**Exploration US$M**	**Namibia US$M**	**Malawi US$M**	**Unallocated US$M**	**Consolidated US$M**
Sales to external customers	-	36.1	2.9	-	39.0
Other revenue	-	-	0.1	0.2	0.3
Total consolidated revenue	-	36.1	3.0	0.2	39.3
Cost of goods sold	-	(34.9)	(3.0)	-	(37.9)
Gross profit	-	1.2	-	0.2	1.4
Other expenses	(0.4)	(1.1)	(5.5)	(3.1)	(10.1)
Segment (loss)/profit before income tax and finance costs	(0.4)	0.1	(5.5)	(2.9)	(8.7)
Finance costs	-	(2.7)	(0.6)	(11.8)	(15.1)
Loss before income tax	(0.4)	(2.6)	(6.1)	(14.7)	(23.8)
Income tax benefit/(expense)	0.1	(21.5)	-	(0.6)	(22.0)
Loss after income tax	(0.3)	(24.1)	(6.1)	(15.3)	(45.8)
At 30 September 2014					
Segment total assets	649.9	637.7	21.5	163.2	1,472.3

Three months ended 30 September 2013	**Exploration US$M**	**Namibia US$M**	**Malawi US$M**	**Unallocated US$M**	**Consolidated US$M**
Sales to external customers	-	36.5	32.7	-	69.2
Other revenue	-	-	-	0.2	0.2
Total consolidated revenue	-	36.5	32.7	0.2	69.4
Cost of goods sold	-	(34.2)	(38.1)	-	(72.3)
Impairment of inventory, stores and consumables	-	-	(12.0)	-	(12.0)
Gross profit/(loss)	-	2.3	(17.4)	0.2	(14.9)
Other expenses	(0.3)	(2.1)	(5.8)	(3.9)	(12.1)
Impairment of asset	-	-	-	(3.5)	(3.5)
Segment (loss)/profit before income tax and finance costs	(0.3)	0.2	(23.2)	(7.2)	(30.5)
Finance costs	-	(1.4)	(1.4)	(11.4)	(14.2)
Loss before income tax	(0.3)	(1.2)	(24.6)	(18.6)	(44.7)
Income tax benefit/(expense)	0.1	2.2	-	(1.4)	0.9
(Loss)/profit after income tax	(0.2)	1.0	(24.6)	(20.0)	(43.8)
At 30 June 2014					
Segment total assets	691.3	615.9	47.0	211.5	1,565.7

CAPITAL STRUCTURE

NOTE 6. CASH AND CASH EQUIVALENTS

	30 September 2014 US$M	30 June 2014 US$M
Cash at bank and on hand	6.5	10.3
Short-term bank deposits	203.0	78.5
Total cash and cash equivalents	**209.5**	**88.8**

Total cash and cash equivalents includes US$35.8M (30 June 2014: US$13.2M) restricted for use in respect of the LHM syndicated loan facility (refer to Note 7) and supplier guarantees provided by LHM.

NOTE 7. INTEREST BEARING LOANS AND BORROWINGS

Current	**Maturity**		
Secured bank loans		8.5	39.4
Total current interest bearing loans and borrowings		**8.5**	**39.4**
Non Current			
Unsecured convertible bonds[1]	2015	288.3	285.8
Unsecured convertible bonds[2]	2017	247.2	245.0
Secured bank loan	amortised to 2019	58.4	59.4
Total non current interest bearing loans and borrowings		**593.9**	**590.2**

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

Unsecured convertible bonds

(1) On 5 November 2010, the Company issued US$300M in convertible bonds with a coupon rate of 3.625%, (underlying effective interest rate of 7.47%) maturing on 5 November 2015 with a conversion price of US$5.61, for Company shares.

(2) On 30 April 2012, the Company issued US$274M in convertible bonds with a coupon rate of 6% (underlying effective interest rate of 10.68%) maturing on 30 April 2017 with a conversion price of US$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).

EXPRESSED IN US DOLLARS

NOTE 7. INTEREST BEARING LOANS AND BORROWINGS (continued)

Secured bank loans

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

At 30 September 2014 US$70.0M (30 June 2014: US$100.8M) was outstanding under the syndicated loan facility.

Transaction costs relating to the establishment of the facilities have been included as part of interest bearing loans and borrowings.

NOTE 8. OTHER INTEREST BEARING LOANS AND BORROWINGS - CNNC

Non Current	**Maturity**		
Intercompany loan assigned to CNNC	2016 to 2021	96.6	96.0
		96.6	**96.0**

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

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

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

On consolidation, PFPL's 75% share of the LHU intercompany shareholder loans are eliminated against the intercompany shareholder loans receivable recorded in PFPL and therefore they do not appear on Paladin's consolidated balance sheet. As a result of the consolidation of 100% of LHU's assets and liabilities, LHU's liability of US$96 million to CNNC is recognised on the consolidated balance sheet.

NOTE 9. CONTRIBUTED EQUITY

(a) Issued and paid up capital

Ordinary shares	30 September 2014	30 June 2014	30 September 2014	30 June 2014
	Number of Shares		US$M	US$M
Issued and fully paid	964,894,574	964,367,284	1,927.8	1,926.9

(b) Movements in ordinary shares on issue

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

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

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

Date		Number of Shares	Issue Price A$	Exchange Rate US$: A$	Total US$M
Balance 30 June 2014		964,367,284			1,926.9
September 2014	Rights vested	527,290	-	-	-
	Transfer from share-Based payments reserve				0.9
Balance 30 September 2014		**964,894,574** [(1)]			**1,927.8**

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

EXPRESSED IN US DOLLARS

NOTE 9. CONTRIBUTED EQUITY (continued)

(c) Performance Share Rights

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

	30 September 2014 Number	30 June 2014 Number
Number of unlisted employee share rights	982,544	2,079,094

Consisting of the following:

Date rights granted	Vesting date	Vesting performance conditions	Number
5 November 2010	5 November 2014	Relative total shareholder return	250,000
15 November 2013	14 November 2014	Time based(2)	732,544
Total			**982,544**

NOTE 10. FINANCIAL INSTRUMENTS

Risk Management Activities

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

Financial Instruments

Set out below is an overview of financial instruments, other than cash and short-term deposits, held by the Group:

	As at 30 September 2014 Unaudited US$M	**As at 30 June 2014 Audited US$M**
Financial assets:		
Cash and cash equivalents	209.5	88.8
Trade and other receivables – at amortised cost	16.7	198.7
Total current	**226.2**	**287.5**
Trade and other receivables - at amortised cost	0.7	1.0
Available-for-sale financial assets - at fair value	5.3	6.6
Total non-current	**6.0**	**7.6**
Total	**232.2**	**295.1**
Financial liabilities:		
Trade and other payables - at amortised cost	45.3	39.3
Interest bearing loans and borrowings - at amortised cost	8.5	39.4
Total current	**53.8**	**78.7**
Interest bearing loans and borrowings - at amortised cost	593.9	686.2
Other interest bearing loans - CNNC	96.5	96.0
Total non-current	**690.4**	**782.2**
Total	**744.2**	**860.9**

NOTE 10. FINANCIAL INSTRUMENTS (continued)

Fair Values

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values as at 30 September 2014:

	As at 30 September 2014		As at 30 June 2014	
	Carrying amount US$M	**Fair value US$M**	**Carrying amount US$M**	**Fair value US$M**
Financial liabilities				
Interest bearing loans and borrowings:				
- Secured bank loan	8.5[(1)]	9.1	39.4[(1)]	39.9
Total current	8.5	9.1	39.4	39.9
Interest bearing loans and borrowings				
- Secured bank loan	58.4[(1)]	60.9	59.4[(1)]	60.9
- Unsecured convertible bonds	535.5[(1)]	507.4[2)]	530.8[(1)]	491.7[(2)]
Total non-current	593.9	568.3	590.2	552.6
Total	602.4	577.4	629.6	592.5

(1) This figure includes transaction costs, which offset the balance in accordance with the requirements of Accounting Standards.
(2) The fair value is calculated using quoted prices in an active market.

NOTE 10. FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

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

Level 1 – the fair value is calculated using quoted prices in active markets.
Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

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

The Group classifies its investments and other financial assets in the following categories: loans and receivables, held-to-maturity investments, available-for-sale financial assets and financial assets held for trading. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

	Quarter ended 30 September 2014				Year ended 30 June 2014			
	Quoted market price (Level 1)	Valuation technique- market observable inputs (Level 2)	Valuation technique- non market observable inputs (Level 3)	Total	Quoted market price (Level 1)	Valuation technique- market observable inputs (Level 2)	Valuation technique- non market observable inputs (Level 3)	Total
	US$M	US$M	US$M	US$M	US$M	US$M	US$M	US$M
Financial assets measured at fair value								
Available-for-sale investments								
Listed investments	5.3	-	-	5.3	6.6	-	-	6.6
	5.3	-	-	5.3	6.6	-	-	6.6
Financial liabilities for which fair values are disclosed								
Interest bearing loans and borrowings								
Floating rate borrowings(1)	-	70.0	-	70.0	-	100.8	-	100.8
Convertible bonds(2	-	507.4	-	507.4	-	491.7	-	491.7
	-	577.4	-	577.4	-	592.5	-	592.5

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

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

NOTE 10. FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

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

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

PERFORMANCE FOR THE PERIOD

NOTE 11. REVENUE

	Three months ended 30 September	
	2014	**2013**
	US$M	**US$M**
Revenue		
Sale of uranium	39.0	69.2
Interest income from non-related parties	0.2	0.2
Other revenue	0.1	-
Total	**39.3**	**69.4**

NOTE 12. OTHER INCOME AND EXPENSES

Cost of Sales		
Costs before depreciation and amortisation	(38.7)	(60.5)
Depreciation and amortisation	(8.1)	(14.7)
Impairment loss reversed on sale of inventory	12.2	8.5
Product distribution costs	(2.1)	(3.6)
Royalties	(1.2)	(2.0)
Total	**(37.9)**	**(72.3)**
Other income		
Foreign exchange gain (net)	2.4	-
Gain on disposal of investment	0.2	0.4
Total	**2.6**	**0.4**

NOTE 12. OTHER INCOME AND EXPENSES (continued)

	Three months ended 30 September 2014 US$M	2013 US$M
Administration, marketing and non-production costs		
Corporate and marketing	(3.9)	(3.9)
Restructure costs	-	(0.1)
LHM mine site	(0.4)	(0.4)
KM mine site	-	(1.4)
Canadian operations	-	(0.1)
Non-cash – Share based payments	(0.1)	0.6
Non-cash – Depreciation	(0.2)	(0.4)
LHM Stage 4 expansion evaluation project	-	(0.6)
Total	**(4.6)**	**(6.3)**
Other expenses		
Impairment of available-for-sale financial assets	-	(3.5)
LHM fixed costs during plant shutdown	(2.7)	-
KM fixed costs during plant shutdown	-	(4.2)
KM care and maintenance expenses	(5.0)	-
Foreign exchange loss (net)	-	(1.6)
Total	**(7.7)**	**(9.3)**
Finance costs		
Interest expense	(8.8)	(8.8)
Accretion relating to convertible bonds (non-cash)	(4.8)	(4.4)
Unwind of discount on mine closure provision	(1.4)	(0.5)
Facility costs	(0.1)	(0.5)
Total	**(15.1)**	**(14.2)**

NOTE 13. INCOME TAX

Reconciliation of accounting loss to income tax benefit/expense

	Three months ended 30 September 2014 US$M	2013 US$M
Loss before income tax expense	(23.8)	(44.7)
Tax at the Australian rate of 30% (2014 – 30%)	7.1	13.4
Tax effect of amounts which are taxable/(non-deductible) in calculating taxable income	(3.6)	7.2
	3.5	20.6
Difference in overseas tax rates	0.1	(0.3)
Under/(over) prior year adjustment	(6.7)	3.3
Foreign exchange differences	(23.1)	5.6
Other – deferred tax asset recognised/derecognised	4.2	(28.3)
Income tax (expense)/benefit reported in Income Statement	**(22.0)**	**0.9**

OPERATING ASSETS AND LIABILITIES

NOTE 14. TRADE AND OTHER RECEIVABLES

	30 September 2014 US$M	30 June 2014 US$M
Current		
Trade receivables	-	18.9
GST and VAT	14.6	7.5
LHM purchase consideration receivable	-	170.0
Sundry debtors	2.1	2.3
Total current receivables	**16.7**	**198.7**
Non Current		
Sundry debtors	0.7	1.0
Total non current receivables	**0.7**	**1.0**

NOTE 15. INVENTORIES

	30 September 2014 US$M	30 June 2014 US$M
Current		
Stores and consumables (at cost)	8.0	7.5
Stores and consumables (at net realisable value)	2.7	2.8
Stockpiles (at cost)	4.9	7.1
Work-in-progress (at cost)	11.1	-
Work-in-progress (at net realisable value)	-	5.1
Finished goods (at net realisable value)	56.4	55.6
Total current inventories at the lower of cost and net realisable value	**83.1**	**78.1**

During the three months ended 30 September 2013, an impairment of US$12.0M (2014: US$Nil) was required to reduce the cost of inventory, stores and consumables held at KM to net realisable value. This resulted in an impairment expense recognised in cost of sales.

	30 September 2014 US$M	30 June 2014 US$M
Non Current		
Stockpiles (at cost)	166.5	160.2
Total non current inventories at the lower of cost and net realisable value	**166.5**	**160.2**

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

NOTE 16. ASSETS CLASSIFIED AS HELD FOR SALE

	30 September 2014 US$M	30 June 2014 US$M
Plant and equipment	3.8	3.8
Total assets classified as held for sale	**3.8**	**3.8**

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

NOTE 17. OTHER FINANCIAL ASSETS

	30 September 2014 US$M	30 June 2014 US$M
Available-for-sale financial assets	**5.3**	**6.6**

The Group has an investment in DYL and at 30 September 2014 held 319,106,156 with a market value of US$4.5M (30 June 2014: 304,400,275 with a market value of US$5.5M) fully paid ordinary shares.

The Group also holds minor investments in other companies.

NOTE 18. PROPERTY, PLANT AND EQUIPMENT

	30 September 2014 US$M	30 June 2014 US$M
Plant and equipment (at cost) (1)	713.1	706.6
Less accumulated depreciation and impairment	(440.2)	(436.1)
Total plant and equipment	272.9	270.5
Land and buildings (at cost) (2)	10.9	11.2
Less accumulated depreciation	(2.5)	(2.5)
Total land and buildings	8.4	8.7
Construction work in progress (at cost) (3)	4.5	5.8
Less impairment	(3.5)	(3.2)
Total construction work in progress	1.0	2.6
Total property, plant and equipment	**282.3**	**281.8**

(1) Includes additions of US$4.2M (30 June 2014: US$4.9M)
(2) Includes additions of US$NIL (30 June 2014: US$Nil)
(3) Includes additions of US$1.1M (30 June 2014: US$11.8M)

NOTE 19. MINE DEVELOPMENT

	30 September 2014 US$M	30 June 2014 US$M
Mine development (at cost) (1)	206.5	206.5
Less accumulated depreciation and impairment	(164.4)	(162.6)
Total mine development	**42.1**	**43.9**

(1) Includes additions of US$NIL (30 June 2014: US$19.9M)

NOTE 20. EXPLORATION AND EVALUATION EXPENDITURE

The following table details the expenditures on interests in mineral properties by area of interest for the three months ended 30 September 2014:

Areas of interest	Valhalla /Skal [1] US$M	Isa North US$M	Fusion US$M	Angela/ Pamela US$M	Bigrlyi US$M	Niger US$M	KM US$M	Canada US$M	Other Uranium Projects US$M	Total US$M
Balance 30 June 2014	**332.5**	**60.5**	**11.3**	**-**	**10.3**	**-**	**-**	**263.3**	**9.4**	**687.3**
Acquisition property payments	-	-	-	-	-	-	-	-	0.4	**0.4**
Project exploration and evaluation expenditure										
Labour	-	-	-	-	-	-	-	0.6	0.1	0.7
Outside services	-	-	-	-	-	-	-	0.1	-	0.1
Other expenses	0.1	0.1	-	0.1	-	-	-	0.5	0.1	0.9
Total expenditure	0.1	0.1	-	0.1	-	-	-	1.2	0.2	1.7
Expenditure expensed	(0.1)	(0.1)	-	(0.1)	-	-	-	-	(0.1)	(0.4)
Expenditure capitalised	-	-	-	-	-	-	-	1.2	0.1	1.3
Foreign exchange differences	(24.1)	(4.8)	(0.8)	-	(0.8)	-	-	(11.5)	(0.7)	(42.7)
Impairment of exploration and evaluation	-	-	-	-	-	-	-	-	-	-
Balance 30 September 2014	**308.4**	**55.7**	**10.5**	**-**	**9.5**	**-**	**-**	**253.0**	**9.2**	**646.3**

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

NOTE 21. INTANGIBLE ASSETS

	30 September 2014 US$M	30 June 2014 US$M
Intangible assets – at cost	27.8	27.8
Less accumulated depreciation and impairment	(15.7)	(15.6)
Net carrying value – intangible assets	**12.1**	**12.2**

NOTE 22. PROVISIONS

	30 September 2014 US$M	30 June 2014 US$M
Current		
Employee benefits	5.3	5.5
Total current provisions	**5.3**	**5.5**
Non Current		
Employee benefits	1.8	2.0
Rehabilitation provision	67.9	68.9
Demobilisation provision	1.8	1.8
Total non current provisions	**71.5**	**72.7**

NOTE 23. UNEARNED REVENUE

	30 September 2014 US$M	30 June 2014 US$M
Non Current		
Unearned revenue	200.0	200.0
Total unearned revenue	**200.0**	**200.0**

Total prepayment of US$200M under a six-year off-take agreement with EdF, a major electricity generator and distribution company in France, to deliver a total of 13.73Mlb U_3O_8 in the period from 2019 to 2024. Uranium delivered under the off-take agreement will be sold to EdF at market prices prevailing at the time of delivery bounded by escalating floor and ceiling prices.

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

OTHER NOTES

NOTE 24. COMMITMENTS AND CONTINGENCIES

There were no outstanding commitments or contingencies, which are not disclosed in the Financial Report of the Group as at 30 September 2014 other than:

	30 September 2014 US$M	30 June 2014 US$M
(a) Tenements		
Commitments for tenements contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	0.9	2.6
Later than one year but not later than 5 years	7.2	6.4
More than 5 years	16.3	16.8
Total tenements commitment	**24.4**	**25.8**

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

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

(b) Operating Lease Commitments

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

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

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

	30 September 2014 US$M	30 June 2014 US$M
Within one year	0.9	1.0
Later than one year but not later than 5 years	0.8	1.0
More than 5 years	-	-
Total operating lease commitment	**1.7**	**2.0**

NOTE 24. COMMITMENTS AND CONTINGENCIES (continued)

	30 September 2014 US$M	30 June 2014 US$M
(c) Other Commitments		
Commitments for mining, transport and reagents contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	19.8	22.2
Later than one year but not later than 5 years	1.9	2.1
More than 5 years	-	-
Total other commitments	**21.7**	**24.3**

(d) Acquisition Costs

In relation to the Manyingee Uranium Project, the re-negotiated acquisition terms provide for a payment of A$0.75M / (US$0.65M) (30 June 2014: A$0.75M (US$0.71M)) by the Group to the vendors when all project development approvals are obtained.

(e) Bank Guarantees

As at 30 September 2014 the Group has outstanding US$437,829 / (A$501,792) (30 June 2014: US$679,877 / A$721,792) as a current guarantee provided by a bank for the corporate office lease, a US$198,501 / (A$227,500) (30 June 2014: US$248,199 / A$263,500) guarantee for tenements, a US$95,978 / (A$110,000) (30 June 2014: US$103,612 / A$110,000) guarantee for corporate credit cards and a US$10M (30 June 2014: US$10M) KM environmental performance guarantee.

(f) Contingent Liability

A dispute has arisen between a Group company and a contractor in relation to the contract for the Stage 3 expansion at LHM. The contractor is seeking payment of the disputed sum of ZAR276M, which is approximately US$24.5M. The Group denies the claim and will vigorously defend it. The Group is also counter claiming damages from the contractor and cross-claiming from another contractor. The precise quantum of the counter-claim and cross claim has not yet been established but is expected to exceed the contractor's claim.

NOTE 25. EVENTS AFTER THE REPORTING PERIOD

Since 30 September 2014, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this report, that has significantly or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent periods.

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 30 September 2014.

2. No misrepresentation: Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the interim filings.

3. Fair presentation: Based on my knowledge, having exercised reasonable due diligence, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

4. Responsibility: The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings, for the issuer.

5. Design: Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer's other certifying officer and I have, as at the end of the period covered by the interim filings

   (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that:

      (i) material information relating to the issuer is made known to us by others, particularly during the period in which the annual filings are being prepared; and
      (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarised and reported within the time periods specified in securities legislation; and

   (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

5.1 Control Framework: The control framework the issuer's other certifying officer and I used to design the issuer's ICFR is the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission (COSO).

5.2 ICFR – material weakness relating to design: N/A

5.3 Limitation on scope of design: N/A

6. Reporting changes in ICFR: The issuer has disclosed in its interim MD&A any change in the issuer's ICFR that occurred during the period beginning on 1 July 2014 and ended on 30 September 2014 that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

Dated: 13 November 2014

John Borshoff

John Borshoff
Managing Director/CEO

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

I, Craig Barnes, the certifying officer and Chief Financial Officer, Paladin Energy Ltd, certify the following:

1. Review: I have reviewed the interim financial statements and interim MD&A (together, the "interim filings") of Paladin Energy Ltd for the interim period ended 30 September 2014.

2. No misrepresentation: Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the interim filings.

3. Fair presentation: Based on my knowledge, having exercised reasonable due diligence, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

4. Responsibility: The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings, for the issuer.

5. Design: Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer's other certifying officer and I have, as at the end of the period covered by the interim filings

   (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that:

      (i) material information relating to the issuer is made known to us by others, particularly during the period in which the annual filings are being prepared; and
      (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarised and reported within the time periods specified in securities legislation; and

   (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

5.1 Control Framework: The control framework the issuer's other certifying officer and I used to design the issuer's ICFR is the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission (COSO).

5.2 ICFR – material weakness relating to design: N/A

5.3 Limitation on scope of design: N/A

6. Reporting changes in ICFR: The issuer has disclosed in its interim MD&A any change in the issuer's ICFR that occurred during the period beginning on 1 July 2014 and ended on 30 September 2014 that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

Dated: 13 November 2014

Craig Barnes
Chief Financial Officer