

PALADIN RESOURCES LIMITED

Annual report and financial statements

For the year ended 31 December 2020

Registered number: SC149507



Paladin Resources Limited

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Paladin Resources Limited

Corporate Information

Board of Directors

The Directors who held office during the year and up to the date of signing of the financial statements were as follows:

Jose Luis Muñoz Vega
José Carlos de Vicente Bravo
Juan Pablo Stelzer Serrate

Company secretary

The Company secretary is Pinsent Masons Secretarial Limited (appointed 1 April 2020 replacing Jose Luis Muñoz Vega).

Their business address is:
1 Park Row, Leeds, LS1 5AB, United Kingdom.

Registered office

13 Queen's Road, Aberdeen, Scotland, AB15 4YL, United Kingdom.

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Kingsway
Cardiff
CF10 3PW

Paladin Resources Limited

Strategic report

The directors present their strategic report for the year ended 31 December 2020.

Review of the Business

Paladin Resources Limited (the Company) was incorporated 9 March 1994 as the holding company of a group involved in oil and gas exploration, development and production internationally.

The shares are owned by TE Holding S.ar.l., an indirect wholly owned subsidiary of Repsol S.A., whose corporate headquarters are based in Madrid, Spain.

The Company was established with effective date on the 9 March 1994, and it has its offices in Aberdeen, Scotland, UK.

The Company's key performance indicators during the year were as follows:

	2020	2019
	\$'000	\$'000
Net profit	23,867	59
Dividends received	32,000	-
Investments	46,975	63,036
Net assets	57,644	33,777

The Profit for the year amounted to \$23,867 thousand (2019: \$59 thousand) mainly due to dividends received from subsidiary companies of \$32,000 thousand (2019: nil) offset by impairment expense on investments of \$8,161 thousand (2019: \$124 thousand reversal) and general administrative expenses.

Investments decreased by \$16,061 thousand to \$46,975 thousand from \$63,036 thousand in 2019 as a result of return on investment value from subsidiaries by \$7,900 thousand and impairment expense.

Total net assets increased due to higher debtors' balance in related party transaction which was offset by decrease in related party transaction creditors' balance.

Principal Risks and Uncertainties

The company holds a variety of investments in subsidiaries, whose principal activity is the exploration and development of oil and gas. These subsidiary companies are subject to a number of risks inherent in exploring for, developing and producing crude oil and natural gas. Such risks can impact the net asset value of the subsidiaries against which the holding company's investment value is assessed.

Financial risk

Paladin Resources Limited is funded via intercompany capital and a short term intercompany loan. Customer credit risk is deemed to be low as the Company provides services to other companies within the Repsol Group.

Currency related risks

The main activity of the Company is not exposed to currency exchange rates.

Paladin Resources Limited

Strategic Report (continued)

BREXIT

The UK left the EU on January 31ST, 2020, following the agreement ratified by both the EU and the House of Commons. A transitional period was established until December 31, 2020, during which the United Kingdom remained in the European market. As of January, 1st 2021 the relationship between the UK and the European Union is based on the “Trade and Cooperation Agreement”.

Paladin Resources Limited 's exposure in the United Kingdom is limited as its subsidiaries which operates in hydrocarbon exploration and production activities is out of the United Kingdom and its functional currency is the US dollar, meaning that even under the most extreme Brexit scenarios no significant risks have been detected.

The European Union Emission Trade System (EU ETS) was affected by BREXIT, due to the fact that the European Commission decided to suspend any free allocation of benefits involving the United Kingdom. After signing the exit agreement, it was announced that effective as of January 1, 2021, the United Kingdom's own emission allowances market (UK ETS) will replace the current European emission allowances market (EU ETS). The economic impact of this is still unknown.

Section 172(1) Statement

The revised UK Corporate Governance Code ('2018 Code') was published in July 2018 and applies to accounting periods beginning on or after January 1, 2019. The Companies Regulations 2018 require Directors to explain how they considered the interests of key stakeholders and the broader matters set out in section 172(1) (A) to (F) of the Companies Act 2006 ('S172') when performing their duty to promote the success of the Company under S172. This includes considering the interest of other stakeholders which will have an impact on the long-term success of the Company.

During the 2020 financial year the Directors have acted, and they continue to act, in good faith to ensure the success of the Company for the benefit of its shareholder, and for the benefit of a wide range of stakeholders. These stakeholders include suppliers, customers and others.

Paladin Resources Limited works to maintain a professional and ethical relationship with all of its customers and also relies on its suppliers to provide quality goods and services in order to maintain the highest standards of operation, safety and reliability in meeting the needs of its customers. Additionally, the Company is committed to having professional and ethical relationships with its suppliers.

The Company has a corporate social responsibility to operate safely and effectively within the local community and is committed to minimizing its environmental impact and uses targets to measure performance in this field and to continually drive improvements.

Future developments

The directors do not anticipate significant changes regarding the future activities of the Company.

Paladin Resources Limited

Strategic Report (continued)

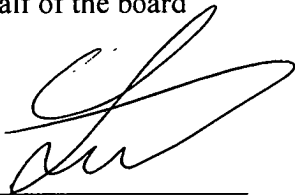
Other

No political donation has been made.

Substantial Shareholdings

The shares are owned by TE Holding S.ar.l., an indirect wholly owned subsidiary of Repsol S.A., whose corporate headquarters are based in Madrid, Spain.

On behalf of the board



Name: Jose Luis Muñoz Vega
Director
18 June 2021

Registered Office
13 Queen's Road
ABERDEEN
Scotland
AB15 4YL
United Kingdom

Paladin Resources Limited

Registered No. SC149507

Directors' report for the year ended 31 December 2020

The directors present their annual report together with the audited financial statements of Paladin Resources Limited ("the Company") for the year ended 31 December 2020.

Further information regarding the Company, including important events and its progress during the year, events since the year end and likely future development is contained in the Strategic Report on page 2. The information that fulfils the requirements of the Strategic Report (as required the Companies Act 2006), which is incorporated in this Directors' Report by reference, can be found on the following pages of this Annual Report:

Information	Location	Page(-s)
Development and performance during the financial year	Strategic Report	[2]
Position at the year-end including analysis and key performance indicators	Strategic Report	[2]
Other performance	Strategic Report	[2]
Principal risks and uncertainties facing the business	Strategic Report	[2-3]
Section 172(1) Statement	Strategic Report	[3]
Explanation of amounts included in the financial statements	Notes to the Financial Statements	[14-24]

Results

The company had a profit for the financial year 2020 of \$23,867 thousand (2019: profit of \$59 thousand).

Principal risks and uncertainties

Principal risks and uncertainties are discussed within the Strategic Report on page 2. The Company's operational risks are aligned with those faced by the rest of the Group and are disclosed in the Strategic Report.

Financial Risk

Financial risk management is disclosed within the Strategic Report on page 2.

Substantial Shareholdings

The shares are owned by TE Holding S.ar.l., an indirect wholly owned subsidiary of Repsol S.A., whose corporate headquarters are based in Madrid, Spain.

Paladin Resources Limited

Directors' report for the year ended 31 December 2020 (continued)

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were as follows:

Jose Luis Muñoz Vega

José Carlos de Vicente Bravo (appointed on 1 September 2020)

Juan Pablo Stelzer Serrate (appointed on 1 February 2020)

Luis Pedrosa Romero (appointed 1 October 2017 and resigned 31 January 2021)

Ferdinando Rigardo (appointed 30 June 2016 and resigned 1 September 2020)

Dividends

The directors do not recommend the payment of a dividend for the year (2019: Nil).

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Paladin Resources Limited

Directors' report for the year ended 31 December 2020 (continued)

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent Auditors

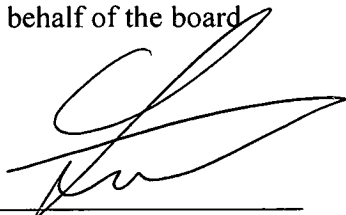
The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

Going concern

The financial position of the Company and business activities, together with the factors likely to affect its future development, performance and position, are set out in the strategic report.

After making enquiries, the directors have formed a judgement at the time of approving the financial statements that the Company has appropriate resources to continue in existence for the next 12 months. Accordingly, the Company continues to adopt the going concern basis in preparing the financial statements.

On behalf of the board



Name: Jose Luis Muñoz Vega
Director
18 June 2021

Registered Office
13 Queen's Road
ABERDEEN
Scotland
AB15 4YL
United Kingdom

Independent auditors' report to the directors of Paladin Resources Limited

Report on the audit of the financial statements

Opinion

In our opinion, Paladin Resources Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: Statement of financial position as at 31 December 2020; the Income statement, Statement of comprehensive income and Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent auditors' report to the directors of Paladin Resources Limited (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report for the year ended 31 December 2020, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report for the year ended 31 December 2020

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2020 for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report for the year ended 31 December 2020.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually

Independent auditors' report to the directors of Paladin Resources Limited (continued)

or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax law, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries. Audit procedures performed by the engagement team included:

- Enquiries with management including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing relevant meeting minutes, including those of the Board; and
- Identifying and testing journal entries, in particular any journal entries posted with entries posted by unexpected users, where any such journal entries were identified.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's directors as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Jason Clarke (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Cardiff

21 June 2021

Paladin Resources Limited

Income statement for the year ended 31 December 2020

	Note	2020 \$'000	2019 \$'000
Expenses			
Administrative expenses	7	(0)	(83)
Operating loss		(0)	(83)
Interest receivable and similar income	8	187	494
Interest payable and similar expenses		(158)	(484)
Dividends received	9	32,000	-
Profit/ (loss)		32,030	(73)
(Impairment)/ Reversal of impairment on investments	11	(8,161)	124
Profit before taxation		23,868	51
Tax on profit	10	(1)	8
Profit for the financial year		23,867	59

The results have been derived wholly from continuing operations.

Statement of comprehensive income for the year ended 31 December 2020

	2020 \$'000	2019 \$'000
Profit for the financial year	23,867	59
Total comprehensive income for the year	23,867	59

Paladin Resources Limited

Statement of financial position as at 31 December 2020

	Note	2020 \$'000	2019 \$'000
Assets			
Fixed Assets			
Investments	11	46,975	63,036
Current Assets			
Debtors: amounts falling due within one year	12	56,940	21,069
Cash at bank and in hand		118	150
Total Assets		<u>104,033</u>	<u>84,255</u>
Liabilities			
Current liabilities			
Creditors: amounts falling due within one year	13	<u>(46,389)</u>	<u>(50,478)</u>
Total liabilities		<u>(46,389)</u>	<u>(50,478)</u>
Net current assets / (liabilities)		<u>10,669</u>	<u>(29,259)</u>
Net assets		57,644	33,777
Capital and reserves			
Called up share capital	14	82,279	82,279
Profit and loss account		(24,635)	(48,502)
Total equity		57,644	33,777

The financial statements on page 10 to 23 were approved by the board of directors on 18 June 2021 and were signed on its behalf by:



Name: Jose Luis Muñoz Vega
Director
18 June 2021

Registered number SC149507

Paladin Resources Limited

Statement of changes in equity for the year ended 31 December 2020

	Called up capital \$'000	Profit and loss account \$'000	Total equity \$'000
At 1 January 2019	82,279	(48,561)	33,718
Profit for the financial year	-	59	59
Total comprehensive income for the year	-	59	59
At 31 December 2019	82,279	(48,502)	33,777
Profit for the financial year	-	23,867	23,867
Total comprehensive income for the year	-	23,867	23,867
At 31 December 2020	82,279	(24,635)	57,644

Paladin Resources Limited

Notes to the Financial Statements for the year ended 31 December 2020

1. General information

Paladin Resources Limited (the Company) was incorporated 9 March 1994 as the holding company of a group involved in oil and gas exploration, development and production internationally.

The Company is a private limited company incorporated and domiciled in Scotland, United Kingdom. The address of its registered office is 13 Queen's Road, Aberdeen, United Kingdom, AB15 4YL.

2. Basis of preparation

The financial statements of Paladin Resources Limited (the 'Company') for the year ended 31 December 2020 were authorized for issue by the board of directors on 18 March 2021. The company's registered office is located in 13 Queen's Road, Aberdeen, Scotland, AB15 4YL, United Kingdom. The company is a private company, limited by shares and incorporated and domiciled in Scotland, UK.

These non-consolidated financial statements were prepared in accordance with Financial Reporting Standard 101 – Reduced Disclosure Framework (FRS 101) and in accordance with the Companies Act 2006. The company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Repsol S.A. The results of the company are included in the consolidated financial statements of Repsol S.A. which are available to the public and can be obtained from the addresses disclosed in note 14. The financial statements have been prepared under the historic costs convention.

The company's financial statements are presented in United States Dollar (USD) and all values are rounded to the nearest thousand dollars (\$'000s) except when otherwise indicated.

The Company has applied the following disclosure exemption under FRS 101:

- IFRS 7: Financial Instruments: Disclosures;
- IFRS 13: Fair value measurement in respect of the disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities;
- IAS 7: Statement of Cash Flow;
- IAS 1: Presentation of financial statements in respect of: statement of cash flows including comparatives and statement of compliance with all IFRS;
- IAS 8: the requirements of paragraphs 30 and 31 of IAS 8 Accounting policies, changes in accounting estimates and errors;
- IAS 24 to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- IAS 36: the requirements of paragraphs 130(t)(ii), 130(t)(iii), 134(d)-134(t) and 135(c)-135(e) of IAS 36 Impairment of assets.

Paladin Resources Limited

Notes to the Financial Statements for the year ended 31 December 2020 (continued)

2. Basis of preparation (continued)

Going concern

The financial position of the Company and business activities, together with the factors likely to affect its future development, performance and position, are set out in the strategic report.

After making enquiries, the directors have formed a judgement at the time of approving the financial statements that the Company has appropriate resources to continue in existence for the next 12 months. Accordingly, the Company continues to adopt the going concern basis in preparing the financial statements.

3. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Paladin Resources Limited is integrated into Repsol S.A. consolidated financial statements which can be obtained at the Repsol's web page www.repsol.com.

Share Capital

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

Financial Assets

It is the company's policy to initially recognize financial assets at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss which are expensed in the statement of comprehensive income.

Classification and subsequent measurement is dependent on the company's business model for managing the asset and the cashflow characteristics of the asset. On this basis, the company may classify its financial instruments at amortized cost, fair value through statement of comprehensive income and at fair value through other comprehensive income. All the company's financial assets as at 31 December 2020 satisfy the conditions for classification at amortized cost under IFRS 9.

The company's financial assets include only debtors and cash and cash equivalents. Debtors are included in current assets, except for maturities greater than 12 months after the reporting date. The company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and the transfer qualifies for derecognition.

Trade or other receivables

Trade receivables and other receivables are recognized at the original invoice amount less an estimated loss provision for any uncollectible amounts.

Paladin Resources Limited

Notes to the Financial Statements for the year ended 31 December 2020 (continued)

3. Summary of significant accounting policies (continued)

Impairment of Financial Assets

Recognition of impairment provisions under IFRS 9 is based on the expected credit loss (ECL) model. The ECL model is applicable to financial assets classified at amortized cost and contract assets under IFRS 15: Revenue from Contracts with Customers.

A provision for impairment of trade or other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant difficulties of the debtor, dispute, default or delinquency in payments are considered indicators that the receivable is impaired.

The allowance for ECLs is calculated on a 12-month basis and is based on the portion of ECLs expected to result from default events possible within 12 months of the reporting date. The Company monitors for significant changes in credit risk and where this is materially different to credit losses calculated on a 12-month basis changes the allowance to reflect the risk of expected default in the contractual lifetime of the financial asset. Unless there is a valid mitigating factor, the Company considers there to have been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Company assesses at each reporting date whether any indicators exist that a financial asset or group of financial assets has become credit impaired. Where an asset is considered to be credit impaired a specific allowance is recognized based on the actual cash flows that the Company expects to receive and is determined using historical credit loss experience and forward-looking factors specific to the counterparty and the economic environment. Any shortfall is discounted at the original effective interest rate for the relevant asset.

Cash and cash equivalents

Liquid financial assets, deposits or financial assets that can be converted into a known amount of cash within three months and that are subject to an insignificant risk of changes in value, are considered equivalent to cash.

Taxation

Current tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Paladin Resources Limited

Notes to the Financial Statements for the year ended 31 December 2020 (continued)

3. Summary of significant accounting policies (continued)

Taxation (continued)

Deferred tax

Deferred tax is provided using the balance sheet method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax losses and the carry back of ring fence tax losses, to the extent that it is probable that taxable profit will be available against which the temporary differences and the carry forward or carry back of unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future or historic taxable profit will be available to allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax's rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred taxes relate to the same taxable entity and the same taxation authority.

Group relief

The company is a member of a group for the purposes of group relief under Part 5 of the Corporation Tax Act 2010. The company accounts for group relief as follows:

- Payment is received for group relief losses surrendered to other group companies;
- Payment is charged for group relief losses claimed from other group companies.

The value of the payment is determined by the amount of corporation tax saved by reason of the group relief being surrendered or claimed.

Paladin Resources Limited

Notes to the Financial Statements for the year ended 31 December 2020 (continued)

3. Summary of significant accounting policies (continued)

Provisions and contingent liabilities

In accordance with prevailing accounting standards, the Company makes a distinction between:

- a) Provisions: present obligations, either legal or assumed by the Company, arising from past events, the settlement of which is probable to give rise to an outflow of resources the amount and timing of which are uncertain; and
- b) Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the Company, or present obligations arising from past events, the amount of which cannot be measured with sufficient reliability or whose cancellation is not likely to give rise to an outflow of resources embodying future economic benefits.

These provisions are recognized when the liability or obligation giving rise to the indemnity or payment arises, to the extent that its amount can be reliably estimated, and it is probable that the commitment will have to be settled.

When a contract qualifies as onerous, the related present liabilities are recognized in the financial statements as provisions.

Contingent liabilities are not recognized as provisions in the financial statements. Notwithstanding the above, whenever it is deemed as non-remote that settlement of such a liability will give rise to an outflow of resources, the existence of these liabilities is disclosed.

Financial Liabilities

Financial liabilities of the company are classified and measured at fair value on initial recognition and subsequently at amortized cost net of directly attributable transaction costs. The company's financial liabilities include trade and other payables. The company derecognizes a financial liability when it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires.

Trade and other payables

Trade payables and other payables are recognized at the original invoice amount.

Foreign currency translation

The company's financial statements are presented in USD, which is also the company's functional currency. Transactions in foreign currencies are recorded at the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Paladin Resources Limited

Notes to the Financial Statements for the year ended 31 December 2020 (continued)

3. Summary of significant accounting policies (continued)

Investments

Investments in subsidiaries are held at historical cost less any applicable provision for impairment. The investments are tested for impairment whenever events or changes in circumstances indicate that the carrying value of the investment may not be recoverable.

Impairment of assets

The company assesses investments in subsidiaries for impairment whenever changes in circumstances or events indicate that the carrying value may not be recoverable. If such impairment indicators exist, the carrying amount of the investment is compared to its recoverable amount. The recoverable amount is the higher of the investment's fair value less costs to sell and its value in use. The investment is written down to its recoverable amount when its carrying amount exceeds the recoverable amount.

Financial instruments

The company's financial instruments are classified as cash, receivables and payables. Receivables consist of debtors. Other financial liabilities consist of creditors.

All financial instruments are initially measured at fair value on initial recognition and their carrying values approximate fair value.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

There are no estimates and assumptions that can have a significant risk of causing a material adjustment to these financial statements.

No critical judgements have been made in applying the entity's accounting policies.

4. Auditors' remuneration

The auditors' remuneration for audit services were \$13,158 (2019: \$16,500).

5. Directors' remuneration

The directors are also directors of other group companies who settle their remuneration. It is not considered possible to apportion directors' remuneration to this subsidiary on the basis of the level of service and accordingly no allocation has been made. The remuneration paid by other group companies has been disclosed in the financial statements of the companies concerned. This is applicable for both 2020 and 2019.

Paladin Resources Limited

Notes to the Financial Statements for the year ended 31 December 2020 (continued)

6. Staff numbers and costs

There were no employees of the company during the current or prior year and therefore there were no staff costs in either year. The only employees are the directors where their remuneration paid by other group companies.

7. Administrative expenses

	2020 \$'000	2019 \$'000
Bank fees	0	1
Professional fees	2	86
Other	(2)	(4)
	<u>0</u>	<u>83</u>

8. Interest income / (expense)

	2020 \$'000	2019 \$'000
Interest receivable and similar income	187	494
Interest payable and similar expenses	(158)	(484)
	<u>28</u>	<u>10</u>

9. Dividends received

	2020 \$'000	2019 \$'000
Dividend income received from subsidiaries	32,000	-

10. Tax on profit

	2020 \$'000	2019 \$'000
Current tax		
- UK corporation tax credit for the year	1	(8)
Total current tax	<u>1</u>	<u>(8)</u>

The tax assessed on the (loss)/ profit for the year is the same (2019: lower) than the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are reconciled below:

Paladin Resources Limited**Notes to the Financial Statements for the year ended 31 December 2019 (continued)****10. Tax on profit (continued)**

	2020	2019
	\$'000	\$'000
profit before taxation	<u>23.868</u>	<u>51</u>
Tax on profit before tax at 19.00% (2019: 19.00%)	(4.535)	10
Adjustment in respect of prior years	1	-
Income not deductible	6.080	-
Expenses not deductible	(1.540)	(24)
Transfer pricing adjustments	3	6
Amounts not recognised	<u>(8)</u>	<u>-</u>
Tax (credit) for the year	<u>1</u>	<u>(8)</u>

The standard rate of UK corporation tax in the year was 19% (2019: 19%).

11. Investments

Cost	\$'000
Cost at 1 January 2020	<u>63,406</u>
Cost at 31 December 2020	<u>55,505</u>
Amounts provided	
Accumulated impairment at 1 January 2020	370
Expense of impairment	<u>8,161</u>
Accumulated impairment at 31 December 2020	<u>8,531</u>
Net book value	
At 31 December 2020	<u>46,975</u>
At 31 December 2019	<u>63,036</u>

The decrease of cost in 2020 is due to distributions from subsidiaries.

The impairment recognized in 2020 was based on the recoverable amount of the investments. The methodology used by the Company to estimate the recoverable amount is based on net assets value of its subsidiaries.

Paladin Resources Limited

Notes to the Financial Statements for the year ended 31 December 2020 (continued)

11. Investments (continued)

Details of the investments in subsidiaries are as follows:

<u>Name of Company</u>	<u>Country of incorporation</u>	<u>Holding</u>	<u>% Voting rights</u>	<u>Registered address</u>
Repsol Oil & Gas Australia (JDPA 06- 105) Pty Ltd	Australia	Ordinary Shares	100%P	c/ CoSec Consulting Pty Ltd, 58 Gipps Street Collingwood VIC 3066 Australia
Talisman UK (South East Sumatra) Limited	England & Wales	Ordinary shares	100%P	Suite 1, 3 rd Floor 11-12 St. James's Square London, England SW1Y 4LB
Fortuna Resources (Sunda) Limited	British Virgin Islands	Ordinary shares	100%^	Harneys Services PO Box 71 Road Town Tortola Virgin Islands, British
Talisman Resources (North West Java) Limited	England & Wales	Ordinary shares	100%^	Suite 1, 3 rd Floor 11-12 St. James's Square London, England SW1Y 4LB
Talisman Resources (Bahamas) Limited	Bahamas	Ordinary Shares	100%P	The Alexander Corporate Group Limited One Millars Court PO Box N-7117 Nassau Bahamas

P held by Paladin Resources Limited

^ held by Talisman UK (South East Sumatra) Limited

Paladin Resources Limited

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

12. Debtors: amounts falling due within one year

	2020 \$'000	2019 \$'000
Tax receivable	330	330
Recoverable VAT	6	4
Amount due from subsidiary undertaking	56,604	20,735
	56,940	21,069

On 2017, the company entered into a reciprocal credit contract with TE Holding S.ar.l., which has been extended annually on similar terms. On 30 September 2019, the company extended this contract with a change in the interest rate to LIBOR 3M +1.3% with an expiry date of 30 September 2020. On 30 September 2020, the company again extended this deposit contract with a change in the interest rate to LIBOR 3M -0.06% with an expiry date of 30 September 2021.

The expected credit loss percentage for amounts owed by Group undertakings is almost zero.

13. Creditors: amounts falling due within one year

	2020 \$'000	2019 \$'000
Amount due to subsidiary undertakings	30,670	28,822
Amount due to fellow group undertakings	15,690	21,600
Accounts payable	29	56
	46,389	50,478

As at year end 31 December 2020 the amounts owed to Group subsidiary undertakings are unsecured, interest free and repayable on demand.

Amounts due to fellow group undertaking relates to loan agreements with Talisman Resources (Bahamas) Limited and Talisman UK (South East Sumatra) Limited signed in 2016 which have been extended annually on similar terms. Both loan agreements were extended on December 2019 with a change in the interest rate to LIBOR 1M -0.05% with an expiry date December 2020. On December 2020, the company again extended both loan agreements with a change in the interest rate to LIBOR 3M -0.06% with an expiry date of 1 December 2021.

Paladin Resources Limited

Notes to the Financial Statements for the year ended 31 December 2020 (continued)

14. Called up Share capital

	2020	2019
	\$'000	\$'000
Authorised, Allotted, Called up and fully paid:		
354,564,134 ordinary shares of £0.01 each	5,535	5,535
27,697,658 ordinary shares of £0.01 each	400	400
5,132,226,100 ordinary shares of £0.01 each	72,000	72,000
312,790,464 ordinary shares of £0.01 each	4,344	4,344
	82,279	82,279

15. Ultimate parent undertaking

The company's immediate parent undertaking is TE Holding S.ar.l., a company registered in Luxemburg. The company's ultimate parent undertaking is Repsol S.A., an integrated group of oil and gas companies headquartered in Madrid, Spain.

The parent undertaking of the smallest and largest group of which the company is a member and for which group financial statements are prepared is Repsol S.A., respectively.

The consolidated financial statements of Repsol S.A. are available to the public and may be obtained from C/ Méndez Álvaro, 44 28045 Madrid, Spain.

16. Events after the reporting year

i. Changes in the board of directors

As of 31 January 2021, Luis Pedrosa Romero resigned as a director of the company and was replaced by Juan Pablo Stelzer Serrate effective on 1 February 2021.

ii. December 2020 dividend received amendment

In December 2020, the company received a dividend of \$33,800 thousand from its subsidiary based on the subsidiary's financial position as of 30 November 2020. On 21 December 2020, the collection of the dividend was managed through an intercompany settlement process between the entities under common control within the Repsol S.A. group. There was no dividend received during 2019.

As of 31 December 2020, the retained earnings of the subsidiary resulted in insufficient profits available for distribution, which resulted in the dividend being non-compliant with the Companies Act 2006. The subsidiary's directors have sought the advice of their legal advisors and held shareholder meetings to determine resolution plans. From the shareholder meetings on 28 May 2021 it was agreed that, the company recognised a portion of declared dividend of \$1,800 thousand as a payable to the subsidiary from the company through a Written Resolution of the Directors approved by Paladin Resources Limited as the shareholder. This has been reflected in the financial statements as of 31 December 2020 (see note 9).

Furthermore, as part of the remediation process on 28 May 2021 the subsidiary declared a share premium reduction of \$1,800 thousand and reclassified it as part of distributable reserves available for dividend declaration through a Written Resolution of the Directors which has been approved by Paladin Resources Limited as the shareholder. Pursuant to the completion of the share premium reduction process, the subsidiary has declared a dividend of \$1,800 thousand to the company through a Written Resolution of the Directors approved by Paladin Resources Limited under which the settlement of this dividend was offset against the balance of payable to the subsidiary. The corrective actions outlined above have been executed to ensure compliance with the Companies Act 2006.