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Mr. John Borshoff reports

PALADIN ENERGY: FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2014

Paladin Energy Ltd. has released its consolidated financial report for the year ended June 30, 2014. The financial report is appended to this news release.

Highlights

Operations:

- LHM produced a record 5,592,000 pounds of triuranium octoxide for the year ended June 30, 2014, achieving a 6-per-cent improvement on the year ended June 30, 2013.

- KM was placed on care and maintenance on May 26, 2014, after production ceased and circuit cleanup.

- Combined production for the year ended June 30, 2014, of 7,943,000 pounds (3,603 tonnes) U3O8 is a decrease of 4 per cent over the year ended June 30, 2013.

- C1 cost of production (1) continues to fall:

- Langer Heinrich mine C1 cost of production for the year has decreased 4 per cent to $28.8 (U.S.) per pound U3O8 from $30.0 (U.S.) per pound U3O8 in the year ended June 30, 2013.

- Kayelekera mine C1 cost of production has decreased 16 per cent to $35.9 (U.S.) per pound U3O8 from $42.6 (U.S.) per pound U3O8 for the year ended June 30, 2013.

- Revised fiscal-year 2014 production guidance was achieved at the upper end of the range.

Sales and revenue:

- Sales revenue totalled $328.8-million (U.S.) for the year from sales of 8,665,000 pounds U3O8.

- Average realized uranium sales price for the year was $37.9 (U.S.) per pound U3O8, compared with the average UxC spot price for the period of $33.9 (U.S.) per pound U3O8.

Corporate:

- An institutional placement of shares in August, 2013, raised $80.7-million (U.S.).

- The company sold a 25-per-cent interest in the Langer Heinrich mining operation in Namibia to CNNC Overseas Uranium Holding Ltd., a wholly owned subsidiary of CNNC, the leading Chinese nuclear utility, for consideration of $190-million (U.S.) (completed July 23, 2014).

- Existing $110-million (U.S.) project finance facility and $20-million (U.S.) working capital facility refinanced into a new $70-million (U.S.) syndicated loan facility. Net debt repayments totalled $68.8-million (U.S.) (for fiscal-year 2014).

- A number of cost-reduction initiatives were completed, and, as a result, administration, marketing and non-production costs decreased by 45 per cent year on year and total exploration expenditure decreased by 54 per cent. Additional measures are yet to be implemented.

- In addition to the impairments of $255.7-million (U.S.) (after tax) for the December half-year, which mostly comprised the $226.5-million (U.S.) (after tax) impairment of the Queensland exploration assets, further impairments of $40.6-million (U.S.) have been recognized primarily for inventory at LHM due to low uranium prices and at KM due to its transition to care and maintenance.

Exploration:

- At the Michelin project, there was a positive mineral resource update with a 25-per-cent increase in measured and indicated resources.

(1) C1 cost of production equals cost of production excluding product distribution costs, sales royalties, and depreciation and amortization before adjustment for impairment. C1 cost, which is non-IFRS (international financial reporting standards) information, is a widely used industry standard term.

Results (references below to 2014 and 2013 are to the equivalent year ended June 30, 2014, and 2013 respectively):

- Safety and sustainability:

- The 12-month moving average lost-time injury frequency rate (LTIFR) increased from 1.1 to 3.1. This rate is slightly higher than the West Australian metalliferous surface mining average LTIFR of 2.3. For fiscal-year 2014, there were 12 lost-time incidents and two fatalities as compared with seven lost-time incidents for the previous year.

- A major health and safety review and action plan are under way. This plan includes additional staff and resources in the safety area and intense in-house training, which is a major initiative for the next 12 to 24 months.

- Production:

- Combined production of 7,943,000 pounds U_3O_8 for the year ended June 30, 2014, down 4 per cent on the previous year as a result of KM transitioning to care and maintenance.

- Langer Heinrich mine:

- Record production for the year of 5,592,000 pounds, an increase of 6 per cent over the previous year:

- Overall recovery of 87 per cent (fiscal-year 2013: 86 per cent);

- Feed grades of 783 parts per million U_3O_8 (fiscal-year 2013: 812 parts per million).

- LHM C1 cost of production for the year fell to $28.8 (U.S.) per pound U_3O_8, down 4 per cent from $30.0 (U.S.) per pound U_3O_8 for the previous year.

- Production constraint due to water supply experienced during the year has now been resolved in a sustainable manner and will be optimized in the years ahead.

- Optimization strategies have produced improved operating performance that will be reflected in fiscal-year 2015 C1 costs.

- A thorough review of standard operating procedures is under way, which is expected to lead to further improvements in operating performance and costs.

- A complete IX resin inventory change has been initiated for the first time in the life of the project. This has been done on the basis of improved process modelling capability and economic analysis and will lead to reduced C1 costs.

- The (patent-pending) nano-filtration technology developed by Paladin for KM will be implemented at LHM in fiscal-year 2015. This innovation will also deliver substantial C1 cost savings.

- Cost-reduction initiatives:

- The focus remains on process innovation, where considerable success has been achieved to date, and further substantial gains are expected to improve unit costs for LHM in the coming year. In particular, leach and IX reagents, which represent a high proportion of the current C1 costs, offer a significant cost-reduction opportunity. The sustained reduction in operating costs and improved plant performance demonstrated over the past year is a reflection of the proven success of the twin strategies of optimization and innovation.

- Further cost savings and optimization initiatives are being implemented to reduce corporate costs over fiscal-year 2015.

- Target for LHM is C1 cost below $26 (U.S.) per pound by the end of fiscal-year 2015 and $22 (U.S.) per pound in fiscal-year 2017 (in fiscal-year 2014 terms).

- Target for KM on restart is C1 costs below $30 (U.S.) per pound (in fiscal-year 2014 terms).

- Kayelekera mine:

- Production for the year was 2,351,000 pounds, a decrease of 21 per cent over the year ended June 30, 2013, in line with the care and maintenance budget:

- Overall recovery of 86.2 per cent (fiscal-year 2013: 84.6 per cent);

- Acid recovery plant (formerly nano-filtration) successfully commissioned and continued to improve beyond design criteria.

- On Feb. 7, 2014, the company announced that KM would be placed on care and maintenance due to falling uranium prices affecting the viability of KM and to preserve the remaining orebody. It is expected that production will recommence once the uranium price provides a sufficient incentive (about $75 (U.S.) per pound) and a grid power supply is available on site to replace the existing diesel generators with lower-cost hydroelectricity.

- Placing KM on care and maintenance will improve Paladin's forecast cash flow position by $20-million (U.S.) to $25-million (U.S.) in calendar-year 2015. Paladin anticipates the continuing cost of maintaining KM on care and maintenance of approximately $16-million (U.S.) per annum will be financed from proceeds received from the sale of uranium oxide on hand and produced during the rundown phase.

- KM C1 cost of production for the year fell to $35.9 (U.S.) per pound U3O8, down 16 per cent from $42.6 (U.S.) per pound U3O8 for the year ended June 30, 2013. Prior to care and maintenance, the C1 cost of production for KM had decreased by 17 per cent year on year from $39.8 per pound (U.S.) in the March, 2013, quarter to $32.9 per pound (U.S.) in the March, 2014, quarter.

- C1 cost reductions were mainly due to a substantial reduction in acid consumption following the commissioning of the acid recovery plant, as well as optimizing resin in pulp and ore blend.

- Profit and loss:

- Total sales volume for the year of 8,665,000 pounds U3O8 reflected a 5-per-cent increase over sales of 8,253,000 pounds U3O8 for the year ended June 30, 2013.

- Sales revenue decreased 19 per cent from $408.4-million (U.S.) in 2013 to $328.8-million (U.S.) for the year ended June 30, 2014, as a result of spot price reduction causing a 23-per-cent decrease in realized sales price, partially offset by a 5-per-cent increase in sales volume. The average realized uranium sales price in the year ended June 30, 2014, was $37.9 (U.S.) per pound U3O8 (fiscal-year 2013: $49.5 (U.S.) per pound U3O8) compared with the average UxC spot price for the year of $33.9 (U.S.) per pound U3O8.

- Gross loss before impairments for the year were $3.4-million (U.S.), compared with a gross profit before impairments in fiscal-year 2013 of $55.9-million (U.S.), due primarily to lower uranium prices.

- Care and maintenance resulted in a higher impairment of KM inventory of $40.7-million (U.S.) (fiscal-year 2013: $30.9-million (U.S.)) and lower uranium prices saw an impairment of LHM inventory of $21.0-million (U.S.) (fiscal-year 2013: nil). This was in addition to the impairment of Queensland exploration assets at Dec. 31, 2013, of $226.5-million (U.S.) after tax. Net loss after tax attributable to members of the group of $338.4-million (U.S.) was recorded for the year.

- Cash flow:

- Positive cash flow from operating activities totalled $10.1-million (U.S.) for the year after interest payments of $33.0-million (U.S.) and exploration expenditure of $1.7-million (U.S.).

- Cash outflow from investing activities totalled $25.3-million (U.S.):

- Plant and equipment acquisitions of $20.3-million (U.S.), predominantly the new tailings facility at LHM and acid recovery plant and tailings pipeline at KM;

- Capitalized exploration expenditure of $5.8-million (U.S.). Exploration expenditure in future periods will be lower.

- Cash inflow from financing activities of $26.3-million (U.S.) in the year ended June 30, 2014, is mainly attributable to:

- The net proceeds received from the share placement of $78.2-million (U.S.);

- The $20-million (U.S.) non-refundable deposit received as part of the settlement of the sale of a 25-per-cent minority interest in Langer Heinrich to CNNC;

- Net debt repayments of $68.8-million (U.S.).

- Cash position:

- Cash of $88.8-million (U.S.) at June 30, 2014;

- On July 23, 2014, the company completed the settlement of the sale of a 25-per-cent interest in the Langer Heinrich mining operation for consideration of $190-million (U.S.). The sale was subject to a number of conditions precedent, which were met in full by June 30, 2014. A $20-million (U.S.) deposit was received in April, 2014, with the balance of $170-million (U.S.) received on July 23, 2014.

- Exploration and development:

- Manyingee project, Western Australia:

- As announced on Jan. 14, 2014, a revised mineral resources estimate for the Manyingee deposit was completed. The results include an indicated mineral resource of 15.7 million pounds U3O8 and an inferred mineral resource of 10.2 million pounds U3O8, both at an average grade of 850 parts per million U3O8, using a 250-part-per-million and 0.2 m minimum thickness cut-off. Compared with the previous mineral resource estimate announced in 1999 (reported at a 300-part-per-million U3O8 cut-off), the updated 2014 mineral resource estimate shows a minor reduction in contained U3O8 for the indicated portion of the mineral resource and an increase in the inferred portion of the mineral resource. Despite the change in disequilibrium factor used to determine uranium grades, which resulted in a reduction in the indicated mineral resource material grade, the overall grade of the deposit has increased due to revised geological modelling and estimation techniques. The company is preparing a draft permit application for advancement of a field leach trial to further advance this project. A final application is expected to be submitted to Western Australia regulatory officials once completed in fiscal-year 2015.

- Aurora-Michelin uranium project, Canada:

- As announced on June 26, 2014, a revised mineral resource estimate for the Michelin deposit was completed. The 2014 mineral resource estimate for the Michelin deposit was successful in converting about 13.2 million pounds U3O8 of previously inferred category material into the measured and indicated categories, as well as adding 3.8 million pounds U3O8 for a measured and indicated mineral resource total of 84.1 million pounds U3O8. This is equivalent to a 25-per-cent increase in measured and indicated material and a 36-per-cent increase in the grade of the mineral resources recoverable using open pit mining techniques. Mineral resources remaining in the inferred category now stand at 22.9 million pounds U3O8.

- Production guidance:

- Revised fiscal-year 2014 production guidance was achieved at 7,943,000 pounds U3O8, at the upper end of the range of 7.8 million to 8.0 million pounds U3O8 advised on Feb. 7, 2014.

- With KM on care and maintenance, Paladin's guidance for LHM for fiscal-year 2015 is 5.4 million to 5.8 million pounds U3O8.

- 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 annualized basis.

- Langer Heinrich minority interest sale:

- On Jan. 20, 2014, the company announced that it had signed an agreement to sell a 25-per-cent interest in LHM to CNNC Overseas Uranium Holding, a wholly owned subsidiary of CNNC, the leading Chinese nuclear utility, for consideration of $190-million (U.S.).

- An off-take 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 off-take arrangements with CNNC, at arm's-length market rates, from Paladin's share of LHM production.

- On July 23, 2014, the company completed the settlement of the sale. The sale was subject to a number of conditions precedent, which were met in full by June 30, 2014.

- Proceeds from the sale will be utilized 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, utilizing 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 and Kayelekera facilities:

- On Jan. 17, 2014, the company announced it had entered into a project finance facility of $110-million (U.S.) and $20-million (U.S.) working capital facility for the refinancing of the previous LHM and the KM project finance facilities.

- On July 23, 2014, the company announced it had refinanced the existing $110-million (U.S.) project finance facility and $20-million (U.S.) working capital facility into a new $70-million (U.S.) syndicated loan facility. Proceeds were utilized to prepay $30.8-million (U.S.) of the existing facility, taking the outstanding balance to $70-million (U.S.).

- This new facility will provide significant cash flow benefits and further strengthens Paladin's financial position. The annual principal repayments will be reduced by $32-million (U.S.) over the first 3.5 years of the facility (2014 to 2017 calendar years), from $18.3-million (U.S.) per annum to $9.1-million (U.S.) per annum, with the first repayment of $4.55-million (U.S.) not due until December, 2014.

The documents comprising the financial report for the year ended June 30, 2014, including the report to shareholders, management discussion and analysis, financial statements, and certifications will be filed with the company's other documents on SEDAR and on the company's website.

Generally accepted accounting practice

The news release includes non-GAAP (generally accepted accounting principles) 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 mineralization 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. Mr. Princep consents to the inclusion of the information in this announcement in the form and context in which it appears. The mineral resources for the Manyingee deposit were announced to the Australian Securities Exchange on Jan. 14, 2014; the mineral resources for the Michelin deposit were announced to the ASX on June 26, 2014; and the information contained within has not materially changed since it was last reported.

Conference call

A conference call and investor update are scheduled for 6:30 a.m. Perth and Hong Kong time on Friday, Aug. 29, 2014, or 6:30 p.m. Toronto time and 11:30 p.m. London time on Thursday Aug. 28, 2014. Details are included in a separate news release dated Aug. 22, 2014.

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