PALADIN ENERGY LTD
ACN 061 681 098

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28 August 2014

ASX Market Announcements
Australian Securities Exchange
20 Bridge Street
SYDNEY NSW 2000

By Electronic Lodgement

Dear Sir/Madam

Paladin Energy Ltd
30 June 2014 Annual Report

Attached please find the 2014 Annual Report including audited financial statements for the year ended 30 June 2014 together with Appendix 4E and Management, Discussion and Analysis.

Yours faithfully
Paladin Energy Ltd

JOHN BORSHOFF
Managing Director/CEO

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PALADIN ENERGY LTD

ACN 061 681 098

NEWS RELEASE **For Immediate Distribution**

PALADIN ENERGY: FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2014

Perth, Western Australia – 28 August 2014: Paladin Energy Ltd ("Paladin" or "the Company") **(TSX:PDN / ASX:PDN)** announces the release of its consolidated Financial Report for the year ended 30 June 2014. The Financial Report is appended to this News Release.

HIGHLIGHTS

OPERATIONS

- **LHM produced a record 5.592Mlb U_3O_8 for the year ended 30 June 2014, achieving a 6% improvement on the year ended 30 June 2013.**
- **KM placed on care and maintenance on 26 May 2014 after production ceased and circuit clean-up.**
- **Combined production for the year ended 30 June 2014 of 7.943Mlb (3,603t) U_3O_8 is a decrease of 4% over the year ended 30 June 2013.**
- **C1 cost of production[(1)] continues to fall:**

  Langer Heinrich Mine (LHM) C1 cost of production for the year has decreased 4% to US$28.8/lb U_3O_8 from US$30.0/lb U_3O_8 in the year ended 30 June 2013.

  Kayelekera Mine (KM) C1 cost of production has decreased 16% to US$35.9/lb U_3O_8 from US$42.6/lb U_3O_8 for the year ended 30 June 2013.
- **Revised FY2014 production guidance achieved at the upper end of the range.**

SALES AND REVENUE

- **Sales revenue totalled US$328.8M for the year from sales of 8.665Mlb U_3O_8.**
- **Average realised uranium sales price for the year was US$37.9/lb U_3O_8, compared to the average UxC spot price for the period of US$33.9/lb U_3O_8.**

CORPORATE

- **Institutional placement of shares in August 2013 raised US$80.7M.**
- **Sale of a 25% interest in the Langer Heinrich mining operation in Namibia to CNNC Overseas Uranium Holding Limited, a wholly-owned subsidiary of CNNC, the leading Chinese nuclear utility, for consideration of US$190M (completed 23 July 2014).**
- **Existing US$110M project finance facility and US$20M working capital facility refinanced into a new US$70M syndicated loan facility. Net debt repayments totalled US$68.8M (for FY2014).**
- **A number of cost reduction initiatives completed and, as a result, administration, marketing and non-production costs decreased by 45% year-on-year and total exploration expenditure decreased by 54%. Additional measures are yet to be implemented.**
- **In addition to the impairments of US$255.7M (after tax) for the December half year, which mostly comprised of the US$226.5M (after tax) impairment of the Queensland exploration assets, further impairments of US$40.6M have been recognised primarily for inventory at LHM due to low uranium prices and at KM due to its transition to care and maintenance.**

EXPLORATION

- **Michelin Project – positive mineral resource update with 25% increase in Measured and Indicated Resources.**

(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 year ended 30 June 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 FY2014, there were 12 LTI's and 2 fatalities as compared to seven LTI's for the previous year.
    - A major health and safety review and action plan is underway. This plan includes additional staff and resources in the safety area and intense in-house training, which is a major initiative for the next 12-24 months.
- **Production:**
    - Combined production of 7.943Mlb U_3O_8 for the year ended 30 June 2014, down 4% on the previous year as a result of KM transitioning to care and maintenance.
- **Langer Heinrich Mine (LHM):**
    - Record production for the year of 5.592Mlb, an increase of 6% over the previous year:

      overall recovery of 87% (FY2013: 86%); and

      feed grades of 783ppm U_3O_8 (FY2013: 812ppm).
    - LHM C1 cost of production for the year fell to US$28.8/lb U_3O_8, down 4% from US$30.0/lb 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 optimised in the years ahead.
    - Optimisation strategies have produced improved operating performance that will be reflected in FY2015 C1 costs.
    - A thorough review of standard operating procedures is underway, that 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 FY2015. 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 optimisation and innovation.
    - 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).
    - Target for KM on restart is C1 costs below US$30/lb (in FY2014 terms).
- **Kayelekera Mine (KM):**
    - Production for the year was 2.351Mlb, a decrease of 21% over the year ended 30 June 2013, in line with the care and maintenance budget:

      overall recovery of 86.2% (FY2013: 84.6%); and

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

- On 7 February 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 ore body. It is expected that production will recommence once the uranium price provides a sufficient incentive (circa US$75/lb) 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 US$20M-US$25M in CY2015. Paladin anticipates the ongoing cost of maintaining KM on care and maintenance of approximately US$16M pa will be funded 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 US$35.9/lb U_3O_8, down 16% from US$42.6/lb U_3O_8 for the year ended 30 June 2013. Prior to care and maintenance, the C1 cost of production for KM had decreased by 17% year-on-year from US$39.8/lb in the March 2013 quarter to US$32.9/lb 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 optimising resin-in-pulp and ore blend.

- **Profit and Loss:**
    - Total sales volume for the year of 8.665Mlb U_3O_8 reflected a 5% increase over sales of 8.253Mlb U_3O_8 for the year ended 30 June 2013.
    - Sales revenue decreased 19% from US$408.4M in 2013 to US$328.8M for the year ended 30 June 2014, as a result of spot price reduction causing a 23% decrease in realised sales price, partially offset by a 5% increase in sales volume. The average realised uranium sales price in the year ended 30 June 2014 was US$37.9/lb U_3O_8 (FY2013: US$49.5/lb U_3O_8) compared to the average UxC spot price for the year of US$33.9/lb U_3O_8.
    - Gross loss before impairments for the year of US$3.4M, compared to a gross profit before impairments in FY2013 of US$55.9M, due primarily to lower uranium prices.
    - Care and maintenance resulted in a higher impairment of KM inventory of US$40.7M (FY2013: US$30.9M) and lower uranium prices saw an impairment of LHM inventory of US$21.0M (FY2013: US$Nil). This was in addition to the impairment of Queensland exploration assets at 31 December 2013 of US$226.5M after tax. Net loss after tax attributable to members of the Group of US$338.4M was recorded for the year.

- **Cash Flow:**
    - Positive cash flow from operating activities totalled US$10.1M for the year after interest payments of US$33.0M and exploration expenditure of US$1.7M.
    - Cash outflow from investing activities totalled US$25.3M:

      plant and equipment acquisitions of US$20.3M, predominantly the new tailings facility at LHM and acid recovery plant and tailings pipeline at KM; and

      capitalised exploration expenditure of US$5.8M. Exploration expenditure in future periods will be lower.
    - Cash inflow from financing activities of US$26.3M in the year ended 30 June 2014 is mainly attributable to:

      the net proceeds received from the share placement of US$78.2M;

      the US$20M non-refundable deposit received as part of the settlement of the sale of a 25% minority interest in Langer Heinrich to CNNC; and

      net debt repayments of US$68.8M.

- **Cash Position:**
    - Cash of US$88.8M at 30 June 2014.
    - On 23 July 2014 - completion of the settlement of the sale of a 25% interest in the Langer Heinrich mining operation for consideration of US$190M. The sale was subject to a number of conditions precedent, which were met in full by 30 June 2014. A US$20M deposit was received in April 2014 with the balance of US$170M received on 23 July 2014.

- **Exploration and Development:**

  - Manyingee Project, Western Australia - As announced on 14 January 2014, a revised Mineral Resources estimate for the Manyingee Deposit was completed. The results include an Indicated Mineral Resource of 15.7Mlb U_3O_8 and an Inferred Mineral Resource of 10.2Mlb U_3O_8, both at an average grade of 850ppm U_3O_8, using a 250ppm and 0.2m minimum thickness cut-off. Compared to the previous Mineral Resource estimate announced in 1999 (reported at a 300ppm U_3O_8 cut-off), the updated 2014 Mineral Resource estimate shows a minor reduction in contained U_3O_8 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 (FLT) to further advance this project. A final application is expected to be submitted to Western Australia regulatory officials once completed in FY2015.

  - Aurora – Michelin Uranium Project, Canada – As announced on 26 June 2014, a revised Mineral Resource estimate for the Michelin Deposit (the "2014 Mineral Resource Estimate"), was completed. The 2014 Mineral Resource Estimate for the Michelin Deposit was successful in converting some 13.2Mlb U_3O_8 of previously Inferred category material into the Measured and Indicated categories, as well as adding 3.8Mlb U_3O_8 for a Measured and Indicated Mineral Resource total of 84.1Mlb U_3O_8. This is equivalent to a 25% increase in Measured and Indicated material and a 36% increase in the grade of the Mineral Resources recoverable using open pit mining techniques. Mineral Resources remaining in the Inferred category now stand at 22.9Mlb U_3O_8.

- **Production Guidance**

  - Revised FY2014 production guidance was achieved at 7.943Mlb U_3O_8, at the upper end of the range of 7.8-8.0Mlb U_3O_8 advised on 7 February 2014.

  - With KM on care and maintenance, Paladin's guidance for LHM for FY2015 is 5.4-5.8Mlb U_3O_8.

- **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 20 January 2014, the Company announced that it had signed an agreement to sell 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.

  - On 23 July 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 30 June 2014.

  - 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 and Kayelekera Facilities**

  - On 17 January 2014, the Company announced it had entered into a project finance facility of US$110M and US$20M working capital facility for the refinancing of the previous LHM and the KM project finance facilities.

  - On 23 July 2014, the Company announced it had 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 prepay 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 pa to US$9.1M pa with the first repayment of US$4.55M not due until December 2014.

The documents comprising the Financial Report for the year ended 30 June 2014, including the Report to Shareholders, 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. The Mineral Resources for the Manyingee deposit were announced to the ASX on the 14 January 2014, the Mineral Resources for the Michelin Deposit were announced to the ASX on the 26 June 2014 and the information contained within has not materially changed since it was last reported.

Conference Call

Conference Call and Investor Update is scheduled for 06:30 Perth & Hong Kong, Friday 29 August 2014, 18:30 Toronto and 23:30 London, Thursday 28 August 2014. Details are included in a separate news release dated 22 August 2014.

Contacts

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