PERTH, WESTERN AUSTRALIA--(Marketwired - May 10, 2016) - Paladin Energy Ltd. ("Paladin" or "the Company") (ASX: PDN) (TSX: PDN) announces the release of its Unaudited Consolidated Financial Report for the nine months ended 31 March 2016. The Unaudited Consolidated Financial Report is appended to this News Release.

HIGHLIGHTS

Operations

- Langer Heinrich Mine (LHM) produced[1] 1.302Mlb U_3O_8 for the three months ended 31 March 2016, up 3% from the December 2015 quarter.
- Record low C1 unit cash cost of production[2] for the March 2016 quarter of US$24.13/lb (vs. guidance of US$23.00/lb to US$25.00/lb), a decrease of 5% from US$25.38/lb in the December 2015 quarter.

Sales and revenue

- Sales revenue of US$20.6M for the three months ended 31 March 2016, selling 0.595Mlb U_3O_8.
- Average realised uranium sales price for the quarter was US$34.67/lb U_3O_8 compared to the average TradeTech weekly spot price for the quarter of US$32.73/lb U_3O_8.

Corporate

- Underlying EBITDA[3] for the three months ended 31 March 2016 of negative US$0.8M, a US$5.4M improvement from a negative underlying EBITDA of US$6.2M for the three months ended 31 March 2015.
- Underlying all-in cash expenditure[4] per pound of uranium produced for the three months ended 31 March 2016 of US$31.60/lb, a decrease of 33% compared to the three months ended 31 March 2015 of US$46.87/lb.
- Repurchased an additional US$25M of Convertible Bonds due April 2017 to reduce outstanding amount to US$212M.
- Repaid and terminated the US$56.4M LHM Syndicated Facility.
- Cash and cash equivalents at 31 March 2016 of US$21.4M, a decrease of US$115.4M from US$136.8M at 31 December 2015. Guidance previously provided was for the 31 March 2016 cash balance to be in the range of US$100M to US$110M, with such guidance provided prior to the implementation of the Convertible Bond repurchase and the repayment of the LHM Syndicated Facility in the March quarter, which resulted in adjusted guidance pro-forma for those items of US$19M to US$29M.

Outlook

- Issues with performance of water return sumps from LHM tailings storage facility no. 3 (TSF3) will likely result in the loss of approximately 150,000lb U_3O_8 production during the quarter to 30 June 2016 resulting in reduced annual production guidance and increased C1 cash cost guidance for the quarter.
- LHM TSF3 return water issue will not affect sales guidance or forecast 30 June 2016 cash balance.
- Key elements of current FY2016 guidance:
  - LHM production approximately 4.8Mlb U_3O_8 (vs. previous 5.0Mlb).
  - Weighted average sales price premium to spot of approximately US$4/lb (no change).
  - LHM C1 cash costs in the range of US$24/lb to US$26/lb (no change).
- All-in cash expenditure for the full-year FY2016 range of US$38/lb to US$40/lb (no change).
- Company continues to be on track to be cash flow neutral[5] excluding one-off restructuring costs and capital management or strategic initiatives for FY2016 full-year.
- Key elements of guidance for quarter to 30 June 2016 include:
  - Uranium sales in the range of 1.75Mlb to 2.10Mlb (no change).
  - C1 cash costs in the range of US$25/lb to US$27/lb. (vs. previous US$23/lb to US$25/lb).
  - Quarter-end cash balance in the range of US$45M to US$65M (no change).

Results

(References below to 2016 and 2015 are to the equivalent three months ended 31 March 2016 and 2015 respectively).

Safety and sustainability

The Company's 12 month moving average Lost Time Injury Frequency Rate[6] (LTIFR) was 1.4 as compared to 2.1 at the end of the last quarter and 2.3 for the quarter to 31 March 2015. The Company achieved 635 Lost Time Injury (LTI) free days at the Kayelekera Mine (KM) and 51 LTI free days at the Langer Heinrich Mine (LHM) at the end of this quarter. One lost time injury occurred at LHM in this quarter.

Langer Heinrich Mine (LHM)

Langer Heinrich Mine (LHM) produced 1.302Mlb U_3O_8 for the three months ended 31 March 2016, up 6% from 2015.

- Ore milled of 981,083t, up 14% vs. 2015.
- Average plant feed grade of 705ppm U_3O_8, down 4% vs. 2015.
- Overall recovery of 85.5%, down 3% vs. 2015.
- Record low quarterly C1 cash cost of production of US$24.13/lb (vs. guidance of US$23.00/lb to US$25.00/lb).

Kayelekera Mine (KM) remains on care and maintenance

- Quarterly activities at site focussed on water treatment and monitoring.
- Exploration in the March quarter continued the surface geophysical surveys, stream sediment sampling and geological mapping previously undertaken in areas around the mine.

Profit and Loss

Total sales volume for the quarter was 0.595Mlb U_3O_8 (2015: 0.440Mlb). Sales volumes are expected to fluctuate quarter-on-quarter due to the uneven timing of contractual commitments and resultant delivery scheduling to customers, and also fluctuations between U_3O_8 production and U_3O_8 drummed. Sales, U_3O_8 production and U_3O_8 drummed volumes, and inventories are expected to be comparable on an annualised basis.

Sales revenue for the quarter increased by 22% from US$17.1M in 2015 to US$20.8M in 2016, as a result of a 35% increase in sales volume, which was partially offset by a 9% decrease in realised sales price.

The average realised uranium sales price for the three months ended 31 March 2016 was US$34.67/lb U_3O_8 (2015: US$38.03/lb U_3O_8), compared to the TradeTech weekly spot price average for the quarter of US$32.73/lb U_3O_8.

Gross Profit for the quarter increased by 200% from US$0.7M in 2015 to US$2.1M in 2016.

Underlying EBITDA for the three months ended 31 March 2016 of negative US$0.8M, a US$5.4M improvement from a negative underlying EBITDA of US$6.2M for the three months ended 31 March 2015.

Net loss after tax attributable to members of the Parent for the quarter of US$15.1M (2015: Net loss US$12.6M).

Cash flow

Cash outflow from operating activities for the quarter was US$32.4M, primarily due to payments to suppliers and employees of US$35.3M and net interest paid of US$6.4M, which were partially offset by receipts from customers of US$9.5M.

Cash inflow from investing activities for the quarter totalled US$1.5M:

- receipt of US$2.0M, balance of the proceeds from the sale of aircraft;
- receipt of US$0.2M from sale of investments;
- partially offset by plant and equipment acquisitions of US$0.7M.

Cash outflow from financing activities for the quarter of US$84.6M is attributable to the repurchase of additional US$25M April 2017 Convertible Bonds for US$23.0M (excluding accrued interest), repayment of the entire US$56.4M remaining drawn under the LHM syndicated loan facility and US$5.2M distribution to CNNC by way of repayment of intercompany loans assigned to

CNNC.

Cash position and capital management

Cash of US$21.4M at 31 March 2016 vs. adjusted guidance in the range of US$19M to US$29M, after adjusting for the implementation of the Convertible Bond repurchase and the repayment of the LHM Syndicated Facility in the March quarter.

Repurchased an additional US$25M of the US$237M Convertible Bonds due April 2017, during the quarter ended 31 March 2016, for approximately US$23.5M (including accrued interest). US$62M was repurchased in total during the nine-months for approximately US$57.5M (including accrued interest).

The documents comprising the Unaudited Consolidated Financial Report for the nine months ended 31 March 2016, 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). Please find, at the link below, the Unaudited Consolidated Financial Report.

http://media3.marketwire.com/docs/G097514QuarterlyReport.pdf

Outlook

Uranium market

The TradeTech weekly spot price average for the March quarter was US$32.73/lb, a fall of 9% compared to the December 2015 quarter and a 14% decrease compared to the March 2015 quarter.

The uranium market continues to be impacted by demand reductions arising as a result of the March 2011 Fukushima accident. Units 3 and 4 of Kansai's Takahama NPP became the third and fourth Japanese reactors to re-start, however, positive progress was short-lived as a district court injunction caused operations to be suspended at both reactors in March. Kansai has appealed against the injunction, however, the reactors are likely to remain offline for several months during the legal process. In more positive news, in early April the Fukuoka High Court rejected an appeal seeking suspension of operations at Sendai 1 & 2. In addition, pre-service inspections have commenced at the Ikata 3 power plant, with July targeted for re-start of the reactor.

Nuclear power development in China continued with two additional reactors connected to the grid during the March quarter. China now has 32 reactors in operation and a further 22 units under construction. During the March quarter, China National Nuclear Corporation and China General Nuclear announced plans to construct four new reactors at inland sites. Development of inland projects had previously been on-hold following post-Fukushima safety reviews.

In February, South Africa announced definitive plans to embark on a nuclear power plant procurement process that seeks to add 9,600 MWe of nuclear energy to South Africa by 2030. In the Middle East, Abu Dhabi's ENEC reported substantive progress in the construction and testing of Units 1 & 2 of its Barakah NPP. Unit 1 is on schedule to commence operations in 2017.

Company strategy

Despite the Company's belief that a uranium industry turnaround is tentatively underway, its current strategies are focused on optimising actions to maximise cash flow whilst also prudently enacting capital management actions. Paladin's strategies are aimed at maximising shareholder value through the uranium price downturn whilst remaining positioned for a future normalisation of the uranium market and price. Key elements of the Company's strategy include:

- Maximising LHM operating cash flows through optimisation initiatives that preserve the integrity of the long-term life of mine plan.
- Maintaining KM and the Company's exploration assets on a minimal expenditure, care and maintenance basis.
- Minimise corporate and administrative costs.
- Progress strategic initiatives with respect to partnerships, strategic investment, funding and corporate transactions, that result in de-risking Paladin's funding structure or provide clear value accretion for shareholders.

Company outlook

During recent weeks, LHM experienced reduced performance from return water sumps located in TSF3. Such sumps typically

provide approximately 50% of LHM's process plant water requirement. The reduced performance of the TSF3 return water sumps is mainly due to solids ingress into the pumps in those sumps as a result of a failure of the filtration blanket layers around them. LHM has drawn additional water from NamWater to the limit of the supply infrastructure and has also established temporary recovery equipment to source return water from the surface of TSF3, partially mitigating the problem whilst re-engineering of the TSF3 return water process has taken place. Some production losses have been experienced during April and for part of May. Overall, the Company expects the issue to have caused reduced production for the quarter ended 30 June 2016 and FY2016 of approximately 150,000lb.

The TSF3 return water issue results in the Company reducing its production guidance by the expected production losses and for an increase in guidance for LHM C1 cash costs for the quarter to 30 June 2016. However, the issue is not expected to impact other elements of guidance such as sales or the 30 June 2016 forecast cash balance.

Key relevant guidance items for FY2016 have been updated and include:

- LHM Production - Annual production guidance has been revised to be approximately 4.8Mlb.
- Sales price premium - The Company has a number of contracts for FY2016 with a fixed price element. Based on current spot uranium price, the Company would anticipate a weighted average premium of approximately US$4/lb for its FY2016 received selling price.
- LHM C1 cash costs - Under the Company's current operating plan C1 unit cash cost for the last quarter of FY2016 is expected to be in the range of US$25/lb to US$27/lb, which when combined with the first nine months performance results in a forecast FY2016 full-year average range of US$24/lb to US$26/lb.
- Corporate costs, exploration and KM - Guidance for combined expenditure on corporate costs, exploration and KM care and maintenance remains unchanged and is forecast to be approximately US$19M excluding one off costs associated with retrenchments and contract cancellations. This is a reduction of US$14M compared to FY2015.
- At the outset of the financial year, Paladin provided guidance to be cash flow neutral on an 'all in' basis at current spot uranium price and foreign exchange rates excluding one-off restructuring costs and capital management (e.g., convertible bond repurchases) or strategic initiatives. The Company continues to expect the remainder of FY16 to be cash generative and for it to achieve this guidance under current conditions, with the expectation that the all-in cash expenditure for the full-year FY16 will be in the range of US$38/lb to US$40/lb.

Key relevant guidance items for the quarter to 30 June 2016 include:

- Uranium Sales - Anticipated to be in the range of 1.75Mlb to 2.10Mlb U_3O_8.
- LHM C1 cash costs - Expected to be within the range of US$25/lb to US$27/lb.
- Cash and cash equivalents balance as at 30 June 2016 - Forecast to be in the range of US$45M to US$65M and then continue to build further into July 2016 as the company anticipates receiving more than one third of its FY16 sales receipts in the next 11-weeks due to the timing of deliveries and payments from customers.

Paladin has prepared its operating plan and budget for FY2017. The Company currently anticipates production in excess of 5.0Mlb for the coming financial year with cost reductions continuing, resulting in LHM C1 cash costs in the range of US$22.50/lb to US$24.50/lb and 'all in' company-wide expenditure falling into the range of US$29.50/lb to US$31.50/lb.

GENERALLY ACCEPTED ACCOUNTING PRACTICE

The news release includes non-GAAP performance measures: C1 cost of production, EBITDA, 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, P.Geo 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 07:30 Perth & Hong Kong, Wednesday 11 May 2016; 00:30 London, Wednesday 11 May 2016 and 19:30 Toronto, Tuesday 10 May 2016. Details are included in a separate news release dated 4 May 2016. Please find, at the link below, the presentation in relation to the conference call and investor update.

http://media3.marketwire.com/docs/G097514ResultsConferenceCall.pdf

[1] LHM production volumes and unit C1 cost of production include an adjustment to in-circuit inventory relating to leached uranium within process circuit.

[2] 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.

[3] EBITDA = The Company's Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) represents profit before finance costs, taxation, depreciation and amortisation, impairments, foreign exchange gains/losses, restructure costs and other income. EBITDA, which is non-IFRS information, is a widely used 'industry standard' term.

[4] Underlying All-In Cash Expenditure = total cash cost of production plus capital expenditure, KM care & maintenance expenses, corporate costs, exploration costs and debt servicing costs and repayments. Underlying All-In Cash Expenditure, which is a non-IFRS measure, is widely used in the mining industry as a benchmark to reflect operating performance.

[5] Excluding one-off restructuring and implementation costs of approximately US$6M and not taking into account any capital management or strategic initiatives, such as the repurchase of US$37M of the Convertible Bonds due April 2017.

[6] All frequency rates are per million personnel hours.

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