



# PALADIN RESOURCES LTD

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31 October 2005

The Company Announcements Officer

The Company Announcements Officer  
Australian Stock Exchange Limited  
Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir/Madam

## QUARTERLY REPORT FOR PERIOD ENDING - 30 SEPTEMBER 2005

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### HIGHLIGHTS

- *Construction commences on the Langer Heinrich Uranium Project*
  - *BFS Metallurgical testwork underway on the Kayelekera Uranium Project*
  - *Project and general working capital funding successfully completed*
  - *Uranium spot price currently US\$33/lb U<sub>3</sub>O<sub>8</sub> (up US\$3.50 for the quarter)*
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### NUCLEAR POWER GAINING FURTHER ACCEPTANCE

Crucial developments are occurring in the global nuclear industry which further endorse the fact that nuclear energy is undergoing a very strong growth phase. At long last US utilities are investing in applications to build new reactors after a hiatus of nearly 30 years. This signals a very important move for the sector and places further credibility on the belief that the industry is in remarkable revival. The Swedish Government, having previously set a policy of nuclear phase-out, has declared it is not possible to shut down its nuclear power plants without serious disruption to electricity production. Also EU parliamentarians have called for nuclear recognition and said that nuclear power would remain central to the EU's energy and environmental policy planning.

Meanwhile the spot price of uranium continues to rise. At the end of October it was reported by UxC to be US\$33/lb U<sub>3</sub>O<sub>8</sub> with upward price pressure still remaining.

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## **LANGER HEINRICH URANIUM PROJECT (100%)**

### Ground Breaking Ceremony/Construction Commences

The Namibian Minister of Mines and Energy, The Honorable Mr E Nghimtina, at a ceremony held at site on 15 September, officially initiated the commencement of construction activities for the Langer Heinrich Uranium Project. The ceremony was attended by a number of Namibian Government officials, local community representatives, as well as Namibian media.

The Project, based on the original feasibility study schedule, is progressing as planned, with engineering and design well advanced. The development activities at Langer Heinrich remain on schedule. The civil and earthworks contracts have now been awarded and the construction camp to accommodate 560 workers is underway.

### Project Finance Secured – Debt and Equity

Paladin accepted credit committee approved offers of financing totalling US\$71M, consisting of a 7 year Project Finance Facility of US\$65M and a Standby Cost Overrun Facility of US\$6M. The facilities are being provided by Société Générale Australia Branch (as lead arranger), Nedbank Limited and Standard Bank of South Africa Ltd. Drawdown on the financing is subject to completion of legal due diligence and documentation, and fulfilment of other conditions precedent usual for this type of funding.

Behre Dolbear Australia, the noted engineering and resource development specialists, completed an extensive due diligence of the project and the Bankable Feasibility Study (BFS). They found the Project investigations and the GRD Minproc BFS were thorough and professional and that the project development plan was appropriate, reasonable and achievable. This provided the bank consortia with the necessary level of confidence to allow final negotiations to be concluded smoothly and quickly.

In addition a total of A\$77M was raised by private placement in October 2005 and a portion of this is allocated to fund the equity portion of the project funding package.

### Revised Mining Reserves (Details 1, 2, 3 and 5 Areas)

Due to the increasing price of uranium the Langer Heinrich mine design and planning was revised using a US\$30/lb instead of a US\$25/lb U<sub>3</sub>O<sub>8</sub> price, as used in the BFS. The table below details these new reserves and also compares them against those in the BFS.

<b>ESTIMATED MINERAL RESERVE (250 ppm Cut-off)</b>									
	<b>Proven Ore Reserve</b>			<b>Probable Ore reserve</b>			<b>Total Ore Reserve</b>		
	<b>Mt</b>	<b>%</b>	<b>t U<sub>3</sub>O<sub>8</sub></b>	<b>Mt</b>	<b>%</b>	<b>t U<sub>3</sub>O<sub>8</sub></b>	<b>Mt</b>	<b>%</b>	<b>t U<sub>3</sub>O<sub>8</sub></b>
<b>New</b>	<b>16.74</b>	<b>0.069</b>	<b>11,590</b>	<b>8.63</b>	<b>0.063</b>	<b>5,451</b>	<b>25.37</b>	<b>0.067</b>	<b>17,041</b>
BFS	14.94	0.072	10,804	7.30	0.067	4,870	22.24	0.070	15,674

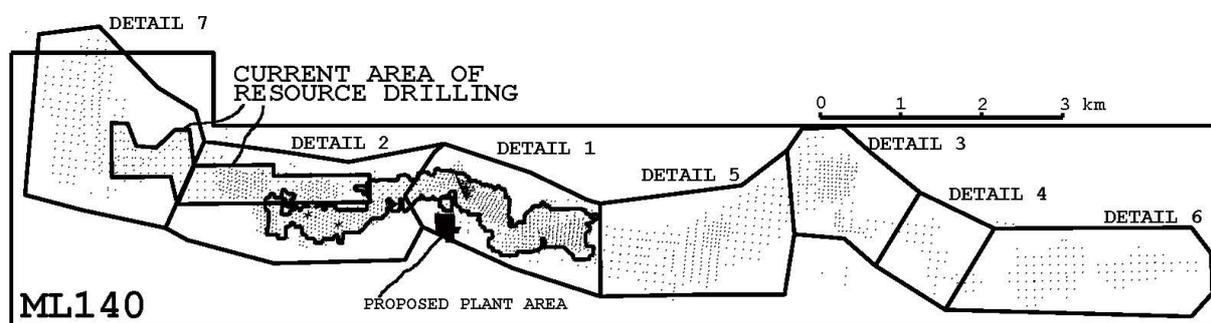
This work has increased the mineral reserve by 14% while reducing the grade by only 4%. These reserves will now form the basis of the detailed mine planning for the Project. This revised mine model will increase mine life from 15 to 17 years, however, it is still limited as it does not include any contribution from the considerable amount of Inferred Resources within Detail 1, 2, 3 and 5 Areas (containing the current mining footprint of the Project) and the Detail 4, 6 and 7 Areas outside the current mine footprint.

Inferred Resources - Potential for Increasing Mine Life

The JORC (1999, 2004) mineral resources estimated by Hellman and Schofield (H&S) for the Langer Heinrich BFS (inclusive of the above mineral reserve), contains Inferred Resources of 22.02Mt grading 0.07% containing 15,703t of U<sub>3</sub>O<sub>8</sub> at a 300ppm cut off grade which has previously been announced:-

TOTAL ESTIMATED MINERAL RESOURCES									
Cut-off ppm	Measured			Indicated			Inferred		
	Mt	%	t U <sub>3</sub> O <sub>8</sub>	Mt	%	t U <sub>3</sub> O <sub>8</sub>	Mt	%	t U <sub>3</sub> O <sub>8</sub>
300	15.24	0.074	11,208	9.01	0.066	5,900	22.02	0.07	15,703

These mineral resources occur within Details 1 to 7, which extend for approximately 12km along the full length of Mining Lease 140. The Measured and Indicated Resources combine to make up 52% of the total resources and the balance of 48% are Inferred. The mineralisation that defines these mineral resources is consistent and occurs from surface to about 50m in depth. Where infill drilling has been carried out it has converted a substantial portion of the existing Inferred Resources to Indicated and Measured Resources. This trend has been independently verified by H&S and they conclude that infill drilling successfully converted the existing Inferred Resources in Detail 1 to the Measured and Indicated classification at the rate of 77% of the tonnes and 83% of the grade, for a 64% increase in contained U<sub>3</sub>O<sub>8</sub>. The infill drilling also defined additional resources.



Based on these positive conversion trends, the 22.02Mt of Inferred Resources presents significant Project upside. This provides the Paladin Board with a strong expectation that the Langer Heinrich resource will support a second stage production increase and also a significantly extended mine life. Whilst construction of Phase One of the mining operation (with planned production of 1,180tpa U<sub>3</sub>O<sub>8</sub>) is already underway, work will continue on planning for a subsequent upgrade in production.

Resource Drilling Programme

Paladin is nearing completion of a 10,000m RC drilling programme to examine the potential of an untested palaeochannel. The prospective target extends west from Detail 1 towards Detail 7 and lies north of the currently known Detail 2 orebody (see map above). The untested target zone is approximately 5km in length and is expected to define additional mineral resources.

The current drilling is producing encouraging results at the same time confirming the existence of a zone of uranium mineralisation within this previously untested palaeochannel. On the basis of these results, the drilling programme was extended by a further 2,000m to be able to complete necessary infill and extension drilling. This work also allows the JORC (1999, 2004) Code compliant mineral resources to be estimated for this new channel area. The new resource estimates are expected to be available early November 2005.

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## **KAYELEKERA URANIUM PROJECT (100%)**

### Bankable Feasibility Study

During the quarter GRD Minproc, the study Manager sent a 5 person team to Malawi to familiarise with country and on ground project issues. Specialists covering metallurgy, infrastructure (transport and electricity) civil engineering were involved on the tour. Sub contractors to carry out the environmental, geotechnical and hydrological studies are in the process of being selected. Contracts for ore resource evaluation, mining studies and the metallurgical work have been set in place. A fully automated weather station was established on site to continue building baseline information upon the extensive environmental data collected by Central Electricity Generating Board of the UK in the 1980's for the completely independent Feasibility Study they had carried out in 1989/90 by Wrights Engineers.

### Metallurgical Sampling

The 11 hole HQ diamond drilling programme to collect 2.25t of mineralised samples for the metallurgical testwork has been completed. Selection of suitable sample material was based on the extensive drilling and metallurgical feasibility work carried out by the previous workers (for which all data is available). Classification to the appropriate potential ore types was determined from this work and the testwork material was obtained by twinning existing drill holes. Metallurgical work will be primarily aimed at verifying and optimising existing metallurgical information which is relevant to the flow sheet planned for utilisation.

### Resource Drilling

A 5,000m RC resource drilling programme was completed during the quarter. Although the deposit has been extensively drilled, opportunity for extending the existing uranium resource base immediately outside the currently defined boundaries is believed possible especially in the light of the significantly improved uranium prices. Drill samples from this work is currently undergoing geochemical analysis. It is expected that a revised mineral resource estimate will be available by late November 2005 and this will be used as the basis for the BFS mining study.

## **CORPORATE**

### **Capital Raising**

Paladin placed a total of 35 million fully paid shares at an issue price of A\$2.20 per share, raising A\$77 million before the payment of commission (A\$3,850,000 being 5% of funds raised). The private placement was very well received and was over-subscribed, indicating strong global interest in the Company's activities. All the placees were institutional investors in Australia, North America, London and Hong Kong. National Bank Financial Inc and RBC Capital Markets acted as co-lead agents together with Sprott Securities Inc. As the Company is dual listed shares were placed through both ASX and TSX.

This capital raising, in addition to the project loan facility of US\$71M will provide Paladin with all the necessary funding to complete development of its Langer Heinrich Uranium Mining Operation, the Kayelekera BFS and also ensure sufficient general working capital is available to advance other project opportunities.

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## **Deep Yellow Limited**

Deep Yellow at their General Meeting held on 30 August 2005 obtained shareholder approval for issuing Paladin 7,500,000 fully paid Deep Yellow shares and 12,500,000 unlisted options exercisable at 12 cents on or before 15 July 2008. These were in consideration of the non core Frome Basin tenement and associated database licence that Paladin granted to Deep Yellow.

## **General Meeting**

A General Meeting was held on 8 September to ratify previous issues of shares and approve the October 2005 placement. Both these resolutions were passed.

## **Annual General Meeting**

The AGM is to be held on 9 November 2005 at 2.30pm at The Celtic Club 48 Ord Street, West Perth, Western Australia.

## **2005 Annual Report**

The 2005 Annual Report was released early October and distributed to all shareholders both in Australia and Canada.

Yours faithfully  
Paladin Resources Ltd



**JOHN BORSHOFF**  
**Managing Director**

*The information in this report that relates to mineral resources is based on information compiled by Ed Becker BSc (hons), MAusIMM, David Princep BSc MAusIMM each of whom have more than five years experience in estimation of mineral resources and ore reserves. Mr Becker is a full-time employee of Paladin Resources Ltd. Mr Princep is a full-time employee of Hellman & Schofield Pty Ltd. The work has been reviewed by Arnold van der Heyden BSc MAusIMM who is a full-time employee of Hellman & Schofield Pty Ltd. Messrs Becker and van der Heyden each have sufficient experience relevant to assessment of uranium mineralisation to qualify as Competent Persons as defined in the "Australasian Code for Reporting of Mineral Resources and Ore Reserves". Each of the above named consents to the inclusion of the information in the report in the form and context in which it appears. Note: the use of significant figures in the resource tables does not imply precision and is used to avoid round off errors.*