



PALADIN RESOURCES LTD

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28 October 2004

The Company Announcements Officer
Australian Stock Exchange Limited
Level 10, 20 Bond Street
SYDNEY NSW 2000

Dear Sir/Madam

QUARTERLY REPORT FOR PERIOD ENDING - 30 SEPTEMBER 2004

HIGHLIGHTS

- ***Uranium spot price maintains its upward momentum***
 - ***from US\$18.50/lb to US\$20.00/lb for the quarter***
 - ***Langer Heinrich Uranium project***
 - ***draft environmental assessment released for public comment***
 - ***Kayelekera Uranium project***
 - ***drilling for ore sorting testwork and ore resource definition well advanced***
 - ***A\$3 million capital raising successfully completed***
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URANIUM MARKET

The continuous and steady improvement in the uranium spot price over the past 4 years signifies a major shift in the supply/demand equation creating a clear "producer/seller's market". Encouragingly, solid positive signs remain indicating upward pressure still exists for ongoing price increases.

The major shortfall in uranium supply which is expected to manifest itself in the post 2006 period is not likely to be remedied within a decade or more as existing mine production is operating at near maximum capacity and additional mine production above that currently scheduled will be difficult to achieve. This outlook was confirmed during both session presentations and workshop discussions at the Nuclear Energy Institute International Uranium Fuel Seminar held in Jacksonville Florida mid-October 2004 attended by some 260 delegates representing a wide cross section of the nuclear electricity generating industry.

LANGER HEINRICH URANIUM PROJECT (100%)

Positive Mineral Resource Estimates

Hellman and Schofield Pty Ltd (H&S), the mineral resource specialists employed for the Bankable Feasibility Study, completed new resource estimates according to the JORC (1999) Code.

This has confirmed and significantly increased the total resources previously estimated with the tonnage of contained U_3O_8 increasing by 20% (at a 100ppm U_3O_8 cut-off) and 28% (at 300ppm and 500ppm cut-offs).

Mineral Resources now stand at:-

- 89.3Mt ore at 0.046% U_3O_8 containing 41,200t U_3O_8 (100ppm cut-off)
- 42.7Mt ore at 0.076% U_3O_8 containing 32,300t U_3O_8 (300ppm cut-off)
- 21.2Mt ore at 0.113% U_3O_8 containing 24,100t U_3O_8 (500ppm cut-off)

The new resource estimates have significantly increased the amount of Measured Resources to 10.2Mt from the previous 2.0Mt.

Details of the new estimates at a 300ppm U_3O_8 cut-off are:

- Measured Resource 10.2Mt ore at 0.067% U_3O_8 (6,900t of contained U_3O_8)
 - Indicated Resource 4.4Mt ore at 0.060% U_3O_8 (2,600t of contained U_3O_8)
 - Inferred Resource 28.1Mt ore at 0.080% U_3O_8 (22,800t of contained U_3O_8)
- | | |
|--------------|--|
| TOTAL | 42.7Mt ore at 0.076% U_3O_8 (32,300t of contained U_3O_8) |
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This evaluation work by H&S has confirmed that a large body of uranium mineralisation exists at Langer Heinrich. These new results and reinterpretation of the existing data by Paladin indicates that, with additional drilling, sufficient Inferred Resources may be converted to an Indicated and Measured Resource category in order to achieve a 10 year mine life based on one large open pit within the Detail 1 area, rather than having to develop separate pits within Details 1, 2 and 3 as required by the current mine schedule.

Drilling

In late August, a 5,000m programme of RC drilling commenced focussing on the D1 orebody to upgrade ore resources from the Inferred Resource category to the Indicated and Measured Resource categories.

This work is expected to be completed in late October. An additional 2,000m of RC drilling is planned in the D2 and D7 orebody areas to expand the global resources therein.

Early results of work in the D1 area are confirming the extensive mineralisation. A new resource model is expected to be generated early November for implication in the mine model to be adopted for the Bankable Feasibility Study.

Appointment of Resident Manager

A Resident Manager based in Swakopmund has been appointed for the pre-development phase of the project.

Process Development

This work has continued over the quarter with Minproc reporting that it is progressing well. It appears likely that the ultimate process design will be significantly simpler than previously envisaged and that the metallurgical test work schedule may consequently be shortened.

Routes and supply options for major utilities and services have been identified and examined and final recommendations should be available by the end of the current quarter.

Environmental Assessment Report (EA)

The draft EA was completed in preparation for the public participation meetings held late October in Windhoek, Swakopmund and Walvis Bay.

The Company was encouraged by the level of support expressed for the project during the meetings.

Matters arising from the three meetings and other comments received by 17 November 2004 will be noted and dealt with in the final document.

KAYELEKERA URANIUM PROJECT (90%)

Paladin has updated the Pre-Feasibility Study economic model for the Kayelekera Uranium project, originally undertaken in 2000.

This reassessment work, justified by an increasing uranium price and a positive global market outlook, has confirmed that Paladin has a second uranium project in hand which offers exciting development prospects.

Paladin completed an update of the Kayelekera Uranium Project at what is now a conservative US\$20.00/lb U₃O₈, and the Company's 90% share of the project displays an estimated NPV_{10%} of US\$55M with an IRR of 32%. At \$22.50/lb U₃O₈ these key financial parameters increase to US\$80M and 43% respectively.

Hellman and Schofield Pty Ltd (H&S), mineral resource specialists, have completed new preliminary resource estimates on the Kayelekera Uranium Project as part of the project reassessment. These are according to the JORC (1999) Code.

This evaluation work indicates the total U₃O₈ resources contained in the 100ppm and 500ppm cut off ranges as follows:-

- 12.5Mt ore at 0.092% containing 11,500t U₃O₈ (100ppm cut-off)
- 7Mt ore at 0.14% containing 9,900t U₃O₈ (500ppm cut-off)

These preliminary estimates are reported as Inferred Category Resources at this stage. The aspect restraining classification to the higher resource categories is the required verification of the base data, which is in progress.

In September, diamond drilling commenced to obtain mineralised sample material suitable for ore sorting testwork in preparation for process optimisation and planning of the Bankable Feasibility Study. These 2 holes involving a total of 150m of drilling is expected to be completed late October. The 15 hole percussion programme planned to close off the northern section of the orebody also commenced and is due for completion late October. These holes are being radiometrically logged to determine equivalent uranium grades supported by geochemical analysis of the mineralised zones. Current work is verifying

existence of the mineralised zones as understood from the existing project data. Upgraded resource estimates will be produced incorporating the latest drilling results.

H&S visited the project area during the drilling programme to carry out necessary on site verification to finalise the ore resource estimation work.

CORPORATE

\$3 Million Placement

A private placement was completed with a prominent Canadian investment fund to raise \$3 million by the issue of 7.5 million fully paid shares at 40 cents per share. This placement was completed at 95% of market price.

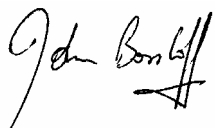
Exercise of Options

During the quarter, 4.2 million and 3.8 million unlisted options were exercised at 1.2 cents and 1.3 cents respectively. These were originally issued as part of the placement made to Contiguous Millennium Fund in August 2003 when Paladin's share price was only 0.8 cents.

Annual General Meeting

This is to be held on 23 November 2004 at 10.00am at The Celtic Club 48 Ord Street West Perth Western Australia.

Yours faithfully
Paladin Resources Ltd



JOHN BORSHOFF
Managing Director

Information in this quarterly report has been compiled by corporate members of the Australian Institute of Mining and Metallurgy who have had more than five years experience in the field of activity reported herein.