



PALADIN RESOURCES LTD

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Ref:H0018

6 July 2005

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

Dear Sir/Madam,

Kayelekera Uranium Project, Malawi Paladin to Purchase Remaining 10% Interest

Paladin Resources Limited ("**Paladin**") is pleased to advise that agreement has been reached to purchase from Balmain Resources Pty Ltd ACN 076 375 203 ("**Balmain**"), its 10% joint venture interest in the Kayelekera Uranium Project in Malawi. Balmain was the original owner of the project and Paladin farmed into the project in 1998. Balmain's 10% interest was free carried until completion of a Bankable Feasibility Study.

The sale interest will be purchased by Paladin (Africa) Ltd for the consideration of A\$5,372,250 satisfied by the issue by Paladin of 4,350,000 ordinary fully paid shares at an issue price of A\$1.235 being the 5 day moving average of Paladin's share price from 29 June 2005 to 5 July 2005 ("**Paladin Shares**").

The sale and purchase shall be subject to satisfaction or waiver by Paladin by the nominated date (or such later date agreed between the parties) of the following conditions precedent ("**Conditions**"):-

- a. Any necessary approval of the Toronto Stock Exchange by 31 July 2005; and
- b. Any necessary approval by the Government of Malawi or any department or instrumentality thereof by 31 July 2005.

Balmain will enter into a private escrow agreement, covenanting not to trade or otherwise deal with the Paladin Shares, other than as follows –

- a. 25% of the shares shall be immediately free trading;
- b. A further 25% of the Paladin Shares may be traded after 6 months from satisfaction of Conditions;
- c. A further 25% of the Paladin Shares may be traded after 12 months after satisfaction of Conditions; and
- d. The balance of the Paladin Shares may be traded after 18 months after satisfaction of Conditions; but
- e. If the trading price for ordinary shares in Paladin at any time equals or exceeds A\$2.00 then paragraphs 6 a, b and c shall cease to apply and Balmain may freely trade the Paladin Shares.

The letter agreement signed by the parties is legally binding on the parties but the parties will in good faith negotiate and agree a formal sale and purchase agreement to replace this letter agreement.

Upon completion of this purchase, Paladin (through its subsidiary Paladin (Africa) Ltd) will own 100% of the project.

As previously announced, Paladin has commenced a Bankable Feasibility Study (“**BFS**”) on the Kayelekera Project at an anticipated cost of US\$2.3M which is scheduled for completion in the 3rd quarter 2006. Paladin considers that 100% ownership will not only add upside shareholder value, but will simplify the development decision and financing. Paladin's Pre-Feasibility Study modelled annual production over 10 years of 1,000t (2.2m lbs) of U₃O₈. Further drilling is presently underway as part of the BFS, which is anticipated to be completed in the 3rd quarter 2005, and is expected to increase the currently stated resource base of the project. Purchase of Balmain's 10% interest will reflect positively on Paladin with the increase in anticipated production, assuming development proceeds.

Yours sincerely,
Paladin Resources Limited

A handwritten signature in black ink, appearing to read 'John Borshoff', with a stylized flourish at the end.

John Borshoff
Managing Director