



PALADIN RESOURCES LTD

A.C.N. 061 681 098

GRAND CENTRAL 1ST FLOOR, 26 RAILWAY ROAD
SUBIACO WESTERN AUSTRALIA 6008
PO BOX 201, SUBIACO WESTERN AUSTRALIA 6904

TELEPHONE: (+61 8) 9381 4366 FAX: (+61 8) 9381 4978

EMAIL: paladin@paladinresources.com.au

Web: www.paladinresources.com.au

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8 May 2006

Company Announcements Office
Australian Stock Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

Third Quarter Report

Attached please find Third Quarter Report including Management Discussion and Analysis and CEO/CFO Certification as required in accordance with Canadian reporting requirements.

Yours faithfully
Paladin Resources Ltd

Gillian Swaby
Company Secretary



PALADIN RESOURCES LTD

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THIRD QUARTER REPORT

31 March 2006

PALADIN RESOURCES LTD

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PALADIN RESOURCES LTD

Report to Shareholders

Third Quarter Report – March 2006

(All figures are in Australian dollars unless otherwise indicated)

The highlights of uranium market developments and Company activities during the March 2006 quarter are as follows:-

- Excellent progress on construction at Langer Heinrich
- Second and third major uranium sales contracts secured
- Three Exclusive Prospecting Licences granted in northern Malawi
- Kayelekera BFS continuing on schedule
- Uranium spot price at quarter end US\$40.50/lb U₃O₈ (up US\$4.00 for the quarter)

WORLD URANIUM PRODUCTION STILL WELL BELOW ANNUAL REQUIREMENTS

World uranium production in 2005 increased by only 5% to 108.4 million pounds (up from 102.8 million pounds in 2004) despite an almost quadrupling of the uranium price from \$10.90 per pound in mid-2003. The World Nuclear Association estimates that total world uranium requirements in 2005 were 168 million pounds, leaving a shortfall of 59.6 million pounds which is supplied from diminishing secondary sources. Data published by Ux Consulting confirms that the major uranium mines are operating at close to full capacity and there are only limited means to expand production significantly in the near term. Paladin's Langer Heinrich is the only new uranium project scheduled to be commissioned during 2006.

The uranium market will continue to experience strong growth as the demand from existing nuclear power plants is supplemented by the emergence of India and China into the world uranium market as potentially significant buyers of uranium, while Russia, which is a major supplier of nuclear materials and technology, has announced that it will add 40 new reactors to its fleet at the rate of two a year from 2008 to 2028 and move from being a uranium exporter to potentially a uranium importer unless significant new resources in Russia are discovered and developed by 2015.

The spot and long term prices of uranium continued to rise and by mid-April were reported by UxC to be US\$41/lb U₃O₈ (spot) and \$42/lb U₃O₈ (long term), with upward price pressure still apparent.

LANGER HEINRICH URANIUM PROJECT (100%)

Project Construction

Project construction is progressing well, on budget and on schedule for a September 2006 start of commissioning. By the end of March 2006, the project was 61% complete, with on-site work at 24% completion. A construction workforce of 450 is deployed at Langer Heinrich with no lost time incidents recorded for the project to date.

The structural, mechanical, plate work and piping (SMPP) contract has been awarded and contractor mobilisation is on schedule for May. The mining contract has also been awarded and mobilisation will commence in June for a July start.

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(All figures are in Australian dollars unless otherwise indicated)

The six 15m x 11m concrete leach tanks have been constructed and are now awaiting to be fully fitted out including the internal lining. The crusher and scrubber concrete foundation work is also finished. Work has commenced on the installation of the steelwork including plating for the thickeners.

The piping for the 80km water line from the coast to the project has been delivered and installation on pre-erected concrete plinths is being undertaken by Namwater.

A 8,000m grade control drilling programme is underway to define the first six months of mining. This drilling will be completed by June 2006 after which the planned resource drilling work will start to complete full resource definition work on the eastern half of Langer Heinrich Mining Lease (Details 3, 4, 5 and 6).

The key operations senior management team has been recruited, comprising 90% Namibian citizens, with at least half of the team having prior uranium experience. Recruitment of the remaining operational staff is progressing well.

Three Yellowcake Sales Contracts Secured

In January, Paladin secured its first sales contract for a portion of its yellowcake (U_3O_8) production from the Langer Heinrich Uranium Mining Operation.

Paladin was subsequently successful in securing two additional sales contracts, both with US power utilities, covering the period 2007 to 2012 for an aggregate of slightly more than 4.5 million pounds of U_3O_8 .

The three sales contracts account for more than 6.6 million pounds of Langer Heinrich production over the period 2007 to 2012 and underline Paladin's confidence in the success of this project. Pricing in all three contracts is market-related at time of delivery and is subject to escalating floor and ceiling components.

KAYELEKERA URANIUM PROJECT (100%)

Bankable Feasibility Study Progress

Work on the Bankable Feasibility Study continues under the management of GRD Minproc, the BFS Manager.

The mining study for the open pit is now completed with preliminary scheduling undertaken. The open pit design has a 1.75:1 waste to ore strip ratio. Metallurgical testwork is almost completed and Minproc are confident a viable process flowsheet can be developed for the project.

Site visits were undertaken during the quarter to better establish local and regional road transport issues and project site layout.

The Environmental Impact Assessment (EIA) process has begun. A project brief including the terms of reference for the study prepared by Knight Piesold Consulting, the study consultants, has been submitted to the director of the Department of Environmental Affairs in Malawi. EIA fieldwork will begin in May.

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Discussions are continuing with representatives from Ministries and Departments of the Government of Malawi to finalise the terms of the State Development Agreement.

Prospective Tenements Granted

The Minister of Mines, Natural Resources and Environment has granted three Exclusive Prospecting Licences (EPL) in northern Malawi to Paladin (Africa) Limited (a wholly owned subsidiary of Paladin Resources) covering specific Karoo Sandstone formations which are considered prospective for Kayelekera-type uranium deposits.

Figure 1 shows the location of the three new EPL's (Nos. 168, 169 and 170) and in total these cover 1,140km². Two licences are contiguous with the Kayelekera EPL070, while the third licence stretches along a coastal section of Lake Malawi. The newly granted EPL's were applied for to secure specific Karoo Sandstone formations which are considered prospective for Kayelekera type uranium deposits.

Tenement locations

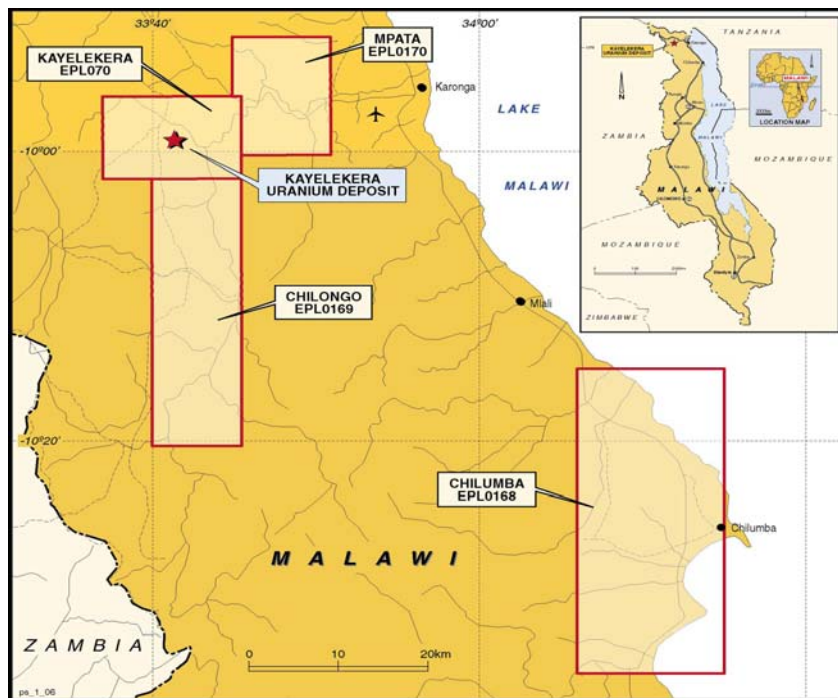


Figure 1

The area covered by the newly granted EPL's has been previously investigated which included the carrying out of geophysical airborne surveys and limited ground follow-up programmes. These earlier investigations were carried out during the 1980's by the British Central Electric Generating Board (CEGB), the group that discovered and evaluated the Kayelekera deposit up to a full feasibility study. The tenements cover anomalous areas delineated by CEGB. The large number of airborne radiometric and geochemical anomalies identified on these properties are associated with the target geological formations that host the Kayelekera deposit.

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CEGB were distracted by their focus on the Kayelekera evaluation and, because of this priority and the dwindling uranium prices at the time, CEGB did not have the opportunity to properly evaluate the regional potential surrounding Kayelekera. As the properties contain significant indications of uranium accumulations, further investigations are justified.

The extensive prospective areas offered by these tenements provide Paladin with a significant opportunity to expand the existing uranium resource base of the project and has the potential to make any mining operation at Kayelekera a strategic facility for longer term utilisation and benefit.

Exploration work for 2006 will initially involve the digitisation and geophysical evaluation of the old helicopter airborne spectrometric data. In addition, all previous exploration results including drilling results will be evaluated in detail. This work will allow the known uranium prospects, airborne and stream sediment anomalies to be ranked in preparation for the ground follow-up work planned for 3rd quarter 2006.

CORPORATE

Team Expansion

With Paladin's continued growth, the executive team is undergoing expansion to accommodate the additional technical, administrative and corporate needs.

General Manager – Sales & Contract Administration appointed

During the quarter Paladin secured the services of Mr James Eggins a professional with 25 years experience in the uranium industry in the marketing and sales administration areas.

Mr Eggins, has joined Paladin Resources' staff in the Perth head office to oversee the development of Paladin's commercial sales contracting, administration and delivery systems, as the Company moves into full production and delivery of uranium.

Mr Eggins holds a BA and LLB and has been working in the Australian uranium industry in various marketing and business development roles since 1981. For 15 years Mr Eggins held senior roles with Olympic Dam Marketing, part of WMC's Olympic Dam business unit, where he managed the marketing, product distribution, and sales realization functions for Olympic Dam's uranium, copper, and precious metals output. During his period with WMC, Olympic Dam undertook a major expansion which involved the tripling of uranium sales and a similar increase in copper output. Prior to this, Mr Eggins worked on the Kintyre uranium project with CRA (now Rio Tinto) and the Nabarlek uranium project with Queensland Mines.

The Company considers itself in a very fortunate position to be able to attract executives of the quality of Mr Eggins into the Paladin management team. Building a high level skill base in management is a crucial objective of the Board given Paladin's uranium production forecast for Langer Heinrich and Kayelekera, and its future broader uranium growth strategies.

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Report to Shareholders

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(All figures are in Australian dollars unless otherwise indicated)

Appointment of General Manager – New Business Development

On 27 April 2006 the Company announced the appointment of Mr David Marsh to the position of General Manager – New Business Development based in Perth, Western Australia effective 28 June 2006.

Mr Marsh completed a Bachelor of Science (Engineering) degree at Leeds University in the UK qualifying with Honours as a Processing Engineer in 1980. He has over 25 years international experience in the mining and metallurgical sector covering the full spectrum of project evaluation, development and operations. A large part of his career has been involved with African projects. He has held senior technical and management positions with both GRD Minproc Johannesburg and Fluor South Africa taking leading roles in the design, development and engineering of a large variety of projects located in Africa. During his time with Minproc, he was the Study Manager for the Langer Heinrich Bankable Feasibility Study. His most recent position has been Manager: Metallurgy and Process Development for Barrick Gold Corporation.

Mr Marsh's extensive project experience, his high level metallurgical expertise, knowledge of the Langer Heinrich Project and uranium through the BFS and familiarity with Paladin will be of particular benefit to Paladin's plans for future growth. His appointment as General Manager New Business Development, joining a growing highly competent technical team, will provide Paladin with a considerable increase in its ability to both oversee its ongoing feasibility studies and, just as importantly, evaluate new project and corporate opportunities.

Yours faithfully
Paladin Resources Ltd



JOHN BORSHOFF
Managing Director

8 May 2006

Additional Notes:

Any information in this announcement that relates to mineral resources is based on information compiled by Ed Becker BSc (hons), MAusIMM and mineral resource estimation by 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. Each of the above named are "qualified persons" as defined under National Instrument 43-101 and consents to the inclusion of the information in this announcement in the form and context in which it appears.

Caution Regarding Forward Looking Statements: Statements regarding Paladin's plans to develop the Langer Heinrich Project are forward-looking statements that are subject to risks and uncertainties that may cause actual results to differ from those expressed or implied by such statements. There can be no guarantee such statements will be realized. In particular, there can be no assurance that Paladin will be able to successfully build, develop and operate a uranium mine or that it will be able to raise the funds necessary to complete such tasks. Furthermore, there can be no assurance that if completed, any mine will be profitably operated.

PALADIN RESOURCES LTD

Management Discussion and Analysis *For the Nine Months Ended 31 March 2006* *(All figures are in Australian dollars unless otherwise indicated)*

The following Management Discussion and Analysis ("MD&A") for Paladin Resources Limited ("Company") should be read in conjunction with the Report to Shareholders and the Condensed Consolidated Financial Statements for the nine months ended 31 March 2006 which are unaudited. The effective date of this report is 8 May 2006.

The financial information presented in this MD&A has been prepared in accordance with Australian equivalents to International Financial Reporting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

In addition to these Australian requirements further information has been included in the Condensed Consolidated Financial Statements for the nine months ended 31 March 2006 in order to comply with applicable Canadian securities law, as the Company is listed on the Toronto Stock Exchange.

Additional information relating to the Company, including the Company's most recent Annual Report for the year ended 30 June 2005 and other public announcements is available at www.paladinresources.com.au.

OVERVIEW

The Company operates in the resource industry with a principal business of evaluation and development of uranium projects in Africa and Australia. The Company is incorporated under the laws of Western Australia with a primary share market listing on the Australian Stock Exchange and additional listings on the Toronto Stock Exchange in Canada; and Munich, Berlin, Stuttgart and Frankfurt Stock Exchanges in Europe.

The main activities undertaken during the nine months were:

- commencement of construction at the Langer Heinrich Uranium Project in Namibia after granting of a 25 year mining licence and acceptance of US\$71 million in bank credit committee approved offers for project finance;
- acquisition of the remaining 10% joint venture interest in the Kayelekera Uranium Project in Malawi;
- continuation of the bankable feasibility study for the Kayelekera Uranium Project;
- completion of resource drilling programs at both Langer Heinrich and Kayelekera Uranium Projects with additional resources discovered;
- sale of non-core uranium exploration property and grant of licence over Frome Basin database to Deep Yellow Ltd;
- repayment and cancellation of the debt facility established for the Langer Heinrich Bankable Feasibility Study; and
- allotment of 35 million fully paid shares via private placement raising A\$77 million principally to complete the funding for construction of the Langer Heinrich Uranium Project, fund worldwide uranium project generation activities and provide general working capital.

PALADIN RESOURCES LTD

Management Discussion and Analysis

For the Nine Months Ended 31 March 2006

(All figures are in Australian dollars unless otherwise indicated)

FORWARD LOOKING STATEMENTS

Some of the statements contained in this MD&A, including those relating to strategies and other statements, are predictive in nature, and depend upon or refer to future events or conditions, or include words such as “expects”, “intends”, “plans”, “anticipates”, “believes”, “estimates” or similar expressions that are forward looking statements. Forward looking statements include, without limitation, the information concerning possible or assumed further results of operations as set forth herein. These statements are not historical facts but instead represent only expectations, estimates and projections regarding future events and are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations generally.

The forward looking statements contained in this MD&A are not guarantees of future performance and involve certain risks and uncertainties that are difficult to predict. The future results of the Company may differ materially from those expressed in the forward looking statements contained in this MD&A due to, among other factors, the risks and uncertainties inherent in the business of the Company. The Company does not undertake any obligation to update or release any revisions to these forward looking statements to reflect events or circumstances after the date of this MD&A or to reflect the occurrence of unanticipated events.

AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Condensed Consolidated Financial Statements for the nine months ended 31 March 2006 has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS).

The Company has included in the Condensed Consolidated Financial Statements a complete list of all accounting policies adopted under AIFRS as well as disclosure of the impact of AIFRS on the previous financial reporting of the Company.

The comparative information in the Condensed Consolidated Financial Statements has been restated to reflect the application of AIFRS to that comparative period.

As a result of adoption of AIFRS the Company is no longer required to present a reconciliation of reported results to Canadian GAAP under Canadian securities law.

CHANGE IN EXPLORATION & EVALUATION EXPENDITURE ACCOUNTING POLICY

The Condensed Consolidated Financial Statements for the nine months ended 31 March 2006 has been prepared on the basis of a retrospective application of a voluntary change in exploration and evaluation expenditure accounting policy.

The new exploration and evaluation expenditure accounting policy is to charge exploration and evaluation expenditure against earnings as incurred; except for acquisition costs and for expenditure incurred after a decision to proceed to development is made, in which case the expenditure is capitalised as an asset.

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For the Nine Months Ended 31 March 2006
(All figures are in Australian dollars unless otherwise indicated)

INCOME STATEMENTS

	Three Months Ended 31 March		Nine Months Ended 31 March	
	2006 A\$000	2005 A\$000	2006 A\$000	2005 A\$000
Revenue from Continuing Operations	924	91	2,962	229
Other Income	1,724	-	5,466	810
Share Based Payments Expense	(493)	(1,353)	(2,560)	(1,647)
Exploration and Evaluation Expenditure	(903)	(1,457)	(2,282)	(3,986)
Write Down of Convertible Note	-	(894)	-	(894)
Other Expenses from Continuing Operations	(1,443)	(462)	(3,442)	(969)
Profit / (Loss) from Continuing Operations	(191)	(4,075)	144	(6,457)
Profit from Discontinuing Operations	-	-	-	69
Profit / (Loss) Before and After Income Tax	(191)	(4,075)	144	(6,388)
Profit / (Loss) per Share (Australian cents)				
– basic	(0.04)	(1.12)	0.03	(1.82)
– diluted	N/A	N/A	0.03	N/A

Nine Months Ended 31 March 2006

Revenue from Continuing Operations has increased to A\$2,962,381 in 2006 as a result of an increase in interest revenue derived from higher cash holdings in 2006 when compared to 2005, and the revenue earned from the Frome Basin database licence to Deep Yellow in 2006.

Other Income in 2006 relates to a A\$441,117 profit on sale of non-core uranium exploration property to Deep Yellow and a A\$5,024,643 foreign exchange gain attributable to cash holdings in South African rand for the funding of construction activities of the Langer Heinrich Uranium Project. In 2005 the other income represented a A\$810,000 profit on sale of non-core uranium exploration properties to Deep Yellow.

Share Based Payments Expense relates to the requirement to recognise the cost of granting options to Directors, employees and consultants under AIFRS over the option vesting period. This expense is higher in 2006 at A\$2,559,926 as a result of options being granted in November and December 2004 which resulted in a small expense in 2005.

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For the Nine Months Ended 31 March 2006

(All figures are in Australian dollars unless otherwise indicated)

The valuation of options under AIFRS does not allow the consideration of non-market related vesting conditions, which precludes the Company from discounting the option valuations to reflect the vesting conditions relating to positive outcome for the Langer Heinrich Uranium Project bankable feasibility study and completion of acceptable project funding. This has the result of increasing the option valuation when compared to the previously disclosed valuations by the Company, which were prepared based on the normal commercial practice of discounting valuations for non-market related vesting conditions.

A change in *Exploration and Evaluation Expenditure* accounting policy has been retrospectively applied. A decrease in exploration and evaluation expenditure in the Income Statement to A\$2,281,530 in 2006 has occurred as a decision to proceed to development has been made for the Langer Heinrich Uranium Project, which results in the capitalisation of this projects expenditure.

Write Down of Convertible Note in 2005 of \$894,438 related to the provision for non-recovery of convertible note and interest receivable owing from Didasko Technologies Pty Ltd.

Other Expenses from Continuing Operations have increased to A\$3,442,171 in 2006 as a result of the expanded corporate activities attributable to the significant growth of the Company in the last year.

The *Profit from Discontinuing Operations* in 2005 of A\$69,083 relates to the commercial property sold on 24 June 2005.

The *Profit* for the nine months ended 31 March 2006 of A\$144,514 compares favourably to the loss for the nine months ended 31 March 2005 of A\$6,387,572 as a result of higher revenue and other income, lower exploration and evaluation expenditure and no write down of convertible note in the Income Statement; despite the higher Share Based Payment Expense and the expanded corporate activities attributable to the significant growth of the Company in the last year.

Three Months Ended 31 March 2006

Revenue from Continuing Operations has increased in 2006 as a result of higher interest revenue derived and the revenue earned from the Frome Basin database licence to Deep Yellow in 2005.

Other Income in 2006 relates to foreign exchange gains attributable to cash holdings in South African rand for the funding of construction activities of the Langer Heinrich Uranium Project.

Share Based Payments Expense is lower in 2006 as a result of the completion of the accounting recognition period for the options granted in November and December 2004.

A decrease in *Exploration and evaluation expenditure* in the Income Statement in 2006 has occurred as a decision to proceed to development has been made for the Langer Heinrich Uranium Project.

Other Expenses from Continuing Operations have increased in 2006 as a result of the expanded corporate activities attributable to the significant growth of the Company in the last year.

The *Loss* for the three months ended 31 March 2006 compares favourably to the loss for the three months ended 31 March 2005 as a result of higher revenue and other income, and lower exploration and evaluation expenditure and Share Based Payment Expense in the Income

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(All figures are in Australian dollars unless otherwise indicated)

Statement; despite the expanded corporate activities attributable to the significant growth of the Company in the last year.

Earnings Per Share

The *Profit/(Loss) per Share* noted on the Income Statements reflects the result for the specific reported periods and the additional shares issued in 2006 compared to 2005.

Segment Disclosure

In the African geographic segment (Namibia and Malawi) the Company primarily reflected the exploration and evaluation expenditure for the Kayelekera Uranium Project, as expenditure for the Langer Heinrich Uranium Project has been capitalised. In the Australian geographic segment the Company reflected the remaining Income Statement activities.

BALANCE SHEETS

	31 March 2006 A\$000	30 June 2005 A\$000
Total Current Assets	76,540	40,057
Total Non Current Assets	66,549	5,384
Total Assets	143,089	45,441
Total Current Liabilities	8,574	1,325
Total Non Current Liabilities	1,304	-
Total Liabilities	9,878	1,325
Net Assets	133,211	44,116

Current Assets have increased to A\$76,539,858 at 31 March 2006 as a result of the A\$77 million private placement completed in October 2005. This increase has occurred despite the cash spend on construction activities for the Langer Heinrich Uranium Project, bankable feasibility study expenditure for the Kayelekera Uranium Project, project generation exploration and evaluation activities and corporate costs for the nine months ended 31 March 2006. Of the A\$74,221,494 held in cash as at 31 March 2006, A\$69,993,479 has been invested in short term commercial bank bills and term deposits.

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For the Nine Months Ended 31 March 2006

(All figures are in Australian dollars unless otherwise indicated)

Non Current Assets have increased to A\$66,549,365 during the nine months as a result of mine construction activities/exploration and evaluation expenditure for the Langer Heinrich Uranium Project, acquisition of the remaining 10% joint venture interest in the Kayelekera Uranium Project, deferred project finance facility establishment costs, and increased investment in and financial value of Deep Yellow shares and options.

The consideration for the acquisition of the remaining 10% joint venture interest in the Kayelekera Uranium Project from Balmain Resources Pty Ltd was satisfied by the issue of 4,350,000 fully paid ordinary shares.

During the nine months ended 31 March 2006 the Company acquired an additional 15,450,000 shares and 12,500,000 unlisted options (with an exercise price of A\$0.12 and expiry of 31 July 2008) in Deep Yellow – 6,950,000 shares from participation in a non-renounceable entitlement issue, 1,000,000 shares from on-market purchase, and the balance of 7,500,000 shares and the options from the sale of non-core uranium exploration property and grant of licence over the Frome Basin database. Under AIFRS the investments in Deep Yellow are required to be stated at fair value at each reporting date, and the Company has adopted a policy of recording the revaluation amount in Reserves. At 31 March 2006 the Company has a revaluation increment for the investments in Deep Yellow as a result of its share price increasing to A\$0.185 from A\$0.067 at 30 June 2005.

Current Liabilities increased to A\$8,574,307 at 31 March 2006 as a result of Langer Heinrich Uranium Project mine construction activities. This increase occurred despite the repayment and cancellation of the debt facility established for the Langer Heinrich Bankable Feasibility Study on 31 October 2005 - the principal repayment was A\$500,000.

Non Current Liabilities of A\$1,304,055 exist as at 31 March 2006 relating primarily to both the grant of licence for the Frome Basin database to Deep Yellow, and the recognition of a restoration provision for the mine construction activities of the Langer Heinrich Uranium Project. The Company has allocated Deep Yellow shares and options to the value of A\$1,452,633 to the granting of this licence which is for a five year period commencing 15 July 2005. By 31 March 2006 A\$205,790 of the allocated consideration for the licence had been earned, leaving a balance of A\$1,246,843 in consideration (unearned revenue) to be earned over the remaining licence term. Of this unearned licence revenue A\$956,316 is non-current at 31 March 2006.

Segment Disclosure

In the Balance Sheet in 2006 the Company reflected a significant increase in the African geographical segment attributable to the focus on the Langer Heinrich Uranium Project in Namibia and the Kayelekera Uranium Project in Malawi.

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STATEMENTS OF CHANGES IN EQUITY

	Nine Months Ended 31 March	
	2006 A\$000	2005 A\$000
Total Equity at the Beginning of the Financial Period	44,116	7,112
Profit / (Loss) for the Nine Months Ended 31 March	144	(6,388)
Movement in Reserves	9,467	2,525
Movement in Equity	79,484	4,867
Total Equity at the End of the Financial Period	133,211	8,116

Nine Months Ended 31 March 2006

Profit/(Loss) for the Nine Months Ended 31 March 2006 is discussed under the Income Statements section.

Movement in Reserves increased to A\$9,466,673 in 2006 relating to the revaluation increment attributable to the increase in Deep Yellow share price to A\$0.185 from A\$0.067 at 30 June 2005 and the recognised value of unlisted employee options. This increase is after deduction for the exercise of 4,150,000 unlisted employee options - 3,400,000 exercisable at A\$0.22 on or before 26 May 2006 and 750,000 exercisable at A\$0.32 on or before 26 May 2006.

Movements in Equity increased to A\$79,483,660 in 2006 from the completion of a 35,000,000 share global private placement, exercise of unlisted employee options and issue of shares to acquire the remaining 10% joint venture interest in the Kayelekera Uranium Project which is valued at A\$5,611,500. The number of fully paid ordinary shares on issue at 31 March 2006 is 444,385,713, an increase of 43,500,000 during the nine months. Share options of 32,550,000 remain outstanding at 31 March 2006 to Directors, employees, and consultants directly engaged in corporate, construction and exploration and evaluation work for the Company.

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(All figures are in Australian dollars unless otherwise indicated)

CASH FLOW STATEMENTS

	Three Months Ended 31 March		Nine Months Ended 31 March	
	2006 A\$000	2005 A\$000	2006 A\$000	2005 A\$000
Net Cash (Outflow) from Operating Activities	(235)	(205)	(32)	(417)
Net Cash Outflow from Investing Activities	(21,480)	(1,604)	(42,169)	(4,129)
Net Cash Inflow/(Outflow) from Financing Activities	(224)	220	71,908	5,003
Net Increase/(Decrease) in Cash Held	(21,939)	(1,589)	29,707	457
Cash at the Beginning of the Financial Period	94,436	6,685	39,489	4,639
Effects of exchange rate changes	1,724	-	5,025	-
Cash at the End of the Financial Period	74,221	5,096	74,221	5,096

Nine Months Ended 31 March 2006

The *Net Cash Outflow from Operating Activities* in 2006 of A\$32,176 is attributable to higher payments to suppliers and employees relating to expanded corporate activities attributable to the significant growth of the Company in the last year, despite the increase in interest received from higher cash holdings in 2006 when compared to 2005.

In 2006 *Investing Activities* increased to A\$42,169,251 as a result of mine construction/exploration and evaluation expenditure for the Langer Heinrich Uranium Project, bankable feasibility study for the Kayelekera Uranium Project, project generation exploration and evaluation activities, and acquisition of additional shares in Deep Yellow.

Net Cash Inflows from Financing Activities represented a net cash inflow of A\$71,908,252 in 2006 as a result of the A\$77 million private placement completed in October 2005 and net proceeds from exercise of 4,150,000 unlisted employee options, net of share issue costs and the establishment costs relating to the Langer Heinrich project finance facility. The number of shares issued in 2006 was 43,500,000 (including 4,350,000 relating to the non cash acquisition of the remaining 10% joint venture interest in the Kayelekera Uranium Project) an increase from the 31,200,000 issued in 2005.

Overall the *Net Increase in Cash* in 2006 was A\$29,706,825 which compares favourably to the net increase in cash in 2005 as a result of the A\$77 million private placement completed in October 2005, despite higher cash outflows from investing activities.

In 2006 an A\$5,024,643 *Effects of Exchange Rate Changes* exists from the translation of foreign currency holdings of South African rand for the funding of construction activities of the Langer Heinrich Uranium Project.

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Management Discussion and Analysis

For the Nine Months Ended 31 March 2006

(All figures are in Australian dollars unless otherwise indicated)

The *Cash* at 31 March 2006 of A\$74,221,494 represents a considerable increase in cash to the comparative period of 2005.

Three Months Ended 31 March 2006

The *Net Cash Outflow from Operating Activities* in 2006 is attributable to higher payments to suppliers and employees relating to expanded corporate activities attributable to the significant growth of the Company in the last year, despite the increase in interest received from higher cash holdings.

In 2006 *Investing Activities* increased as a result of mine construction/exploration and evaluation for the Langer Heinrich Uranium Project, bankable feasibility study for the Kayelekera Uranium Project, project generation exploration and evaluation activities, and acquisition of additional shares in Deep Yellow.

Net Cash Outflows from Financing Activities relates to establishment costs for the Langer Heinrich project finance facility after net proceeds from exercise of unlisted employee options. The number of shares issued in 2006 was 100,000 - a decrease from the 1,000,000 issued in 2005.

Overall the *Net Decrease in Cash* in 2006 compares unfavourably to the net decrease in cash in 2005 as a result of higher cash outflows from investing activities.

In 2006 an *Effects of Exchange Rate Changes* exists from the translation of foreign currency holdings of South African rand for the funding of construction activities of the Langer Heinrich Uranium Project.

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal source of liquidity as at 31 March 2006 is cash of A\$74,221,494 (30 June 2005 – A\$39,489,026). Of this amount A\$69,993,479 has been invested in short term commercial bank bills and term deposits.

The Company's principal sources of cash for the nine months ended 31 March 2006 were proceeds from a private placement, interest received from cash investments and receipts from exercise of unlisted employee options.

The following is a summary of the Company's outstanding commitments as at 31 March 2006:

<i>Payments due by period</i>	<i>Total A\$</i>	<i>Less than 1 yr A\$</i>	<i>1 to 5 yrs A\$</i>	<i>Unknown A\$</i>
Mine construction	50,167,904	50,167,904	-	-
Mineral properties	757,765	757,765	-	-
Operating leases	579,834	173,170	406,664	-
Manyingee acquisition	750,000	-	-	750,000
<i>Total commitments</i>	<i>52,255,503</i>	<i>51,098,839</i>	<i>406,664</i>	<i>750,000</i>

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(All figures are in Australian dollars unless otherwise indicated)

In relation to the Manyingee Uranium Project, the acquisition terms provide for a payment of A\$750,000 by the Company to the vendors when all project development approvals are obtained.

In addition to the outstanding commitments above, the Company acquired a call option on 19 June 1998 in relation to the purchase of the Oobagooma Uranium Project and, in turn, granted a put option to the original holder of the Project. Both the call and put options have an exercise price of A\$750,000 and are subject to the Western Australian Department of Minerals & Energy granting tenements comprising 2 exploration licence applications. The A\$750,000 is payable by the Company within 10 business days of the later of the grant of the tenements or the exercise of either the call or put option. The options will expire 3 months after the date the tenements are granted.

As at 31 March 2006 the Group has outstanding A\$3.5 million in current bank guarantees issued to contractors in relation to the mine construction activities for the Langer Heinrich Uranium Project.

The Company has no other off Balance Sheet arrangements.

OUTSTANDING SHARE INFORMATION

As at 8 May 2006 the Company had 444,385,713 fully paid ordinary shares issued and outstanding. The following table sets out the fully paid ordinary shares issuable under the Company Employee Share Incentive Option Plan:

<i>As at 8 May 2006</i>	<i>Number</i>
Outstanding shares	444,385,713
Issuable under Employee Share Incentive Option Plan	34,115,000
<i>Total</i>	<i>478,500,713</i>

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of the carrying value or impairment of interests in mineral properties, financial investments, and property, plant and equipment.

PALADIN RESOURCES LTD

Management Discussion and Analysis

For the Nine Months Ended 31 March 2006

(All figures are in Australian dollars unless otherwise indicated)

FINANCIAL INSTRUMENTS

At 31 March 2006 the Company has exposure to interest rate risk which is limited to the floating market rate for cash.

The Company does not have foreign currency risk for non-monetary assets and liabilities of the Namibia and Malawi operations as these are deemed to have a functional currency of Australian dollars. The Company has no significant monetary foreign currency assets and liabilities apart from South African Rand cash term deposits which are held for the purposes of funding a portion of the mine construction for the Langer Heinrich Uranium Project.

The Company currently does not engage in any hedging or derivative transactions to manage interest rate or foreign currency risks.

TRANSACTIONS WITH RELATED PARTIES

During the nine months ended 31 March 2006 no payments were made to Director related entities as all Directors throughout this period were employees of the Company and received employee based compensation.

INTERNAL CONTROLS

The Company has made no changes to its internal controls over financial reporting since 30 June 2005 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

DISCLOSURE CONTROLS

The Company has applied its Disclosure Control Policy to the preparation of the Condensed Consolidated Financial Statements for the nine months ended 31 March 2006 and associated Management Discussion and Analysis. An evaluation of the Company's disclosure controls and procedures used has been undertaken and concluded that the disclosure controls and procedures were effective.

PALADIN RESOURCES LTD

Management Discussion and Analysis

For the Nine Months Ended 31 March 2006

(All figures are in Australian dollars unless otherwise indicated)

SUBSEQUENT EVENTS

Appointment of General Manager – New Business Development

On 27 April 2006 the Company announced the appointment of Mr David Marsh to the position of General Manager – New Business Development based in Perth, Western Australia effective 28 June 2006.

Mr Marsh completed a Bachelor of Science (Engineering) degree at Leeds University in the UK qualifying with Honours as a Processing Engineer in 1980. He has over 25 years international experience in the mining and metallurgical sector covering the full spectrum of project evaluation, development and operations. A large part of his career has been involved with African projects. He has held senior technical and management positions with both GRD Minproc Johannesburg and Fluor South Africa taking leading roles in the design, development and engineering of a large variety of projects located in Africa. During his time with Minproc, he was the Study Manager for the Langer Heinrich Bankable Feasibility Study. His most recent position has been Manager: Metallurgy and Process Development for Barrick Gold Corporation.

Mr Marsh's extensive project experience, his high level metallurgical expertise, knowledge of the Langer Heinrich Project and uranium through the BFS and familiarity with Paladin will be of particular benefit to Paladin's plans for future growth. His appointment as General Manager New Business Development, joining a growing highly competent technical team, will provide Paladin with a considerable increase in its ability to both oversee its ongoing feasibility studies and, just as importantly, evaluate new project and corporate opportunities.

Issue and Allotment of Employee Options

On 27 April 2006 the Company announced that the Board had resolved to issue and allot 1,565,000 unlisted options to recently appointed executives (not including Directors) exercisable at A\$5.50 with a three year expiry pursuant to the Employee Share Incentive Option Plan.

The accompanying Condensed Consolidated Financial Statements for 31 March 2006 has been prepared in accordance with Australian Equivalents to International Financial Reporting Standards and have not been audited by the Company's Auditors. The effective date of the Condensed Consolidated Financial Statements for 31 March 2006 is 8 May 2006.

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
CONDENSED CONSOLIDATED INCOME STATEMENTS
EXPRESSED IN AUSTRALIAN DOLLARS

	Three Months Ended 31 March		Nine Months Ended 31 March	
	2006 A\$000	2005 A\$000	2006 A\$000	2005 A\$000
REVENUE FROM CONTINUING OPERATIONS	924	91	2,962	229
Other income (Note 4(a))	1,724	-	5,466	810
Share based payments expense (Note 4(b))	(493)	(1,353)	(2,560)	(1,647)
Interest expense	-	(117)	(16)	(235)
Exploration and evaluation expenditure	(903)	(1,457)	(2,281)	(3,986)
Write down of convertible note	-	(894)	-	(894)
Depreciation and amortisation	(59)	(22)	(140)	(56)
Other expenses	(1,384)	(323)	(3,287)	(678)
PROFIT / (LOSS) BEFORE INCOME TAX	(191)	(4,075)	144	(6,457)
Income tax expense	-	-	-	-
Profit / (Loss) from continuing operations	(191)	(4,075)	144	(6,457)
Profit from discontinued operations (Note 3(a))	-	-	-	69
PROFIT / (LOSS) ATTRIBUTABLE TO MEMBERS OF PALADIN RESOURCES LTD	(191)	(4,075)	144	(6,388)
	Cents	Cents	Cents	Cents
Profit / (Loss) per share attributable to ordinary equity holders – basic	(0.04)	(1.12)	0.03	(1.82)
– diluted	N/A	N/A	0.03	N/A

The above Condensed Consolidated Income Statements should be read in conjunction with the accompanying notes.

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
CONDENSED CONSOLIDATED BALANCE SHEETS
EXPRESSED IN AUSTRALIAN DOLLARS

	As At 31 March 2006 A\$000	As At 30 June 2005 A\$000
ASSETS		
Current assets		
Cash and cash equivalents	74,221	39,489
Receivables	2,319	568
TOTAL CURRENT ASSETS	76,540	40,057
Non current assets		
Receivables	-	-
Held to maturity investments	-	-
Available for sale financial assets	12,001	2,430
Deferred borrowing costs	1,484	170
Property, plant and equipment	44,452	1,098
Exploration and evaluation expenditure (Note 5)	8,612	1,686
TOTAL NON CURRENT ASSETS	66,549	5,384
TOTAL ASSETS	143,089	45,441
LIABILITIES		
Current liabilities		
Payables	8,098	727
Unearned revenue	291	-
Interest bearing liabilities	-	533
Provisions	185	65
TOTAL CURRENT LIABILITIES	8,574	1,325
Non current liabilities		
Payables	45	-
Unearned revenue	956	-
Provisions	303	-
TOTAL NON CURRENT LIABILITIES	1,304	-
TOTAL LIABILITIES	9,878	1,325
NET ASSETS	133,211	44,116
EQUITY		
Contributed equity (Note 6(a))	145,476	65,992
Reserves	14,873	5,406
Accumulated losses	(27,138)	(27,282)
TOTAL EQUITY	133,211	44,116

The above Condensed Consolidated Balance Sheets should be read in conjunction with the accompanying notes.

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
EXPRESSED IN AUSTRALIAN DOLLARS

NINE MONTHS ENDED 31 MARCH

	Contributed Equity A\$000	Reserves A\$000	Accumulated Losses A\$000	Total A\$000
At 1 July 2004	24,265	719	(17,872)	7,112
Change in fair value of available for sale financial assets	-	920	-	920
(Loss) for the nine months ended	-	-	(6,388)	(6,388)
Recognised value of unlisted employee options that has vested	-	1,647	-	1,647
Grant of Société Générale Australia Branch share options	-	321	-	321
Exercise of Société Générale Australia Branch share options (Note 6(b))	321	(321)	-	-
Exercise of unlisted employee options (Note 6(b))	42	(42)	-	-
Contributions of equity, net of transaction costs (Note 6(b))	4,504	-	-	4,504
At 31 March 2005	29,132	3,244	(24,260)	8,116
At 1 July 2005	65,992	5,406	(27,282)	44,116
Change in fair value of available for sale financial assets	-	7,057	-	7,057
Profit for the nine months ended	-	-	144	144
Recognised value of unlisted employee options that has vested	-	2,560	-	2,560
Exercise of unlisted employee options (Note 6(b))	150	(150)	-	-
Contributions of equity, net of transaction costs (Note 6(b))	79,334	-	-	79,334
At 31 March 2006	145,476	14,873	(27,138)	133,211

The above Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the accompanying notes.

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
EXPRESSED IN AUSTRALIAN DOLLARS

	Three Months Ended 31 March		Nine Months Ended 31 March	
	2006 A\$000	2005 A\$000	2006 A\$000	2005 A\$000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments to suppliers and employees	(1,177)	(309)	(2,840)	(720)
Interest received	936	80	2,831	179
Interest paid	(1)	(14)	(49)	(44)
Property rental income	-	35	-	96
Other receipts	7	3	26	72
NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES	(235)	(205)	(32)	(417)
CASH FLOWS FROM INVESTING ACTIVITIES				
Exploration and evaluation expenditure	(1,034)	(1,470)	(3,517)	(3,845)
Payments for property, plant and equipment	(19,925)	(134)	(38,032)	(384)
Payments for available for sale financial assets	(521)	-	(620)	-
Proceeds on sale of tenements	-	-	-	100
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES	(21,480)	(1,604)	(42,169)	(4,129)
CASH FLOWS FROM FINANCING ACTIVITIES				
Share placement	-	-	77,000	3,100
Proceeds from exercise of share options	22	220	988	1,475
Equity fundraising costs	-	-	(4,266)	(72)
Project finance facility establishment costs	(246)	-	(1,314)	-
Repayment of borrowings	-	-	(500)	-
Proceeds from borrowings	-	-	-	500
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	(224)	220	71,908	5,003
NET INCREASE/(DECREASE) IN CASH HELD	(21,939)	(1,589)	29,707	457
Cash at the beginning of the financial period	94,436	6,685	39,489	4,639
Effects of exchange rate changes on cash and cash equivalents	1,724	-	5,025	-
CASH AT THE END OF THE FINANCIAL PERIOD	74,221	5,096	74,221	5,096

The above Condensed Consolidated Cash Flow Statements should be read in conjunction with the accompanying notes.

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS (THIRD QUARTER) ENDED 31 MARCH 2006
EXPRESSED IN AUSTRALIAN DOLLARS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report for the nine months ended 31 March 2006 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

In addition to these Australian requirements further information has been included in the Condensed Consolidated Financial Statements for the three months ended 31 March 2006 in order to comply with applicable Canadian securities law, as the Company is listed on the Toronto Stock Exchange.

This condensed financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2005 and any public announcements made by Paladin Resources Ltd during the nine month reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

(a) Basis of preparation of half-year financial report

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards

This condensed financial report of Paladin Resources Ltd has been prepared in accordance with AIFRS. AASB 1 First time Adoption of Australian Equivalents to International Financial Reporting Standards has been applied in preparing these financial statements.

Financial statements of Paladin Resources Ltd until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing the Paladin Resources Ltd condensed financial report for the nine months ended 31 March 2006, management has amended certain accounting, valuation and consolidation methods applied in the previous AGAAP financial statements to comply with AIFRS. The comparative figures were restated to reflect these adjustments.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRS on the Group's equity and its net income are given in Note 9.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS (THIRD QUARTER) ENDED 31 MARCH 2006
EXPRESSED IN AUSTRALIAN DOLLARS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Paladin Resources Ltd (Company or parent entity) as at 31 March 2006 and the results of all subsidiaries for the nine months then ended. Paladin Resources Ltd and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to Note 1(h)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Joint venture operations

The proportionate interests in the assets, liabilities and expenses of joint venture operations have been incorporated in the financial statements under the appropriate headings.

(c) Segment reporting

A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments.

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS (THIRD QUARTER) ENDED 31 MARCH 2006
EXPRESSED IN AUSTRALIAN DOLLARS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Paladin Resources Ltd's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

(iii) Group companies

The Group entities do not have a functional currency different from the presentation currency.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the major business activities as follows:

(i) Interest revenue

Interest revenue from investments in cash and convertible notes is recognised in the Income Statement in the periods in which it is receivable, as this represents the pattern of legal benefit to the Group.

(ii) Database licence revenue

Licence revenue generated from granting third parties access to proprietary databases information on mineral property regions is recognised in the Income Statement on a straight line basis over the licence term.

(iii) Rental revenue

Rental revenue from leasing of the investment property is recognised in the Income Statement in the periods in which it is receivable, as this represents the pattern of service rendered through the provision of the property.

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS (THIRD QUARTER) ENDED 31 MARCH 2006
EXPRESSED IN AUSTRALIAN DOLLARS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Paladin Resources Ltd and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian tax law. Paladin Resources Ltd is the head entity in the tax-consolidated group. Tax expense, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation.

(g) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Incentives received on entering into operating leases are recognised as liabilities. Lease payments are allocated between rental expense and reduction of the lease incentive liability on a straight line basis over the period of the lease.

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS (THIRD QUARTER) ENDED 31 MARCH 2006
EXPRESSED IN AUSTRALIAN DOLLARS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Acquisitions of assets

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Income Statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(i) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(j) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days for other debtors.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the Income Statement.

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS (THIRD QUARTER) ENDED 31 MARCH 2006
EXPRESSED IN AUSTRALIAN DOLLARS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Investments and other financial assets

Adjustments on transition date: 1 July 2004

The nature of the main adjustments to make this information comply with AASB 132 and AASB 139 are that, with the exception of held-to-maturity investments and loans and receivables which are measured at amortised cost (refer below), fair value is the measurement basis. Fair value is inclusive of transaction costs. Changes in fair value are taken to an equity reserve (refer below). At the date of transition (1 July 2004) changes to carrying amounts are taken to reserves.

From 1 July 2004

The Group classifies its investments in the following categories: loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

(i) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the Balance Sheet.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

(iii) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Unrealised gains and losses arising from changes in the fair value of non monetary securities classified as available-for-sale are recognised in equity in the available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the Income Statement as gains and losses from investment securities.

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS (THIRD QUARTER) ENDED 31 MARCH 2006
EXPRESSED IN AUSTRALIAN DOLLARS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Investments and other financial assets (continued)

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss - is removed from equity and recognised in the Income Statement. Impairment losses recognised in the Income Statement on equity instruments are not reversed through the Income Statement.

(m) Fair value estimation

The fair value of financial assets must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, convertible notes) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Estimated discounted cash flows are used to determine the fair value of most financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

(n) Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

Property, plant and equipment costs include both the costs associated with construction of equipment associated with establishment of an operating mine, and the estimated costs of dismantling and removing the asset and restoring the site on which it is located.

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Property, plant and equipment (continued)

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the Consolidated Entity, whichever is the shorter.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost amount, net of their residual values, over their estimated useful lives, as follows:

- Buildings	20 years
- Databases	10 years
- Plant and equipment	4-6 years
- Leasehold improvements	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement. When revalued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(o) Exploration and evaluation expenditure

The Company has made a voluntary change to its accounting policy for exploration and evaluation expenditure – refer to Note 9(4)(viii) for disclosure regarding this change.

Exploration and evaluation expenditure is charged against earnings as incurred.

Exploration and evaluation expenditure is allocated separately to specific areas of interest. Each area of interest is limited to a size related to a known or probable mineral resource capable of supporting a mining operation. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure directly related to activities in the area of interest.

Costs related to the acquisition of properties that contain mineral resources are allocated separately to specific areas of interest. These costs are capitalised until the viability of the area of interest is determined.

If no mineable ore body is discovered, capitalised acquisition costs are expensed in the period in which it is determined that the area of interest has no future economic value.

When a decision to proceed to development is made, all costs subsequently incurred to develop a mine prior to the start of mining operations within the area of interest are capitalised and carried at cost. These costs include expenditure incurred to develop new orebodies within the area of interest, to define further mineralisation in existing areas of interest, to expand the capacity of a mine and to maintain production.

Capitalised amounts for an area of interest maybe written down if discounted future cash flows related to the area of interest are projected to be less than its carrying value.

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(q) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(r) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year.

The fair value of unlisted options granted in relation to establishment of a loan facility is recognised as a borrowing cost with a corresponding increase in equity and is measured at the date a commitment for the loan facility is obtained. The fair value at measurement date is independently determined using the Cox, Ross and Rubinstein Binomial Tree Model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non tradable nature of the option, the share price at measurement date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Upon the exercise of options, the balance of the Option Premium Reserve relating to these options is transferred to share capital.

(s) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Employee benefits (continued)

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Contributions to defined contribution funds are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Share-based payments

Share-based compensation benefits are provided to employees via the Paladin Resources Ltd Employee Share Incentive Option Plan.

Share options granted before 7 November 2002

No expense is recognised in respect of these options. The shares are recognised when the options are exercised and the proceeds received allocated to share capital.

Shares options granted after 7 November 2002

The fair value of options granted under the Paladin Resources Ltd Employee Share Incentive Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using the Cox, Ross and Rubinstein Binomial Tree Model option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, positive outcome of bankable feasibility study and completion of acceptable project funding). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Mine closure and restoration

Mine closure and restoration costs include the costs of dismantling and demolition of infrastructure or decommissioning, the removal of residual material and the remediation of disturbed areas specific to the infrastructure. Mine closure and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the mine development or during the production phase, based on the net present value of estimated future costs.

As the value of the provision for mine closure and restoration represents the discounted value of the present obligation to restore, dismantle and close the mine, the increase in this provision due to the passage of time is recognised as a borrowing cost. The discount rate used is a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability.

(u) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

(v) Earnings per share

(i) Basic earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares outstanding during the period.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(w) Rounding of amounts

The Company is of a kind referred to in Class order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

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NOTE 2. SEGMENT INFORMATION

Geographical segments – primary reporting

Nine Months Ended 31 March 2006	Australia A\$000	Africa* A\$000	Consolidated A\$000
Total segment revenue	2,823	139	2,962
Profit/(loss) before income tax expense	1,656	(1,512)	144
Income tax expense	-	-	-
Profit/(loss) after income tax expense/segment result	1,656	(1,512)	144
Total assets/segment assets	81,899	61,190	143,089
Segment liabilities	2,210	7,668	9,878

* Namibia and Malawi

Geographical segments – primary reporting

Nine Months Ended 31 March 2005	Australia A\$000	Africa* A\$000	Consolidated A\$000
Total segment revenue	398	-	398
Loss before income tax expense	(2,523)	(3,865)	(6,388)
Income tax expense	-	-	-
Loss after income tax expense/segment result	(2,523)	(3,865)	(6,388)
Total assets/segment assets	9,459	535	9,994
Segment liabilities	1,682	196	1,878

* Namibia and Malawi

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NOTE 3. DISCONTINUED OPERATIONS

On 24 June 2005 settlement occurred on the sale of land and buildings at 5-7 Belmont Avenue, Belmont which represented the property business segment operations of the Group.

Financial information relating to discontinued operations for the periods ended 31 March is set out below.

(a) Financial performance and cash flow information

	Three Months Ended 31 March		Nine Months Ended 31 March	
	2006 A\$000	2005 A\$000	2006 A\$000	2005 A\$000
Revenue	-	37	-	169
Expenses	-	(37)	-	(100)
Profit before income tax expense	-	-	-	69
Income tax expense	-	-	-	-
Profit from discontinued operations	-	-	-	69
Net cash inflow from ordinary activities	-	16	-	97
Net cash (outflow) from financing activities	-	(50)	-	(120)
Net decrease in cash from discontinued operations	-	35	-	23
Basic and diluted earnings per share (cents)	-	-	-	0.02

(b) Carrying amount of assets and liabilities

	As At 31 March 2006 A\$000	As At 31 March 2005 A\$000
Cash and cash equivalents	-	49
Receivables	-	-
Property, plant and equipment	-	1,114
Total assets	-	1,163
Payables	-	8
Interest bearing liabilities	-	733
Intercompany loan	-	134
Total liabilities	-	875
Net assets	-	288

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
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NOTE 4. PROFIT / (LOSS) FOR THE THIRD QUARTER

	Three Months Ended 31 March		Nine Months Ended 31 March	
	2006	2005	2006	2005
	A\$000	A\$000	A\$000	A\$000
Profit / (loss) for the nine months ended includes the following items that are unusual because of their nature, size or incidence:				
(a) Other income				
Other income includes the following specific income:				
Profit on sale of tenements	-	-	441	810
Foreign exchange gains (net)	1,724	-	5,025	-
Total other income	1,724	-	5,466	810
(b) Share based payments expense	(493)	(1,353)	(2,560)	(1,647)

This share based payments expense relates to the requirement to recognise the cost of granting options to Directors, employees and consultants under AIFRS over the option vesting period which impacts all periods presented.

A greater impact exists for the nine months ended 31 March 2006 for share based payments expense when compared to 2005, as a result of the larger proportion of options vesting in 2006. A smaller impact exists for the three months ended 31 March 2006, as a result of the completion of the accounting recognition period for the options granted in November and December 2004.

The valuation of options under AIFRS does not allow the consideration of non-market related vesting conditions, which precludes the Company from discounting the option valuations to reflect the vesting conditions relating to positive outcome for the Langer Heinrich Uranium Project bankable feasibility study and completion of acceptable project funding. This has the result of increasing the option valuation when compared to the previously disclosed valuations by the Company, which were prepared based on the normal commercial practice of discounting valuations for non-market related vesting conditions.

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NOTE 5. EXPLORATION AND EVALUATION EXPENDITURE

The following table details the exploration and evaluation expenditures on interests in mineral properties by area of interest for the nine months ended **31 March 2006**:

Areas of interest	Langer Heinrich Project A\$000	Kayelekera Project A\$000	Manyingee Project A\$000	Oobagooma Project A\$000	Other Projects A\$000	Total A\$000
Balance 30 June 2005	184	171	1,157	174	-	1,686
Acquisition						
Property purchase	-	5,614	-	-	-	5,614
Total acquisition	-	5,614	-	-	-	5,614
Exploration and evaluation expenditure						
Tenement costs	-	1	14	-	-	15
Labour	191	250	-	-	89	530
Consultants and contractors	69	120	-	-	85	274
Materials and utilities	34	46	-	-	4	84
Transportation and communications	78	161	-	-	43	282
Outside services	869	1,125	-	-	-	1,994
Legal and accounting	1	133	-	-	1	135
Insurance	-	25	-	-	-	25
Camp expenses	13	31	-	-	6	50
Other	57	113	-	-	34	204
Total expenditure	1,312	2,005	14	-	262	3,593
Expenditure capitalised (Note 1(o))	1,312	-	-	-	-	1,312
Cost of tenements sold	-	-	-	-	-	-
Balance 31 March 2006	1,496	5,785	1,157	174	-	8,612

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NOTE 5. EXPLORATION AND EVALUATION EXPENDITURE (CONTINUED)

The acquisition expenditure for the Kayelekera Project during the nine months ended 31 March 2006 related to the purchase of the remaining 10% joint venture interest from Balmain Resources Pty Ltd, and was satisfied by the Company issuing 4,350,000 fully paid ordinary shares.

NOTE 6. CONTRIBUTED EQUITY

(a) Issued and paid up capital

	31 March 2006	31 March 2005	31 March 2006	31 March 2005
	Number of shares		A\$'000	A\$'000
Ordinary shares - fully paid	444,385,713	364,885,713	145,450	29,132

(b) Movements in ordinary share capital

		Number of shares	Issue price Cents	Total A\$'000
Date	Balance 30 June 04	333,685,713		24,265
August 2004	Option conversions	4,200,000	1.2c	50
August 2004	Option conversions	3,800,000	1.3c	49
September 2004	Placement	7,500,000	40c	3,000
December 2004	Option conversions	4,700,000	15c	705
December 2004	Option conversions	10,000,000	5.5c	550
March 2005	Option conversions	1,000,000	22c	220
	Transfer from reserves			363
	Less: Share issue costs			(70)
	Balance 31 March 05	364,885,713		29,132
		Number of shares	Issue price A\$	Total A\$'000
Date	Balance 30 June 05	400,885,713		65,992
July 2005	Option conversions	150,000	0.22	33
August 2005	Option conversions	350,000	0.22	77
September 2005	Option conversions	550,000	0.22	121
September 2005	Kayelekera acquisition	4,350,000	1.29	5,612
October 2005	Option conversions	2,250,000	0.22	495
October 2005	Option conversions	750,000	0.32	240
October 2005	Placement	35,000,000	2.20	77,000
February 2006	Option conversions	100,000	0.22	22
	Transfer from reserves			150
	Less: Share issue costs			(4,266)
	Balance 31 March 06	444,385,713		145,476

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 6. CONTRIBUTED EQUITY (CONTINUED)

(c) Options

Issued unlisted employee options outstanding to Directors, employees and consultants directly engaged in corporate, mine construction, and exploration and evaluation work for the Group are as follows:

	31 March 2006 Number
Number of unlisted employee options	<u>32,550,000</u>

Consisting of the following:

<u>Expiry date</u>	<u>Exercise price</u>	
26 May 2006	A\$0.22	7,600,000
26 May 2006	A\$0.32	2,250,000
30 November 2007	A\$1.00	8,050,000
30 November 2007	A\$1.25	1,300,000
20 December 2007	A\$1.00	10,250,000
15 July 2008	A\$1.50	250,000
13 January 2009	A\$2.80	2,850,000

NOTE 7. CONTINGENT LIABILITIES

As at 31 March 2006 the Group has outstanding A\$3.5 million in current bank guarantees issued to contractors in relation to the mine construction activities for the Langer Heinrich Uranium Project.

There have been no other material changes in the contingent liabilities for the Group from those reported in the Annual Report for the year ended 30 June 2005.

NOTE 8. EVENTS SUBSEQUENT TO BALANCE DATE

Issue and Allotment of Employee Options

On 27 April 2006 the Company announced that the Board had resolved to issue and allot 1,565,000 unlisted options to recently appointed executives (not including Directors) exercisable at A\$5.50 with a three year expiry pursuant to the Employee Share Incentive Option Plan.

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**NOTE 9. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS,
CHANGE IN ACCOUNTING POLICY AND CORRECTION OF ERRORS**

(1) Reconciliation of Equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to Equity under Australian equivalents to IFRS (AIFRS)

(a) At the date of transition to AIFRS: 1 July 2004

	Notes	Previous AGAAP A\$000	Effect of transition A\$000	Other changes A\$000	AIFRS A\$000
ASSETS					
Current assets					
Cash and cash equivalents		4,639	-	-	4,639
Receivables		49	-	-	49
Property, plant and equipment	i	1,114	(1,114)	-	-
		5,802	(1,114)	-	4,688
Assets held for sale	i	-	1,114	-	1,114
TOTAL CURRENT ASSETS		5,802	-	-	5,802
Non current assets					
Receivables		64	-	-	64
Held to maturity investments		800	-	-	800
Property, plant and equipment		249	-	-	249
Exploration and evaluation expenditure	viii	3,815	-	(2,298)	1,517
TOTAL NON CURRENT ASSETS		4,928	-	(2,298)	2,630
TOTAL ASSETS		10,730	-	(2,298)	8,432
LIABILITIES					
Current liabilities					
Payables		554	-	-	554
Interest bearing liabilities		733	-	-	733
Provisions		33	-	-	33
TOTAL CURRENT LIABILITIES		1,320	-	-	1,320
TOTAL LIABILITIES		1,320	-	-	1,320
NET ASSETS		9,410	-	(2,298)	7,112
EQUITY					
Contributed equity		24,265	-	-	24,265
Reserves	ii	174	545	-	719
Accumulated losses	ii, viii	(15,029)	(545)	(2,298)	(17,872)
TOTAL EQUITY		9,410	-	(2,298)	7,112

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**NOTE 9. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS,
CHANGE IN ACCOUNTING POLICY AND CORRECTION OF ERRORS
(CONTINUED)**

(1) Reconciliation of Equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to Equity under Australian equivalents to IFRS (AIFRS) (continued)

(b) At the end of the last third quarter reporting period under previous AGAAP: 31 Mar 2005

	Notes	Previous AGAAP A\$000	Effect of transition A\$000	Other changes A\$000	AIFRS A\$000
ASSETS					
Current assets					
Cash and cash equivalents		5,096	-	-	5,096
Receivables		60	-	-	60
Property, plant and equipment	i	1,100	(1,100)	-	-
		6,256	(1,100)	-	5,156
Assets held for sale	i	-	1,114	-	1,114
TOTAL CURRENT ASSETS		6,256	14	-	6,270
Non current assets					
Receivables		-	-	-	-
Held to maturity investments		-	-	-	-
Available for sale financial assets	iii,vi	150	920	560	1,630
Property, plant and equipment		577	-	-	577
Exploration and evaluation expenditure	viii	7,777	-	(6,260)	1,517
TOTAL NON CURRENT ASSETS		8,504	920	(5,700)	3,724
TOTAL ASSETS		14,760	934	(5,700)	9,994
LIABILITIES					
Current liabilities					
Payables		694	-	-	694
Interest bearing liabilities	vii	1,254	-	(107)	1,147
Provisions		37	-	-	37
TOTAL CURRENT LIABILITIES		1,985	-	(107)	1,878
TOTAL LIABILITIES		1,985	-	(107)	1,878
NET ASSETS		12,775	934	(5,593)	8,116
EQUITY					
Contributed equity	vii	28,769	42	321	29,132
Reserves	ii,iii	174	3,070	-	3,244
Accumulated losses	i,ii,vi,vii, viii	(16,168)	(2,178)	(5,914)	(24,260)
TOTAL EQUITY		12,775	934	(5,593)	8,116

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
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**NOTE 9. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS,
CHANGE IN ACCOUNTING POLICY AND CORRECTION OF ERRORS
(CONTINUED)**

(1) Reconciliation of Equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to Equity under Australian equivalents to IFRS (AIFRS) (continued)

(c) At the end of the last reporting period under previous AGAAP: 30 June 2005

	Notes	Previous AGAAP A\$000	Effect of transition A\$000	Other changes A\$000	AIFRS A\$000
ASSETS					
Current assets					
Cash and cash equivalents		39,489	-	-	39,489
Receivables		568	-	-	568
Property, plant and equipment		-	-	-	-
TOTAL CURRENT ASSETS		40,057	-	-	40,057
Non current assets					
Receivables		-	-	-	-
Held to maturity investments		-	-	-	-
Available for sale financial assets	iii	710	1,720	-	2,430
Deferred borrowing costs		170	-	-	170
Property, plant and equipment		1,098	-	-	1,098
Exploration and evaluation expenditure	viii	9,001	-	(7,315)	1,686
TOTAL NON CURRENT ASSETS		10,979	1,720	(7,315)	5,384
TOTAL ASSETS		51,036	1,720	(7,315)	45,441
LIABILITIES					
Current liabilities					
Payables		727	-	-	727
Interest bearing liabilities		533	-	-	533
Provisions		65	-	-	65
TOTAL CURRENT LIABILITIES		1,325	-	-	1,325
TOTAL LIABILITIES		1,325	-	-	1,325
NET ASSETS		49,711	1,720	(7,315)	44,116
EQUITY					
Contributed equity	iv	65,950	42	-	65,992
Reserves	ii,iii,iv	174	5,232	-	5,406
Accumulated losses	i,ii,viii	(16,413)	(3,554)	(7,315)	(27,282)
TOTAL EQUITY		49,711	1,720	(7,315)	44,116

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
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**NOTE 9. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS,
CHANGE IN ACCOUNTING POLICY AND CORRECTION OF ERRORS
(CONTINUED)**

(2) Reconciliation of Loss under previous AGAAP to Loss under AIFRS

(a) Reconciliation of Loss for the nine months ended 31 March 2005

	Notes	Previous AGAAP A\$000	Effect of transition A\$000	Other changes A\$000	AIFRS A\$000
REVENUE FROM CONTINUING OPERATIONS	v	479	(250)	-	229
Other income	v,vi,viii	-	226	584	810
Cost of tenements sold	v	(24)	24	-	-
Share based payments expense	ii	-	(1,647)	-	(1,647)
Interest expense	vii	(21)	-	(214)	(235)
Exploration and evaluation expenditure	viii	-	-	(3,986)	(3,986)
Write down of convertible note		(894)	-	-	(894)
Depreciation and amortisation		(56)	-	-	(56)
Other expenses		(678)	-	-	(678)
LOSS BEFORE INCOME TAX		(1,194)	(1,647)	(3,616)	(6,457)
Income tax expense		-	-	-	-
Loss from continuing operations		(1,194)	(1,647)	(3,616)	(6,457)
Profit from discontinued operations	i	55	14	-	69
LOSS ATTRIBUTABLE TO MEMBERS OF PALADIN RESOURCES LTD		(1,139)	(1,633)	(3,616)	(6,388)

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**NOTE 9. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS,
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(CONTINUED)**

(2) Reconciliation of Loss under previous AGAAP to Loss under AIFRS (continued)

(b) Reconciliation of Loss for the year ended 30 June 2005

	Notes	Previous AGAAP A\$000	Effect of transition A\$000	Other changes A\$000	AIFRS A\$000
REVENUE FROM CONTINUING OPERATIONS	v	1,582	(810)	-	772
Other income	v,viii	-	786	24	810
Cost of tenements sold	v	(24)	24	-	-
Share based payments expense	ii	-	(3,009)	-	(3,009)
Interest expense		(354)	-	-	(354)
Exploration and evaluation expenditure	viii	(72)	-	(5,041)	(5,113)
Write down of convertible note		(894)	-	-	(894)
Depreciation and amortisation		(90)	-	-	(90)
Other expenses		(1,660)	-	-	(1,660)
LOSS BEFORE INCOME TAX		(1,512)	(3,009)	(5,017)	(9,538)
Income tax expense		-	-	-	-
Loss from continuing operations		(1,512)	(3,009)	(5,017)	(9,538)
Profit from discontinued operations	i	128	-	-	128
LOSS ATTRIBUTABLE TO MEMBERS OF PALADIN RESOURCES LTD		(1,384)	(3,009)	(5,017)	(9,410)

(3) Reconciliation of Cash Flow Statements

The adoption of AIFRS has not resulted in any material adjustments to the Cash Flow Statements.

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**NOTE 9. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS,
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(CONTINUED)**

(4) Notes to the reconciliations

(i) *Non current assets held for sale*

Under AASB 5 Non current Assets Held for Sale and Discontinuing Operations, a non current asset will be classified as held for sale if its carrying amount is to be recovered principally through a sale transaction rather than through continued use. The asset will be measured at the lower of carrying amount and fair value, less costs to sell.

Under AASB 5 a non current asset once classified as held for sale is no longer required to be depreciated up to the date of sale.

The Group met the definition under AASB 5 of a non current asset held for sale in relation to commercial property located in Belmont, Western Australia at 1 July 2004, with settlement on the property occurring on 24 June 2005.

At 1 July 2004

For the Group A\$1,114,242 of current property, plant and equipment has been reclassified to assets held for sale.

At 31 March 2005 and for the Third Quarter Ended 31 March 2005

For the Group there has been a decrease in accumulated losses of A\$14,034 (increase in profit from discontinued operation - depreciation expense) and a corresponding increase in current property, plant and equipment; and then a reclassification of A\$1,114,242 in current property, plant and equipment to assets held for sale.

At 30 June 2005 and for the Year Ended 30 June 2005

For the Group there has been a decrease in accumulated losses of A\$18,404 (increase in profit from discontinued operation – depreciation expense) and a corresponding decrease in profit on sale (decrease in profit from discontinued operation).

(ii) *Share-based payment transactions*

Under AASB 2 Share-based Payment, from 1 July 2004 the Group is required to recognise an expense for those options that were issued to employees under the Company Employee Share Incentive Option Plan after 7 November 2002 but that had not vested by 1 January 2005. The valuations for the options have been determined using the Cox, Ross and Rubinstein Binomial Tree Model. The expense for the options is recognised over the vesting period of the options.

At 1 July 2004

For the Group there has been an increase in accumulated losses of A\$545,000 and a corresponding increase in reserves.

At 31 March 2005 and for the Third Quarter Ended 31 March 2005

For the Group there has been an increase in accumulated losses of A\$2,192,059 (including recognition of a share based payments expense of A\$1,647,059) and a increase in reserves of A\$2,192,059.

At 30 June 2005 and for the Year Ended 30 June 2005

For the Group there has been a increase in accumulated losses of A\$3,552,851 (including recognition of a share based payments expense of \$3,007,851) and a increase in reserves of A\$3,552,851.

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**NOTE 9. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS,
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(CONTINUED)**

(4) Notes to the reconciliations (continued)

(iii) *Financial instruments*

The Group has applied AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement from 1 July 2004.

Under AASB 132, the existing classification of financial instruments issued by the Group does not change.

Under AASB 139, financial assets held by the Group will be classified as either at fair value through the profit and loss, held-to-maturity, available for sale or loans and receivables and, depending upon classification, measured at fair value or amortised cost.

Non-traded equity securities will be classified as available for sale and measured at fair value, with changes in fair value recognised directly in equity until the underlying asset is derecognised.

At 1 July 2004

There is no effect on the Group.

At 31 March 2005 and for the Third Quarter Ended 31 March 2005

For the Group there has been an increase in available for sale financial assets of A\$920,000 and a corresponding increase in reserves.

At 30 June 2005 and for the Year Ended 30 June 2005

For the Group there has been an increase in available for sale financial assets of A\$1,720,000 and a corresponding increase in reserves.

(iv) *Exercise of unlisted employee options*

Under AASB 2 Share-based Payment the Group is required to recognise an expense for options that are issued to employees under the Company Employee Share Incentive Option Plan, with a corresponding increase to reserves.

Where options are exercised the balance of the reserve relating to the options is required to be transferred to contributed equity.

At 1 July 2004

There is no effect on the Group.

At 31 March 2005 and for the Third Quarter Ended 31 March 2005

In March 2005 1,000,000 shares were issued in relation to the exercise of unlisted employee options with an exercise price of A\$0.22. In relation to this for the Group there has been an increase in contributed equity of A\$41,900 and a corresponding decrease in reserves.

At 30 June 2005 and for the Year Ended 30 June 2005

In March 2005 1,000,000 shares were issued in relation to the exercise of unlisted employee options with an exercise price of A\$0.22. In relation to this for the Group there has been an increase in contributed equity of A\$41,900 and a corresponding decrease in reserves.

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
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**NOTE 9. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS,
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(CONTINUED)**

(4) Notes to the reconciliations (continued)

(v) *Revenue disclosures in relation to sale of tenements*

Under AIFRS the net gain on the sale of tenements is required to be recognised as other income, which is in contrast to the Australian GAAP treatment under which the gross proceeds from the sale are recognised as revenue and the carrying amount of the tenements sold is recognised as an expense.

No net impact exists on the Income Statement in relation to these adjustments.

At 1 July 2004

There is no effect on the Group.

At 31 March 2005 and for the Third Quarter Ended 31 March 2005

For the Group there has been a decrease in revenue from continuing operations of A\$250,000, a decrease in cost of assets sold of A\$24,425 and an increase in other income of A\$225,575.

At 30 June 2005 and for the Year Ended 30 June 2005

For the Group there has been a decrease in revenue from continuing operations of A\$810,000, a decrease in cost of assets sold of A\$24,425 and an increase in other income of A\$785,575.

(vi) *Correction of revenue error made under previous AGAAP*

The 31 March 2005 third quarter financial report had previously included a value of A\$250,000 in revenue relating to the sale of tenements to Deep Yellow. The consideration for sale consisted of shares and options in Deep Yellow and cash. In valuation of this consideration the Group had used a share price of 1 cent based on an assumed valuation date.

An error occurred in assessing the appropriate valuation date and a share price of 2.4 cents should have been used to value the consideration of shares and options in Deep Yellow. Under AIFRS, the comparatives have been adjusted to reflect the correction of this error. The effect of this correction is:

At 1 July 2004

There is no effect on the Group.

At 31 March 2005 and for the Third Quarter Ended 31 March 2005

For the Group there has been a decrease in accumulated losses of A\$560,000 (increase in other income from continuing operations) and an increase in available for sale financial assets of A\$560,000.

At 30 June 2005 and for the Year Ended 30 June 2005

There is no effect on the Group.

Basic and diluted earnings per share have also been restated. The amount of the impact of the error made under previous AGAAP is an increase of 0.16 cents per share for the nine months ending 31 March 2005.

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**NOTE 9. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS,
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(CONTINUED)**

(4) Notes to the reconciliations (continued)

(vii) *Correction of interest expense error made under previous AGAAP*

The 31 March 2005 third quarter financial report had previously not recognised a value for options granted to Société Générale Australia Branch in relation to the establishment of a A\$2,000,000 debt facility for the Langer Heinrich Bankable Feasibility Study. The Company granted 10,000,000 unlisted options on 30 September 2004 exercisable at 5.5 cents on or before 30 September 2007, which had a fair value using the Cox, Ross and Rubinstein Binomial Tree Model of A\$321,000.

An error occurred as the fair value of the options is required to be recognised in the Group's financial reports. Under AIFRS, the comparatives have been adjusted to reflect the correction of this error. The effect of this correction is:

At 1 July 2004

There is no effect on the Group.

At 31 March 2005 and for the Third Quarter Ended 31 March 2005

For the Group there has been an increase in accumulated losses of A\$214,000 (increase in interest expense from continuing operations - representing the allocation of the option fair value to the nine months ending 31 March 2005), a decrease in current interest bearing liabilities of A\$107,000 (representing the deferred portion of the balance of the option value), and a increase in share capital of A\$321,000 (as the options were exercised before 31 March 2005).

At 30 June 2005 and for the Year Ended 30 June 2005

There is no effect on the Group.

Basic and diluted earnings per share have also been restated. The amount of the impact of the error made under previous AGAAP is a decrease of 0.06 cents per share for the nine months ending 31 March 2005.

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
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**NOTE 9. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS,
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(CONTINUED)**

(4) Notes to the reconciliations (continued)

(viii) *Voluntary change of exploration and evaluation expenditure accounting policy*

The Group has changed its accounting policy in relation to the treatment of exploration and evaluation expenditure.

The new exploration and evaluation expenditure accounting policy is to charge exploration and evaluation expenditure against earnings as incurred; except for acquisition costs and for expenditure incurred after a decision to proceed to development is made, in which case the expenditure is capitalised as an asset – refer Note 1(o) for the full detail of the new accounting policy.

The previous exploration and evaluation expenditure accounting policy was to carry forward exploration and evaluation expenditure as an asset; subject to ongoing review of the potential for development and that rights to tenure were current.

This voluntary change in accounting policy has been made as the Group is undergoing a transition from explorer to producer. The Langer Heinrich Uranium Project in Namibia is currently under construction and commissioning of the mine is planned to commence in September 2006.

The previous accounting policy of the Group is common for exploration companies as a result of this expenditure representing the main asset. The new accounting policy of the Group is common for large mining companies as this expenditure does not represent the main activities and is viewed as an expense of discovery.

This does not represent a change in accounting policy as a result of AIFRS, as AASB 6 Exploration for and Evaluation of Mineral Resources allows both the previous and the new accounting policies of the Group.

Under AIFRS, the comparatives have been adjusted to reflect the change in exploration and evaluation expenditure accounting policy. The effect of the change in accounting policy is:

At 1 July 2004

For the Group there has been an increase in accumulated losses of A\$2,298,834 and a decrease in exploration and evaluation expenditure asset of A\$2,298,834.

At 31 March 2005 and for the Third Quarter Ended 31 March 2005

For the Group there has been an increase accumulated losses of A\$6,260,201 (including increases in exploration and evaluation expense from continuing operations of A\$3,985,792, and other income of A\$24,425 relating to the sale of tenements now written off) and a decrease in exploration and evaluation expenditure asset of A\$6,260,201.

At 30 June 2005 and for the Year Ended 30 June 2005

For the Group there has been an increase accumulated losses of A\$7,315,408 (including increases in exploration and evaluation expense from continuing operations of A\$5,042,202, and other income of A\$24,425 relating to the sale of tenements now written off) and a decrease in exploration and evaluation expenditure asset of A\$7,315,408.

Basic and diluted earnings per share have also been restated. The amount of the impact of the voluntary change in accounting policy is a decrease of 1.13 cents per share for the nine months ending 31 March 2005.

Form 52-109F2 – Certification of Interim Filings

I, John Borshoff, Managing Director of Paladin Resources Ltd, certify that:

1. I have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) of Paladin Resources Ltd (the issuer) for the interim period ending 31 March 2006;
2. Based on my knowledge, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings;
3. Based on my knowledge, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the interim filings;
4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures for the issuer, and we have designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the interim filings are being prepared.

Dated: 8 May 2006



John Borshoff
Managing Director

Form 52-109F2 – Certification of Interim Filings

I, Ron Chamberlain, Chief Financial Officer of Paladin Resources Ltd, certify that:

1. I have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) of Paladin Resources Ltd (the issuer) for the interim period ending 31 March 2006;
2. Based on my knowledge, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings;
3. Based on my knowledge, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the interim filings;
4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures for the issuer, and we have designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the interim filings are being prepared.

Dated: 8 May 2006



Ron Chamberlain
Chief Financial Officer