



PALADIN RESOURCES LTD

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30 October 2006

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

Dear Sir/Madam

QUARTERLY REPORT FOR PERIOD ENDING – 30 September 2006

HIGHLIGHTS

- *Langer Heinrich commissioning commenced one month early. Project Completion expected on schedule late December 2006 within the stated CAPEX budget.*
- *Kayelekera EIA completed and submitted to Government for final review - BFS near completion.*
 - *application will be submitted to Commissioner of Mines during December 2006 to consider mining approval for the Project.*
- *Valhalla Uranium Limited takeover completed. Exploration work ongoing by JV managers on respective projects.*
- *Uranium spot price continues to rise reaching US\$60.75/lb U₃O₈ end October on TradeTech's Uranium Price Indicator (up US\$14.75 since 1st July 2006).*

WORLD URANIUM SUPPLY UNDER STRAIN

The announcement by Cameco Corporation of the serious flooding of their flagship new uranium project, Cigar Lake, in Saskatchewan, will re-focus attention on the medium term fragility of supply of uranium at a time when the world is inevitably re-committing to nuclear power as an efficient, economic low carbon source for base load electricity production.

Paladin's Langer Heinrich uranium project will be first new conventional uranium mine and processing plant to come on-stream in a timely reminder to the world market that to ensure long term stable supply of uranium, long term commitments to new production sources at prices which reflect true market conditions are indispensable.

Paladin has noted in its 2006 Annual Report that despite the significant increase in reported spot and long term uranium prices over the last two years, world uranium production has so-far failed to increase. In fact, in the first six months of 2006, uranium production actually declined in the two dominant production centres, Australia and Canada.

The uranium market continued to strengthen through the quarter as new investor buying continued to compete with utility buyers to absorb the very limited supplies of uranium on offer. At the beginning of October, the UxC uranium spot price was US\$55.75/lb U₃O₈, and the long term price was US\$54.00/lb U₃O₈, (up US\$10.25 and US\$7.50 respectively). The market remains strong and is further exacerbated by production shortfalls for the mid and long term. As an example of the strong upward pressure on price on 27 October the TradeTech Uranium Spot Price Indicator rose sharply to US\$60.25 reflecting concern about Cigar Lake flooding and general supply shortage.

LANGER HEINRICH URANIUM PROJECT (100%) - NAMIBIA

Project Construction and Commissioning

As announced, commencement of commissioning of the Langer Heinrich plant began in August 2006, one month earlier than originally planned, with the successful commissioning of the crusher and associated conveyors to produce a crushed ore stockpile. The original construction schedule, announced in May 2005, stated that commissioning would commence during September 2006 (internally 22 September 2006), and project completion handover from GRD Minproc, the EPCM contractors, was planned to occur in late December 2006.

Staged commissioning is now continuing progressively with the scrubber and attrition sections run and pre-leach, leach tanks and CCD circuits water filled, uranium precipitation and reagent areas in final stages of construction.

The on-site high voltage substation and transformers were commissioned and energized in early August, and the 85km pipeline feeding the on-site reservoirs is in final commissioning stage. The contract miner is established on-site and has begun mining the initial pit, building the temporary tailings dam and preparing the ore stockpiles in readiness for production start up.

Continual optimisation of the BFS alkaline leach process and subsequent positive confirmatory work by the Australian Nuclear Science and Technology Organisation (ANSTO) metallurgical laboratories has resulted in several upgrades in the uranium precipitation and reagent areas giving high confidence in the metallurgical process and flowsheet design for the Project. The enhancements have impacted the construction schedule but they are not expected, at this stage, to affect the staged commissioning process or the Project Completion date.

The operational team under the leadership of Wyatt Buck (ex Cameco production chief) is fully recruited and trained (112 in total with only 3 non Namibians) and is working with GRD Minproc through the commissioning process to ensure a seamless transfer of responsibility at the operational handover in late December 2006.

Ramp up to initial annualised design output of 2.6Mlb U₃O₈ remains as planned for 3rd quarter 2007. The first contracted shipment of uranium oxide concentrates is planned for late 1st quarter 2007.

The Project remains within the stated US\$92M 2005 BFS CAPEX budget.

Resource Drilling

The RC drilling programme over Details 3, 4, 5 and 6 located to the east of the BFS Mine Plan Area involving 6,355m (231 holes) was completed. The JORC and NI 43-101 compliant resource estimate incorporating the results of this drilling is expected to be completed by mid November 2006.

KAYELEKERA URANIUM PROJECT (100%) - MALAWI

Bankable Feasibility Study Progress

The Draft Environmental Impact Assessment (EIA) for the Kayelekera Uranium Project in Malawi was formally lodged with the Malawi Environmental Affairs Department in mid October for their review and final comment. The extensive document remains open for formal review and public comment for 50 days. The full EIA may be viewed on the Paladin website and on our environmental consultant's website (www.knightpiesold.com/Kayelekera.cfm).

Work on the BFS is continuing on schedule under the management of Minproc, the BFS Manager. All mining and metallurgical studies are now completed and mining schedules and process flowsheet are near finalised. The BFS is expected to be submitted to Paladin for its review early December 2006.

The terms of the Development Agreement are now finalised and the Mines and Energy Ministry will formally present the project to the Cabinet with approval expected to early November 2006.

TAKEOVER OF VALHALLA URANIUM LIMITED

On 10 July, Paladin announced a takeover offer for all of the shares in Valhalla Uranium Limited in consideration for 1 Paladin share for each 3.16 Valhalla share offered. The takeover was completed successfully on 15 September 2006 and Paladin has now proceeded to compulsory acquisition of the remaining shares.

Paladin has noted the commencement of legal proceedings in Supreme Court by Summit Resources Limited regarding certain alleged breaches of the Mt Isa Uranium Joint Venture Agreement by Resolute Limited, a wholly-owned subsidiary of Resolute Mining Limited, and Mt Isa Uranium Pty Ltd, which following the successful takeover of Valhalla Uranium Limited, is a subsidiary of Paladin.

Paladin noted Resolute Mining Limited's announcement on the same subject, which referred to the indemnity provided to it by Paladin in connection with the proceedings. At this stage, based on the allegations in the plaintiff's statement of claim, and having regard to the indemnity from Resolute Mining Limited, Paladin does not believe the proceedings are material to Paladin, however, we will continue to manage our involvement in the proceedings in the ordinary course.

Principal assets involved in this takeover include a 50% interest in the Valhalla/Skal Uranium Deposits located in Queensland and a 41.7% interest in the Bigrlyi Uranium Deposit in Northern Territory Stated.

Valhalla/Skal Uranium Joint Venture Project (50%) - Queensland, Australia

The Valhalla and Skal uranium deposits are within the Isa Uranium Joint Venture Agreement ("IUJV") area where Summit is manager and holds a 50% interest. Paladin Resources Ltd's ("Paladin") wholly owned subsidiary, Mt Isa Uranium Pty Ltd ("Mt Isa Uranium") is a 50% contributing participant to the IUJV.

The **Valhalla Uranium Deposit** is located 40km northwest of Mount Isa city on EPM9221. In the September quarter a revised and independently validated JORC compliant resource estimate has been modelled, calculated and reported for the Valhalla uranium deposit as follows and as previously announced.

VALHALLA DEPOSIT MINERAL RESOURCES (0.023% U₃O₈ cut off) - JORC Compliant

JORC Category	Mt	Grade % U₃O₈	Tonnes U₃O₈	VUL share
Indicated Resources	21.3	0.08	16,900t or 37.4Mlb	50%
Inferred Resources	12	0.075	9,000t or 19.6Mlb	50%

The modelled resource at Valhalla remains open to the north and south along strike, and down plunge. In the September quarter near surface metallurgical diamond drilling and resource drilling targeted at extending the resource along strike and down plunge commenced. Four metallurgical diamond holes into the top of Valhalla (VDDH63 - 66 totalling of 567m of drilling) were completed in the quarter. This month a further three metallurgical diamond holes into the top of Valhalla (VDDH67 - 69 totalling of 397m drilling) and three exploration diamond holes (VDDH70, 71 and 73 totalling 807m drilling) have been completed. Holes VDDH72 and 74 are in progress. A total of 2,000m of drilling has been completed at Valhalla in this phase. Core and metallurgical samples have been dispatched to laboratories in Perth and Sydney.

The **Skal Uranium Deposit** is located 32km north of Mount Isa on EPM14048. Historic resources as previously announced at Skal are reported as follows:

SKAL DEPOSIT- Historic Resource

	Mt	Grade % U₃O₈	Tonnes U₃O₈	VUL share
Historic resources of approximately 4.2Mt @ 0.1% to 0.13% containing			5,000t or 11Mlb	50%

Two mineralised shoots have now been defined at Skal. The uranium mineralisation in both the northern and southern shoots at Skal is yet to be closed off by drilling either along strike or at depth. Sufficient holes have now been drilled into the southern shoot to commence modelling and calculation of a revised resource estimate. Further drilling on the northern mineralised shoot at Skal is required to model this area of the deposit.

Database validation for the southern shoot at Skal has been completed and new sections plotted. New geological interpretations and resource estimates are now being calculated and subjected to an independent resource consultant's audit. Reassaying and validation of the assay database has also commenced and further resource estimates will be calculated when the assay data base is validated.

Bigirlyi Joint Venture Project (41.7%) – Northern Territory, Australia

The Bigirlyi Project comprises 10 granted exploration retention licences located approximately 390km northwest of Alice Spring. The project, is a joint venture with Energy Metals Ltd (53.3% and project manager) and Southern Cross Exploration (5%) was subject to significant exploration activity in the period 1974 to 1982.

The current uranium mineral resources for the Bigrlyi project as announced to ASX on 25 July 2006 by the Energy Metals Limited are summarized below.

BIGRLYI DEPOSIT MINERAL RESOURCES (0.1% U₃O₈ cut off) - JORC Compliant

JORC Category	Mt	Grade % U ₃ O ₈	Tonnes U ₃ O ₈	VUL share
Indicated	1.054	0.23	2,450t or 5.4Mlb	41.7%
Inferred	0.781	0.17	1,340t or 2.9Mlb	41.7%

Drilling has commenced at Bigrlyi with one RC rig and one diamond rig on site late October, and a third rig due to commence diamond drilling early November 2006. The drilling will focus on extending the resource status both along strike and down plunge of the known deposits.

The proposed drilling program will comprise some 50 holes (approximately 6,250m of RC and 3,250m of diamond core) with holes drilled to a maximum vertical depth of 350m. It is expected that once all assays from the program have been returned the current resource model will be updated.

Paladin is currently preparing a NI 43-101 resource report for the Valhalla/Skal and Bigrlyi Deposits and expects this to be completed latter part of November 2006.

CORPORATE

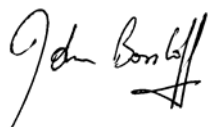
Resolute Shareholding in Paladin

Resolute, as the 83% equity holder in Valhalla Uranium Ltd, acquired Paladin shares as part of takeover offer by Paladin. Resolute has now disposed of all these shares in 2 tranches and these have been taken up mainly by North American institutions.

Deep Yellow Limited

Since the end of the quarter, Paladin increased its holding in Deep Yellow Limited (DYL) acquiring a further 17,000,000 shares in the company at 16.5 cents per share. It also converted 25,000,000 of the unlisted options held in DYL giving Paladin an 11.11% holding in this uranium exploration company which has extensive properties both in Australia and Namibia.

Yours faithfully
Paladin Resources Ltd



JOHN BORSHOFF
Managing Director

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