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25 October 2007

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 2007

HIGHLIGHTS

- ***Langer Heinrich Uranium Project***
 - ***Ramp up and remediation making good progress – one remaining bottleneck expected to be rectified in December 2007.***
 - ***Delivery lead-times for additional IX columns will constrain production in the next quarter, but still on track for 2.6Mlb U₃O₈ per annum production rate for calendar year 2008.***
 - ***Uranium delivered to all three conversion facilities. Sales revenue of US\$26M - sales of 333,000lb U₃O₈ at an average realised price of US\$78/lb.***
 - ***Design of Stage II expansion 2.6Mlb to 3.7Mlb underway.***
 - ***Kayelekera Uranium Project – construction work accelerating; Paladin community relations and agricultural specialists team established in Karonga.***
 - ***Summit Resources Limited – resource drilling and evaluation re-commences at Skal; baseline environmental studies and preliminary metallurgical testing begins for Valhalla and Skal deposits.***
 - ***More encouraging results from drilling program at Bigryli.***
 - ***Uranium spot price US\$85/lb U₃O₈ end September quarter.***
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MARKET COMMENTS

The Ux U₃O₈ spot price reversed direction from its June high of US\$136/lb in early July and continued falling throughout the quarter, reaching US\$85/lb at the end of September before stabilizing at US\$75/lb in early October. Subsequent movements have been upwards (to US\$80/lb in late October) suggesting that selling pressure has subsided. The substantial sell off in the spot market is thought to be a combination of profit taking by some traders at the June high price together with some overflow from the global credit problems since August. A scheduled

Department of Energy auction in late August presented some very good buying opportunities for utilities and traders which resulted in aggressive offer prices and injected some volume into the spot market which has satisfied some near term demand.

The long term price quoted by Ux has remained at US\$95/lb since May 2007. The lack of volatility in the term price is probably a better indication of the fundamental strength of the overall nuclear fuel market.

Paladin currently uses both the spot price and the long term price as reference prices in its market-related sales contracts because they better reflect market outcomes under term contracts. Nevertheless, as the uranium supply/demand imbalance becomes more acute, the spot price is expected to continue to exhibit volatility around the strong and potentially increasing long term price indicator.

LANGER HEINRICH URANIUM PROJECT (100%)

Drummed production at 30 September 2007 was 274,360lb U₃O₈ with 12,000lb awaiting drumming (June quarter – 89,374lb U₃O₈) reflecting the improvements in performance predicted in the June Quarterly Report.

Operational management's efforts to improve efficiencies and recoveries as foreshadowed in the June Quarterly Report have been successful, to the extent that only one outstanding bottleneck remains, in the IX/elution and liquor clarification stage, which will be rectified by December 2007.

Management is confident that design annual production rates (2.6Mlb U₃O₈ per annum) will be reached for calendar year 2008.

In particular:

Mining

Mining of the ore body is continuing in accordance with the current plan and is achieving good reconciliation between grade control and resource models. Grade control drilling showed increased ore tonnes and uranium metal content at similar grades when compared to the original resources and reserve estimations.

Leaching

Mineral extraction in leaching continues to perform at design rates. Early problems associated with tank liner failure have been resolved. The heat exchangers are performing to specification. Options for relining the tanks are under evaluation but will not impede production when undertaken progressively during 2008.

Counter Current Decantation (CCD)

Replacement of under-designed overflow piping installed during construction has enabled design water flows to be achieved in the CCD circuit. Plant down time required in early October during installation of the new piping was worthwhile based on newly achieved efficiencies.

Ion Exchange, Precipitation and Drying

The only outstanding issue which is currently restricting production is in the Ion Exchange/pregnant liquor clarification area where availability of columns is being adversely affected by clogging, which necessitates additional backwashing and affects column flow efficiency. As advised in the June

Quarterly Report, four additional IX columns were ordered for delivery in November, but these are now expected to be installed during December 2007. This, combined with possible modifications to the clarification arrangements, are expected to eliminate the final impediment to reaching design output.

Precipitation and drying capacity has been demonstrated at design throughput levels.

Production impact and forecast

The elimination of bottlenecks and rectification of faults elsewhere in the plant means the temporary limitations in the IX/elution circuit are the only impediment to reaching design output. The addition of four IX columns in December is expected to alleviate this restriction.

The additional IX columns, along with enhancements to the crushing circuit, pregnant leach solutions clarification and other modifications are budgeted at US\$6-10M over the next six months.

In the interim, production for the period July to December 2007 is likely to be 650,000lb U₃O₈ (below the June Quarterly Report forecast of 900,000lb U₃O₈) to allow for the continuing disruptions from the IX circuit and the slightly longer delivery lead time for the additional four IX columns.

Deliveries

Contracted deliveries in the quarter were made with some third party purchased material (as described in the June Quarterly Report) and Langer Heinrich production. One delivery, comprising Langer Heinrich material and the remaining amount of purchased material, will be made in the December quarter together with at least two deliveries of Langer Heinrich production.

Langer Heinrich concentrates have been delivered to each of the three conversion facilities without the transport delays that had impacted some early shipments.

Customers have assisted Langer Heinrich by re-scheduling some deliveries from 2007 into the first half of 2008 to ensure that sales commitments in the FY2007/2008 are maintained. This means that sales will be bunched in the March and June quarters in 2008, with sales becoming more evenly distributed over the 2008/2009 financial year.

LANGER HEINRICH EXPANSION

Engineering has commenced for an expansion of the Langer Heinrich (LHU) operation from the current 2.6Mlb per annum U₃O₈ to 3.7Mlb per annum (an increase in ore crushed to 2.2Mtpa from 1.5Mtpa).

The expansion will focus on additional crushing facilities to supplement the existing scrubbing circuit, an expansion of the highly successful carbonate leach circuit and additional product drying capability. The CCD and IX circuits are currently being up-graded as part of a de-bottlenecking exercise, taking into account the planned tonnage increase. However, the introduction of a Resin-in-Pulp circuit for uranium recovery is being investigated, thereby releasing the CCD/IX facilities for the co-recovery of vanadium (a resource currently not being exploited). No major up-grades are required to the existing mine services (power and water).

This expansion is targeting a mechanical completion date of December Quarter 2008 and a more precise development schedule (with costing) will be established in the next quarter.

KAYELEKERA URANIUM PROJECT (85%)

Project development

Paladin Africa Limited (PAL) has awarded the Kayelekera Uranium Project EPCM contract to Engineering & Projects Company Ltd (E&PC) a subsidiary of the Aveng Group which has deployed senior staff to the project site and the construction and engineering phase is underway. The civil works contract was awarded to Mota-Engil which is progressively mobilising to site.

Construction of the 12km branch road connecting the project to the main road is now 98% complete with culverts and a low level causeway across the Sere River constructed. Two prefabricated buildings and the mess hall for the construction camp have been erected on site and permanent communications and IT systems have been installed. Plant earthworks have begun and are progressing satisfactorily.

Engineering and detail design is progressing well in all plant areas and engineering activities are focussed on completion of long lead packages in preparation for going to tender. Power generation equipment being manufactured in Korea is undergoing load and performance testing by the project team. The mill refurbishment is proceeding on schedule, and designs for the tailings and water dams have been issued for final review.

Paladin's community relations activities, which include agricultural specialists, are now established in Karonga and their presence has been well received by the community.

The Project remains on schedule for a December 2008 start of commissioning.

Financing

Paladin's Kayelekera project finance has progressed with an independent technical review undertaken including changes to the flowsheet to incorporate the Resin in Pulp process that demonstrates the current plans (capital, production, operating costs) represent a very robust project. The finance proposal is currently with the senior lenders awaiting credit approval expected before the end of 2007.

Resource drilling

Reverse circulation resource drilling comprising 72 holes and 5,524 metres around the planned pit at Kayelekera was completed. The drilling confirmed and better defined the deeper mineralisation at the western edge of the deposit and identified some additional mineralisation at the southern end of the ore body. A new resource estimate is expected in late November.

Civil Societies' Action

The court action by a number of Malawian Civil Society Organisations against Paladin and the Government of Malawi is scheduled for the hearing of preliminary issues on 30 October 2007.

SUMMIT RESOURCES LIMITED (81.82%)

Isa Uranium Joint Venture (IUJV)

Interest: Paladin Resources Limited 50%, Summit Resources (Aust) Pty Ltd 50% (Operator)

Work has commenced under the 2007/08 budget plan previously approved by the IUJV operating committee. The budget provides for an extensive RC and diamond drilling program, metallurgical test work and environmental base line studies.

Please see the Summit Resources Limited Quarterly Report for significant intercepts on the deposits detailed below (www.summitresources.com.au).

SKAL Uranium Deposit

The Skal uranium deposit is located 32km north of Mount Isa city on EPM14048.

Three mineralised shoots have now been defined at Skal. The uranium mineralisation in all three shoots (Skal South, Skal North and the newly discovered Skal Far North deposit) is structurally controlled, accompanied by intense albite–haematite-chlorite alteration and all three shoots dip near vertically and plunge to the south at 40° – 50°. To date these shoots have been closed off along strike but are yet to be closed off down plunge. A total of 7,837m of diamond drilling in forty (40) drill holes SKDDH19 to SKDDH58 was completed at Skal during the September Quarter. Detailed mapping and ground radiometric work in the general Skal area indicates that further mineralised shoots will be identified.

Drilling to date has extended known mineralisation and an upgraded resource statement is expected by December 2007.

VALHALLA Uranium Deposit

The Valhalla uranium deposit is located 40km northwest of Mount Isa City on EPM 9221. No further drilling was completed during the Quarter. The approximately 40,000m drilling program at Valhalla started on the last day of the Quarter and will continue for approximately nine (9) months.

On-ground work during the Quarter included extensive preparation for the soon-to-commence drilling program. Additionally, a large amount of petrological work was undertaken in order to better understand the alteration and ore mineral zonation of the Valhalla uranium deposit. This work is on-going and will greatly assist future metallurgical test work.

Detailed aerial photography and satellite imagery has been purchased for the Valhalla – Skal area. A contract has also been let to provide detailed aeromagnetic, radiometric and digital terrain details. This and other data sets will be used to provide background data in the Environmental studies of the Valhalla – Skal uranium deposit.

Summit Resources Limited (100% Projects)

Exploration continues on the Mount Isa Projects where the Company controls over 18,800km² of applications and granted tenements that are prospective for uranium, copper and base metals to the east and north of Mount Isa city.

New Prospects:

During the Quarter a number of previously untested radiometric anomalies were sampled for the first time. In total eight localities were sampled with anomalous results returned from at least five of them which require follow-up.

BIKINI Uranium Deposit

The Bikini Project is located 36km north of Mount Isa on EPM 9221. The deposit is 8km southeast of the Valhalla and just 3km northwest of the Skall uranium deposit.

No drilling was completed at Bikini during the Quarter however diamond core drilling assays have been received from the previous Quarter's drilling. All assay results from the recent drilling program are now available consequently a new resource estimate will be completed.

BIGRLYI URANIUM JOINT VENTURE – Northern Territory, Australia (41.7%)

This project is a joint venture between Valhalla Uranium Ltd (41.7%), Energy Metals 53.3% and Southern Cross Exploration NL's (5%) with Energy Metals as manager.

Current JORC compliant resources (indicated and inferred, 0.05% U₃O₈ cutoff) at Bigryli total 14.3Mlb U₃O₈ and 16.3Mlb V₂O₅ mostly within 200m of the surface and potentially accessible via open pit mining.

The current drilling programme is identifying extensions to the known mineralisation in addition to delineating new mineralisation zones. Results to date indicate that an upgrade to the existing resources can be confidently expected.

CORPORATE

Settlement of Proceedings with Summit Resources Limited

On 3 August 2007, Paladin Resources Ltd announced that its wholly owned subsidiary, Mt Isa Uranium Pty Ltd ("MIU") had settled the court proceedings commenced against it and Resolute Limited by Summit Resources (Aust) Pty Ltd ("Summit Proceedings").

As explained in the announcement dated 6 August 2007 by Summit Resources Ltd ("Summit"), Areva NC (Australia) Pty Ltd is seeking to intervene in the Summit Proceedings.

In its announcement of 3 August 2007, Summit explained that an independent board committee of Summit made the decision to settle the Summit Proceedings. To be successful in its latest legal proceedings, Areva must amongst other things, establish that the decision to settle the Summit Proceedings was not in the best interests of Summit.

As previously announced by Paladin, it has always remained confident that the Summit Proceedings could be successfully defended. Moreover, it should be noted that Paladin now owns approximately 82% of Summit shares and has the benefit of an indemnity from Resolute Limited in relation to the Summit Proceedings.

Paladin considers the chance of Summit ultimately acquiring a 100% interest in the Valhalla/Skall deposits as extremely remote. In any event, as a result of the indemnity and Paladin's 82% ownership of Summit, a change in the ownership of the deposits would not be of any significant consequence. The actual outcome of the Summit Proceedings is not considered by the Paladin Board to be material to Paladin.

Deep Yellow Limited

Paladin has increased its interest in Deep Yellow Limited to 14.34% (previously 11.79%) following the placement of the entitlement shortfall of 31,673,949 shares from Deep Yellow's non-renounceable entitlement issue on 8 August 2008.

Yours faithfully
Paladin Resources Ltd



JOHN BORSHOFF
Managing Director

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