



PALADIN RESOURCES LTD

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31 July 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 JUNE 2006

HIGHLIGHTS

- *Langer Heinrich construction remains on schedule and on budget*
 - *first drawdown of the US\$71M bank project finance facility*
- *Kayelekera BFS and Environment Impact Assessment work on schedule*
- *Takeover offer for Valhalla Uranium Limited announced*
- *Uranium spot price continues to rise reaching US\$45.50/lb U₃O₈ in June (up US\$5.00 for the quarter)*

WORLD NUCLEAR RENEWAL GATHERS MOMENTUM

In Europe, the UK Government released its Energy Review Report which acknowledged the role nuclear power plays as an economically beneficial source of low carbon generation, and recommended that new nuclear power stations should be built by the private sector under a streamlined regulatory framework to be developed by the end of the year. In both Sweden and Spain, political parties which had held negative attitudes toward nuclear power announced changes towards a more favourable stance.

In the USA, significant developments emphasise the importance of nuclear power. NRG Energy announced plans to build two new 1,350 MWe nuclear power plants at the South Texas Project with construction to commence in early 2009 for completion by 2014. Elsewhere in the USA, several utility consortia are working towards filing license applications for up to 13 new reactors. The US government has demonstrated its strategic support of nuclear power, announcing a civil nuclear agreement with India, and entering advanced talks with Russia to pursue initiatives to support a new proliferation-resistant international civil nuclear fuel industry. The USA is accelerating work on their domestic spent fuel storage facility at Yucca Mountain in Nevada.

In Australia, the Federal Government signed a bilateral safeguards agreement with the People's Republic of China which paves the way for Australian uranium to be sold to fuel China's aggressive domestic nuclear power program. In June, the Prime Minister announced the formation of the Uranium Mining, Processing and Nuclear Energy Review Taskforce to undertake a comprehensive, objective and scientific review of the entire nuclear fuel cycle and its future possible application to Australia's energy requirements. Consistent with changing political attitudes noted above, the leader of the Federal Australian Labor Party (ALP) announced his intention to repeal the ALP's restrictive policy on uranium mining at the ALP National Conference in 2007, thereby removing an anomalous constraint on the development of new uranium mines under any future ALP federal government.

The uranium market continued to strengthen through the quarter. At the end of June, the uranium spot price was US\$45.50/lb U₃O₈, and the long term price was US\$46.50/lb U₃O₈, (up US\$5.00 and US\$4.50 respectively), with upwards pressure still apparent.

LANGER HEINRICH URANIUM PROJECT (100%)

Project Construction

Project construction is tracking very well, on budget and on schedule for the staged September 2006 start of commissioning and as, scheduled, project completion and hand over from GRD Minproc the Project Managers on 22 December 2006.

By the end of June 2006, the total project was 83% complete, with on-site work at 62% completion.

The construction workforce of 603 people on site will peak between 750-800 people in the next month. Importantly, no lost time incidents have been reported, and the Langer Heinrich site achieved 500,000 lost time injury free man-hours in June.

Highlights of the recent quarter include:

- Major front end components comprising the crusher, apron feeder, and primary conveyors have been delivered and mechanically installed;
- The roof beam structure for the leach tanks have been completed, and pouring of the concrete roof sections is underway, and inner tank lining for the 4 leach tanks is in progress;
- Grade control drilling for the first 6 months of mining has been completed with strong correlation to the reserve model used in the BFS;
- The mining contractor has established site facilities and has commenced plant mobilization;
- Nampower have completed the high voltage switch yard with 10MVA transformers in place; and
- Namwater, which is constructing the 84km pipeline, is expected to complete this work end August with commissioning to follow.

In June, Paladin received formal Namibian government approval of the initial uranium sales contracts referred to in our last *Quarterly Report*.

Resource drilling east of Detail 1 area commenced in July. This is a approximately 4,000m RC programme expected to be completed end September after which an updated Mineral Resource will be estimated for the overall project (JORC and NI 43-101 compliant).

First Drawdown Under Bank Project Finance Facilities

The first drawdown under the US\$71M bank project finance facilities was made on 30 June 2006.

The facilities are provided by Société Générale Australia Branch (lead arranger), Nedbank Capital, and Standard Bank plc and comprise a 7 year project Finance Facility of US\$65M and a standby cost overrun facility of US\$6M.

KAYELEKERA URANIUM PROJECT (100%)

Bankable Feasibility Study Progress

Work on the Bankable Feasibility Study continues under the management of Minproc, the BFS Manager. Metallurgical testwork has demonstrated and confirmed that a blend of arkose/mudstone hosted uranium mineralisation can be treated with greater than 90% recovery.

The Environmental Impact Assessment (EIA) process is now underway. Public participation meetings involving the first formal community consultations were successfully conducted in May with senior representatives of the Company participating in each meeting.

Considerable progress has been made in discussions with representatives of the Government of Malawi to finalise the terms of the Development Agreement within the next quarter.

CORPORATE

Takeover Of Valhalla Uranium Limited

On 10 July, Paladin announced a takeover offer for all of the shares in Valhalla Uranium Limited (VUL) in consideration for 1 Paladin share for each 3.16 Valhalla share offered. The takeover documentation was filed with the ASX and ASIC on 24 July and may be inspected on Paladin's website (www.paladinresources.com.au). Successful completion of the Valhalla takeover will significantly augment Paladin's uranium resource base in Australia.

Summit Resources (Aust) Pty Ltd (**Summit Resources**) (VUL 50% joint venture partner on the Mt Isa Uranium Properties), announced on 28 July 2006 that they are seeking through the Supreme Court to determine whether Resolute Limited (**Resolute**) and/or Mt Isa Uranium Pty Ltd (a wholly owned subsidiary of VUL) are in material breach of the Isa Uranium Joint Venture Agreement.

Paladin advised the market on the same day that it remains confident that none of the mentioned companies have been party to any material breach of its obligations under the Isa Uranium Joint Venture Agreement. Paladin noted that its off-market takeover bid for all the ordinary shares in Valhalla announced in respect of which its bidder's statement is conditional on, amongst other things, there being no breach by any party to the Isa Uranium Joint Venture Agreement of the terms of that agreement.

Paladin will continue to closely monitor developments in the allegations made by Summit and will keep the market informed if and when Paladin becomes aware of further material information in relation to this matter.

Executive Team Expansion

Paladin has continued to add to its experienced management team to facilitate the Company's rapidly growing activities.

Mr Dave Marsh joined the Company in June to assume the position of General Manager – New Business Development, based in Perth. Mr Marsh holds a Bachelor of Science (Engineering) degree from Leeds University in the UK, graduating with Honours as a Processing Engineer in 1980. He has 25 years experience in the mining and metallurgical processing sector, including a large part of his career in African projects. Mr Marsh has held senior technical and management positions with GRD Minproc Johannesburg, and Fluor South Africa. His most recent position was Manager Metallurgy and Process Development for Barrick Gold.

Mr Brendan O'Hara will join the Paladin management team in August as General Manager – Special Projects, also based in Perth. Mr O'Hara graduated with a Bachelor of Laws and Jurisprudence (First Class Honours) from the University of Western Australia in 1988, before joining a national law firm where he specialised in mergers and acquisitions, fundraising, securities law, and corporate regulation. Mr O'Hara then spent 13 years the Australian Stock Exchange in various roles including Manager, Companies (WA), and as State Director.

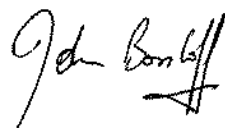
Paladin is gratified that it has attracted executives with the outstanding qualifications and experience of Mr Marsh and Mr O'Hara, which adds confidence to the Company's ambitious plans to establish itself as a premier uranium producer.

MSCI World Standard Index

Effective 1 June 2006 Paladin Resources Ltd, was added to the prestigious Morgan Stanley Capital International Inc (MSCI) World Standard Index Series for Australia in the Energy Industry Group sector.

MSCI is a leading global benchmark provider of equity (International and US), fixed income and hedge fund indices. MSCI provides global equity indices, which, over the last 30+ years, have become the most widely used international equity benchmarks by institutional investors.

Yours faithfully
Paladin Resources Ltd



JOHN BORSHOFF
Managing Director

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

PALADIN RESOURCES LIMITED

ABN

47 061 681 098

Quarter ended ("current quarter")

30 June 2006

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (12 months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors		
1.2	Payments for (a) exploration and evaluation	(1,194)	(4,711)
	(b) development		
	(c) production		
	(d) administration	(818)	(3,658)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	1,484	4,315
1.5	Interest and other costs of finance paid		(49)
1.6	Income taxes paid		
1.7	Other (provide details if material)	14	40
	Sundry income		
Net Operating Cash Flows		(514)	(4,063)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects		
	(b) equity investments		(620)
	(c) other fixed assets	(33,133)	(71,165)
1.9	Proceeds from sale of: (a) prospects		
	(b) equity investments		
	(c) other fixed assets		
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)		
Net Investing Cash Flows		(33,133)	(71,785)
1.13	Total operating and investing cash flows (carried forward)	(33,647)	(75,848)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(33,647)	(75,848)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	2,392	80,380
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	23,241	23,241
1.17	Repayment of borrowings	-	(500)
1.18	Dividends paid		
1.19	Other (provide details if material)	(2,461)	(8,041)
	Share issue and debt facility establishment costs		
	Net Financing Cash Flows	23,172	95,080
	Net increase (decrease) in cash held	(10,475)	19,232
1.20	Cash at beginning of quarter/year to date	74,221	39,489
1.21	Exchange rate adjustments to item 1.20	(3,968)	1,057
1.22	Cash at end of quarter	59,778	59,778

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2 (Refer 1.25 below for explanation)	493
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Included in 1.23 above is an A\$250,000 bonus paid to the Managing Director in relation to the year ended 31 December 2005.

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	97,246	23,241
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	4,000
4.2 Development	31,000
Total	35,000

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	5,247	4,227
5.2 Deposits at call	23,794	23
5.3 Bank overdraft	-	-
5.4 Other (provide details) Short Term Bank Bills and Deposits	30,737	69,971
Total: cash at end of quarter (item 1.22)	59,778	74,221

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	N/A			
6.2 Interests in mining tenements acquired or increased	Western Australia E45/1496 Spinifex Well	Holder (Tenement granted)	Nil	100%

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3)	Amount paid up per security (see note 3)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	454,235,713	454,235,713		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	7,600,000 2,250,000	7,600,000 2,250,000	A\$0.22 A\$0.32	A\$0.22 A\$0.32
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	8,050,000 10,250,000 1,300,000 200,000 2,850,000 1,565,000		<i>Exercise price</i> A\$1.00 A\$1.00 A\$1.25 A\$1.50 A\$2.80 A\$5.50	<i>Expiry date</i> 30.11.07 20.12.07 30.11.07 15.07.08 13.01.09 28.04.09
7.8 Issued during quarter	1,565,000		A\$5.50	28.04.09
7.9 Exercised during quarter	7,600,000 2,250,000		A\$0.22 A\$0.32	26.05.06 26.05.06
7.10 Expired during quarter	50,000		A\$1.50	15.07.08
7.11 Debentures <i>(totals only)</i>				

+ See chapter 19 for defined terms.

7.12	Unsecured notes (totals only)		
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Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:

(Company secretary)

Date: 31 July 2006

Print name:

Gill Swaby

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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