



PALADIN RESOURCES LTD

A.C.N. 061 681 098

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11 November 2005

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

Dear Sir/Madam

Financial Statements for Quarter End 30 September 2005

Attached please find unaudited Financial Statements covering the period to 30 September 2005 together with 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



RESOURCES LTD

A.C.N. 061 681 098

QUARTERLY REPORT

For the

Three Months Ended 30 September 2005

PALADIN RESOURCES LTD

Report to Shareholders

Quarterly Report – September 2005

(All figures are in Australian dollars unless otherwise indicated)

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

URANIUM MARKET

Nuclear Power Gaining Further Acceptance

Crucial developments are occurring in the global nuclear industry which further endorse the fact that nuclear energy is undergoing a very strong growth phase. At long last US utilities are investing in applications to build new reactors after a hiatus of nearly 30 years. This signals a very important move for the sector and places further credibility on the belief that the industry is in remarkable revival. The Swedish Government, having previously set a policy of nuclear phase-out, has declared it is not possible to shut down its nuclear power plants without serious disruption to electricity production. Also EU parliamentarians have called for nuclear recognition and said that nuclear power would remain central to the EU's energy and environmental policy planning.

Meanwhile the spot price of uranium continues to rise. At the end of October it was reported by UxC to be US\$33.50/lb U₃O₈ with upward price pressure still remaining.

MINERAL PROPERTIES

Langer Heinrich Uranium Project – Namibia (100% equity)

Ground Breaking Ceremony

The Namibian Minister of Mines and Energy, The Honorable Mr E Nghimtina granted a 25 year Mining Licence allowing full scale development of the mining operation to proceed. The Minister at a ceremony held at site on 15 September, officially initiated the commencement of construction activities for the Langer Heinrich Uranium Project. The ceremony was attended by a number of Namibian Government officials, local community representatives, as well as Namibian media.

Mining Construction Activities

The Project, based on the original feasibility study schedule, is progressing as planned, with engineering and design well advanced. Mine schedules are now completed and current mine construction progress remains on schedule and within budget.

The Department of Environment & Tourism has granted a Certificate of Environmental Consent and the Civil and earthworks contracts were awarded during the quarter. The construction camp to accommodate 560 workers has commenced.

Mine construction expenditure for the three months ended 30 September 2005 totalled A\$5,170,924.

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Revised Mining Reserves (Details 1, 2, 3 and 5 Areas)

Due to the increasing price of uranium the Langer Heinrich mine design and planning was revised using a US\$30/lb instead of a US\$25/lb U₃O₈ price, as used in the BFS. The table below details these new reserves using a 250ppm U₃O₈ cut off and also compares them against those in the BFS.

ESTIMATED MINING RESERVE (250 ppm Cut-off)									
	Proven Ore Reserve			Probable Ore reserve			Total Ore Reserve		
	Mt	%	t U ₃ O ₈	Mt	%	t U ₃ O ₈	Mt	%	t U ₃ O ₈
New	16.74	0.069	11,590	8.63	0.063	5,451	25.37	0.067	17,041
BFS	14.94	0.072	10,804	7.30	0.067	4,870	22.24	0.070	15,674

This work has increased the mining reserve by 14% while reducing the grade by only 4%. These reserves will now form the basis of the detailed mine planning for the Project. This revised mine model will increase project life from 15 to 17 years, however, it is still limited as it does not include any contribution from the considerable amount of Inferred Resources within Detail 1, 2, 3 and 5 Areas (containing the current mining footprint of the Project) and the Detail 4, 6 and 7 Areas outside the current mine footprint.

Mineral Resource Estimate Increased (based on recent drilling)

Subsequent to the end of 30th September 2005, Paladin reported that drilling of the previously untested palaeochannel, extending west from the Detail 1 orebody, returned very encouraging results which significantly increased the Mineral Resources of the Langer Heinrich Project. The drilling programme consisted of 245 RC drill holes for a total of 11,534m and was confined to certain areas in Detail 2 and Detail 7. Mineral resource specialists Hellman and Schofield (H&S) completed and independently verified a revised JORC (1999, 2000) Code Mineral Resource estimate of Langer Heinrich using a 300ppm cut off and a 250ppm cut off. H&S prepared the initial National Instrument 43-101 technical report for Paladin.

The mineral resource estimations are based on derivation of U₃O₈ grades using downhole gamma logging results and applying standard practice radiometric determination methods for U₃O₈ determination (eU₃O₈). Approximately 20% of the mineralized holes were assayed for U₃O₈ using analytical chemical methods (XRF) for check purposes.

(i) 300ppm Cut Off Resource Estimate

Incorporating the newly defined mineralization H&S reported the following resource results.

All Details: 1 to 7 (including new channel drilling):-

300ppm Cut-off	Mt	Grade % U ₃ O ₈	Tonnes U ₃ O ₈
Measured Resources	16.7	0.07	12,350
Indicated Resources	10.1	0.06	6,300
Total	26.8	0.07	18,650
Inferred Resources	32.3	0.07	21,600

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The previously reported mineral resources at 300ppm cut off were 24.2Mt of Measured and Indicated Resources grading 0.07% U₃O₈ (17,100t of contained U₃O₈) and 22Mt of Inferred Resources grading 0.07% U₃O₈ (15,700t of contained U₃O₈).

(ii) 250ppm Cut Off Resource Estimate

In previous Paladin market releases, when reporting Measured, Indicated and Inferred resources, a 300ppm cut off was used, however the Mining Reserves have been calculated using a 250ppm cut-off. Estimations of Measured, Indicated and Inferred Resources will in future use the 250ppm cut off, to fully conform with the cut off grade used for reporting Proven and Probable ore reserves. The 300ppm cut off reported in (i) above has only been given here to allow comparisons to be made with the earlier market releases.

The Mineral Resource estimation using a 250ppm cut-off has been calculated by H&S as follows:-

All Details: 1 to 7 (including new channel drilling)

250ppm Cut-off	Mt	Grade % U ₃ O ₈	Tonnes U ₃ O ₈
Measured Resources	19.9	0.07	13,250
Indicated Resources	12.4	0.06	6,950
Total	32.3	0.07	20,200
Inferred Resources	40.0	0.06	23,800

Compared to the previously reported Mineral Resources (estimated with the 300ppm cut off) the new resource estimates at 250ppm cut off represents an increase in contained U₃O₈ as follows:

- A 24% increase in the Measured and Indicated Resources (from 17,100t to 20,200t U₃O₈).
- A 52% increase in the Inferred Resources (from 15,700t to 23,800t contained U₃O₈).

Exploration and evaluation expenditure for the 3 months ending 30 September 2005 totalled A\$889,769.

Inferred Resources - Potential for Increasing Mine Life

The latest resource drilling work has resulted in a substantial increase in the mineral resources of Langer Heinrich project. There are 40Mt of Inferred Resources grading 0.06% U₃O₈ containing 23,800t U₃O₈ and this represents a substantial upside.

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Where infill drilling has been carried out previously it has converted a substantial portion of the existing Inferred Resources to Indicated and Measured Resources. This trend has been independently verified by H&S and they conclude that infill drilling successfully converted the existing Inferred Resources in Detail 1 to the Measured and Indicated classification at the rate of 77% of the tonnes and 83% of the grade, for a 64% increase in contained U_3O_8 . The infill drilling also defined additional resources.

There is strong expectation therefore that these new resource estimates will contribute significantly to extending both the minelife and an upgrade in production. Additional mine production is regarded as being essential to meet increasing worldwide demand. The opportunity to readily and substantially expand production of the Langer Heinrich mining operation (now under construction planning to produce 2.6Mlb U_3O_8) therefore puts Paladin in an excellent position to capitalize on the market opportunities and further benefit its shareholders.

The Langer Heinrich Deposit can now be regarded as a very significant uranium deposit in resource terms.

Additional Resource Potential

The potential for increasing the resource base even further within ML140 is regarded as high. Details 3, 4, 5 and 6 contain mineralization which remains open and future drilling will concentrate in evaluating these areas.

Kayelekera Uranium Project - Malawi (100% equity)

Bankable Feasibility Study

During the quarter GRD Minproc, the study Manager sent a 5 person team to Malawi to familiarise with country and on ground project issues. Specialists covering metallurgy, infrastructure (transport and electricity) civil engineering were involved on the tour. Sub contractors to carry out the environmental, geotechnical and hydrological studies are in the process of being selected. Contracts for ore resource evaluation, mining studies and the metallurgical work are in place. A fully automated weather station was established on site to continue building baseline information upon the extensive environmental data collected by Central Electricity Generating Board of the UK in the 1980's for the completely independent Feasibility Study they had carried out in 1989/90 by Wrights Engineers.

Metallurgical Sampling

The 11 hole HQ diamond drilling programme to collect 2.25t of mineralised samples for the metallurgical testwork has been completed. Selection of suitable sample material was based on the extensive drilling and metallurgical feasibility work carried out by the previous workers (for which all data is available). Classification to the appropriate potential ore types was determined from this work and the testwork material was obtained by twinning existing drill holes. Metallurgical work will be primarily aimed at verifying and optimising existing metallurgical information which is relevant to the flow sheet planned for utilisation.

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Quarterly Report – September 2005

(All figures are in Australian dollars unless otherwise indicated)

Resource Drilling

A 5,394m RC resource drilling programme involving 119 holes was completed during the quarter. Although the deposit has been extensively drilled, opportunity for extending the existing uranium resource base immediately outside the currently defined boundaries is believed possible especially in the light of the significantly improved uranium prices. 2,169 drill samples from this drilling work are currently undergoing geochemical analysis. It is expected that a revised mineral resource estimate will be available by late November 2005 and this will be used as the basis for the BFS mining study.

Other Activities

In addition to the above activities an aerial photographic survey was flown over the project area and its immediate environs. This work provided 1:10,000 scale photographs over the proposed mine site and 1:25,000 photographs over the surrounding area. The photography will be used to generate the digital terrain model and contour maps.

Operational bases have also been established in Lilongwe and Karonga to support the BFS.

Exploration and evaluation expenditure for the three months ended 30 September 2005 totalled A\$570,111.

FUNDRAISING

Project Finance – Loan Facility

Paladin accepted credit committee approved offers of financing totalling US\$71M, consisting of a 7 year Project Finance Facility of US\$65M and a Standby Cost Overrun Facility of US\$6M. The facilities are being provided by Société Générale Australia Branch (as lead arranger), Nedbank Limited and Standard Bank of South Africa Ltd. Drawdown on the financing is subject to completion of legal due diligence and documentation, and fulfilment of other conditions precedent usual for this type of funding.

Behre Dolbear Australia, the noted engineering and resource development specialists, completed an extensive due diligence of the project and the Bankable Feasibility Study (BFS). They found the Project investigations and the GRD Minproc BFS were thorough and professional and that the project development plan was appropriate, reasonable and achievable. This provided the bank consortia with the necessary level of confidence to allow final negotiations to be concluded smoothly and quickly.

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Report to Shareholders

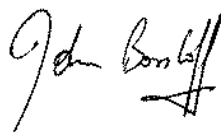
Quarterly Report – September 2005

(All figures are in Australian dollars unless otherwise indicated)

Private Placement

Subsequent to the end of 30th September 2005, Paladin placed a total of 35 million fully paid shares at an issue price of A\$2.20 per share, raising A\$77 million before the payment of commission (A\$3,850,000 being 5% of funds raised). The private placement was very well received and was over-subscribed, indicating strong global interest in the Company's activities. All the placees were institutional investors in Australia, North America, London and Hong Kong. National Bank Financial Inc and RBC Capital Markets acted as co-lead agents together with Sprott Securities Inc. As the Company is dual listed shares were placed through both ASX and TSX.

This capital raising, in addition to the project finance loan facility of US\$71M will provide Paladin with all the necessary funding to complete development of its Langer Heinrich Uranium Mining Operation, the Kayelekera BFS and also ensure sufficient general working capital is available to advance other project opportunities.



JOHN BORSHOFF
Managing Director

11 November 2005

Additional Notes:

The information in this announcement that relates to mineral resources is based on information compiled by Ed Becker BSc (hons), MAuslMM and mineral resource estimation by David Princep BSc MAuslMM, 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 Three Months Ended 30 September 2005* *(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 Interim Consolidated Financial Statements for the three months ended 30 September 2005 which are unaudited. The effective date of this report is 11 November 2005.

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 Interim Consolidated Financial Statements for the three months ended 30 September 2005 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 three 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 field work on resource drilling programs at both Langer Heinrich and Kayelekera Uranium Projects (after analysis the results of these programs will be released in the coming months); sale of non-core uranium exploration property and grant of licence over Frome Basin database to Deep Yellow Ltd; and agreement reached to place 35 million fully paid shares via private placement raising A\$77 million (funds received in October 2005) 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 Three Months Ended 30 September 2005*
(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 Interim Consolidated Financial Statements for the three months ended 30 September 2005 are the first financial statements prepared by the Company in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS).

The Company has included in the interim 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 interim 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.

PALADIN RESOURCES LTD

Management Discussion and Analysis For the Three Months Ended 30 September 2005 (All figures are in Australian dollars unless otherwise indicated)

INCOME STATEMENTS

	Three Months Ended 30 September	
	2005 A\$000	2004 A\$000
Revenue from Continuing Operations	571	50
Other Income	647	-
Share Based Payments Expense	(1,522)	-
Other Expenses from Continuing Operations	(1,078)	(121)
Loss from Continuing Operations	(1,382)	(71)
Loss from Discontinuing Operations	-	(12)
Loss Before and After Income Tax	(1,382)	(83)
Loss per Share – basic & diluted (Australian cents)	(0.34)	(0.02)

Revenue from Continuing Operations has increased to A\$571,330 in 2005 as a result of an increase in interest revenue derived from higher cash holdings in 2005 when compared to 2004, and the revenue earned from the Frome Basin database licence to Deep Yellow in 2005.

Other Income in 2005 relates to a A\$441,117 profit on sale of non-core uranium exploration property to Deep Yellow and a A\$205,678 foreign exchange gain mainly attributable to cash holdings in South African rand for the funding of construction activities of the Langer Heinrich Uranium Project.

Share Based Payments Expense in 2005 of A\$1,521,842 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 2005 but not 2004 (no options granted during and no option vesting period for the three months ended 30 September 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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Other Expenses from Continuing Operations have increased to A\$1,078,351 in 2005 as a result of the expanded corporate activities attributable to the significant growth of the Company in the last year.

The *Loss from Discontinuing Operations* in 2004 of A\$12,025 relates to the commercial property sold on 24 June 2005.

The *Loss* for the three months ended 30 September 2005 of A\$1,382,068 compares unfavourably to the loss for the three months ended 30 September 2004 of A\$83,469 as a result of the recognition of Share Based Payment Expense in 2005 and the expanded corporate activities attributable to the significant growth of the Company in the last year, despite the higher Revenue from Continuing Operations and Other Income in 2005.

Earnings Per Share

The *Loss per Share* noted on the Income Statements reflected the loss for the specific reported periods and the additional shares issued in 2005 compared to 2004.

Segment Disclosure

In the Income Statement in 2005 the Company continued to reflect only the Australian geographic segment as a result of the capital nature of the current African activities (Namibia and Malawi).

BALANCE SHEETS

	30 Sept 2005 unaudited A\$000	30 June 2005 audited A\$000
Total Current Assets	35,944	41,885
Total Non Current Assets	33,485	12,699
Total Assets	69,429	54,584
Total Current Liabilities	4,465	1,325
Total Non Current Liabilities	1,153	-
Total Liabilities	5,618	1,325
Net Assets	63,811	53,259

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Management Discussion and Analysis *For the Three Months Ended 30 September 2005* *(All figures are in Australian dollars unless otherwise indicated)*

Current Assets have decreased to A\$35,944,135 at 30 September 2005 as a result of 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 three months ended 30 September 2005. Of the A\$34,909,169 held in cash as at 30 September 2005, A\$33,729,640 has been invested in short term commercial bank bills and term deposits.

Non Current Assets have increased by A\$20,786,052 during the three months as a result of mine construction activities for the Langer Heinrich Uranium Project, acquisition of the remaining 10% joint venture interest in the Kayelekera Uranium Project, bankable feasibility study expenditure for the Kayelekera Uranium Project, project generation exploration and evaluation activities, 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. The Company announcement on 6 July 2005 in relation to this purchase referred to an issue price of A\$1.235 per share, being the 5 day moving average of the Company's share price from 29 June 2005 to 5 July 2005. In accordance with AIFRS the Company is required to value these shares at the date the legal agreement was signed for the purchase – as a result the actual issue price is A\$1.29 per share.

During the three months ended 30 September 2005 the Company acquired an additional 7,500,000 shares and 15,000,000 options (with an exercise price of A\$0.12 and expiry of 31 July 2008) in Deep Yellow 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 30 September 2005 the Company has a revaluation increment for the investments in Deep Yellow as a result of its share price increasing to A\$0.18 from A\$0.067 at 30 June 2005.

Current Liabilities increased to A\$4,464,800 at 30 September 2005 in the main as a result of Langer Heinrich Uranium Project mine construction activities.

Non Current Liabilities of A\$1,153,458 exist as at 30 September 2005 predominantly in relation to the grant of licence for the Frome Basin database to Deep Yellow. 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 30 September 2005 A\$60,526 of the allocated consideration for the licence had been earned, leaving a balance of A\$1,392,107 in consideration (unearned revenue) to be earned over the remaining licence term. Of this unearned licence revenue A\$1,101,580 is non-current at 30 September 2005.

Segment Disclosure

In the Balance Sheet in 2005 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

	Three Months Ended 30 September	
	2005 A\$000	2004 A\$000
Total Equity at the Beginning of the Financial Period	53,259	9,410
Net Income Recognised Directly in Equity	6,052	321
Loss for the Three Months Ended 30 September	(1,382)	(83)
Contributions of Equity, Net of Transaction Costs	5,882	3,095
Total Equity at the End of the Financial Period	63,811	12,743

Net Income Recognised Directly in Equity in 2005 of A\$6,051,205 related to the revaluation increment attributable to the increase in Deep Yellow share price to A\$0.18 from A\$0.067 at 30 June 2005 and the granting of 250,000 unlisted employee options exercisable at A\$1.50 on or before 15 July 2008, after deduction for the exercise of 1,050,000 unlisted employee options exercisable at A\$0.22 on or before 26 May 2006.

Loss for the Three Months Ended 30 September increased in 2005 and this is discussed under the Income Statements section.

Contributions of Equity increased to A\$5,881,945 in 2005 from the 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 30 September 2005 is 406,285,713, an increase of 5,400,000 during the three months. Share options of 32,800,000 remain outstanding at 30 September 2005 to Directors, employees, and consultants directly engaged in corporate, construction and exploration and evaluation work for the Company.

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CASH FLOW STATEMENTS

	Three Months Ended 30 September	
	2005 A\$000	2004 A\$000
Net Cash Outflow from Operating Activities	(353)	(58)
Net Cash Outflow from Investing Activities	(3,950)	(962)
Net Cash Inflow/(Outflow) from Financing Activities	(483)	3,595
Net Increase/(Decrease) in Cash Held	(4,786)	2,575
Cash at the Beginning of the Financial Period	39,489	4,639
Effects of exchange rate changes	206	-
Cash at the End of the Financial Period	34,909	7,214

Net Cash Outflows from Operating Activities increased to A\$352,555 in 2005 primarily from higher payments to suppliers and employees relating to expanded corporate activities attributable to the significant growth of the Company in the last year, despite an increase in interest received from higher cash holdings in 2005 when compared to 2004.

In 2005 *Investing Activities* increased to A\$3,949,906 as a result of mine construction for the Langer Heinrich Uranium Project, bankable feasibility study for the Kayelekera Uranium Project, and project generation exploration and evaluation activities.

Net Cash Inflows from Financing Activities represented a net cash outflow of A\$483,074 in 2005 as establishment costs relating to the Langer Heinrich project finance facility exceeded net proceeds from exercise of 1,050,000 unlisted employee options. The number of shares issued in 2005 was 5,400,000 (including 4,350,000 relating to the non cash acquisition of the remaining 10% joint venture interest in the Kayelekera Uranium Project) a decrease from the 15,500,000 issued in 2004. Overall the *Net Decrease in Cash* in 2005 was A\$4,785,535; which compares unfavourably to the net increase in cash in 2004 as a result of higher operating and investing activities and the cash outflow from financing activities.

In 2005 an A\$205,678 *Effects of Exchange Rate Changes* exists from the translation of foreign currency holdings of cash, mainly South African rand for the funding of construction activities of the Langer Heinrich Uranium Project.

The *Cash* at 30 September 2005 of A\$34,909,169 represents a considerable increase in cash to the comparative period of 2004.

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Management Discussion and Analysis *For the Three Months Ended 30 September 2005* *(All figures are in Australian dollars unless otherwise indicated)*

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal source of liquidity as at 30 September 2005 is cash of A\$34,909,169 (30 June 2005 – A\$39,489,026). Of this amount A\$33,729,640 has been invested in short term commercial bank bills and term deposits.

The Company's principal sources of cash for the three months ended 30 September 2005 were interest received from cash investments and proceeds from exercise of unlisted employee options.

The following is a summary of the Company's outstanding commitments as at 30 September 2005:

<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	23,751,823	23,751,823	-	-
Mineral properties	2,171,000	2,171,000	-	-
Operating leases	665,227	175,113	490,114	-
Manyingee acquisition	750,000	-	-	750,000
Total commitments	27,338,050	26,097,936	490,114	750,000

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.

The Company has no other off balance sheet arrangements.

OUTSTANDING SHARE INFORMATION

As at 11 November 2005 the Company had 444,285,713 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 11 November 2005</i>	<i>Number</i>
Outstanding shares	444,285,713
Issuable under Employee Share Incentive Option Plan	29,800,000
Total	474,085,713

PALADIN RESOURCES LTD

Management Discussion and Analysis *For the Three Months Ended 30 September 2005* *(All figures are in Australian dollars unless otherwise indicated)*

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 and financial investments.

FINANCIAL INSTRUMENTS

At 30 September 2005 the Company has exposure to interest rate risk which is limited to the floating market rate for cash and unsecured bank loans.

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 three months ended 30 September 2005 no payments were made to Director related entities as all Directors throughout this period were employees of the Company and received standard 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 formalised a Disclosure Control Policy in the previous financial year and has applied this policy to the preparation of the Interim Consolidated Financial Statements for the three months ended 30 September 2005 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 Three Months Ended 30 September 2005*
(All figures are in Australian dollars unless otherwise indicated)

SUBSEQUENT EVENTS

Placement

On 30 September 2005 the Company announced that agreement had been reached to place a total of 35 million fully paid shares via private placement at an issue price of A\$2.20 per share, raising A\$77 million before the payment of a 5% commission. The allotment for the placement occurred during the period 13 October 2005 to 21 October 2005 and the placement was made to institutional investment funds in Australia, Canada, US, UK and Hong Kong.

Allotment of Shares

On 7 October 2005, the Company announced the allotment of 3,000,000 fully paid ordinary shares after exercise of 2,250,000 unlisted employee options at A\$0.22 and 750,000 unlisted employee options at A\$0.32.

Repayment and Cancellation of BFS Debt Facility

On 31 October 2005, the Company repaid all outstanding advances including interest and cancelled the loan facility established with Société Générale Australia Branch on 30 September 2004 to fund the Langer Heinrich Bankable Feasibility Study. This decision was made as a result of completing the placement announced on 30 September 2005 and accepting credit committee approved offers of financing totalling US\$71 million for the Langer Heinrich Uranium Project.

The accompanying Interim Consolidated Financial Statements for the three months ended 30 September 2005 and 30 September 2004 have been prepared in accordance with Australian Equivalents to International Financial Reporting Standards and have not been reviewed or audited by the Company's Auditors. The effective date of these Interim Consolidated Financial Statements is 11 November 2005.

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
INTERIM CONSOLIDATED INCOME STATEMENTS
 UNAUDITED – PREPARED BY MANAGEMENT
 EXPRESSED IN AUSTRALIAN DOLLARS

	Three Months Ended	
	30 September	
	2005	2004
	A\$000	A\$000
REVENUE FROM CONTINUING OPERATIONS	571	50
Other income (Note 3(a))	647	-
Share based payments expense (Note 3(b))	(1,522)	-
Interest expense	(12)	-
Exploration costs written off	(60)	-
Depreciation and amortisation	(40)	(18)
Other corporate and administration costs	(966)	(103)
	<hr/>	<hr/>
LOSS BEFORE INCOME TAX	(1,382)	(71)
Income tax expense	-	-
	<hr/>	<hr/>
Loss from continuing operations	(1,382)	(71)
Loss from discontinued operations	-	(12)
	<hr/>	<hr/>
LOSS ATTRIBUTABLE TO MEMBERS OF PALADIN RESOURCES LIMITED	(1,382)	(83)
	<hr/>	<hr/>
	Cents	Cents
Loss per share from continuing operations – basic and diluted	(0.34)	(0.02)
Loss per share attributable to ordinary equity holders – basic and diluted	(0.34)	(0.02)

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

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
INTERIM CONSOLIDATED BALANCE SHEETS
UNAUDITED – PREPARED BY MANAGEMENT
EXPRESSED IN AUSTRALIAN DOLLARS

	30 September 2005 unaudited A\$000	30 June 2005 audited A\$000
ASSETS		
Current assets		
Cash and cash equivalents	34,909	39,489
Receivables	1,035	2,396
TOTAL CURRENT ASSETS	35,944	41,885
Non current assets		
Receivables	880	-
Held to maturity investments	-	-
Available for sale financial assets	10,205	2,430
Property, plant and equipment	6,305	1,268
Exploration and evaluation expenditure (Note 4)	16,095	9,001
TOTAL NON CURRENT ASSETS	33,485	12,699
TOTAL ASSETS	69,429	54,584
LIABILITIES		
Current liabilities		
Payables	3,802	727
Interest bearing liabilities	545	533
Provisions	118	65
TOTAL CURRENT LIABILITIES	4,465	1,325
Non current liabilities		
Payables	1,153	-
TOTAL NON CURRENT LIABILITIES	1,153	-
TOTAL LIABILITIES	5,618	1,325
NET ASSETS	63,811	53,259
EQUITY		
Contributed equity (Note 5(a))	71,874	65,992
Reserves	13,286	7,234
Accumulated losses	(21,349)	(19,967)
TOTAL EQUITY	63,811	53,259

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

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
 UNAUDITED – PREPARED BY MANAGEMENT
 EXPRESSED IN AUSTRALIAN DOLLARS

	Three Months Ended	
	30 September	
	2005	2004
	A\$000	A\$000
TOTAL EQUITY AT THE BEGINNING OF THE QUARTER	53,259	9,410
Available for sale financial assets, net of tax	5,881	-
Grant of unlisted employee options	214	-
Exercise of unlisted employee options	(43)	-
Grant of Société Générale Australia Branch share options	-	321
	6,052	321
NET INCOME RECOGNISED DIRECTLY IN EQUITY		
Loss for the quarter	(1,382)	(83)
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE QUARTER	4,670	238
Contributions of equity, net of transaction costs (Note 5(b))	5,882	3,095
TOTAL EQUITY AT THE END OF THE QUARTER	63,811	12,743

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

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
INTERIM CONSOLIDATED CASH FLOW STATEMENTS
 UNAUDITED – PREPARED BY MANAGEMENT
 EXPRESSED IN AUSTRALIAN DOLLARS

	Three Months Ended 30 September	
	2005 A\$000	2004 A\$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(1,095)	(106)
Interest received	739	40
Interest paid	-	(15)
Property rental income	-	22
Other receipts	3	1
NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES	(353)	(58)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation expenditure	(1,528)	(752)
Payments for property, plant and equipment	(2,422)	(210)
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES	(3,950)	(962)
CASH FLOWS FROM FINANCING ACTIVITIES		
Share placement	-	3,000
Proceeds from exercise of share options	231	99
Equity fundraising costs	(5)	(4)
Project finance facility establishment costs	(709)	-
Proceeds from borrowings	-	500
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	(483)	3,595
NET INCREASE/(DECREASE) IN CASH HELD	(4,786)	2,575
Cash at the beginning of the financial period	39,489	4,639
Effects of exchange rate changes on cash and cash equivalents	206	-
CASH AT THE END OF THE FINANCIAL PERIOD	34,909	7,214

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

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS (FIRST QUARTER) ENDED 30 SEPTEMBER 2005
UNAUDITED – PREPARED BY MANAGEMENT
EXPRESSED IN AUSTRALIAN DOLLARS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report for the interim half year reporting period ended 31 December 2005 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 Interim Consolidated Financial Statements for the three months ended 30 September 2005 in order to comply with applicable Canadian securities law, as the Company is listed on the Toronto Stock Exchange.

This interim 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 interim 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 interim financial report is the first Paladin Resources Ltd interim financial report to be 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 interim financial report for the first quarter ended 30 September 2005, 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 8.

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 INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS (FIRST QUARTER) ENDED 30 SEPTEMBER 2005
UNAUDITED – PREPARED BY MANAGEMENT
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 30 September 2005 and the results of all subsidiaries for the quarter 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.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

(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 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. 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.

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS (FIRST QUARTER) ENDED 30 SEPTEMBER 2005
UNAUDITED – PREPARED BY MANAGEMENT
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.

Translation differences on non-monetary items are reported as part of the fair value gain or loss. Translation differences on non-monetary items are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or borrowings repaid, a proportionate share of such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS (FIRST QUARTER) ENDED 30 SEPTEMBER 2005
UNAUDITED – PREPARED BY MANAGEMENT
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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS (FIRST QUARTER) ENDED 30 SEPTEMBER 2005
UNAUDITED – PREPARED BY MANAGEMENT
EXPRESSED IN AUSTRALIAN DOLLARS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Income tax (continued)

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

Paladin Resources Ltd and its wholly-owned Australian controlled entities have decided to implement the tax consolidation legislation as of 1 July 2003. As a consequence, the Company, as the head entity in the tax consolidated group, recognises current and deferred tax amounts relating to transactions, events and balances of the wholly-owned Australian controlled entities in this group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. Amounts receivable or payable under an accounting tax sharing agreement with the tax consolidated entities are recognised separately as tax-related amounts receivable or payable. Expenses and revenues arising under the tax sharing agreement are recognised as a component of income tax expense/(revenue).

(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.

(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.

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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EXPRESSED IN AUSTRALIAN DOLLARS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(l) Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS (FIRST QUARTER) ENDED 30 SEPTEMBER 2005
UNAUDITED – PREPARED BY MANAGEMENT
EXPRESSED IN AUSTRALIAN DOLLARS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) 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.

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 for all financial assets not carried at fair value through profit or loss. 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 INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS (FIRST QUARTER) ENDED 30 SEPTEMBER 2005
UNAUDITED – PREPARED BY MANAGEMENT
EXPRESSED IN AUSTRALIAN DOLLARS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) 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.

(n) Fair value estimation

The fair value of financial assets and financial liabilities 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 appropriate quoted market price for financial liabilities is the current ask 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. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(o) 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 the costs associated with construction of equipment associated with establishment of an operating mine.

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS (FIRST QUARTER) ENDED 30 SEPTEMBER 2005
UNAUDITED – PREPARED BY MANAGEMENT
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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) 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.

(p) Exploration and evaluation expenditure

Exploration and evaluation expenditure is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure directly related to operational activities in the area 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.

Expenditure is carried forward when incurred if the Directors consider that the costs are expected to be fully recouped through the successful development of the area, or where activities to date have not reached a stage to allow reasonable assessment regarding existence of economically recoverable reserves. Each area of interest is reviewed regularly.

Expenditure is not carried forward in respect of any area of interest unless the Group's rights of tenure to that area of interest are current.

If the project is abandoned or if it is considered unlikely the project will proceed to development, accumulated costs to that point are written off immediately.

Projects are advanced to development status upon positive outcome from feasibility studies and at this stage all expenditure is carried forward up to commencement of operations.

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) 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.

(r) 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.

(s) 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.

(t) 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)

(t) 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 and/or vested before 1 January 2005

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 and vested after 1 January 2005

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.

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

NOTE 2. SEGMENT INFORMATION

**Business segments
- primary reporting**

Three Months Ended 30 September 2005	Resources A\$000	Financial Investments A\$000	Discontinued Operation Property A\$000	Consolidated A\$000
Total segment revenue	571	-	-	571
Loss before income tax expense	(1,382)	-	-	(1,382)
Income tax expense	-	-	-	-
Loss after income tax expense/segment result	(1,382)	-	-	(1,382)
Total assets/segment assets	59,224	10,205	-	69,429
Segment liabilities	5,618	-	-	5,618

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NOTE 2. SEGMENT INFORMATION (CONTINUED)

**Business segments
 - primary reporting**

Three Months Ended 30 September 2004	Resources A\$000	Financial Investments A\$000	Discontinued Operation Property A\$000	Consolidated A\$000
Total segment revenue	40	10	22	72
Loss before income tax expense	(81)	10	(12)	(83)
Income tax expense	-	-	-	-
Loss after income tax expense/segment result	(81)	10	(12)	(83)
Total assets/segment assets	12,509	874	1,209	14,592
Segment liabilities	1,102	-	747	1,849

**Geographical segments – secondary reporting
 Three Months Ended
 30 September 2005**

	Australia A\$000	Africa* A\$000	Consolidated A\$000
Total segment revenue	568	3	571
Loss before income tax expense	(1,382)	-	(1,382)
Income tax expense	-	-	-
Loss after income tax expense/segment result	(1,382)	-	(1,382)
Total assets/segment assets	48,566	20,863	69,429
Segment liabilities	2,746	2,872	5,618

* Namibia and Malawi

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NOTE 2. SEGMENT REPORTING (CONTINUED)

Geographical segments – secondary reporting Three Months Ended 30 September 2004	Australia A\$000	Africa* A\$000	Consolidated A\$000
Total segment revenue	72	-	72
Loss before income tax expense	(83)	-	(83)
Income tax expense	-	-	-
Loss after income tax expense/segment result	(83)	-	(83)
Total assets/segment assets	11,119	3,473	14,592
Segment liabilities	1,849	-	1,849

* Namibia and Malawi

NOTE 3. LOSS FOR THE QUARTER

	30 Sept 2005 A\$000	30 Sept 2004 A\$000
Loss for the quarter 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	-
Foreign exchange gains (net)	206	-
Total other income	647	-
(b) Share based payments expense	(1,522)	-

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 the three months ending 30 September 2005 but not the three months ended 30 September 2004 (no options granted during and no option vesting period for the three months ended 30 September 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 4. EXPLORATION AND EVALUATION EXPENDITURE

The following table details the exploration and evaluation expenditures on interests in mineral properties by area of interest for the three months ended **30 September 2005**:

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 (audited)	5,046	1,774	1,803	194	184	9,001
Acquisition						
Property payments	-	5,614	-	-	-	5,614
Total acquisition	-	5,614	-	-	-	5,614
Exploration and evaluation expenditure						
Tenement costs	-	-	1	-	-	1
Labour	77	95	-	-	28	200
Consultants and contractors	32	17	-	-	32	81
Materials and utilities	3	26	-	-	-	29
Transportation and communications	33	52	-	-	6	91
Outside services	718	293	-	-	-	1,011
Legal and accounting	-	33	-	-	-	33
Insurance	-	5	-	-	-	5
Camp expenses	3	10	-	-	-	13
Other	24	39	-	-	13	76
Total expenditure	890	570	1	-	79	1,540
Write off of expenditure	-	-	-	-	(60)	(60)
Cost of tenements sold	-	-	-	-	-	-
Balance 30 September 2005 (unaudited)	5,936	7,958	1,804	194	203	16,095

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NOTE 4. EXPLORATION AND EVALUATION EXPENDITURE (CONTINUED)

The acquisition expenditure for the Kayelekera Project during the three months ended 30 September 2005 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.

The Company announcement on 6 July 2005 in relation to this acquisition referred to an issue price of A\$1.235 per share, being the 5 day moving average of the Company's share price from 29 June 2005 to 5 July 2005. In accordance with AIFRS the Company is required to value these shares at the date the legal agreement was signed for the purchase – as a result the actual issue price is A\$1.29 per share. This issue price plus the transaction costs for the purchase results in the total A\$5,614,446 acquisition expenditure for the three months ended 30 September 2005.

NOTE 5. CONTRIBUTED EQUITY

(a) Issued and paid up capital

	30 Sept 2005	30 Sept 2004	30 Sept 2005	30 Sept 2004
	Number of shares		A\$'000	A\$'000
Ordinary shares - fully paid	406,285,713	349,185,713	71,874	27,360

(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
	Less: Share issue costs			(5)
	Balance 30 Sept 04	349,185,713		27,360

		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	Placement	4,350,000	1.29	5,612
	Transfer from reserves			44
	Less: Share issue costs			(5)
	Balance 30 Sept 05	406,285,713		71,874

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NOTE 5. 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 Company are as follows:

	30 Sept 2005 Number
Number of unlisted employee options	32,800,000

Consisting of the following:

Expiry date	Exercise price	
26 May 2006	A\$0.22	9,950,000
26 May 2006	A\$0.32	3,000,000
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

NOTE 6. CONTINGENT LIABILITIES

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

NOTE 7. EVENTS SUBSEQUENT TO BALANCE DATE

Placement

On 30 September 2005, the Company announced that agreement had been reached to place a total of 35 million fully paid shares via private placement at an issue price of A\$2.20 per share, raising A\$77 million before the payment of a 5% commission. The allotment for the placement occurred during the period 13 October 2005 to 21 October 2005 and the placement was made to institutional investment funds in Australia, Canada, US, UK and Hong Kong.

Allotment of Shares

On 7 October 2005, the Company announced the allotment of 3,000,000 fully paid ordinary shares after exercise of 2,250,000 unlisted employee options at A\$0.22 and 750,000 unlisted employee options at A\$0.32.

Repayment and Cancellation of BFS Debt Facility

On 31 October 2005, the Company repaid all outstanding advances including interest and cancelled the loan facility established with Société Générale Australia Branch on 30 September 2004 to fund the Langer Heinrich Project Bankable Feasibility Study. This decision was made as a result of completing the placement announced on 30 September 2005 and accepting credit committee approved offers of financing totalling US\$71 million for the Langer Heinrich Project on 29 August 2005.

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NOTE 8. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS

(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	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)	-
		<u>5,802</u>	<u>(1,114)</u>	<u>4,688</u>
Assets held for sale	i	-	1,114	1,114
		<u>5,802</u>	<u>-</u>	<u>5,802</u>
TOTAL CURRENT ASSETS				
Non current assets				
Receivables		64	-	64
Held to maturity investments		800	-	800
Property, plant and equipment		249	-	249
Exploration and evaluation expenditure		3,815	-	3,815
		<u>4,928</u>	<u>-</u>	<u>4,928</u>
TOTAL NON CURRENT ASSETS				
		<u>10,730</u>	<u>-</u>	<u>10,730</u>
TOTAL ASSETS				
LIABILITIES				
Current liabilities				
Payables		554	-	554
Interest bearing liabilities		733	-	733
Provisions		33	-	33
		<u>1,320</u>	<u>-</u>	<u>1,320</u>
TOTAL CURRENT LIABILITIES				
		<u>1,320</u>	<u>-</u>	<u>1,320</u>
TOTAL LIABILITIES				
		<u>9,410</u>	<u>-</u>	<u>9,410</u>
NET ASSETS				
EQUITY				
Contributed equity		24,265	-	24,265
Reserves	ii	174	545	719
Accumulated losses	ii	(15,029)	(545)	(15,574)
		<u>9,410</u>	<u>-</u>	<u>9,410</u>
TOTAL EQUITY				

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NOTE 8. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS
(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 first quarter reporting period under previous AGAAP: 30 Sept 2004

	Notes	Previous AGAAP A\$000	Effect of transition A\$000	AIFRS A\$000
ASSETS				
Current assets				
Cash and cash equivalents		7,214	-	7,214
Receivables		380	-	380
Property, plant and equipment	i	1,110	(1,110)	-
		<u>8,704</u>	<u>(1,110)</u>	<u>7,594</u>
Assets held for sale	i	-	1,114	<u>1,114</u>
TOTAL CURRENT ASSETS		<u>8,704</u>	<u>4</u>	<u>8,708</u>
Non current assets				
Receivables		74	-	74
Held to maturity investments		800	-	800
Property, plant and equipment		442	-	442
Exploration and evaluation expenditure		4,568	-	4,568
TOTAL NON CURRENT ASSETS		<u>5,884</u>	<u>-</u>	<u>5,884</u>
TOTAL ASSETS		<u>14,588</u>	<u>4</u>	<u>14,592</u>
LIABILITIES				
Current liabilities				
Payables		582	-	582
Interest bearing liabilities		1,233	-	1,233
Provisions		34	-	34
TOTAL CURRENT LIABILITIES		<u>1,849</u>	<u>-</u>	<u>1,849</u>
TOTAL LIABILITIES		<u>1,849</u>	<u>-</u>	<u>1,849</u>
NET ASSETS		<u>12,739</u>	<u>4</u>	<u>12,743</u>
EQUITY				
Contributed equity		27,360	-	27,360
Reserves	ii	495	545	1,040
Accumulated losses	i,ii	(15,116)	(541)	(15,657)
TOTAL EQUITY		<u>12,739</u>	<u>4</u>	<u>12,743</u>

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NOTE 8. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS
(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	AIFRS A\$000
ASSETS				
Current assets				
Cash and cash equivalents		39,489	-	39,489
Receivables	ii	568	1,828	2,396
Property, plant and equipment		-	-	-
TOTAL CURRENT ASSETS		40,057	1,828	41,885
Non current assets				
Receivables		-	-	-
Held to maturity investments		-	-	-
Available for sale financial assets	iii	710	1,720	2,430
Property, plant and equipment		1,268	-	1,268
Exploration and evaluation expenditure		9,001	-	9,001
TOTAL NON CURRENT ASSETS		10,979	1,720	12,699
TOTAL ASSETS		51,036	3,548	54,584
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	3,548	53,259
EQUITY				
Contributed equity	iv	65,950	42	65,992
Reserves	ii,iii,iv	174	7,060	7,234
Accumulated losses	i,ii	(16,413)	(3,554)	(19,967)
TOTAL EQUITY		49,711	3,548	53,259

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NOTE 8. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS
(CONTINUED)

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

(a) Reconciliation of Loss for the first quarter ended 30 September 2004

	Notes	Previous AGAAP A\$000	Effect of transition A\$000	AIFRS A\$000
REVENUE FROM CONTINUING OPERATIONS		50	-	50
Other income		-	-	-
Share based payments expense		-	-	-
Interest expense		-	-	-
Exploration costs written off		-	-	-
Depreciation and amortisation		(18)	-	(18)
Other corporate & administration costs		(103)	-	(103)
LOSS BEFORE INCOME TAX		(71)	-	(71)
Income tax expense		-	-	-
Loss from continuing operations		(71)	-	(71)
Loss from discontinued operations	i	(16)	4	(12)
LOSS ATTRIBUTABLE TO MEMBERS OF PALADIN RESOURCES LIMITED		(87)	4	(83)

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**NOTE 8. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS
 (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	AIFRS A\$000
REVENUE FROM CONTINUING OPERATIONS	v	1,582	(810)	772
Other income	v	-	786	786
Cost of tenements sold	v	(24)	24	-
Share based payments expense	ii	-	(3,008)	(3,008)
Interest expense		(354)	-	(354)
Exploration costs written off		(72)	-	(72)
Write down of convertible note		(894)	-	(894)
Depreciation and amortisation		(90)	-	(90)
Other corporate & administration costs		(1,660)	-	(1,660)
LOSS BEFORE INCOME TAX		(1,512)	(3,008)	(4,520)
Income tax expense		-	-	-
Loss from continuing operations		(1,512)	(3,008)	(4,520)
Profit from discontinued operations	i	128	-	128
LOSS ATTRIBUTABLE TO MEMBERS OF PALADIN RESOURCES LIMITED		(1,384)	(3,008)	(4,392)

(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 8. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS
(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 Company 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 Company A\$1,114,242 of current property, plant and equipment has been reclassified to assets held for sale.

At 30 September 2004 and for the First Quarter Ended 30 September 2004

For the Company there has been a decrease in depreciation expense of A\$3,677 (decrease in both accumulated losses and loss from discontinued operation) 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 Company there has been a decrease in depreciation of A\$18,404 (decrease in both accumulated losses and loss from discontinued operation) and a corresponding decrease in the profit on sale (increase in both accumulated losses and loss from discontinued operation) as settlement occurred prior to 30 June 2005 – no net impact.

(ii) *Share-based payment transactions*

Under AASB 2 Share-based Payment, from 1 July 2004 the Company 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.

At 1 July 2004

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

At 30 September 2004 and for the First Quarter Ended 30 September 2004

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

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

For the Company there has been a increase in accumulated losses of A\$3,551,851 (including recognition of a share based payments expense of \$3,007,851), increase in reserves of A\$5,379,955, and an increase in current receivables of A\$1,828,104, as a result of vesting conditions of the options issued to employees (to be expensed in future periods).

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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UNAUDITED – PREPARED BY MANAGEMENT
EXPRESSED IN AUSTRALIAN DOLLARS

**NOTE 8. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS
(CONTINUED)**

(4) Notes to the reconciliations (continued)

(iii) *Financial instruments*

The Company 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 Company does not change.

Under AASB 139, financial assets held by the Company 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 Company.

At 30 September 2004 and for the First Quarter Ended 30 September 2004

There is no effect on the Company.

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

For the Company 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 Company 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 Company.

At 30 September 2004 and for the First Quarter Ended 30 September 2004

There is no effect on the Company.

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 Company 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 8. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS
(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 Company.

At 30 September 2004 and for the First Quarter Ended 30 September 2004

There is no effect on the Company.

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

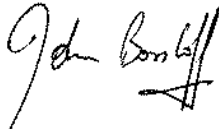
For the Company there has been a decrease in revenue from continuing operations of A\$810,000, a decrease in cost of assets sold of A\$24,425 and an increase in other income of A\$785,575.

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 30 September 2005;
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: 11 November 2005



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 30 September 2005;
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: 11 November 2005



Ron Chamberlain
Chief Financial Officer