



PALADIN RESOURCES LTD

A.C.N. 061 681 098

245 CHURCHILL AVE, SUBIACO WESTERN AUSTRALIA 6008
PO BOX 201, SUBIACO WESTERN AUSTRALIA 6904

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

EMAIL: paladin@paladinresources.com.au

Web: www.paladinresources.com.au

31 January 2005

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

Dear Sir/Madam

QUARTERLY REPORT FOR PERIOD ENDING - 31 DECEMBER 2004

HIGHLIGHTS

- **Uranium Long Term Contract Prices at US\$25.00/lb U₃O₈**
 - **strong disengagement from uranium spot price at US\$20.70/lb U₃O₈**
 - **Langer Heinrich Uranium Project**
 - **BFS scheduled to be completed and signed off early April 2005**
 - **Kayelekera Uranium Project**
 - **BFS program/schedule in preparation**
-
-

URANIUM MARKET – CONTINUING STRENGTH

At the World Economic Forum held in Davos, Switzerland two of the world's biggest fund managers Morgan Stanley and Citigroup, as part of an overall commodities research study, stated they expect uranium prices to double to US\$45.00/lb in the next two years and then expect prices to ease to about US\$22.00/lb U₃O₈ in the longer term. However they also acknowledge that supply restrictions could well persist and this, in conjunction with predicted increase in use of nuclear energy could put longer term upward pressure on pricing.

According to the published Ux longer term U₃O₈ price data, long term pricing has moved from US\$18.00/lb in May 2004 to US\$25.00/lb in December 2004 versus a spot price movement of US\$17.85 to US\$20.70/lb for the same period. This level of separation between term price and spot price has been an extraordinary development which clearly indicates that the buyers' market which has prevailed for 20 years has in a matter of months turned to a clear sellers' market with potential for further strengthening of the producers' position.

Paladin is well positioned to make maximum benefit from this favourable market outlook with its portfolio of quality uranium projects in Namibia, Malawi and Western Australia.

LANGER HEINRICH URANIUM PROJECT (100%)

BFS Progress

The BFS is progressing well with the sign-off by GRD Minproc, the Study Engineers, expected early April 2005. During the quarter the mining studies were progressed with a field visit involving potential mining contractors undertaken early January 2005. Quotations for the carrying out of this mining work are now being awaited. The metallurgical studies have defined a workable flow sheet involving alkaline leaching and studies are in final stages of optimisation. All the responses to the Environmental Assessment document received after the public participation meeting have now been addressed with positive outcomes.

Latest analysis is indicating the cash operating costs will be in the US\$10.00/lb U₃O₈ range which is regarded as a highly encouraging result.

Mineral Resources Upgrade

During the quarter Paladin advised that Hellman and Schofield Pty Ltd (H&S), the mineral resource specialists employed for the Langer Heinrich Bankable Feasibility Study, completed an update of the resource estimates based on 165 holes new infill RC holes totalling 6,521m carried out from September to November 2004 mainly in the Detail 1 Area of the deposit.

This resource re-evaluation work (reported according to the JORC [1999] Code) has substantiated the significantly increased total resources as previously announced.

The Revised Total Mineral Resources including all Detail areas (1 to 7) are now: -

- At 300ppm cut-off

- Measured Resources	11.14Mt at	0.068%	(7,547t contained U ₃ O ₈)
- Indicated Resources	4.42Mt at	0.057%	(2,544t contained U ₃ O ₈)
- Inferred Resources	30.99Mt at	0.074%	(22,956t contained U ₃ O ₈)
Total Mineral Resources	46.55Mt at	0.71%	(33,047t contained U₃O₈)

- At 500ppm cut-off

- Measured Resources	5.65Mt at	0.096%	(5,446t contained U ₃ O ₈)
- Indicated Resources	1.87Mt at	0.083%	(1,560t contained U ₃ O ₈)
- Inferred Resources	15.26Mt at	0.112%	(16,969t contained U ₃ O ₈)
Total Mineral Resources	22.78Mt at	0.105%	(23,975t contained U₃O₈)

- The Detail 1 Area Mineral Resources estimates at the 500ppm cut-off: -

- Measured Resources (above water table)	3.69Mt at	0.094%	(3,461t contained U ₃ O ₈)
- Indicated Resources (above water table)	0.83Mt at	0.084%	(703t contained U ₃ O ₈)
- Inferred Resources (above and below water table)	7.06Mt at	0.1%	(7,305t contained U ₃ O ₈)
Total Resources	11.6Mt at	0.099%	(11,469t contained U₃O₈)

Geochemical analysis is still being awaited to verify the radiometrically determined U₃O₈ grades used to determine the below water table Mineral Resources. Once confirmed it is expected a substantial part of the Detail 1 Area Inferred Resources can be reported as Measured and Indicated Resources.

Drilling Outside Currently Known Mineralisation

Part of the drilling program was designed to test a new interpretation predicting mineralisation extension within a previously unknown and untested palaeochannel extending west of the Detail 1 area. The drilling along 3 x 500m profiles positively confirmed existence of uranium mineralisation in this newly discovered palaeochannel.

Mine Model Implications – with resource upgrade confirmation

The drilling carried out during the quarter has confirmed that a minimum 10 year mine life can be expected from just the Detail 1 and 2 Areas alone at a Run of Mine (ROM) grade of 0.1% U₃O₈. The Pre-Feasibility mine modelling work envisaged a 10 year mine life using similar ROM grades over the whole deposit as contained in the Details 1 to 7 Areas. This positive upgrade allows consideration for the Langer Heinrich mining operations to increase both production and/or mine life and places the Langer Heinrich Deposit in a decidedly different and better framework.

Mining Operational Head Appointed

In anticipation of a positive outcome for the Langer Heinrich Bankable Feasibility Study. Paladin engaged the services of Mr Garnet Halliday in December 2004 to strengthen the team and help facilitate the successful transition to a uranium producer.

Mr Garnet Halliday is a mining professional with over 25 years experience in the minerals sector with a proven track record and demonstrated performance in operations, construction and in particular project start-up both locally and internationally. Mr Garnet Halliday has been appointed as Executive General Manager for Operations and Development.

The extensive experience in the efficient establishment and operation of mining projects, combined with South African experience, makes Mr Halliday ably suited to head the mining arm of Paladin. The prime focus of Mr Halliday will be development of the Langer Heinrich Uranium Mining Project.

KAYELEKERA URANIUM PROJECT (90%)

The priority given to advancing the Kayelekera Uranium Project continues in the light of the dramatic positive changes that have occurred in uranium market outlook.

GRD Minproc has been requested to prepare a Bankable Feasibility Study program/schedule/budget for consideration by the Paladin Board. Work to date has involved visits by Minproc engineers to Perth office to examine the final feasibility study and available related project data established by the previous owners and a site visit to gain necessary familiarity with local conditions to optimise planning.

Discussions have also been held with the Malawi Government regarding the impending BFS planned for start up during the second quarter of 2005. Paladin has received enthusiastic support from the government representatives in regard to future project development.

OTHER URANIUM ACTIVITIES

Sale of Non Core Uranium Properties

During the quarter Paladin sold two non-core uranium exploration properties to Deep Yellow Ltd (DYL). The properties involved are the Napperby and N E Arunta Projects, located in the Northern Territory.

For these properties, Paladin received a consideration comprising a \$100,000 cash payment, 15,000,000 fully paid shares in DYL, 25,000,000 1 cent options exercisable on or before 31 December 2007 and a 2% gross royalty. Paladin will also be reimbursed for any ongoing transitional costs.

With Paladin focussing its efforts on development of its advanced uranium projects in Namibia and Malawi, the Directors believe it more advantageous to the Company to allow, through DYL, the ongoing evaluation and progression of these properties and benefit from any upside through its equity holding in DYL and the royalty component.

CORPORATE

CFO Appointed

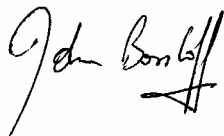
As announced to assist Paladin's growing development and anticipated expansion the Company has appointed Mr Ron Chamberlain as Chief Financial Officer.

His experience in developing an effective corporate finance team for a publicly listed Australian company operating on a global scale, establishing the necessary systems and controls and participation in significant fund raising program in international debt markets will provide added necessary expertise to cater for the growth of Paladin.

Drawdown of Société Générale Loan Facility

As required in the A\$2,000,000 loan facility established with Société Générale Australia Branch (SG Australia) Paladin drew-down A\$500,000 of the facility on the signing of this loan agreement. As part of this drawdown SG Australia was given 10,000,000 options exercisable at 5.5 cents. Subsequently SG Australia elected to exercise these options providing Paladin with a further A\$550,000 in working capital.

Yours faithfully
Paladin Resources Ltd



JOHN BORSHOFF
Managing Director

The information in this report that relates to mineral resources is based on information compiled by Ed Becker BSc (hons), MAusIMM, David Princep BSc MAusIMM each of whom have more than five years experience in estimation of mineral resources and ore reserves. Mr Becker is a full-time employee of Paladin Resources Ltd. Mr Princep is a full-time employee of Hellman & Schofield Pty Ltd. The work has been reviewed by Arnold van der Heyden BSc MAusIMM who is a full-time employee of Hellman & Schofield Pty Ltd. Messrs Becker and van der Heyden each have sufficient experience relevant to assessment of uranium mineralisation to qualify as Competent Persons as defined in the "Australasian Code for Reporting of Mineral Resources and Ore Reserves". Each of the above named consents to the inclusion of the information in the report in the form and context in which it appears. Note: the use of significant figures in the resource tables does not imply precision and is used to avoid round off errors.

Appendix 5B

Mining exploration entity quarterly report

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

Name of entity

PALADIN RESOURCES LTD

ABN

47 061 681 098

Quarter ended ("current quarter")

31 December 2004

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (,6 months) \$A'000
1.1	Receipts from product sales and related debtors		
1.2	Payments for (a) exploration and evaluation	(265)	(422)
	(b) development (BFS)	(679)	(1954)
	(c) production		
	(d) administration	(269)	(411)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	58	98
1.5	Interest and other costs of finance paid	(15)	(30)
1.6	Income taxes paid		
1.7	Other (provide details if material) Rental Income and other income	88	130
	Net Operating Cash Flows	(1082)	(2589)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects		
	(b) equity investments		
	(c) other fixed assets	(45)	(250)
1.9	Proceeds from sale of: (a) prospects	100	100
	(b) equity investments		
	(c) other fixed assets		
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other (provide details if material) Capital contribution – phone tower		
	Net investing cash flows	55	(150)
1.13	Total operating and investing cash flows (carried forward)	(1027)	(2739)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1027)	(2739)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	1256	4355
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	501	501
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material) fundraising costs	(66)	(71)
	Net financing cash flows	1691	4785
	Net increase (decrease) in cash held	664	2046
1.20	Cash at beginning of quarter/year to date	6021	4639
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	6685	6685

Payments to directors of the entity and associates of the directors

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

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	160
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

N/A

Non-cash financing and investing activities

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

N/A

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

N/A

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	2000
3.2	Credit standby arrangements	-

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	300
4.2	Development	1200
Total		1,500

Reconciliation of cash

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

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	640	6021
5.2 Deposits at call	6045	
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	6685	6021

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	Northern Territory EL 9890 EL 24246	Holder Holder (Tenements sold)	100% 100%	Nil Nil
6.2 Interests in mining tenements acquired or increased	South Australia EL 3288	Holder (New grant)	Nil	100%

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

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

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference securities (description)				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	+Ordinary securities	363,885,713	363,885,713		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	4,700,000 10,000,000		15¢ 5.5¢	
7.5	+Convertible debt securities (description)				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options (description and conversion factor)	12,000,000 3,000,000		Exercise price 22¢ 32¢	Expiry date 26.05.06 26.05.06
7.8	Issued during quarter	7,800,000 10,250,000 1,300,000		\$1.00 \$1.00 \$1.25	30.11.07 20.12.07 30.11.07
7.9	Exercised during quarter	4,700,000 10,000,000		15¢ 5.5¢	30.11.04 30.09.07
7.10	Expired during quarter				
7.11	Debentures (totals only)				

+ See chapter 19 for defined terms.

7.12	Unsecured notes (totals only)		
------	--	--	--

Compliance statement

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



Sign here:

(Company secretary)

Date: 31 January 2005

Print name: Gill Swaby

Notes

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

== == == == ==