PALADIN RESOURCES LTD
A.C.N. 061 681 098

GRAND CENTRAL 1ST FLOOR, 26 RAILWAY ROAD
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

25 January 2006

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

Dear Sir/Madam

QUARTERLY REPORT
FOR PERIOD ENDING - 31 DECEMBER 2005

HIGHLIGHTS

- ***Construction on schedule and on budget for Langer Heinrich***
- ***First uranium sales contract achieved***
- ***Mineral Resources upgrade for Kayelekera and Langer Heinrich Projects***
- ***Kayelekera BFS ongoing - early metallurgical work positive***
- ***Uranium spot price currently US$37/lb U_3O_8 (up US$3.25 for the quarter)***

ENERGY POLICY REVERSALS REAFFIRMING NEED FOR NUCLEAR POWER

The UK government is the latest in a long line of governments that have either reversed or are in the process of reversing their nuclear power policies. Having gone through a strong period seeking reliance on gas and renewables (mainly wind) for its base-load electricity needs the UK government is now becoming patently aware of the limitations of this inherently flawed energy strategy. The UK is now set on urgent action to introduce new base load capacity able to also provide carbon free energy security via nuclear power. It is currently deciding on critical need to replace its aging nuclear reactor fleet with new nuclear power plants. The Swedish Government has also affirmed that it is not possible to shut down its power plants without serious disruption to electricity supply and greenhouse emission targets making its 1980 nuclear phase-out policy increasingly irrelevant. Meanwhile the Dutch Prime Minister has proposed to abandon the Government's original plan to shut down one of its power plants in 2013 and allow it to operate until 2033.

The spot price of uranium continues to rise and by mid January it was reported by UxC to be US$37/lb U_3O_8, with upward price pressure still remaining.

LANGER HEINRICH URANIUM PROJECT (100%)

Project Construction

Project construction is being maintained on budget and on schedule. By the end of December 2005 the project was 31% completed and almost 70% of the construction budget had been committed.

The crushing, scrubber, attritioning and CCD plant contracts have been awarded. The Namwater contract for the pipeline and pumping infrastructure has been awarded and approved by the Namwater Board. The second phase of the permanent camp facility had been erected with the camp on schedule to accommodate the remobilisation of the civil and earthworks contractors during January 2005.

A significant achievement has been completion of the foundation pours for the first two leach tanks prior to the Christmas break to optimise work sequencing and commencement of the continuous concrete pours for the tanks to take place immediately on resumption of work in January.

Nampower have completed the erection of the site overhead power supply line, being temporarily supplied at 22 Kv. The temporary supply will be used to provide power for the camp and site offices during the construction period. The power line will then be supplied at 66Kv once the permanent site substation is completed.

Mining

The mining tender package bids have been received and are being evaluated. Bid clarifications will be conducted during January with the contract award scheduled for February. Early indications are in line with the BFS estimated total unit mining costs

Inaugural Yellowcake Sales Contract

In January, Paladin secured its first sales contract for a portion of its yellowcake (U_3O_8) production from the Langer Heinrich Uranium Mining Operation, scheduled for commissioning in September 2006. This sales arrangement with a major US utility is subject to finalisation of all necessary legal documentation.

The sales contract is for the purchase of 2,145,000lbs U_3O_8 for delivery between 2007 and 2012. Pricing will be market related to be determined at time of each delivery with escalating floor and ceiling price components.

This sales arrangement signifies a very important occasion for Paladin and the uranium supply industry generally. Few new companies have entered the uranium market in the past 25 years, reflecting a period of dismal outlook and a uranium mining industry essentially in retreat. The timing of new production from Paladin's Langer Heinrich Mine in Namibia, which is expected to be followed into production in 2008 by its Kayelekera Project in Malawi, provides Paladin with a unique window of opportunity.

General Manager Appointed

Paladin has secured the services of Mr Wyatt Buck, a top uranium operative who will assume the position of General Manager of Langer Heinrich mining operations based in Swakopmund, Namibia.

Wyatt Buck qualified as a Mechanical Engineer from the University of Saskatchewan in 1981 and was later a senior executive for 15 years with the Cameco Corporation, a Canadian company that leads in uranium production. For the past 2 years Wyatt held the position of General Manager of the McArthur River Mine and the Key Lake Mill. This facility is the highest producing uranium operation in the world. Previous to this, Wyatt acquired extensive operational experience at Cameco's Key Lake and Rabbit Lake uranium mining operations holding a variety of key positions. These included Mill Manager, Maintenance Superintendent, Purchasing/Transportation Manager and working with the Engineering and Projects sections which also involved participation in the McArthur River and Cigar Lake feasibility studies.

The Directors consider Wyatt an outstanding addition to the Paladin executive team.

Mineral Resources Estimates Increased

As reported, the Mineral Resource estimates utilising the 2005 drilling results returned very encouraging results. This 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) have completed and independently verified a revised JORC (2000) Code mineral resource estimate of Langer Heinrich.

The Mineral Resource estimation has been calculated by H&S as follows:-

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

250ppm Cut-off	**Mt**	**Grade % U_3O_8**	**Tonnes U_3O_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 the new resource estimates at 250ppm cut off represents an increase in contained U_3O_8 as follows:

- A 24% increase in the Measured and Indicated Resources (from 17,100t to 20,200t U_3O_8).
- A 52% increase in the Inferred Resources (from 15,700t to 23,800t contained U_3O_8).

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 (100%)

Bankable Feasibility Study Progress

Preliminary metallurgical work on selected ore blends from the 2.25t bulk sample sent to the metallurgical laboratories has indicated acid consumption is in line with previous work and confirms a viable basis for the project. Optimisation work to minimise effects of carbonate content in the ore on acid consumption will follow.

The subcontractors for the environmental, geotechnical, hydrological and tailings evaluation have been selected by Minproc, the BFS manager. With the strong emphasis being given to this part of the BFS, Knights Piesold, a highly reputable South African firm, were selected to carry out this work. Follow-up site visits by Knights Piesold commenced in January.

Mineral Reserves Upgraded

Subsequent to the December quarter Paladin advised that infill drilling of the Kayelekera Deposit returned very encouraging results, producing a twofold benefit. Firstly, the results have added significantly to the presently stated Mineral Resource estimates for Kayelekera and secondly, have allowed most of these resources to be classified into the Measured and Indicated Resource Categories with a small percentage retained as Inferred Resources.

The drilling programme, which was carried out from August to October 2005, consisted of 120 RC drill holes for a total of 5,394m. Mineral Resource specialists Hellman and Schofield (H&S) have completed and independently verified a revised JORC (2004) Code mineral resource estimate for Kayelekera which also conforms to the NI 43.101 requirements. The updated NI 43.101 report is in preparation and will be submitted to the Canadian authorities by mid February 2006.

The Mineral Resource estimations are based on the use of a combination of analytical assays (XRF) and downhole gamma logging results, following the application of standard practice radiometric calibration methods for U_3O_8. Approximately 50% of the mineralized holes were assayed for U_30_8 using analytical methods (XRF) for check purposes and to establish disequilibrium parameters for subsequent application to un-assayed radiometrically logged drill hole intervals.

H&S have reported the following resource results:-

At 300ppm U_3O_8 Cut-off

	Mt	**Grade % U_3O_8**	**Tonnes U_3O_8**
Measured Resources	2.20	0.12	2,730
Indicated Resources	13.11	0.08	10,880
Total	**15.31**	**0.09**	**13,630**
Inferred Resources	**3.40**	**0.06**	**2,040**

At 600ppm U_3O_8 Cut-off

	Mt	**Grade % U_3O_8**	**Tonnes U_3O_8**
Measured Resources	1.58	0.16	2,460
Indicated Resources	6.98	0.12	8,240
Total	**8.56**	**0.13**	**10,690**
Inferred Resources	**1.19**	**0.09**	**1,110**

The previously reported mineral resources (at 300ppm cut off) were 9.4Mt of Inferred Resources grading 0.12% U_3O_8 (10,850t of contained U_3O_8). At the time of the previous estimation certain verification work had yet to be completed and none of the resource could be reported by H&S in accordance with the JORC (2004) code and NI 43.101 requirements as Measured or Indicated Resources.

Following the infill drilling and substantiation of the radiometrically determined U_3O_8 grades, now almost all of the deposit reports as Measured and Indicated Resources, giving a very high level of reliability for the mine modelling now underway as part of the Bankable Feasibility Study (BFS).

As can be compared from the above, the resources for Kayelekera have been increased substantially. At the 300ppm cut-off limit, Measured and Indicated Mineral Resources identified amount to 15.31Mt grading 0.09% U_3O_8 and 3.4Mt of Inferred Resources at 0.06% U_3O_8 versus the previously stated total Inferred Resource of 9.4Mt grading 0.12% U_3O_8.

The resource estimates for both the 300ppm and 600ppm U_3O_8 cut-offs are provided herein because at this stage the economic cut-off that will be applied from the mine modelling work is unknown but is expected to be between these two cut-off limits. These results do show, however, that a 10 year mine life producing approximately 1,000t U_3O_8 per year is likely as a minimum and that the possibility exists to extend this mine life and/or annual production depending on the final economics that are determined from the BFS.

The increase in tonnage and decrease in grade from the previously stated resources is due to the fact that the high grade core of the deposit was well defined by previous drilling and the new drilling focussed mostly on defining the peripheral zones of the deposit. Consequently, this work added mainly lower grade material to the resource estimations. In total, however, the new estimate has increased the contained uranium metal in the deposit by 4,820t U_3O_8 or 45%, by Paladin directors which is regarded highly significant.

The 2005 drilling also showed that the mineralisation is not yet fully delineated particularly in the north and south-east and thus potential exists to identify additional resources with future drilling.

<u>State Agreement</u>

A workshop was held in Malawi December 2005 to review the draft State Agreement. In attendance were representatives from Mines and Energy, Finance, President's Cabinet, Reserve Bank, Tax, Labour, Environment and Water and Irrigation Ministries and Departments.

Further meetings are scheduled in February. These will focus specifically on establishing the fiscal framework of the project and progressing the State Agreement.

CORPORATE

Settlement of $77 million placement

In October, the Company allotted 35 million fully paid shares at $2.20 per share, raising $77 million for Langer Heinrich development and working capital. The global placement was co-led by National Bank Financial Inc, based in Toronto and RBC Securities Australia Limited.

Investment in Deep Yellow Limited

In December the Company increased its holding in Deep Yellow Limited to 23.5 million fully paid shares (5.2%).

Annual General Meeting

The Annual General Meeting was held on 9 November 2005 with all resolutions passed.

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.