



PALADIN RESOURCES LTD

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To: The Company Announcements Officer **From:** John Borshoff

Co.: Australian Stock Exchange Limited **Pages:** 9

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➤ **Quarterly Report for Period Ending 31 December 2003**



29 January 2004

The Company Announcements Officer
Australian Stock Exchange Limited
Level 10
20 Bond Street
SYDNEY NSW 2000

Dear Sir/Madam

**QUARTERLY REPORT
FOR PERIOD ENDING - 31 December 2003**

HIGHLIGHTS

- *Uranium market facing severe supply shortage in the mid to long term*
 - *unprecedented situation*
 - *spot price rising, US\$15.50/lbU₃O₈ at 26 January 2004 (up 27% from previous quarter)*

- *Langer Heinrich Uranium Project moving ahead*
 - *bankable feasibility study funding in place*
 - *main component of study starting February 2004*
 - *bulk samples for metallurgical testwork collected*

- *Sale of non-core investments providing additional working capital*

URANIUM MARKET IN UNPRECEDENTED TERRITORY

During this quarter written opinion strengthened within the general nuclear fuel market arena that shortages in uranium supply post 2004 will occur and it is becoming apparent that upward price adjustments in long term sales contracts will be required to redress a fundamental supply/demand anomaly that has emerged. The hefty 27% price hike during the past 4 months with suppliers still unwilling to sell product at the current spot price of US\$15.50/lb U₃O₈ reflects the fact that the product still remains undervalued.

A key development contributing further to the supply shortfall is the announcement this quarter that the Russians have rescinded key international long term contracts to supply secondary uranium to the US and European markets because of increased domestic needs to fuel their own growing nuclear programmes. This, combined with the need for additional uranium due both to improving efficiencies of existing nuclear reactors worldwide and new plant construction, all contribute to stretching the supply shortfall. The US Information Administration for instance recently released data showing that unfilled uranium fuel

requirements for US nuclear utilities in 2006 alone amounted to over 40M lb U₃O₈ (and thereafter this shortfall escalates to 55M lb U₃O₈ in 2012). This is in the context of an overall annual global uranium requirement of approximately 175M lb U₃O₈ most of which will need to come from mine production. This anticipated looming shortage, with little additional mine production coming on line in the foreseeable future to offset it, is awakening what has been a complacent buyer market, taking it into unprecedented territory. All this is predicted to maintain strong upward pressure on the uranium price in the mid to long term.

Since 1997, Paladin has been gradually accumulating its uranium portfolio obtained mostly during a period of downturn in the uranium market and now has ownership of a geographically diversified group of quality projects. Paladin now finds itself in a unique situation within a worldwide context as there are no other junior uranium companies so well equipped to benefit from this buoyant market situation with a bankable feasibility study due to commence on one of its prime projects.

LANGER HEINRICH URANIUM PROJECT (100%)

Feasibility Funding

Société Générale Australia Branch ("SG"), a member of the international banking group, Société Générale, offered Paladin a funding facility of A\$2 million toward finalising the Bankable Feasibility Study ("BFS") for its 100% owned Langer Heinrich Uranium Project located in Namibia.

As previously reported SG has agreed to provide Paladin with loan funds of A\$2 million which is subject to finalisation of legal documentation. The funding is in the form of a secured loan facility at a margin of 3% over the Australian Bank Bill Rate with Paladin having the right to capitalise interest. Should the loan facility be fully drawn, Paladin, will issue a total of SG 39,333,340 three year options exercisable at 5.5 cents. Shareholder approval will be required for the grant of these options and a shareholder meeting will be held on 19 February 2004 to consider this. This loan facility will be for a minimum of A\$0.5 million for which Paladin will issue 10 million of these options with the first drawdown. Thereafter options will be issued to SG pro rata on the basis of 1,955,556 options for each A\$100,000 drawn under the facility. The loan funds will be directed to assisting in completion of the BFS. SG is a well known international lender for project development funding and they are also potentially interested in assisting Paladin in this regard.

Study Progress

In November a field visit was carried out to the project to establish whether sufficient ore sample material was available from existing stockpiles for the forthcoming metallurgical testwork. These ore stockpiles had been previously classified to a high standard by Gencor, however, this required to be verified to confirm grade and quantities available. This was done both with spectrometric and geochemical analysis. This work showed conclusively that sufficient ore material of the grades and quality required exists for the planned metallurgical testwork.

During January, on a subsequent field visit, six tonnes of bulk sample material were collected separated into the 3 main ore classes categorising the orebody. Export permits have been granted by the Namibian Government for immediate transport of the bulk samples to the designated metallurgical laboratories located in Johannesburg.

Also during December Fluor Daniel, the project engineers, finalised the programme and work execution schedule for the BFS. All contractors and consultants who will be contributing to the feasibility study have been selected and await start-up notification during

February. The BFS is estimated to cost A\$2.75M-A\$3M and is planned to take 9 months to complete.

Uranium Marketing

Paladin is pleased to advise that it has engaged the services of a U.S.-based consulting company, with more than 25 years experience in the international uranium market, to provide guidance on crucial uranium market factors and emerging trends as input to the BFS and further prepare the Company for future sales of its anticipated production under long-term sales arrangements.

SALE OF NON-CORE INVESTMENTS

The sale of Paladin's investment in ST Synergy Ltd and its option holding in Marengo Mining Ltd together with recoupment of costs from Marengo provided \$670,000 in additional working capital.

CORPORATE

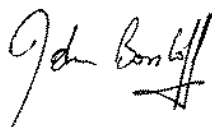
Placement

Subsequent to the end of the quarter the Board resolved to place up to 10 million fully paid shares at an issue price of 5.25 cents to clients of Shaw Stockbroking Limited. The issue will raise up to \$525,000 which will be utilised for advancing the BFS on the Langer Heinrich Uranium Project.

Extraordinary General Meeting

An Extraordinary General Meeting of the Company will be held at the Celtic Club, 48 Ord Street West Perth on Thursday 19 February at 10.00am for the purposes of approving the issue of options to Société Générale.

Yours faithfully
Paladin Resources Ltd



JOHN BORSHOFF
Managing Director

Information in this quarterly report has been compiled by corporate members of the Australian Institute of Mining and Metallurgy who have had more than five years experience in the field of activity reported herein.

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 2003

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	(117)	(135)
(b) development		
(c) production		
(d) administration	66*	(54)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received		
1.5 Interest and other costs of finance paid	(13)	(26)
1.6 Income taxes paid		
1.7 Other (provide details if material) Rent	13	26
	(51)	(189)
Net Operating Cash Flows		
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects		
(b) equity investments		
(c) other fixed assets		
1.9 Proceeds from sale of: (a)prospects		
(b)equity investments	478	478
(c)other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
Net investing cash flows	478	478
1.13 Total operating and investing cash flows (carried forward)	427	289

**Net after cost reimbursement from Marengo Mining Ltd of \$132,000*

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	427	289
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	133	178
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings	(5)	(5)
1.18	Dividends paid		
1.19	Other (provide details if material)	-	(5)
	Net financing cash flows	128	168
Net increase (decrease) in cash held			
1.20	Cash at beginning of quarter/year to date	24	122
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	579	579

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	88
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

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

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

+ See chapter 19 for defined terms.

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		
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	250
4.2 Development	
Total	250

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	579	24
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	579	24

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	EL2862	Holder (Tenement Expired)	100%	Nil
6.2 Interests in mining tenements acquired or increased				

+ See chapter 19 for defined terms.

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 <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	280,935,713	280,935,713		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	7,350,000	7,350,000	2.1¢	
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	62,250,000 4,700,000 4,500,000 4,200,000 3,800,000	62,250,000	<i>Exercise price</i> 10¢ 15¢ 1.1¢ 1.2¢ 1.3¢	<i>Expiry date</i> 21/01/04 30/11/04 31/03/04 31/12/04 30/11/05
7.8 Issued during quarter	4,500,000 4,200,000 3,800,000		1.1¢ 1.2¢ 1.3¢	31/03/04 31/12/04 30/11/05
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				

+ See chapter 19 for defined terms.

7.12	Unsecured notes (totals only)		
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Compliance statement

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



Sign here:

(Company secretary)

Date: 29 January 2004

Print name: Gill Swaby

Notes

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

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+ See chapter 19 for defined terms.