

**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

Fax

AUSTRALIAN STOCK EXCHANGE



PDN000261

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

Co.: Australian Stock Exchange Limited **Pages:** 10

Fax: 1300 300 021 **Date:** 31 January 2003

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➤ **Quarterly Report for Period ended 31 December 2002**

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31 January 2003

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 2002**

HIGHLIGHTS

- *Uranium breaks the critical US\$10/lb barrier*
 - *Positive Langer Heinrich Project Re-evaluation*
 - *Canadian company acquires interest in Mt Lofty Pt/Pd Joint Venture Project*
 - *Board restructured and new Chairman appointed*
-
-

URANIUM PRICE BREAKS US\$10/lb BARRIER

The emerging awareness, globally for the need to generate clean, safe electricity with no dangerous greenhouse gas emissions is further highlighting the need to expand the use of nuclear power. This positive development is reflected by the steady increase in the spot price of uranium in recent months. The price of uranium has now reached US\$10.20/lb U₃O₈ (A\$18.55/lb) having broken through the critical US\$10.00/lb barrier. This is the first time since August 1999 that such a breakthrough has occurred and is regarded as a highly significant event in uranium market terms. It should be noted that long term contracts for uranium normally attract a premium of 25% to 30% above the spot uranium price which, on current prices, makes contracted uranium oxide worth in the vicinity of US\$12.75 to US\$13.26/lb U₃O₈.

LANGER HEINRICH URANIUM PROJECT

Paladin's full review of the Langer Heinrich Project is almost complete and the Bankable Feasibility Study (BFS) parameters are being finalised utilising a more appropriate, streamlined and cost effective approach. The cost of the proposed BFS has been reduced by 48% from the A\$8.8M estimated by the previous owners. This substantial cost rationalisation is being achieved principally from the cost reductions emanating from an improved ore resource status and confirmation that a simpler flowsheet for ore processing can be applied. The extent of the expected capital cost reduction for project development is also significant and the overall effect in the director's view is to place the project in a more favourable development framework.

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Comparison of the Paladin results to date and that of the previous owners (Aztec Resources Ltd, then called Acclaim Uranium NL ("Acclaim")) is summarised below.

Key Criteria	Paladin Evaluation Results	Acclaim Prefeasibility Study
Ore Resources (Global) (200ppm cut off):	(50Mt at 0.06% contained 29,900t U ₃ O ₈)	(61.6Mt at 0.055% contained 34,300t U ₃ O ₈)
Ore Resource Categorisation <u>Inferred Resource</u> <u>Indicated Resource</u> <u>Measured Resource</u>	50% 40% 10% (no drilling pre BFS)	86% 14% 0 (more drilling pre BFS)
Ore Processing Route	Single flowsheet focus	Multiple flowsheet determinations
BFS Cost (estimate)	A\$4.5M	A\$8.8M
BFS Timing (estimate)	12 months	12 months
CAPEX (estimate)	A\$68.4M	A\$84M
Production/Mine Life	1,000t U ₃ O ₈ /11 years	1,000t U ₃ O ₈ /11 years

Even when applying more conservative operating cost estimations as determined by Paladin (US\$6.46 vs US\$5.70 previously) initial financial modelling indicates the project returns at the model price of US\$14/lb U₃O₈ remain strong.

The Langer Heinrich Project is showing the hallmarks of being a world class low cost uranium producer, having robust project economics located in a country which is supportive of the mining industry including uranium mining.

The Company has advised Fluor Daniel of Johannesburg they have been chosen as the preferred engineer for the project. Work for the next period will concentrate on finalising with Fluor detailed costing and scope of work for the BFS and commence negotiating loan and project equity funding for the BFS.

MT LOFTY JOINT VENTURE

Conditional approval has been received from the TSX Venture Exchange in Canada for the acquisition of Balmain Resources Pty Ltd joint venture interests in Paladin's Mt Lofty properties by Absolut Resources Corp a Canadian publicly listed company. Absolut will need to spend a total of \$750,000 over four years to earn a 45% equity interest in Paladin's granted Exploration Licences 2862 and 2863 in South Australia. Absolut must spend \$60,000 in the first 12 months before it can withdraw and on completion of this initial expenditure will earn 10% interest in each Licence. Paladin is the manager of this joint venture.

Previous exploration on the licences identified platinum association within an area of known gold, copper and uranium mineralization. Follow-up sampling confirmed concentration of encouraging Pt/Pd mineralization in two prospects. The Inglewood prospect returned a maximum of 1.2ppm combined Pt/Pd and at the Houghton prospect an anomaly over 1.5km strike length was delineated by elevated Pt/Pd values.

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Work is planned to commence this current quarter to test potential of the identified prospects and will include evaluation of airborne geophysical data which has been recently flown over the tenement areas, detailed mapping and geochemical sampling of the prospect areas. Any geophysical anomalies which have been delineated will be followed-up with groundwork. This phase of field work will be focused on defining a specific drilling program to test the priority targets. Exploration access for the initial work on the tenements has already been cleared with the relevant freehold landowners.

OTHER INVESTMENTS**Coretel Pty Ltd**

The Deed of Company Arrangement (DOCA) for Coretel entered into by the Avanti Group International Pty Ltd (AGI) was finalised 22 November 2002.

Coretel has been successfully merged with e-span Solutions Pty Ltd (e-span). The business is operating from the existing Coretel premises at Belmont. Paladin retains a convertible note of \$800,000 with a term of 4 years. The convertible note will accrue interest at a rate of 5% per annum payable at maturity. On the present corporate structure Paladin has the right to a 30% equity in this new merged group via its convertible note facility and this conversion is at Paladin's discretion. Pursuant to Coretel's DOCA, Paladin will also receive 30% of the net proceeds from the damages claim which is currently underway against Nortel (equipment supplier to Coretel). This action is fully funded by an independent insurance litigator.

As part of the schedule of payments agreed under the terms of the DOCA eSpan made its first scheduled payment by the due date of 21 January 2003.

Sale of Building

Paladin, through its wholly owned subsidiary, Etron Properties Pty Ltd, accepted an offer by Avanti Group International Pty Ltd (AGI) to purchase its Belmont property for \$1,250,000. The contract was subject to a 28 day due diligence and finance approval period, with settlement 21 days thereafter. Delays have occurred in finalisation of this sale due to AGI negotiating an overriding agreement with a third party who will also be part of the purchasing group for the building. The sale of the building remains conditional the directors of Paladin will advise when these negotiations are finalised

Additionally Etron has the opportunity of receiving a further \$40,000 from one of the tower lessees to be paid on completion of construction of their facility on the property.

After repayment of finance on the property, this sale will give Paladin a cash injection of approximately \$500,000 to further pursue and develop its uranium and broad mineral database interests.

Marengo Mining Limited

The buoyant gold price (January range US\$340 to US\$370/oz) combined with the highly encouraging results coming out of the Ashburton Gold Province as recently reported by Pelican Resources and Newcrest Mining Ltd from properties located along structural zones extending into the Marengo tenements has given added impetus to the management to list Marengo on the ASX.

Marengo has now received heritage clearances over their Kunderong and Salt Water Projects and field activities commenced prior to the Christmas break.

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CORPORATE

Change of Board

On 22 November 2002 the Company was served with a requisition calling for a general meeting of shareholders. The requisition sought the removal of all Board members. During the period until 22 January 2003, the date of the Extraordinary General Meeting considerable effort was made to fully review and restructure the company's operations and arrive at a solution satisfactory to all parties.


As part of the restructuring/review of Paladin's forward strategy, personnel and Board structure, Mr D Ross Kennedy replaced Dr Doug Dunnet on 10 December 2002 as Chairman and the Board reluctantly accepted the resignation of Ms Gillian Swaby as director with effect 1 February 2003 and as Company Secretary with effect from 1 April 2003. At this stage the Company has elected not to appoint a replacement director in the light of reducing costs and pending development of its Langer Heinrich Project in Namibia. The Board would like to thank Gillian and Doug for their dedicated efforts since inception of the company and wish them both all the best for the future.

Prior to the EGM on 22 January a letter was received from representatives of the dissenting shareholder group advising they would not contest the vote regarding the removal of the directors on the basis that they believed the company restructure and strategic plans were positive for the future.

The Annual General Meeting was held on 28 November and all resolutions were upheld including the appointment of RSM Bird Cameron as auditors.

An Extraordinary General Meeting was held 22 January and members present and by proxy voted overwhelmingly in favour of all sitting Board members.

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

Rule 5.3

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')

31.12.02

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 refer 2.1 overleaf (b) development (c) production (d) administration	(34) 36 (110)	(156) (190)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	1	1
1.5 Interest and other costs of finance paid	(15)	(30)
1.6 Income taxes paid		
1.7 Other (provide details if material) Rent Fundraising costs	23 (17)	30 (17)
Net Operating Cash Flows	(116)	(362)
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 (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	-	-
1.13 Total operating and investing cash flows (carried forward)	(116)	(362)

+ See chapter 19 for defined terms.

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30/9/2001

Appendix 5B**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(116)	(362)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	23	114
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows	23	114
	Net increase (decrease) in cash held	(93)	(248)
1.20	Cash at beginning of quarter/year to date	132	287
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	39	39

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	29
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

Shares issued in prior quarter in respect of technical consulting fees for Langer Heinrich Uranium Project (refer ASX release)

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

Appendix 5B
Mining exploration entity quarterly report

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	150
4.2 Development	
Total	150

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	39	
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	39	

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	No Change		
6.2 Interests in mining tenements acquired or increased	Mineral Deposit Retention Licence 2236 (Namibia) Purchase of Langer Heinrich Uranium (Pty) Ltd	Nil	100%

+ 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	233,185,713	233,185,713		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
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>	52,303,071 4,700,000 62,250,000	52,303,071 - 62,250,000	<i>Exercise price</i> 15¢ 15¢ 10¢	<i>Expiry date</i> 31/05/03 30/11/04 21/01/04
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				


+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

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:



(Director/Company secretary)

Date: 31 January 2003

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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