



QUARTERLY REPORT TO THE AUSTRALIAN SECURITIES EXCHANGE FOR THE PERIOD ENDING 31 DECEMBER 2008

PERTH, Western Australia: Fusion Resources Limited (Fusion or Company) (ASX: FSN, TSX: FNS) is pleased to present its quarterly report for the period ending 31 December 2008. The Company is now the subject of a conditional scrip takeover offer from Paladin Energy Ltd (**Paladin**).

Highlights during the quarter included:

Paladin Takeover Offer

- On 2 December 2008 Paladin announced an off-market scrip takeover offer (**Offer**) for all of the ordinary shares in Fusion, which is scheduled to close at 5:00pm (WDST) on 12 February 2009.
- The consideration under the Offer comprises 1 fully paid ordinary Paladin share for every 6 fully paid ordinary Fusion shares, implying a price of A\$0.508 per Fusion share based on yesterday's closing price of Paladin shares on the ASX of A\$3.05.
- At 29 January 2009, Paladin held a relevant interest in 44,818,289 (92.44%) of Fusion's ordinary shares on issue.
- The Offer is subject to a number of conditions. At the date of this report the conditions relating to minimum acceptance, consent to quotation, lender's consent, preference shares, Valhalla North Uranium Project JORC Code resource, and settlement of contingent liability had been fulfilled.
- As a result of the settlement of the Cazaly contingent liability and Fusion's continuing operations in general, the cash balance condition to Paladin's takeover offer (as set out in section 12.8(g) of the Bidder's Statement) is likely to be breached.

Valhalla North Uranium Project

- On 10 December 2008 the Company announced its maiden resource at its 100% owned Valhalla North Project, comprising the Honey Pot and Duke Batman deposits.
- Honey Pot has an Inferred Mineral Resource of 2.56Mt @ 700ppm (0.070%) U₃O₈ for a contained **3.96Mib U₃O₈**, estimated using a cut-off grade of 250ppm (0.025%) U₃O₈ and reported in accordance with the JORC Code and NI 43-101.
- Duke Batman has an Indicated Mineral Resource of 0.50Mt @ 780ppm (0.078%) U₃O₈ for a contained **0.86Mib U₃O₈**; and an Inferred Mineral Resource of 1.61Mt @ 630ppm (0.063%) U₃O₈ for a contained **2.24Mib U₃O₈**, estimated using a cut-off grade of 250ppm (0.025%) U₃O₈ and reported in accordance with the JORC Code and NI 43-101.

PALADIN TAKEOVER OFFER

On 2 December 2008 Paladin announced an off-market scrip takeover offer for Fusion.

The consideration under the Offer comprises 1 fully paid ordinary Paladin share for every 6 fully paid ordinary Fusion shares, implying a price of A\$0.508 per Fusion share based on yesterday's closing price of Paladin shares on the ASX of A\$3.05.

On 2 December 2008, being the date the Offer was announced, the Offer valued Fusion at approximately A\$17.8 million and provided an attractive premium of 59% to the closing price for Fusion shares on the ASX on 1 December 2008 of A\$0.230, being the last trading day prior to Fusion shares being placed in a trading halt.

Paladin's bidder's statement dated 17 December 2008 and supplementary bidder's statement dated 19 December 2008 (together the **Bidder's Statement**) and Fusion's target's statement dated 19 December 2008 (**Target's Statement**) have been sent to shareholders.

On 22 January 2009 Paladin extended the Offer period so that it is now scheduled to close at 5:00pm (WDST) on 12 February 2009.

The Offer is subject to a number of conditions (refer to Bidder's Statement and Target's Statement for further details). At the date of this report the conditions relating to minimum acceptance, consent to quotation, lender's consent, preference shares, Valhalla North Uranium Project JORC code resource, and settlement of contingent liability had been fulfilled.

As a result of the settlement of the Cazaly contingent liability and Fusion's continuing operations in general, the cash balance condition to Paladin's takeover offer (as set out in section 12.8(g) of the Bidder's Statement) is likely to be breached.

Fusion's directors have unanimously recommended that Fusion shareholders accept the Paladin offer, in the absence of a superior offer. As announced on 8 January 2009 Fusion's directors have accepted the Paladin offer in respect of their own shareholdings.

The proposed acquisition represents an important addition to the portfolio of uranium exploration projects in the Mt Isa region currently controlled by Paladin, and another step forward in Paladin's aim of developing a world-class uranium mining and processing operation in Queensland. Whilst this ultimately depends on a change in State Government policy in Queensland regarding uranium mining, Paladin plans to continue to progress exploration and appraisal of the Mt Isa projects to ensure readiness if and when this policy change occurs.

Fusion shareholders who accept the Offer will:

- retain the exploration upside associated with Fusion's projects and continued exposure to potential changes in Australian State Government uranium mining policy;
- benefit from becoming shareholders in a uranium producing company, inherit a management team and board with the requisite skills and demonstrated ability to bring a uranium operation into production; and
- obtain increased liquidity of their investment through owning Paladin shares.

At 29 January 2009, Paladin held a relevant interest in 44,818,289 (92.44%) of the Company's shares on issue.

Background Information on Paladin

Paladin is listed on both the Australian Securities Exchange and the Toronto Stock Exchange under the symbol "PDN" with a number of international subsidiary listings.

Paladin is a uranium resources company with a focus on the development and operation of uranium projects in Africa and Australia. During the past three years, Paladin has developed and commissioned the 100% owned Langer Heinrich uranium mine and processing plant in Namibia and begun construction of the Kayelekera uranium mine and processing plant in Malawi (with commissioning of this project expected in the first quarter of 2009). In addition, through its acquisition of 100% of Valhalla Uranium and 81.9% of Summit, Paladin has a majority interest in, and control of, a portfolio of uranium exploration projects in the Mt Isa region of Queensland (complementing its portfolio of existing Australian uranium exploration projects).

Further information regarding Paladin and its key assets can be found in Paladin's latest Annual Report (a copy of which can be found on Paladin's website, www.paladinenergy.com.au).

QUEENSLAND URANIUM PROJECTS

Fusion continued to focus on uranium exploration in the world class Mount Isa province in northwest Queensland during the quarter. Fusion's principle focus is the Valhalla North Project.

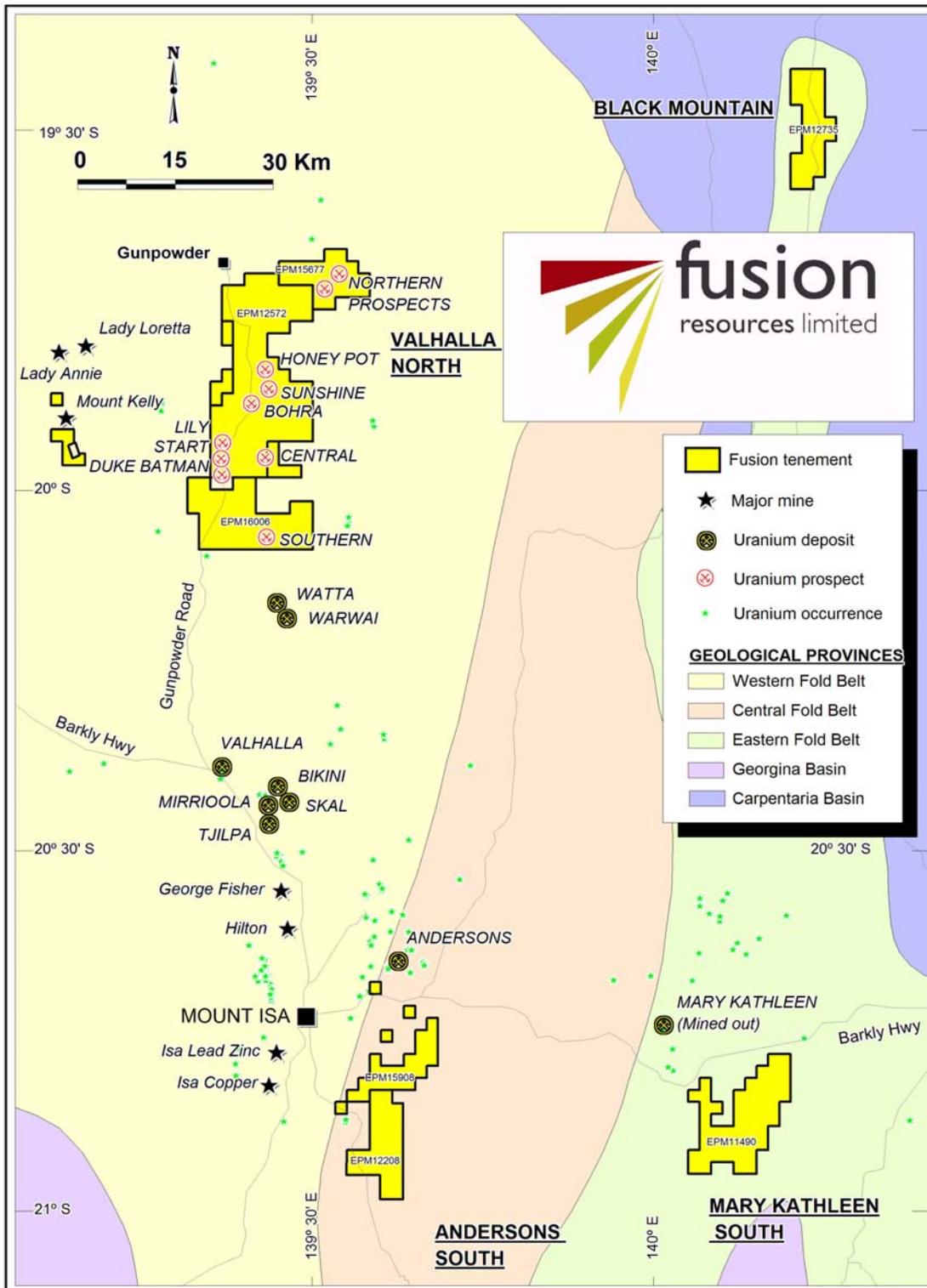


Figure 1: Location of Queensland Uranium Tenements

Valhalla North Uranium Project

(EPM 12572, EPM 15677 and EPM 16006)

The Valhalla North Project is located 45km to the north of the Valhalla and Skal Uranium Deposits operated by Summit Resources.

CSA Global Pty Ltd (**CSA**) has undertaken an independent Mineral Resource estimation in accordance with both the JORC Code and NI 43-101 and has reported the following Mineral Resource estimates in relation to the Project:

	Mt	ppm U ₃ O ₈	% U ₃ O ₈	t U ₃ O ₈	Mlb U ₃ O ₈	Density
Duke Batman:						
Indicated Resource	0.50	780	0.078	0.39	0.86	2.8
Inferred Resource	1.61	630	0.063	1.02	2.24	2.8
Honey Pot:						
Inferred Resource	2.56	700	0.070	1.80	3.96	2.8

Note: Apparent differences may occur due to rounding.

The Mineral Resource estimates above were based on reverse circulation (**RC**) drilling programs undertaken in 2007 and 2008 and a diamond drilling program undertaken in 2008 at Duke Batman and Honey Pot.

The drilling comprised a total of 75 RC drill holes for 10,521m and 6 diamond drill holes for 641.1m at Duke Batman and 46 RC drill holes for 5,483m and 3 diamond drill holes for 330.7m at Honey Pot.

A NI 43-101 Technical Report titled "NI43-101 Technical Report, Valhalla North - Queensland, Australia, Duke Batman and Honey Pot Resource Estimates" was filed with the Ontario and British Columbia Securities Commissions on 23 January 2009.

The Mineral Resource estimations are based on U₃O₈ X-ray Fluorescence Spectroscopy (**XRF**) analytical assays from both RC and diamond drill hole sampling. Sample preparation and sample analysis was conducted by ALS Chemex (Brisbane laboratory).

The resource estimate was undertaken by CSA. The digital geological resource model is calculated using Ordinary Kriging. A uniform density of 2.8 was used from diamond drill core analysis. The resource uses a cut off grade of 250ppm U₃O₈ from XRF analysis.

The CSA Mineral Resource was estimated by construction of a block model within constraining wireframes. The resource reported has been rounded to reflect the fact that it is an approximation.

Mineral Resources that are not Ore Reserves do not have demonstrated economic viability. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, marketing, or other relevant issues. Importantly, it is noted that the Queensland State Government currently prohibits the mining of uranium. Unless there is a change in this policy, an Ore Reserve estimate for the Project cannot be determined.

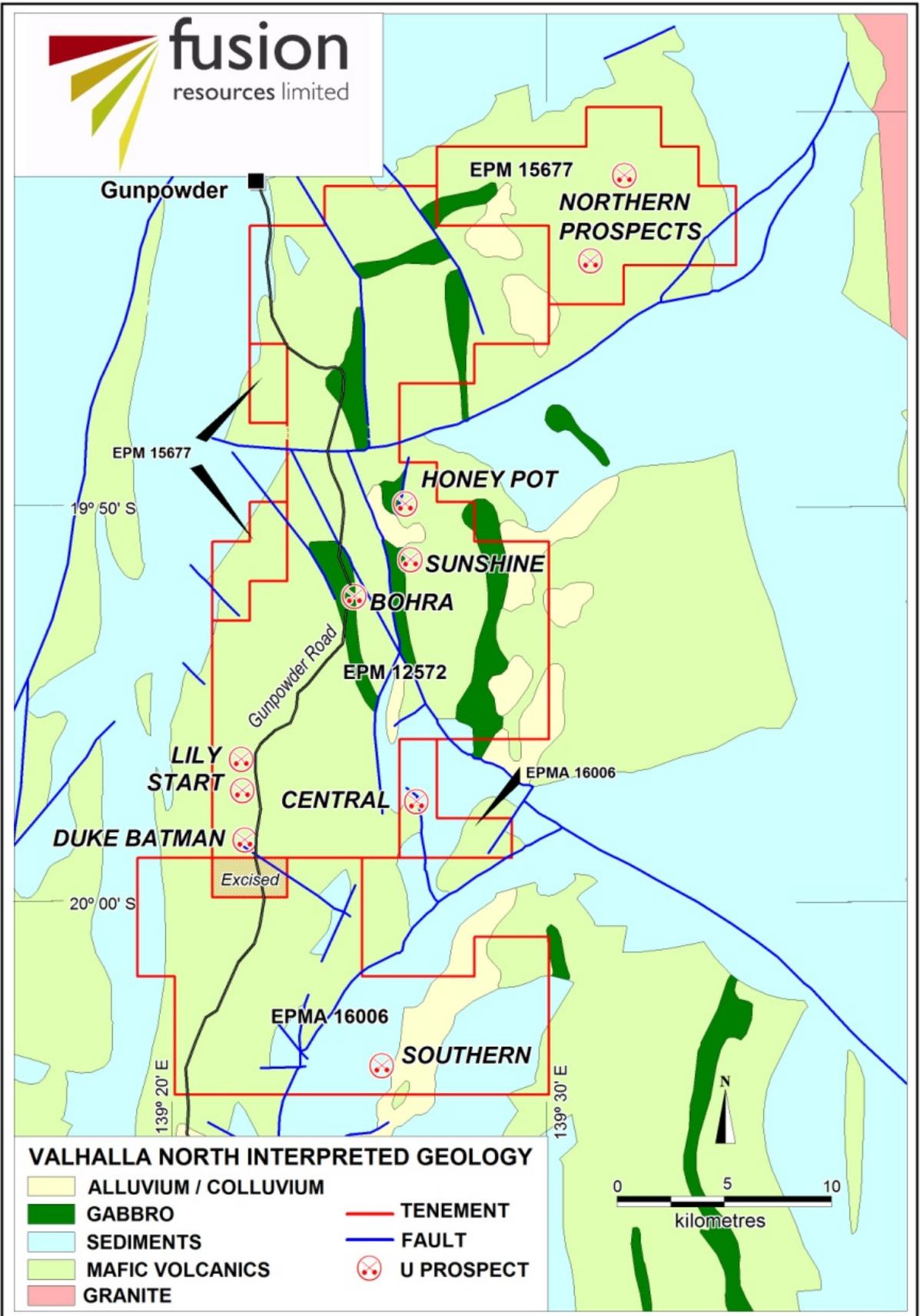


Figure 2: Valhalla North Interpreted Geology

Duke Batman Deposit

The Duke Batman deposit is located within the Company's 100% owned Valhalla North Project and approximately 45km north of Summit Resources Limited's (ASX: SMM) Valhalla uranium deposit.

The mineralisation at Duke Batman appears to be of a similar style to that of Valhalla, which contains a Measured Mineral Resource of 8.31Mt @ 883ppm U₃O₈ for a contained 16.2Mlb of U₃O₈, an Indicated Mineral Resource of 19.49Mt @ 894ppm U₃O₈ for a contained 38.4Mlb of U₃O₈; and an Inferred Mineral Resource of 7.3Mt @ 799ppm U₃O₈ for a contained 12.9Mlb of U₃O₈. These resources were estimated using a cut-off grade of 230ppm U₃O₈ and reported in accordance with the JORC code (refer Summit ASX release dated 16 January 2009).

The Company completed its maiden RC drilling program at Valhalla North in December 2007, and a second RC and Diamond drilling program in July 2008. Drilling at the Duke Batman deposit consists of 75 RC holes, for a total of 10,521 metres and 6 diamond drill holes, for a total of 641.1 metres. All holes had a dip of -60 degrees. Five of the diamond drill holes at Duke Batman had an azimuth of 355 degrees, one hole had an azimuth of 015 degrees. The RC drilling at Duke Batman consisted of 66 holes with a northerly azimuth, five holes had a southerly azimuth, two holes had an azimuth of 115 degrees, the remaining two holes had an azimuth of 288 degrees.

The resource estimation at Duke Batman includes intersections as shallow as 4m to a maximum intercept depth of 220m down hole (~190m vertical). The resource model was extended to a maximum vertical depth of between 65 and 225m for varying mineralised zones over a strike of 700m.

The mineralisation is open down plunge and further drilling has the potential to increase this resource at depth.

Honey Pot Deposit

The Honey Pot deposit is located within the Company's 100% owned Valhalla North Project and approximately 100km north of Mt Isa in northwest Queensland.

Drilling at the Honey Pot deposit consists of 46 RC holes, for a total of 5,483 metres and 3 diamond drill holes, for a total of 330.7 metres. All holes had a dip of -60 degrees. The diamond drill holes at Honey Pot had an azimuth of 090 degrees. The RC drilling at Honey Pot consisted of 29 holes with a westerly azimuth and 17 holes with an easterly azimuth. The mineralisation at Honey Pot has a strike of 1,400m, trending north south with a sub vertical dip. The lateral extent of the Honey Pot deposit ranges between 15m and 35m, with a maximum vertical depth of approximately 160m.

The mineralisation is open down plunge and further drilling has the potential to increase this resource at depth.

QUEENSLAND GOLD AND BASE METAL PROJECTS

Tate River Joint Venture (Fusion 100%, diluting to 50%)

(EPM 11866, EPM 12120 and EPM 14349)

Fusion has entered into a joint venture with Sovereign Metals Limited (**Sovereign**) in relation to the Company's Tate River Project.

Under the terms of the agreement, Sovereign, by spending A\$50,000 on a review of the Project, has the option to elect to earn an initial 50% interest in the Tate River Project tenements by spending A\$1.45 million. Sovereign has recently notified Fusion that it intends to earn an interest and Fusion will be free carried up to the date that Sovereign earns this 50% interest. Fusion can then elect to maintain its 50% interest going forward. If Fusion elects not to maintain its 50% interest, Sovereign then has the option to earn a further 25% interest (up to a maximum of 75%) by spending a further A\$1.5 million.

This agreement allows mineral exploration on the under-explored Tate River Project to be accelerated by Sovereign whilst Fusion retains a direct interest in the Project and focuses on its uranium projects.

A diamond drill program was completed at the Blade Prospect in 2008. At the Blade Vein, a total of 632m was drilled to test the strong continuous induced polarisation (**IP**) chargeability anomaly underlying the Blade near surface mineralisation. The results indicated that the vein is host to shallow gold, silver, lead and zinc mineralisation over a 1.5km strike length.

Best diamond drill results received include:

- TRD002: 2 m @ 18g/t. Ag, 1.3% Pb, 1.3% Zn from 148m
- TRD003: 3m @ 51g/t. Ag, 2.2% Pb, 2.3% Zn, & 0.60g/t Au from 120m
- TRD004: 2m @ 18g/t. Ag, 1.3% Pb, 1.5% Zn from 217m

BHP Eastern Succession Joint Venture (Fusion 49%, diluting to 30%)

(EPM 9462)

The Company has one Joint Venture with BHP Billiton, comprising EPM9462, which is located south of Cloncurry. Under the terms of the JV agreement, BHP Billiton is required to spend A\$250,000 on the tenement to earn a 51% interest in the joint venture.

BHP Billiton has notified Fusion that it has earned its initial 51% equity interest. BHP Billiton can spend an additional A\$250,000 to advance to 70% and a further A\$1.5M to secure 80% equity in the EPM and the exploration is focussed on discovering Ag-Pb-Zn mineralisation.

During the quarter BHP Billiton completed a surface gravity program consisting of an estimated 1100 stations. Results are expected next quarter. Assay results were received for diamond drill holes ESD8004 and ESD8005 drilled in the September quarter, with no significant Pb-Ag-Zn anomalism noted. Both holes were targeted at, and intersected amphibolites and metasediments of the Proterozoic Toole Creek Volcanics that host the Altia and Maronan prospects. Core from the third hole, ESD8006 has been cut and sampled and submitted to the laboratory for analysis. Results are expected next quarter.

Perisher Joint Venture (Fusion 100%, diluting to 49%)

(EPM 12499 and EPM 12656)

During the quarter, the Company entered into a joint venture agreement with Cloncurry Metals Limited (**Cloncurry**) in relation to two of the Company's tenements (EPM 12499 and EPM 12656).

Under the terms of the joint venture agreement Cloncurry must complete a minimum work program of A\$150,000 on the tenements prior to withdrawing from the joint venture agreement. Cloncurry can earn an initial 51% interest in the tenements by spending A\$0.5 million by the end of year 1 and 61% interest by spending a total of A\$0.8 million by the end of year 2. If Fusion elects not to maintain a 39% interest from this point, Cloncurry can then earn a 70% interest by spending a total of A\$1.1 million by the end of year 4, and if Fusion elects not to maintain a 30% interest from this point, Cloncurry can then earn a 90% interest by spending a total of A\$5.0 million by the end of year 5. Fusion can then elect to fund their 10% participating share thereafter or transfer that share to Cloncurry and receive a 1.5% net smelter return royalty.

Fusion has agreed to extend the period for Cloncurry to meet the minimum expenditure commitment to 30 June 2009. Due to drill rig delays and concerns regarding wet weather access for heavy machinery and the onset of the wet season, no significant exploration was undertaken during the quarter. Drilling has been postponed until next field season.

For additional information, please contact:

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IMPORTANT NOTES

*The information in this report that relates to in-situ Mineral Resources is based on information compiled by Mr. Malcolm Titley of CSA Global. Mr. Titley takes overall responsibility for the report. He is a Member of the Australasian Institute of Mining and Metallurgy (**AusIMM**) and has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking, to qualify as a “Competent Person” as defined in the 2004 Edition of the ‘Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves’ (**JORC Code**) and has the appropriate relevant qualifications, experience and independence to qualify as a “Qualified Person” under National Instrument 43-101 – “Standards of Disclosure for Mineral Projects” (**NI 43-101**). Mr. Titley consents to the inclusion of such information in this Report in the form and context in which it appears.*

*The information in this report that relates to Exploration Results is based on information compiled by Mr. Robert Waugh, who is a Member of AusIMM and a Member of the Australian Institute of Geoscientists (**AIG**). Mr. Waugh is a full-time employee of Fusion. Mr. Waugh has sufficient experience to qualify as a “Competent Person” as defined in the 2004 Edition of the JORC Code.*

Information of a scientific or technical nature in this report was prepared under the supervision of Mr. Robert Waugh, Exploration Manager of Fusion, who is a Member of AusIMM and AIG and a full-time employee of Fusion. Mr. Waugh has sufficient experience to qualify as a “Qualified Person” under NI 43-101. Mr. Waugh is responsible for the verification and quality assurance of Fusion’s exploration data and analytical results from the Valhalla North Project. The Qualified Person has verified the data disclosed in this report, including sampling, analytical and test data underlying the information and opinions contained in this report. Sample preparation and sample analysis was conducted by ALS laboratory in Brisbane by XRF pressed powder.

Mr. Waugh consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

For further information regarding the Valhalla North Project, including a description of Fusion’s quality assurance program, quality control measures, the geology, samples collected and testing procedures in respect of the Valhalla North Project please refer to the most recent technical report prepared in accordance with NI 43-101 entitled “NI43-101 Technical Report, Valhalla North - Queensland, Australia, Duke Batman and Honey Pot Resource Estimates” dated January 23, 2009, which is available under the Company’s profile at www.sedar.com.

This report contains forward-looking statements. These forward-looking statements reflect management’s current beliefs based on information currently available to management and are based on what management believes to be reasonable assumptions. A number of factors could cause actual results, performance, or achievements to differ materially from the results expressed or implied in the forward looking statements. Such factors include, among others, future prices of uranium, the actual results of current and future exploration activities, risks inherent in resource estimates, plant and/or equipment failure, availability of financing, and obtaining Governmental and/or Native Title approvals and the fact that the Queensland State Government currently prohibits the mining of uranium.