

2 March 2007

Dear Fellow Shareholder

### Summit Board **REJECTS** Paladin Takeover Offer

As you are no doubt aware, Paladin Resources Limited has announced a hostile offer for all of your Summit shares which, among other things, is due to close just two weeks before the ALP is expected to change its 'no mines policy'. The expected change of this policy will be a very significant milestone event for Summit.

The offer from Paladin was not unexpected. Paladin's understanding of the value of Summit has clearly increased through its participation in the Isa Uranium Joint Venture. Your directors believe that Paladin now recognises the inherent value of the Mount Isa Uranium province, which your directors have long believed to be one of the most prospective uranium provinces in the world today.

Your directors believe that Paladin launched its hostile offer without any prior discussion because it knew that the terms it was going to offer would be regarded as inadequate by your directors but it nevertheless wanted to use its currently highly priced shares to acquire as many Summit shares as possible before Summit appreciated further in value.

The board of Summit has now had a chance to meet to consider the Paladin offer and take advice from the company's financial and legal advisers.

**After careful consideration of the Bidder's Statement and the offer, the directors of Summit unanimously resolved to recommend that you REJECT the Paladin offer.**

Your directors are currently preparing a detailed response to the offer (our Target's Statement).

Ahead of sending you our Target's Statement, your directors felt it was important to provide you with an overview of the reasons why we believe the offer should be rejected. We urge you to read the attached summary carefully and to contact us should you wish to discuss any aspect of this matter.

Until you are able to review our Target's Statement, your directors recommend that you **TAKE NO ACTION** in relation to the Paladin offer and **IGNORE ALL CORRESPONDENCE YOU RECEIVE FROM PALADIN.**

The toll free shareholder line for all enquiries in relation to this matter is **1800 104 758**. International dial in number is **+61 2 8268 3691**.

Yours sincerely  
**Summit Resources Limited**



**Alan J Eggers**  
Managing Director

# Summary of why your Directors recommend you **REJECT** the Paladin Offer



**REJECT THE TAKEOVER**

# Why your Directors recommend you Reject the Paladin Offer

Your directors believe that Paladin's offer is opportunistic and that Paladin is trying to capture expected short, medium and long term value appreciation that you as a shareholder should enjoy. Your directors recommend that you reject Paladin's offer for five key reasons;

1. That accepting Paladin shares will significantly dilute your exposure to the value upside that Summit offers.
2. That Summit shares offer more upside than Paladin shares in the short, medium and long term.
3. That without Summit's assets, Paladin shareholders are exposed to more downside than upside risk.
4. That if you accept the Paladin offer you are likely to incur potentially significant tax liabilities on disposal of your Summit shares.
5. That unless you live in Australia or New Zealand, you will only receive cash and you will lose your exposure to Summit's assets completely.

## **1. Accepting Paladin shares will significantly dilute your exposure to the value upside that Summit offers**

Your directors believe that Paladin's strategy is to buy as many Summit shares as possible at the cheapest price it can pay before the value of Summit increases further.

If Paladin succeeds in taking control of Summit, your directors believe that Paladin will benefit from being able to:

- Acquire Summit before the ALP reviews its position in relation to uranium mining in Queensland.
- Stop the litigation against Paladin and others that Summit believes it will win.
- Secure control of one of the world's most prospective uranium provinces using its highly priced shares before the value of that province is fully reflected in the Summit share price.
- Gain control of Summit's wider tenement holding in Mount Isa. This is crucial for Paladin because the Valhalla and Skål deposits (the only tenements in which Paladin currently has an interest) can't be developed on a standalone basis – more will be said about this in our Target's Statement.

- Gain control of Summit's other uranium assets and its base metal exploration interests without adequately compensating Summit shareholders for the value of those assets.

Your directors believe that:

- Through its involvement in the Isa Uranium Joint Venture, Paladin now recognises the true potential value of Valhalla, Skål and the 100% Summit owned projects in the Mount Isa region.
- Paladin recognises it is unlikely to succeed to gain 100% control at the current offer price.
- Paladin is seeking to acquire as much of Summit as it can before the value of Summit increases further.
- Paladin is trying to put as much pressure on Summit shareholders as possible by threatening to try and take control even if it only acquires a non-controlling shareholding in Summit of less than 50.1%.

This is why your directors believe Paladin has not included a minimum acceptance condition as part of its offer. Paladin is prepared to take whatever shares it can get in Summit at the inadequate price it has offered.

This is highly unusual in Australian corporate takeovers and, in the opinion of your directors, reflects Paladin's desperation to capture as much of Summit's upside as it can for its shareholders before value-changing events occur over the next few months.

**Your directors believe if Paladin wants to take control of Summit it should pay a price which adequately reflects the underlying value of Summit.**

Summit's directors remain committed to building Summit and unlocking the value of the company's assets.

Summit's successful and highly motivated management team remains focused on the task of bringing the Mount Isa Uranium Project into production as quickly as possible and will not be distracted, as Paladin's management could be, by dispersed remote developments in politically riskier locations.

Summit's management team will continue to deliver returns for its shareholders. Your directors believe that there is no reason at this time to accept dilution of those returns by handing most of the upside that Summit offers to Paladin shareholders.

Summit is now set with control and management of the assets needed to build a world class successful mining, treatment and metal recovery project.

It is obvious to your directors that Paladin recognises this and has timed its strike to maximise returns for its shareholders before further value is unlocked for Summit shareholders.

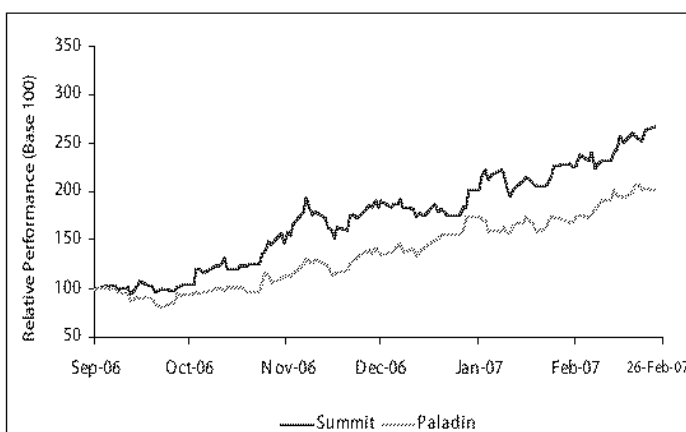
## 2. Summit shares offer more upside in the short, medium and long term than Paladin shares

Your directors believe Paladin's offer is timed to capture value that will otherwise flow to Summit shareholders in the short, medium and long term.

Potential upside in the short, medium and long term	
▪ Share price re-rating on possible change in ALP stance on uranium mining	✓
▪ Success with Mount Isa Uranium Joint Venture litigation	✓
▪ Resource upgrade in short term and further success from current drilling program on 100% owned properties	✓
▪ Participation in Pacific Mines de-merger	✓
▪ Short, medium and long term exploration upside	✓
▪ Other non-uranium assets for benefit of Summit shareholders	✓
▪ Majority of assets in safe political region	✓
Other immediate benefits:	
• no CGT liability for shareholders	✓
• "foreign" shareholders not forced to take cash	✓

As the graph below shows, on a relative performance basis, Summit's share price has outperformed Paladin's over the last six months. Whilst predicting future share price movements is inherently difficult (particularly given the impact that uranium price movements have on both companies) for the reasons outlined below, your directors have no reason to believe that Summit's recent outperformance will not continue in the short to medium term at least.

## Comparative Share Performance



Source: Bloomberg

## Short term upside

In the short term, Summit shareholders are exposed to potentially significant upside from:

- **Anticipated change in ALP no new mines policy:** At its 2007 National Conference in April, the Federal Australian Labor Party (ALP) will consider its position in relation to uranium mining in Australia. There is widespread support within the ALP for a change including support from the Leader and Deputy Leader. Summit considers it highly likely the policy will change and that the Queensland government will accept that change. This change is expected to be very positively received by local and international investors. **The Paladin offer is timed to close just 2 weeks before the ALP National Conference.**
- **Litigation in relation to the Mount Isa Uranium Joint Venture:** Summit believes its legal case against Paladin, Resolute and others is strong. Whilst there can be no certainty about the outcome of any litigation, Summit believes that Paladin's offer is timed to eliminate the material risk to Paladin that it will lose the litigation and lose its share of the Mount Isa Uranium Joint Venture (see comments below on Paladin's limited ability to control the development of the Valhalla and Skaf deposits). It is important to note Paladin has made almost no significant contribution to the Mount Isa project in terms of technical or managerial input.
- **Increasing resource estimate:** Apart from Valhalla and Skaf, Summit has six 100% owned uranium deposits (Andersons, Mirrioola, Bikini, Watta, Warwai and Tjilpa) which are currently the subject of resource drilling.



# Why your Directors recommend you Reject the Paladin Offer

Summit has also identified 15 further mineralised uranium prospects within its 100% owned tenement holding. Resource estimates for Andersons, Mirrioola, Bikini and Watta are currently being modelled, calculated and independently audited by Hellmann and Schofield. These resource estimates are expected to be released to the market within the next month. Further drilling will be required on Warwai and Tjilpa before a resource estimate can be calculated. This drilling is expected to take place in the next six months. Every single deposit (including Valhalla and Skal) is open in all directions. **Your directors firmly believe the Mount Isa uranium province is one of the most prospective uranium provinces in the world and Summit controls approximately 90% of that province through its more than 18,700 square kilometre tenement holding.**

- **Pacific Mines spin-off:**

Summit recently announced the de-merger of Pacific Mines, which is yet to be completed. If you accept the Paladin offer before the record date for your entitlement to receive your pro rata share you will not be entitled to receive shares in the distribution of Pacific Mines.

## Medium to longer-term upside

In the medium to longer term, your directors believe that you will enjoy significant value upside from:

- **The development of a world class uranium project in a politically stable, first world country:** Your directors remain confident that Summit's Mount Isa Uranium Project has the potential to be a world class very long life and highly profitable operation.
- **Greenfields and brownfields exploration:** Summit has a tenement holding of more than 18,700 square kilometres in what your directors believe to be one of the most highly prospective uranium provinces in the world. This ground position offers Summit shareholders significant future upside from continued exploration success.
- **Strong shareholder and other support:** Summit has enjoyed strong support from a number of local and international institutions. Additionally, Summit has been approached by leading uranium industry players seeking opportunities to work

with Summit in the development of the Mount Isa Uranium Project. Summit is also regularly approached by equity and debt capital markets intermediaries seeking to assist Summit with its capital requirements.

- **Ongoing expertise:** Paladin has no experience in exploring or developing iron oxide copper gold (IOCG) hard rock uranium deposits. Summit has long recognised the potential for these deposits and systematically acquired its tenements through on the ground pegging. Paladin also has no experience with the Proterozoic geology of northwest Queensland, nor in the Native Title issues with local communities.

**Your directors are confident that we have the ability to successfully finance and develop the Mount Isa Uranium Project.**

### 3. Your directors believe that without Summit, Paladin shareholders are exposed to more downside than upside risk

Your directors question where the upside for Paladin lies as a stand-alone company (apart from continuing appreciation of the price of uranium which will benefit both companies). Where is the positive share price momentum to come from for Paladin?

- **Langer Heinrich?**

**Upside?** - The market appears to be giving full value to Langer Heinrich and your directors are not aware of any reason to believe that there will be materially positive news in the short to medium term.

**Downside?** - Paladin has flagged commissioning issues which it describes on page 4 of its Bidder's Statement as "normal at this stage of production ramp-up".

Should these commissioning problems not be resolved (a risk highlighted by Paladin in its Bidder's Statement) the market is likely to react negatively.

- **Kayalekera?**

**Upside?** - On 23 February 2007, Paladin announced it had committed to develop the Kayalekera project in Malawi. The market reaction to that announcement was muted.

**Downside?** - Again, in the risk section of its Bidder's Statement, Paladin points to a number of downside risks associated with the development of Kayelekera.

Should some or all of these risks come to fruition, the market is likely to react negatively.

#### ▪ **Summit Litigation**

**Upside?** – If Paladin successfully defends the litigation it is unlikely to have a material impact on the Paladin share price. Summit notes Paladin has made a counterclaim which Summit believes has little merit or chance of success.

Even if Paladin successfully defends the litigation, Paladin will have no ability to determine the development timetable for the Valhalla and Skal deposits as they are essentially stranded in the middle of 100% Summit owned tenements.

**Downside?** – Summit believes it will win its court action in which case, it will have the right to acquire Paladin's interest in the Isa Uranium Joint Venture at 85% of its value. Your directors believe that this is likely to have a negative effect on Paladin's share price.

#### ▪ **Sovereign Risk**

There can be no denying that Paladin has achieved much in Namibia and Malawi.

There can also be no denying that the on-going political and sovereign risks of doing business in those countries are much higher than Summit shareholders face in Australia.

#### **4. Other factors to consider**

##### ***You are likely to incur potentially significant tax liabilities on disposal***

You should note that:

- Unless Paladin gains control of 80% of the shares in Summit (an outcome that your board considers most unlikely on the present terms) **no shareholder will be able to access roll-over relief from Capital Gains Tax (CGT)** and some Summit shareholders will be left with very significant CGT liabilities.
- As you will see when you receive the offer documentation, Paladin does not highlight this issue until you get to page 65 of its Bidder's Statement
- Summit shareholders who bought their shares in the last 12 months will not be able to access CGT roll-over relief in any case.

**We stress that you should speak to your financial adviser about the tax implications of Paladin's proposed offer as accepting the offer may trigger a material CGT exposure.**

##### ***Unless you live in Australia or New Zealand, you will only receive cash***

Foreign shareholders in Summit represent approximately 25% of the Summit share register.

If you are one of these shareholders, you are not being offered Paladin shares, and if you accept Paladin's offer, you will lose your exposure to Summit's assets and the Mount Isa project.

More importantly, the amount of cash you receive will be uncertain because the Paladin shares you would otherwise receive will be sold in the market and you will be paid the net proceeds on sale.

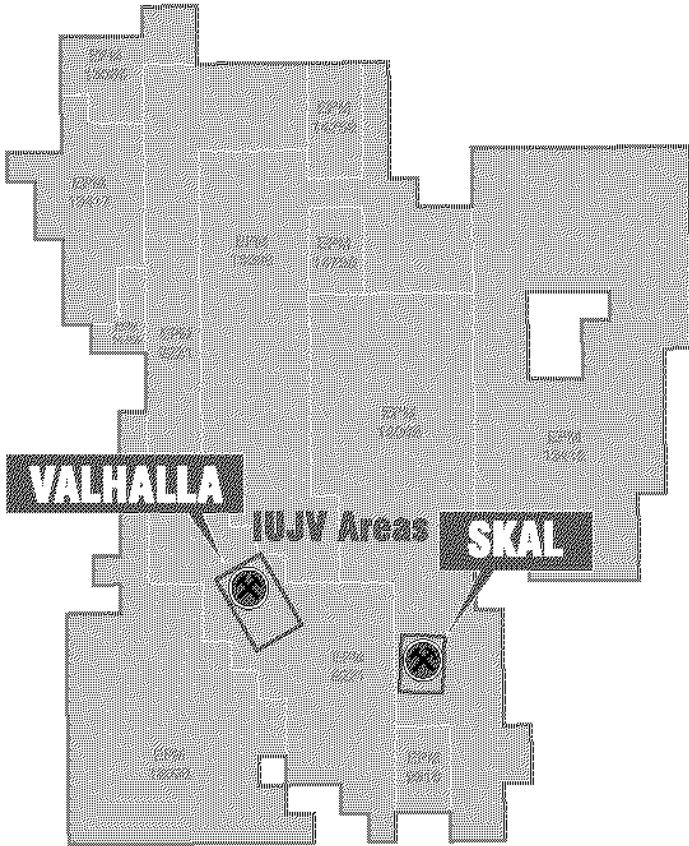
##### ***Paladin's criticism of Summit's management and development prospects is unwarranted***

Summit has no issue with the quality of Paladin's board and management. Your board does however take exception to Paladin's inference that the management team and board of Summit may not be able to successfully develop the Mount Isa project.

The current board and management of Summit have considerable experience in successful mining and mine development, as well as in mineral exploration.

**On balance, your directors believe Summit shares offer more upside potential in the short, medium and long term than Paladin shares.**

**The Paladin offer does not adequately reward Summit shareholders for that upside.**



As we move forward, your board has every confidence that we will continue to expand our management team. We will also continue to augment the team with external technical expertise as and when required.

**The fact that additional management and technical resources will be needed in the future is not a reason to give up control of Summit at a point in time where your director's believe that substantial value is still to be unlocked.**

**FOR ALL OF THE REASONS DISCUSSED ABOVE, YOUR BOARD UNANIMOUSLY RECOMMENDS THAT YOU REJECT THE PALADIN OFFER AND IGNORE ALL CORRESPONDENCE THAT YOU RECEIVE FROM PALADIN**

**SUMMIT RESOURCES LIMITED**

Listed ASX: **SMM**  
Listed NZX: **SMM**

**Issued Capital**

Shares: 197.4 million  
Options: 8.35 million (4.30%)

**Directors**

John A G Seton: **Chairman**  
Alan J Eggers: **Managing Director**  
Lindsay A Colless: **Director**  
David Berrie: **Executive Director**

**Company Secretary**

Karen E V Brown

**Business focus**

Mount Isa Uranium Province  
Identification of and exploration  
for uranium, vanadium, copper,  
gold, base metals

Development and exploitation  
of existing multiple uranium  
resources and deposits

**Other ventures**

Constance Range iron ore and  
phosphate exploration and  
resource development

**Principal project location**

Mount Isa Inlier and Georgina Basin  
Northwest Queensland, Australia

**Exploration tenure**

Approx. 18,700km<sup>2</sup> EPMS granted  
and applications

**For further information in regard to  
the Paladin takeover bid**

Please refer to announcements on  
the ASX website [www.asx.com](http://www.asx.com) and  
Summit Resources website  
[www.summitresources.com.au](http://www.summitresources.com.au).

**Corporate Advisers**

Gresham Partners Limited  
Blake Dawson Waldron

**Contact**

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enquiries in relation to this matter is

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