

Ref: 56332

12 April 2007

Company Announcements Office  
Australian Stock Exchange Limited  
20 Bridge Street  
SYDNEY NSW 2000

By Electronic Lodgement

Dear Sir/Madam

### **Paladin Raises Bid for Summit Resources and Extends Offer Period**

Paladin Resources Ltd ("Paladin") today announced that it intends to increase the consideration offered under its unconditional scrip takeover bid for Summit Resources Limited ("Summit").

**Under the increased Offer, Summit shareholders will receive 1 Paladin share for every 1.67 Summit shares.** As required by the Corporations Act, Summit shareholders who have already accepted the Offer will automatically be entitled to the increased consideration, and the offer period will automatically be extended by 14 days to 27<sup>th</sup> April 2007.

**The increased Offer is final**, meaning that the Offer will not be further increased, in the absence in a Competing Proposal<sup>1</sup>.

Furthermore, the extended closing date of 27<sup>th</sup> April 2007 is **final**, meaning the Offer will not be further extended, in the absence of a Competing Proposal or mandatory requirement under the Corporations Act<sup>2</sup>.

### **Proposed Areva Placement**

Yesterday, Summit announced that it had agreed with the French nuclear group, Areva, to issue approximately 19.5 million shares ("Placement Shares") at A\$6.20 per share for A\$121.1m. Areva will also receive an option at its sole discretion ("Share Option") to

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<sup>1</sup> "Competing Proposal", when used in this announcement, refers to any other proposal in relation to Summit from a third party (including the variation of any existing proposal) by way of scheme of arrangement, takeover bid or material placement, or other transaction having substantially similar effect.

<sup>2</sup> A further mandatory extension of 14 days will apply if Paladin's voting power increases above 50% in the last 7 days of the (extended) Offer period.

subscribe for a further approximately 23.85 million shares at A\$7.20 per share to achieve an 18% position in Summit.

In addition to these shares and a right to representation on the Summit board, Areva also benefits from a raft of valuable contractual rights, including pre-emptive rights over Summit's assets, an anti-dilution option, uranium marketing rights over the majority of Summit's share of uranium production and protection against competing bids (break fee; no shop/no talk provisions).

Paladin Managing Director John Borshoff said that it was important for Summit shareholders to realise that when the Areva deal is taken in its entirety, the price Areva is paying for the Placement Shares was substantially below Summit's headline figures.

"The cost to Areva of the Placement Shares is actually A\$6.20 **less** the value of the options and rights granted to Areva. Our valuation of the Share Option alone is A\$0.26 per Placement Share<sup>3</sup>, implying a value per Summit share of approximately A\$5.94, which is supported by the Summit trading prices after announcement of the proposal. The values of the pre-emptive rights and uranium marketing rights are more difficult to quantify but clearly they are of material value."

### **Summit Shareholders Should Accept the Revised Paladin Offer**

The involvement of Areva is a positive development for Paladin as a Joint Venture Partner at Mt Isa. The discipline, uranium marketing experience and technical skills Areva bring will go some way to bridging the capability gaps and nuclear industry inexperience that exist within Summit. Accordingly, Paladin will be voting its shares in favour of the Areva transaction in late May.

However, the Areva deal alone is **not** the best outcome for Summit shareholders. Paladin remains the only company which has brought a new conventional uranium mine into production in the past decade and will have brought its second mine into production next year. Unlike Summit, Paladin offers direct exposure to uranium price upside today and during the critical shortage period to 2012.

Clearly, in today's tight uranium market, it has been critical to the Areva/Summit deal, that Areva gains marketing rights to the bulk of Summit's possible future production. Access to product is valuable and it must be borne in mind that Paladin controls its own marketing of all its product and will control the marketing of its share of production from Valhalla/Skal. Thus Paladin shareholders will enjoy greater exposure to future developments in the uranium markets and to Paladin's capacity to make strategic use of its current uranium delivery potential.

Summit shareholders who truly want to maximise the value of their exposure to Mt Isa should take the opportunity to swap into Paladin scrip. The increased Offer gives them the opportunity to immediately do so, **realising a substantial premium** to market prices while still participating, as Paladin shareholders, in upside delivered from ongoing exploration & development at Mt Isa and the contribution of Areva.

Based on the closing price of Paladin shares on Wednesday 11<sup>th</sup> April 2007 of A\$10.38, the increased Offer values Summit at A\$6.22 per share. This is above the implied Areva

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<sup>3</sup> Based on an underlying Summit share price of A\$5.15, exercise price of A\$7.20, 26 week option duration, 26 week observed historical volatility of 48.5% for Summit and a risk free rate of 6.37% giving a Black & Scholes valuation of A\$0.212 per share subject to the Share Option, which equates to A\$0.259 per Placement Share

subscription price and a 7.2% premium to the closing price for Summit following announcement of the Areva deal on 11<sup>th</sup> April 2007. It represents a 66% premium to the 15 day VWAP of Summit shares on the ASX prior to launch of Paladin's offer on the 27<sup>th</sup> of February 2007.

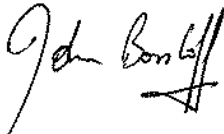
Paladin expects to complete dispatch of its formal Notice of Variation to Summit Shareholders by Friday 13<sup>th</sup> April 2007. Pursuant to section 624(2) of the Corporations Act, this will result in the automatic extension of the Offer until 27 April 2007.

**John Borshoff concluded:**

"Summit shareholders should understand the risk that a favourable Federal ALP decision will not lead automatically to a change in the Queensland policy. Premier Peter Beattie has made it clear that if the Federal ALP decision leaves discretion to the State, he will retain a policy against development of Uranium Mines. If this is the case, as conceded by Summit itself, despite the headline valuations placed by Summit on the Areva placement, there is a distinct possibility that Summit share prices will trend down from current levels. This will be exasperated by removal of any take-over premium built into Summit share prices following close of Paladin's Offer, given that Areva will have a blocking stake come late May."

"We encourage Summit shareholders to **accept** our increased offer. Paladin is looking forward to working with Areva to patiently prepare the Mt Isa assets for production if and when the policy in Queensland allows. In the meantime, acceptance of our Offer provides Summit shareholders with the best way to maximise the value of their holding in both the short and longer term."

Yours faithfully  
Paladin Resources Ltd



**JOHN BORSHOFF**  
Managing Director