



SUMMIT RESOURCES LIMITED

Tuesday March 20, 2007

This document is a supplementary target's statement under section 644 of the Corporations Act 2001 (Cth). It is the first supplementary target's statement (First Supplementary Target's Statement) issued by Summit Resources Limited ABN 86 009 474 775 (Summit) in relation to the off-market takeover bid made by Paladin Resources Ltd ABN 47 061 681 098 for all of the fully paid ordinary shares in Summit.

This First Supplementary Target's Statement supplements, and should be read together with, Summit's target's statement dated 20 March 2006. A copy of this First Supplementary Target's Statement has been lodged with ASIC. Neither ASIC nor any of its officers take any responsibility for its contents. Terms in this First Supplementary Target's Statement have the same meaning as the definitions in the Target's Statement.

**Response to Paladin's Second Supplementary Bidder's Statement
dated 19 February 2007**

Dear Shareholder

In our letter to you 13 days ago we noted the large amount of correspondence you were receiving as a result of Paladin's opportunistic bid for Summit. We are firmly of the view it is important that you are kept fully informed at every stage of the process and as a result we are writing to you again today to update you on Paladin's Second Supplementary Bidder's Statement which was released to the ASX on 19 March 2007.

Nothing that Paladin has said affects the unanimous recommendation of your directors that you REJECT the Paladin offer.

A number of the matters raised by Paladin have already been dealt with in our Target's Statement which has been released to the market.

These include a further attempt by Paladin to convince you that it has not timed its offer to:

- pre-empt a change in ALP policy in relation to uranium mining;
- improve its prospects in relation to the litigation brought by Summit against Resolute and Paladin;
- pre-empt the spin out of Pacific Mines Limited; and
- pre-empt the release of new resource estimates by Summit.

These issues do not need further discussion at this time. The facts in relation to timing speak for themselves and we are confident that you will dismiss Paladin's protests to the contrary as self serving.

Other assertions made by Paladin demand a separate response either because they make serious allegations against the directors of Summit or because they are, in the opinion of the Summit board, designed to mislead or confuse Summit shareholders.

These are as follows:

1. Comments in relation to delays that Summit has encountered in getting new resource estimates released to the market.
2. Comments about valuing Paladin on the basis of \$ per lb of JORC/NI 43-101 resource.
3. Comments on the market's reaction to the Offer.
4. Comments about the role of an Independent Expert.

Each of these matters is discussed below.

1. Comments by Paladin in relation to delays that Summit has encountered in getting new resource estimates released to the market.

Summit acknowledges that it has not met its own targets for the release of new resource estimates. Whilst this is disappointing, the delay is primarily due to two key factors outside Summit's control.

Firstly, delays were encountered in getting drill rigs to each of the eight sites. This was simply a function of the extent of drilling and the intense demand across the resources sector for drilling rigs and contractors.

Secondly, delays were associated with assays and validating data from one of the laboratories that Summit was using to review assays. This assaying and validation work was completed in mid January 2007.

In the period during which the assaying and validation work was undertaken, drilling continued and a large number of drill samples were prepared (but not assayed) from Summit's ongoing drilling program. This resulted in a backlog of drill results which have flowed (and continue to flow) through to the company since mid January 2007.

The eight deposits that have all been drilled to date are: Valhalla, Skal, Andersons, Mirrioola, Bikini, Watta, Warwai and Tjilpa. Drill results have been released to the market for each deposit. Summit's drilling program is ongoing.

Of the eight deposits that have been drilled, only two require further drilling before their first JORC compliant resource estimates can be calculated. These are Warwai and Tjilpa. That is why Summit announced that its previous expectation of eight resource estimates in 2006 has not yet been achieved.

The JORC compliant resource estimate for Valhalla was released in 2006 and at the time of the release of the December 2006 Quarterly Report on 31 January 2007, Summit had calculated and modelled resource estimates for the Skal, Andersons, Mirrioola and Bikini deposits based on assay results received at that time. Each of these estimates have been the subject of a preliminary audit by external resource consultants.

No concerns have been raised by our external consultants in relation to the preparation of our resource estimates. The delay in releasing the resource estimates referred to in our December 2006 Quarterly Report is due to our decision to include further drill

assay results from recent drilling in relation to some of the deposits – particularly Andersons.

On 12 March 2007, and in view of Paladin's hostile takeover offer, Summit announced that it would complete the resource estimate on the Andersons deposit based on 30 holes in order to avoid further delays. By that date, 44 holes had been drilled but results had only been received in relation to the first 24 holes.

In our 12 March announcement we also noted that assays for the further 6 holes were expected to be reported in the next 10 days (i.e. by 22 March). As at the close of business on 19 March 2007, results for five of these six holes had been received.

In view of the allegations that Paladin is now levelling about our ability to progress these resource estimates, we have decided to immediately prepare the resource estimate for Andersons based on the 29 assay results that have been received as at the close of business yesterday (19 March 2007).

Summit will therefore now prepare and release the resource estimate for Andersons. This is expected to be released within the next week subject to Hellman & Schofield being able to provide final sign off in that time.

Notwithstanding that further assay results are expected to be received in relation to Skal, Mirrioola, Bikini and Watta over the coming weeks, Summit will also now finalise the resource estimates for those deposits and release them to the market as soon as Hellman & Schofield can complete its final audit.

2. Comments about valuing Paladin on the basis of \$ per lb of JORC/NI 43-101 compliant resource.

Paladin argues that a simple benchmarking of the value of Paladin's offer against other uranium exploration and development companies "supports Paladin's view that the offer is fair and reasonable". Paladin then compares the value per pound of JORC/NI 43-101 compliant pounds of various listed uranium companies against Summit's JORC compliant resources.

Your directors believe that this simplistic approach is not a meaningful guide to underlying value and, for the reasons set out below, is not material to your decision in relation to the Paladin offer.

Fundamentally, this offer is being rejected because your directors believe that the offer does not adequately reflect the unrealised potential of Summit which has a world class project in a world class location with tremendous exploration upside. Even John Borshoff, the Managing Director has publicly acknowledged that Paladin believes that Summit has a "uranium province in the making".

Your directors believe that the quality of Summit's Mount Isa Uranium Project and its prospects justifies Summit's strong market rating. Given Summit's future prospects your directors are confident that Summit will continue to enjoy a strong market rating as key milestones associated with the development of the Mount Isa Uranium Project are met.

You should also note that Paladin's comparison is based on Summit's "JORC/NI43-101" compliant resources. That simple comparison obviously does not capture the

value of the six 100% owned deposits that Summit has been drilling ahead of new resource estimates.

In addition, the value of Summit in the market reflects the significant exploration potential of Summit, the location of its projects (including proximity to key infrastructure in Mount Isa), its extensive tenement holdings and the superior country and political risk of Summit's projects when compared to Paladin's.

3. Comments on the market's reaction to the Offer.

It is misleading for Paladin to assert that "Summit shareholders and the market believe the offer is fair". In support of this assertion, Paladin refers to higher volumes observed in the market. As Paladin should know, the announcement of a takeover offer always drives significant increases in volumes traded on the ASX.

Whilst large volumes are almost always experienced in takeover situations, drawing conclusions from those trading patterns as Paladin has done, is far from straightforward.

For example, it could be that investors selling their shares simply want to have nothing to do with Paladin, and are exiting to eliminate potential exposure to their projects. We just don't know, but to suggest that it reflects a lack of confidence in Summit is unfounded.

Your directors believe that the most important feature of ASX trading since the announcement of the offer is that the Summit share price has consistently traded above the implied offer price. This is, if anything, a signal that the market considers the bid is likely to fail.

4. Comments about the role of an Independent Expert.

Paladin asserts that an independent expert's report is required so that shareholders can have a view that is free from the *"real or perceived biases of both the bidder and the target"*.

Your board is not biased. It is motivated by the sole objective of ensuring that your best interests are served.

Paladin is however biased. It is clearly motivated to achieve the best result for its shareholders – not you.

There is no obligation on your directors to obtain an independent expert's report and there are many examples of hostile takeover offers where the board of the target company has not seen the need for an independent expert's report.

Independent experts typically value resource projects using discounted cashflow methodology (DCF) based on a selected base case development scenario which incorporates a mine development plan with capital and operating costs, and uses industry consensus commodity prices as the basis for revenue calculations. No base case development scenario has yet been finalised for Summit and your directors believe that it would be premature for an expert to attempt to develop a mine plan and production scenario in order to form a view on the value of Summit.

Your directors considered whether an independent expert should be appointed to review Paladin's offer. Your directors resolved that they were in the best position to

assess the offer bearing in mind the extensive work that members of the board have undertaken on the Mount Isa Uranium Project over the last 17 years. As noted above, your directors also took account of the fact that due to the stage of Summit's development, an expert would not have access to mine plans, production projections, capital and operating costs and the other data required to develop a financial model on which to base a valuation.


Assessing the unrealised potential of Summit requires a thorough appreciation of a range of objective and subjective factors. Your board's rejection of the Paladin offer is primarily based on its conviction that the Mount Isa Uranium Project will prove to be a world class project in one of the most prospective uranium provinces in the world today.

Through its work on the Mount Uranium Isa Project your board has built up an appreciation of what the project has to offer and it is that appreciation which led your directors to unanimously recommend that you REJECT the Paladin offer.

Nothing that Paladin has said affects the unanimous recommendation of your directors that you REJECT the Paladin offer.

As we have said in our prior correspondence, we look forward to your ongoing support as we work hard to unlock the full potential of your investment in Summit.

Yours sincerely
Summit Resources Limited



Alan J Eggers
Managing Director