



ASX ANNOUNCEMENT

PALADIN RESOURCES OFFER FOR VALHALLA URANIUM

Valhalla Uranium Limited announces that it has received notice of a conditional takeover bid for all its issued shares from Paladin Resources Limited.

The offer is 1 Paladin Resources share for every 3.16 Valhalla Uranium shares. Further details of the Paladin Resources offer are attached to this announcement.

The Valhalla Uranium directors have considered the terms of the Paladin Resources offer and unanimously recommend that Valhalla Uranium shareholders accept the offer in the absence of a superior offer. The directors also advise they intend to accept the offer for their own shares in the absence of a superior offer.

The Paladin Resources offer provides Valhalla Uranium shareholders with an opportunity to become involved with a larger and more advanced uranium company. The directors also believe that Paladin Resources' uranium industry experience embracing marketing, development, construction and operation coupled with its balance sheet strength will provide the opportunity to significantly grow and develop Valhalla Uranium's assets.

Valhalla Uranium has entered into a Break Fee Agreement with Paladin Resources that in certain limited circumstances provides for a payment of \$1.2 million to Paladin Resources. A copy of the Break Fee Agreement is attached to this announcement.

It should be noted that Resolute Mining Limited's 83.3% shareholding in Valhalla Uranium is subject to escrow under the ASX Listing Rules. Accordingly the holders of at least 50% of the non escrowed Valhalla Uranium shares must accept the Paladin Resources offer before the Resolute Mining holding can be released from escrow (unless the ASX agrees otherwise).

A handwritten signature in black ink, appearing to read 'P. Sullivan', is positioned above the name and title of the signatory.

PETER SULLIVAN
Managing Director

11 July 2006



10 July 2006

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

Dear Sir / Madam

TAKEOVER OFFER FOR VALHALLA URANIUM LIMITED

HIGHLIGHTS

- **Off market, all scrip offer comprising 1 fully paid ordinary Paladin share for every 3.16 fully paid ordinary Valhalla shares.**
- **Valhalla's directors have unanimously recommended acceptance of the offer in the absence of a superior offer.**
- **Represents a significant step forward in Paladin's growth strategy.**

Paladin Resources Limited (**ASX: PDN, TSX: PDN**) ("Paladin") is pleased to announce an A\$174 million takeover offer for Australian Stock Exchange-listed mining company Valhalla Uranium Limited (**ASX: VUL**) ("Valhalla"). The off market, all scrip offer will comprise 1 fully paid ordinary Paladin share for every 3.16 fully paid ordinary Valhalla shares, implying a price of A\$1.45 per Valhalla share, based on the last traded price of Paladin shares on Thursday 6th July 2006 (prior to Paladin shares being placed in a trading halt).

The offer terms reflect a premium of approximately 41% to the volume weighted average price for Valhalla shares in the 20 trading days prior to today.

Valhalla's directors have unanimously recommended that Valhalla shareholders accept the Paladin offer, in the absence of a superior offer. They have also indicated that they intend to accept the Paladin offer with respect to their own shareholdings, in the absence of a superior offer.

The proposed acquisition represents a significant step forward in Paladin's growth strategy. It will bolster Paladin's development pipeline and provide further diversification in geographical, political and resource terms.

Valhalla is a Western Australian based resource company with interests in a number of uranium projects in Queensland and the Northern Territory. The most advanced project in Valhalla's portfolio is the Valhalla/Skal uranium deposits situated in northern Queensland. Valhalla has a 50% interest in these deposits with Summit Resources Limited ("Summit"), which is the manager of the project. Valhalla also holds interests in the Ngalia Basin uranium project containing the Bigriyi Deposit as well as the Pine Creek uranium project in the East Alligator River area.

Valhalla's share of resources via the Mt Isa Joint Venture is 14.2Mlbs U₃O₈ in JORC compliant Measured and Indicated Resource categories and 4.0Mlbs U₃O₈ in the JORC compliant Inferred Resources category as at 20th October 2005. In addition, Valhalla's share of incremental historical estimates is 17.8Mlbs U₃O₈ (based on information released by Valhalla's joint venture partners). Should the offer be accepted, Paladin will significantly increase its global uranium resource base.

The proposed acquisition is an excellent opportunity to add up to three potential projects to Paladin's medium to long term project pipeline. Paladin believes the Valhalla/Skal deposits are very competitive ore bodies with significant resources and very good grades. While ultimate development of the resource depends on a change of policy in Queensland, Paladin plans to support Summit in progressing the exploration and appraisal of this deposit to ensure readiness if and when this policy change occurs.

Paladin's financial advisers in respect of the potential acquisition are Azure Capital and its legal advisers are Freehills.

Offer Terms

Paladin's offer for Valhalla shareholders is 1 Paladin share per 3.16 Valhalla shares.

Based on the closing price of Paladin shares on Thursday 6th July 2006 (prior to Paladin shares being placed in a trading halt) of AUD\$4.58 per share, the value of Paladin scrip consideration is equivalent to \$1.45 per Valhalla share. This represents attractive premiums to the level at which Valhalla shares have traded recently, namely:

- a 41% premium to the volume weighted average price for Valhalla shares of \$1.03 in the 20 trading days prior to this announcement; and
- a 37% premium to the volume weighted average price for Valhalla shares of \$1.06 in the 45 trading days prior to this announcement.

The offer is subject to a number of conditions, which are set out in detail later in this announcement.

Valhalla has agreed to pay Paladin a break fee of approximately AUD\$1.2 million in certain circumstances.

Indicative Timetable

The Bidder's Statement is expected to be available in two to three weeks and despatched to Valhalla shareholders as soon as possible thereafter.

Background Information – Paladin Resources Limited

Paladin Resources Ltd is listed on both the Australian Stock Exchange and the Toronto Stock Exchange under the symbol "PDN" with subsidiary listings on the Munich Stock Exchange, Berlin-Bremen Stock Exchange, Stuttgart Stock Exchange and Frankfurt Stock Exchange under the symbol "PUR".

Paladin operates in the mineral resource sector with focus on uranium and has projects in Australia and Africa. The African projects are Langer Heinrich in Namibia and Kayelekera in Malawi. The Australian projects are Manyingee and Oobagooma in Western Australia.

Construction has commenced on the Langer Heinrich Uranium Project located in the west of central Namibia, Southern Africa. It lies 80km east of the major deepwater seaport at Walvis Bay and the coastal town of Swakopmund.

On completion of the Langer Heinrich drilling programme in October 2005, a new resource estimate was determined. The JORC and NI 43-101 compliant Measured and Indicated Resource is now stated at 32.3Mt grading 0.07% U_3O_8 for a total of 20,200t or 44Mlbs U_3O_8 and the Inferred Resource is stated at 40Mt grading 0.06% U_3O_8 for a total of 23,800 t or 52.5Mlbs U_3O_8 . As announced recently, Paladin has begun drawing down on a US\$71 million loan facility in order to complete construction and commissioning. The project remains on schedule to commence commissioning in September 2006 and first sales in the first quarter of 2007.

The Kayelekera Deposit is located in northern Malawi in southern Africa. In 2005 Paladin contracted mineral resource specialists Hellman and Schofield Pty Ltd to complete new preliminary resource estimates on the Kayelekera Uranium Project compliant under the JORC and NI 43-101 codes. This work indicates the following Mineral Resources in the 300ppm cut off range:

- 15.3Mt of ore at 0.09% U_3O_8 containing 13,630t/30Mlbs U_3O_8 (Measured and Indicated).
- 3.4Mt of ore at 0.06% U_3O_8 containing 2,040t/4.5Mlbs U_3O_8 (Inferred).

The Kayelekera Bankable Feasibility Study commenced in May 2005 and remains on track for completion in December 2006. Paladin expects to make a development decision on Kayelekera in the first quarter of 2007.

Paladin has continued to build a high quality management team with excellent experience in uranium marketing, major project finance and development construction, operations and corporate governance.

Background Information – Valhalla Uranium Limited

Valhalla Uranium Limited is a Western Australian based resource company holding interests in a number of advanced uranium projects acquired from Resolute Mining Limited. Valhalla listed on the ASX in December 2005.

Valhalla's projects are in Queensland and the Northern Territory. The projects include a 50% interest in the Valhalla and Skal uranium deposits in Queensland as well as interests in a series of uranium resources and prospects at various stages of evaluation in the Northern Territory, the Ngalia Basin Projects and the Pine Creek Project.

The most advanced project in the Company's portfolio is the Valhalla project, after which the Company is named. The Valhalla deposit is located 40km north of Mount Isa in Queensland and is managed by Summit. The Valhalla deposit has an identified JORC Code Mineral Resources consisting of Measured and Indicated Resources of 8.8Mt grading 0.147% U_3O_8 for a total of 28.4Mlbs U_3O_8 and Inferred Resources of 2.7Mt grading 0.135% U_3O_8 for a total of 8.0Mlbs U_3O_8 . In addition, Valhalla's partner, Summit, has reported incremental historical estimates of 9.0Mt at between 0.08% U_3O_8 and 0.10% U_3O_8 for 20.1Mlbs U_3O_8 .

The Skal uranium deposit, 10km east of Valhalla has also been drill tested with significant contained uranium identified in mineralisation of a similar style to Valhalla. Skal contains a historical estimate (as reported by Summit) of 4.2m tonnes at between 0.10% U_3O_8 and 0.13% U_3O_8 for 11.0Mlbs U_3O_8 .

Valhalla Uranium is also a participating partner in a series of uranium projects in the Ngalia Basin and Pine Creek districts of the Northern Territory. The projects include four uranium and vanadium

prospects, in which significant volumes of high-grade mineralisation have been identified, as well as a series of prospective radiometric targets.

The most advanced of the Northern Territory projects is at Bigrlyi (Valhalla Uranium 41.7%) where some four hundred and thirteen drill holes have been drilled. The main Bigrlyi shoot is open at depth and down plunge.

Yours faithfully
Paladin Resources Ltd

A handwritten signature in black ink, appearing to read 'John Borshoff', with a stylized flourish at the end.

John Borshoff
Managing Director

In respect of Paladin Resources Ltd any information in this report that relates to mineral resources is based on information compiled by Ed Becker BSc (hons), MAusIMM, David Princep BSc MAusIMM each of whom have more than five years experience in estimation of mineral resources and ore reserves. Mr Becker is a full-time employee of Paladin Resources Ltd. Mr Princep is a full-time employee of Hellman & Schofield Pty Ltd. The work has been reviewed by Arnold van der Heyden BSc MAusIMM who is a full-time employee of Hellman & Schofield Pty Ltd. Messrs Becker and van der Heyden each have sufficient experience relevant to assessment of uranium mineralisation to qualify as Competent Persons as defined in the "Australasian Code for Reporting of Mineral Resources and Ore Reserves". Each of the above named consents to the inclusion of the information in the report in the form and context in which it appears..

In respect of Valhalla Uranium Limited, the information in this report that relates to the stated JORC compliant resource for the Valhalla deposit was compiled by Malcolm Castle and was presented in the Independent Geologists Report, within the Valhalla Uranium Limited Prospectus. Malcolm Castle is a consulting geologist with 40 years experience in exploration geology and property evaluation. Mr Castle has sufficient experience relevant to assessment of uranium mineralisation to qualify as a Competent Person as defined in the "Australasian Code for Reporting of Mineral Resources and Ore Reserves". Mr Castle has consented to the inclusion of this information in this announcement..

Offer Conditions

1. Defined terms in the Bid Conditions

Term	Meaning
ASIC	Australian Securities and Investments Commission
ASX	Australian Stock Exchange Limited
Bidder's Statement	the Takeover Bidder's statement to be issued by Paladin in relation to the Takeover Bid
Business Day	a day on which the banks are open for business in Western Australia excluding a Saturday, Sunday or public holiday
Common Terms Agreement	the agreement of that name between, amongst others, Paladin Finance Pty Ltd (as Borrower), Paladin (as Sponsor and Completion Guarantor) and the Société Générale, Australia Branch (ABN 71 092 516 286) relating to the syndicated loan arrangement between those parties
Competing Transaction	any transaction (including a takeover bid, members' scheme of arrangement, share or asset sale or similar) under which a third party, being a person other than Paladin or an associate, will or may, subject to satisfaction of conditions, acquire control (within the meaning of section 50AA of the Corporations Act) of Valhalla or any of its subsidiaries
Corporations Act	the <i>Corporations Act 2001</i> (Cth)
Escrow Shares	The 99,999,999 Shares held by Resolute subject to escrow until 15 December 2007 pursuant to a Restriction Agreement between Resolute and Target dated 11 November 2005
FATA	the <i>Foreign Acquisitions and Takeovers Act 1975</i> (Cth)
Mt Isa	Mt Isa Uranium Pty Ltd (ABN 77 064 536 483)
Mt Isa Agreement	the joint venture agreement between Summit and Resolute dated 16 January 2001 relating to the Mt Isa Exploration Joint Venture
Offers	the offers made under the Takeover Bid
Offer Period	the period during which the Offers remain open

Term	Meaning
Public Authority	any government or any governmental, semi-governmental, statutory or judicial entity, agency or authority, whether in Australia or elsewhere, including (without limitation) any self-regulatory organisation established under statute or otherwise discharging substantially public or regulatory functions, and ASX or any other stock exchange
Resolute	Resolute Mining Limited (ABN 39 097 088 689)
Resolute Limited	Resolute Limited (ABN 27 009 069 014), a wholly-owned subsidiary of Resolute
Security Bond	an unconditional irrevocable bank guarantee in an amount equal to the Break Fee having a term of not less than 6 months
Summit	Summit Resources (Aust) Pty Ltd (ABN 98 009 188 078)
Valhalla Shareholder	a holder of Valhalla Shares
Valhalla Share	an ordinary share in the capital of Valhalla
\$	the lawful currency of the Commonwealth of Australia

2. Conditions to the Takeover Bid

(a) FATA

If required under the FATA, before the end of the Offer Period, the Treasurer of the Commonwealth of Australia either:

- (1) issues a notice stating that the Commonwealth Government does not object to Paladin acquiring 100% of the Valhalla Shares under the Offer; or
- (2) is precluded from making an order in respect of the entry into or completion by Bidder of this agreement under the FATA.

(b) No regulatory action

Between the Announcement Date and the end of the Offer Period (each inclusive):

- (1) there is not in effect any preliminary or final decision, order or decree issued by any Public Authority;
- (2) no action or investigation is announced, commenced or threatened by any Public Authority; and
- (3) no application is made to any Public Authority (other than by Paladin or any associate of Paladin),

in consequence of or in connection with the Offer (other than an application to, or a decision or order of, ASIC or the Takeovers Panel in exercise of the powers and discretions

conferred by the Corporations Act) which restrains, prohibits or impedes, or threatens to restrain, prohibit or impede, or materially impact upon, the making of the Offers and the completion of any transaction contemplated by the Bidder's Statement (including, without limitation, full, lawful, timely and effectual implementation of the intentions set out in the Bidder's Statement) or which requires the divestiture by Paladin of any Shares or any material assets of Valhalla or any subsidiary of Valhalla.

(c) Compulsory acquisition

During, or at the end of the Offer Period, Paladin is entitled to send compulsory acquisition notices under Part 6A.1, Division 1 of the Corporations Act.

(d) No material adverse change

(1) Between the Announcement Date and the end of the Offer Period (each inclusive) none of the following occurs:

- an event, change, condition, matter or thing occurs;
- information is disclosed or announced by Valhalla or any of its subsidiaries concerning any event, change, condition, matter or thing; or
- information concerning any event, change, condition, matter or thing becomes known to Paladin (whether or not becoming public),

which will have, could reasonably be expected to have or which evidences that there has been a material adverse effect on the business, assets, liabilities, financial position and performance, material contracts (taken as a whole), profitability or prospects of Valhalla or any of its subsidiaries, since 23 March 2006.

(2) For the purposes of clause (d)(1), Paladin shall not be taken to know of information concerning any event, change, condition, matter or thing before the Announcement Date, unless Paladin knows or ought reasonably to have known (having regard to the information actually known by Paladin and the information disclosed by Valhalla in its public filings with the ASX and ASIC before the Announcement Date), of the extent or magnitude of the event, change, condition, matter or thing.

(3) Clause (d)(1) does not apply in relation to particular information, if that information was previously disclosed by Valhalla in a public filing with the ASX or ASIC provided that the disclosure was full and fair (including, without limitation, in relation to the extent and magnitude of the event, change, condition, matter or thing, as the case may be) and was not, and is not likely to be, incomplete, incorrect, untrue or misleading.

(e) Mt Isa

Before the end of the Offer Period, Mt Isa enters into an agreement pursuant to which Mt Isa acquires all of the issued shares in Resolute Limited from Resolute for an amount not exceeding \$1.00 (Acquisition) and:

- (1) there are no liabilities (whether present or future, actual or contingent) assumed by Mt Isa or Resolute Limited under the terms of, or as a result of, that agreement or the Acquisition, in excess of \$1,000;
- (2) the Acquisition is completed by the first to occur of 30 September 2006 and the end of the Offer Period; and
- (3) Mt Isa does not cease to be a "Related Company" (within the meaning of the Mt Isa Agreement) of Resolute Limited at any time prior to completion of the Acquisition.

(f) No breach, termination or variation of the Mt Isa Agreement

There being no breach (whether before or after the Announcement Date) by any of the parties to the Mt Isa Agreement of the terms of that agreement, and, between the

Announcement Date and the end of the Offer Period (each inclusive), no termination of, amendment to the terms of, or waiver of rights under, the Mt Isa Agreement occurring, or being announced or agreed to (excluding any agreement of the kind referred to in clause (e)(2)).

(g) No change of control rights

Between the Announcement Date and the end of the Offer Period (each inclusive), there is no person having any rights, being entitled to have any rights, alleging an entitlement, or expressing or announcing an intention (whether or not that intention is stated to be a final or determined decision of that person) (in all cases whether subject to conditions or not), as a result of any change of control event in respect of Valhalla (including Paladin acquiring shares in Valhalla) or any of its subsidiaries or assets, to:

- (1) terminate or alter any contractual relations between any person and Valhalla or any of its subsidiaries (for this purpose an alteration includes of the operations of a contract, whether or not that altered operation is provided for under the existing terms of the contract);
- (2) require the termination, modification or disposal (or offer to dispose) of any interest or asset, corporate body, joint venture or other entity; or
- (3) accelerate or adversely modify the performance of any obligations of Valhalla or any of its subsidiaries under any agreements, contracts or other legal arrangement.

(h) ASX approval to release of Escrowed Shares

Before the end of the Offer Period, ASX has provided its consent under ASX Listing Rule 9.17 to release the Escrowed Shares from dealing restrictions.

(i) Common Terms Agreement

The Société Générale, Australia Branch (ABN 71 092 516 286), in its capacity as Agent under the Common Terms Agreement:

- (1) irrevocably and unconditionally consenting to the acquisition by Paladin of all the Shares pursuant to the Offer for the purposes of the Common Terms Agreement; and
- (2) irrevocably and unconditionally waiving any default under the Common Terms Agreement which has arisen, or may arise, solely as a result of the announcement or completion of the Offer by Paladin.

(j) Consent to quotation

The Toronto Stock Exchange consents to the issue and quotation of the Paladin Shares to be issued under the Offer on that exchange on an unconditional basis.

(k) Access to information

Between the Announcement Date and the end of the Offer Period, Valhalla promptly, and in any event within 2 Business Days, provides to Paladin a copy of all material information which Paladin may from time to time reasonably request, whether or not generally available (within the meaning of the Corporations Act) relating to Valhalla or any of its subsidiaries, or their respective assets, liabilities or operations.

(l) Valhalla resource

Before the end of the Offer Period, it is announced to ASX by any party to the Mt Isa Agreement that the Valhalla deposit has a JORC-compliant resource of not less than 54 million pounds of uranium oxide (U₃O₈).

(m) No prescribed occurrences

Between the Announcement Date and the date 3 business days after the end of the Offer Period (each inclusive), none of the following prescribed occurrences (being the occurrences listed in section 652C of the Corporations Act) happen:

- (1) Valhalla converting all or any of the Shares into a larger or smaller number of shares under section 254H of the Corporations Act;
- (2) Valhalla or a subsidiary of Valhalla resolving to reduce its share capital in any way;
- (3) Valhalla or a subsidiary of Valhalla entering into a buyback agreement or resolving to approve the terms of a buyback agreement under section 257C(1) or 257D(1) of the Corporations Act;
- (4) Valhalla or a subsidiary of Valhalla making an issue of Shares (other than Shares issued as a result of the exercise of Options into Shares) or granting an option over the Shares or agreeing to make such an issue or grant such an option;
- (5) Valhalla or a subsidiary of Valhalla issuing, or agreeing to issue, convertible notes;
- (6) Valhalla or a subsidiary of Valhalla disposing or agreeing to dispose, of the whole, or a substantial part, of its business or property;
- (7) Valhalla or a subsidiary of Valhalla charging, or agreeing to charge, the whole, or a substantial part, of its business or property;
- (8) Valhalla or a subsidiary of Valhalla resolving that it be wound up;
- (9) the appointment of a liquidator or provisional liquidator of Valhalla or of a subsidiary of Valhalla;
- (10) the making of an order by a court for the winding up of Valhalla or of a subsidiary of Valhalla;
- (11) an administrator of Valhalla or of a subsidiary of Valhalla being appointed under section 436A, 436B or 436C of the Corporations Act;
- (12) Valhalla or a subsidiary of Valhalla executing a deed of company arrangement;
- (13) the appointment of a receiver, receiver and manager, other controller (as defined in the Corporations Act) or similar official in relation to the whole, or a substantial part, of the property of Valhalla or of a subsidiary of Valhalla.

Summary

Break fee agreement

Matter	Potential Acquisition
Overview	Valhalla agrees to pay to Paladin the Break Fee in certain circumstances in connection with the proposed Takeover Bid
Purpose	Proposed Takeover Bid by Paladin

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The agreement

Break fee agreement

Date ►

10 July 2006

Between the parties

Target

Valhalla Uranium Limited ABN 73 116 370 720

of 4th Floor, BGC Centre, 28 The Esplanade, Perth, WA 6000
(Valhalla)

Bidder

Paladin Resources Limited ABN 47 061 681 098

of Grand Central, 1st Floor, 26 Railway Road, Subiaco, WA 6008
(Paladin)

Background

- 1 Paladin proposes to make a Takeover Bid to acquire all of the Valhalla Shares on the terms outlined in schedule 1.
 - 2 Paladin has represented to Valhalla that it is a pre-requisite to Paladin making the Takeover Bid that Valhalla enters into this agreement.
 - 3 Valhalla and its directors believe that significant benefits will flow to Valhalla and its shareholders if the Takeover Bid is made.
-

The parties agree

as set out in the Operative part of this agreement, in consideration of, among other things, the mutual promises contained in this agreement.

Operative part

1 Definitions and interpretation

1.1 Definitions

The meanings of the terms used in this document are set out below.

Term	Meaning
Announcement Date	the date the Takeover Bid is announced
Bid Terms	the terms and conditions set out in schedule 1
ASIC	Australian Securities and Investments Commission
ASX	Australian Stock Exchange Limited
Bidder's Statement	the bidder's statement to be issued by Paladin in relation to the Takeover Bid
Break Fee	\$1,218,280
Business Day	a day on which the banks are open for business in Western Australia excluding a Saturday, Sunday or public holiday
Common Terms Agreement	the agreement of that name between, amongst others, Paladin Finance Pty Ltd (as Borrower), Paladin (as Sponsor and Completion Guarantor) and the Société Générale, Australia Branch (ABN 71 092 516 286) relating to the syndicated loan arrangement between those parties
Competing Transaction	any transaction (including a takeover bid, members' scheme of arrangement, share or asset sale or similar) under which a third party, being a person other than Paladin or an associate, will or may, subject to satisfaction of conditions, acquire control (within the meaning of section 50AA of the Corporations Act) of Valhalla or any of its subsidiaries
Corporations Act	the <i>Corporations Act 2001</i> (Cth)

Term	Meaning
Escrow Shares	The 99,999,999 Shares held by Resolute subject to escrow until 15 December 2007 pursuant to a Restriction Agreement between Resolute and Target dated 11 November 2005
FATA	the <i>Foreign Acquisitions and Takeovers Act 1975</i> (Cth)
Mt Isa	Mt Isa Uranium Pty Ltd (ABN 77 064 536 483)
Mt Isa Agreement	the joint venture agreement between Summit and Resolute dated 16 January 2001 relating to the Mt Isa Exploration Joint Venture
Notice	any notice or other communication including, but not limited to, any request, demand, consent or approval, to or by a party to this agreement
Offers	the offers made under the Takeover Bid
Offer Period	the period during which the Offers remain open
Public Authority	any government or any governmental, semi-governmental, statutory or judicial entity, agency or authority, whether in Australia or elsewhere, including (without limitation) any self-regulatory organisation established under statute or otherwise discharging substantially public or regulatory functions, and ASX or any other stock exchange
Resolute	Resolute Mining Limited (ABN 39 097 088 689)
Resolute Limited	Resolute Limited (ABN 27 009 069 014), a wholly-owned subsidiary of Resolute
Security Bond	an unconditional irrevocable bank guarantee in an amount equal to the Break Fee having a term of not less than 6 months
Summit	Summit Resources (Aust) Pty Ltd (ABN 98 009 188 078)
Takeover Bid	the takeover bid proposed to be made by Paladin on the Bid Terms
Valhalla Shareholder	a holder of Valhalla Shares
Valhalla Share	an ordinary share in the capital of Valhalla

Term	Meaning
\$	the lawful currency of the Commonwealth of Australia

1.2 Interpretation

In this agreement, headings and bold text are for convenience only and do not affect the interpretation of this agreement and, unless the context otherwise requires:

- (a) words importing the singular include the plural and vice versa;
- (b) words importing a gender include any gender;
- (c) other parts of speech and grammatical forms of a word or phrase defined in this agreement have a corresponding meaning;
- (d) an expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and any Government Agency;
- (e) a reference to any thing (including, but not limited to, any right) includes a part of that thing but nothing in this clause 1.2(e) implies that performance of part of an obligation constitutes performance of the obligation;
- (f) a reference to a clause, party, attachment, exhibit or schedule is a reference to a clause of, and a party, attachment, exhibit and schedule to, this agreement and a reference to this agreement includes any attachment, exhibit and schedule;
- (g) a reference to a statute, regulation, proclamation, ordinance or by-law includes all statutes, regulations, proclamations, ordinances or by-laws amending, consolidating or replacing it, whether passed by the same or another Government Agency with legal power to do so, and a reference to a statute includes all regulations, proclamations, ordinances and by-laws issued under that statute;
- (h) a reference to a document includes all amendments or supplements to, or replacements or novations of, that document;
- (i) a reference to a party to a document includes that party's successors and permitted assigns;
- (j) the word "includes" in any form is not a word of limitation;
- (k) a reference to an agreement other than this agreement includes an undertaking, deed, agreement or legally enforceable arrangement or understanding whether or not in writing;
- (l) a reference to an asset includes all property of any nature, including, but not limited to, a business, and all rights, revenues and benefits;
- (m) a reference to a body, other than a party to this deed (including, without limitation, an institute, association or authority), whether statutory or not:
 - (1) which ceases to exist; or
 - (2) whose powers or functions are transferred to another body,
 is a reference to the body which replaces it or which substantially succeeds to its powers or functions; and
- (n) no provision of this deed will be construed adversely to a party solely on the ground that the party was responsible for the preparation of this deed or that provision.

2 Acknowledgment

Valhalla acknowledges that:

- (a) Paladin will suffer significant costs and losses if the Takeover Bid is publicly announced but is not completed;
- (b) the Break Fee is intended to reimburse Paladin for some or all of these costs and losses;
- (c) the Takeover Bid will provide significant benefits to its Valhalla Shareholders;
- (d) it has received legal advice about this agreement and, in particular, clause 3;
- (e) Paladin would not have agreed to make the Takeover Bid unless Valhalla had agreed to enter into this agreement; and
- (f) it considers this agreement to be fair and reasonable and that it is appropriate to agree to the terms of this agreement to secure the significant benefits to its Valhalla Shareholders resulting from the Takeover Bid.

3 Valhalla's promise

3.1 Obligation to pay

Valhalla will pay Paladin the Break Fee if, before the end of the Offer Period:

- (a) a Competing Transaction is announced, or is open for acceptance, and, before the end of the Offer Period, or, if later, the end of offer period or the effective date under the Competing Transaction, a third party, being a person other than Paladin or an associate, acquires control (within the meaning of section 50AA of the Corporations Act) of Valhalla or any of its subsidiaries; or
- (b) no Competing Transaction is announced, or is open for acceptance, but any director of Valhalla:
 - (1) fails to recommend that Valhalla Shareholders accept the Takeover Bid in the absence of a superior offer; or
 - (2) having made such a recommendation, makes a public statement which withdraws, revises or qualifies that recommendation.

3.2 Payment

- (a) Paladin may demand payment of the Break Fee under clause 3.1 in writing and stating the circumstances which give rise to payment.
- (b) Subject to clause 4.3, Valhalla must pay the Break Fee to Paladin within 10 Business Days of receipt of Paladin's demand under clause 3.2(a) unless a finding has been made by a court, the Takeovers Panel, regulatory authority or tribunal as described in clause 6.

4 Break Fee

4.1 Basis of Break Fee

The Break Fee has been calculated to reimburse Paladin for the following:

- (a) fees for legal and financial advice in planning and implementing the Takeover Bid;
 - (b) reasonable opportunity costs incurred in engaging in the Takeover Bid or in not engaging in other alternative acquisitions or strategic initiatives;
 - (c) costs of management and directors' time in planning and implementing the Takeover Bid;
 - (d) out of pocket expenses incurred by Paladin employees, advisers and agents in planning and implementing the Takeover Bid;
 - (e) any damage to Paladin's reputation associated with a failed transaction and the implications of those damages if Paladin seeks to execute alternative acquisitions in the future; and
 - (f) losses associated with any damage to Paladin's goodwill with its customers, suppliers or employees,
- in each case, incurred by Paladin directly or indirectly as a result of pursuing the Takeover Bid.

4.2 Quantification

The parties acknowledge that the amount of fees, costs and losses referred to in clause 4.1 is inherently unascertainable and that, even after termination of this agreement, the costs will not be able to be accurately ascertained. The amount of the Break Fee is a genuine and reasonable pre-estimate of those fees, costs and losses (it being acknowledged by the parties that the costs would most likely be significantly in excess of this amount).

4.3 Set-off

If Paladin:

- (a) acquires any Valhalla Shares; and
 - (b) subsequently accepts or participates in a Competing Transaction and receives consideration for those Valhalla Shares under that Competing Transaction which is of net realisable value in excess of the consideration paid for the Valhalla Shares,
- then Valhalla is entitled to set-off the excess (less actual holding costs), on a pre-tax basis, against any claim by Paladin under this clause 3.2.

5 Security

- (a) As security for its obligations under clause 3.2, Valhalla will provide Paladin within 5 Business Days of the date of this agreement with a Security Bond.
- (b) Paladin has the right, without prejudice to any other remedy available to Paladin, to call on the Security Bond if Valhalla does not comply with clause 3.2 within 10 Business Days, unless a determination of the kind referred to in clause 6 has been made within that period.
- (c) Paladin will return the Security Bond to Valhalla:
 - (1) when the obligations under clause 3.2 have been complied with; or
 - (2) this agreement has been terminated under clause 9,
 whichever is the earlier.

- (d) Valhalla will not take any steps of any kind to restrain Paladin from exercising its rights under this clause.

6 Compliance with the law

If a court, the Takeovers Panel, regulatory authority, or tribunal determines that payment of the Break Fee:

- (a) is, was or would be unlawful; or
- (b) involves, involved or would involve a breach of the duties of the directors of Valhalla, then Paladin agrees:
 - (c) not to enforce Valhalla's obligation to pay the Break Fee;
 - (d) not to exercise its rights under the Security Bond;
 - (e) to refund any money paid to it by Valhalla under this agreement; and
 - (f) to refund any money received by exercising its rights under the Security Bond, to the extent that to do so or fail to do so (as the case may be) gives rise to the determinations referred to in clauses 6(a) and (b).

7 Warranties

Each party represents and warrants to the other that, at the date of this agreement:

- (a) it is duly incorporated under the laws of the place of its incorporation;
- (b) it has the power and authority to execute and exchange this agreement and perform and observe all its terms;
- (c) this agreement has been duly executed and is a legal, valid and binding agreement, enforceable against it in accordance with its terms;
- (d) it is not bound by any contract which may restrict its right or ability to enter into or perform this agreement; and
- (e) no resolutions have been passed and no other step has been taken or legal proceedings commenced or threatened against it for its winding up or dissolution or for the appointment of a liquidator, receiver, administrator or similar officer over any or all of its assets, and no regulatory action of any nature has been taken, which would prevent, inhibit or otherwise have a material adverse effect on its ability to fulfil its obligations under this agreement.

8 Indemnity

Each party indemnifies the other party against any claim, action, damage, loss, liability, cost, charge, expense, outgoing or payment which the other party suffers, incurs or is liable for in respect of any breach of this agreement including a breach of warranty by the party.

9 Termination

9.1 Termination events

This agreement will terminate if:

- (a) Paladin sends compulsory acquisition notices under Part 6A.1, Division 1 of the Corporations Act in relation to Valhalla Shares;
- (b) there is a finding by a court, the Takeovers Panel, regulatory authority or tribunal as described in clause 6, which finding cannot be overcome by making reasonable adjustments to the amount of the Break Fee or the circumstances in which it is payable; or
- (c)
 - (1) an event, change, condition, matter or thing occurs;
 - (2) information is disclosed or announced by Paladin or any of its subsidiaries concerning any event, change, condition, matter or thing; or
 - (3) information concerning any event, change, condition, matter or thing becomes known to Valhalla (whether or not becoming public),

which will have, could reasonably be expected to have or which evidences that there has been a material adverse effect on the business, assets, liabilities, financial position and performance, material contracts (taken as a whole), profitability or prospects of Paladin or any of its subsidiaries, since 31 December 2005 of which Valhalla gives Paladin written notice.

For the purposes of clause 9.1(c), Valhalla shall not be taken to know of information concerning any event, change, condition, matter or thing before the Announcement Date, unless Valhalla knows or ought reasonably to have known (having regard to the information actually known by Valhalla and the information disclosed by Paladin in its public filings with the ASX and ASIC before the Announcement Date), of the extent or magnitude of the event, change, condition, matter or thing.

Clause 9.1(c) does not apply in relation to particular information, if that information was previously disclosed by Paladin in a public filing with the ASX or ASIC provided that the disclosure was full and fair (including, without limitation, in relation to the extent and magnitude of the event, change, condition, matter or thing, as the case may be) and was not, and is not likely to be, incomplete, incorrect, untrue or misleading.

9.2 Termination of agreement

If this agreement terminates in accordance with clause 9.1 then it will be of no further force or effect and no party will have any further obligation to the others other than in respect of any breaches of this agreement arising prior to the date of termination of this agreement.

10 General

10.1 Notices

- (a) Any Notice must be in legible writing and in English addressed as shown below:
- (1) **Valhalla**
Address: 4th Floor, BGC Centre, 28 The Esplanade, Perth, WA 6000
Attention: Mr Peter Sullivan
Facsimile: +61 (08) 9322 7541; and
 - (2) **Paladin**
Address: Grand Central, 1st Floor, 26 Railway Road, Subiaco, WA 6008
Attention: Ms Gillian Swaby
Facsimile: +61 (08) 9381 4978,
- or as specified to the sender by any party by notice;
- (b) Any Notice must be signed by the sender (if a natural person) or an officer or under the common seal of the sender (if a corporation);
- (c) Any Notice is regarded as being given by the sender and received by the addressee:
- (1) if by delivery in person, when delivered to the addressee;
 - (2) if by facsimile transmission, whether or not legibly received, when transmitted to the addressee,
- but if the delivery or receipt is on a day which is not a Business Day or is after 4.00pm (addressee's time) it is regarded as received at 9.00am on the following Business Day; and
- (d) Any Notice can be relied upon by the addressee and the addressee is not liable to any other person for any consequences of that reliance if the addressee believes it to be genuine, correct and authorised by the sender.
- (e) A facsimile transmission is regarded as legible unless the addressee telephones the sender within 2 hours after transmission is received or regarded as received under clause 10.1(c) and informs the sender that it is not legible.
- (f) In this clause 10.1, a reference to an addressee includes a reference to an addressee's officers, agents or employees.

10.2 Governing law and jurisdiction

- (a) This agreement is governed by the laws of Western Australia.
- (b) Valhalla and Paladin irrevocably submit to the non-exclusive jurisdiction of the courts of Western Australia.

10.3 Prohibition and enforceability

- (a) Any provision of, or the application of any provision of, this agreement or any power which is prohibited in any jurisdiction is, in that jurisdiction, ineffective only to the extent of that prohibition.

- (b) Any provision of, or the application of any provision of, this agreement which is void, illegal or unenforceable in any jurisdiction does not affect the validity, legality or enforceability of that provision in any other jurisdiction or of the remaining provisions in that or any other jurisdiction.
- (c) Where a clause is void, illegal or unenforceable, it may be severed without affecting the enforceability of the other provisions in this agreement.

10.4 Waivers

- (a) Waiver of any right, power, authority, discretion or remedy arising from a breach of this agreement must be in writing and signed by the party granting the waiver.
- (b) A failure or delay in exercise, or partial exercise, of a right, power, authority, discretion or remedy arising from a breach of this agreement does not result in a waiver of that right, power, authority, discretion or remedy.

10.5 Variation

A variation of any term of this agreement must be in writing and signed by the parties.

10.6 Costs and expenses

Each party must pay its own legal costs and expenses in respect of the negotiation, preparation, completion and stamping of this agreement.

10.7 Assignment

Neither party may assign or otherwise transfer any of its rights arising under this agreement without the prior written consent of the other party.

10.8 Further assurances

Each party must do all things and execute all further documents necessary to give full effect to this agreement.

10.9 Time of the essence

Time is of the essence of this agreement.

10.10 Counterparts

This agreement may be executed in any number of counterparts.

10.11 Attorneys

Each of the attorneys executing this agreement states that the attorney has no notice of the revocation of the power of attorney appointing that attorney.

Schedules

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Schedule 1

Takeover Bid: Bid Terms

1 Offer Consideration

One Paladin share for every 3.16 Valhalla Shares.

2 Offer Period

One month from the date the offer opens, subject to Paladin's right to extend the Offer Period.

3 Offer Conditions

(a) **FATA**

If required under the FATA, before the end of the Offer Period, the Treasurer of the Commonwealth of Australia either:

- (1) issues a notice stating that the Commonwealth Government does not object to Paladin acquiring 100% of the Valhalla Shares under the Offer; or
- (2) is precluded from making an order in respect of the entry into or completion by Bidder of this agreement under the FATA.

(b) **No regulatory action**

Between the Announcement Date and the end of the Offer Period (each inclusive):

- (1) there is not in effect any preliminary or final decision, order or decree issued by any Public Authority;
- (2) no action or investigation is announced, commenced or threatened by any Public Authority; and
- (3) no application is made to any Public Authority (other than by Paladin or any associate of Paladin),

in consequence of or in connection with the Offer (other than an application to, or a decision or order of, ASIC or the Takeovers Panel in exercise of the powers and discretions conferred by the Corporations Act) which restrains, prohibits or impedes, or threatens to restrain, prohibit or impede, or materially impact upon, the making of the Offers and the completion of any transaction contemplated by the Bidder's Statement (including, without limitation, full, lawful, timely and effectual implementation of the intentions set out in the Bidder's Statement) or which requires the divestiture by

Paladin of any Shares or any material assets of Valhalla or any subsidiary of Valhalla.

(c) **Compulsory acquisition**

During, or at the end of the Offer Period, Paladin is entitled to send compulsory acquisition notices under Part 6A.1, Division 1 of the Corporations Act.

(d) **No material adverse change**

(1) Between the Announcement Date and the end of the Offer Period (each inclusive) none of the following occurs:

- an event, change, condition, matter or thing occurs;
- information is disclosed or announced by Valhalla or any of its subsidiaries concerning any event, change, condition, matter or thing; or
- information concerning any event, change, condition, matter or thing becomes known to Paladin (whether or not becoming public),

which will have, could reasonably be expected to have or which evidences that there has been a material adverse effect on the business, assets, liabilities, financial position and performance, material contracts (taken as a whole), profitability or prospects of Valhalla or any of its subsidiaries, since 23 March 2006.

(2) For the purposes of clause (d)(1), Paladin shall not be taken to know of information concerning any event, change, condition, matter or thing before the Announcement Date, unless Paladin knows or ought reasonably to have known (having regard to the information actually known by Paladin and the information disclosed by Valhalla in its public filings with the ASX and ASIC before the Announcement Date), of the extent or magnitude of the event, change, condition, matter or thing.

(3) Clause (d)(1) does not apply in relation to particular information, if that information was previously disclosed by Valhalla in a public filing with the ASX or ASIC provided that the disclosure was full and fair (including, without limitation, in relation to the extent and magnitude of the event, change, condition, matter or thing, as the case may be) and was not, and is not likely to be, incomplete, incorrect, untrue or misleading.

(e) **Mt Isa**

Before the end of the Offer Period, Mt Isa enters into an agreement pursuant to which Mt Isa acquires all of the issued shares in Resolute Limited from Resolute for an amount not exceeding \$1.00 (**Acquisition**) and:

- (1) there are no liabilities (whether present or future, actual or contingent) assumed by Mt Isa or Resolute Limited under the terms of, or as a result of, that agreement or the Acquisition, in excess of \$1,000;
- (2) the Acquisition is completed by the first to occur of 30 September 2006 and the end of the Offer Period; and

- (3) Mt Isa does not cease to be a "Related Company" (within the meaning of the Mt Isa Agreement) of Resolute Limited at any time prior to completion of the Acquisition.

(f) **No breach, termination or variation of the Mt Isa Agreement**

There being no breach (whether before or after the Announcement Date) by any of the parties to the Mt Isa Agreement of the terms of that agreement, and, between the Announcement Date and the end of the Offer Period (each inclusive), no termination of, amendment to the terms of, or waiver of rights under, the Mt Isa Agreement occurring, or being announced or agreed to (excluding any agreement of the kind referred to in clause (e)(2)).

(g) **No change of control rights**

Between the Announcement Date and the end of the Offer Period (each inclusive), there is no person having any rights, being entitled to have any rights, alleging an entitlement, or expressing or announcing an intention (whether or not that intention is stated to be a final or determined decision of that person) (in all cases whether subject to conditions or not), as a result of any change of control event in respect of Valhalla (including Paladin acquiring shares in Valhalla) or any of its subsidiaries or assets, to:

- (1) terminate or alter any contractual relations between any person and Valhalla or any of its subsidiaries (for this purpose an alteration includes of the operations of a contract, whether or not that altered operation is provided for under the existing terms of the contract);
- (2) require the termination, modification or disposal (or offer to dispose) of any interest or asset, corporate body, joint venture or other entity; or
- (3) accelerate or adversely modify the performance of any obligations of Valhalla or any of its subsidiaries under any agreements, contracts or other legal arrangement.

(h) **ASX approval to release of Escrowed Shares**

Before the end of the Offer Period, ASX has provided its consent under ASX Listing Rule 9.17 to release the Escrowed Shares from dealing restrictions.

(i) **Common Terms Agreement**

The Société Générale, Australia Branch (ABN 71 092 516 286), in its capacity as Agent under the Common Terms Agreement:

- (1) irrevocably and unconditionally consenting to the acquisition by Paladin of all the Shares pursuant to the Offer for the purposes of the Common Terms Agreement; and
- (2) irrevocably and unconditionally waiving any default under the Common Terms Agreement which has arisen, or may arise, solely as a result of the announcement or completion of the Offer by Paladin.

(j) **Consent to quotation**

The Toronto Stock Exchange consents to the issue and quotation of the Paladin Shares to be issued under the Offer on that exchange on an unconditional basis.

(k) Access to information

Between the Announcement Date and the end of the Offer Period, Valhalla promptly, and in any event within 2 Business Days, provides to Paladin a copy of all material information which Paladin may from time to time reasonably request, whether or not generally available (within the meaning of the Corporations Act) relating to Valhalla or any of its subsidiaries, or their respective assets, liabilities or operations.

(l) Valhalla resource

Before the end of the Offer Period, it is announced to ASX by any party to the Mt Isa Agreement that the Valhalla deposit has a JORC-compliant resource of not less than 54 million pounds of uranium oxide (U₃O₈).

(m) No prescribed occurrences

Between the Announcement Date and the date 3 business days after the end of the Offer Period (each inclusive), none of the following prescribed occurrences (being the occurrences listed in section 652C of the Corporations Act) happen:

- (1) Valhalla converting all or any of the Shares into a larger or smaller number of shares under section 254H of the Corporations Act;
- (2) Valhalla or a subsidiary of Valhalla resolving to reduce its share capital in any way;
- (3) Valhalla or a subsidiary of Valhalla entering into a buyback agreement or resolving to approve the terms of a buyback agreement under section 257C(1) or 257D(1) of the Corporations Act;
- (4) Valhalla or a subsidiary of Valhalla making an issue of Shares (other than Shares issued as a result of the exercise of Options into Shares) or granting an option over the Shares or agreeing to make such an issue or grant such an option;
- (5) Valhalla or a subsidiary of Valhalla issuing, or agreeing to issue, convertible notes;
- (6) Valhalla or a subsidiary of Valhalla disposing or agreeing to dispose, of the whole, or a substantial part, of its business or property;
- (7) Valhalla or a subsidiary of Valhalla charging, or agreeing to charge, the whole, or a substantial part, of its business or property;
- (8) Valhalla or a subsidiary of Valhalla resolving that it be wound up;
- (9) the appointment of a liquidator or provisional liquidator of Valhalla or of a subsidiary of Valhalla;
- (10) the making of an order by a court for the winding up of Valhalla or of a subsidiary of Valhalla;
- (11) an administrator of Valhalla or of a subsidiary of Valhalla being appointed under section 436A, 436B or 436C of the Corporations Act;
- (12) Valhalla or a subsidiary of Valhalla executing a deed of company arrangement;
- (13) the appointment of a receiver, receiver and manager, other controller (as defined in the Corporations Act) or similar official in

relation to the whole, or a substantial part, of the property of Valhalla or of a subsidiary of Valhalla.

Signing page

Executed as an agreement:

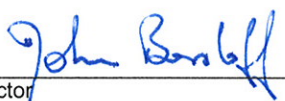
Paladin

Signed by
Paladin Resources Limited
by

sign here ► 

Company Secretary/Director

print name GILKIAN SWABY

sign here ► 

Director

print name JOHN BORSHOFF

Valhalla

Signed by
Valhalla Uranium Limited
by

sign here ► _____
Company Secretary/Director

print name _____

sign here ► _____
Director

print name _____

Signing page

Executed as an agreement:

Paladin

Signed by
Paladin Resources Limited
by

sign here ▶ _____
Company Secretary/Director

print name _____

sign here ▶ _____
Director

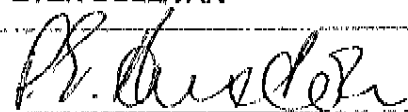
print name _____

Valhalla

Signed by
Valhalla Uranium Limited
by

sign here ▶  _____
Company Secretary/Director

print name **PETER SULLIVAN**

sign here ▶  _____
Director

print name **PETER ERNEST HUSTON**