SUMMIT RESOURCES LIMITED

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Paladin's Opportunistic and Inadequate Takeover Offer Freehill's Letter

Dear Fellow Shareholder

Summit has received a letter from Freehills, the lawyers acting for Paladin. In its letter, Freehills raises three issues of concern in relation to the letter dated 2 March 2007 which we sent to you recommending that you **REJECT THE PALADIN OFFER** (the "**Rejection of the Offer"**).

In its letter, Freehills makes a number of strong assertions that Summit has tried to mislead you - assertions which we deny. In its letter, Freehills also states that it reserves *"the right to take immediate action (including by application to the Takeover Panel for interim relief), without further notice...".*

Summit and its advisers have reviewed the letter from Freehills and we do not regard the issues that Freehills has raised as being material to your decision about whether or not to accept the offer.

We do believe, however, that if Summit does not respond publicly to Freehills assertions, it is almost certain that Freehills will make an application to the Takeovers Panel on behalf of Paladin in respect of the allegations raised in their letter. Whilst we have no concern about responding to such an application, we believe that it would be a waste of Summit's time and money and we have therefore decided to write this letter to you to directly respond to the issues that Freehills has raised.

NOTHING THAT FREEHILLS HAS ASSERTED CHANGES IN ANY WAY THE UNANIMOUS OPINION OF YOUR DIRECTORS THAT THE PALADIN OFFER IS OPPORTUNISTICALLY TIMED TO CAPTURE VALUE THAT WE EXPECT WILL FLOW TO YOU IN THE SHORT, MEDIUM AND LONG TERM.

YOUR DIRECTORS CONTINUE TO URGE YOU TO REJECT THE PALADIN OFFER.

We are currently preparing our formal response to the Paladin offer (our Target's Statement) which we will be dispatching to all Summit shareholders in due course.

In the meantime, the Freehills allegations and Summit's response to each of them are set out below.

Freehills first assertion - "Summit's comments on the participation of foreign shareholders are erroneous and calculated to confuse"

Freehills notes that in our **Rejection of the Offer,** we made the following statements;

> *"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…"

Freehills states that this statement "*ignores the fact that under the offer, only accepting Summit shareholders whose address, as it appears on the register of members of Summit, will have their Paladin shares issued to a nominee for sale (in accordance with the practice sanctioned by the Corporations Act."* Freehills goes on to note that according to its review of the Summit register less than 1% of Summit's shareholders have registered addresses outside Australia and New Zealand.

Having considered Freehills' comments, we acknowledge that our view on what constitutes a "Foreign Shareholder" for the purposes of Paladin's Bidder's Statement is not correct.

It is the case that a substantial proportion of Summit's shares are ultimately held by shareholders who are resident in countries other than Australia and New Zealand and, that of these shareholders, 111 (holding approximately 7% of Summit's total issued share capital) actually have addresses outside Australia and New Zealand.

You should therefore note that if you are resident somewhere other than Australia and New Zealand but your address on the Summit register of members is in Australia or New Zealand then Paladin's Bidder's Statement provides that you will be able to receive Paladin shares should you ignore your directors' advice to **REJECT THE PALADIN OFFER.**

Summit is unable to provide advice on whether any securities law or regulation which may be applicable to Paladin's offer will be breached as a consequence of Paladin simply relying on the fact that a shareholder who is resident in a country other than Australia and New Zealand is using an Australian or New Zealand address.

Summit is also unable to comment on whether the level of information which is included in Paladin's Bidder's Statement is equivalent to that which might customarily be expected for a similar offer made in a country other than Australia or New Zealand.

You should consult your own adviser in relation to these issues.

Freehills second assertion - "Summit misrepresents Paladin's position regarding the litigation"

Freehills notes that in our **Rejection of the Offer,** we made the following statements;

"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"

…Stop the litigation against Paladin and others…"

Freehills then goes on to point out that Paladin will only withdraw the litigation if it gets 100% control. Freehills also states that "*in all other circumstances, including where Paladin has control, Paladin intends to propose the litigation be managed by an independent board committee, to ensure that interests of minority shareholders are protected…".*

Freehills also objects to the fact that we say nothing about an indemnity that has been given to Paladin by Resolute Mining Limited and concludes that it is "*fanciful*" for Summit to suggest that Paladin's bid is timed to avoid any potential adverse result in the litigation.

In response to these assertions Summit notes the following:

1. If Paladin gets control of Summit (but not 100% outright ownership) Paladin has signalled an intention to seek the removal of some of the current directors of Summit and replace them with *"nominees of Paladin such that there is a majority of Paladin nominees on the board…"* Given that there are currently 4 directors of Summit, this suggests that Paladin intends to remove at least 3 of the directors or to expand the size of the Board. Paladin does not say who it intends to appoint.

   Paladin also notes in its Bidder's Statement (page 46) that "*it is likely to become necessary for the Board to consider its on-going approach to the Supreme Court action".* Paladin does not suggest why this might *"become necessary".* Your directors believe that the words *"become necessary*" should be read to mean "necessary for the protection of Paladin's interests".

   In the opinion of your directors, these statements give a clear indication that one of Paladin's key objectives in making its hostile offer is to do whatever it can (within the constraints imposed by the Corporations Act and the Listing Rules) to mitigate the risk of losing the litigation.

   Paladin also refers in its Bidder's Statement to the need to establish an independent committee because of provisions of the Corporations Act and the Listing Rules that might require shareholders to *"approve any settlement proposal".*

   Summit has no intention of "settling" this problem for Paladin and your directors believe that this statement by Paladin is a further indication that resolving the litigation in a way that is acceptable to Paladin is one of Paladin's key objectives in making its hostile offer.

   Notwithstanding Freehills' assertions about how Paladin will behave if it gets control, your directors believe that your interests will be better served if Paladin does not get control of Summit.

   In the opinion of your directors, it is surprising that Paladin seriously believes that it could convince you otherwise.

2. Your directors also reject the assertion that we should have drawn your attention to the fact that Resolute Mining Limited has indemnified Paladin against losses associated with the litigation.

   Success in the litigation against Paladin, Resolute and others would give Summit the option to acquire 100% control of the assets in the Isa Uranium Joint Venture.

   Your directors appreciate that it is possible that Paladin will not incur a financial loss because Resolute has indemnified Paladin against **losses** associated with the litigation.

   However, in the opinion of your directors, this is simply not the key issue.

   The key issue is that if it loses the litigation, Paladin will lose its share of the underlying assets in the Isa Uranium Joint Venture. In the opinion of your directors, it would be very difficult to put a figure on the long term opportunity cost to Paladin of losing that interest.

Freehills' third assertion - "Summit's comments on the availability of tax rollover are false"

Freehills notes that in our **Rejection of the Offer,** we state that Summit shareholders who have held their shares for less than 12 months will not be entitled to CGT rollover relief even if Paladin were to acquire 80% or more of the Summit shares. Freehills goes on to note that subdivision 124M of the *Income Tax Assessment Act 1997* does not contain any requirement for Summit shareholders to hold their shares for 12 months in order to be entitled to scrip for scrip rollover relief.

It is correct that shareholders who bought their shares in the last 12 months would be able to access CGT rollover relief **if** they accept the offer and **if** Paladin acquires 80% or more of the shares in Summit. However, your directors remain firmly of the view that:

- Paladin will not acquire at least 80% of the shares in Summit;
- on this basis, accepting shareholders will **NOT** be eligible for rollover relief, and may be left with significant CGT liabilities; and
- shareholders who have held their Summit shares for less than 12 months and who dispose of those shares either by accepting Paladin's offer or by selling on market will **NOT** be eligible for any CGT discount that applies in respect of shares held for at least 12 months – those shareholders might therefore be taxed on any net capital gain at their top marginal rate of tax.

As mentioned above, your directors do not believe that any of the issues raised above impact in any way on their unanimous recommendation that you should

REJECT PALADIN'S HOSTILE AND INADEQUATE OFFER

AND

IGNORE ANY CORRESPONDENCE YOU MAY RECEIVE FROM PALADIN

Your directors believe that the Paladin offer does not adequately compensate Summit shareholders for the value of Summit's uranium deposits and prospects at Mount Isa, the Georgina Basin greenfields uranium project, our base metal, iron ore and phosphate exploration interests and our extensive mineral exploration tenement holdings in northwest Queensland.

We thank you for your continuing support and can assure you that your board and management team is committed to working hard to unlock the tremendous potential of our Mount Isa Uranium Project for the benefit of all of our shareholders.

Yours sincerely

Summit Resources Limited

Alan J Eggers
Managing Director

Toll Free Shareholder Line for Enquiries on the Paladin Bid is: **1800 104 758**
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