

CORPORATE GOVERNANCE

INTRODUCTION

Summit Resources Limited ABN 86 009474775 (**Company**) has adopted systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised below.

The following additional information about the Company's corporate governance practices is set out on the Company's website at www.summitresources.com.au

- Board Charter
- Policy and Procedure for Selection and Appointment of New Directors;
- Summary of Code of Conduct for Directors and Key Executives;
- Summary of Policy for Trading in Company Securities;
- Procedure for Selection, Appointment and Rotation of External Auditor;
- Summary of Compliance Procedures for ASX Listing Rules Disclosure;
- Shareholder Communication Strategy;
- Summary of Company's Risk Management Policy and Internal Compliance and Control System; and
- Corporate Code of Conduct.

COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS

The Company, during the financial year ended 30 June 2009 (the **Reporting Period**), unless otherwise stated, has continued to follow the ASX Corporate Governance Council Corporate Governance Principles and Recommendations (**ASX Principles and Recommendations**).

1. Management and Oversight

The Board has adopted a charter setting out the purpose and role of the Board, its responsibilities and powers and the way in which the Board functions.

2. Board Structure

2.1 Board Composition

During the reporting period the Directors were:

- Mr David Wallace Berrie, Non-executive Director, appointed to the Board on 19 October 2006 (fulfilled role as executive Director for the period 19 October 2006 to 11 May 2007);
- Mr Brendan O'Hara Executive Chairman, appointed to the Board on 30 May 2007; and
- Mr Malcolm Randall, Non-executive Director, appointed to the Board on 30 May 2007.

Profiles of the Directors are set out in the Directors' Report.

2.2 Board Independence

On 30 May 2007, a complete Board restructure took place following the acquisition by Paladin of a more than 80% controlling interest in the Company. As a result, during the Reporting Period, the Board comprised three members, as follows:

- Mr Brendan O'Hara – Executive Chairman – Mr O'Hara is not considered independent according to the independence criteria set out in the ASX Principles and Recommendations because of his association with the majority shareholder, Paladin. Mr O'Hara is also Paladin's General Manager – Special Projects.

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- Mr David Wallace Berrie – Non-executive Director – Mr Berrie was an Executive Director of the Company between 19 October 2006 and 11 May 2007. He is therefore not considered independent under the independence criteria set out in the ASX Principles and Recommendations because he has been employed by the Company in an executive capacity within the last three years. Notwithstanding this, the Board considers Mr Berrie to be independent because his short role in management would not fetter his ability to exercise independent judgement, particularly given the changes in executive management following Paladin's acquisition of a majority stake.
- Mr Malcolm Randall – Non-executive Director – Mr Randall is considered to be an independent Director.

The Board considers that its current structure is appropriate given the Company's size and that the current Directors provide the necessary diversity of skills, knowledge and experience which is appropriate for the Company's current projects and business. In considering whether a Director is independent, the Board has regard to the independence criteria set out in the ASX Principles and Recommendations and other facts, information and circumstances that the Board considers relevant.

2.3 Term of Office

In accordance with the Constitution of the Company, all Directors, other than the Managing Director, must retire from office no later than the third annual general meeting following their last election and one third of the Directors are to retire from office at each annual general meeting. Where eligible, a Director may stand for re-election.

2.4 Access to Advice

If a Director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his office as a Director then, provided the Director first obtains approval for incurring such expense from the Chairman, the Company will pay the reasonable expenses associated with obtaining such advice.

2.5 Chairman and Chief Executive

Recommendations 2.2 and 2.3 of the ASX Principles and Recommendations provide that the chairman should be an independent Director and the roles of chairman and chief executive officer should not be exercised by the same individual. The Company does not follow these recommendations because, as referred to above, the Executive Chairman, Mr Brendan O'Hara, is not considered independent under the guidelines set out in the ASX Principles and Recommendations and the roles of Chairperson and Chief Executive Officer of the Company are both exercised by Mr O'Hara. Mr O'Hara was appointed to the role of Executive Chairman by Paladin following its acquisition of a majority stake.

Notwithstanding these matters, the Board considers that it is appropriate that Mr O'Hara be the Executive Chairman of the Company as he has the skills, knowledge and experience necessary to effectively fulfil both the roles of Chairman and Chief Executive of the Company.

2.6 Nomination Committee

Recommendation 2.4 of the ASX Principles and Recommendations provides that the Board should establish a nomination committee. The Company does not follow this recommendation as due to a major restructure of the Board on 30 May 2007, there is no longer a formal nomination committee. Given the Board comprises three members it was decided that no efficiencies would be achieved by establishing a separate nomination committee. The whole Board carries out the duties which would otherwise be undertaken by the nomination committee, in accordance with the principles which were previously set out in the nomination committee charter. Each member of the Board excludes him or herself from matters in which he or she has a material person interest and the Board otherwise ensures the Company complies with the provisions of the Corporations Act in relation to related party transactions.

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2.7 Evaluation of Board Performance

Improvement in Board processes and effectiveness is a continuing objective and the primary purpose of Board evaluation is to identify ways to improve performance. The Chairman is responsible for conducting an annual review of the Board performance.

An evaluation of the performance of the Board has been carried out for the 2009 financial year. This process involving completion of individual questionnaires focused on process, structure, effectiveness and contributions of the Board and the individual Directors.

3. Code of Conduct and Recognition of Stakeholder Interests

The Board has adopted a code of conduct for Directors and executives. The Board has also adopted a policy on trading in the Company's securities by Directors, officers and employees of the Company.

Additionally, the Board has adopted a corporate code of conduct setting out the standard which the Board, management and employees of the Company are encouraged to comply with when dealing with legal and other obligations to each other, shareholders and the broader community.

4. Integrity of Financial Reporting

The Board has established a structure to independently verify and safeguard the integrity of the Company's financial reporting and to ensure the independence and competence of the Company's external auditor.

The Board requires the Executive Chairman and the Chief Financial Officer to state in writing that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards; that this opinion is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects. These written statements were received by the Board in respect of the year under review.

Recommendation 4.2 of the ASX Principles and Recommendations provides that the audit committee should be structured so that it consists only of Non-executive Directors, a majority of independent Directors, is chaired by an independent chairman who is not the chairman of the Board, and has at least 3 members. Given the Board only comprises of three members, the whole of the Board acts as the Company's audit committee. This necessarily means that the Company does not follow Recommendation 4.2 to the extent that the Executive Chairman, who is not a Non-executive Director, is a member of the audit committee, and the audit committee is not comprised of a majority of Directors who are independent based on the criteria set out in the ASX Principles and Recommendations. The Board considers this to be the most appropriate structure of the audit committee given the composition and size of the Board. The whole Board carries out the duties of the audit committee, in accordance with the principles set out in the formal audit committee charter previously adopted by the Company.

5. Timely and Balanced Disclosure

The Board is committed to ensuring that the Company complies with its continuous disclosure obligations under the Corporations Act and the listing rules of the Australian Securities Exchange (ASX). The Board has established a policy and procedures for compliance with these requirements and to ensure accountability at a senior management level for that compliance.

6. Shareholder Communications

The Board has established a communications strategy to promote effective communication with shareholders and encourage effective participation of shareholders at general meetings.

The Company maintains an up to date website comprising corporate information, synopses of the Company's projects, periodic reports and announcements. Hard copies of publicly released documents are available from the Company on request.

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Shareholders are given a reasonable opportunity to ask questions of the Board at general meetings. The external auditor is invited to such meetings to answer questions from shareholders on matters relating to the audit of the Company's financial statements.

7. Risk Management

The Company has established policies on risk oversight and management and has a risk management and internal control system to manage the Company's material business risks. The Company has developed its risk management policy in line with the implementation of the risk management system and a risk management framework.

The Company's Risk Management Policy is to identify, assess, evaluate, monitor and mitigate risks which are considered unacceptable to the Company. Summit has also developed the business environment to encourage senior personnel to assess risks and make sound business decisions. Whilst all personnel have a responsibility to identify and report management risks which may materially affect the Company, the Executive Chairman has the overall responsibility for the management of risk in the Company. Summit has adopted the practices outlined in Australian and New Zealand Standard 4360:2004, "Risk Management" in managing risk.

The risk management system is designed and implemented by the Executive Chairman and is subject to the review of the Board of Directors.

Summit is committed to continual improvement of the risk management process and procedures.

8. Remuneration

The Board's remuneration policy (including the distinction between the structure of executive and non-executive remuneration and the use of equity incentives) is set out in the Remuneration Report section of the Directors' Report.

Recommendation 8.1 of the ASX Principles and Recommendations provides that the Board should establish a remuneration committee. The Company does not follow this recommendation as following a major restructure of the Board on 30 May 2007, there is no longer a formal remuneration committee.

Given that the Board comprises three members it was decided that no efficiencies would be achieved by establishing a separate remuneration committee. The whole Board carries out the duties which would otherwise be undertaken by the remuneration committee, in accordance with the principles which were previously set out in the remuneration committee charter. Each member excludes him or herself from matters in which he or she has a material personal interest and the Board otherwise ensures the Company complies with the provisions of the Corporations Act in relation to related party transactions. That is, no Director participated in any deliberation regarding his or her own remuneration or related issues.

The Company does not pay or provide for termination or retirement benefits for Non-executive Directors.