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**HYLEA METALS LIMITED**

**ACN 119 992 175**

**NOTICE OF GENERAL MEETING**

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Notice is given that the Meeting will be held at:

**TIME:** 11am (WST)

**DATE:** 23 August 2019

**PLACE:** Emerald House  
1202 Hay Street  
West Perth, WA, 6005

## **VOTE IN FAVOUR**

**The Directors who do not have a personal interest in the outcome of the Resolutions recommend that Shareholders vote in favour of all Resolutions contained within this Notice.**

Director Mr Tim Kestell has decided not to make a recommendation on how Shareholders should vote on the Resolutions, due to him having a material personal interest in the outcome of the Resolutions. Please refer to Section 1.19 for further details.

*The business of the Meeting affects your shareholding and your vote is important.*

*This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.*

*The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 11am on 21 August 2019.*

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## BUSINESS OF THE MEETING

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### AGENDA

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#### 1. RESOLUTION 1 – ACQUISITION OF PALADIN AFRICA LIMITED

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, subject to the passing of all Essential Resolutions, for the purposes of ASX Listing Rule 11.1.2 and for all other purposes, approval is given for the Company to acquire an indirect 65% interest in Paladin Africa Limited (a company incorporated under the laws of Malawi) (**Acquisition**) on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast in favour of this Resolution by or on behalf of the Vendor (or its nominee) and any other person who might obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if the resolution is passed and any associate of that person (or those persons). However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Note:** The Company has determined that Mr Tim Kestell will receive a benefit as a result of this Resolution and each of the other Essential Resolutions being passed, due to him receiving the financial benefits the subject of Resolution 6. Accordingly, Mr Kestell and each of his associates will be excluded from voting on this Resolution.

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#### 2. RESOLUTION 2 – ISSUE OF THE INITIAL CONSIDERATION SHARES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, subject to the passing of all Essential Resolutions, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 90,000,000 Shares (the **Initial Consideration Shares**) to the Vendor (or its nominee) under the Acquisition on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast in favour of this Resolution by or on behalf of the Vendor (or its nominee) and any other person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of Shares) and any associates of that person or those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Note:** The Company has determined that Mr Tim Kestell will receive a benefit as a result of this Resolution and each of the other Essential Resolutions being passed, due to him receiving the financial benefits the subject of Resolution 6. Accordingly, Mr Kestell and each of his associates will be excluded from voting on this Resolution.

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### 3. RESOLUTION 3 – ISSUE OF THE CONVERTIBLE LOAN SECURITIES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, subject to the passing of all Essential Resolutions, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 25,034,798 Shares to Matador Capital Pty Ltd (or its nominees) each at a conversion price of \$0.02 per Share, together with 12,517,399 free attaching New Options on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast in favour of this Resolution by or on behalf of Matador Capital Pty Ltd (or its nominees) or any other person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of Shares) and any associates of that person or those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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### 4. RESOLUTION 4 – ISSUE OF THE FIRST PLACEMENT SECURITIES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, subject to the passing of all Essential Resolutions, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 124,965,202 Shares each at an issue price of \$0.02 per Share, together with 62,482,601 free attaching New Options on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast in favour of this Resolution by or on behalf of any person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of Shares) and any associates of that person or those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Note:** The Company has determined that Mr Tim Kestell will receive a benefit as a result of this Resolution and each of the other Essential Resolutions being passed, due to him receiving the financial benefits the subject of Resolution 6. Accordingly, Mr Kestell and each of his associates will be excluded from voting on this Resolution.

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### 5. RESOLUTION 5 – ISSUE OF THE SECOND PLACEMENT SECURITIES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, subject to the passing of all Essential Resolutions, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 225,000,000 Shares each at an issue price of \$0.02 per Share, together with 112,500,000 free attaching New Options on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast in favour of this Resolution by or on behalf of any person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of Shares) and any associates of that person or those persons. However, the Company need not disregard

a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Note:** The Company has determined that Mr Tim Kestell will receive a benefit as a result of this Resolution and each of the other Essential Resolutions being passed, due to him receiving the financial benefits the subject of Resolution 6. Accordingly, Mr Kestell and each of his associates will be excluded from voting on this Resolution.

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**6. RESOLUTION 6 – APPROVAL FOR MR TIM KESTELL TO RECEIVE FINANCIAL BENEFITS IN CONNECTION WITH THE ACQUISITION**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*"That, subject to the passing of all Essential Resolutions, for the purposes of Chapter 2E of the Corporations Act and for all other purposes, approval is given for Mr Tim Kestell to receive certain financial benefits in connection with the Acquisition on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast in favour of the Resolution by or on behalf of Mr Tim Kestell (or his nominee) or any of his associates (**Resolution 6 Excluded Party**). However, the Company need not disregard a vote if it is cast by a **person** as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, provided the Chair is not a Resolution 6 Excluded Party, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Voting Prohibition Statement:**

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
  - (i) a member of the Key Management Personnel; or
  - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

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**Dated: 24 July 2019**

**By order of the Board**

**Amanda Burgess  
Company Secretary**

### **Voting in person**

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To vote in person, attend the Meeting at the time, date and place set out above.

### **Voting by proxy**

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To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

***Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 9278 2441.***

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## EXPLANATORY STATEMENT

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This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

This Notice and the information disclosed in it has been prepared by the Company and not Paladin Energy Limited or Paladin Energy Minerals Pty Ltd (together, the **Paladin Parties**). The Paladin Parties have not verified or reviewed the disclosures made in this Notice and do not assume any responsibility for its accuracy or completeness. The Paladin Parties accept no liability for the contents of this Notice.

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### 1. BACKGROUND

#### 1.1 Company and existing projects

The Company was admitted to the official list of the ASX on 13 February 2009 as a Perth-based mineral exploration company established with the purpose of acquiring, exploring and developing mineral deposits.

Its existing projects are the Hylea Cobalt Project, Tabac Cobalt - Gold Project, Pilbara Iron Project (Rocklea deposits) and Ashburton Project located in Western Australia and New South Wales.

For further details on the Company's existing projects, please refer to the Company's website [www.hyleametals.com.au](http://www.hyleametals.com.au).

#### 1.2 Summary of the Acquisition

As announced on 24 June 2019, the Company has entered into a share sale agreement (**Acquisition Agreement**), under which it has agreed to acquire a 65% indirect interest in Paladin Africa Limited (a company incorporated under the laws of Malawi) (**Paladin Africa**) from Paladin Energy Minerals Pty Ltd (ACN 073 700 393) (the **Vendor**), a wholly owned subsidiary of Paladin Energy Limited (ASX:PDN) (**Paladin**).

Paladin Africa is the legal and beneficial owner of significant infrastructure and plant and equipment and the following licences which comprise the Kayelekera Project:

- (a) Mining Licence 152 - Kayelekera;
- (b) Exclusive Prospecting Licence - 225 - Mapambo;
- (c) Exclusive Prospecting Licence - 417 - Rukuru;
- (d) Exclusive Prospecting Licence - 418 - Uliwa;
- (e) Exclusive Prospecting Licence - 489 - Nthalira;
- (f) Exclusive Prospecting Licence – 502 - Juma-Miwanga; and
- (g) all mining information relating to the above tenements.

The Company will hold its interest in Paladin Africa through a joint venture company Lotus Resources Pty Ltd (**Lotus**). See further details in Section 1.3 below.

Lotus will acquire 85% of the Kayelekera Project, by acquiring 85% of the shares in Paladin Africa (**Acquisition**).

The Government of Malawi (**GoM**) owns 15% of the Kayelekera Project, through the remaining 15% holding in Paladin Africa, and supported the project through a development agreement that provides a stable fiscal environment for the first 10 years of the project (**Development Agreement**). The GoM is committed to supporting and encouraging the private sector to assume a leading role in the economic development of projects in the mining sector in Malawi. The GoM has a 15% free carry at the project level.

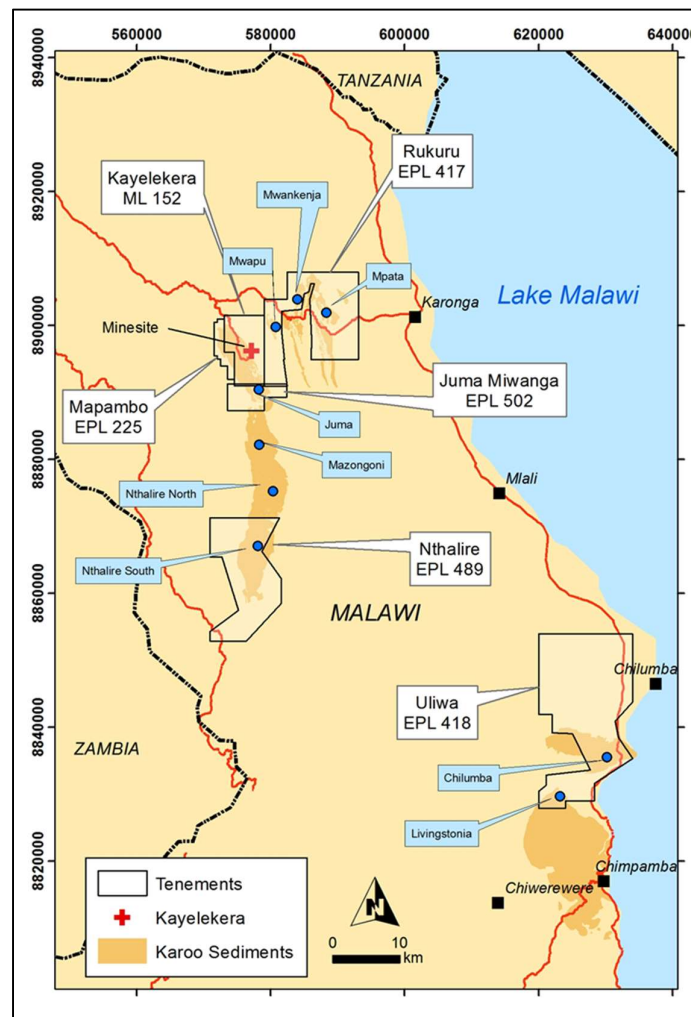
### 1.3 The Kayelekera Project

#### 1.3.1 Location and history

The Kayelekera Uranium Project is located in northern Malawi, southern Africa, 52km west (by road) of the town of Karonga. The Project is owned through a holding vehicle, Paladin Africa. In addition to the Kayelekera Mining Lease, Paladin Africa also holds five Exclusive Prospecting Licences ('EPL') that are coincident with Karoo sediment basins and are similar to those that host the Kayelekera deposit.

The Kayelekera Mine produced over 10.9Mlb of uranium between 2009 and 2014.

*Figure 1: Project Location and Licenses*



The Mining Licence, ML152, covering 55.5km<sup>2</sup> was granted in April 2007 for a period of 15 years following the completion of the Development Agreement with the GoM. The surrounding EPL's cover an additional 674.8 km<sup>2</sup> (Table 1).

**Table 1: Kayelekera License Summary**

<b>Tenement Name</b>	<b>License</b>	<b>Area (km<sup>2</sup>)</b>	<b>Current Holder</b>
<b>Kayelekera</b>	ML 152	55.5	Paladin Africa
<b>Nthalire</b>	EPL 489	137.04	Paladin Africa
<b>Uliwa</b>	EPL 418	348.8	Paladin Africa
<b>Rukuru</b>	EPL 417	146.3	Paladin Africa
<b>Mapambo</b>	EPL 225	14	Paladin Africa
<b>Juma-Miwanga</b>	EPL 502	28.65	Paladin Africa
<b>Total</b>	6	730.3	

Paladin permitted, constructed, commissioned and operated Kayelekera between 2007 and 2014 and produced 10.9Mlb of U<sub>3</sub>O<sub>8</sub> from an open-pit mine ore processed through an acid leach and resin-in-pulp processing plant.

In February 2014, Paladin placed Kayelekera on care and maintenance due to the low uranium pricing. Internal studies, conducted by Paladin, determined that an improved uranium market would provide an opportunity for Kayelekera to restart and again produce uranium.

For further details, please refer to the Company's 24 June 2019 announcement "HCO to acquire high grade Kayelekera uranium project" for details of the Kayelekera Project.

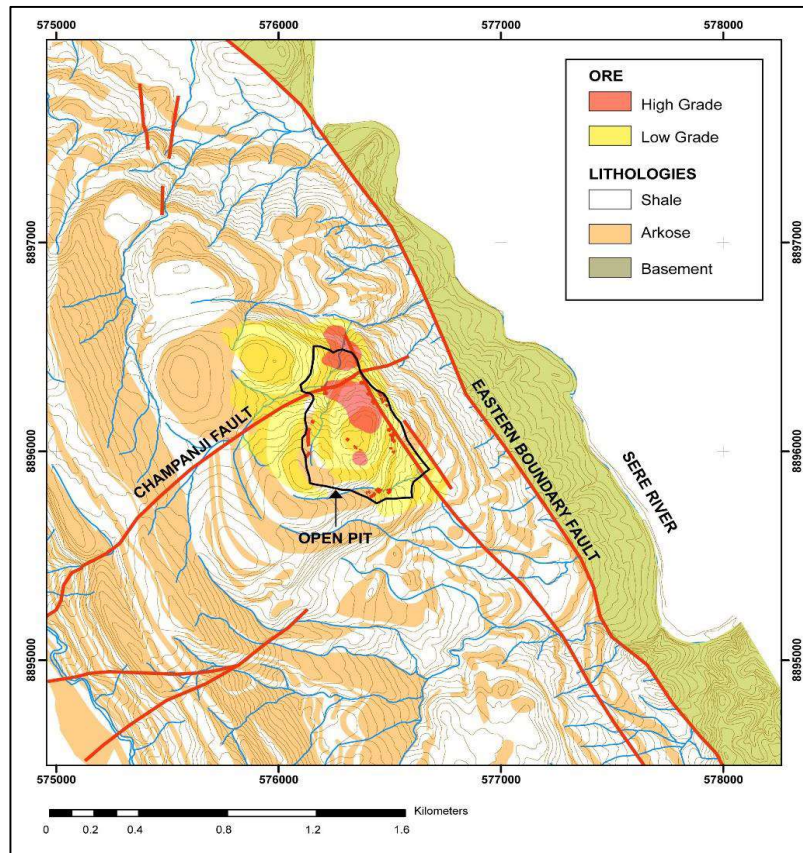
### **1.3.2 Geology and mineralisation**

Kayelekera is situated close to a major tectonic boundary between the Ubendian and the Irumide domains. The Ubendian domain consists of medium to high-grade metamorphic rocks and intrusions cut by major NW-SE dextral shear zones and post-tectonic granitoid intrusions dated at 1.86 Ga. These shear zones may well have been reactivated during and after deposition of the Karoo sequence, since many major brittle faults that offset the Karoo-aged rocks have the same orientation.

Uranium mineralisation at Kayelekera is hosted in several arkose units which are adjacent to the Eastern Boundary Fault zone. The mineralisation forms more or less tabular bodies restricted to the arkoses, except where it is adjacent to the NS strand of the Eastern Boundary fault at the eastern extremity of the pit. Here, mineralisation also occurs in mudstones in the immediate vicinity of the fault. It can be seen that the highest grades correspond to the intersection of the eastern and Champanji faults. Mineralisation grade and tonnage declines with lateral distance from these faults.



Figure 2: Kayelekera Local Geology

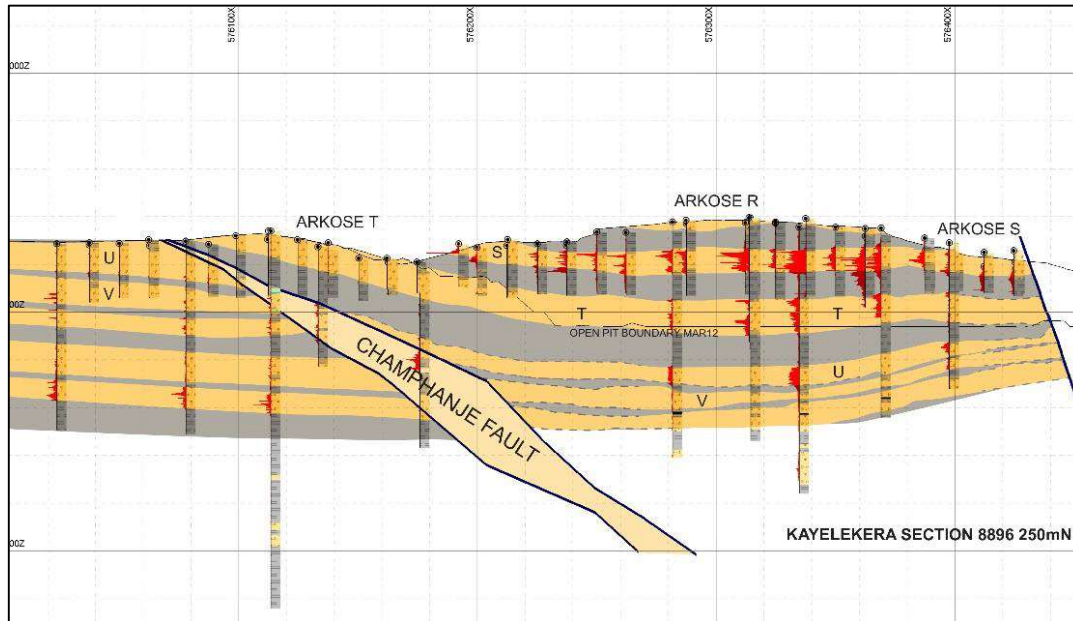


Primary reduced (i.e. carbon and pyrite-bearing) arkose mineralisation accounts for 40% of the total mineralisation. About 30% of the mineralisation is hosted in secondary oxidised arkose (i.e. lacking carbon and pyrite), 10% of mineralisation is termed "Mixed Arkose" and exhibits characteristics of both primary and secondary arkose mineralisation types. Uranium in primary mineralisation is present as coffinite, minor uraninite and a U-Ti mineral, tentatively referred to as brannerite.

Modes of occurrence include disseminated in matrix clay, included in detrital mica grains and intimately intergrown with carbonaceous matter. Individual grains are extremely fine, typically <10 µm. Coffinite and uraninite also show an association with a TiO<sub>2</sub> phase, possibly rutile after detrital ilmenite. It is possible that uranium deposition was accompanied by leaching of Fe from detrital ilmenite and precipitation of a TiO<sub>2</sub> polymorph.

A further 20% of primary mineralisation is hosted by mudstone and is termed "mudstone mineralisation". Most uranium in mudstone mineralisation is present as coffinite with lesser uraninite in a matrix of clay minerals. Secondary ore tends to be concentrated in vertical fractures and along the contacts between mudstone and arkose and is restricted to the upper parts of the orebody.

**Figure 3: Typical cross-section of Kayelekera showing tabular nature of mineralisation**



Paladin had previously reported a significant high grade mineral Resource estimate, which included some Reserves. The original statements of Resources can be found from the announcement by Paladin dated 20 November 2008 titled 'Kayelekera Uranium Project, Malawi. Mineral Resource and Ore Reserve Estimate Significantly Improved' and available on the ASX website (<https://www.asx.com.au/asx/statistics/announcements.do> under the ticker code "PDN") and Sedar.com.

The Company has not repeated the historical Mineral Resource estimates in this Notice, because:

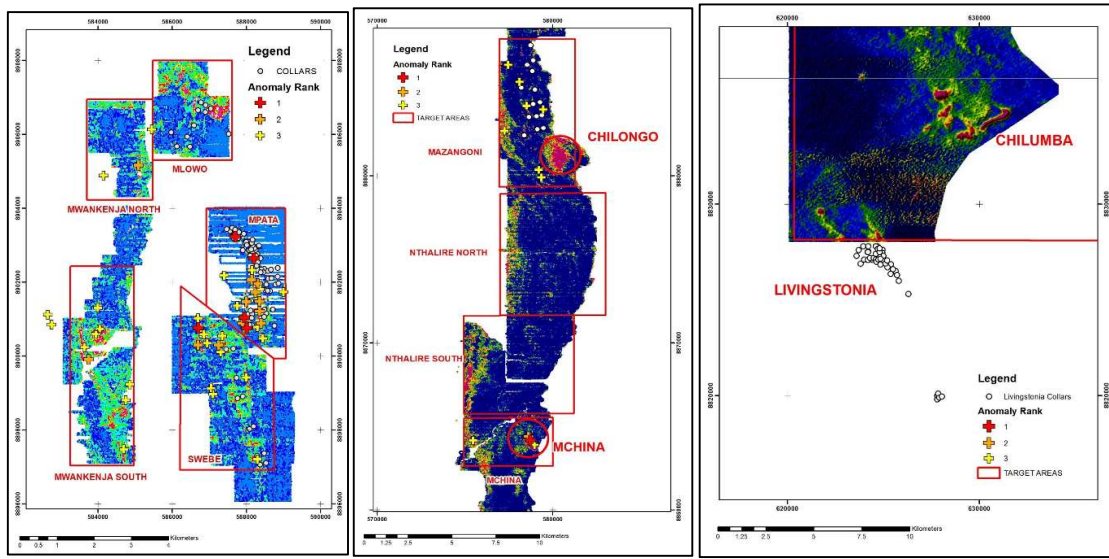
- (a) they are not reported in accordance with the JORC Code 2012;
- (b) a Competent Person has not done sufficient work to classify the estimates of Mineral Resources in accordance with the JORC Code 2012;
- (c) it is possible that following evaluation and/or further exploration work the currently reported estimates may materially change and hence will need to be reported afresh under and in accordance with the JORC Code 2012; and
- (d) while the Company has conducted a site visit, and has technically reviewed the methodology and reporting documents used to estimate the Mineral Resources, and notes that Paladin technical staff had a high level of experience in the estimation of uranium resources; nothing has come to the attention of the acquirer that causes it to question the accuracy or reliability of the former owner's estimates; but the Company has not independently validated the former owner's estimates and therefore is not to be regarded as reporting, adopting or endorsing those estimates.

It is likely that the Ore Reserves previously stated by Paladin would not meet the requirement of Ore Reserves under the JORC Code 2012 and would be downgraded to Mineral Resources and, accordingly, the Company has not repeated those Ore Reserves in this Notice.

### 1.3.3 Exploration potential

Numerous radiometric anomalies have been identified over the broader project region. Although several have been previously tested, targets remain open in the Mwankeja South, Livingstonia and Chilumba prospect areas based on untested radiometric anomalies as well as structural targets in the Nthalire areas (Figure 4). No geophysical techniques other than radiometric and magnetic surveying have been employed previously and opportunities exist for alternative methods to be employed; and for exploration over areas under surficial cover.

Figure 6: Kayelekera Project Exploration Target Areas



### 1.3.4 Project team

In addition to the Company's highly experienced board, the Company has access to a strong technical team including:

- (a) **Mr Grant Davey** who is a highly experienced mining engineer with over 25 years of senior management and operational experience in the construction and operation of uranium, gold, platinum and coal mines in Africa, Australia, South America and Russia. More recently, Mr Davey was instrumental in developing the Honeymoon Uranium Project and Panda Hill Niobium Project. Mr Davey is a Director of several exploration and mining companies;
- (b) **Mr Keith Bowes** who is a highly experienced process engineer with over 25 years' experience. Mr Bowes Project managed the Boss Resources' redevelopment program for the Honeymoon Uranium Mine including all study phases, commercial trials of the new processing technology. As part of the study he led the development in the application of two new technologies that have redefined the Honeymoon opportunity (leach chemistry and IX resins). Previously he was the Area Manager for the Skorpion zinc operation in south-west Namibia, an operation comprised of an open cut mine, mill, leach, SX-EW and furnace with a production rate of 150,000 tonnes per year of special high-grade zinc. He also managed the Technical Services group for BHP's Cerro Matoso nickel operation in Colombia (the world's second largest ferronickel producer). Mr Bowes has been involved in multiple projects and restart assessments across various commodities for projects throughout Australia, African and Canada; and

- (c) **Mr Neil Inwood** who is a highly experienced consulting geologist with over 25 years' experience. Mr Inwood led the geology due-diligence team reviewing the Honeymoon Uranium Mine that led to the acquisition by Boss Resources in 2015. Previously he was also the uranium specialist for Coffey Mining and undertook technical and due-diligence studies on multiple uranium projects internationally including in Australia, Namibia, Zambia, USA, Argentina, Colombia, Hungary and the Czech Republic. Mr Inwood was also the CP/QP for Resources for Extracts Husab Uranium Project in Namibia (to be the world's second largest uranium mine) and was previously the CP/QP for uranium resources for multiple companies including Bannerman, Deep Yellow, Atom Energy, U3O8 Corp, Vimy Resources, Energia Minerals and Wildhorse Energy amongst others.

#### 1.4 Acquisition Agreement

The material terms of the Acquisition Agreement are as follows:

- (a) **(Acquisition)**: Subject to the satisfaction of the Conditions Precedent, Lotus will acquire 85% of Paladin Africa. As the Company holds 76.5% of the shares in Lotus, this means that the Company will acquire an indirect interest of 65% of the shares in Paladin Africa.
- (b) **(Consideration)**: The Company has agreed to fund 100% of the consideration for the Acquisition. The consideration payable for the Acquisition is as follows:
- (i) \$200,000 in cash, plus 90,000,000 Shares to be issued on Completion (\$1,800,000 worth of Shares at the Capital Raising Price of \$0.02 per Share) **(Initial Consideration)**;
  - (ii) a royalty of 3.5% of gross returns at the Kayelekera mine up to a maximum of \$5M in favour of the Vendor **(Royalty)**; and
  - (iii) \$3,000,000 worth of Shares to be issued on the third anniversary of Completion, calculated using the lower of:
    - (A) the price at which Shares were issued under the most recent capital raising undertaken by the Company within 90 days prior to issue; and
    - (B) 30-day VWAP for Shares up to and including the business day prior to issue **(Deferred Consideration)**.

The \$200,000 cash payment, forming part of the Initial Consideration, has been paid to the Vendor on behalf of the Company by Mr Grant Davey. Mr Davey will be reimbursed for this amount by the Company from the proceeds of the Capital Raising as detailed in Section 1.12.

Under the Acquisition Agreement if, as a result of the Company issuing all or part of the Initial Consideration Shares or Deferred Consideration Shares, the Vendor's relevant interest in the Company would exceed 15% of the Company's Shares, the Vendor can require the Company to limit the number of relevant Consideration Shares that it issues to the Vendor so as not to cause the Vendor to exceed a 15% relevant interest. If the Vendor exercises this limitation, it will require that the Company does not issue the excess Consideration Shares until the Vendor provides the Company with written notice and that the Vendor's relevant interest has fallen to below 15% (subject to the Company being able to issue at least

1% of the its issued Shares). This process is to be repeated as many times as necessary until the full amount of the relevant Consideration Shares has been paid.

Under the Acquisition Agreement:

- (i) the issue of the Deferred Consideration Shares is subject to Shareholder approval;
  - (ii) the Company must convene a meeting of its Shareholders to be held in the 90 day period prior to the issue date, to seek shareholder approval to issue the Deferred Consideration Shares; and
  - (iii) if Shareholders fail to approve the issue prior to the issue date, the Company must pay the cash equivalent of the Deferred Consideration Shares (calculated using the applicable deemed issue price referred to above) within 60 days after the relevant issue date.
- (c) **(Environmental Bond)**: in addition to the Consideration, Paladin Africa must repay (or procure that the Company repays on its behalf) the amount of US\$10,000,000 which had previously been advanced by Paladin to Paladin Africa to fund the environmental bond in favour of the GoM **(Environmental Bond)**. The following amounts will be payable to Paladin in respect of the environmental bond advance:
- (i) US\$4,000,000 on Completion;
  - (ii) US\$1,000,000 on the date that is 1 year after Completion;
  - (iii) US\$2,000,000 on the date that is 2 years after Completion; and
  - (iv) US\$3,000,000 on the date that is 3 years after Completion.

As noted above, the Company has agreed to fund 100% of the consideration and the payments in relation to the Environmental Bond.

- (d) **(Conditions Precedent)**: Completion of the Acquisition **(Completion)** is expected to occur in the second half of 2019 subject to the following conditions precedent having been satisfied by 31 August 2019 (or such later date as the parties may agree):
- (i) to the extent required, obtaining the following parties' consent to the sale of the shares in Paladin Africa and the assignment of the assigned receivables to the Company:
    - (A) Malawian Energy and Mines Minister and Finance Minister;
    - (B) Reserve Bank of Malawi;
    - (C) Nedbank Limited; and
    - (D) the holders of Paladin notes approving the sale of Paladin Africa;

- (ii) Paladin granting Paladin Africa a licence to use certain intellectual property utilised in the Kayelekera plant;
- (iii) assignment of the benefit of certain receivables owed by Paladin Africa to other Paladin group companies to Lotus with effect from completion of the acquisition;
- (iv) Company Shareholder approval for:
  - (A) the issue of the Initial Consideration Shares;
  - (B) the issue of the capital raising Shares and options (see below);
  - (C) the change in nature and scale of the Company's operations by virtue of the acquisition under Listing Rule 11.1.2; and
  - (D) any financial benefits received by related parties of the Company for the purposes of the Corporations Act; and
- (v) the release of certain security interests registered over the assets of Paladin Africa.

## 1.5 Summary of the Company's arrangements in Lotus

As noted above, the Company will acquire its interest in the Kayelekera Project through Lotus. The Company owns 76.5% of Lotus, with the other 23.5% held by Chichewa Resources Pty Ltd (**Chichewa**). The Company has entered into a Shareholders Agreement with Chichewa in relation to the ownership and governance of Lotus.

Chichewa is controlled by Mr Grant Davey.

Mr Tim Kestell, a director of the Company, holds a beneficial interest of 22.5% of Chichewa and will consequently have an indirect beneficial interest of approximately 4.5% of Paladin Africa and the Kayelekera Project. The Company's announcement dated 24 June 2019 noted that Mr Kestell was the indirect beneficial owner of 17.5% of Chichewa (which would result in him having an indirect beneficial interest of approximately 4.5% of Paladin Africa and the Kayelekera Project). The reason for the increase is a restructure of the group which are the ultimate beneficial holders of Chichewa, with one group member dropping out following the announcement, such that the beneficial holdings of all group members, including Mr Kestell, increased pro rata.

As noted above, the Company has agreed to fund 100% of the consideration payable under the Acquisition Agreement to acquire 85% of Paladin Africa.

Chichewa's 20% beneficial interest in the Kayelekera Project at the Lotus level will be free carried to the later of:

- (a) 3 years from completion of the Acquisition; or
- (b) \$10,000,000 in project expenditure by the Company.

The Company has a call option to acquire Chichewa's interest in Lotus at any time. The terms of the acquisition will be mutually agreed or otherwise determined

by an independent valuer based on the fair market value of the project and any unspent part of the free carry amount at the relevant point in time.

Following the end of Chichewa's free carry period, Chichewa will have a put option to require the Company to acquire its interest in Lotus. As for the Company's call option, the terms of the acquisition will be mutually agreed or otherwise determined by an independent valuer based on the fair market value of the project.

It is intended that the consideration for the acquisition of Chichewa's 20% interest in Lotus will be paid in the Company's Shares, based on the 20-day VWAP for Shares up to the date prior to receipt of the call or put option exercise notice. If Shareholder approval is required for the issue of these Shares and Shareholders do not approve the issue, the consideration will be paid in cash or (at the Company's election) a mixture of cash and Shares (up to the maximum number which may be issued without Shareholder approval).

## 1.6 Capital Raising

The Company is proposing to raise between \$8,000,000 to \$8,500,000 (before costs) (underwritten to a maximum of \$8,000,000 see Section 1.7 below for further details) via the issue of Shares at an issue price of \$0.02 per Share, together with one free attaching Option exercisable at \$0.04 each on or before the date which is 3 years from grant (**New Option**) for every two Shares issued under the Capital Raising.

The Capital Raising is to be undertaken as follows:

- (a) a \$500,696 convertible loan from Matador (**Convertible Loan**), convertible into 25,034,798 Shares and 12,517,399 New Options (a summary of the key terms of the Convertible Loan Agreement are set out in 4.2 below);
- (b) the issue of 124,965,202 Shares to sophisticated and professional investors, in order to raise \$2,500,000 (before costs) (**First Placement**);
- (c) an underwritten non-renounceable entitlement offer to eligible shareholders of one new Share for every two Shares held to raise \$1,000,000 (before costs) (**Rights Issue**), with any Shares and Options not taken up under the Rights Issue to be the subject of a shortfall offer to existing Shareholders and the general public (**Shortfall Offer**); and
- (d) the further issue of between 200,000,000 and 225,000,000 Shares to sophisticated and professional investors, in order to raise between \$4,000,000 to \$4,500,000 (before costs), conditional on the satisfaction of certain of the key conditions precedent to the Acquisition (**Second Placement**),

(collectively, the **Capital Raising**).

The Company intends to lodge a Prospectus for the offer of the Securities to be offered under the First Placement and the Rights Issue shortly after the Meeting.

A further Prospectus for the Second Placement will follow at a later date if required.



## 1.7 Underwriting

the Company has received a firm commitment letter from BW Equities Pty Ltd (**BW Equities** or the **Underwriter**) to underwrite the Capital Raising up to \$8,000,000 (meaning that \$500,696 of the Second Placement is not underwritten). This underwriting commitment will terminate if each of the following has not been satisfied by 5.00pm (Perth time) on 28 February 2020:

- (a) the Company obtaining all necessary shareholder approvals for the Acquisition and the Capital Raising;
- (b) the satisfaction of the following conditions precedent to completion of the acquisition:
  - (i) all GoM consents necessary to complete the acquisition being obtained;
  - (ii) all consents and approvals required from Nedbank Limited (provider of Environmental Bond to the Kayelekera Mine) necessary to complete the acquisition being obtained; and
  - (iii) all consents and approvals required from the noteholders of Paladin to complete the acquisition being obtained; and
- (c) the Company has agreed to pay an underwriting fee of 5% of the amount of the firm commitment, payable on settlement of the relevant parts of the Capital Raising.

BW Equities has received a firm commitment from Matador Capital Pty Ltd (**Matador**) to sub-underwrite up to \$4,000,000 of the Capital Raising. There is now \$3,499,304 remaining under this commitment, with Matador having taken up \$500,696 of its sub-underwriting commitment under the Convertible Loan.

Matador is controlled by Mr Grant Davey, who also controls the Company's proposed joint venture partner in Lotus, Chichewa and is also a part of the technical team which will be assisting the Company with the Kayelekera Project following completion of the Acquisition. Please refer to Section 1.5 for further information on the Company's arrangements with Chichewa in relation to Lotus, and Section 1.3.4 for further information on the Project technical team.

## 1.8 Summary of the Resolutions

All Resolutions other than Resolution 3 are subject to the passing of all other Resolutions (with the exception of Resolution 3), and therefore the passing of any of these Resolutions will have no effect unless all other Resolutions are also passed.

A summary of the Resolutions is as follows:

- (a) Resolution 1 seeks Shareholder approval for the Acquisition pursuant to Listing Rule 11.1.2;
- (b) Resolution 2 seeks Shareholder approval for issue of the Initial Consideration Shares as part of the consideration for the Acquisition;
- (c) Resolution 3 seeks Shareholder approval for the Company to issue 25,034,798 Shares and 12,517,399 New Options on conversion of the Convertible Loan under the Convertible Loan Agreement;



- (d) Resolution 4 seeks Shareholder approval for the Company to issue 124,965,202 Shares and 62,482,601 New Options under the First Placement;
- (e) Resolution 5 seeks Shareholder approval for the Company to issue up to 225,000,000 Shares and the Second Placement Options under the Second Placement; and
- (f) Resolution 6 seeks Shareholder approval for Mr Tim Kestell, a Director, to receive a financial benefit in relation to the Acquisition.

## 1.9 Pro forma balance sheet

An unaudited pro-forma balance sheet of the Company (based on the auditor reviewed 31 December 2018 half yearly report) following completion of the Acquisition and the Capital Raising and issues of all Shares contemplated by this Notice is set out in Schedule 1.

## 1.10 Pro forma capital structure

The capital structure of the Company following completion of the Acquisition and the Capital Raising and issues of all Shares contemplated by this Notice (other than the Deferred Consideration Shares on the basis that the number of Deferred Consideration Shares is not able to be calculated at this time) is:

### Shares

	Minimum Number	Maximum Number
As at the date of this Notice	100,139,194	100,139,194
To be issued under the Convertible Loan Agreement	25,034,798	25,034,798
To be issued pursuant to the Acquisition	90,000,000 <sup>1</sup>	90,000,000 <sup>1</sup>
To be issued pursuant to the First Placement, Rights Issue and Shortfall Offer	174,965,202 <sup>2</sup>	174,965,202 <sup>2</sup>
<b>On completion of the Acquisition, conversion of the Convertible Loan and completion of the First Placement and the Rights Issue</b>	<b>390,139,194</b>	<b>390,139,194</b>
To be issued pursuant to Second Placement	200,000,000	225,000,000
<b>Total Shares on issue on completion of the Second Placement</b>	<b>590,139,194</b>	<b>615,139,194</b>

## Options

	Minimum Number	Maximum Number
On issue as at the date of this Notice	7,678,571 <sup>3</sup>	7,678,571 <sup>3</sup>
To be issued pursuant to the Resolutions	175,000,000 <sup>4</sup>	187,500,000 <sup>5</sup>
To be issued pursuant to the Rights Issue and Shortfall Offer <sup>6</sup>	25,000,000	25,000,000
<b>On completion of the Acquisition and Capital Raising</b>	<b>207,678,571</b>	<b>220,178,571</b>

## Performance Shares

	Number
On issue as at the date of this Notice	2,232,142 <sup>7</sup>
To be issued pursuant to the Resolutions	0
<b>On completion of the Acquisition and Capital Raising</b>	<b>2,232,142</b>

### Notes:

1. Comprising the Initial Consideration Shares to be issued on settlement of the Acquisition at a deemed issue price of \$0.02 per Share.
2. Assuming full subscription under the First Placement.
3. Comprising 535,714 Options exercisable at \$0.84 each on or before 31 December 2019 and 7,142,857 Options exercisable at \$0.28 each on or before 2 February 2020.
4. Comprising the 12,517,399 New Options issued under the Convertible Loan Agreement which are exercisable at \$0.04 on or before the date which is 3 years from the grant date of the New Options and 62,482,601 First Placement Options which are exercisable at \$0.04 on or before the date which is 3 years from the grant date of the First Placement Options and the 100,000,000 Second Placement Options, which are exercisable at \$0.04 on or before the date which is 3 years from the grant date of the Second Placement Options.
5. Comprising the 12,517,399 New Option issued under the Convertible Loan Agreement which are exercisable at \$0.04 on or before the date which is 3 years from the grant date of the New Options and 62,482,601 First Placement Options which are exercisable at \$0.04 on or before the date which is 3 years from the grant date of the First Placement Options and the 112,500,000 Second Placement Options, which are exercisable at \$0.04 on or before the date which is 3 years from the grant date of the Second Placement Options.
6. 25,000,000 New Options to be issued under the Rights Issue which are exercisable at \$0.04 on or before the date which is 3 years from the grant date of the New Options issued under the Rights Issue.
7. Comprising 1,116,071 Class A Performance Shares and 1,116,071 Class B Performance Shares. The Performance Shares are due to expire on 8 December 2021 and the terms of these Performance Shares are set out in the notice of meeting dated 30 November 2016 as announced on 28 October 2016 and issued on 8 December 2016.

## 1.11 Disclosure of Director Interests

As noted above, Director Mr Tim Kestell is the beneficial owner of a minority interest of 22.5% of Chichewa. This means that Mr Kestell will have an indirect beneficial interest of approximately 4.5% of Paladin Africa and the Kayelekera project (through Chichewa's indirect holding of 20% of Paladin Africa through its holding in Lotus). Further details of the financial benefits which Mr Kestell will receive as a result of the Acquisition are set out below in Section 7.

The other Directors do not have any personal interest in the outcome of the Acquisition, other than in their capacity as Shareholders in the Company.

## 1.12 Use of Funds

Assuming each stage of the Capital Raising completes, between \$8,000,000 and \$8,500,000 will be raised under the Capital Raising as set out below:

Item	Minimum Amount (\$)	Maximum Amount (\$)
Convertible Loan	500,000	500,000
First Placement	2,500,000	2,500,000
Rights Issue	1,000,000	1,000,000
Second Placement	4,000,000	4,500,000
<b>TOTAL</b>	<b>8,000,000</b>	<b>8,500,000</b>

Following settlement of the Acquisition, the Company intends to apply its existing funds and the funds raised under the Capital Raising as follows:

Item	Minimum Amount (\$)	Maximum Amount (\$)
<b>Source of funds</b>		
Existing funds	\$40,000	\$40,000
Capital Raising	\$8,000,000	\$8,500,000
<b>TOTAL</b>	<b>\$8,040,000</b>	<b>\$8,540,000</b>
<b>Use of funds</b>		
Refund of option fee <sup>1</sup>	200,000	200,000
Environmental Bond first instalment <sup>2</sup>	5,738,881	5,738,881
Underwriter Fee	400,000	400,000
Estimated costs of the Acquisition	480,000	480,000
Exploration and studies work on the Kayelekera Project	500,000	500,000
Exploration on existing projects	500,000	500,000
Working Capital (including corporate costs)	221,119	721,119
<b>TOTAL</b>	<b>\$8,040,000</b>	<b>\$8,540,000</b>

**Note:**

- For further details please refer to Section 1.4(b).
- First instalment of the Environmental Bond equivalent to US\$4,000,000 converted into AUD at the Reserve Bank of Australia exchange rate of 1 AUD to 0.6970 USD correct as at 26 June 2019.

The above table of proposed expenditure is a statement of current intentions as at the date of this Notice. Intervening events (such as exploration success or failure) may alter the way funds are ultimately applied by the Company and may alter the costs estimated above.

As at the date of this Notice, the Company has current cash reserves of approximately \$540,000 (inclusive of the Convertible Loan). The Company

confirms that irrespective of the determinations made at this Meeting, the Company will continue to advance its intended exploration activities at its existing projects.

### 1.13 Effect on control and dilution

The effect of the Acquisition and the Capital Raising on control of the Company will vary with the number of Shares taken up by existing Shareholders under the Rights Issue and the number of Shares taken up under the First and Second Placements.

Existing Shareholders will be diluted regardless of whether or not they take up their full entitlement under the Rights Issue, although the extent of that dilution will be reduced for Shareholders who take up their full entitlement as against those who do not.

Neither the Underwriter nor Matador are currently Shareholders and the extent to which Shares are issued pursuant to the underwriting and sub-underwriting commitments will increase their respective voting power in the Company. Neither the Underwriter nor Matador is a related party of the Company for the purpose of the Corporations Act. The voting power of the Underwriter and Matador at various levels of shortfall under the Capital Raising are set out in Schedule 2 to show their potential respective voting power in the Company if they are required to take any shortfall under the Capital Raising.

As set out in Schedule 2, depending on take up under the Capital Raising the Underwriter and Matador may each become a substantial Shareholders and if take up under the Capital Raising is weak, there are scenarios where the Underwriter and Sub-Underwriter will each hold 20% or more of the Company.

Based on publicly available information as at the date of this Notice, those persons which (together with their associates) have a relevant interest in 5% or more of the Shares on issue are set out below:

Shareholder	Shares	%
New Age Group Co., Limited (a company incorporated in Hong Kong)	7,298,033	7.29
Darren Craig Glover	11,904,762	11.89
Benjamin Leigh Harper	11,904,762	11.89
Providence Gold and Minerals Pty Ltd	11,904,762	11.91
Neon Capital Limited	15,000,000	14.98

**Notes:**

1. Messrs Glover and Harper are related parties of Providence Gold and Minerals Pty Ltd. As related parties they are considered to be associates and their voting power is 35.69%.

The Company understands that Neon Capital Limited does not intend to participate in either the First or Second Placement and does not intend to take up more than its entitlement under the Rights Issue. The Company has not received confirmation from the remaining substantial Shareholders with respect to their entitlements under the Rights Issue or the Capital Raising generally.

## 1.14 Additional risk factors

Following completion of the Acquisition, Shareholders will be exposed to the additional risks associated with the Kayelekera Project in addition to the Company's existing risk profile as a cobalt and base metals exploration company. A non-exhaustive list of those potential additional risk factors is set out in Schedule 2.

## 1.15 Indicative timetable for the Capital Raising

Subject to the requirements of the ASX Listing Rules, the Company anticipates the Capital Raising will be implemented in accordance with the following timetable:

Event	Date
ASX announcement of Acquisition	24 June 2019
Notice of Meeting despatched to Shareholders	25 July 2019
General Meeting to approve the Acquisition Lodgement of Prospectus with the ASIC Lodgement of Prospectus & Appendix 3B with ASX* Notice sent to Optionholders	23 August 2019
Notice sent to Shareholders	26 August 2019
'Ex' date for the Rights Issue	28 August 2019
Record Date for the Rights Issue	29 August 2019
Converting Loan Shares and Options to be issued Settlement of the First Placement	30 August 2019
Settlement of the Second Placement <sup>2</sup>	31 August 2019
Completion of the Acquisition <sup>3</sup>	31 August 2019
Prospectus despatched to Shareholders & Company announces despatch has been completed	3 September 2019
Last day to extend Closing Date	9 September 2019
Closing Date	12 September 2019
Rights Issue Shares quoted on a deferred settlement basis	13 September 2019
ASX notified of under subscriptions under the Rights Issue	17 September 2019
Completion of the Rights Issue	19 September 2019

### Notes

1. Other than the announcement date and the date of the Meeting, these dates are indicative only and subject to change
2. Settlement of the Second Placement is conditional on the satisfaction of certain of the key Conditions Precedent to completion of the Acquisition (see Section 1.4(d) for further details). The final date for satisfaction of those Conditions Precedent has been used as the settlement date for the Second Placement in this timetable for illustrative purposes.
3. Completion of the Acquisition is subject to the satisfaction of the Conditions Precedent, see Section 1.4(d) for further details.

The timing for completion of the Second Placement will depend on the timing for satisfaction of the key conditions precedent to the Acquisition. The Company will

update the market on progress towards satisfaction of the Acquisition conditions precedent.

#### **1.16 Intentions if Acquisition is not approved**

If Resolutions 1 and 2, are not passed and the Acquisition is not completed, the Company will continue to use its current funds, approximately \$540,000, (inclusive of the Convertible Loan) to explore and develop its existing projects as well as continuing to implement its growth strategy by seeking out further exploration, acquisition and joint venture opportunities. Settlement of the Rights Issue will be conditional on the Essential Resolutions of this Notice being passed.

#### **1.17 Advantages of the Acquisition**

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on Resolution 1:

- (a) the Kayelekera Project is well located with good infrastructure and are well placed to benefit from an increase in the price of uranium;
- (b) the Kayelekera Project was sourced based on geological prospectivity for uranium-dominant deposits, demonstrated by the Kayelekera Project being a producing mine until 2014;
- (c) the Kayelekera Project is prospective for uranium mineralisation which complements the Company's existing projects; and
- (d) the potential increase in market capitalisation of the Company following completion of the Acquisition may lead to increased coverage from investment analysts, access to improved equity capital market opportunities and increased liquidity which are not currently present.

#### **1.18 Disadvantages of the Acquisition**

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on Resolution 1:

- (a) current Shareholders will have their voting power in the Company diluted;
- (b) future outlays of funds from the Company may be required to further the exploration and development activities on the Kayelekera Project, which could lead to future potential dilution of current Shareholders voting power;
- (c) there is no guarantee that the Kayelekera Project will prove to be economically viable for the Company;
- (d) there is no guarantee that the price of the Shares will not fall as a result of the Acquisition; and
- (e) current Shareholders will be exposed to the additional risks associated with the Kayelekera Project.

### 1.19 Director's recommendation

As outlined in Sections 1.5 and 1.11, Director Mr Tim Kestell has a material personal interest in the outcome of the Acquisition. Refer to Section 7 for further information. In the interests of good governance:

- (a) Mr Kestell has declined to make a recommendation on how Shareholders should vote on the Resolutions in this Notice; and
- (b) Mr Kestell and each of his associates will be excluded from voting on the Essential Resolutions.

The Directors other than Mr Kestell (being Messrs Simon Andrew and Mark Milazzo, together the **Non-Interested Directors**) do not have any material interest in the outcome of the Acquisition, other than as a result of their interest arising solely in the capacity as Shareholders.

After assessment of the advantages and disadvantages referred to in Sections 1.17 and 1.18, the Non-Interested Directors are of the view that the advantages outweigh the disadvantages and therefore unanimously recommend that Shareholders vote in favour of the Essential Resolutions as they consider the proposed Acquisition and associated issues of Securities to be in the best interests of Shareholders.

### 1.20 Shareholder voting intentions

As announced on 24 June 2019, the Company has received voting intention statements from the following shareholders indicating that (subject to there being no superior proposals and subject to the transaction conditions being satisfied) they intend to vote their Shares in favour of the resolutions to approve the Acquisition and the Capital Raising, including the related party financial benefits described below:

- (a) New Age Group Limited in relation to 7,298,033 Shares directly or indirectly owned or controlled by them (being approximately 7.29% of the Shares on issue at 24 June 2019); and
- (b) Providence Gold and Minerals Pty Ltd in relation to 35,714,286 Shares directly or indirectly owned or controlled by them (being 36% of the Shares on issue at 24 June 2019).

These shareholders have consented to their intention statements being disclosed. Taking into account the 19,969,443 Shares held by parties that the Company considers will be excluded from voting on the Essential Resolutions, the above shareholdings represent over 50% of the Shares which may be voted on the Resolutions.

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## 2. RESOLUTION 1 – THE ACQUISITION OF PALADIN AFRICA LIMITED

### 2.1 General

A summary of the Acquisition is set out in Section 1.

Resolution 1 seeks Shareholder approval for the Acquisition.

## **2.2 ASX Listing Rule 11.1.2**

ASX Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities, it must provide full details to ASX as soon as practicable and comply with the following:

- (a) provide to ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;
- (b) if ASX requires, obtain the approval of holders of its shares and any requirements of ASX in relation to the notice of meeting; and
- (c) if ASX requires, meet the requirements of Chapters 1 and 2 of the ASX Listing Rules as if the company were applying for admission to the official list of ASX.

ASX has advised the Company that, given the proposed change in the nature and scale of the Company's activities resulting from the Acquisition, it requires the Company to obtain Shareholder approval for the change in nature and scale of its activities but it will not be required meet the requirements of Chapters 1 and 2 of the ASX Listing Rules as if the company were applying for admission to the official list of ASX.

## **2.3 Approval**

Resolution 1 seeks Shareholder approval for the Acquisition on the terms set out in this Notice and the resulting change in the nature and scale of the Company's activities resulting from the Acquisition.

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## **3. RESOLUTION 2 – ISSUE OF INITIAL CONSIDERATION SHARES**

### **3.1 General**

As set out in Section 1 of this Notice the Company will issue the Initial Consideration Shares in consideration for the Acquisition.

### **3.2 ASX Listing Rule 7.1**

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 2 will be to allow the Company to issue the Initial Consideration Shares pursuant to the Acquisition during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

### **3.3 Technical information required by ASX Listing Rule 7.1**

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to Resolution 2:

- (a) the maximum number of Shares to be issued is 90,000,000 Shares (being \$1,800,000 worth of Shares at the Capital Raising price of \$0.02 per Share.

Under the Acquisition Agreement if, as a result of the Company issuing all or part of the Initial Consideration Shares, the Vendor's relevant interest in



the Company would exceed 15% of the Company's Shares, the Vendor can require the Company to limit the number of relevant Consideration Shares that it issues to the Vendor so as not to cause the Vendor to exceed a 15% relevant interest. If the Vendor exercises this limitation, it will require that the Company does not issue the excess Consideration Shares until the Vendor provides the Company with written notice and that the Vendor's relevant interest has fallen to below 15% (subject to the Company being able to issue at least 1% of the its issued Shares). This process is to be repeated as many times as necessary until the full amount of the relevant Consideration Shares has been paid;

- (b) the Initial Consideration Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Initial Consideration Shares will occur on the same day. The Company has sought a waiver from ASX to allow the Initial Consideration Shares to be issued, subject to Shareholders approving Resolution 2, no later than 28 February 2020. As at the date of this Notice, ASX's decision on that waiver application remains pending. If ASX does not grant the waiver, and the conditions precedent to Completion of the Acquisition are not satisfied in time for the Initial Consideration Shares to be issued on or prior to the date which is 3 months after the date of the Meeting, the Company will be required to seek a further Shareholder approval for the issue of the Initial Consideration Shares. The Company will update the market on the outcome of the waiver application once ASX has made its decision and communicated it to the Company;
- (c) the Initial Consideration Shares will be issued for nil cash consideration in satisfaction of part of the consideration for the Acquisition;
- (d) the Initial Consideration Shares will be issued to the Vendor (or its nominee), who is not a related party of the Company;
- (e) the Initial Consideration Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) no funds will be raised from the issue of the Initial Consideration Shares as they are being issued in satisfaction of part of the consideration for the Acquisition.

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#### **4. RESOLUTION 3 – ISSUE OF THE CONVERTIBLE LOAN SECURITIES**

##### **4.1 General**

A summary of the Capital Raising is set out in Section 1.6.

Resolution 3 seeks Shareholder approval for the issue of up to 25,034,798 Shares at an issue price of \$0.02 per Share to raise \$500,696 (before costs), and 12,517,399 New Options, on conversion of the Convertible Loan under the Convertible Loan Agreement.

A summary of ASX Listing Rule 7.1 is set out in Section 3.2 above.

The effect of Resolution 3 will be to allow the Company to issue the Shares and New Options on conversion of the Convertible Loan under the Convertible Loan Agreement during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

Full terms of the New Options are contained in Schedule 4 .

## 4.2 Terms of the Convertible Loan Agreement

The following are the key terms of the Convertible Loan Agreement:

- (a) **(Loan Amount)**: Matador loaned \$500,696 to the Company on 23 July 2019;
- (b) **(Lender Fee)**: Matador, under the terms of its sub-underwrite commitment in relation to the Capital Raising, received a capital raising fee of 5% of the amount of the Convertible Loan, other than this fee no other fees have been paid or are payable in relation to the Convertible Loan;
- (c) **(Conversion Price)**: the Convertible Loan will convert into Shares at a deemed issue price of \$0.02 per Share, being the issue price of Shares under the Capital Raising;
- (d) **(Attaching Options)**: on conversion, Matador will receive 1 free attaching New Option for every 2 Shares issued to Matador;
- (e) **(Automatic Conversion Date)**: subject to, and conditional upon, Shareholders approving the Acquisition, the Convertible Loan will automatically convert into Shares on the business day after the record date for the Rights Issue;
- (f) **(Final Conversion/Repayment Date)**: if either:
  - (i) the Shareholders vote against approving the Acquisition; or
  - (ii) a meeting to approve the Acquisition has not been held within 3 months of the execution of the Convertible Loan Agreement,Matador will elect to either be repaid in cash or convert the Convertible Loan at the Conversion Price;
- (g) **(Security)**: the Convertible Loan is unsecured; and
- (h) **(Interest)**: the Convertible Loan is interest free (other than default interest if not repaid or converted on time in accordance with the terms of the Convertible Loan Agreement).

## 4.3 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Convertible Loan:

- (a) the maximum number of:
  - (i) Shares to be issued is 25,034,798; and
  - (ii) New Options to be issued is 12,517,399;
- (b) the Shares and New Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares and New Options will occur on the same day;

- (c) the issue price will be \$0.02 per Share to raise a maximum of \$500,000 and the New Options will be issued for nil cash consideration as free attaching Options for every 2 Shares issued under the Convertible Loan Agreement;
- (d) the Shares and New Options will be issued to Matador (or its nominee) who is a sophisticated and professional investor, and not a related party of the Company;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares and the New Options will be issued on the terms and conditions set out in Schedule 4 ; and
- (f) the Company intends to use the funds raised from the Convertible Loan towards advancing the Kayelekera Project, costs of the Acquisition and general working capital, as per the disclosure in Section 1.12.

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## **5. RESOLUTION 4 – ISSUE OF THE FIRST PLACEMENT SECURITIES**

### **5.1 General**

A summary of the Capital Raising is set out in Section 1.6.

Resolution 4 seeks Shareholder approval for the issue of up to 124,965,202 Shares at an issue price of \$0.02 per Share to raise up to \$2,500,000 and 62,482,601 First Placement Options.

A summary of ASX Listing Rule 7.1 is set out in Section 3.2 above.

The effect of Resolution 4 will be to allow the Company to issue the Shares pursuant to the First Placement during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

Full terms of the New Options are contained in Schedule 4 .

### **5.2 Technical information required by ASX Listing Rule 7.1**

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the First Placement:

- (a) the maximum number of:
  - (i) Shares to be issued is 124,965,202; and
  - (ii) First Placement Options to be issued is 62,482,601;
- (b) the Shares and First Placement Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares and First Placement Options will occur on the same day;
- (c) the issue price will be \$0.02 per Share to raise a maximum of \$2,500,000 and the First Placement Options will be issued for nil cash consideration as free attaching Options for every 2 Shares issued under the First Placement;

- (d) the Shares will be issued to sophisticated and professional investors, none of whom will be related parties of the Company, with the allocation to be determined by the Board in consultation with the Underwriter. The First Placement Options will be issued to the participants in the First Placement;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares and the First Placement Options will be issued on the terms and conditions set out in Schedule 4 ; and
- (f) the Company intends to use the funds raised from the First Placement towards advancing the Kayelekera Project, costs of the Acquisition and general working capital, as per the disclosure in Section 1.12.

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## **6. RESOLUTION 5 – ISSUE OF SECOND PLACEMENT SECURITIES**

### **6.1 General**

A summary of the Capital Raising is set out in Section 1.6.

Resolution 5 seeks Shareholder approval for the issue of up to 225,000,000 Shares at an issue price of \$0.02 per Share to raise up to \$4,500,000 (before costs) together with the issue of the Second Placement Options, being 112,500,000 New Options.

A summary of ASX Listing Rule 7.1 is set out in Section 3.2 above.

The effect of Resolution 5 will be to allow the Company to issue the Shares and Second Placement Options pursuant to the Second Placement during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

Full terms of the New Options are contained in Schedule 4 .

### **6.2 Technical information required by ASX Listing Rule 7.1**

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Second Placement:

- (a) the maximum number of:
  - (i) Shares to be issued is 225,000,000; and
  - (ii) Second Placement Options to be issued is 112,500,000;
- (b) the Shares and Second Placement Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same day;
- (c) the issue price will be \$0.02 per Share to raise a maximum of \$4,500,000, together with one (1) free attaching New Option for every two (2) Shares subscribed for under the Second Placement;
- (d) the Shares will be issued to sophisticated and professional investors, none of whom will be related parties of the Company, with the allocation to be determined by the Board in consultation with the Underwriter. The Second Placement Options will be issued to the participants in the Second Placement;

- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares and the Second Placement Options will be issued on the terms and conditions set out in Schedule 4 ; and
- (f) the Company intends to use the funds raised from the Second Placement towards advancing the Kayelekera Project, the costs of the Acquisition and general working capital, as per the disclosure in Section 1.12.

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## **7. RESOLUTION 6 – APPROVAL FOR MR TIM KESTELL TO RECEIVE A FINANCIAL BENEFIT**

### **7.1 General**

As announced on 24 June 2019, and noted in Section 1.5 above, the Company entered into a Shareholders Agreement with Chichewa under which the Company owns 76.5% of the shares in Lotus, with the remaining 23.5% held by Chichewa.

Director, Mr Tim Kestell, is the beneficial owner of a minority interest of 22.5% of Chichewa. This means that Mr Kestell will have an indirect beneficial interest of approximately 4.5% of Paladin Africa and the Kayelekera Project (through Chichewa's indirect holding of 20% of Paladin Africa through its 23.5% holding in Lotus).

Under the Acquisition Agreement the Company has agreed to fund 100% of the consideration for the Acquisition (including the portion for Chichewa's 20% holding in Paladin Africa). In addition to this, and pursuant to the Shareholders Agreement, the Company has also agreed to free carry Chichewa's 20% beneficial interest in the Kayelekera Project at the Lotus level to a maximum of \$10,000,000 in project expenditure by the Company.

Resolution 6 seeks Shareholder approval for the indirect financial benefits which Mr Kestell will receive as a result of the Company agreeing to fund 100% of the consideration for the Acquisition and agreeing to the free carry of Chichewa's interest in Lotus as described above (the **Financial Benefits**).

The Company has a call option to acquire Chichewa's interest in Lotus at any time. The terms of the acquisition will be mutually agreed or otherwise determined by an independent valuer based on the fair market value of the project and any unspent part of the free carry amount at the relevant point in time.

Following the end of Chichewa's free carry period, Chichewa will have a put option to require the Company to acquire its interest in Lotus. As for the Company's call option, the terms of the acquisition will be mutually agreed or otherwise determined by an independent valuer based on the fair market value of the project.

Exercise of the call or put option are subject to Shareholder approval at the relevant time (if required). The Company is not seeking Shareholder approval for the exercise of the call or put option under Resolution 6.

## **7.2 Chapter 2E of the Corporations Act**

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

Mr Kestell is a related party of the Company by virtue of being a Director.

The Board (other than Mr Kestell, who did not participate in the relevant deliberations as a result of his material personal interest in the matters being considered):

- (a) does not consider that any of the exceptions set out in sections 210 to 216 of the Corporations Act; and
- (b) has therefore determined to seek Shareholder approval for Mr Kestell (and his associates) to receive the Financial Benefits in the manner set out in sections 217 to 227 of the Corporations Act.

## **7.3 Shareholder approval under Chapter 2E of the Corporations Act**

Pursuant to and in accordance with the requirements of section 219 of the Corporations Act, the following information is provided in relation to the proposed grant of financial benefits:

### **7.3.1 Identity of the related party**

Mr Tim Kestell is a related party of the Company by virtue of being a Director.

Mr Kestell will hold his beneficial interest in Chichewa through one or more wholly owned companies. No other person will have any legal or beneficial interest in those companies other than Mr Kestell.

### **7.3.2 Nature of the financial benefit**

As noted above, the proposed Financial Benefits are indirect financial benefits which Mr Kestell will receive as a result of his indirect beneficial holding in Chichewa as a result of the Company agreeing to:

- (a) fund 100% of the consideration for the Acquisition; and
- (b) the free carry of Chichewa's interest in Lotus as described above.

### **7.3.3 Directors' recommendation**

Mr Kestell declines to make a recommendation to Shareholders in relation to Resolution 6 as he has a material personal interest in the outcome of Resolution 6.

The remaining Directors, Messers Andrew and Milazzo, recommend that Shareholders vote in favour of Resolution 6, for the following reasons:

- (a) the Acquisition represents an excellent opportunity for Shareholders and the Company to acquire an asset (Kayelekera Project) at a competitive price; and
- (b) the Company, through its joint venture with Chichewa, has a highly experienced technical team who consider they will be able to significantly reduce the operating costs of the Kaylekera Mine, which subject to an increase in the uranium price, will make the prospect of bringing the Kayelekera Mine back into production more viable.

In forming their recommendations, Messers Andrew and Milazzo each considered other suitable assets that could be acquired by the Company and concluded that the Acquisition represented the best value proposition for the Company and Shareholders.

#### 7.3.4 Directors' interests

Mr Kestell has a material personal interest in the outcome of Resolution 6.

Neither Mr Andrew nor Mr Milazzo have an interest in the outcome of Resolution 6.

#### 7.3.5 Other Information

The Directors are not aware of any other information that is reasonably required by Shareholders to allow them to make a decision on whether it is in the best interests of the Company to pass Resolution 6.

#### 7.3.6 Valuation of the financial benefit

The Company considers that the most accurate way to value the Financial Benefits, is to calculate the proportion of the payments to be made by the Company attributable to Mr Kestell's indirect holding in the free carried JV partner Chichewa.

Accordingly, the Company has valued the Financial Benefits at \$1,551,733, calculated as follows:

Payments to be made by the Company	Value of Payments made by the Company	Proportion attributable to Chichewa's 23.5% interest in Lotus	Proportion of payment attributable to Mr Kestell's 22.5% indirect interest in Chichewa
	(\$)	(\$)	(\$)
Initial Consideration <sup>1</sup>	2,000,000	470,000	105,750
Deferred Consideration <sup>2</sup>	3,000,000	705,000	158,625
Chichewa free carry	10,000,000	2,350,000	528,750
Environmental Bond <sup>3</sup>	14,347,202 <sup>4</sup>	3,371,592	758,608
<b>Total</b>	<b>29,347,202</b>	<b>6,896,592</b>	<b>1,551,733<sup>5</sup></b>

#### Notes:

1. Comprising \$200,000 cash consideration and \$1,800,000 worth of Shares.

2. Comprising \$3,000,000 worth of Shares.
3. This is included for completeness, as the Company is paying to acquire the Environmental Bond. However, the Company will acquire an asset of corresponding value on its balance sheet, being the Environmental Bond itself. Should the Company sell its interest in the Kaylekera Mine, the Company would expect to receive the same amount back on transfer of the Environmental Bond to the purchaser.
4. Environmental Bond converted into AUD at the Reserve Bank of Australia exchange rate of 1 AUD to 0.6970 USD correct as at 26 June 2019.
5. This amount does not include any amount which may be received Mr Kestell if the Company exercises its call option over Chichewa's interest in Lotus or if Chichewa exercises its roll up right. These transactions will be the subject of a future Shareholder approval if required at the relevant time.

### **7.3.7 Total remuneration package**

The remuneration and emoluments from the Company to Mr Kestell for the previous financial year and the proposed remuneration for the current financial year are set out below:

**Previous Financial Year:** \$36,000 per annum.

**Current Financial Year:** \$36,000 per annum.

Mr Kestell has not received any securities as part of his total remuneration package.

Mr Kestell will not receive the proposed financial benefit as part of his total remuneration package or in relation to his services to the Company in any way. The proposed financial benefit is solely given to Mr Kestell in his capacity as the holder of a 22.5% beneficial interest in Chichewa and consequently his indirect beneficial interest of approximately 4.5% in Paladin Africa.

### **7.3.8 Mr Kestell's existing interest**

Mr Kestell does not directly own any Shares or other Securities of the Company.

Mr Kestell has an indirect interest in 4,969,443 Shares in the Company, through his controlling interest in Blue Capital Limited.

Mr Kestell is also a director of Neon Capital Limited, which holds 15,000,000 Shares in the Company. However, Mr Kestell does not control Neon Capital, so he does not have a relevant interest in these Shares for the purposes of the Corporations Act. These Shares are only listed here for completeness and in the interests of full disclosure.

### **7.3.9 Dilution**

The potential dilutive impact of the issue of the Initial Consideration Shares and the Capital Raising which will in part be used to fund some of the cash payments to be made by the Company under the Acquisition, is set out in Section 1.10.

This does not include any dilutive impact which may occur if the Company exercises its call option over Chichewa's interest in Lotus or if Chichewa exercises its roll up right. These transactions will be the subject of a future Shareholder approval if required at the relevant time.



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## GLOSSARY

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**\$** means Australian dollars.

**Acquisition** has the meaning in Resolution 1.

**Acquisition Agreement** has the meaning in Section 1.2.

**ASIC** means the Australian Securities & Investments Commission.

**ASX** means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

**ASX Listing Rules** means the Listing Rules of ASX.

**Board** means the current board of directors of the Company.

**Business Day** means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

**Capital Raising** has the meaning given to it in Section 1.6, comprising the First Placement, the Rights Issue (including the Shortfall Offer) and the Second Placement.

**Chair** means the chair of the Meeting.

**Chichewa** means Chichewa Resources Pty Ltd (ACN 633 912 688).

**Closely Related Party** of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

**Company** means Hylea Metals Limited (ACN 119 992 175).

**Constitution** means the Company's constitution.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Convertible Loan** has the meaning given to it in Section 1.6.

**Convertible Loan Agreement** means the convertible loan agreement executed between Matador and the Company on 23 July 2019

**Deferred Consideration Shares** has the meaning in Section 1.4.

**Directors** means the current directors of the Company.

**Essential Resolutions** means all of the Resolutions with the exception of Resolution 3.

**Explanatory Statement** means the explanatory statement accompanying the Notice.

**First Placement** has the meaning in Section 1.4.

**First Placement Options** means up to 62,482,601 New Options to be issued under the First Placement which are the subject of Resolution 4.

**First Placement Participants** means the participants in the First Placement.

**General Meeting** or **Meeting** means the meeting convened by the Notice.

**Initial Consideration Shares** has the meaning in Resolution 2.

**Key Management Personnel** has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

**Lotus** means Lotus Resources Pty Ltd (ACN 633 939 438).

**Matador** means Matador Capital Pty Ltd (ACN 144 992 781).

**New Option** means an Option exercisable at \$0.04 per Option and expiring 3 years from grant and otherwise on the terms and conditions set out in Schedule 4 .

**Notice** or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

**Option** means an option to acquire a Share.

**Optionholder** means a holder of an Option.

**Paladin** means Paladin Energy Limited (ASX:PDN).

**Paladin Africa** has the meaning in Section 1.2.

**Proxy Form** means the proxy form accompanying the Notice.

**Resolutions** means the resolutions set out in the Notice, or any one of them, as the context requires.

**Rights Issue** means an underwritten non-renounceable rights issue to eligible shareholders of one new Share for every two Shares held up to 50,000,000 Shares at an issue price of \$0.02 per Share to raise \$1,000,000 (before costs), together with one free attaching Option for every two new Shares issued.

**Second Placement** has the meaning given to it in Section 1.6.

**Second Placement Options** means the up to 112,500,000 New Options to be issued under the Second Placement which are the subject of Resolution 5.

**Section** means a section of the Explanatory Statement.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a registered holder of a Share.

**Shareholders Agreement** means the Lotus shareholders agreement entered into by the Company and Chichewa on or around 21 June 2019.

**Shortfall Offer** has the meaning given to it in Section 1.6.

**Underwriter** means BW Equities Pty Ltd (ACN 146 642 462).

**Vendor** means Paladin Energy Minerals Pty Ltd (ACN 073 700 393).

**VWAP** means volume weighted average price.

**WST** means Western Standard Time as observed in Perth, Western Australia.

## SCHEDULE 1 – PRO FORMA BALANCE SHEET

	Audit Reviewed 31 December 2018 AUD	Pro-forma adjustments AUD	Pro-forma consolidated after Acquisition <sup>1</sup> AUD
<b>Assets</b>			
Cash and cash equivalents	231,494	2,062,948	2,294,442
Trade and other receivables	41,783	0	41,783
Other	0	0	0
<b>Total current assets</b>	<b>273,277</b>	<b>2,062,948</b>	<b>2,336,225</b>
Property, plant and equipment	3,165	0	3165
Exploration and evaluation assets	11,756,419	19,872,631	31,629,050
Intangible assets and goodwill	0	0	0
<b>Total non-current assets</b>	<b>11,759,584</b>	<b>19,872,631</b>	<b>31,632,215</b>
<b>Total assets</b>	<b>12,032,861</b>	<b>21,935,579</b>	<b>33,968,440</b>
<b>Liabilities</b>			
Trade and other payables	90,875	0	90,875
Borrowings	0	0	0
<b>Total current liabilities</b>	<b>90,875</b>	<b>0</b>	<b>90,875</b>
<b>Non current liabilities</b>			
Provisions	0	8,635,579	8,635,579
<b>Total non current liabilities</b>	<b>0</b>	<b>8,635,579</b>	<b>8,635,579</b>
<b>Total liabilities</b>	<b>90,875</b>	<b>8,635,579</b>	<b>8,726,454</b>
<b>Net assets</b>	<b>11,941,986</b>	<b>13,300,000</b>	<b>25,241,986</b>
<b>Equity</b>			
Contributed Equity	43,790,848	13,300,000	57,090,848
Reserves	1,064,439	-	1,064,439
Accumulated losses	(32,913,301)	-	(32,913,301)
<b>Total equity</b>	<b>11,941,986</b>	<b>13,300,000</b>	<b>25,241,986</b>

### Notes:

1. Figures calculated based on completion of the Acquisition and the Capital Raising.

### Assumptions adopted in compiling the Pro-forma Statement of Financial Position

The Pro-Forma Statement of Financial Position has been prepared by adjusting the financial position as at 31 December 2018 for the Company for the adjustments as outlined below. The 31 December 2018 financial position has been audit reviewed.

Following completion of the Acquisition, the Company will be liable to make further payments totalling US\$6,000,000 to repay to Paladin the remainder of the amount that it advanced on behalf of Paladin Africa for the Environmental Bond. The Company expects to fund these payments through a future capital raising, at a price and volume to be determined. While the liability to make these payments has been taken into account in this Pro forma Statement of Financial Position, it does not take account of the potential future capital raising to fund those future repayments to Paladin.

### **Pro-forma adjustments**

The Pro-Forma Statement of Financial Position reflects the subsequent events set out above and the following transactions and events relating to the Acquisition:

- (a) Initial Consideration Shares on settlement of the Acquisition for a purchase price equivalent to A\$1,800,000 through the issue of 90,000,000 Shares.
- (b) Deferred Consideration Shares on settlement of the Acquisition for a purchase price equivalent to A\$3,000,000 through the issue of 150,000,000 Shares.
- (c) Payments of the Environmental Bond advance are as follows:
  - (i) US\$4,000,000 on Completion;
  - (ii) US\$1,000,000 on the date that is 1 year after Completion;
  - (iii) US\$2,000,000 on the date that is 2 years after Completion; and
  - (iv) US\$3,000,000 on the date that is 3 years after Completion.

## SCHEDULE 2 – DILUTION TABLES

### Minimum take up under the Capital Raising (\$8,000,000)

	100% Shortfall on Capital Raising		0% take-up on Rights Issue, 0% Shortfall on the First and the Second Placement		50% take-up on Rights Issue, 100% Shortfall on the First and the Second Placement		50% take-up on Rights Issue, 50% Shortfall on the First and the Second Placement		75% take-up on Rights Issue, 100% Shortfall on the First and the Second Placement		75% take-up on Rights Issue, 25% Shortfall on the First and the Second Placement		100% take-up on Rights Issue, 100% Shortfall on the First and the Second Placement	
Shareholder	Number of Shares	% of Shares held	Number of Shares	% of Shares held	Number of Shares	% of Shares held	Number of Shares	% of Shares held	Number of Shares	% of Shares held	Number of Shares	% of Shares held	Number of Shares	% of Shares held
Existing Shareholders	100,139,194	16.97%	100,139,194	16.97%	125,139,194	21.21%	125,139,194	21.21%	137,639,194	23.32%	137,639,194	23.32%	150,139,194	25.44%
Vendor	90,000,000	15.25%	90,000,000	15.25%	90,000,000	15.25%	90,000,000	15.25%	90,000,000	15.25%	90,000,000	15.25%	90,000,000	15.25%
Placement Participants	0	0.00%	324,965,202	55.07%	0	0.00%	162,482,601	27.53%	0	0.00%	243,723,902	41.30%	0	0.00%
Underwriter	200,000,000	33.89%	25,000,000	4.24%	75,000,000	29.65%	93,741,301	15.88%	168,732,601	28.59%	46,870,650.25	7.94%	162,482,601	27.53%
Matador	200,000,000	33.89%	50,034,798	8.48%	200,000,000	33.89%	118,776,099	20.13%	193,767,399	32.83%	71,905,448.25	12.18%	187,517,399	31.78%
<b>TOTAL</b>	<b>590,139,194</b>	<b>100.00%</b>	<b>590,139,194</b>	<b>100.00%</b>	<b>590,139,194</b>	<b>100.00%</b>	<b>590,139,194</b>	<b>100.00%</b>	<b>590,139,194</b>	<b>100.00%</b>	<b>590,139,194</b>	<b>100.00%</b>	<b>590,139,194</b>	<b>100.00%</b>

#### Notes:

1. Assumes that no Options or other Securities convertible into Shares have been exercised or converted.
2. Assumes the full amount of the Initial Consideration Shares are issued on completion of the Acquisition (refer to Section 1.4 for further details).
3. The number of Shares and percentage of Shares held by Matador includes the 25,034,798 Shares to be issued upon conversion of the Convertible Loan.

### Maximum take up under the Capital Raising (\$8,500,000)

	100% Shortfall on Capital Raising		0% take-up on Rights Issue, 0% Shortfall on the First and the Second Placement		50% take-up on Rights Issue, 100% Shortfall on the First and the Second Placement		50% take-up on Rights Issue, 50% Shortfall on the First and the Second Placement		75% take-up on Rights Issue, 100% Shortfall on the First and the Second Placement		75% take-up on Rights Issue, 25% Shortfall on the First and the Second Placement		100% take-up on Rights Issue, 100% Shortfall on the First and the Second Placement	
Shareholder	Number of Shares	% of Shares held	Number of Shares	% of Shares held	Number of Shares	% of Shares held	Number of Shares	% of Shares held	Number of Shares	% of Shares held	Number of Shares	% of Shares held	Number of Shares	% of Shares held
Existing Shareholders	100,139,194	16.28%	100,139,194	16.28%	125,139,194	20.34%	125,139,194	20.34%	137,639,194	22.38%	137,639,194	22.38%	150,139,194	24.41%
Vendor	90,000,000	14.63%	90,000,000	14.63%	90,000,000	14.63%	90,000,000	14.63%	90,000,000	14.63%	90,000,000	14.63%	90,000,000	14.63%
Placement Participants	0	0.00%	349,965,202	56.89%	0	0.00%	174,982,601	28.45%	0	0.00%	262,473,902	42.67%	0	0.00%
Underwriter	200,000,000	33.89%	25,000,000	4.06%	200,000,000	32.51%	99,991,301	16.26%	187,500,000	30.48%	49,995,650	8.13%	175,000,000	28.45%
Matador	200,000,000	33.89%	50,034,798	8.13%	200,000,000	32.51%	125,026,099	20.32%	200,000,000	32.51%	75,030,448	12.20%	200,000,000	32.51%
<b>TOTAL</b>	<b>590,139,194</b>	<b>100.00%</b>	<b>615,139,194</b>	<b>100.00%</b>	<b>615,139,194</b>	<b>100.00%</b>	<b>615,139,194</b>	<b>100.00%</b>	<b>615,139,194</b>	<b>100.00%</b>	<b>615,139,194</b>	<b>100.00%</b>	<b>615,139,194</b>	<b>100.00%</b>

#### Notes:

1. Assumes that no Options or other Securities convertible into Shares have been exercised or converted.
2. Assumes the full amount of the Initial Consideration Shares are issued on completion of the Acquisition (refer to Section 1.4 for further details).
3. The number of Shares and percentage of Shares held by Matador includes the 25,034,798 Shares to be issued upon conversion of the Convertible Loan.

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## **SCHEDULE 3 – RISK FACTORS SPECIFIC TO PALADIN AFRICA**

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(a) **Demand for nuclear generation, competition from alternative energy and public perception**

The impact of Fukushima negatively affected the uranium market, principally by reducing demand and impacting the spot price for uranium. Nuclear energy is in direct competition with other more conventional sources of energy, including gas, coal and hydroelectricity and is the subject of negative public opinion due to political, technological and environmental factors, including Fukushima. This may have a negative impact on the demand for uranium.

(b) **Production risk**

The Kayelekera Mine in Malawi, is currently on care and maintenance. There can be no guarantee that the uranium price will recover sufficiently to justify a return to production in the near term or at any time.

Should the Kayelekera Mine return to production, ongoing production and commissioning of staged expansions to production may not proceed to plan, with potential for delay in the timing of targeted production and/or a failure to achieve the level of targeted production. These potential delays or difficulties may necessitate additional funding which could lead to additional equity or debt requirements for Paladin Africa. In addition to potential delays, there is a risk that capital and/or operating costs will be higher than expected or there will be other unexpected changes in variables upon which expansion and commissioning decisions were made, such as a fall in the price of uranium. These potential scope changes and/or cost overruns may lead also to reductions in revenues and profits and/or additional funding requirements.

Paladin Africa's activities may be affected by numerous other factors beyond Paladin Africa's control. Should the Kayelekera Mine return to production, mechanical failure of Paladin Africa's operating plant and equipment and general unanticipated operational and technical difficulties may adversely affect Paladin Africa's operations. Operating risks beyond Paladin Africa's control may expose it to uninsured liabilities. The business of mining, exploration and development is subject to a variety of risks and hazards such as cave-ins and other accidents, flooding, environmental hazards, the discharge of toxic chemicals and other hazards and the use of contractors including contract miners. Such occurrences may delay production, increase production costs or result in damage to and destruction of, mineral properties or production facilities, personal injury, environmental damage and legal liability. The Company believes that Paladin Africa has insurance to protect itself against certain risks of mining and processing within ranges of coverage consistent with industry practice. However, Paladin Africa may become subject to liability for hazards that it cannot insure against or that it may elect not to insure against because of high premium costs or other reasons. The occurrence of an event that is not fully covered, or covered at all, by insurance, could have a material adverse effect on its financial condition and results of operations.

(c) **Speculative nature of mineral exploration and development**

Development of the Kayelekera Project is contingent upon obtaining satisfactory exploration results. Mineral exploration and development involves substantial expenses and a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to adequately mitigate. The degree of risk increases substantially when a company's properties



are in the exploration phase as opposed to the development, construction and operational phase. There is no assurance that commercial quantities of ore will be discovered at the Kayelekera Project. There is also no assurance that, even if commercial quantities of ore are discovered, the Kayelekera Mine will be brought back into commercial production.

The discovery of mineral deposits is dependent upon a number of factors including, the technical skill of the exploration personnel involved.

The commercial viability of a mineral deposit, once discovered, is also dependent upon a number of factors, some of which are the particular attributes of the deposit, such as size, grade, metallurgy and proximity to infrastructure, metal prices and government regulations, including the availability of required authorisations, permits and licences and regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. Successful development is also subject to a number of operational and other risks, including unexpected geological formations, conditions involved in the drilling and removal of material (which could result in damage and/or destruction to plant and equipment, loss of life or property, environmental damage and possible legal liability), obtaining governmental and stakeholder approvals, changes in reserves, commodity prices, exchange rates, construction costs, design requirements, delays in construction and expansion plans.

In addition, assuming discovery of a commercial ore body, depending on the type of mining operation involved, several years can elapse from the initial phase of drilling until commercial operations are commenced.

(d) **Resources and reserves estimates**

The mineral resources and ore reserves for Paladin Africa's assets are estimates only and no assurance can be given that any particular recovery level will in fact be realised. Paladin Africa's estimates are prepared in accordance with the JORC Code 2004 or 2012 (as applicable), but they are expressions of judgment from qualified professionals based on knowledge, experience, industry practice and resource modelling. As such, resource and reserve estimates are necessarily imprecise and depend to some extent on interpretations, which may ultimately prove to be inaccurate and require adjustment or revision. Adjustments and revisions to resources and reserves could in turn affect Paladin Africa's development and mining plans, including the ability to sustain or increase levels of production in the longer term.

Often, resources and reserve estimates are appropriate when made, but may change significantly over time as new information becomes available. Should Paladin Africa encounter mineralisation or geological formations different from those predicted by past drilling, sampling and interpretations, estimates may need to be adjusted in a way that could adversely affect Paladin Africa's operations and may have an impact on development and mining plans.

There is also a risk that exploration targets will not be met and resources cannot be converted into reserves.

(e) **Uncertainty relating to Inferred Mineral Resources**

Inferred mineral resources that are not mineral reserves do not have demonstrated economic viability. Due to the uncertainty which may attach to inferred mineral resources, there is no assurance that inferred mineral resources

will be upgraded to measured or indicated resources or proven or probable mineral reserves as a result of continued exploration.

(f) **Security of tenure**

All of the tenements comprising the Kayelekera Project are subject to renewal conditions, which will be at the discretion of the relevant Ministries in Malawi. The maintenance of tenements, or obtaining renewals often depends on Paladin Africa being successful in obtaining required statutory approvals for proposed activities. While the Company anticipates that subsequent renewals will be given as and when sought, there is no assurance that such renewals will be given as a matter of course and there is no assurance that new conditions will not be imposed in connection therewith.

(g) **Government regulations**

Paladin Africa's activities are subject to extensive laws and regulations controlling not only the mining of and exploration for mineral properties, but also the possible effects of such activities upon the environment and upon interests of native and/or indigenous peoples. Permits from a variety of regulatory authorities are required for many aspects of mine operation and reclamation. Future legislation and regulations could cause additional expense, capital expenditures, restrictions and delays in the development of the Kayelekera Project, the extent of which cannot be predicted.

In the context of environmental permitting, including the approval of reclamation plans, Paladin Africa must comply with known standards, existing laws and regulations which may entail greater costs and delays depending on the nature of the activity to be permitted and how stringently the regulations are implemented by the permitting authority. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect Paladin Africa's operations.

Paladin Africa's ability to exploit mineral resources and its other activities are also subject to obtaining necessary authorisation, permits and licences from relevant authorities. Such authorisations, permits and licences may not be granted in a timely manner or at all, or may be granted on conditions which impose significant additional cost on Paladin and/or other participants in its joint ventures or which causes Paladin and/or such other participants in its joint ventures to become unwilling to proceed with the relevant development or operations.

While it is possible that costs and delays associated with compliance with such laws, regulations and permits could become such that Paladin Africa will not proceed with the development or operation of a mine, the Company is not aware of any material environmental constraint affecting its proposed mining activities that would preclude the economic development or operation of the Kayelekera Project.

(h) **Climate change risk**

Increased regulation of greenhouse gas emissions could adversely affect Paladin Africa's cost of operations. Mining of mineral resources including uranium is relatively energy intensive and depends on fossil fuels. Regulatory

change by governments in response to greenhouse gas emissions may represent an increased cost to Paladin Africa impacting profitability. Increasing regulation of greenhouse gas emissions, including the progressive introduction of carbon emissions trading mechanisms and tighter emission reduction targets or the introduction of a carbon tax in any jurisdiction in which Paladin Africa operates is likely to raise energy costs and costs of production.

(i) **Foreign operations**

Paladin Africa's operations in Malawi are exposed to various levels of political, economic and other risks and uncertainties associated with operating in a foreign jurisdiction. These risks and uncertainties vary from country to country and include, but are not limited to, currency exchange rates; high rates of inflation; labour unrest; renegotiation or nullification of existing concessions, licenses, permits and contracts; changes in taxation policies; restrictions on foreign exchange; changing political conditions; currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction or otherwise benefit residents of that country or region.

Changes, if any, in mining or investment policies or shifts in political attitude in any of the countries in which it operates may adversely affect Paladin Africa's operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use, black economic empowerment or similar policies, employment, contractor selection and mine safety. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure, could result in loss, reduction or expropriation of entitlements.

The occurrence of these various factors adds uncertainties which cannot be accurately predicted and could have an adverse effect on Paladin Africa's operations or profitability.

(j) **Failure of basic infrastructure**

Infrastructure in most of Africa for utilities such as electricity and water supply is under strain and underdeveloped. The Kayelekera Project, which is not connected to a power grid, is dependent on a reliable and continuous delivery of diesel to run generators to power the project. A serious failure of basic infrastructure or occurrences of power outages across the country could adversely affect production at Kayelekera Project.

(k) **Project profitability**

Should the Kayelekera Mine return to production post completion of the proposed Acquisition, the Company cannot provide assurance of Paladin Africa's ability to operate its projects profitably. While it is the Company's intention to restart the Kayelekera Mine (if the uranium price recovers sufficiently to justify a return to production) and to generate working capital through operating the Kayelekera Mine, there is no assurance that if the Kayelekera Mine returns to production Paladin Africa will be capable of generating positive cash flows on a consistent basis or that any such funds will be available for exploration and development programmes.

(l) **Liquidity concerns and future financing**

Further exploration and development of the Kayelekera Project in which the Company holds an interest depend upon the Company's ability to obtain financing through operational cash flows, joint ventures, debt financing, equity financing or other means.

In addition, the Company and Paladin Africa may be required in the ordinary course of operations and development to provide financial assurances, including insurances and performance bond or bank guarantee instruments, to secure statutory and environmental performance undertakings and commercial arrangements. The Company's ability to provide such assurances is subject to the willingness of financial institutions and other third party providers of such assurances to issue such assurances for the Company's account.

Volatile markets for mineral commodities or the factors affecting financial institutions and other third parties' assessments of the Company and Paladin Africa may make it difficult or impossible for the Company to obtain facilities for the issuance of such financial assurances or of other debt financing or equity financing on favourable terms or at all. Failure to obtain such facilities or financing on a timely basis may cause the Company to postpone its development plans, forfeit rights in some or all of its properties or joint ventures or reduce or terminate some or all of its operations, which may have a material adverse effect on the Company's financial position and performance.

(m) **Logistics**

Should the Kayelekera Mine return to production post completion of the Acquisition, Paladin Africa will depend on the availability and affordability of reliable transportation facilities, infrastructure and certain suppliers to deliver its products to market. A lack of these could impact Paladin Africa's production and development the Kayelekera Project.

Logistical risk relates to long supply lines and lack of engineering and other support facilities close to the Kayelekera Project. In Africa, the transshipment of uranium concentrate through neighbouring countries for export could be subject to disruptions through transshipment licensing delays, political disputes and natural disasters.

(n) **Ability to retain key personnel**

Retaining qualified personnel is critical to Paladin Africa's success. Paladin Africa may face risks from the loss of key personnel, as it may be difficult to secure and retain candidates with appropriate experience and expertise. One or more of Paladin Africa's key employees could leave their employment, and this may adversely affect Paladin Africa's ability to conduct its business and, accordingly, affect the profitability, financial position and performance and prospects of Paladin Africa. Paladin Africa's success also depends on its ability to identify, attract, accommodate, motivate and retain additional suitably qualified personnel. The number of persons skilled in the acquisition, exploration, development and operation of mining properties is limited and competition for such persons is high. In addition, the lack of infrastructure in the nearby surrounding areas and the shortage of a readily available labour force in the mining industry, Paladin Africa may experience difficulties retaining the requisite skilled employees in Malawi. If Paladin Africa's business activity grows, it will require additional personnel to meet its growing needs. If Paladin Africa is unable to access and retain the services of a sufficient number of qualified personnel, this could be disruptive to Paladin Africa's development and may materially

adversely affect its profitability, financial position and performance and prospects.

While the Company believes that Paladin Africa has good relations with its employees, these relations may be impacted by changes in the scheme of labour relations which may be introduced by the Malawian governmental authorities which regulates its operations. Adverse changes in such legislation may also have a material adverse effect on Paladin Africa's business.

(o) **Failures in the supply chain for specialist equipment and materials**

Should the Kayelekera Mine return to production post completion of the proposed Acquisition, Paladin Africa will operate within a complex supply chain depending on suppliers of raw materials, services, equipment and infrastructure to ensure its mines and process plants can operate and on providers of logistics to ensure products are delivered. Failure of significant components of this supply chain due to strategic factors such as business failure or serious operational factors, could have an adverse effect on Paladin Africa's business and results of operations.

(p) **Changes in the cost of supply of key inputs**

Should Kayelekera Mine return to production, Paladin Africa's operations will be resource intensive and, as a result, its costs and net earnings may be adversely affected by the availability or cost of energy, water, fuel or other key inputs. If the prices of key inputs rise significantly more than expected, or if Paladin Africa experiences interruptions in, or constraints on, its supply of key inputs, Paladin Africa's costs could increase, and its results could be adversely affected.

(q) **Contractors**

Part of Paladin Africa's commercial practice will involve sub-contracting various services. Although sub-contracted services will be supervised by Paladin Africa's employees, such arrangements with contractors carry with them risks associated with the possibility that the contractors may (i) have economic or other interests or goals that are inconsistent with Paladin Africa's, (ii) take actions contrary to Paladin Africa's instructions or requests, or (iii) be unable or unwilling to fulfil their obligations.

There can be no assurance Paladin Africa will not experience problems with respect to its contractors in the future or that it will be able to find replacement contractors on similar terms in the event that contractors do not perform as Paladin Africa expects and this may materially and adversely affect its business, results of operations, financial condition and prospects.

(r) **Economic conditions**

Economic conditions, both domestic and global, may affect the performance of Paladin Africa. Adverse changes in macroeconomic conditions, including global and country-by-country economic growth, the cost and general availability of credit, the level of inflation, interest rates, exchange rates, government policy (including fiscal, monetary and regulatory policies), general consumption and consumer spending, employment rates and industrial disruption, amongst others, are outside the control of Paladin Africa and may result in material adverse impacts on Paladin Africa's business and its operating results.

(s) **Key contractors and supplier relationships**

Paladin Africa relies on various key customer and supplier relationships, and relies on contractors to conduct aspects of its operations including mining operations (if the Kayelekera Mine returns to production) and is exposed to risks related to their activities.

Should the Kayelekera Mine return to production:

- (i) a loss or deterioration in any of these relationships or a failure by customers, contractors or other counterparties to perform and manage their obligations to an acceptable standard and in accordance with key contracts could have a material adverse effect on Paladin Africa's operations, financial condition and prospects. This is beyond Paladin Africa's control;
- (ii) an interruption in raw material, electricity, gas or water supply, a deterioration in the quality of raw materials or inputs supplied or an increase in the price of those raw materials or inputs could also adversely impact the quality, efficiency or cost of production; and
- (iii) any or all of these events could have an adverse impact on Paladin Africa's operations, its financial condition and financial performance and are beyond Paladin Africa's control.

(t) **Environmental and social risk**

Uranium exploration and mine development is an environmentally hazardous activity which may give rise to substantial costs for environmental rehabilitation, damage control and losses. With increasingly heightened government and public sensitivity to environmental sustainability, environmental regulation is becoming more stringent. Paladin could be subject to increasing environmental responsibility and liability, including laws and regulations dealing with discharges of materials into the environment, plant and wildlife protection, the reclamation and restoration of certain of its properties, the storage, treatment and disposal of wastes and other issues.

Paladin Africa operates in Malawi, which faces greater inherent risks relating to security, enforcement of obligations, fraud, bribery and corruption than in Australia. Sanctions for non-compliance with these laws and regulations may include administrative, civil and criminal penalties, revocation of permits, reputational issues, increased licence conditions and corrective action orders. These laws sometimes apply retroactively. In addition, a party can be liable for environmental damage without regard to that party's negligence or fault. Increased costs associated with regulatory compliance and/or with litigation could have a material and adverse effect on Paladin Africa's financial performance. Mining operations are subject to hazards normally encountered in exploration, development and production. These include weather, natural disasters and other force majeure events; unexpected maintenance or technical problems; unexpected geological formations, rock falls, flooding, dam wall failure and other incidents or conditions which could result in damage to plant or equipment or the environment and which could impact production throughput; increases in labour costs, industrial action and other factors. Although it is intended to take adequate precautions to minimise risk, there is a possibility of a material adverse impact on Paladin Africa's operations and its financial results should any of these hazards be encountered.

(u) **Currency risk**

To the best of the Company's knowledge, Paladin Africa's operations (if the Kayelekera Mine returns to production post completion of the proposed Acquisition) would predominantly incur expenditures in United States dollars. Revenue from operations and debt financings (if the Kayelekera Mine returns to production post completion of the proposed Acquisition) would be in US dollars. As a result of the use of these different currencies, Paladin Africa is subject to foreign currency fluctuations which may materially affect its financial position and operating results.

(v) **Ability to manage growth**

Future operating results depend to a large extent on management's ability to successfully manage growth. This necessarily requires rapid expansion and consolidation of all aspects of the business operations, such as the development of mining operations, revenue forecasting, an effective mineral resources marketing strategy, addressing new markets, controlling expenses, implementing infrastructure and systems and managing its assets and contractors. The inability to control the costs and organisational impacts of business growth, an unpredicted decline in the growth rate of revenues without a corresponding and timely reduction in expenses or a failure to manage other issues arising from growth can have a material adverse effect on Paladin Africa's operating results.

(w) **Occupational health and safety**

It is the Company's intention to conduct its activities to the highest standards of occupational health and safety. The Company believes that Paladin Africa has systems in place for the management of risks, however uranium exploration and mining is inherently a high risk environment with little margin for error. In addition, the the Kayelekera Mine is located in a developing country, and embedding systems for managing occupational health and safety risks, and maintaining and ensuring compliance with these systems, may present challenges for the Company. Further, in Malawi HIV/AIDS, ebola, malaria and other diseases may represent a threat to maintaining a skilled workforce in Paladin Africa.

There can be no assurance that such infections will not affect project staff, and there is the risk that operations and production could be affected in the event of such a safety threat. If there is a failure to comply with necessary occupational health and safety requirements, this could result in safety claims, fines, penalties and compensation for damages against Paladin Africa, as well as reputational damage.

(x) **General taxation matters**

Any change to the current rate of income tax or mineral royalties in Malawi where Paladin Africa operates will impact on the profitability and performance of Paladin Africa.

Paladin Africa is subject to complex tax laws. Changes in tax laws could adversely affect Paladin Africa's tax position, including our effective tax rate or tax payments. If Paladin Africa's tax positions are challenged by relevant tax authorities, the imposition of additional taxes could require Paladin Africa to pay taxes that Paladin Africa currently does not collect or pay or increase the costs of Paladin Africa's services to track and collect such taxes, which could increase Paladin Africa's costs of operations or Paladin Africa's effective tax rate and have a negative effect on Paladin Africa's business, financial condition and

results of operations. The occurrence of any of the foregoing tax risks could have a material adverse effect on Paladin Africa's business, financial condition and results of operations.

(y) **Litigation**

Paladin Africa is subject to litigation risks. All industries, including the mining industry, are subject to legal claims, which claims may be with or without merit. Defence and settlement costs of legal claims can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal proceeding to which Paladin Africa is or may become subject could have a material effect on its financial position, results of operations or Paladin Africa's mining and project development operations.

(z) **Volatility of uranium prices**

The mining industry is competitive and there is no assurance that, even if significant quantities of a mineral resource are discovered or extracted, a profitable market will exist for the sale of this mineral. In particular, there can be no assurance that uranium prices will be such that the Kayelekera Mine can be returned to production and mined at a profit. The only significant commercial use for uranium is to fuel civil nuclear power plants for the generation of electricity. Any adverse change in policies or laws concerning nuclear power in countries which operate nuclear power plants may negatively affect global uranium demand and Paladin Africa.

Factors beyond the control of Paladin Africa may affect the marketability of any minerals discovered. The price of, and demand for, uranium is a significant factor in determining Paladin Africa's financial performance, however such price and demand remains sensitive to a number of external economic and political factors beyond Paladin Africa's control, including (among others): global uranium supply and demand trends, political developments in uranium producing and nuclear power generating countries/regions, unanticipated destabilising events (such as Fukushima and persistent delays in Japanese reactor operations, etc.), currency exchange rates, general economic conditions and other factors. As a result, Paladin Africa cannot provide an assurance as to:

- (i) whether uranium prices will recover sufficiently to justify a return of the Kayelekera Mine to production; or
- (ii) should the Kayelekera Mine return to production, the prices it will achieve for any of its uranium product in the future.

(aa) **Uninsurable risks**

The Company seeks to maintain a range of insurance covers for business operations. However, the Company's insurance will not cover every potential risk associated with its operations. The occurrence of a significant adverse event, the risks of which are not fully covered by insurance, could have a material adverse effect on Paladin Africa's financial condition and financial performance.

Without limitation, Paladin Africa may become subject to liability for accidents, pollution and other hazards against which it cannot insure or against which it may elect not to insure because of premium costs or for other reasons, or in amounts, which exceed policy limits.



(bb) **Political stability**

The Kayelekera Mine is conducted in Malawi. In Malawi, and may be subject to the effect of political changes, war and civil conflict, terrorist attacks, changes in government policy, lack of law enforcement, labour unrest and the creation of new laws. These changes (which may include new or modified taxes or other government levies as well as other legislation) may impact on the profitability and viability of its properties.

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## **SCHEDULE 4 – TERMS AND CONDITIONS OF NEW OPTIONS**

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(a) **Entitlement**

Each New Option entitles the holder to subscribe for one Share upon exercise of the New Option.

(b) **Exercise Price**

Subject to paragraph (i), the amount payable upon exercise of each New Option will be \$0.04 (**Exercise Price**).

(c) **Expiry Date**

Each New Option will expire on the date which is 3 years from grant of the New Option (**Expiry Date**). A New Option which is not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The New Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The New Options may be exercised during the relevant Exercise Period by notice in writing to the Company in the manner specified on the New Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each New Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each New Option being exercised in cleared funds (**Exercise Date**).

(g) **Timing of issue of Shares on exercise**

Within 15 Business Days after the later of the following:

- (i) the Exercise Date; and
- (ii) when excluded information in respect to the Company (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information,

but in any case no later than 20 Business Days after the Exercise Date, the Company will:

- (i) issue the number of Shares required under these terms and conditions in respect of the number of New Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (iii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section

708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and

- (iv) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the New Options.

If a notice delivered under (g)(iii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

Shares issued on exercise of the New Options rank equally with the then issued shares of the Company.

(i) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(j) **Participation in new issues**

There are no participation rights or entitlements inherent in the New Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the New Options without exercising the New Options.

(k) **Change in exercise price**

A New Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the New Option can be exercised.

(l) **Transferability**

The New Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

# Hylea Metals Limited

ABN 38 119 992 175

## Lodge your vote:



### Online:

[www.investorvote.com.au](http://www.investorvote.com.au)



### By Mail:

Computershare Investor Services Pty Limited  
GPO Box 242 Melbourne  
Victoria 3001 Australia

Alternatively you can fax your form to  
(within Australia) 1800 783 447  
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only  
(custodians) [www.intermediaryonline.com](http://www.intermediaryonline.com)

## For all enquiries call:

(within Australia) 1300 850 505  
(outside Australia) +61 3 9415 4000

## Proxy Form

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### Vote online

- Go to [www.investorvote.com.au](http://www.investorvote.com.au) or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

### Your access information that you will need to vote:

Control Number: 182901

SRN/HIN:

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.



 **For your vote to be effective it must be received by 11:00am (WST) Wednesday, 21 August 2019**

## How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

### Appointment of Proxy

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

**A proxy need not be a securityholder of the Company.**

## Signing Instructions for Postal Forms

**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the securityholders should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

## Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at [www.investorcentre.com](http://www.investorcentre.com) under the help tab, "Printable Forms".

**Comments & Questions:** If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,  
or turn over to complete the form →**

☐

**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.

# Proxy Form

Please mark ☒ to indicate your directions

## STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Hylea Metals Limited hereby appoint

☐

the Chairman  
of the Meeting **OR**



**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the General Meeting of Hylea Metals Limited to be held at Emerald House, 1202 Hay Street, West Perth, Western Australia on Friday, 23 August 2019 at 11:00am (WST) and at any adjournment or postponement of that meeting

## STEP 2 Items of Business



**PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	Acquisition of Paladin Africa Limited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Issue of the Initial Consideration Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Issue of the Convertible Loan Securities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Issue of the First Placement Securities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Issue of the Second Placement Securities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Approval for Mr Tim Kestell to receive Financial Benefits in connection with the Acquisition	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

## SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact  
Name

\_\_\_\_\_

Contact  
Daytime  
Telephone

\_\_\_\_\_

Date / /