HYLEA METALS LIMITED
ACN 119 992 175

ADDENDUM TO NOTICE OF GENERAL MEETING

Hylea Metals Limited (ACN 119 992 175) (**Company**), hereby gives notice to Shareholders of the Company that, in relation to the Notice of General Meeting dated 25 July 2019 (**Notice**) in respect of a general meeting of members to be held at 11.00am (WST) on 23 August 2019 at Emerald House, 1202 Hay Street, West Perth, Western Australia (**Meeting**), the Directors have determined to amend and supplement the Notice by information contained in this addendum (**Addendum**).

Capitalised terms which are defined in the Notice have the same meaning where used in this Addendum unless the context requires otherwise.

As announced on 9 August 2019, ASX has subsequent to dispatch of the Notice advised the Company that it considers that the Company's proposed acquisition (announced on 24 June 2019) of an indirect 65% interest in the Kayelekera Project requires:

- shareholder approval under ASX Listing Rule 10.1; and
- a report from an independent expert under ASX Listing Rule 10.10.2 (**Independent Expert's Report**).

ASX has advised that it considers that under the Acquisition:

- the Company will dispose of 85% of the shares in Paladin Africa to Lotus (**Disposal**);
- Lotus is a partly owned child entity of the Company (with the Company holding 76.5% of the shares and Chichewa holding the remaining 23.5%);
- the Paladin Africa shares are a substantial asset for the purposes of Listing Rule 10.1;
- there is a value shift to Director Mr Tim Kestell (**Kestell Acquisition**) through his indirect beneficial holding in Chichewa and, through Chichewa, Lotus (the **Kestell Interest**).

The Company engaged an independent expert to prepare the Independent Expert's Report which is included with this Addendum.

THE INDEPENDENT EXPERT HAS CONCLUDED THAT EACH OF THE DISPOSAL AND THE KESTELL ACQUISITION THE SUBJECT OF RESOLUTION 7 IS NOT FAIR BUT REASONABLE TO NON-ASSOCIATED SHAREHOLDERS.

The Company intends to postpone the Meeting as amended and supplemented by this Addendum to 29 August 2019, and Shareholders will be asked to consider, and if thought fit approve at that time, Resolutions 1 to 6 as set out in the Notice and Resolutions 7 and 8 as set out in this Addendum. The Company has decided to postpone the Meeting to allow Shareholders sufficient time to consider this Addendum and the Independent Expert's Report before being asked to vote on the Resolutions.

The Company has taken the decision to postpone the Meeting to manage the following timing issues:

- completion of the Acquisition is conditional on the Company obtaining the Shareholder approvals the subject of Resolutions 1 to 6 on or before 31 August 2019; and
- if the Shareholder approval condition referred to above is not satisfied by the relevant time, there is a risk that the Acquisition may not proceed.

The Company must pass Resolutions 1 to 6 so that the Acquisition is unconditional before 31 August 2019 so as to satisfy all of the stakeholders including the Government of the Republic of Malawi. Under the current shareholders' agreement in relation to Paladin Africa between the Vendor and the Government of the Republic of Malawi, the Company needs to show that it is technically and financially capable of operating the mine.

The Company intends to lodge a Prospectus for the offer of the Securities to be offered under the Rights Issue before the holding of the postponed Meeting. The Rights Issue Prospectus will also contain offers for the New Options to be issued on conversion of the Convertible Loan and to the participants in the First and Second Placement. The Shares to be offered under the First and Second Placements will be offered and issued to sophisticated and professional investors under section 708 of the Corporations Act without a prospectus.

This Addendum is supplemental to the original Notice and should be read in conjunction with the original Notice. Save for the changes set out below, all other Resolutions proposed and information in the Notice remain unchanged.

As set out in the Notice, the Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the postponed Meeting are those who are registered as Shareholders at 11am on 27 August 2019.

Voting in person

To vote in person, attend the postponed Meeting at 11am on 29 August 2019 at the place set out in the Notice.

Voting by proxy

The Company advises that there has been a change to the Proxy Form previously despatched to Shareholders and the replacement Proxy Form is annexed to this Addendum.

If Shareholders wish to have their votes counted by proxy in respect of Resolutions 7 and 8, Shareholders MUST use the replacement Proxy Form annexed to this Addendum to vote on all Resolutions. In the event that a Shareholder provides a replacement Proxy Form, any Proxy Form despatched with the original Notice which has been completed by that Shareholder will be disregarded.

The Company reserves the right to accept Proxy Forms despatched with the original Notice received from Shareholders in the event that a properly completed replacement Proxy Form is not provided by the relevant Shareholder.

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

- each Shareholder has a right to appoint a proxy; no
- 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 Addendum please do not hesitate to contact the Company Secretary on +61 8 9278 2441.

SUPPLEMENTARY NOTICE OF MEETING

The following additional Resolutions are added to the Notice immediately following the current Resolution 6:

7. RESOLUTION 7 – APPROVAL FOR THE DISPOSAL TO LOTUS AND FOR MR TIM KESTELL TO ACQUIRE THE KESTELL INTEREST

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 ASX Listing Rule 10.1 and for all other purposes, approval is given for the Company to dispose of 85% of the shares it acquires in Paladin Africa Limited (a company incorporated under the laws of Malawi) to Lotus Resources Pty Ltd (the* ***Disposal****) and for Mr Tim Kestell to indirectly acquire the Kestell Interest from the Company (****Kestell Acquisition****) on the terms and conditions set out in the Explanatory Statement."*

Independent Expert's Report: Shareholders should carefully consider the Independent Expert's Report for the purposes of Shareholder approval under ASX Listing Rule 10.1 once available. The Independent Expert's Report will comment on the fairness and reasonableness of the Kestell Acquisition the subject of this Resolution to the non-associated Shareholders of the Company.

THE INDEPENDENT EXPERT HAS CONCLUDED THAT EACH OF THE DISPOSAL AND THE KESTELL ACQUISITION THE SUBJECT OF THIS RESOLUTION IS NOT FAIR BUT REASONABLE TO NON-ASSOCIATED SHAREHOLDERS.

Voting Exclusion: The Company will disregard any votes cast in favour of this Resolution by or on behalf of a party to the Disposal or the Kestell Acquisition or an associate of that person (or those persons). ASX has advised the Company that is has determined that it is appropriate for Lotus, and each of Messrs Tim Kestell and Grant Davey, and their respective associates to be excluded from voting on this Resolution. 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.

8. RESOLUTION 8 – CHANGE OF COMPANY NAME

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

> *"That, for the purposes of section 157(1)(a) and for all other purposes, approval is given for the name of the Company to be changed to* ***Lotus Resources Limited****."*

DEFERRED CONSIDERATION SHARES

Section 1.4(b) of the Explanatory Statement is deleted and replaced with the following:

(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 Company is only required to issue the maximum number of Deferred Consideration Shares permitted under the Listing Rules on the relevant issue date;

(ii) the Company must convene a meeting of its Shareholders to be held in the 90 day period prior to the relevant issue date, to seek shareholder approval to issue any Deferred Consideration Shares that were due to be issued but could not be issued due to paragraph (i) above (**Shortfall Shares**); and

(iii) if Shareholders fail to approve the relevant issue prior to the relevant issue date, the Company must pay the cash equivalent of the Shortfall Shares (calculated using the applicable deemed issue price referred to above, but disregarding the floor price) within 60 days after the relevant issue date.

The effect of this change, is to acknowledge that (subject to satisfaction of the conditions to completion of the Acquisition), the Company has agreed to issue the maximum number of

Deferred Consideration Shares it can issue under its placement capacity at the relevant time.

The Company currently has placement capacity to issue 25,034,798 Shares (comprising 15,020,751 Shares under its placement capacity under Listing Rule 7.1 and 10,013,834 Shares under its placement capacity under Listing Rule 7.1A). However, the Company could not currently use its placement capacity under Listing Rule 7.1A to issue any of the Deferred Consideration Shares on the basis that the Company's current Shareholder approval under Listing Rule 7.1A will cease to apply on Shareholders approving the Acquisition under Listing Rule 11.1.2. Also, the deemed issue price for the Deferred Consideration Shares is no yet known, meaning that the Company is not able to confirm that the minimum pricing requirements to issue Shares under Listing Rule 7.1A.3 will be satisfied.

Accordingly, the maximum number of Deferred Consideration Shares that could currently be issued without Shareholder approval is 15,020,751 Shares under the Company's available placement capacity under Listing Rule 7.1. Shareholder approval will be required to issue any Deferred Consideration Shares in excess of this amount.

As the issue of these Shares is not subject to Shareholder approval, Listing Rule 7.1 operates so that the Company is deemed to have utilised all of its available placement capacity under Listing Rule 7.1 by agreeing to issue these Shares. Accordingly, until the Company's placement capacity is refreshed, the Company will not have any placement capacity to issue any further Equity Securities (as defined in the Listing Rules) under Listing Rule 7.1, unless one of the exceptions under Listing Rule 7.3 applies to the issue. Exceptions under Listing Rule 7.3 include:

(a) issues of Equity Securities approved by Shareholders;

(b) pro rata issues of Equity Securities to existing Shareholders (including under a rights issue or a bonus issue); and

(c) issues of Equity Securities under an employee incentive scheme (other than to related parties).

As noted above, the Company's existing approval to issue additional Equity Securities under the additional 10% placement capacity under Listing Rule 7.1A will fall away on Shareholder's approving the Acquisition under Listing Rule 11.1.2. The Company intends to seek a further approval under Listing Rule 7.1A at its next annual general meeting to be held later in the year.

CAPITAL RAISING PROSPECTUSES

The final two paragraphs of Section 1.6 of the Explanatory Statement are deleted and replaced with the following:

> The Company intends to lodge a prospectus for the offer of the Securities to be offered under the Rights Issue prior to the Meeting. The Rights Issue prospectus will also contain offers for the New Options to be issued on conversion of the Convertible Loan and to the participants in the First and Second Placement.
>
> The First and Second Placement Shares will be offered and issued to sophisticated and professional investors under section 708 of the Corporations Act without a prospectus.

INDICATIVE TIMETABLE

Section 1.15 of the Explanatory Statement is deleted and replaced with the following:

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
Addendum to Notice of Meeting including Independent Expert's Report despatched to Shareholders	20 August 2019
Lodgement of Rights Issue Prospectus with ASIC Lodgement of Rights Issue Prospectus & Appendix 3B with ASX	Week commencing 19 August 2019
Postponed General Meeting to approve Resolutions 1 to 8 Notice sent to Optionholders regarding Rights Issue	29 August 2019
Notice sent to Shareholders regarding Rights Issue	2 September 2019
'Ex' date for the Rights Issue	3 September 2019
Record Date for the Rights Issue	4 September 2019
Convertible Loan Shares and Options to be issued	5 September 2019
Settlement of the First Placement	5 September 2019
Rights Issue Prospectus despatched to Shareholders & Company announces despatch has been completed	9 September 2019
Last day to extend Closing Date	13 September 2019
Closing Date	18 September 2019
Rights Issue Shares quoted on a deferred settlement basis	19 September 2019
ASX notified of under subscriptions under the Rights Issue	23 September 2019
Settlement of the Rights Issue	25 September 2019
Indicative date for settlement of the Second Placement[2]	30 September 2019
Indicative date for completion of the Acquisition[3]	30 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.

APPROVAL FOR THE DISPOSAL TO LOTUS AND FOR MR TIM KESTELL TO ACQUIRE THE KESTELL INTEREST

The following new Section 8 is added to the Explanatory Statement immediately following the current Section 7.3.9:

8. RESOLUTION 7 – APPROVAL FOR THE DISPOSAL TO LOTUS AND FOR MR TIM KESTELL TO ACQUIRE THE KESTELL ACQUISITION

8.1 General

The details of Mr Kestell's interest in the Acquisition are fully disclosed in Sections 1.5, 1.11 and 7.

As announced on 9 August 2019, ASX has subsequent to dispatch of the Notice advised the Company that it considers that the Company's proposed acquisition (announced on 24 June 2019) of an indirect 65% interest in the Kayelekera Project requires:

(a) Shareholder approval under ASX Listing Rule 10.1; and

(b) a report from an independent expert under ASX Listing Rule 10.10.2 (**Independent Expert's Report**).

8.2 Material terms of relevant agreements

A detailed summary of the material terms of the Acquisition Agreement is set out in Section 1.4.

ASX has advised that it considers that under the Acquisition:

(a) the Company will dispose of 85% of the shares in Paladin Africa to Lotus (**Disposal**);

(b) Lotus is a partly owned child entity of the Company (with the Company holding 76.5% of the shares and Chichewa holding the remaining 23.5%);

(c) the Paladin Africa shares are a substantial asset for the purposes of Listing Rule 10.1;

(d) there is a value shift to Director Mr Tim Kestell (**Kestell Acquisition**) through his indirect beneficial holding in Chichewa and, through Chichewa, Lotus (the **Kestell Interest**).

A detailed summary of the material terms of the Company's arrangements in Lotus and the Lotus Shareholders Agreement is set out in Section 1.5.

Please refer to Sections 1.5, 1.11 and 7 for details of the Kestell Interest, being Mr Kestell's interest in Lotus (the joint venture entity which will acquire the interest in the Project) through his indirect beneficial holding in Chichewa.

The nature of Mr Kestell's indirect beneficial interest in Chichewa is that Mr Davey (who controls the companies which are the legal owners of the shares in Chichewa) has agreed that he will grant to Mr Kestell (or a nominee entity controlled by him) a beneficial interest over 22.5% of the shares in Chichewa under a bare trust.

The reason the interest arose is that Mr Kestell initiated the original contact with Paladin in September 2018 through the then Business Development/investor relations officer Andrew Mirco and then subsequently met with Scott Sullivan the

Paladin CEO. As a result of these meetings, Mr Kestell signed a Confidentiality Agreement to access Paladin's Data Room on the Project. After further meetings with Paladin, Mr Kestell submitted an expression of interest for the Project and at that point brought Mr Davey into the discussions as a partner. As discussions between Mr Davey, Mr Kestell and Paladin evolved, the Company was approached to participate as a co-investor. Mr Davey set up Chichewa as the vehicle through which he and Mr Kestell would co-invest in the Project with the Company.

Mr Kestell's beneficial holding in Chichewa is referred to as an indirect holding as it is currently held through Mr Davey and his related entities (as the legal owners of the shares in Chichewa) and will likely ultimately be held by another entity controlled by Mr Kestell.

8.3 ASX Listing Rule 10.1

ASX Listing Rule 10 regulates transactions between an entity (or any of its subsidiaries) and persons in a position to influence the entity.

Listing Rule 10.1 requires the Company to obtain Shareholder approval prior to the acquisition or disposal of a substantial asset from or to a related party, a subsidiary, a substantial holder (within the meaning of Listing Rule 10.1.3) or an associate of any of them. A substantial asset is an asset valued at greater than 5% of the equity interests of the Company as set out in the latest accounts given to ASX by the Company.

Lotus is a non-wholly owned subsidiary of the Company.

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

As noted above, ASX considers that:

(a) the Company will dispose of 85% of the shares in Paladin Africa to Lotus (**Disposal**);

(b) Lotus is a partly owned child entity of the Company (with the Company holding 76.5% of the shares and Chichewa holding the remaining 23.5%);

(c) the Paladin Africa shares are a substantial asset for the purposes of Listing Rule 10.1; and

(d) there is a value shift to Director Mr Tim Kestell (**Kestell Acquisition**) through his indirect beneficial holding in Chichewa and, through Chichewa, Lotus (the **Kestell Interest**).

ASX considers that Mr Kestell will indirectly acquire the Kestell Interest from the Company, and that the Company is disposing of the Kestell Interest to Mr Kestell, due to the broad definition of "disposal" which applies under Chapter 19 of the Listing Rules. In particular, as noted in Sections 1.2 and 1.5 of the Notice, the Company is funding 100% of the consideration for the Acquisition, but only owns 76.5% of Lotus (the joint venture entity which will acquire 85% of the shares in Paladin Africa under the Acquisition), such that Paladin Africa (and the Kayelekera Project) will be owned in the following proportions:

(a) 65% indirectly owned by the Company (through its 76.5% shareholding in Lotus, which in turn will own 85% of Paladin Africa);

(b) 20% indirectly owned by Chichewa (through its 23.5% shareholding in Lotus, which in turn will own 85% of Paladin Africa); and

(c) 15% by the Government of Malawi.

Further information in relation to the Disposal and the Kestell Acquisition is detailed in Section 8.2 above, as well as in the remainder of this Section 8 below and the Independent Expert's Report.

Further details of the financial benefits which Mr Kestell will receive as a result of the Acquisition by holding the Kestell Interest are set out in Section 7.

The financial benefits which Mr Kestell will receive as a result of the Acquisition by holding the Kestell Interest have been valued by the Company at $1,551,733. Please refer to Section 7.3.6 for the basis for calculating this value. This is greater than 5% of the equity interests of the Company[1], and it is therefore considered a "substantial asset" of the Company for the purposes of Listing Rule 10.2.

Accordingly, the Company seeks Shareholder approval for the Disposal and for the Kestell Acquisition pursuant to ASX Listing Rule 10.1.

The Non-Interested Directors have outlined the advantages and disadvantages of the Disposal and the Kestell Acquisition in Section 8.9 below. The Directors considers that these are relevant to all Shareholders. All material information required for Shareholders to consider Resolution 7 is outlined in this Notice and the Independent Expert's Report .

8.4 ASX Listing Rule 10.10

Listing Rule 10.10 provides that a notice of meeting containing a 10.1 resolution must contain a report on whether the transaction is fair and reasonable from an independent expert (**Independent Expert**). The Company engaged Moore Stephens to act as independent expert to prepare the Independent Expert's Report.

The Independent Expert's Report has been prepared for the purpose of assisting Shareholders' consideration and assessment of the merits of the Disposal and the Kestell Acquisition and the making of their decision whether to vote in favour of Resolution 7. Shareholders are urged to carefully read the Independent Expert's Report, to understand the scope of the report, and the methodology and valuation and the assumptions made.

The Independent Expert has concluded that the each of the Disposal and the Kestell Acquisition is NOT FAIR BUT REASONABLE to the non-associated Shareholders of the Company.

A copy of the Independent Expert's Report accompanies this Notice at Schedule 5 and Shareholders are encouraged to review the Independent Expert's Report.

8.5 Chapter 2E of the Corporations Act

The financial benefits which Mr Kestell will receive as a result of the Acquisition by holding the Kestell Interest are the subject of a separate approval under Chapter 2E of the Corporations Act under Resolution 6. Section 7 includes all information required by Chapter 2E of the Corporations Act for the purposes of seeking that approval.

[1] Based on Total Equity of $11,941,986 as reported in the Company's Half Yearly Report and Accounts for the half year ended 31 December 2018 announced on 15 March 2019.

8.6 Financial effect of the Disposal and the Kestell Acquisition on the Company

The financial impact of the Acquisition generally on the Company is detailed in Section 1 and the 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 set out in Schedule 1.

The Company does not consider that there will be any financial impact on the Company from the Disposal or the Kestell Acquisition specifically. The Company agreed to fund 100% of the consideration payable under the Acquisition and to the arrangements with Chichewa and Lotus for the reasons outlined in Section 8.2 above.

As noted above, the financial benefits which Mr Kestell will receive as a result of the Acquisition by holding the Kestell Interest have been valued by the Company at $1,551,733. Please refer to Section 7.3.6 for the basis for calculating this value. For the avoidance of doubt, this is a notional value for the financial benefit that Mr Kestell will receive as a result of the Acquisition by holding the Kestell Interest – the Company will not be paying this amount to Mr Kestell in cash, nor will it be transferring any assets to him.

Please refer to the Independent Expert's Report for further commentary on the value of the interests the subject of the Disposal and the Kestell Acquisitions.

8.7 No change to Board as a result of the Kestell Acquisition

There will be no changes to the Company's Board nor to senior management personnel of the Company as a result of the Acquisition generally, nor the Disposal or the Kestell Acquisition specifically.

8.8 Risks

Following the Disposal and the Kestell Acquisition, the Company will not be exposed to any additional risks than contemplated in relation to the Acquisition generally as detailed in Schedule 3 of the Notice.

8.9 Directors interests and recommendations

The Non-Interested Directors do not have any material interest in the outcome of the Resolution.

A summary of Mr Kestell's interest is set out in Sections 1.5 and 7.1 of the Explanatory Statement.

The Board (with the exception of Mr Kestell who did not participate in discussions relating to the Kestell Interest or the Kestell Acquisition) has approved the proposal to put the Resolution to Shareholders.

Each of the Non-Interested Directors intends to vote all of their Shares in favour of the Resolution. Mr Kestell, and each of his associates, are excluded from voting on the Resolution.

Based on the information available, all of the Non-Interested Directors consider that the each of the Disposal and the Kestell Acquisition is in the best interests of the Company (as part of the broader Acquisition) and recommend that Shareholders vote in favour of Resolution 7 for the following reasons:

(a) the Acquisition represents an excellent opportunity for Shareholders and the Company to acquire an asset (a 65% interest in the 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, the Non-Interested Directors 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.

Mr Kestell does not make a recommendation in relation to Resolution 7 as he has a material interest in the outcome of Resolution 7.

As noted in Section 8.2 above, the Disposal and the Kestell Interest arose because Mr Kestell identified the opportunity to acquire the Project and brought Mr Davey in as a partner in relation to the Acquisition, before introducing the Acquisition to the Company as a potential co-investment opportunity.

CHANGE OF COMPANY NAME

The following new Section 9 is added to the Explanatory Statement immediately following the new Section 8:

9. RESOLUTION 8 – CHANGE OF COMPANY NAME

Section 157(1)(a) of the Corporations Act provides that a company may change its name if the company passes a special resolution adopting a new name.

Resolution 8 seeks the approval of Shareholders for the Company to change its name to Lotus Resources Limited.

If Resolution 8 is passed the change of name will take effect when ASIC alters the details of the Company's registration.

The proposed name has been reserved by the Company (by virtue of being currently used by its subsidiary company Lotus Resources Pty Ltd) and if Resolution 8 is passed:

(a) the name of Lotus Resources Pty Ltd will be changed to another name to allow the Company to use Lotus Resources Limited as its name; and

(b) the Company will lodge a copy of the special resolution with ASIC following the Meeting in order to effect the change.

CONSEQUENTIAL AMENDMENTS TO GLOSSARY

The definition of Chichewa in the Glossary is deleted and replaced with the following:

Chichewa means Kayelekera Resources Pty Ltd (formerly named Chichewa Resources Pty Ltd) (ACN 633 912 688).

The definition of Essential Resolutions in the Glossary is deleted and replaced with the following:

Essential Resolutions means all of the Resolutions with the exception of Resolutions 3 and 8.

Dated 19 August 2019

By order of the Board

Amanda Burgess
Company Secretary

INDEPENDENT EXPERT'S REPORT

After Schedule 4, a new Schedule 5 is added as follows:

SCHEDULE 5 – INDEPENDENT EXPERT'S REPORT

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MOORE STEPHENS

Hylea Metals Limited

Independent Expert's Report

and Financial Services Guide

19 August 2019

The Proposed Transaction is Not Fair but Reasonable

Prepared by Moore Stephens Perth Corporate Services Pty Ltd
Australian Financial Services License No. 240773

MOORE STEPHENS

MOORE STEPHENS PERTH CORPORATE SERVICES PTY LTD

Australian Financial Services License No. 240773

FINANCIAL SERVICES GUIDE

This Financial Services Guide is issued in relation to our Independent Expert's Report on the proposed disposal of an 85% interest in Paladin Africa Limited ("Paladin Africa") to Lotus Resources Limited("Lotus") which arises due to Hylea Metals Limited's ("Hylea") acquisition of Paladin Africa via Lotus but inclusive of free carry to Chichewa Resources Limited (now known as Kayelekera Resources Pty Ltd) ("Chichewa") ("Proposed Transaction"). Hylea director Tim Kestell has a beneficial interest of 22.5% in Chichewa, effectively giving him a 4.5% interest in the Paladin Africa. Our report has been prepared at the request of the Directors of Hylea for inclusion in the Notice of Meeting to be dated on or about 31 August 2019.

Moore Stephens Perth Corporate Services Pty Ltd

Moore Stephens Perth Corporate Services Pty Ltd ("MSPCS") has been engaged by the directors of Hylea to prepare an independent expert's report expressing our opinion as to whether or not the Proposed Transaction is "fair and reasonable" to the shareholders of Hylea.

MSPCS holds an Australian Financial Services Licence – Licence No 240773.

Financial Services Guide

As a result of our report being provided to you, we are required to issue to you, as a retail client, a Financial Services Guide ("FSG"). The FSG includes information on the use of general financial product advice and is issued so as to comply with our obligations as holder of an Australian Financial Services Licence.

Financial Services we are licensed to provide

We hold an Australian Financial Services Licence which authorises us to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues, and to carry on a financial services business to provide general financial product advice for securities to retail and wholesale clients.

We provide financial product advice by virtue of an engagement to issue a report in connection with the issue of securities of a company or other entities.

Our report includes a description of the circumstances of our engagement and identifies the party who has engaged us. You have not engaged us directly but will be provided with a copy of our report as a retail client because of your connection with the matters on which our report has been issued. We do not accept instructions from retail clients and do not receive remuneration from retail clients for financial services.

Our report is provided on our own behalf as an Australian Financial Services Licensee authorised to provide the financial product advice contained in this report.

General Financial Product Advice

Our report provides general financial product advice only, and does not provide personal financial product advice, because it has been prepared without taking into account your particular personal circumstances or objectives either financial or otherwise, your financial position or your needs.

Some individuals may place a different emphasis on various aspects of potential investments.

An individual's decision in relation to the Proposed Transaction may be influenced by their particular circumstances and, therefore, individuals should seek independent advice.

Benefits that we may receive

We will charge fees for providing our report. The basis on which our fees will be determined has been agreed with, and will be paid by, the person who engaged us to provide the report. Our fees have been agreed on either a fixed fee or time cost basis. We estimate that our fees for the preparation of this report will be approximately $15,000 plus GST.

Remuneration or other benefits received by our employees

All our employees receive a salary. Employees may be eligible for bonuses based on overall productivity and contribution to the operation of MSPCS or related entities but any bonuses are not directly in connection with any assignment and in particular are not directly related to the engagement for which our report was provided.

Referrals

We do not pay commissions or provide any other benefits to any parties or person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

MSPCS is the licensed corporate advisory arm of Moore Stephens Perth, Chartered Accountants. The directors of MSPCS may also be partners in Moore Stephens Perth Chartered, Accountants.

Moore Stephens Perth, Chartered Accountants is comprised of a number of related entities that provide audit, accounting, tax, and financial advisory services to a wide range of clients.

MSPCS's contact details are set out on our letterhead.

Neither MSPCS nor its related entities have previously provided any professional services to Hylea.

Complaints resolution

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, Moore Stephens, PO Box 5785, St George's Terrace, Perth WA 6831.

On receipt of a written complaint we will record the complaint, acknowledge receipt of the complaint and seek to resolve the complaint as soon as practical.

If we cannot reach a satisfactory resolution, you can raise your concerns with the Australian Financial Complaints Limited ("AFC"). AFC is an independent body established to provide advice and assistance in helping resolve complaints relating to the financial services industry. MSPCS is a member of AFC. AFC may be contacted directly via the details set out below.

Australian Financial Complaints Limited
GPO Box 3
Melbourne VIC 3001
Toll free: 1300 78 08 08
Facsimile: 03 9613 6399
Email: info@fos.org.au

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19 August 19

The Directors
Hylea Metals Limited
Suite 22, 589 Stirling Highway
Cottesloe, WA 60011

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. INTRODUCTION

1.1 On 24 June 2019, Hylea Metals Limited ("Hylea" or the "Company") announced its planned acquisition of 85% of Paladin Africa Limited ("Paladin Africa") and the Kayelekera Uranium Project ("Kayelekera" or the "Project") from Paladin Energy Limited ("Paladin"). The acquisition has been structured so that Hylea will purchase the Project through a joint venture company, being Lotus Resources Pty Ltd ("Lotus"). Hylea owns 76.5% of the shares in Lotus, with Chichewa Resources Pty Ltd (now known as Kayelekera Resources Pty Ltd) ("Chichewa") holding the other 23.5% of Lotus. As such, Hylea will hold an indirect 65% interest in Paladin Africa/Kayelekera, with the remaining 35% held by Hylea's joint venture partners; Chichewa (20%) and the Government of Malawi (15%). Both Chichewa and the Government of Malawi's interests in the project are free carried. Chichewa's free carry is limited to the later of 3 years from the Completion of the acquisition or $10m in project expenditure by Hylea. Hylea will fund 100% of the consideration to purchase Paladin's holding in Paladin Africa. Hylea will also fund 100% of the payments in relation to an environmental bond.

1.2 It is considered that the structure of the acquisition by Lotus of 85% of Paladin Africa could be deemed a disposal by Hylea of Paladin Africa to Lotus (the "Proposed Transaction"). We note that Hylea already owns 76.5% of Lotus so there is no value shift of this portion to Lotus. As such, when assessing the Proposed Transaction, we have considered the disposal of the indirect interest of 20% held by Chichewa in Paladin Africa through its 23.5% interest in Lotus.

1.3 Hylea director Tim Kestell has a beneficial interest of 22.5% in Chichewa, effectively giving him a 4.5% interest in the Project. As such, Mr Kestell will receive a financial benefit due to his free carried indirect interest in Paladin Africa.

1.4 Chichewa and Mr Kestell were responsible for introducing the Project to Hylea.

1.5 Full details of the Proposed Transaction are set out in Section 4.

2. SUMMARY & OPINION

Opinion

2.1 We have considered the impact of Chichewa securing the Project and introducing it to Hylea, and the terms of the Proposed Transaction as outlined in the body of our report and have concluded that the Proposed Transaction is not fair but reasonable to the Shareholders of Hylea.

2.2 In our opinion, the Proposed Transaction is not fair because the consideration payable by Chichewa is less than the assessed value of a 20% holding in Paladin Africa.

2.3 We consider the Proposed Transaction to be reasonable, with our key considerations being Mr Davey brings experience of similar assets to the Company and the share price response to the acquisition of Paladin Africa has been positive.

2.4 In our opinion, Mr Kestell is receiving a financial benefit of between $0.5 million and $0.8 million through his 22.5% indirect interest in Chichewa.

Fairness

2.5 We have compared the value of a 20% interest in Paladin Africa to the value of the consideration paid by Chichewa for its interest.

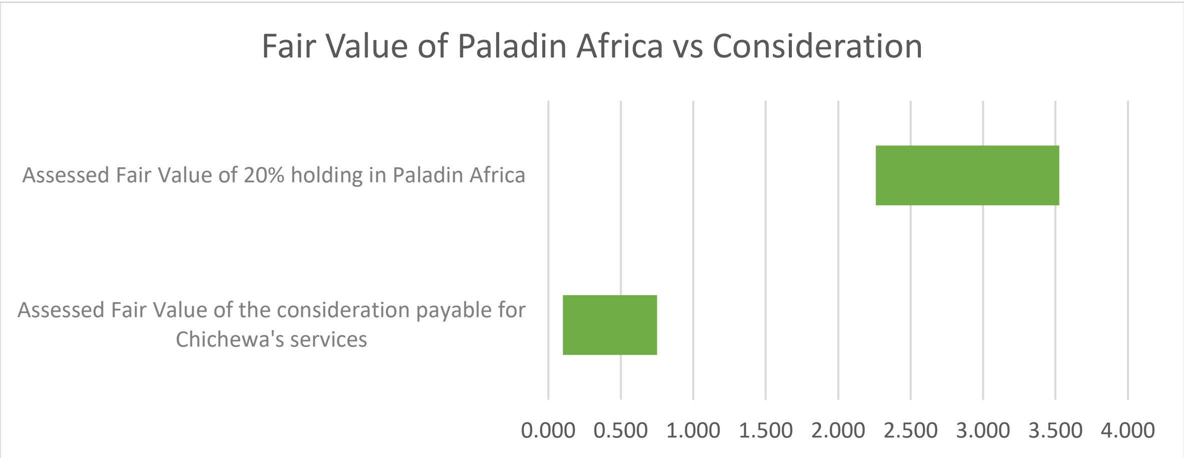
Table 1: Assessment of fairness

	Section	Low $m	Preferred $m	High $m
Assessed Fair Value of 20% holding in Paladin Africa	8	2.3	2.9	3.5
Assessed Fair Value of the consideration payable for Chichewa's services	9	0.1	0.2	0.8

Source: Moore Stephens analysis

2.6 In accordance with the guidance set out in ASIC RG 111, and in the absence of any other relevant information, for the purposes of complying with 10.1 of the ASX Listing Rules, we consider the Proposed Transaction to not be fair to the Non-Associated Shareholders of the Company, as the preferred value of a 20% holding in Paladin Africa is higher than the Consideration. Figure 1: Compares the value of a 20% holding in Paladin Africa against the consideration.

Figure 1: Compares the value of a 20% holding in Paladin Africa against the consideration.



Source: Moore Stephens analysis

Reasonableness

2.7 We have considered the analysis in Section 11 of this report, in terms of both;

- Advantages and disadvantages of the Proposed Transaction;
- Other considerations if the Proposed Transaction is approved and the position of shareholders of Hylea if the Proposed Transaction is not approved.

2.8 In our opinion, if the Proposed Transaction is approved, the position of shareholders is more advantageous than their position if the Proposed Transaction is not approved. Accordingly, in the absence of a superior Proposed Transaction we believe that the Proposed Transaction is reasonable for shareholders of Hylea. In particular, we have placed a high weighting on the movement in Hylea's share price and the potential for a downward movement if the Proposed Transaction is not approved.

2.9 The advantages and disadvantages considered are summarised below:

Table 2: Advantages and disadvantages

Advantages	Disadvantages
Matador Capital (related party to Mr Davey) will underwrite $4m in fund raising	Hylea is exposed to 100% downside risk with diluted upside risk
No significant cashflow impact for the introduction of Paladin Africa due to Chichewa receiving an interest in the Project, rather than a cash introduction fee	There is no cost limit in the first 3 years of ownership of Paladin Africa
Access to significant uranium project expertise	

2.10 Other key matters we have considered include:

Table 3: Other matters considered for reasonableness

Other Key Matters
Alternate proposals: We are not aware of any alternative proposals that may provide a greater benefit to the Non-Associated shareholders of Hylea
Positive share price response: Investor response to the announcement of the acquisition of Paladin Africa (which included the Proposed Transaction) was positive. If the Proposed Transaction is not approved, it may impact the positive share price response.
Restructure of purchase entity: If the Proposed Transaction is not approved, the acquisition of Paladin Africa and issue of other shares and options will still proceed. Given the positive response to the acquisition, there is a risk that renegotiating the structure of Lotus could be detrimental to Hylea.
Free carry similar to market comparables: A review of recent announcements found that it is not uncommon for free carries of between 10% and 30% to be given to vendors of assets.

Purpose of the Report

2.11 Moore Stephens Perth Corporate Services Pty Ltd ('MSPCS') has been appointed by the Directors of Hylea to prepare an Independent Expert's Report ('our Report') expressing our opinion as to whether or not the Proposed Transaction is fair and reasonable to the non-associated shareholders of Hylea ('Shareholders').

2.12 Listing Rule 10.1 requires the approval of the Company's shareholders where it is proposed to acquire a "substantial asset" from, or dispose of a "substantial asset" to:

- A related party, or an associate of a related party of the Company; or
- A subsidiary, or an associate of a subsidiary of the Company; or
- A substantial shareholder, or an associate of a substantial shareholder of the company. A substantial shareholder is defined under ASX listing rules as a shareholder with a relevant interest at any time in the previous six months prior to the transaction, in at least 10% of the total votes attached to the voting securities in the entity.

2.13 A substantial asset includes those with a value greater than 5% of the total equity interests of the entity at the date of the last set of financial statements provided to the ASX. The Company's total equity interests as at the 31 December 2018 financial statements was A$11,941,956, with 5% of this value being A$587,099.

2.14 Based on the funds to be contributed by Hylea to acquire the Project from Paladin Africa and fund the minimum free carry spend (combined at least $15m), Chichewa has received a $3.5m benefit by not having to contribute its 23.5% share of these costs.

2.15 The funds to be contributed by Hylea of at least A$15m is inclusive of:

- Initial Consideration (A$2m)
- Deferred Consideration (A$3m)
- Chichewa free carry (A$10m)

2.16 We note Paladin Africa must repay the Environmental Bond of US$10m to Paladin Energy. However, as Paladin Africa repays the bond, it will acquire an asset of corresponding value on its balance sheet, being the Environmental Bond itself. Should Hylea sell its interest in the Kayelekera Mine, the Company would expect to receive the same amount back on transfer of the Environmental Bond to the purchaser. We do not consider this to be a value shift and as such have not included it in the above calculation.

2.17 Shareholder approval under Listing Rule 10.1 is required, and an Experts Report is to be included in the Notice, stating whether the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders because Lotus is a non-wholly owned subsidiary and Tim Kestell is a director of Hylea and a shareholder of Chichewa.

Approach

2.18 Our assessment of the Proposed Transaction relies on financial information and instructions provided by the Company and the Directors. We have critically analysed the information provided to us, but we have not completed any audit or due diligence of the information which has been provided for the entities which have been valued. This report does not contain any accounting or taxation advice.

2.19 Our report has been prepared having regard to Australian Securities & Investments Commission ("ASIC") Regulatory Guide 111 Content of Expert's Reports ("RG 111") and Regulatory Guide 112 Independence of Expert's ("RG 112").

2.20 We have considered the substance of the Proposed Transaction. In our opinion, although Listing Rule 10.1 requires assessment of the disposal of an 85% interest in Paladin Africa to Lotus, this is not the substance of the Proposed Transaction. We have come to this conclusion on the basis that Hylea will own 76.5% of Lotus so will retain a 65% interest in Paladin Africa. As such, in our opinion, the substance of the Proposed Transaction is the disposal of a 20% of Paladin Africa to Chichewa.

2.21 In arriving at our opinion, we have assessed the terms of the Proposed Transaction, as outlined in the body of our report, by considering the following;

- How the value of a 20% interest in Paladin Africa compares to the value of any consideration paid by Chichewa ("Consideration");
- Advantages and disadvantages of approving the Proposed Transaction;
- The likelihood of a superior alternative Proposed Transaction being available to Hylea;
- Other factors which we consider to be relevant to the shareholders of Hylea in their assessment of the Proposed Transaction; and
- The position of the shareholders of Hylea should the Proposed Transaction not be successful.

2.22 As the Proposed Transaction and Mr Kestell's financial benefit are directly linked, we have considered both factors under the same fairness and reasonableness assessment.

2.23 Further information on the approach we have employed in assessing whether the Proposed Transaction is "fair and reasonable" is set out at Section 4 of this Report.

3. SCOPE OF THE REPORT

Regulatory guidance

3.1 RG 111.53 states that where a related party transaction is one component of a broader transaction, the expert should carefully consider what level of analysis of the related party aspect is required. In consideration of this, the expert should bear in mind whether the report has been sought to ensure that members are provided with sufficient information to decide whether to approve giving financial benefit to the related party as well as the broader transaction. As such, our assessment of fairness of the Proposed Transaction looks to Hylea paying for Chichewa's interest in Lotus.

3.2 RG 111.54 states that, where a related party transaction is one component of a broader transaction or a series of transactions involving non-related parties (such as a control transaction), the expert should carefully consider what level of analysis of the related party aspect is required. Although, on the face of it, there is no disposal of Paladin Africa to Lotus, the structure of the acquisition results in an immediate dilution of Hylea's interest in Paladin Africa due to Chichewa's free carried interest in Lotus.

3.3 RG 111.57 states that a proposed related party transaction is 'fair' if the value of the financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity.

3.4 In the case of Hylea, the consideration paid by Chichewa for a 20% interest in Paladin Africa is the subject of the Proposed Transaction. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.

3.5 Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to approve the Proposed Transaction in the absence of any higher bid.

3.6 Having regard to the above, MSPCS has completed this valuation in two parts:

- A comparison between the value of a 20% shareholding in Paladin Africa (and its subsidiaries), and the value of the Consideration (fairness – see Section 10 – Assessment of Fairness); and
- An investigation into other significant factors to which Non-Associated Shareholders might give consideration, prior to accepting the Proposed Transaction, after reference to the value derived above (reasonableness – see Section 11 -Assessment of Reasonableness).

3.7 This assignment is also considered to be a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('APES 225').

3.8 A Valuation Engagement is defined by APES 225 as follows:

- 'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'

3.9 This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

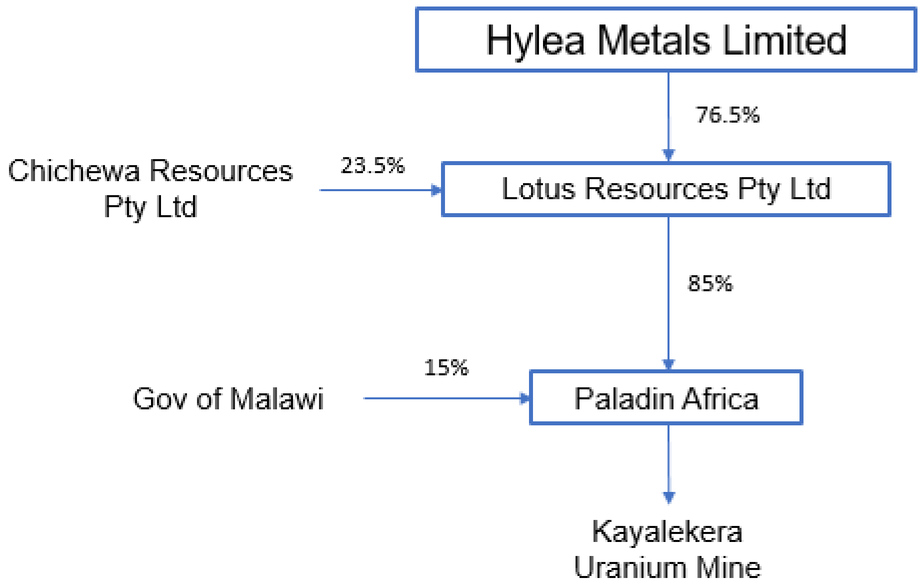
4. OUTLINE OF THE PROPOSED TRANSACTION

4.1 Lotus Resources Pty Ltd (Lotus) will acquire 85% of Kayelekera, by acquiring 85% of the shares in Paladin Africa. Lotus is a joint venture company in which Hylea owns 76.5% of the shares in Lotus, with the other 23.5% held by Chichewa. 15% of the shares in Paladin Africa are owned by the Government of Malawi. Lotus will not acquire these shares.

4.2 This means that the Company will hold an indirect interest of 65% in Paladin Africa, with Chichewa holding an indirect interest of 20% and the Government of Malawi holding the other 15%.

4.3 The chart below sets out the proposed corporate structure, following the Proposed Transaction.

Figure 2: Corporate structure



4.4 Hylea will fund 100% of the consideration payable for the acquisition of 85% of Paladin Africa. Chichewa will not pay any consideration for its indirect 20% holding of Paladin Africa shares, with its holding through Lotus being free carried to the later of:

- 3 years from completion of the acquisition; or
- A$10m in project expenditure by Hylea.

4.5 Chichewa has not paid any consideration for its interest in Lotus.

4.6 The Proposed Transaction will be conditional on the satisfaction of the following conditions precedent on or before 31 August 2019 (or such later date as the parties may agree):

- to the extent required, obtaining the following parties' consent to the sale of shares and the assignment of designated assigned receivables ("Assigned Receivables") to Lotus:
    i. Malawian Energy and Mines Minister and Finance Minister;
    ii. Reserve Bank of Malawi;
    iii. Nedbank Limited; and
    iv. the requisite majority of Paladin Noteholders;
- Paladin granting Paladin Africa a licence to use certain intellectual property utilised in the Kayelekera plant;

- assignment of the benefit of certain payables owed by Paladin Africa to other Paladin group companies to Lotus with effect from completion of the acquisition;
- Hylea shareholder approval for:
    i. the issue of the initial Consideration (and, if ASX grants the necessary waiver of the ASX Listing Rules, the Deferred Consideration);
    ii. the issue of the capital raising Shares and options (see below);
    iii. the change in nature and scale of the Company's operations by virtue of the acquisition under Listing Rule 11.1.2; and
    iv. any financial benefits received by related parties of the Company for the purposes of the Corporations Act; and
- the release of certain security interests registered over the assets of Paladin Africa.

4.7 The consideration payable for the acquisition is as follows:

- Initial Consideration - $200,000 in cash, plus 90,000,000 shares at a deemed issue price of 2 cents per share;
- Royalty - A royalty of 3.5% of gross returns at the Kayelekera mine up to a maximum of $5M in favour of Paladin; and
- Deferred Consideration - $3M worth of Shares to be issued on the 3rd anniversary of completion, calculated using the lower of:
    v. . the price at which Shares were issued under the most recent capital raising undertaken by the Company within 90 days prior to issue; and
    vi. 30-day VWAP for Shares up to and including the business day prior to issue.
- The $200,000 cash payment, forming part of the Initial Consideration, has been paid to the Vendor on behalf of the Company by a director of Chichewa (Mr Grant Davey). Mr Davey will be reimbursed for this amount by the Company.
- Environmental Bond - In connection with the Acquisition, Paladin Africa must repay (or procure that the Company repays on its behalf) the amount of US$10M which had previously been advanced by Paladin to Paladin Africa to fund the environmental bond in favour of the Government of Malawi. The following amounts will be payable to Paladin in respect of the environmental bond advance:
    vii. US$4M on Completion;
    viii. US$1M on the date that is 1 year after Completion;
    ix. US$2M on the date that is 2 years after Completion; and
    x. US$3M on the date that is 3 years after Completion.

4.8 It is intended that the consideration for the acquisition of Chichewa's 20% interest in Lotus will be paid in Hylea 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).

4.9 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.

5. PROFILE OF PALADIN (AFRICA) LIMITED

5.1 Paladin Africa is a subsidiary of Paladin Energy Limited (ASX:PDN). Paladin Africa is engaged in uranium mining, exploration, evaluation and development in Malawi and is the owner and operator of the Kayelekera Mine. Paladin Energy owns 85% of the shareholding in Paladin Africa, with the Government of Malawi holding a 15% ownership stake in Paladin Africa.

Kayelekera Mine

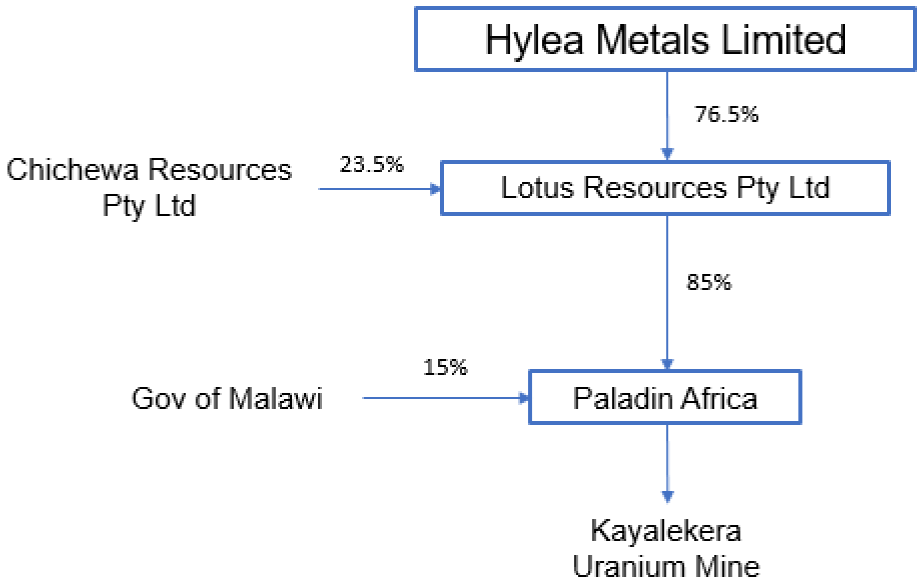
5.2 Kayelekera Mine is located in northern Malawi, 52km west (by road) of the provincial town of Karonga and 12km south of the main road that connects Karonga with the township of Chitipa to the west. In July 2009, Paladin issued 15% of equity in Paladin Africa to the Government of Malawi under the terms of the Development Agreement signed between PAL and the Government in February 2007, which established the fiscal regime and development framework for Kayelekera Mine. Kayelekera produced 10.9Mlb between 2007 and 2014. Continuing low uranium prices resulted in a decision to place the Project in care and maintenance in February 2014.

5.3 Further geological information regarding the Kayelekera Project are set out in Appendix C.

Proposed Corporate Structure

The flowsheet below represents the proposed corporate structure of Paladin Africa.

Figure 3: Corporate structure



Financial Position

5.4 We set out the financial position of Paladin Africa below.

Table 4: Historical Statement of Financial Position of Paladin Africa

Statement of Financial Position	Ref	Audited FY18 (MK '000)	Audited FY18 (AUD '000)	Audited FY17 (MK '000)	Audited FY17 (AUD '000)
Non-Current Assets					
Property, Plant and Equipment		-	-	-	-
Intangible Assets		-	-	-	-
Total Non-Current Assets		-	-	-	-
Current Assets					
Inventories		246,956	459	448,103	798
Amounts Receivable	(a)	170,211	317	135,437	241
Cash and cash equivalents		60,027	112	134,976	240
Restricted cash	(b)	7,385,948	13,738	-	-
Total Current Assets		**7,863,142**	**14,625**	**718,516**	**1,279**
Total Assets		**7,863,142**	**14,625**	**718,516**	**1,279**
Equity and Liabilities					
Liabilities					
Current Liabilities					
Trade and other payables	(c)	2,116,113	3,936	2,121,506	3,776
Total Current Liabilities		**2,116,113**	**3,936**	**2,121,506**	**3,776**
Non-Current Liabilities					
Borrowings due to related parties	(d))	393,888,076	732,632	382,367,768	680,615
Provisions	(e))	38,661,593	71,911	31,128,219	55,408
Total Non-Current Liabilities		**432,549,669**	**804,542**	**413,495,987**	**736,023**
Total Liabilities		**434,665,782**	**808,478**	**415,617,493**	**739,799**
NET ASSETS/(LIABILITIES)		**(426,802,640)**	**(793,853)**	**(414,898,977)**	**(738,520)**
Equity					
Share Capital		1	-	1	-
Share Premium		34,007,795	63,254	34,007,795	60,534
Foreign currency translation reserve		(242,781,659)	(451,574)	(241,534,886)	(429,932)
Accumulated Losses		(218,028,777)	(405,534)	(207,371,887)	(369,122)
Total Equity		**(426,802,640)**	**(793,853)**	**(414,898,977)**	**(738,520)**

Source: FY18 Audited Annual Report prepared by Paladin Africa

*Financial statements are denoted in Malawi Kwacha. MSPCS have converted these balances as at financial year end at the AUD exchange rate denoted by XE. Being an MK to AUD exchange rate of 0.00178 at 30 June 2017 and 0.00186 as at 30 June 2018.

5.5 We note the following in regard to Paladin Africa's Financial Position as at 30 June 2018

a) Amounts receivable primarily relate to prepayments (insurance, suppliers, medical aid), VAT and other receivables.

b) Restricted cash relates to a US$10,000,000 payment to cash back Nedbank Limited's issue of a US$10,000,000 performance bond to the Government of Malawi for environmental rehabilitation obligations. The balance includes capitalised interest.

c) As at FY18 trade and other payables primarily relate to accrued expenses.

d) Borrowings from related parties related to amounts owing to Paladin Netherlands, Paladin Energy Limited. Other borrowings relate to working capital borrowings from related parties. At or before completion of the Proposed Transaction, Paladin Energy (being the seller) must ensure all related party debts are repaid in full and all related party receivables, other than Assigned Receivables and excluded Paladin receivables, being the environmental bond advance and an amount of A$5,000,000.00 owing by the Company to Paladin Energy ("Excluded Paladin Receivables").

e) A provision for environmental rehabilitation and mine closure has been recorded. A provision is made for rehabilitation work when the obligation arises.

f) PWC issued an unqualified opinion on the 30 June 2018 financial statements, placing an emphasis of matter on material uncertainty around Paladin Africa's ability to continue as a going concern.

g) We note we have reviewed the FY19 management accounts. While there have been significant changes between FY18 and FY18 these changes will not impact our valuation due to the size of the net liability balance.

Financial Performance

5.6 We set out the financial performance of Paladin Africa below:

Table 5: Historical Statement of Comprehensive Income of Paladin Africa

Statement of Financial Performance	Ref	Audited FY18 (MK '000)	Audited FY18 (AUD '000)	Audited FY17 (MK '000)	Audited FY17 (AUD '000)
Revenue		-	-	-	-
Cost of Sales		-	-	-	-
Gross Profit		-	-	-	-
Other Income	(a)	228,783	426	-	-
		228,783	**426**	**-**	**-**
Operating Expenses					
Administration and non-production expenses	(b)	(3,390,409)	(6,306)	(3,209,201)	(5,712)
Auditors' remuneration and other professional services		(12,513)	(23)	(10,929)	(19)
Non production depreciation		-	-	(59,957)	(107)
Director's fees		(1,452)	(3)	(1,439)	(3)
Impairment of non-current assets	(c)	(7,426,402)	(13,813)	-	-
Stores and consumables obsolescence write off		(32,084)	(60)	(16,199)	(29)
Social development	(d)	(5,196)	(10)	(32,494)	(58)
Operating Loss		**(10,639,273)**	**(19,789)**	**(3,330,219)**	**(5,928)**
Finance Income		31,885	59	37,436	67
Finance Costs		(49,502)	(92)	(119,613)	(213)
Loss before income tax		**(10,656,890)**	**(19,822)**	**(3,412,396)**	**(6,074)**
Income tax expense		-	-	-	-
Loss for year		**(10,656,890)**	**(19,822)**	**(3,412,396)**	**(6,074)**
Other Comprehensive Income					
Foreign currency translation differences		(1,246,773)	(2,319)	(20,681,413)	(36,813)
Total comprehensive loss for the year		**(11,903,663)**	**(22,141)**	**(24,093,809)**	**(42,887)**

Source: FY18 Audited Annual Report prepared by Paladin Africa

5.7 We note the following key items in relation to the statement of comprehensive income prepared by Paladin Africa:

a) Other income relates to litigation proceeds from the sale of a property.

b) Administration costs primarily relate to employee costs, insurance, site facilities and engineering requirements.

c) Impairment of non-current assets in FY18 related to an upward revision in estimate of Environmental Rehabilitation Provision.

d) Social Development relates to the Garnet Halliday Karonga Water Supply Project. Paladin Africa has spent ~US10 million on this project to 30 June 2018.

Capital Structure

5.8 Details of Paladin Africa's shareholding is set out below:

Table 6: Capital Structure of Paladin Africa

Shareholders	% of Total Shares
Paladin Energy	85%
Government of Malawi	15%
Top 5 Shareholders	**100%**
Other shareholders	0%
Total Shareholders	**100%**

Source: Paladin Africa Share Registry

6. INDUSTRY AND ECONOMIC ANALYSIS

Uranium Overview

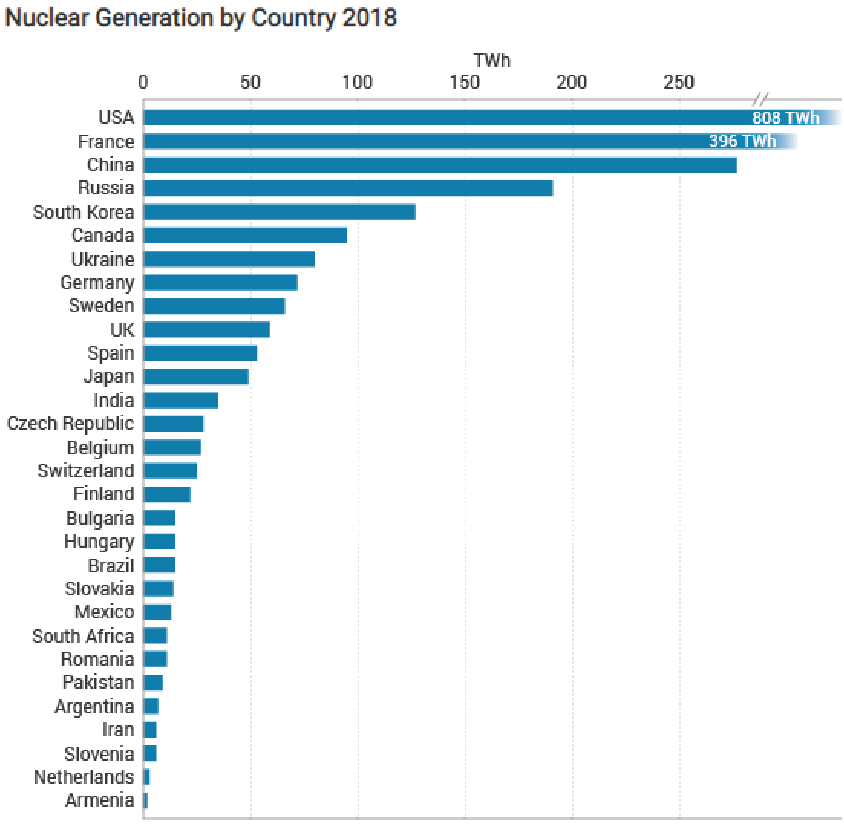
6.1 Approximately 60,000 tonnes per annum of uranium have been extracted from 2015-2017. Kazakhstan is the world's largest miner, contributing ~39% of world supply, followed by Canada (~22%) and Australia (~10%).1 Uranium is primarily used in the nuclear power industry, utilised in nuclear power stations. As such, most of the industry's uranium is sold to global power utility companies under long term contracts that are typically three to seven years in length. Other minor uses of uranium include medical, industrial and scientific applications.2

6.2 Demand for uranium is driven by both the overall demand for electricity and the share of electricity that is generated from nuclear means. One of the key benefits of nuclear power is that is it more efficient (~8,000 times more efficient) than burning fossil fuels as the amount of energy released from uranium per gram is much more than that of fuels, such as oil or coal.[3]

6.3 Following the Fukishima nuclear disaster in Japan in 2011 the global demand for uranium fell.[4]

6.4 As of 2018 the United States is the world's largest nuclear energy generator, with ~808TWh of energy, which constituted ~20% of the country's energy consumption. France was the second largest generator with ~396TWh produced, equating to ~73% of total electricity generation. Nuclear power generates ~11% of global energy.[5]

Figure 4: Nuclear generation by country



Source: IAEA PRIS Database

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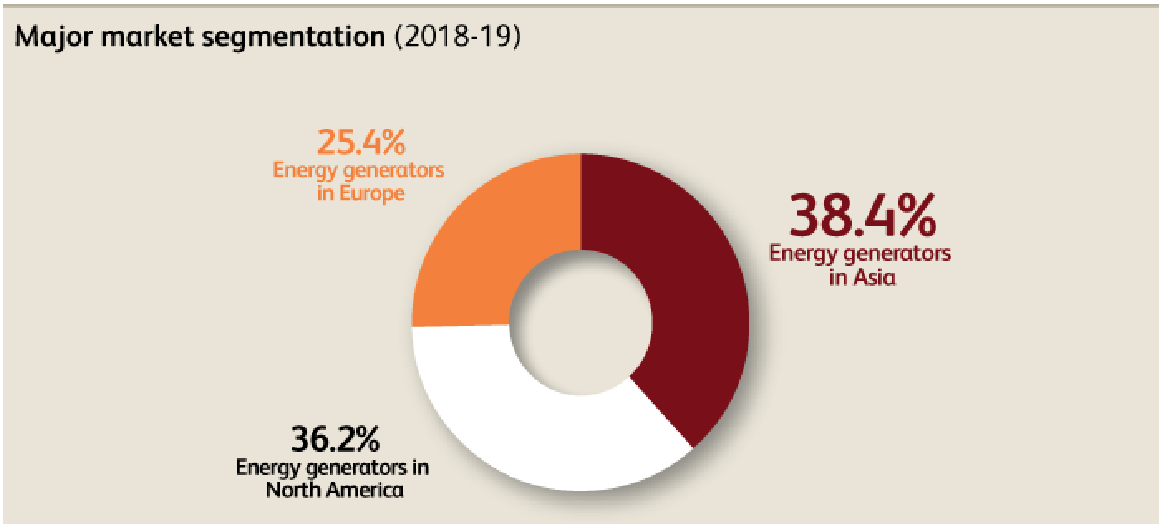
[1] https://www.world-nuclear.org/information-library/nuclear-fuel-cycle/mining-of-uranium/world-uranium-mining-production.aspx
[2] IBISWorld Industry Report B0808
[3] https://www.iop.org/activity/groups/subject/env/prize/file_52570.pdf
[4] IBISWorld Industry Report B0808
[5] https://www.world-nuclear.org/information-library/current-and-future-generation/nuclear-power-in-the-world-today.aspx

6.5 Europe, North America and Asia are the three locations in which nuclear power is utilised, with ~460 nuclear reactors globally, spanning across +30 countries. There are currently ~60 reactors under construction, equivalent to 15% of existing capacity. The table below sets out the global breakdown of nuclear energy generation.[6]

Figure 5: Location of global energy generators



Source: IBISWorld

6.6 The IAE 2017 World Energy Outlook has predicted a 46% global increase in nuclear power production to 2040. With concentrated growth from China and India, contributing ~91% of total net production increase. This growth does not follow a liner pattern of changing global energy requirements, with nuclears' share of power generation declining to 10% of global energy production. [7]

Global Overview

6.7 Global economic growth continues to move slowly and is currently forecasted at 0.1 percentage point lower than in the April IMF projections for 2019/2020. In part this is due to high trade tensions, specifically between China and the US. Global trade is thereby also slow, and the current projected growth has the presumption of stabilisation in emerging markets, developing economies, and trade policy differences. Trade policy requires actions to reduce trade and technology tensions and uncertainties. 8

6.8 Despite sluggish economic growth, global markets have remained strong with the ASX200 (^XJO) reaching record a record high of 6,845 on 30 June 2019. Albeit with increased volatility over the last month of trading with a negative 1.27% change in index value for the period. The Dow Jones (^DJI) has followed a similar trend, hitting a record high of 27,359.16 on 15 July 2019. However, volatility has also plagued the US markets with a total index return of negative 5.34% over the last month of trading.

[6] IBISWorld Industry Report B0808
[7] https://www.iea.org/topics/nuclear/
[8] https://www.imf.org/en/Publications/WEO/Issues/2019/07/18/WEOupdateJuly2019

7. VALUATION APPROACH ADOPTED

Definition of Value

7.1 RG 111 states that a transaction is fair if the value of the consideration is greater than the value of the securities being acquired. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. We have prepared our valuations on this basis.

7.2 There are a number of methodologies which can be used to value a business or shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings ('FME')
- Discounted cash flow ('DCF')
- Quoted market price basis ('QMP')
- Net asset value ('NAV')
- Market approach method (Comparable market transactions)
- Sum of Parts ('SOP')

7.3 A summary of each of these methodologies is outlined in Appendix B.

7.4 Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information.

Valuation of a Paladin Africa

7.5 In assessing the value of Paladin Africa, we have utilised the sum of parts methodology as our primary approach. We note that the sum of parts methodology is inclusive of a premium for control.

7.6 We have considered all other methodologies, however, in our opinion, not other methodology is appropriate. We set out or reasoning below:

- We have chosen the sum of parts methodology because Paladin Africa is a mineral processing company that holds metallurgical, exploration and development assets and we can utilise different valuation methodologies for different key assets and liabilities. We have instructed Valuation and Resource Management ("VARM") to act as independent specialist and provide an independent market valuation of Paladin Africa's Kayelekera Project and other exploration tenements in accordance with the Australian Code for Public Reporting of technical Assessments and Valuations of Minerals Assets ('the Valmin Code 2015') and the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ('JORC Code 2012'). VARM's full report may be found in Appendix C. We have considered this in the context of Paladin Africa's other assets and liabilities on a NAV basis;
- Paladin Africa is a subsidiary of Paladin Energy (ASX:PDN) which is traded on the ASX. Paladin Energy contains other assets outside of Paladin Africa. As such Paladin Energy's share price is not reflective of the value of Paladin Africa. As Paladin Africa is not traded on any form of exchange and there is no observable market price for its shares, we cannot use the QMP methodology.
- Paladin Africa has had its mining project under care and maintenance and as such does not generate regular trading profits. Therefore, there are no meaningful historic profits that could be used to represent future earnings. This means that the FME valuation approach is not appropriate;
- Paladin Africa has no reliable cash flow forecasts and therefore the application of the DCF valuation approach is not appropriate methodology to value Paladin Africa.

Valuation of Consideration

7.7 Chichewa will not ‘pay’ any consideration for its 20% holding of Paladin Africa shares, with its holding through Lotus being free carried to the later of:

- 3 years from Completion of the sale; or
- A$10m in project expenditure by Hylea.

7.8 It is our understanding that Chichewa negotiated and gained optionality to purchase Paladin Africa, presenting the opportunity to Hylea on the basis that a free carry to Chichewa at 20% was permitted.

7.9 We have considered a normal market fee that may be payable for the provision of such a service.

8. VALUATION OF 20% INTEREST IN PALADIN AFRICA

Sum of Parts Valuation of Paladin Africa

8.1 We have employed the Sum-of-Parts method in estimating the fair market value of a 20% interest in Paladin Africa by using the net assets of Paladin Africa and the expert geologist valuation prepared by VARM.

8.2 The value of Paladin Africa under a Sum of Parts valuation basis is reflected in our valuation below:

Table 7: Value of Paladin Africa

	Ref	Low A$m	Preferred A$m	High A$m
Kayelekera Project	8.5 – 8.6	4.3	7.1	11.3
Paladin Africa NAV	8.7 – 8.9	(793.9)	(793.9)	-
Add: Value of Asset Loan Assigned to Lotus	8.10	732.6	732.6	-
Total Value of Paladin Africa on a control basis		nil	nil	11
Value of 20% holding in Paladin Africa		nil	nil	2.3

Source: MSPCS analysis

8.3 The table above indicates the sum of parts value of a 20% interest in Paladin Africa is between $nil and $2.3 million.

8.4 The Statement of Financial Position has been extracted from the unaudited financial statements of Paladin Africa at 30 June 2018. We have been provided with financial statements for Paladin Africa to 30 June 2019, however, they are in draft and we are unable to publish them. Our opinion would not change if we were to use the financial statements for the year ended 30 June 2019.

8.5 VARM was instructed to provide an independent market valuation of Mining Licence 152 and further exclusive prospecting licences held by Paladin Africa (the Kayelekera Project). VARM considered a number of different valuation methodologies when assessing the value of the mining and exploration assets held by Paladin Africa.

8.6 VARM used the Comparable Market Transaction method as its primary valuation method. It then used the Yardstick method and Geoscientific Valuation method (Kilburn Method) as secondary valuations when forming an opinion on the value of the Kayelekera Project.

- For the Market Comparable Transaction Method assessment, VARM reviewed recent market transactions that are considered broadly comparable to the Kayelekera uranium deposit, these transactions have been compared on a $/lb U3O8. For all exploration tenements held in the Kayelekera Project an area based multiple approach was undertaken. VARM reviewed comparable transaction valuation assessing exploration tenements adjacent to or along strike from the known Kayelekera mining lease, these transactions have been compared on a $/km2 basis.
- The Yardstick approach assessment is derived from resources and reserves at various degrees of confidence being multiplied by a percentage of the spot price. VARM used a spot price of $35.46/lb.
- The Kilburn approach uses technical valuation derived from the Kilburn ranking factors are frequently adjusted to reflect the geopolitical risks associated with the location of the project and also the current market conditions toward a specific commodity or geological terrain. These adjustments can either increase or decrease the technical value to derive the fair market valuation.

8.7 We have taken Net Asset value of Paladin Africa based on the book value as at 30 June 2018. As noted previously, we have viewed financial statements for the year ended 30 June 2019 but we cannot publish these. We are of the opinion more current financial statements will have no impact on our valuation of Paladin Africa.

8.8 We note that Kayelekera includes plant and equipment. The value of this plant and equipment has been captured by VARM in its valuation of Kayelekera with the high end of its applied resource multiples factoring a comparable transaction which included plant and equipment in a uranium mine on care and maintenance (Honeymoon Well). As at 30 June 2018 plant and equipment within Paladin Africa had been written down to $nil.

8.9 Given VARM's high valuation considers the acquisition of an asset with similar characteristics to the Kayelekera project, we have removed any impact of the other net assets of Paladin Africa on our valuation based on the assumption that the comparable transaction would have included similar characteristics (such as environmental provisions and future capex costs to restart mining) and that the valuation multiple would reflect this.

8.10 Paladin Africa has a number of loans that are payable to related parties. As part of the Proposed Transaction, these loans will become payable to Lotus. As such Lotus will recognise an asset for loans receivable from Paladin Africa.

Secondary Valuation

8.11 As a cross check to our primary valuation, we assessed the consideration paid by Hylea (via Lotus) to acquire Paladin Africa and implied a saving as a result of Chichewa not being required to fund its 20% interest in Paladin Africa.

Table 8: Secondary Valuation of Chichewa's interest in Paladin Africa

	Ref:	Low A$m	Preferred A$m	High A$m
Initial Consideration	2.15	2.0	2.0	2.0
Deferred Consideration	2.15	3.0	3.0	3.0
Minimum free carry commitment*	2.15	10.0	10.0	10.0
Total cost of acquiring Paladin Africa		**15.0**	**15.0**	**15.0**
Value of Chichewa's 23.5% holding in Lotus		**3.5**	**3.5**	**3.5**

* Given the uncertainty in how much expenditure could be incurred in the project and the additional cap of three years regardless of how much expenditure is incurred, we have not applied any discounts to reflect the time value of money for the $10 million commitment.

8.12 If Chichewa was to fund its share of the acquisition of Paladin Africa, it would do so through its 23.5% interest in Lotus. This means that Chichewa would be required to pay 23.5% of the purchase price for its 20% interest in Paladin Africa.

8.13 Based on the above table, Chichewa has saved $3.5 million by not being required to fund its share of Paladin Africa.

Conclusion

8.14 We are of the opinion that a $nil valuation is not an appropriate measure of value for the purposes of the Proposed Transaction because Chichewa is free carried for at least three years on any upside that could come from an improvement in the uranium price and increase in value of Paladin Africa. This means that Chichewa has a free option on the potential upside in value attributable to the project. We do not believe that this option value can be $nil.

8.15 Given the assumption that the price Hylea is willing pay to acquire Paladin Africa is reflective of its assessment of its value, we believe it is appropriate to use the high value calculated using our Sum of Parts valuation as the low in our preferred range of values, with the value of the purchase price in our secondary valuation used as the high in our preferred range. As such, our range of values for Chichewa's interest in Paladin Africa is between $2.3 million and $3.5 million.

8.16 Mr Kestell owns a 22.5% interest in Chichewa, as such, we consider the financial benefit provided to Mr Kestell to be between $0.5 million and $0.8 million.

9. VALUATION OF CONSIDERATION PAID BY CHICHEWA

9.1 Chichewa did not charge a fee for the introduction of Paladin Africa to Hylea. Therefore, in order to assess the valuation of the consideration paid by Chichewa we have considered a typical fee for the introduction of an asset to an acquirer. Whilst we recognise that Chichewa brings experience beyond simply acting as a lead advisor, in our opinion Paladin is the owner of the asset so Chichewa has acted in an advisory capacity. We have considered the additional strengths that Chichewa brings to the transaction in reasonableness.

9.2 The table below summarises a range of estimated fees for lead advisory services.

Table 9: Estimate of lead advisory introduction fee

	Low $m	Preferred $m	High $m
Total Transaction Value			
Initial Consideration	2	2	2
Deferred Consideration	3	3	3
Free carry commitment	-	-	10
Total Consideration Paid to Vendor	**5**	**5**	**15**
Lead Advisory Fee	2%	3.5%	5%
Total market value of Chichewa's services	**0.1**	**0.2**	**0.8**

9.3 We consider a range of 2-5% of transaction value to be a reasonable reflection of the range of fees a lead advisor would typically charge for assisting in an acquisition process.

9.4 In our low valuation, we have only included the actual payments to Paladin in our value of consideration. In our high value, we have also included the minimum spend of $10 million on the free carry as an expected value that a lead arranger may negotiate a fee. We have only included the free carry commitment in the high value because it is arguable that the free carry is of benefit to the lead arranger and it could be considered “double counting” to then charge a fee based on the value of the free carry.

9.5 Based on this range of expected fees we have placed the market value of the services rendered by Chichewa between $A0.1m and A$0.8m, with a preferred value of $A0.2m.

9.6 We note that Chichewa will be reimbursed $100,000 of costs incurred in assessing the acquisition and that Matador Capital Pty Ltd (a related party to Mr Davey) has received 25,034,798 convertible loan securities in Hylea with a conversion price of $0.02 and 12,517,399 attaching options in Hylea with an exercise price of $0.04 (for which Matador Capital loaned to Hylea $500,696). Whilst these could be related to lead advisory services, we have considered them additional to the estimate above as Matador Capital has purchased these securities.

9.7 As a cross check to the estimates above, we reviewed transactions involving the acquisition of resource project over the last 12 months and found that, where advisor fees were mentioned, the range of fees was between approximately $100,000 and $150,000. However, we found that it is difficult to compare fees paid in different transactions due to the mix of project values and fee structures creating a high degree of uncertainty with regard to comparability.

9.8 We note that our assessment of the range of values attributable to lead advisory services above is consistent with our value estimate of Mr Kestell’s 22.5% interest in Chichewa, which he partly received for securing the acquisition of Paladin Africa.

10. IS THE PROPOSED TRANSACTION FAIR?

10.1 We have compared the value of a 20% interest in Paladin Africa to the value of the consideration paid by Chichewa for its interest.

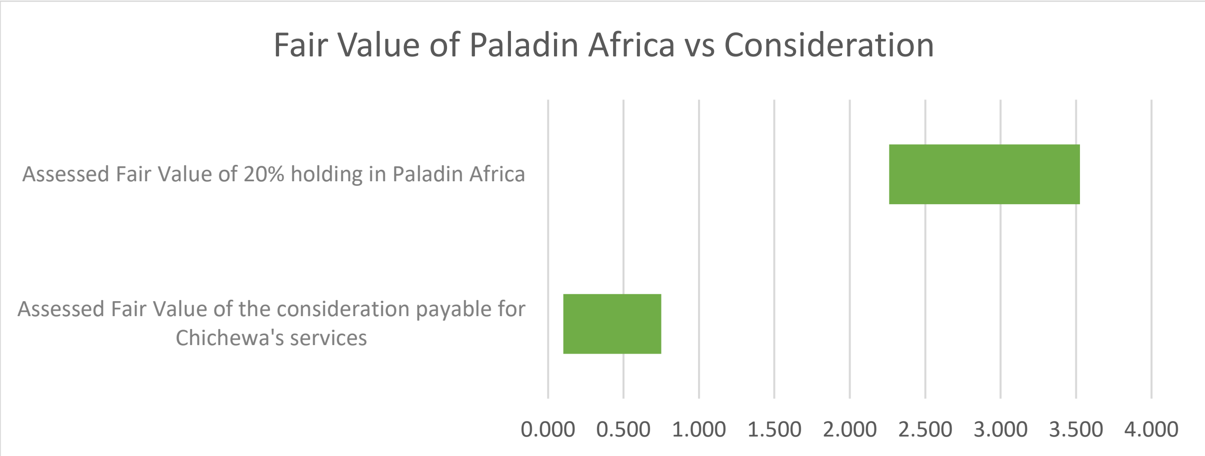
Table 10: Assessment of fairness

	Section	Low $m	Preferred $m	High $m
Assessed Fair Value of 20% holding in Paladin Africa	8	2.3	2.9	3.5
Assessed Fair Value of the consideration payable for Chichewa's services	9	0.1	0.2	0.8

Source: Moore Stephens analysis

10.2 In accordance with the guidance set out in ASIC RG 111, and in the absence of any other relevant information, for the purposes of complying with 10.1 of the ASX Listing Rules, we consider the Proposed Transaction to not be fair to the Non-Associated Shareholders of Paladin Africa, as the preferred value of a 20% holding in Paladin Africa is higher than the Consideration.

Figure 6: Compares the value of a 20% holding in Paladin Africa against the consideration.



Source: Moore Stephens analysis

11. IS THE PROPOSED TRANSACTION REASONABLE?

11.1 RG111 establishes that a Proposed Transaction is reasonable if it is fair. Further, a transaction could still be considered reasonable even if it was not fair if there are adequate reasons to approve the transaction. In our assessment of the reasonableness of the Proposed Transaction, we have considered:

- The future prospects of Hylea if the Proposed Transaction is not approved; and
- Other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of approving the Proposed Transaction.

Future prospects of Hylea if the Proposed Transaction is not approved

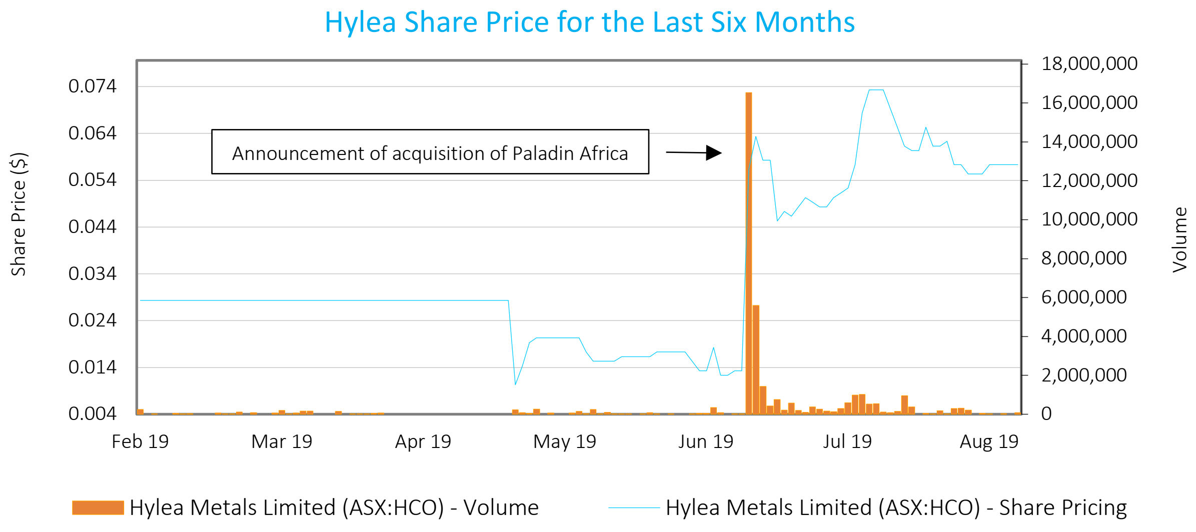
11.2 If the Proposed Transaction is not approved, the Company will have approval to acquire Paladin Africa but will not have approval to acquire it in the form proposed in the current agreements between Paladin Energy and Hylea, because Lotus is the buyer under the agreement. This would mean that the structure of Lotus would need to be renegotiated with Chichewa.

11.3 There is also a risk that Hylea would be found in breach of the acquisition agreements because shareholder approval for any financial benefit received by a related party is a condition of the acquisition of Paladin Africa which could result in the acquisition being withdrawn or renegotiated.

Share price of Hylea since the acquisition of Paladin Africa was announced

11.4 Since the acquisition of Paladin Africa was announced by Hylea, the share price has increased significantly in both value and liquidity. We have summarised the share price movement and volume over the last three months below.

Figure 3: Hylea share price and volume



Source: S&P Capital IQ

11.5 Hylea's share price increased from $0.013 before the announcement of the acquisition of Paladin Africa to $0.056 immediately after the announcement. The share price has continued to trade significantly higher following the announcement than it did prior to the announcement. In addition, the daily volume of Hylea's shares increase from an average of 0.04 million shares prior to the announcement to 0.31 million shares following the announcement (excluding the two days immediately following the announcement as outliers).

11.6 If the Proposed Transaction is not approved and the acquisition terms are changed, there is a risk that the terms are worse than currently negotiated and the share price could be impacted. If the acquisition of Paladin Africa does not proceed, it is highly likely that the share price of Hylea will decline significantly.

11.7 It is important to note that this is a short-term reflection of the current price of a Hylea share. This is not an assessment that Hylea's shares will remain at current pricing levels if the Proposed Transaction is approved.

Assessment of other free carried interests

11.8 We have reviewed the last 10 announcements made by resource companies on the ASX that include projects with free carried interests. We note from this review that it is not uncommon for projects to have a free carried partner with interests between 10% and 30%.

Table 11: Recent announcements including free carried interests

Acquirer	Asset	Free Carry Co	Free Carry	Free Carry End
GWR Group	M53/1078	Jindalee Resources Limited	20%	N/D
Inca Minerals	Frewena Fable	MRG & Dr West	10%	N/D
Woomera Mining	Mt Venn	Cazaly Resources	20%	PFS
Moho Resources	E70/4688	Independence Group	30%	PFS
Red Mountain	Mt Mansbridge	Unearthed Resources	51% $500k, 30% $1m	Withdrawal
Zenith Minerals	American Lithium JV	Bradda Head	30%	PFS
Centaurus Metals	Itapitanga Project	Simulus Group	20%	Decision to mine
Exore Resources	Bagoe & Liberty	Apollo Consolidated	20%	Decision to mine
Ausgold	Yamarna JV	Great Boulder Resources	25%	Decision to mine
Ausgold	Doolgunna	AIC Mines	20%	Decision to mine

Source: ASX company announcements

11.9 Based on other projects, it appears reasonable for a 20% free carry to be offered for a project. However, we note that, in our opinion, it is most typical for a free carry to be offered to the vendor of a project. In the case of the Proposed Transaction, the vendor is Paladin Energy, not Chichewa. However, Mr Kestell introduced the project to Chichewa due to the expertise of Mr Davey. As such, it could be argued Chichewa controlled the disposal of the project and could have offered it to other potential acquirers, rather than Hylea.

Advantages and disadvantages

11.10 In assessing whether the Non-Associated Shareholders are likely to be better off if the Proposed Transaction is approved than if it is not, we have also considered various advantages and disadvantages that are likely to accrue to the Non-Associated Shareholders.

Advantages of approving the Proposed Transaction

11.11 Advantage 1 – Commitment to sub-underwrite $4 million capital raising

Matador Capital Pty Ltd has committed to sub-underwrite $4 million of the $8 million capital raising required to be completed by Hylea to partially fund the acquisition of Paladin Africa. Matador Capital is a related party to Mr Davey and it is unlikely that Mr Davey would be willing to underwrite the capital raising if Chichewa did not have an interest in Paladin Africa.

11.12 Advantage 2 – No immediate cash outflow or shareholder dilution

The structure of the free carry means that Hylea has been able to avoid paying Chichewa for the introduction of the project in the near term. We note that the option agreement means that Hylea may have to pay for the 20% interest in Paladin Africa in three years or after they've spent $10 million on the Kayelekera project. In addition, Hylea has issued 25,034,798 convertible loan securities with a conversion price of $0.02 and 12,517,399 options with an exercise price of $0.04 to Matador Capital (a company controlled by Mr Davey). Matador loaned $500,696 under the convertible loan agreement. Each of these groups of securities are currently in the money and could be converted into equity of Hylea at any time. We note that conversion of these securities would result in a payment to Hylea of approximately $1 million.

11.13 Advantage 3 – Access to uranium project expertise

Chichewa is controlled by Mr Grant Davey. Mr Davey is an experienced director with uranium project care and maintenance expertise, having been a director of Boss Resources Limited ("Boss") which owns the Honeymoon Well uranium project. Mr Davey was integral to securing the Honeymoon Well project and Boss' share price experienced an increase from $0.02 at the time of the acquisition of Honeymoon Well in September 2015, to $0.056 currently.

Disadvantages of approving the Proposed Transaction

11.14 Disadvantage 1 – Hylea takes all the downside risk

Hylea must fund 100% Paladin Africa's expenditure for the later of 3 years or until it has spent $10 million. The project is currently in care and maintenance and Paladin Energy was spending approximately $7 million per annum to maintain the good standing of the project and its assets. This means that, unless there is a significant increase in the price of uranium, Hylea will spend a significant amount of money without any guarantee it will increase the value of the project.

At the end of the free carry period, Chichewa has the option to sell its interest to Hylea. This could result in Hylea maintaining the value of the Kayelekera project without increasing its value and then having to acquire the 20% interest from Chichewa that Hylea was maintaining.

11.15 Disadvantage 2 – The free carry is not limited to cost in the first three years

Hylea must provide the free carry to Chichewa for at least three years regardless of the costs incurred by Hylea. We note that Paladin Energy was spending approximately $7 million on maintaining the Kaleyekera project. Whilst it is arguable that Hylea may be able to find some savings as a smaller business, there is no guarantee that it will be able to reduce costs. This means that Hylea could conceivably spend $21 million before the expiration of the free carry. In which case, it would have covered $4.2 million in costs that could be attributable to Chichewa.

Conclusion on Reasonableness

11.16 In our opinion, the position of the Non-Associated Shareholders if the Proposed Transaction is approved is more advantageous than the position if it is not approved. Therefore, in the absence of any other relevant information and/or a superior Proposed Transaction, we consider that the Proposed Transaction is reasonable for the Non- Associated Shareholders of Hylea.

11.17 A key assessment when considering reasonableness was the fact that neither Mr Kestell nor Chichewa have any financial risk in the project as a result of the Proposed Transaction. The financial risk is fully borne by Hylea. We recognise that Chichewa brings expertise and it took initial risk through funding due diligence and an initial deposit but it never owned the project. In our opinion, this does not necessarily justify an unrisked position in Paladin Africa. However, the structure of the transaction has been fully disclosed and there has been a notable increase in share price following the announcement of the acquisition of Paladin Africa. Rejecting the Proposed Transaction could risk a decline in share price or result in the increase in share price being used to renegotiate the structure of the transaction in favour of Chichewa.

11.18 We also note that, even though there is no requirement for shareholders to approve the Proposed Transaction in order to approve the acquisition of Paladin Africa, there is a risk that not approving the Proposed Transaction could frustrate the acquisition process. Finally, it is not uncommon for 20% free carries to be offered in resource acquisitions.

12. INDEPENDENCE

12.1 Moore Stephens Perth Corporate Services Pty Ltd is entitled to receive a fee of approximately $15,000, excluding GST and reimbursement of out of pocket expenses. Except for this fee Moore Stephens Perth Corporate Services Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

12.2 Prior to accepting this engagement Moore Stephens Perth Corporate Services Pty Ltd has considered its independence with respect to Hylea, and any of their respective associates with reference to RG 112, Independence of Expert's Reports. It is the opinion of Moore Stephens Perth Corporate Services Pty Ltd that it is independent of Hylea and their respective associates.

12.3 Moore Stephens Perth Corporate Services Pty Ltd has not had at the date of this report any relationship which may impair their independence.

12.4 We have held discussions with management of Hylea regarding the information contained in this report. We did not change the methodology used in our assessment as a result of discussions and our independence has not been impaired in any way.

13. QUALIFICATIONS

13.1 Our report has been prepared in accordance with professional standard APES 225 “Valuation Services” issued by the Accounting Professional & Ethical Standards Board.

13.2 Moore Stephens Perth Corporate Services Pty Ltd is a professional practice company, wholly owned by the Perth practice of Moore Stephens, Chartered Accountants. The firm is part of the National and International network of Moore Stephens independent firms and provides a wide range of professional accounting and business advisory services.

13.3 Moore Stephens Perth Corporate Services Pty Ltd holds an Australian Financial Services License to provide financial product advice on securities to retail clients (by way of experts reports pursuant to the listing rules of the ASX and the Corporations Act) and its principals and owners are suitably professionally qualified, with substantial experience in professional practice.

13.4 The director responsible for the preparation and signing of this report is Mr Peter Gray who is a director of Moore Stephens Perth Corporate Services Pty Ltd. Mr Gray is a Chartered Accountant and is RG146 compliant. Mr Gray has approximately 15 years’ experience in capital markets and corporate finance and has significant experience in the preparation of independent expert’s reports, valuations, valuation methodology and related advice.

13.5 At the date of this report neither Mr Gray, nor any member or Director of Moore Stephens Perth Corporate Services Pty Ltd, has any interest in the outcome of the Proposed Transaction.

14. DISCLAIMERS AND CONSENTS

14.1 Moore Stephens Perth Corporate Services Pty Ltd has been requested to prepare this report, to be included in the Notice of Meeting which will be sent to Hylea's shareholders.

14.2 Moore Stephens Perth Corporate Services Pty Ltd consents to this report being included in the Notice of Meeting to be sent to shareholders of Hylea. This report or any reference thereto is not to be included in, or attached to any other document, statement or letter without prior consent from Moore Stephens Perth Corporate Services Pty Ltd.

14.3 Moore Stephens Perth Corporate Services Pty Ltd has not conducted any form of audit, or any verification of information provided to us, and which we have relied upon in regard to Hylea, however we have no reason to believe that any of the information provided, is false or materially incorrect.

14.4 The statements and opinions provided in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

14.5 Neither Moore Stephens Perth Corporate Services Pty Ltd nor Mr Gray take any responsibility for, nor have they authorised or caused the issue of, any part of this report for any third-party other than the shareholders of Hylea in the context of the scope and purpose defined in section 3 of this report.

14.6 With respect to taxation implications it is recommended that individual shareholders obtain their own taxation advice, in respect of the Proposed Transaction, tailored to their own specific circumstances. The advice provided in this report does not constitute legal or taxation advice to shareholders of Hylea or any other party.

14.7 The statements and opinions expressed in this report are given in good faith and with reliance upon information generated both independently and internally and with regard to all of the circumstances pertaining to the Proposed Transaction.

14.8 In regard to any projected financial information noted in this report, no member or director of Moore Stephens Perth Corporate Services Pty Ltd has had any involvement in the preparation of the projected financial information.

14.9 Furthermore, we do not provide any opinion whatsoever as to any projected financial or other results prepared for Hylea, and in particular do not provide any opinion as to whether or not any projected financial results referred to in the report will or will not be achieved.

14.10 Liability limited by a scheme approved under Professional Standards Legislation.

Yours faithfully

P Gray

Peter Gray
Director
Moore Stephens Perth Corporate Services Pty Ltd

APPENDIX A – SOURCES OF INFORMATION

In preparing this report we have relied upon the following principal sources of information:

- Hylea Notice of Meeting dated 25 July 2019;
- Draft addendum to Hylea's Notice of Meeting dated 25 July 2019;
- Share sale agreement between Hylea, Lotus and Paladin Energy;
- Variation to the share sale agreement between Hylea, Lotus and Paladin Energy;
- Kayelekera development agreement;
- Financial statements for Paladin Africa for the years ended 30 June 2016, 2017 and 2018;
- Trial balance for Paladin Africa for the year ended 30 June 2019;
- S&P Capital IQ;
- Public company announcements released to the ASX; and
- Independent valuation prepared by Valuation and Resource Management Pty Ltd.

Valuation Methodologies and Approaches

Discounted Cash Flow Method

Discounted cash flow methods estimate fair market value by discounting a company's future cash flows to their net present value. These methods are appropriate where a forecast of future cash flows can be made with a reasonable degree of confidence. Discounted cash flow methods are commonly used to value early stage companies or projects with a finite life.

Capitalisation of Maintainable Earnings Method

The capitalisation of maintainable earnings method estimates "fair market value" or "enterprise value", by estimating a company's future maintainable earnings and dividing this by a market capitalisation rate. The capitalisation rate represents the return an investor would expect to earn from investing in the company which is commensurate with the individual risks associated with the business.

It is appropriate to apply the capitalisation of maintainable earnings method where there is an established and relatively stable level of earnings which is likely to be sustained into the foreseeable future.

The measure of earnings will need to be assessed and can include, net profit after taxes, (NPAT), earnings before interest and taxes (EBIT and earnings before interest, taxes, depreciation and amortisation (EBITDA).

The capitalisation of maintainable earnings method can also be considered a market-based methodology as the appropriate capitalisation rate or 'earnings multiple' is based on evidence of market transactions involving comparable companies.

An extension of the capitalisation of maintainable earnings method involves the calculation of share value of an entity. This process involves the calculation of the enterprise value, which is then adjusted for the net tangible assets of the entity.

Net Assets Value Method (Orderly Realisation of Assets)

The net assets value method (assuming an orderly realisation of assets) estimates fair market value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner.

Liquidation of assets - The Liquidation method is similar to the orderly realisation of asset method except the liquidation method assumes the assets are sold in a shorter time frame.

Net assets – The net assets method is based on the value of the assets of a business less certain liabilities at book values, adjusted to a market value.

The asset-based approach, as a general rule, ignores the possibility that a company's value could exceed the realisable value of its assets as they ignore the value of intangible assets such as customer lists, management, supply arrangements, and goodwill.

The asset-based approach is most appropriate when companies are not profitable, a significant proportion of assets are liquid, or for asset holding companies.

Cost Based Approach - The cost-based approach involves determining the fair market value of an asset by deducting the accumulated depreciation from the asset's replacement cost at current prices.

Like the asset-based approach, the cost based approach has a number of disadvantages, primarily that the cost of an asset does not necessarily reflect the assets ability to generate income. Accordingly, this approach is only useful in limited circumstances, usually associated with intangible asset valuation.

Quoted Market Price Methodology

The method relies on the pricing benchmarks set by sale and purchase transactions in a fully informed market the ASX which is subject to continuous disclosure rules aimed at providing that market with the necessary information to make informed decisions to buy or to sell.

Consequently, this approach provides a "fair price", independently determined by a real market. However, the question of a fair price for a particular transaction requires an assessment in the context of that transaction taken as a whole.

In taking a quoted market price-based assessment of the consideration to both parties to the proposed transaction, the overall reasonableness and benefits to the non-participating shareholders must be carefully evaluated.

Market Approach Method

The market-based approach estimates a company's fair market value by considering the market prices of transactions in its shares or the market value of comparable assets.

This includes, consideration of any recent genuine Proposed Transactions received by the target for an entire entity's business, or any business units or asset as a basis for the valuation of those business units or assets, or prices for recent sales of similar assets

APPENDIX C – VARM'S INDEPENDENT EXPERT REPORT

VALUATION and RESOURCE MANAGEMENT

Consultants in valuation and economic geology

INDEPENDENT TECHNICAL SPECIALISTS REPORT
& VALUATION on the
MINERAL ASSETS of
PALADIN AFRICA for HYLEA METALS LIMITED

Final

19 August 2019

Report Commissioned by Moore Stephens

Valuation Date:	24 June 2019
Report Date:	19 August 2019
Primary Author:	Paul Dunbar

Distribution:
Moore Stephens Perth Corporate Services Pty Ltd
Hylea Metals Ltd
Valuation and Resource Management Pty Ltd

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Principal Author	Paul Dunbar BSc Hons (Geology) MSc (MINEX) M AusIMM M AIG	Date: 19 August 2019
Contributors	Deborah Lord F AusIMM, M AIG, G AICD	
Valuation Date	24 June 2019	

1. Executive Summary

Moore Stephens Perth Corporate Services Pty Ltd (Moore Stephens) commissioned Valuation and Resource Management Pty Ltd (ABN 12 632 859 780) (VRM) to prepare an Independent Technical Assessment and Valuation Report ("the Report" or the ITAR) of the mineral assets of Paladin Africa Ltd (Paladin Africa) for Hylea Metals Ltd (ASX: HCO) (Hylea or the Company). Hylea is proposing to acquire a shareholding in Paladin Africa that currently owns the Kayelekera Uranium Project (Kayelekera or the Project).

The Report provides an opinion to support an Independent Expert's Report to be prepared by Moore Stephens, and has been prepared as a public document, in the format of an independent specialist's report and in accordance with the 2015 VALMIN Code.

This report is a technical review of the Paladin Africa project, being the Kayelekera Uranium Project, located in Malawi, southern Africa. The mineral asset includes the Mining Licence 152 – Kayelekera that hosts the uranium deposit and five Exclusive Prospecting Licences surrounding the deposit.

It includes a technical evaluation of the exploration and development projects and a fair market valuation of these Mineral Assets. In accordance with the VALMIN code VRM has undertaken several valuation methods for both the existing Mineral Resources and a separate valuation for the earlier stage exploration tenements that surround the resource area. Importantly, as neither the principal author nor VRM hold an Australian Financial Services Licence, this valuation is not a valuation of Paladin Africa but rather a valuation of the Mineral Assets relating to the proposed transaction.

This valuation is current as of 24 June 2019, being the date that Hylea announced it had entered an agreement to acquire up to an 85% ownership in Kayelekera from Paladin Energy Ltd (Paladin, ASX: PDN) owned via Paladin Africa. Initial consideration for the acquisition was $0.2 million in cash and $1.8 million worth of Hylea ordinary shares, with deferred consideration of a further $3.0 million worth of shares to be issued on the third anniversary of completion.

As commodity prices, exchange rates and cost inputs fluctuate over time this valuation is subject to change. The valuation derived by VRM is based on information provided by Hylea along with publicly available data including stock exchange releases (both ASX and TSX) and public data obtained from various sources including government geological surveys. VRM has made all reasonable endeavours to confirm the accuracy, validity and completeness of the technical data which forms the basis of this report. The opinions and statements in this report are given in good faith and under the belief that they are accurate and not false nor misleading. The default currency is Australian dollars. As with all valuations the valuation included in this report is the likely fair market value of the mineral projects and not an absolute value. A range of likely values for the various mineral assets is provided with that range providing an indication of the accuracy of the valuation.

VRM considers the total mineral asset valuation of Paladin's Kayelekera project to be within a range of $4.3 million and $11.3 million with a preferred valuation of $7.1 million. This valuation has been derived by comparing comparable transactions for similar uranium projects with additional value for the exploration potential both within the Kayelekera Project and the early stage exploration projects. The exploration potential has been determined by a Geoscientific or Kilburn valuation. Additional secondary valuations were undertaken for the Kayelekera Project with these methods including a yardstick valuation. The secondary valuations provided additional support for the primary valuation but were not used in determining the preferred fair market valuation.

2. Contents

3. List of Figures

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1. Introduction

Valuation and Resource Management Pty Ltd (ABN 12 632 859 780) (VRM) was engaged by Moore Stephens Perth Corporate Services Pty Ltd (Moore Stephens) to undertake an Independent Technical Assessment and Valuation Report (ITAR) on the mineral assets of Paladin Energy Ltd (Paladin, ASX: PDN). The mineral assets of Paladin that are subject of the valuation include the Kayelekera Uranium Project (Kayelekera or the Project) which incorporates the Mining Licence 152 – Kayelekera that hosts the uranium deposit and five Exclusive Prospecting Licences surrounding the deposit. The assets are in Malawi.

VRM understands that this ITAR will be included in the Independent Experts Report (IER) being prepared by Moore Stephens to determine the merit of the proposed transaction and that Moore Stephens will append this report to their Independent Experts Report (IER) evaluating if the proposed transaction is in the best interests of the Hylea Metals Ltd (Hylea, ASX:HCO) shareholders.

The valuation date has been determined as being 24 June 2019, being the date that Hylea announced it had entered an agreement to potentially acquire an 85% ownership in Kayelekera from Paladin.

1.1. Compliance with the JORC and VALMIN Codes and ASIC Regulatory Guides

The ITAR has been prepared in accordance with the 2012 JORC and the 2015 VALMIN Codes. Both of these industry codes are mandatory for all members of the Australian Institute of Mining and Metallurgy (AusIMM) and the Australian Institute of Geoscientists (AIG). These codes are also requirements under Australian Securities and Investment Commission (ASIC) rules and guidelines and the listing rules of the Australian Securities Exchange (ASX)

This ITAR is as a Public Report as described in the VALMIN Code (Clause 5) and the JORC Code (Clause 9). It is based on, and fairly reflects, the information and supporting documentation provided by Hylea to VRM and additional publicly available information.

1.2. Scope of Work

VRM's primary obligation in preparing mineral asset reports is to independently describe mineral projects in compliance with the JORC and VALMIN Codes. These require that the Public Report contains all the relevant information at the date of disclosure, which investors and their professional advisors would reasonably require in making a reasoned and balanced judgement regarding the project.

VRM has compiled the ITAR based upon the principle of reviewing and interrogating both the work of Hylea and Paladin and independent specialists who have contributed to the technical information available for the projects. This report is a summary of the work conducted, completed and reported by the various companies to 24 June 2019 and is based on information supplied to VRM by Hylea, its advisors and information that is in the public domain, to the extent required by the 2012 JORC Code and the 2015 VALMIN Code.

VRM has prepared an Independent Valuation of the Kayelekera project located in Malawi.

VRM understands that its review and valuations will be relied upon and appended to a report by Moore Stephens for inclusion in an IER prepared to assist shareholders in their decision regarding the approval of the proposed transaction. As such, it is understood that VRM's review and valuation will be a public document. Accordingly, this report has been prepared in accordance with the requirements of the Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (the VALMIN Code, 2015).

1.3. Statement of Independence

VRM, the trading name of Valuation and Resource Management Pty Ltd, was engaged to undertake an ITAR, including a valuation of the Kayelekera mineral asset of Paladin. This work has been conducted in accordance with the 2012

JORC and the 2015 VALMIN codes. In addition to these industry codes the work also complies with ASIC Regulatory Guideline 111 – Content of Expert Reports (RG111) and ASIC Regulatory Guidelines 112 Independence of Experts (RG112).

Mr Paul Dunbar of VRM, the trading name of Valuation and Resource Management Pty Ltd has not had any association with Hylea, its individual employees, or any interest in the securities of Hylea which could be regarded as affecting the ability to give an independent, objective and unbiased opinion. Neither VRM nor Mr Dunbar hold an Australian Financial Services Licence (AFSL) and the valuation contained within this report is limited to a valuation of the mineral assets being reviewed. Valuation and Resource Management will be paid a fee for this work on standard commercial rates for professional services. The fee is not contingent on the results of this review and is estimated at $35,000.

Ms Deborah Lord of VRM assisted with compilation of geology and exploration history of the mineral assets. Ms Lord has not had any association with Hylea, its individual employees, or any interest in the securities of Hylea which could be regarded as affecting the ability to give an independent, objective and unbiased opinion.

1.4. Competent Persons Declaration and Qualifications

This report was prepared by Mr Paul Dunbar as the primary author with support from Ms Deborah Lord.

The primary author of the report and information that relates to geology, exploration and the mineral asset valuation is based on information compiled or overseen by Mr Paul Dunbar, BSc (Hons), MSc (Minex), a Competent Person who is a member of the AusIMM and the AIG. Mr Dunbar is a Director and Principal of Valuation and Resource Management Pty Ltd, trading as Valuation and Resource Management, a Geology and Exploration Management consultancy, which has been engaged by Moore Stephens. Mr Dunbar has a Master of Science in Mineral Exploration and Mineral Economics and has sufficient experience, which is relevant to the style of mineralisation, geology and type of deposit under consideration and to the activity being undertaken to qualify as a competent person under the 2012 edition of the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves (the 2012 JORC Code) and a specialist under the Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (the 2015 VALMIN Code). Mr Dunbar consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The Report and information that relates to geology and exploration history is based on information compiled by Ms Deborah Lord, BSc (Hons), a Competent Person who is a fellow of the AusIMM and a member of the AIG. Ms Lord is a Director and Principal of VRM, Consultants in Valuation and Economic Geology, and has sufficient experience, which is relevant to the style of mineralisation, geology and type of deposit under consideration and to the activity being undertaken to qualify as a competent person under the 2012 edition of the 'Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves'. Ms Lord consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

Between the 24 June 2019 and the date of this Report, nothing has come to the attention of VRM that would cause any material change to the conclusions.

1.5. Reliance on Experts

The authors of this report are not qualified to provide extensive commentary on the legal aspects of the mineral properties or the compliance with the relevant laws governing mining within Malawi. VRM has interrogated the Malawi tenement portal website to confirm the tenements are active. As VRM and the authors of this report are not experts in the Malawi tenements or Mining Act, no warranty or guarantee, be it express or implied, is made by the authors with respect to the completeness or accuracy of the legal aspects regarding the security of the tenure.

For Paladin's Kayelekera project VRM has relied upon the following reports and information;

- Various Paladin ASX releases including exploration results

- Information provided by Hylea including Paladin NI43-101 reports and resource reports from 2007 and 2009.
- Paladin Quarterly Reports and Annual Reports.
- ASX releases from other companies that have previously explored the areas and transactions associated with other uranium projects.
- Publicly available information and regional datasets including geological mapping, interpretation, reports, geophysical datasets and Mineral Deposit information.
- An Independent Experts Report prepared by PPB Corporate Finance Pty Ltd included in an Explanatory Statement by Paladin Energy Limited dated 22 December 2017.

1.6. Sources of Information

In VRM's opinion, the information provided for the resources was of reasonable quality and satisfactorily addressed the requirements for an assessment of the reasonableness of the approach to the various Mineral Resource estimates. The technical data was reviewed at a high level, however full due diligence was not undertaken.

All information and conclusions within this report are based on information made available to VRM and the specialists engaged to assist with this report by Paladin and other relevant publicly available data to 24 June 2019. Reference has been made to other sources of information, published and unpublished, including government reports and reports prepared by previous interested parties and Joint Venturers to the areas, where it has been considered necessary.

VRM has, as far as possible and making all reasonable enquiries, attempted to confirm the authenticity and completeness of the technical data used in the preparation of this report and to ensure that it had access to all relevant technical information. VRM has relied on the information contained within the reports, articles and databases provided by Hylea as detailed in the reference list. A draft of this report has been provided to Hylea (via Moore Stephens) to identify and address any factual errors or omissions prior to finalisation of the report. The valuation sections of the report were not provided to the until the technical aspects were validated and the report was declared final.

1.7. Site Visit

VRM has assessed the requirement for a site visit to the Project. As most of the licences are early stage exploration assets it is considered that a site visit to the early stage projects would not reveal any information that would be considered material. For the more advanced Kayelekera deposit VRM has not conducted a site visit due to the limited recent activity on the site since the project was placed on care and maintenance. Mr David Princep previously a Principal Geologist and the competent person for all of Paladin's Mineral Resources has previously visited the Kayelekera site on numerous occasions in preparing the resources which have been reported in this report. As there has been no material changed to the activities on site since the resources were last updated in VRM's opinion it is unlikely that a site visit would reveal any information that would materially modify the assumptions or content of this report.

2. Mineral Assets

The mineral assets that are included in this review include the Kayelekera Uranium Project in Malawi, in East Africa. This includes Mining Licence (**ML**) 152 – Kayelekera that hosts the uranium deposit and five Exclusive Prospecting Licences (**EPLs**) surrounding and along strike of the deposit. The Project is located in northern Malawi, approximately 650 kilometres north of the capital Lilongwe and 35 kilometres west of the town of Karonga as shown in Figure 1.

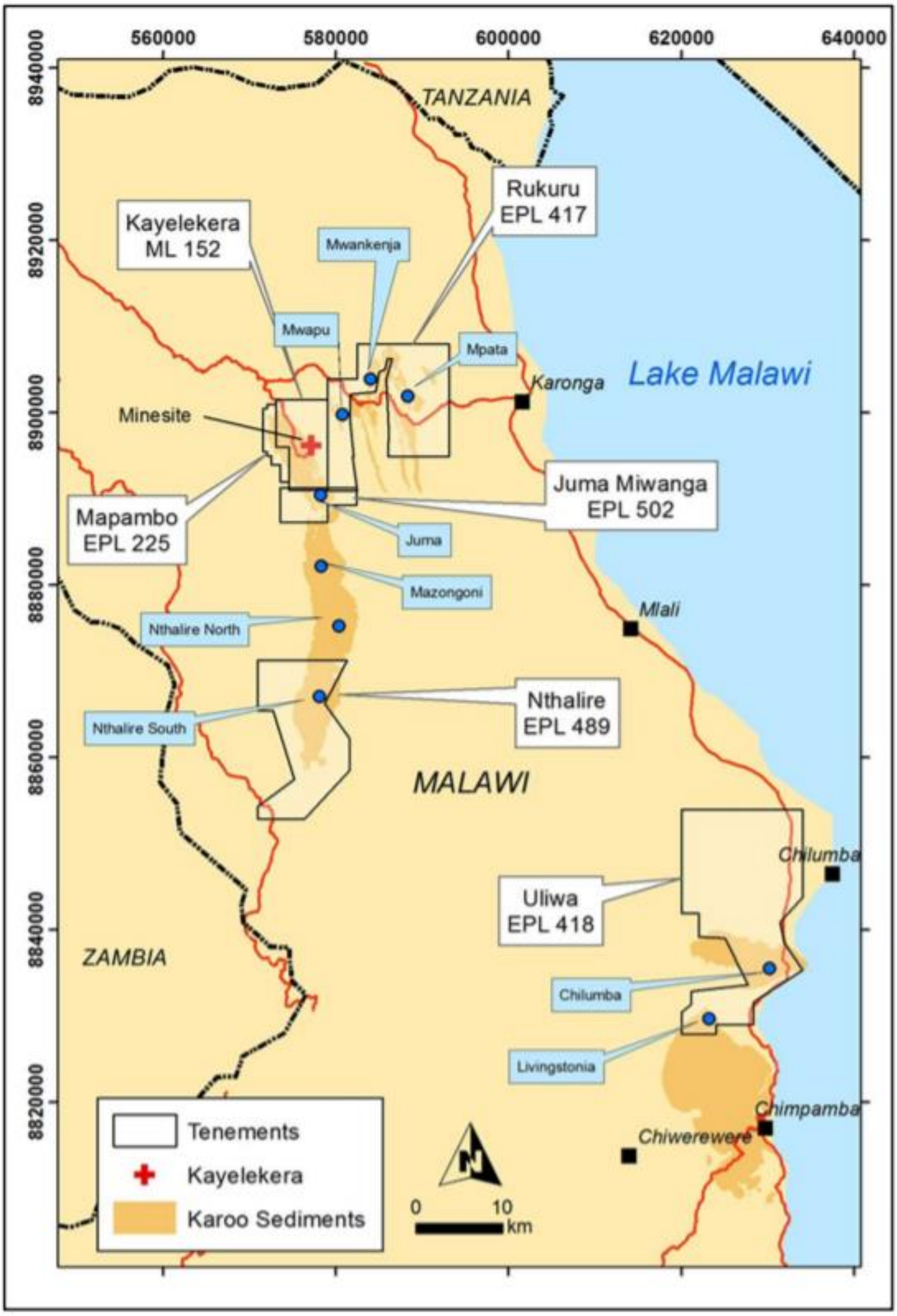


Figure 1 Kayelekera Uranium Project in Malawi

Source: Hylea ASX announcement 24 June 2019

The ML covers 55.5 square kilometres and the five EPLs (numbered 225, 417, 418, 489 and 502) an additional 601.29 square kilometres. The mineral tenure for the Kayelekera tenements are detailed in Section 2.1. The regional and local geology, exploration history, recent exploration results, mineral resource estimates and exploration potential are detailed in Section 2.2.

On 24 June 2019, Paladin announced it had entered into an agreement to sell its 85% interest in the Kayelekera Mine to Hylea's subsidiary, Lotus Resources Pty Ltd, a joint venture with Chichewa Resources Pty Ltd.

The consideration for the sale of Paladin's interest in the Kayelekera Mine is $5 million, comprising A$200,000 cash and $4.8 million in Hylea shares to be issued to Paladin ($1.8 million on completion, subject to a 12-month voluntary escrow, and $3 million on the third anniversary of completion). The issue price will be based on the lower of the 30-day volume-weighted average price (VWAP) at the time of issue, or the price of a Hylea capital raising in the 90 days preceding.

Paladin will be repaid the funds advanced to provide security for the US$10 million environmental performance bond issued to the Government of Malawi for the Kayelekera Mine. The repayments will occur in four tranches: US$4 million on Completion, US$1 million on the first anniversary, US$2 million on the second anniversary, and the final US$3 million on the third anniversary.

Paladin will also receive a 3.5% royalty based on revenues derived from future production at the Kayelekera Mine, capped at $5 million.

The transaction is subject to Hylea shareholder approval, Paladin Noteholder consent and customary terms and conditions, including Government of Malawi approvals, as well as containing standard representations and warranties. Completion is expected to occur in late 2019. Hylea's associated capital raisings are underwritten for $8 million.

2.1. Mineral Tenure

The Kayelekera tenements have been validated by VRM reviewing the tenement information provided by Paladin, Hylea and comparing this with the tenement register from the Malawi (http://portals.flexicadastre.com/malawi/). In addition to validating the information from the parties VRM has reviewed the tenement title certificates including the anniversary dates (grant and end dates), the expenditure commitments and the area of each of the tenements. VRM has noted that there were several minor differences between the reported anniversary dates, tenement areas and expenditures and the tenement certificates. In all cases VRM has reported the information acquired from the tenement certificates rather than the information provided by Hylea or Paladin. The annual tenement rents are reported by the Government of Malawi as being MWK10,000 per square kilometre for exclusive prospecting licences (EPL's) and Malawi Kwacha (MWK) 50,000 per square kilometre for mining licences (MLI's).

VRM has compared the tenement outline of the tenements schedule and plans provided by Hylea to the project outline from the official Malawi Mining Cadastre Portal and found the tenement outlines to be consistent.

Table 1 Kayelekera Project Tenement Schedule

Tenement Name	Tenement	Country	Equity	Grant Date	End Date	Area (km^2)	Rent (MWK)	Expenditure (MWK)
Kayelekera	MLI152	Malawi	85%	2/04/2007	1/04/2022	55.50	$2,775,000	As Per BFS
Mapambo	EPL225	Malawi	85%	15/08/2008	11/12/2020	13.00	$130,000	$10,825,250
Rukuru	EPL417	Malawi	85%	22/05/2015	21/05/2020	146.30	$1,463,000	$9,781,425
Uliwa	EPL418	Malawi	85%	22/05/2015	21/05/2020	276.30	$2,763,000	$9,221,243
Nthalire	EPL489	Malawi	85%	30/01/2018	29/01/2021	137.04	$1,370,000	$12,500,000
Juma-Miwanga	EPL502	Malawi	85%	20/04/2018	19/04/2021	28.65	$286,500	$9,500,000
Total						656.79	$8,787,500	$51,827,917

Notes

All tenements are 100% owned by Paladin Africa which is 15% held by the Government of Malawi

Tenement schedule from Paladin Energy June 2019 Quarterly Report and the Hylea ASX release of 24 June 2019.

MLI Mining Licence

EPL Exclusive Prospecting Licence
MWK Malawi Kwacha
The area, expenditure and anniversary dates for each tenement have been validated from the original tenement certificates provided to VRM by Paladin.

VRM relies on and has reviewed the tenement information supplied by Paladin, Hylea and the Malawian Department of Mines tenure website as detailed above on 10 August 2019 and these tenements were all listed as active. VRM is not qualified or a specialist in the mining tenure or mining act of Malawi and as no warranty, actual or implied is made regarding the validity or security of the tenure listed in Table 1 above.

A production royalty is also payable to Power Resources Inc. (USA), of 0.75% of the gross proceeds received by Paladin for the production and sale of uranium and other minerals from the Kayelekera Project, escalating to 1.25% of gross proceeds following recovery of investment capital (including all exploration and development costs).

2.2. Kayelekera Project

The Kayelekera project consists of a known uranium resources and surrounding ground with exploration potential Figure 2). Mineral Resources within the project total 19 million tonnes at 700ppm U_3O_8 for 28.7 million pounds of contained U_3O_8 (Hylea ASX release 24 June 2019).

The resources are reported according to JORC 2004 and NI43-101. As Hylea notes, the estimates of Mineral Resources are not reported in accordance with the JORC Code 2012; a Competent Person has not done sufficient work to classify the estimates of Mineral Resources in accordance with the JORC Code 2012; 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; Hylea 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; additionally nothing has come to the attention of the acquirer that causes it to question the reliability of the former owner’s estimates; the acquirer has not independently validated the former owner’s estimates and as required under the relevant ASX guidance notes, the Company should not 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 Hylea has not repeated that Ore Reserve statement in it’s announcement. Hylea will need to undertake a Pre-Feasibility level of study in order to report an Ore Reserve under the JORC Code 2012, or else downgrade the Ore Reserve to a Mineral Resource.

2.2.1. Regional Geological Setting

The Kayelekera deposit is sandstone-hosted within Permian carbonaceous and pyritic arkose sediments of the Karoo rift-fill sequence of East Africa. Kayelekera is located close to a tectonic domain boundary between two Proterozoic domains known as the Ubendian and Irumide domains. The elongate Ubendian domain comprises medium to high metamorphic grade rocks and intrusions referred to as the Malawi Basement complex. Major north west – south east shear zones transect the basement complex and offset the Karoo sequence rocks. Late- to post-tectonic granitoids dated at 1.86 Ga, intrude the sequence (Wilde *et al*, 2015).

In contrast the Irumide domain consists of a basement of deformed Lower Proterozoic crystalline rocks, overlain by sedimentary sequences of the Muva Supergroup. These were intruded by 1.60 Ga granitoids.

Wilde et al (2015) infer that the Karoo Basins were unconformably deposited on the Ubendian /Irumide basement after a protracted period of erosion, as limited Upper Proterozoic and Lower Phanerozoic sediments have been preserved. Karoo Basins are generally expressed as either north east – south west oriented or NNW-SSE trending as depicted in Figure 2. Kayelekera is hosted within the Karoo aged sediments of the North Rukuku basin in a north-south orientation.

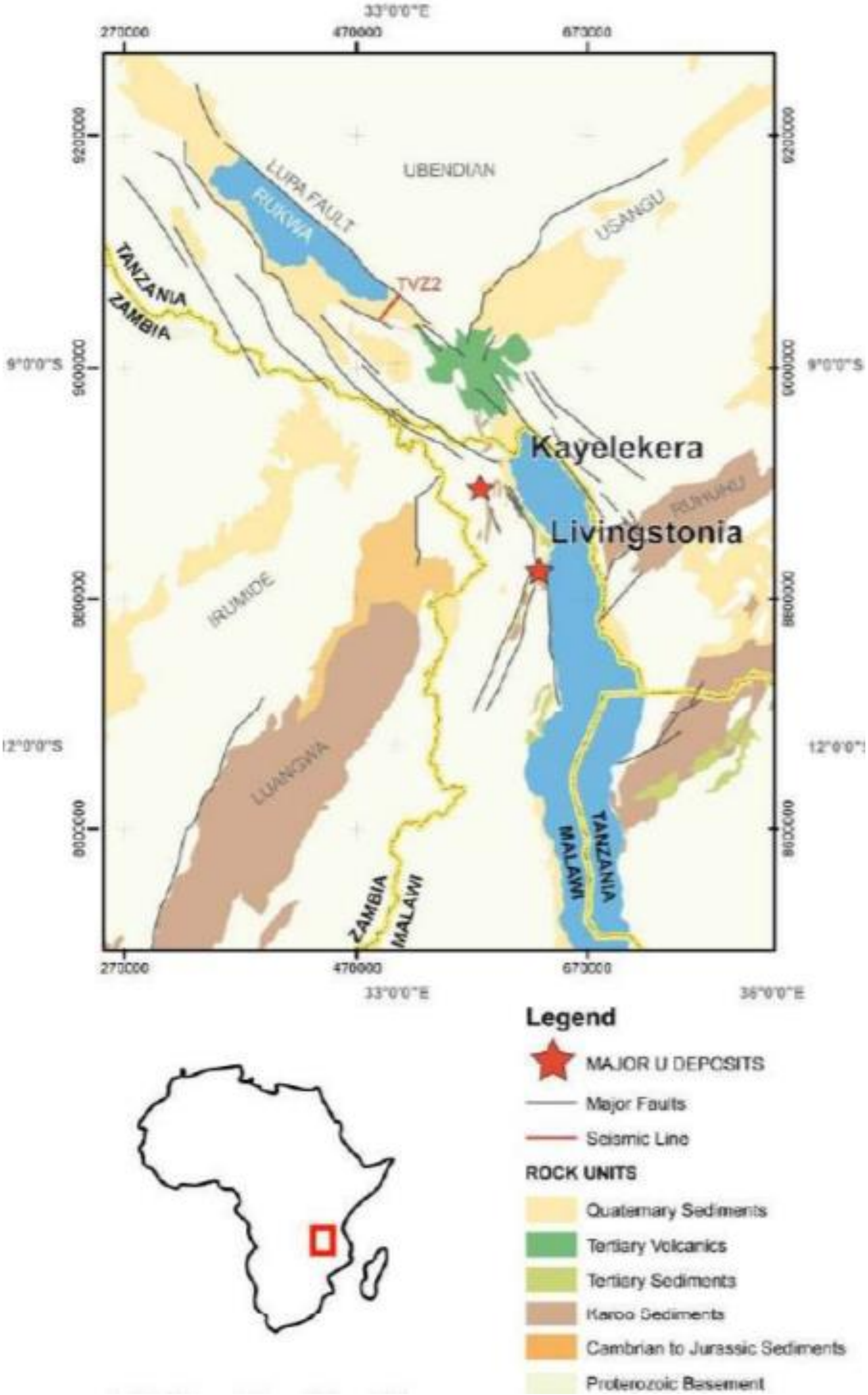


Figure 2 Kayelekera Project regional geology setting

Source: Wilde *et al*, 2015

2.2.2. Local Geological Setting

The oldest sediments of the North Rukuku basin are locally termed the 'Basal Beds'. These comprise glacial and lacustrine sediments (K1) overlain by coal measures and arkose (K2). North Rukuku Sandstone units are termed K3 to K5, made up of several informal groupings of sandstones and mudstones. The Kayelekera member (K4) is the main uranium host and is marked at its base by a distinctive bed containing fossilised wood at the top of the Muswanga member (K3).

The Kayelekera member (K4) is about 150 thick and has been further divided into at least ten individual arkose units, ranging in thickness up to 14m and separated by shale units. A plan of this relationship is shown in Figure 3 while Figure 4 shows the stratigraphic column from the area. The stratigraphic column indicated the average thickness of multiple distinctly different geological units. Mineralisation occurs within four principle lenses developed within the arkose units called S and T, the combined mudstone arkose units U, V and W and the arkose unit X.

At Kayelekera the uranium mineralisation is dominantly hosted in the arkose units, adjacent to the Eastern Boundary Fault zone (Figure 3) with the mineralisation forming tabular bodies within the arkose units other than adjacent to a fault parallel to the Eastern Boundary fault on the eastern edge of the pit where mineralisation also occurs in mudstones adjacent to the fault. The highest grade positions of the deposit occur where the Eastern and Champanji faults intersect. As a general rule the grade and thickness of the mineralisation is highest adjacent to these faults.

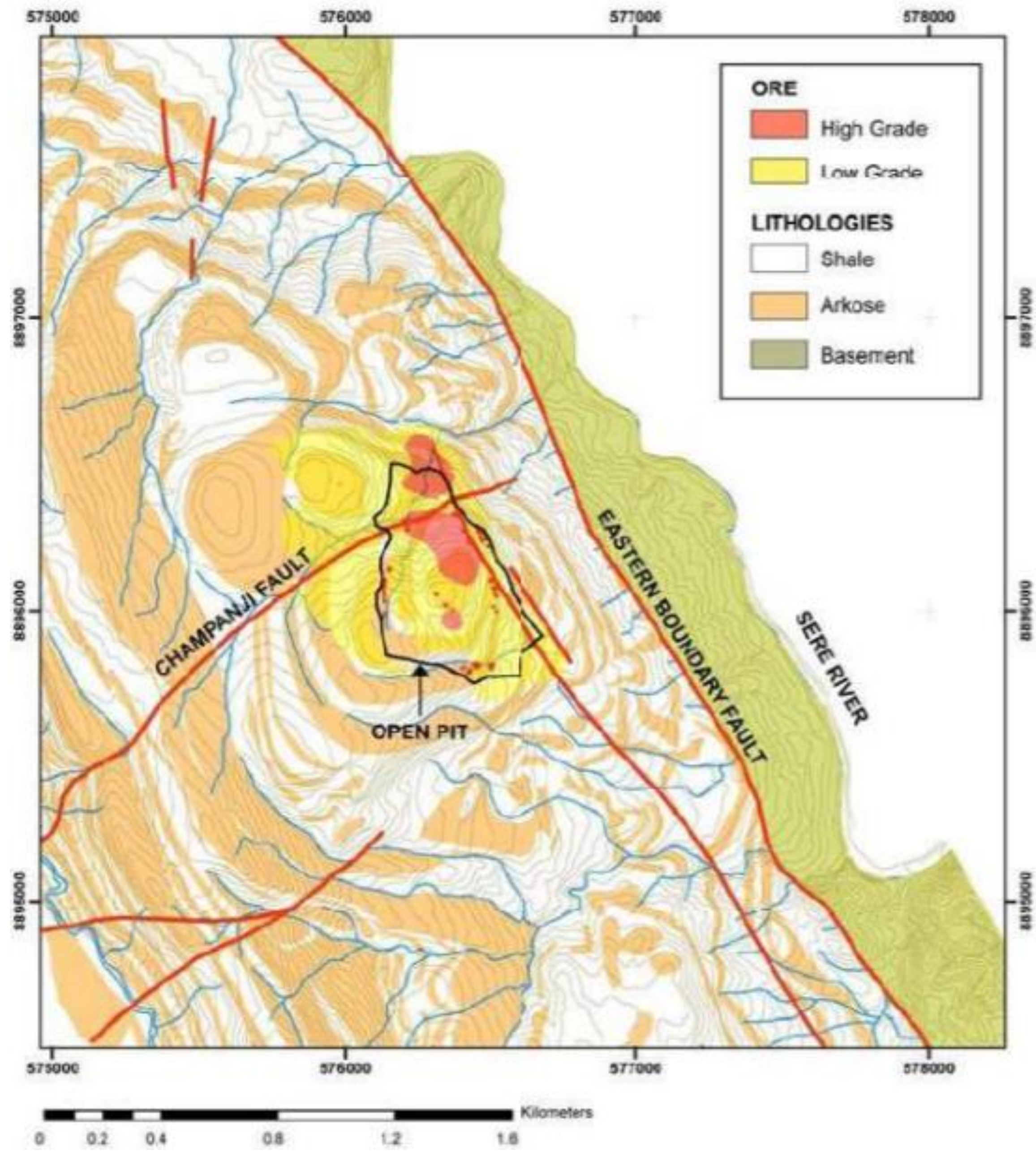


Figure 3 Local geology of the Kayelekera pit area

Source: Wilde *et al*, 2015

Figure 4 Stratigraphic column for the Kayelekera region

Source: Princep and Hutson, 2009

2.2.3. Previous Production and Exploration

The Central Electricity Generating Board of Great Britain (CEGB) discovered the Kayelekera sandstone uranium deposit in the early 1980’s and undertook significant drilling and evaluation work resulting in a full feasibility study being completed in 1991. That study indicated that the project was not economic, primarily due to the low uranium price at the time. The tenement was surrendered in the early 1990’s. Paladin acquired a 90% equity in the project through a joint venture in the late 1990’s and acquired the entire project in 2005. A feasibility study commenced in 2005 and in 2007 the mining licence was granted for a 15 year period. The grant of the mining licence occurred after a Development Agreement was executed between Paladin and the Government of Malawi. That agreement secured several significant economic benefits for the project in return for a 15% equity in the project being transferred to the Government of Malawi. Mining operations commenced in 2007. The processing plant at Kayelekera was designed to process 1.5Mt per annum for an expected 3.3Mlb of U_3O_8 per year. Between commissioning the processing plant and suspension of the operation in early 2014 Kayelekera has produced 10.9Mlb of uranium.

The Hylea ASX release of 24 June 2019 along with the Paladin Energy Limited NI43-101 technical report lodged in 5

January 2009 which is available on the SEDAR website (www.Sedar.com) detail the previous exploration and production history from the mine.

2.2.4. Recent Exploration Activities

Since the Kayelekera mine was placed on care and maintenance in early 2014 there has been minimal exploration on the regional tenements or the Kayelekera mining lease. Eleven targets were identified by Paladin from earlier airborne radiometric and magnetic surveys completed in 2008. These targets were partly drill tested prior to the suspension of the mining and processing activities at Kayelekera. Paladin had focussed its exploration efforts targeting high grade mineralisation (>1000ppm U_3O_8) that could supplement the mill feed at Kayelekera. The early exploration activities were reported by Paladin to intersect weak uranium mineralisation however no high grade uranium mineralisation had been identified at the time of the suspension of mining.

Regional work away from the Kayelekera deposit that has been completed since 2008 includes;

- An airborne radiometric and magnetic survey which has been the main targeting tool.
- Ground radiometric surveys focused on anomalous areas identified by the airborne survey
- Pitting and trenching of selected targets (mainly Mapambo)
- Reverse Circulation Percussion (RCP) drilling in seven target areas (195 holes)
- Acquisition of satellite imagery (Aster and Alos)
- Geological mapping and traversing.

VRM has reviewed several non-public reports completed by the Paladin exploration geologists and considers that while the recent exploration has identified several encouraging targets significant additional work is required to determine the exploration potential within the tenements adjacent to or along strike of the Kayelekera deposit. Overall the exploration tenements are considered very early stage exploration projects.

2.2.5. Mineral Resource Estimate

The JORC 2004 Mineral Resource Estimates for the Kayelekera uranium deposit have been previously reported by Paladin in the ASX release of 8 January 2009 and in the 5 January 2009 NI43-101 resource report. Hylea documented the Mineral Resources in the ASX release of 24 June 2019. These mineral resources have been re-reported as depleted resources in multiple later ASX releases by Paladin to account for the mining up until mining ceased in early 2014 and recently by Hylea on 24 June 2019.

The Resource report released under the NI43-101 reporting guidelines is, in the opinion of VRM, likely to be able to be reported in accordance with JORC 2012 if additional disclosure and reporting is carried out including completing the JORC table 1.

The NI43-101 report details, among other technical aspects, the drilling information, assay techniques, quality assurance / quality control (QAQC) undertaken for the resource estimates, the estimation methodology and classification of the mineral resources. It is considered likely that the details included in these reports would with minor additional information provide sufficient information for the JORC 2004 resources to be reported in accordance with JORC 2012.

The mineral resource estimate was undertaken using industry standard estimation practices with the estimation undertaken using the Multiple Indicator Kriging method with assays determined by both chemical analysis (XRF determination in an independent laboratory) along with downhole gamma logging using industry standard procedures. A typical long section and oblique cross-section of the deposit are shown in Figure 5 and Figure 6 respectively.

These resource estimates have been depleted for the mining activities since these resources were initially publicly announced.

The mineral resource estimates have been undertaken by an experienced competent person being Mr David Princep who was at the time a Principal Geologist at Paladin. Mr Princep is a member of the AusIMM and prior to working at Paladin was a Resource consultant for an independent consulting firm. Mr Princep has visited the project on multiple occasions during his tenure with Paladin. VRM has been informed that Mr Princep, now an independent resource consultant has been engaged by Hylea to assist with the review of these mineral resources with the objective to, if possible, re-report these resources in compliance with the 2012 JORC code.

Table 2 Kayelekera Uranium Deposit Mineral Resource Estimates

Classification	Tonnage (Mt)	U_3O_8 (ppm)	Contained U_3O_8 (Mlb)
Measured	0.7	1,011	1.7
Indicated	12.7	700	19.6
Inferred	5.4	623	7.4
Total Mineral Resources	18.8	694	28.7
Stockpiles	1.6	756	2.6

Note Hylea has not reported the Stockpiles as a part of the Mineral Resource Estimate however VRM has reviewed multiple ASX releases by Paladin and considers the stockpiles as an important aspect of the mineralisation. They are not included in the total mineral resource estimates however if the project were re-commissioned it is likely that the stockpiles would be the first material processed. VRM further notes that in the CSA Global valuation report completed in 2017 these stockpiles were reported as measured stockpiles.

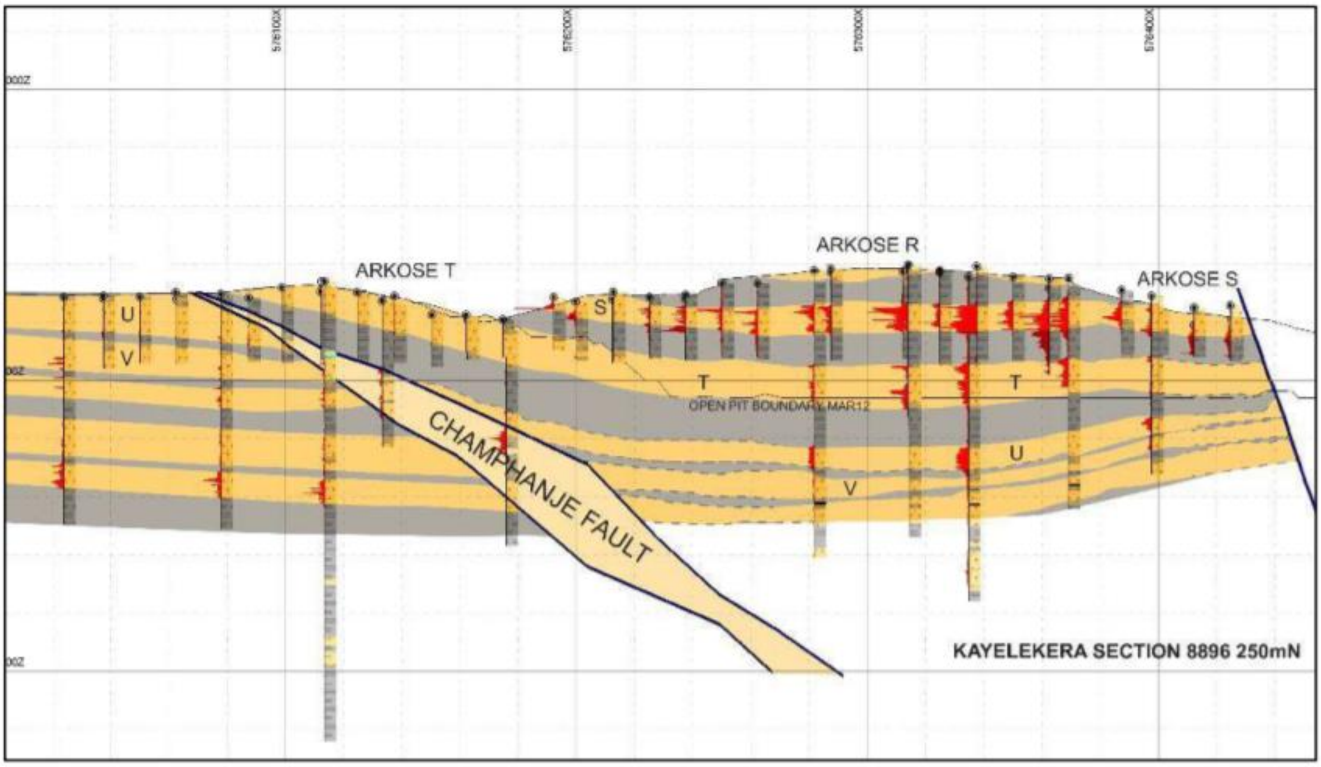


Figure 5 Long section through Kayelekera Uranium Deposit.

Source: Princep and Hutson, 2009

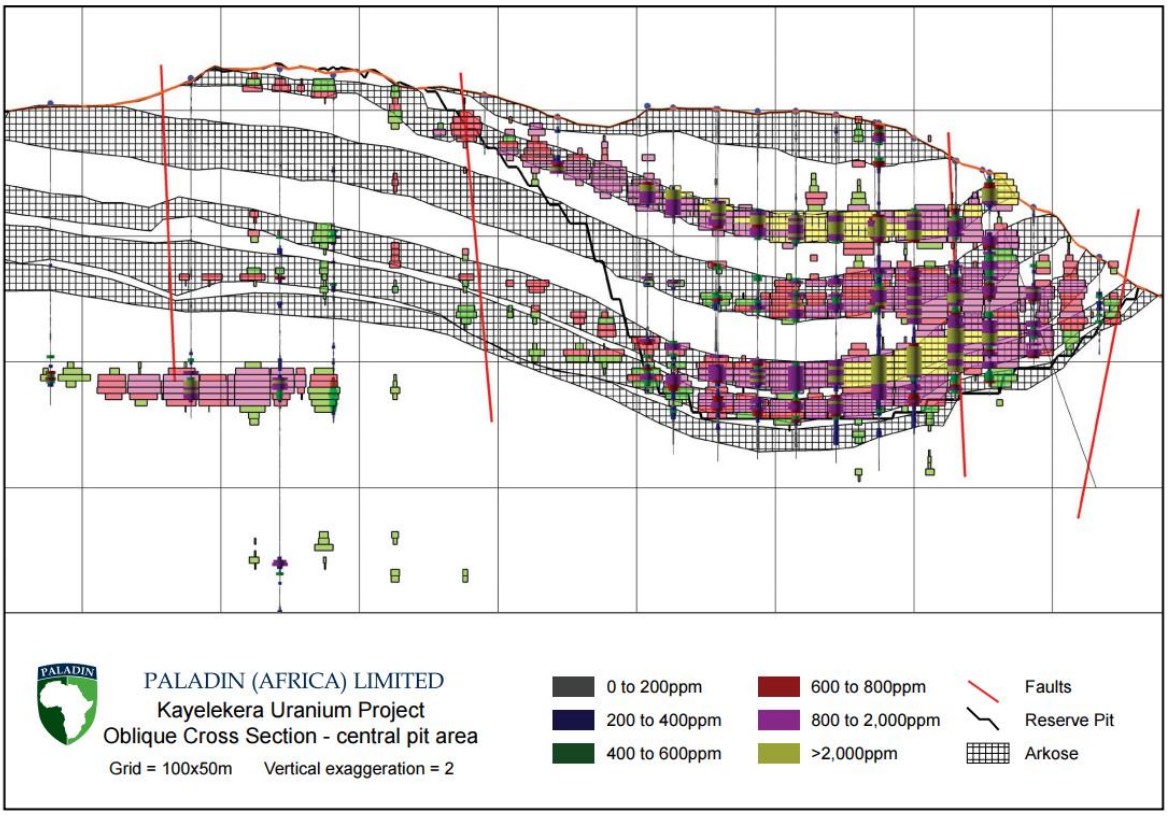


Figure 6 Oblique Cross Section through Kayelekera Uranium Deposit

Source: Princep and Hutson, 2009

2.2.6. Ore Reserves

As at the valuation date there are no JORC 2012 Ore Reserves estimated for the Kayelekera Project.

Paladin Energy Limited stated an Ore Reserve (JORC Code 2004 and NI 43-101) adjusted for mining to June 2014. However, due to current uranium prices, permitting requirement, and lack of a JORC 2012 Pre-Feasibility Study (PFS) level study it is likely that the currently stated Ore Reserves do not meet the requirement of Ore Reserves under the JORC Code 2012. In the ASX release of 24 June 2019 Hylea reported that in their opinion there are no Ore Reserves

Therefore, VRM has not repeated the Ore Reserve statements quoted by Paladin Energy in this report. The primary reasons are the continued low uranium prices and the requirements to complete the required JORC 2012 feasibility studies along with the capital costs of re-developing and re starting the project. VRM does not consider that there are current Ore Reserves for the project.

2.2.7. Exploration Potential

There is considerable exploration potential within the extensive Karoo sediments within the exploration and mining tenements that constitute the Kayelekera uranium project. The main targeting tool that has been used by Paladin since 1999 has been airborne radiometric and magnetic surveys with these followed up by ground based magnetics and radiometric surveys. A total of 195 regional exploration holes have been drilled in the area since 2008 with Paladin targeting high grade (>0.1% U_3O_8) mineralisation that is capable of being processed at the Kayelekera processing plant.

There are several targets within the exploration tenements that require additional work including at the Mwankeja South, Livingstonia and Chilumba prospects. Additional structural targets exist at the Nthalire areas as shown in Figure 7.

Most of these targets have exposed Karoo sediments mapped by both regional and detailed company generated geological mapping. Significant additional work is required on the regional tenements and the various targets within the Kayelekera mining lease.

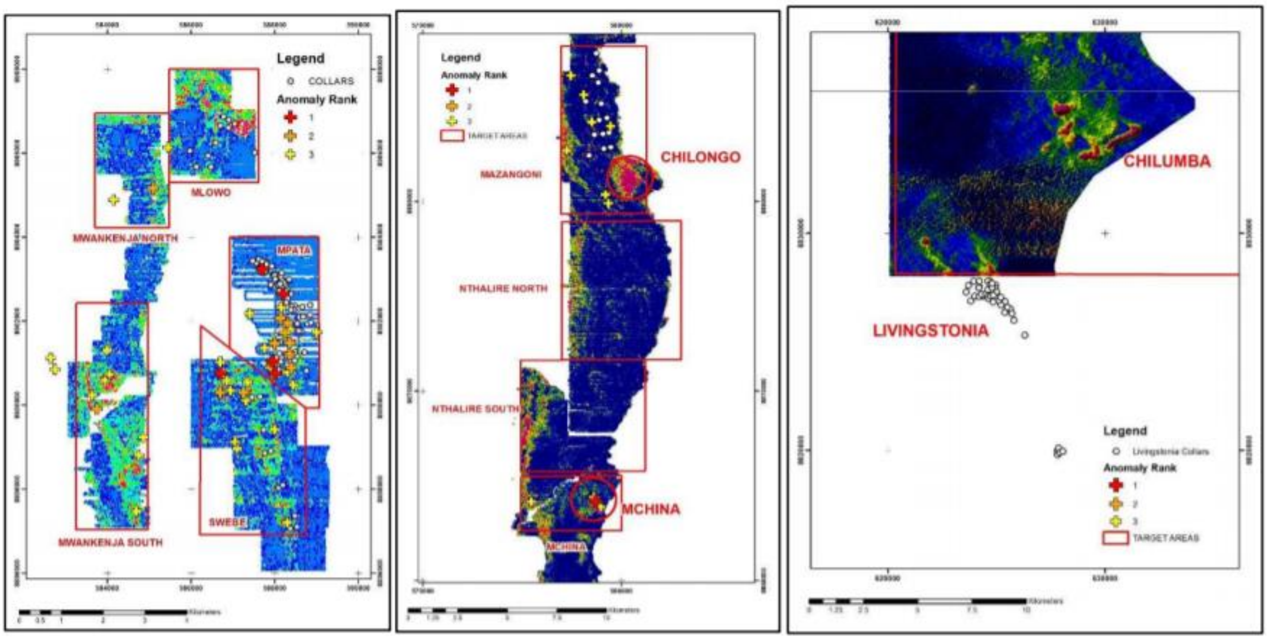


Figure 7 Regional Radiometric Surveys identifying the priority targets.

Source: Hylea ASX release, 24 June 2019

3. Valuation Methodology

The VALMIN Code outlines various valuation approaches that are applicable for projects at various stages of the development pipeline. These include valuations based on market based transactions, income or costs as shown in Table 3 and provides a guide as to the most applicable valuation techniques for different assets.

Table 3 VALMIN Code 2015 valuation approaches suitable for mineral projects

Valuation Approach	Exploration Projects	Pre-development Projects	Development Projects	Production Projects
Market	Yes	Yes	Yes	Yes
Income	No	In some cases	Yes	Yes
Cost	Yes	In some cases	No	No

From VALMIN Code 2015

While the Kayelekera project has an Ore Reserve reported by Paladin Energy Limited, VRM considers that these are not current Ore Reserves as the project is on care and maintenance due to the depressed uranium market. Additionally, these Ore Reserves were reported in accordance with JORC 2004 and the Mineral Resources are also reported according to JORC 2004 and NI43-101. A significant improvement in the uranium price would be required prior to the deposit being economically or commercially viable. Therefore, VRM does not consider an income based valuation is an appropriate for the project. In VRM's opinion the most suitable primary valuation method for the Mineral Resources within the Kayelekera project is a market based comparable transaction valuation with the secondary valuations being a yardstick valuation.

The valuation approach for the surrounding exploration tenements which are best described as early stage projects is based on a comparable transaction valuation on the tenement area with a secondary valuation being a Geoscientific or Kilburn valuation.

3.1. Previous Valuations

VRM has undertaken a review of previous valuations for the Kayelekera project including a review of the Paladin Energy Limited ASX release titled Paladin Energy Limited (subject to a deed of company arrangement) Explanatory Statement dated 22 December 2017. That ASX release included a valuation of the Kayelekera project and the exploration projects that were granted at that time. The valuation was contained in an Independent Experts Report prepared by PPB Advisory with the valuation of the non Langer Heinrich Uranium projects (including Kayelekera) being undertaken by CSA Global.

3.2. Valuation Subject to Change

The valuation of any mineral project is subject to several critical inputs most of these change over time and this valuation is using information available as of 24 June 2019 being the valuation date for this report. This valuation is subject to change due to variations in the geological understanding, variable assumptions and mining conditions, climatic variability that may impact on the development assumptions, the ability and timing of available funding to advance the project, the current and future commodity prices, exchange rates, political, social, environmental aspects of a possible development, a multitude of input costs including but not limited to fuel and energy prices, steel prices, labour rates and supply and demand dynamics for critical aspects of the potential development like mining equipment. While VRM has undertaken a review of multiple aspects that could impact the valuation there are numerous factors that are beyond the control of VRM. This valuation assumes several forward-looking production and economic criteria which would be unreasonable for VRM to anticipate.

As at the date of the report (19 August 2019) in VRM's opinion there have been no significant changes in the underlying inputs or circumstances that would make a material impact on the outcomes or findings of this report.

3.3. General assumptions

The Kayelekera Project and associated tenements are valued using appropriate methodologies as described Table 3 in the following sections. The valuation is based on a number of specific assumptions detailed above, including the following general assumptions;

- That all information provided to VRM and its associates is accurate and can be relied upon,
- The valuations only relate to the Kayelekera Project and the associated exploration tenements and not Hylea Metals Limited nor their shares or market value,
- That the mineral rights, tenement security and statutory obligations were fairly stated to VRM by Hylea and that the mineral licences will remain active,
- That all other regulatory approvals for exploration and mining are either active or will be obtained in the required and expected timeframe,
- That the owners of the mineral assets can obtain the required funding to advance the project as assumed,
- That the current mineral resource estimates and any modifying factors assumed in their estimation remain reasonable and valid,
- The uranium price (where it is used in the valuation) are as at 24 June 2019, being of US$24.7/lb or uranium oxide concentrates. (www.uxc.com),
- The US$ - AUD$ exchange rate of 0.696513 and the MWK - AUS$ exchange rate of 529.001 has been used (xe.com), and
- All currency in this report are Australian Dollars (AUD$), unless otherwise noted, if a particular value is in United States Dollars, it is prefixed with US$ while Malawi Kwacha are prefixed with MWK.

3.4. Market Based Valuations

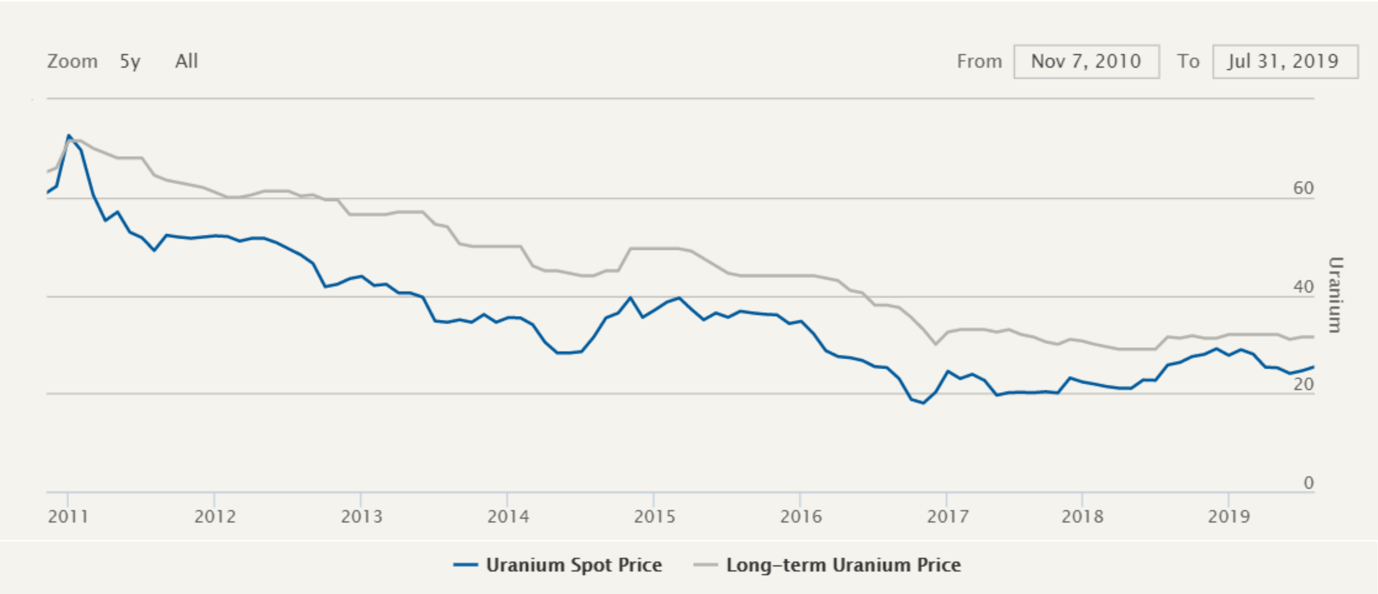
As the projects being valued in this report are uranium projects it is important to note the current status of the uranium market prior to completing the valuation.

3.4.1. Uranium Market

The uranium market conditions have been extremely depressed for over eight years since the Japanese tsunami and reactor damage and radioactive leaks from the Fukushima nuclear power plant which occurred on 11 March 2011. Since the tsunami and reactor damage there has been a significant, fundamental and prolonged period of depressed uranium prices. Uranium prices are published by independent market consultants UxC, LLC (UxC) and TradeTech.

The uranium price quoted is for U_3O_8 or uranium oxide concentrate with different processing facilities producing slightly different uranium concentrates as either U_3O_8 or UO_4. Uranium does not trade on an open market like other commodities with uranium contracts negotiated privately. Most uranium production is sold under long term contracts. Since the mid 1990's the long term contract prices have typically been 20% higher than the spot prices as shown in the uranium price graph below.

Below is a graph of the uranium price since November 2010 showing the spot and long term contract uranium prices.



From https://www.cameco.com/invest/markets/uranium-price

The overall uranium price while negotiated privately is also underpinned by the typical supply and demand dynamics of most other commodities, the main difference is the lead time for a nuclear utility purchasing the uranium concentrates from a mining operation and the that uranium concentrate being converted into fuel rods for use in a nuclear reactor. In addition to the enrichment, conversion and fuel fabrication, timeframes several utilities require fuel inventories or secured supplies of uranium to ensure sufficient fuel for their existing and planned reactor fleet. Given the high capital cost of a nuclear reactor and the long life cycle of most of the reactor designs of up to 60 years it is critical for the utilities to ensure stable long term supply to meet their demands. It is the current expansion to the global reactor fleet that potentially underpins the future primary uranium demand with that demand being partly offset by earlier than planned reactor closures along with plans for a reduced reliance on nuclear power or a phase out policies in some countries. This demand is supplied by a combination of primary new supplies from existing mining operations or secondary supplies, generally from re-processing used fuel along with to secondary supplies of highly enriched uranium from various nuclear weapons programs.

3.4.2. Valuation of Advanced Projects

There are several valuation methods that are suitable for advanced projects these include;

- Financial modelling including DCF valuations,
- Comparable Market Based transactions including Resource and Reserve Multiples,
- Joint Venture Transactions, and

- Yardstick valuations.

As there are no current Ore Reserves estimated for the project VRM does not consider an income based valuation approach is suitable as a primary valuation method. There are significant modifying factors that impact the viability and economic returns of a mining operation. Until the modifying factors are updated to account for the current market conditions and identified and quantified by additional studies, typically completed as a part of an Ore Reserve Estimation, it is VRM's opinion that any assumptions in critical modifying factors could, and often would, have a material impact on a valuation using an income approach. Even if an income approach were used the variables would create a very wide range in valuations therefore limiting the usefulness in assessing a primary fair market valuation.

3.4.2.1. Comparable Market Based Transactions

A comparable transactional valuation is a simple and easily understood valuation method which is broadly based on the real estate approach to valuation. It can be applied to a transaction based on the contained metal (for projects with Mineral Resource Estimates reported) or on an area basis for non-resource projects. Advantages of this type of valuation method include that it is easily understood and applied, especially where the resources or tenement area is comparable and the resource or exploration work is reported according to an industry standard (like the JORC Code or NI43-101); however is not as robust for projects where the resources are either historic in nature, reported according to a more relaxed standard, or are using a cut-off grade that reflects a commodity price that is not justified by the current market fundamentals. If the projects being valued are in the same or a comparable jurisdiction, then it removes the requirement for a geopolitical adjustment. Finally, if the transaction being used is recent then it should reflect the current market conditions. Difficulties arise when there are a limited number of transactions, where the projects have subtle but identifiable differences that impact the economic viability of one of the projects. For example, the requirement for a very fine grind required to liberate gold from a sulphide rich ore or where the ore is refractory in nature and requires a non-standard processing method. In the uranium context the differences would occur with different processing techniques (acid or alkaline leach processing) or different extractive methods (mining or in-situ leach extraction).

The information for the comparable transactions has been derived from various sources including the ASX and TSX releases associated with these transactions, a database compiled by VRM for exploration stage projects (with resources estimated) and development ready projects.

This valuation method is the primary valuation method for exploration or advanced (pre-development) projects where Resources have been estimated but no current Ore Reserves or financial models have been completed. More advanced projects would typically be valued using an income approach due to the modifying factors for a mining operation being better defined.

The preference is to limit the transactions and resource multiples to completed transactions from the past two to three years in either the same geopolitical region or same geological terrain however due to the limited number of uranium project based transactions in southern Africa the transactions have been based on any projects with less than 100Mlb of contained uranium within southern Africa since mid-2011. This removes the outliers created by large long life tier one assets and transactions that occurred prior to the tsunami and reactor damage and radioactive leaks from the Fukushima nuclear power plant which occurred on 11 March 2011. Since the tsunami and reactor damage there has been a significant, fundamental and prolonged period of depressed uranium prices.

The Resource multiples used by VRM have been normalised to the current uranium price compared to the uranium price as at the time of the transaction. The value of the transaction in Australian dollars was determined based on the exchange rates when transaction was announced.

The comparable transactions have been compiled for advanced projects where Resources have been estimated. Appendix A details the Resource Multiples for a series of transactions that are considered at least broadly comparable.

3.4.2.2. Yardstick Valuation

A yardstick valuation was undertaken as a check of the comparable transactions. This yardstick valuation is based on a rule of thumb as supported by a large database of transactions where resources and reserves at various degrees of confidence are multiplied by a percentage of the spot price. The database is an in-house compilation of historical publicly announced transactions (dominantly from ASX releases) with various resource classifications. The yardstick valuation factors used in this report are in line with other yardstick valuation factors commonly used by other independent specialists and used in other VALMIN reports.

Typically, commodities which are sold as concentrates transact at significantly lower yardstick multiples to reflect the proportion of the value of the metal in concentrate that is paid to the producer. Gold is typically sold directly to a refinery or mint as gold Dore (an alloy of gold and silver) and a very high proportion of the metal value is paid to the producer, often >97% while concentrates result in a much lower proportion of the metal value being paid to a producer (often as low as 50-60% of the metal value). Table 4 details the yardstick multiples used for uranium projects. The yardstick multiples used have been slightly reduced due to the Kayelekera Mineral Resources being reported according to JORC 2004 and NI 43-101. The mineralised stockpiles have been valued using the same yardstick multiple as would be used for the measured resources due to the lower cost associated with preparing this material for processing should the project be put back into production. VRM does however note that Hylea has reported to VRM that it is in the process of updating the reporting of these resources to JORC 2012 standards.

The US$-AUD$ exchange rate and spot commodity prices as of 24 June 2019 and documented above have been used to determine the yardstick valuation.

Table 4 Yardstick Multiples used for uranium projects

Resource or Reserve Classification	Lower Yardstick Multiple	Upper Yardstick Multiple
	(% of Spot price)	(% of Spot price)
Ore Reserves and Stockpiles	1%	2%
Measured Resources (less Proved Reserves)	1%	2%
Indicated Resources (less Probable Reserves)	0.5%	1%
Inferred Resources	0.3%	0.5%

3.4.3. Exploration Asset Valuation

To generate an overall value of the entire project it is important to value all the separate parts of the mineral assets under consideration. In the case of the advanced projects (with reserves or resources) the most significant value drivers for the overall project are the Resources or Reserves for earlier stage projects a significant contributor to the projects value is the exploration potential. There are several ways to determine the potential of pre-resource projects, these being;

- A Geoscientific or Kilburn Valuation
- Comparable transactions based on the projects' area
- Joint Venture Terms
- A prospectivity enhancement multiplier (PEM)

The methodology to determine the Comparable transactions based on a projects area is undertaken using the same methodology as that described for the Comparable transactions' valuation for advanced projects section; however transactional value is applied to the project's area rather than the resources. The Joint Venture terms valuation is similar to the comparable transactions based on the project area other than a discount to the Joint Venture terms is applied to account for the time value of money (an appropriate discount rate is applied) and a discount to the earn-in expenditure to account for the chance that the Joint Venture earn-in expenditure is not completed in the agreed timeframe.

VRM considers the comparable transaction multiples as detailed above to be the most robust valuation technique especially where there are similar geological, geopolitical and geographical projects. Therefore, VRM considers the primary valuation technique for the exploration potential to be a comparable transaction multiple. A Geoscientific or Kilburn valuation method while still considered to be robust has been used as a secondary valuation method. The reason that a geoscientific method is a secondary method is that there has been minimal exploration undertaken and reported on the exploration tenements surrounding the Kayelekera uranium project. It is the view of VRM that the least transparent and most variable valuation method is a PEM valuation, this has been done as a validation of the primary and secondary valuation methods.

3.4.3.1. Geoscientific (Kilburn) Valuation

One valuation technique that is widely used to determine the value of a project that is at an early exploration stage without any mineral resources or reserve estimates was developed and is described in an article published in the CIM bulletin by Kilburn (1990). This method is widely termed the geoscientific method where a series of factors within a project are assessed for their potential. While this technique is somewhat subjective and open to interpretation it is a method that when applied correctly by a suitably experienced specialist enables an accurate estimate of the value of the project. There are five critical aspects that need to be considered when using a Kilburn or Geoscientific valuation, these are the base acquisition cost, which put simply is the cost to acquire and continue to retain the tenements being valued. The other aspects are the proximity to both adjacent to and along strike of a major deposit (Off Property Factors), the occurrence of a mineral system on the tenement (On Property Factors), the success of previous exploration within the tenement (Anomaly Factors) and the geological prospectivity of the geological terrain covered by the mineral claims or tenements (Geological Factors). In early stage projects often the anomaly factors and geological factors have limited information.

While this valuation method is robust and transparent it can generate a very wide range in valuations, especially when the ranking criteria are assigned to a large tenement. This method was initially developed in Canada where the mineral claims are generally small therefore reducing the potential errors associated with spreading both favourable and unfavourable ranking criteria to be spread over a large tenement. Therefore, VRM either values each tenement or breaks down a larger tenement into areas of higher and lower prospectivity.

Table 5 documents the ranking criteria while the inputs and assumptions that were used to derive the base acquisition cost (BAC) for each tenement are detailed in the valuation section below.

Table 5 Ranking criteria are used to determine the geoscientific technical valuation

Rating	Off-property factor	On-property factor	Anomaly factor	Geological factor
0.1				Generally unfavourable geological setting
0.5			Extensive previous exploration with poor results	Poor geological setting
0.9			Poor results to date	Generally favourable geological setting, under cover
1.0	No known mineralisation in district	No known mineralisation within tenement	No targets defined	Generally favourable geological setting
1.5	Mineralisation identified	Mineralisation identified	Target identified, initial indications positive	
2.0	Resource targets identified	Exploration targets identified		Favourable geological setting
2.5			Significant intersections - not correlated on section	
3.0	Along strike or adjacent to known mineralisation	Mine or abundant workings with significant previous production		Mineralised zones exposed in prospective host rocks
3.5			Several significant ore grade intersections that can be correlated	
4.0	Along strike from a major mine(s)	Major mine with significant historical production		
5.0	Along strike from world class mine			

The technical valuation derived from the Kilburn ranking factors are frequently adjusted to reflect the geopolitical risks associated with the location of the project and also the current market conditions toward a specific commodity or geological terrain. These adjustments can either increase or decrease the technical value to derive the fair market valuation.

Using the ranking criteria from Table 5 along with the base acquisition costs tabulated in the Appendices an overall technical valuation was determined.

The technical valuation was discounted to derive a market valuation. A market factor was derived to account for the geopolitical risks of operating in Malawi and the status of the market toward uranium projects.

Malawi has several geopolitical risks including government approvals, government stability and environmental and permitting risks along with social and community risks. The discount applied has been determined by subjectively comparing multiple jurisdictions in Africa based on a political risk index map reviewed from www.marsh.com an international insurance broking and risk management consultancy. As the Kayelekera Project has much of the infrastructure in place including processing facilities, access roads and tailings storage facilities most of the construction and regulatory or approvals risks are considered to be significantly reduced however social and tenure risks are considered to be elevated.

In addition to the jurisdictional risks there are also market based factors that can dramatically change the market valuation. Therefore, an additional discount has been applied for to account for the current state of the uranium price and general market sentiment toward uranium projects.

On that basis, the technical valuations are discounted by 25% for the uranium market conditions while there has been a 30% discount applied for the geopolitical risks associated with Malawi.

4. Kayelekera Uranium Project Valuation

4.1. Mineral Assets

The mineral assets been valued as a part of this ITAR are the Kayelekera uranium deposit and the mining lease that it is within and five separate, partly adjacent exploration tenements, as detailed in section 3 above. All these assets are within Malawi, southeast Africa. The assets include the;

- Kayelekera uranium deposit including Mineral Resources and Kayelekera mining lease (MLI 152)
- The early stage exploration tenements including
  - Mapambo (EPL225),
  - Rukuru (EPL417)
  - Uliwa (EPL418)
  - Nthalire (EPL489) and
  - Juma-Miwango (EPL502)

As the Kayelekera deposit hosts a JORC 2004 Mineral Resource Estimate and no current Ore Reserves the primary valuation has been determined using comparable transactions (resource multiplier) method. The total asset value of the combined project has been derived using a sum of the parts being the resource valuation (determined by resource multiples) added to the exploration potential as determined by a comparable transaction (area based multiple) valuation.

While Paladin has completed a Re-Start Study into the Kayelekera Mine this report has not been publicly released. One of the findings in that report was that there are no material technical issues restricting a re-start of the operations and importantly the underlying uranium market required a significantly higher uranium price to provide a sufficient return on the required investment. This study along with the considerable costs associated with the care and maintenance of the Kayelekera processing facilities and mine infrastructure are likely reasons for Paladin divesting the project.

Secondary valuation methods have also been undertaken as a check to the primary valuation method. Secondary valuation methods used for the resource projects includes a yardstick valuation while the secondary valuation for the exploration tenements has been determined based on a geoscientific or Kilburn valuation.

4.1.1. Kayelekera Uranium Deposit

The valuation of the Kayelekera Uranium Project undertaken by VRM was undertaken as a sum of the individual parts basis with several valuations undertaken for the Resources (the Kayelekera uranium deposit) with additional value derived from the exploration upside associated with the five surrounding exploration tenements. The resources have been valued as an advanced exploration project due to there not being any current Ore Reserves. The valuation techniques include a resource multiple based on comparable transactions with secondary valuation methods include a yardstick valuation method. The exploration upside for the exploration tenements has been determined by comparable transactions on an area basis with a Kilburn or geoscientific valuation being used as a secondary valuation method. The details of these valuations are below and are based on the information and tenements as detailed in section 3.

4.1.1.1. Comparable Transactions – Resource Multiples

As detailed in Appendix A, VRM has reviewed a series of transactions that are considered broadly comparable to the Kayelekera uranium deposit. These are uranium projects that would reasonably be expected to be exploited by conventional open pit mining methods and processed via a standard acid leach extraction.

From the analysis of the completed transactions from comparable projects VRM has determined that the resource multiples for broadly comparable projects range from A\$0.06/lb U_3O_8 to A\$0.45/lb U_3O_8. In VRM's opinion to remove the potential outliers it is preferable to use the 25th and 75th percentiles and the median of the transactions for potential resource multiples. Therefore, the fair market valuation is considered to be within a range from a lower resource multiple of A$0.07/lb U_3O_8 (25th percentile), an upper resource multiple from the 75th percentile being A$0.38/lb U_3O_8 with the preferred resource multiple based on the median of A$0.14/lb U_3O_8.

VRM has critically reviewed the potentially comparable transaction and considers that the lower resource multiple is for a project that is at a significantly earlier stage of evaluation when compared to the Kayelekera deposit. The reasons for the higher resource multiple also include the associated infrastructure that is associated with the project including the processing facility, tailings facilities and associated infrastructure. The Kayelekera project also has most of the regulatory permits to allow the project to be rapidly progressed toward production given favourable market conditions. Therefore, in our professional opinion we have determined the fair market value based on a lower resource multiple of $0.15/lb, an upper resource multiple of $0.40/lb and a preferred value based on a multiple of $0.25/lb.

Significantly the only uranium project that has transacted in the past five years that included associated processing infrastructure is the Honeymoon Uranium project in South Australia. While there are significant differences between Honeymoon and Kayelekera the resource multiple determined from the Honeymoon transaction was determined to be $0.395/lb of contained uranium. The Honeymoon project is amenable to in-situ leaching with these projects usually on the lower end of the uranium production cost curve. It would therefore be reasonable to assume that the Kayelekera project would potentially be a higher cost producer than Honeymoon and therefore attract a slightly lower resource multiple. There were however production and commissioning issues with the Honeymoon project with the total production being 0.74Mlb of uranium oxide concentrates while the Kayelekera project produced 10.9Mlb t of uranium oxide concentrates prior to being placed on care and maintenance due to the low uranium prices. It would be reasonable to assume given the production history of the two projects that Kayelekera would transact at a slightly higher resource multiple than Honeymoon. Overall in VRM's opinion it is reasonable to use $0.40/lb U_3O_8 to determine the upper valuation of the Kayelekera project.

The resource multiples detailed above and supported by the information in Appendix A have been used along with the JORC 2004 Kayelekera Resource detailed in section 3 above to determine the valuations shown in Table 6.

Table 6 Comparable transaction valuation summary for the Kayelekera Uranium Deposit.

Kayelekera Uranium Project			
	Lower	**Preferred**	**Upper**
Contained Resource (Mlb U_3O_8)	28.7	28.7	28.7
Contained Stockpiles (Mlb U_3O_8)	2.6	2.6	2.6
Resource Multiple ($/lb U_3O_8)	$0.15	$0.25	$0.40
Resource Valuation (AUD$ million)	**$4.0**	**$6.7**	**$10.6**

Note appropriate rounding has been applied to the Resource estimate and the valuation. For this comparable transaction multiple valuation, the Resources have been combined with the stockpiles.

Therefore, VRM considers the Mineral Resource Estimates within the Kayelekera Project to be valued, based on comparable transactions, at between **$4.0 million** and **$10.6 million** with a preferred valuation of **$6.7 million**. In addition to this value the exploration potential on the surrounding tenements needs to be included to determine the value of the entire project. The exploration potential has been derived via comparable transactions on an area basis for early stage exploration projects.

4.1.1.2. Comparable Transactions – Area Based Multiples

As was undertaken for the comparable transaction resource multiple valuation for the Kayelekera Resources a comparable transaction valuation was undertaken for the exploration tenements adjacent to or along strike from the known Kayelekera mining lease. In addition to the resource multiples detailed in Appendix A an area based comparable transaction multiple for projects within southern Africa have also been documented where there are large prospective tenement holdings with either no resource or a small mineral resource. There are five projects that are considered to be broadly comparable to the exploration tenements included in the Kayelekera project, these are all targeting sediments in the Karoo basin. When these projects are normalised to the current uranium price these transactions occurred at between $143.6/km^2 and $1356.5/km^2. The 25th percentile of these transactions is $555/km^2 and the 75th percentile is $1308.6/km^2. The average is $924/km^2 and the median is $909/km^2. As the area based multiples are for 100% of the project these multiples need to be reduced to account for the relative equity being acquired as a part of the transaction.

Therefore, in VRM's opinion it is reasonable to use an area based multiple of $500 as the lower multiple, the upper value is determined based on a multiple of $1100/km2 while the preferred value is based on a $775/km2 multiple.

In undertaking this valuation VRM has confirmed the area of each of the granted tenements that constitute the exploration tenements of the Kayelekera project. The exploration tenements cover a total of 601.29km2 resulting in a lower comparable value of $0.30 million, an upper value of $0.66 million and a preferred valuation of $0.47 million. No value was assigned to the Kayelekera mining lease as in the opinion of VRM the exploration potential of that lease is captured in the resource multiple valuation above.

4.1.1.3. Yardstick

Table 7 details the yardstick multiples were used to determine the value of the Resources and stockpiles within the Kayelekera Projects while Table 8 tabulates the valuation for the project based on the current Resources and stockpiles.

Table 7 Yardstick Multiples used for the Kayelekera Project

Resource or Reserve Classification	Lower Yardstick Multiple	Upper Yardstick Multiple
	(% of Spot price)	(% of Spot price)
Stockpiles	1.0%	2.0%
Measured Resources	1.0%	2.0%
Indicated Resources	0.5%	1.0%
Inferred Resources	0.3%	0.5%

Table 8 Yardstick Valuation of 100% of the Kayelekera Resources

	Resource Contained U_3O_8	$/lb	Valuation (AUD$ million)		
			Low	Preferred	High
Stockpiles	2.6	35.46	0.92	1.38	1.84
Measured	1.7	35.46	0.60	0.90	1.21
Indicated	19.6	35.46	3.48	5.21	6.95
Inferred	7.4	35.46	0.79	1.05	1.31
Valuation 100% of Kayelekera Project ($M)			5.8	8.5	11.3
Valuation 85% of Kayelekera Project ($M)			**$4.9**	**$7.3**	**$9.6**

Note: The yardstick valuation of uses the commodity prices and exchange rates as at 24 June 2019. Appropriate rounding has been applied to the resources, stockpiles and the valuation total.

The yardstick valuation is broadly in line with the comparable transaction valuation however it is considered by VRM to be a useful guide of a possible valuation and should not be used as a primary valuation method.

4.1.1.4. Geoscientific Valuation

There are several specific inputs that are critical in determining a valid geoscientific or Kilburn valuation, these are ensuring that the specialist undertaking the valuation has a good understanding of the mineralisation styles within the overall region, the tenements and has access to all the exploration and geological information to ensure that the rankings are based on a thorough knowledge of the project. In addition to ensuring the rankings are correct deriving the base acquisition costs (BAC) is critical as that is the primary driver of the final value. In this case the BAC is derived by the exploration commitment to maintain the tenement in good standing and annual tenement rents while the costs of the tenement applications and targeting have not been included. Therefore, in VRM's opinion the Kilburn valuation of the exploration tenements associated with the Kayelekera project are considered to be a lower valuation.

In VRM's opinion the value of the exploration potential within the mining lease that contains the Kayelekera uranium deposit has been captured by the resource or yardstick valuation methods above however the surrounding tenements have exploration potential which has been valued by this Kilburn valuation.

The Geoscientific rankings were derived for each of the Kilburn ranking criteria with the off property criteria considered to be between 2.5 and 3.5, the on Property criteria between 1.3 and 1.5, the anomaly factor between 1.3 and 1.8 while the geology criteria are considered to be between 1 and 1.5. When these ranking criteria are combined with the base acquisition cost as detailed in Appendix B this has determined the technical value as shown in Table 9.

Table 9 details the technical value of the exploration potential of the exploration tenements while the Fair Market Value of the exploration potential is based on a jurisdictional and market discount. The technical valuation has been discounted by 30% for the geopolitical and social risks associated with operating in Malawi while a 25% discount has been applied for the depressed uranium market. Overall the fair market valuation is detailed in Table 10. The base acquisition cost used in this valuation is based on the tenement rents and exploration commitments in Malawi Kwacha converted to Australian dollars using the exchange rate at 24 June 2019.

Table 9 Technical Valuation of the Kayelekera Project Exploration tenements

Tenement	**Technical Valuation (A$)**		
	Lower	**Preferred**	**Upper**
EPL417	$37,600	$65,700	$93,800
EPL418	$43,100	$75,300	$107,500
EPL225	$50,100	$87,450	$124,800
EPL489	$45,100	$68,100	$91,100
EPL502	$28,100	$42,450	$56,800
TOTAL	**$204,000**	**$339,000**	**$474,000**

Note the table above is the technical valuation which is the base acquisition cost multiplied by the ranking factors outlined in Appendix B

Table 10 Fair Market Valuation of the Kayelekera Project Exploration tenements

Tenement	**Market Valuation (A$ million)**		
	Lower	**Preferred**	**Upper**
EPL417	$0.02	$0.03	$0.05
EPL418	$0.02	$0.04	$0.06
EPL225	$0.03	$0.05	$0.07
EPL489	$0.02	$0.04	$0.05
EPL502	$0.01	$0.02	$0.03
TOTAL	**$0.1**	**$0.2**	**$0.3**

Note appropriate rounding to the total valuation has been undertaken.

The exploration potential in the five exploration tenements that are adjacent to or included in the Kayelekera transaction are considered by VRM to have a fair market value in Australian dollars of between **A$0.1 million and A$0.3 million** with a preferred value of **$0.2 million.**

5. Risks and Opportunities

As with all mineral assets there are several risks and opportunities associated with the projects and any valuation. Some of the risks and opportunities that are common to most projects include the risks associated with the security of tenure, environmental approvals and geopolitical risks. A significant risk to the project and this valuation is the risks of obtaining sufficient capital to undertake the potential mining activity. An additional risk is the economic climate including the uranium market including the uranium price and financial markets which have a significant impact on the ability of a company to secure the required funding and profitably exploit the identified mineralisation. These risks are largely outside the control of the company.

The Kayelekera Project has several project specific risks including several geotechnical risks associated with the high rainfall and steep terrain where the processing plant is located. There have been geotechnical stability issues (a land slip) in the past near specific sections of the processing plant being partly built adjacent to unstable ground conditions (Paladin ASX release June 2011 quarterly report), this has caused stability issues which have been managed by regular monitoring along with modifications to the mine design and location of stockpiles and waste dumps. Other risks are associated with the high rainfall in the area where all water captured within the processing and mine area requiring treatment prior to approved discharge of the treated water. This creates a large component of the care and maintenance costs associated with the project. In addition to these risks as the project is a uranium mine there is often a high degree of external monitoring both by government regulators and external non-government organisations. This creates a high social, environmental and compliance cost associated with the project.

Project implementation and commissioning risks are considered to be minimal due to the significant infrastructure associated with the project including the processing plant and tailings storage facilities all being constructed and the expectation that mining would occur via a single open pit therefore reducing the operational risks. One project specific risk is that the resource estimates which while undertaken by highly qualified competent specialists and underpinned by industry standard operating procedures and data have only been reported in accordance with the 2004 JORC code and NI43-101. While the reporting of the mineral resource estimates to a JORC 2012 standard is likely to be dominantly re-reporting the existing resource with the required JORC table 1 disclosure and reporting there is also the risk that an update to the resource would result in a higher cut-off grade being selected by the specialist due to the depressed uranium price and the requirement for resources to have a reasonable expectation of eventual economic extraction. While this hurdle is subjective there is the requirement for the cut-off grades selected and reported to a specified commodity price and the expected price required for extraction to be understood. The timeframe for this eventual economic extraction is not mandated however timeframes are provided in the JORC code as a guideline.

There are multiple opportunities associated with both the Kayelekera deposit and the exploration tenements. The most significant opportunities are associated with the exploration potential within the mining lease and the exploration tenements. There are several recently identified geophysical and structural targets within the tenement portfolio. These targets require additional work. Some of the targets include radiometric anomalies which require at least preliminary field assessment and potentially drilling. The final opportunity is the Kayelekera mining operation itself which could rapidly advance to production with a modest capital cost when compared to a new deposit. Approximately US$200 million has been reportedly spent on the infrastructure and processing facility which if well maintained may allow production to be fast tracked compared to other operations. The risk to the rapid re-commencement of mining and processing would be that any supply deficits that generate an increased uranium price could be filled by latent capacity from other low cost producers prior to the operation being re-commissioned or the capital costs of the re-commissioning being repaid.

6. Preferred Valuations

Based on the valuation techniques detailed above Table 11 provides a summary of the valuations based on the various techniques. The preferred valuations for the Kayelekera Uranium Project are documented in Table 12. Figure 8 shows the various valuations and VRM's preferred valuation range for the project.

Table 11 Summary of the Kayelekera Project Valuations.

Valuation Technique	Report Section	Valuation Type	Asset Being Valued	Lower Valuation (AUD$ M)	Preferred Valuation (AUD$ M)	Upper Valuation (AUD$ M)
Comparable Transactions Resource Multiples	4.1.1.1	Primary	Resources within the Mining Lease	$3.99	$6.65	$10.64
Comparable Transactions Area	4.1.1.2	Primary	Exploration Tenements	$0.30	$0.47	$0.66
Total Primary Valuation				**$4.3**	**$7.1**	**$11.3**
Yardstick	4.1.1.3	Secondary	Resource	$0.10	$0.18	$0.26
Kilburn	4.1.1.4	Secondary	Exploration	$4.92	$7.27	$9.62
Total Secondary Valuation				**$5.0**	**$7.4**	**$9.9**

Note Appropriate rounding has been applied.

Table 12 VRM's preferred valuation of the Kayelekera Uranium Project

Company	Lower Valuation (AUD$ million)	Preferred Valuation (AUD$ million)	Upper Valuation (AUD$ million)
Kayelekera Uranium Project Valuation	**$4.3**	**$7.1**	**$11.3**

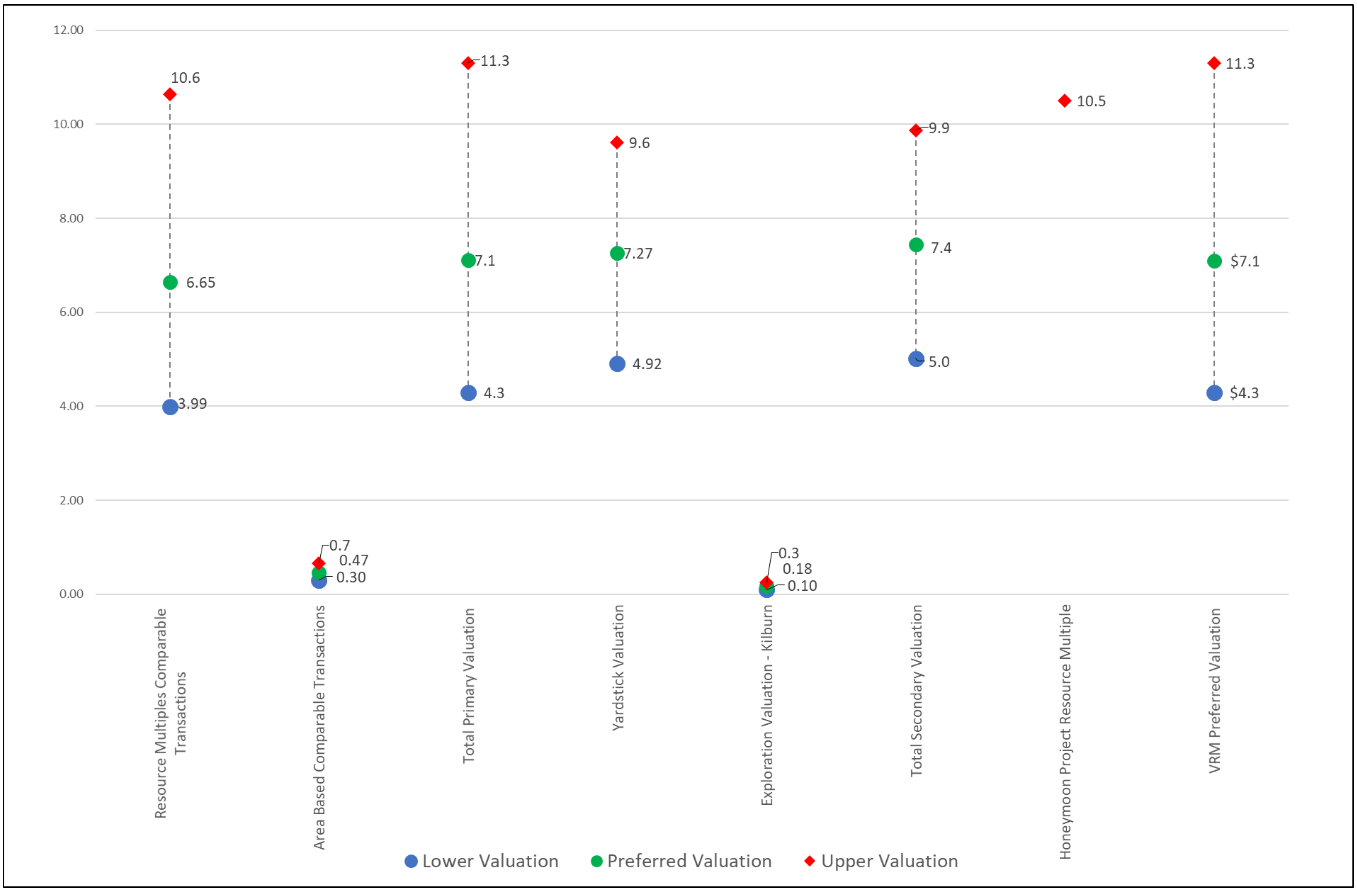


Figure 8 Kayelekera Uranium Project Valuation Summary

7. Conclusion

VRM considers the Kayelekera Uranium Project to be within a range of **$4.3 million** to **$11.3 million** with a preferred total mineral asset value of **$7.1 million**.

8. References

The reference list below is dominated by unpublished company reports. Where they are published the publication is noted. None of the ASX releases of Paladin Energy Limited or Hylea Metals Limited have been listed in the Reference list but are all available on each of the companies, and the ASX websites.

JORC, 2012, *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code)* [online]. Available from: http://www.jorc.org (The Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia).

Kilburn, L.C., 1990, *Valuation of mineral properties which do not contain exploitable reserve*, CIM Bulletin, 83, pp. 90–93.

PALADIN ENERGY LTD., 2014, Restart of the Kayelekera Study, Chapter 4 Geology, mineralization and Resources. Unpubl.

PRINCEP D., HUTSON A., 2009, Kayelekera, Malawi Resource and Reserve Estimation Technical Report (Effective Date: 5th January 2009): NI43-101 Report, 137 pp.

VALMIN, 2015, *Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (The VALMIN Code)* [online]. Available from: http://www.valmin.org (The VALMIN Committee of the Australasian Institute of Mining and Metallurgy and Australian Institute of Geoscientists).

WILDE A, CORBIN JC, MWENELUPEMBE J, PRINCEP D, OTTO A AND BECKER E, 2015. Geology of the Kayelekera Deposit, Malawi. Presented at the Technical Meeting on the origin of sandstone uranium deposits: a global perspective, Vienna, Australia 2012 and updated in 2015. Available from ResearchGate at the following location: researchgate.net/publication/333898166_The_Geology_of_the_Kayelekera_Uranium_Deposit_Malawi/link/5d0b7aef458515ea1a73b151/download

9. Glossary

Below are brief descriptions of some terms used in this report. For further information or for terms that are not described here, please refer to internet sources such as Webmineral www.webmineral.com, Wikipedia www.wikipedia.org,

The following terms are taken from the 2015 VALMIN Code

Annual Report means a document published by public corporations on a yearly basis to provide shareholders, the public and the government with financial data, a summary of ownership and the accounting practices used to prepare the report.

Australasian means Australia, New Zealand, Papua New Guinea and their off-shore territories.

Code of Ethics means the Code of Ethics of the relevant Professional Organisation or Recognised Professional Organisations.

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

Experts are persons defined in the Corporations Act whose profession or reputation gives authority to a statement made by him or her in relation to a matter. A Practitioner may be an Expert. Also see Clause 2.1.

Exploration Results is defined in the current version of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Refer to http://www.jorc.org for further information.

Feasibility Study means a comprehensive technical and economic study of the selected development option for a mineral project that includes appropriately detailed assessments of applicable Modifying Factors together with any other relevant operational factors and detailed financial analysis that are necessary to demonstrate at the time of reporting that extraction is reasonably justified (economically mineable). The results of the study may reasonably serve as the basis for a final decision by a proponent or financial institution to proceed with, or finance, the development of the project. The confidence level of the study will be higher than that of a Pre-feasibility Study.

Financial Reporting Standards means Australian statements of generally accepted accounting practice in the relevant jurisdiction in accordance with the Australian Accounting Standards Board (AASB) and the Corporations Act.

Independent Expert Report means a Public Report as may be required by the Corporations Act, the Listing Rules of the ASX or other security exchanges prepared by a Practitioner who is acknowledged as being independent of the Commissioning Entity. Also see ASIC Regulatory Guides RG 111 and RG 112 as well as Clause 5.5 of the VALMIN Code for guidance on Independent Expert Reports.

Information Memoranda means documents used in financing of projects detailing the project and financing arrangements.

Investment Value means the benefit of an asset to the owner or prospective owner for individual investment or operational objectives.

Life-of-Mine Plan means a design and costing study of an existing or proposed mining operation where all Modifying Factors have been considered in sufficient detail to demonstrate at the time of reporting that extraction is reasonably justified. Such a study should be inclusive of all development and mining activities proposed through to the effective closure of the existing or proposed mining operation.

Market Value means the estimated amount of money (or the cash equivalent of some other consideration) for which the Mineral Asset should exchange on the date of Valuation between a willing buyer and a willing seller in an arm's length transaction after appropriate marketing wherein the parties each acted knowledgeably, prudently and without compulsion. Also see Clause 8.1 for guidance on Market Value.

Materiality or being **Material** requires that a Public Report contains all the relevant information that investors and their professional advisors would reasonably require, and reasonably expect to find in the report, for the purpose of making a reasoned and balanced judgement regarding the Technical Assessment or Mineral Asset Valuation being reported. Where relevant information is not supplied, an explanation must be provided to justify its exclusion. Also see Clause 3.2 for guidance on what is Material.

Member means a person who has been accepted and entitled to the post-nominals associated with the AIG or the AusIMM or both. Alternatively, it may be a person who is a member of a Recognised Professional Organisation included in a list promulgated from time to time.

Mineable means those parts of the mineralised body, both economic and uneconomic, that are extracted or to be extracted during the normal course of mining.

Mineral Asset means all property including (but not limited to) tangible property, intellectual property, mining and exploration Tenure and other rights held or acquired in connection with the exploration, development of and production from those Tenures. This may include the plant, equipment and infrastructure owned or acquired for the development, extraction and processing of Minerals in connection with that Tenure.

Most Mineral Assets can be classified as either:

(a) **Early-stage Exploration Projects** – Tenure holdings where mineralisation may or may not have been identified, but where Mineral Resources have not been identified;

(b) **Advanced Exploration Projects** – Tenure holdings where considerable exploration has been undertaken and specific targets identified that warrant further detailed evaluation, usually by drill testing, trenching or some other form of detailed geological sampling. A Mineral Resource estimate may or may not have been made, but sufficient work will have been undertaken on at least one prospect to provide both a good understanding of the type of mineralisation present and encouragement that further work will elevate one or more of the prospects to the Mineral Resources category;

(c) **Pre-Development Projects** – Tenure holdings where Mineral Resources have been identified and their extent estimated (possibly incompletely), but where a decision to proceed with development has not been made. Properties at the early assessment stage, properties for which a decision has been made not to proceed with development, properties on care and maintenance and properties held on retention titles are included in this category if Mineral Resources have been identified, even if no further work is being undertaken;

(d) **Development Projects** – Tenure holdings for which a decision has been made to proceed with construction or production or both, but which are not yet commissioned or operating at design levels. Economic viability of Development Projects will be proven by at least a Pre-Feasibility Study;

(e) **Production Projects** – Tenure holdings – particularly mines, wellfields and processing plants – that have been commissioned and are in production.

Mine Design means a framework of mining components and processes taking into account mining methods, access to the Mineralisation, personnel, material handling, ventilation, water, power and other technical requirements spanning commissioning, operation and closure so that mine planning can be undertaken.

Mine Planning includes production planning, scheduling and economic studies within the Mine Design taking into account geological structures and mineralisation, associated infrastructure and constraints, and other relevant aspects that span commissioning, operation and closure.

Mineral means any naturally occurring material found in or on the Earth's crust that is either useful to or has a value placed on it by humankind, or both. This excludes hydrocarbons, which are classified as Petroleum.

Mineralisation means any single mineral or combination of minerals occurring in a mass, or deposit, of economic interest. The term is intended to cover all forms in which mineralisation might occur, whether by class of deposit, mode of occurrence, genesis or composition.

Mineral Project means any exploration, development or production activity, including a royalty or similar interest in these activities, in respect of Minerals.

Mineral Securities means those Securities issued by a body corporate or an unincorporated body whose business includes exploration, development or extraction and processing of Minerals.

Mineral Resources is defined in the current version of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Refer to http://www.jorc.org for further information.

Mining means all activities related to extraction of Minerals by any method (e.g. quarries, open cast, open cut, solution mining, dredging etc).

Mining Industry means the business of exploring for, extracting, processing and marketing Minerals.

Modifying Factors is defined in the current version of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Refer to http://www.jorc.org for further information.

Ore Reserves is defined in the current version of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Refer to http://www.jorc.org for further information.

Petroleum means any naturally occurring hydrocarbon in a gaseous or liquid state, including coal-based methane, tar sands and oil-shale.

Petroleum Resource and **Petroleum Reserve** are defined in the current version of the Petroleum Resources Management System (PRMS) published by the Society of Petroleum Engineers, the American Association of Petroleum Geologists, the World Petroleum Council and the Society of Petroleum Evaluation Engineers. Refer to http://www.spe.org for further information.

Practitioner is an Expert as defined in the Corporations Act, who prepares a Public Report on a Technical Assessment or Valuation Report for Mineral Assets. This collective term includes Specialists and Securities Experts.

Preliminary Feasibility Study (Pre-Feasibility Study) means a comprehensive study of a range of options for the technical and economic viability of a mineral project that has advanced to a stage where a preferred mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, is established and an effective method of mineral processing is determined. It includes a financial analysis based on reasonable assumptions on the Modifying Factors and the evaluation of any other relevant factors that are sufficient for a Competent Person, acting reasonably, to determine if all or part of the Mineral Resources may be converted to an Ore Reserve at the time of reporting. A Pre-Feasibility Study is at a lower confidence level than a Feasibility Study.

Professional Organisation means a self-regulating body, such as one of engineers or geoscientists or of both, that:

(a) admits members primarily on the basis of their academic qualifications and professional experience;

(b) requires compliance with professional standards of expertise and behaviour according to a Code of Ethics established by the organisation; and

(c) has enforceable disciplinary powers, including that of suspension or expulsion of a member, should its Code of Ethics be breached.

Public Presentation means the process of presenting a topic or project to a public audience. It may include, but not be limited to, a demonstration, lecture or speech meant to inform, persuade or build good will.

Public Report means a report prepared for the purpose of informing investors or potential investors and their advisers when making investment decisions, or to satisfy regulatory requirements. It includes, but is not limited to, Annual Reports, Quarterly Reports, press releases, Information Memoranda, Technical Assessment Reports, Valuation Reports, Independent Expert Reports, website postings and Public Presentations. Also see Clause 5 for guidance on Public Reports.

Quarterly Report means a document published by public corporations on a quarterly basis to provide shareholders, the public and the government with financial data, a summary of ownership and the accounting practices used to prepare the report.

Reasonableness implies that an assessment which is impartial, rational, realistic and logical in its treatment of the inputs to a Valuation or Technical Assessment has been used, to the extent that another Practitioner with the same information would make a similar Technical Assessment or Valuation.

Royalty or Royalty Interest means the amount of benefit accruing to the royalty owner from the royalty share of production.

Securities has the meaning as defined in the Corporations Act.

Securities Expert are persons whose profession, reputation or experience provides them with the authority to assess or value Securities in compliance with the requirements of the Corporations Act, ASIC Regulatory Guides and ASX Listing Rules.

Scoping Study means an order of magnitude technical and economic study of the potential viability of Mineral Resources. It includes appropriate assessments of realistically assumed Modifying Factors together with any other relevant operational factors that are necessary to demonstrate at the time of reporting that progress to a Pre-Feasibility Study can be reasonably justified.

Specialist are persons whose profession, reputation or relevant industry experience in a technical discipline (such as geology, mine engineering or metallurgy) provides them with the authority to assess or value Mineral Assets.

Status in relation to Tenure means an assessment of the security of title to the Tenure.

Technical Assessment is an evaluation prepared by a Specialist of the technical aspects of a Mineral Asset. Depending on the development status of the Mineral Asset, a Technical Assessment may include the review of geology, mining methods, metallurgical processes and recoveries, provision of infrastructure and environmental aspects.

Technical Assessment Report involves the Technical Assessment of elements that may affect the economic benefit of a Mineral Asset.

Technical Value is an assessment of a Mineral Asset's future net economic benefit at the Valuation Date under a set of assumptions deemed most appropriate by a Practitioner, excluding any premium or discount to account for market considerations.

Tenure is any form of title, right, licence, permit or lease granted by the responsible government in accordance with its mining legislation that confers on the holder certain rights to explore for and/or extract agreed minerals that may be (or is known to be) contained. Tenure can include third-party ownership of the Minerals (for example, a royalty stream). Tenure and Title have the same connotation as Tenement.

Transparency or being **Transparent** requires that the reader of a Public Report is provided with sufficient information, the presentation of which is clear and unambiguous, to understand the report and not be misled by this information or by omission of Material information that is known to the Practitioner.

Valuation is the process of determining the monetary Value of a Mineral Asset at a set Valuation Date.

Valuation Approach means a grouping of valuation methods for which there is a common underlying rationale or basis.

Valuation Date means the reference date on which the monetary amount of a Valuation in real (dollars of the day) terms is current. This date could be different from the dates of finalisation of the Public Report or the cut-off date of available data. The Valuation Date and date of finalisation of the Public Report **must** not be more than 12 months apart.

Valuation Methods means a subset of Valuation Approaches and may represent variations on a common rationale or basis.

Valuation Report expresses an opinion as to monetary Value of a Mineral Asset but specifically excludes commentary on the value of any related Securities.

Value means the Market Value of a Mineral Asset.

10. Appendices

Appendix A – Comparable Transactions

COMPARABLES RESOURCE MULTIPLES

Date	Project	Country / Region	Buyer	Seller	$ Million	Currency	Exchange Rate	A$ (Million)	Equity	100% Basis (A$ Million)	U_3O_8 Price	Geology	Contained U_3O_8 M lb	Resource Multiple A$/lb	Normalised Resource Multiple A$/lb	Comparable ?
Nov-12	Husab	Namibia	Government of Namibia	CGNPC	1,882.0	Namabian	9.005	$209.0	10%	2089.8	$43.38	Alaskite	512.00	4.082	2.32	no
Jul-15	Four Mile	Australia, SA	Quasar	Alliance	73.975	Aust	1	$74.0	25%	295.9	$35.50	Roll Front	120.40	2.458	1.71	no
Aug-12	Yeelirrie	Australia WA	Cameco	BHP	430	US	1.0386	$414.0	100%	414.0	$48.25	Calcrete	127.3	3.252	1.66	no
Oct-15	Etango	Namibia	Bannerman Resources Limited	Directors	6.0594	Aust	1	$6.1	20%	30.2	$36.00	Alaskite	270.70	0.112	0.08	no
Jun-15	Carley Bore	Australia WA	Paladin	Energia	15.8	Aust	1	$15.8	100%	15.8	$36.38	RollFront	15.60	1.013	0.69	no
Dec-16	Angela, Bigrlyi, Oobagooma	Australia NT, WA	Uranium Africa Limited	Paladin Energy	2.5	Aust	1	$2.5	100%	2.5	$20.25	Sandstone	61.30	0.041	0.05	no
Jul-19	Angela, Bigrlyi, Oobagooma	Australia NT, WA	Marencia	African Uranium	2.725	Aust	1	$2.7	100%	2.7	$24.70	Sandstone	48.40	0.056	0.06	no
Sep-15	Honeymoon	Australia, SA	Boss	Uranium One	9.642	Aust	1	$9.6	100%	9.6	$36.38	RollFront	16.57	0.582	0.40	no
Mar-12	Namibplaas	Namibia	Forsys Metals Corp.	Etherlin Managem ent Corp	12.09	Canadian	1.042	$11.6	30%	38.6	$51.88	Alaskite	41.10	0.940	0.45	yes
Mar-17	Chirundu, Kariba Valley, Northern Luangwa Valley	Zambia	GoviEx Uranium Inc	African Energy Resource s	0.975	Canadian	1.019	$1.0	100%	0.9	$23.88	Karoo	11.20	0.085	0.09	yes
Mar-16	Mutanga, Falea, Dome	Zambia	GoviEx Uranium Inc	Denison Mines Corp.	5.045	Canadian/ US	0.993	$6.0	100%	5.9	$28.70	Karoo	80.00	0.075	0.06	yes
Dec-12	Ryst Kuil	South Africa	Peninsula Energy Ltd	Areva N.C.	$5	US	1.051	$4.8	74%	6.4	$43.38	Karoo	20.00	0.321	0.18	yes

Based on the green transactions in the table above the following transaction Resource Multiples have been determined.

	Non Normalised Resource Valuations A$/lb	Normalised Resource Multiple A$/lb
Multiples (100% of project)		
Average	0.36	0.20
Median	0.20	0.14
25th	0.08	0.07
75th	0.76	0.38
Max	0.94	0.45
Min	0.07	0.06

The table below details the Area based Comparable transactions considered potentially comparable to the Kayelekera project

Date	**Project**	**Country / Region**	**Buyer**	**Seller**	**$ (Million)**	**Currency**	**Exchange Rate**	**A$ (Million)**	**Equity**	**100% basis**	**U_3O_8 Price**	Geology	**Area Multiple (A$/km²)**	**Normalised Area Multiple (A$/km²)**	**Comparable**
Nov-14	Pinewood	Tanzania	Metal Tiger	Kibo Mining	0.9	US	0.867435882	$1.0	50%	2.07	$39.50	Karoo	$230	143.6	No
Dec-12	Ryst Kuil	South Africa	Peninsula Energy Ltd	Areva N.C.	$5	US	1.051707418	$4.8	74%	6.42	$43.38	Karoo	$1,147	653.2	yes
Mar-17	Chirundu, Kariba Valley, Northern Luangwa Valley	Zambia	GoviEx Uranium Inc	African Energy Resources	0.975	Canadian	1.019810209	$1.0	100%	0.95	$23.88	Karoo	$1,311	1356.5	yes
Oct-13	Chirundu, Kariba Valley, Northern Luangwa Valley	Zambia	Karoo	African Energy Resources	2.5	US	0.938683996	$2.7	100%	2.66	$34.50	Karoo	$1,627	1164.7	yes
Aug-12	Kalulu	Tanzania	Karoo Exploration	Tanzania Minerals	1.01	Canadian	1.034961794	$1.0	100%	0.97	$48.25	Karoo	$1,020	522.3	yes
Dec-16	Angela, Bigrlyi, Oobagooma	Australia NT, WA	Uranium Africa Limited	Paladin Energy	2.5	Aust	1	$2.5	100%	2.5	$20.25	Sandstone	$3,514	4286.6	No

Jul-19	Angela, Bigrlyi, Oobagooma	Australia NT, WA	Marencia	African Uranium	2.725	Aust	1	$2.7	100%	2.72	$24.70	Sandstone	$3,875	3874.6	No

The Australian projects and the Pinewood projects have been excluded from the analysis as the Australian projects have significant resources while the Pinewood project is very early stage and not considered comparable to the Kayelekera project.

The analysis of the African exploration projects provides the following area based multiples for comparable transactions.

Only African Projects		
	Non Normalised Area Multiples ($A\$/km^2$)	Normalised Area Multiples ($A\$/km^2$)
Average	$1,276.51	$924.22
Median	$1,229.36	$909.01
25th	$1,052.09	$555.06
75th	$1,548.07	$1,308.58
Max	$1,626.94	$1,356.50
Min	$1,020.37	$522.34

Appendix B– Kayelekera Uranium Project Exploration Tenure Valuation Geoscientific (Kilburn) Valuation.

Tenement	Equity	BAC (A$)	Off Property		On Property		Anomaly Factor		Geology Factor		Technical Valuation (A$)			Fair Market Valuation (A$ million)		
			Low	High	Low	High	Low	High	Low	High	Lower	Preferred	Upper	Lower	Preferred	Upper
EPL417	85%	10,478	2.5	3	1.3	1.5	1.3	1.8	1	1.3	$37,600	$65,700	$93,800	$0.02	$0.03	$0.05
EPL418	85%	12,011	2.5	3	1.3	1.5	1.3	1.8	1	1.3	$43,100	$75,300	$107,500	$0.02	$0.04	$0.06
EPL225	85%	13,939	2.5	3	1.3	1.5	1.3	1.8	1	1.3	$50,100	$87,450	$124,800	$0.03	$0.05	$0.07
EPL489	85%	10,467	3	3.5	1.3	1.5	1.3	1.5	1	1.3	$45,100	$68,100	$91,100	$0.02	$0.04	$0.05
EPL502	85%	6,528	3	3.5	1.3	1.5	1.3	1.5	1	1.3	$28,100	$42,450	$56,800	$0.01	$0.02	$0.03
Total											**$204,000**	**$339,000**	**$474,000**	**$0.10**	**$0.18**	**$0.26**

Discount Factors	
Location Factor	70%
Uranium Factor	75%

Note the Kayelekera Mining Lease has not been included in this valuation technique as the value has been determined by either a yardstick or comparable transaction (resource multiple) valuation.

APPENDIX D - GLOSSARY

In this report, unless the context requires otherwise:

Term	Meaning
AFC	Australian Financial Complaints Limited
ASIC	Australian Securities and Investments Commission
Assigned Receivables	Amounts owed by Paladin Africa to related parties of Paladin Energy that will be assigned to Lotus
ASX	Australian Securities Exchange or ASX Limited ACN 008 624 691
Boss	Boss Resources Limited
Business Day	has the meaning given in the Listing Rules
Chichewa	Kayelekera Resources Pty Ltd, previously Chichewa Resources Pty Ltd
The Company	Hylea Metals Limited
Consideration	Equivalent fees Hylea could expect to pay for the services provided by Chichewa
Excluded Paladin Receivables	An amount of $5 million owed to Paladin Energy by Paladin Africa
Fair Value	Unbiased estimate of the potential market price of a good, service, or asset.
FSG	Financial Services Guide
Hylea	Hylea Metals Limited
IER	This Independent Expert Report
Income Tax Assessment Act	the Income *Tax Assessment Act 1936* and the *Income Tax Assessment Act 1997*
Kayelekera or Project	The Kayelekera project owned by Paladin Africa, including all tenements and plant and equipment
Listing Rules	the official listing rules of ASX and includes the business rules of ASX
Lotus	Lotus Resources Pty Ltd
Minority Basis	As assessment of the Fair Value on an equity interest, which assumes the holder or holders do not have control of entity in which the equity is held
Moore Stephens or MSPCS	Moore Stephens Perth Corporate Services Pty Ltd
Paladin	Paladin Energy Limited
Paladin Africa	Paladin Africa Limited
Paladin Energy	Paladin Energy Limited
Proposed Transaction	The disposal of a 20% interest in Paladin Africa to Chichewa

Term	Meaning
RG 111	ASIC Regulatory Guide 111 Contents of Expert's Reports
RG 112	ASIC Regulatory Guide 112 Contents of Expert's Reports
S&P Capital IQ	An entity of Standard and Poors which is a third party provider of company and other financial information.
VARM	Valuation and Resource Management Pty Ltd
VWAP	Volume weighted average share price

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