

HYLEA METALS LIMITED (TO BE RENAMED LOTUS RESOURCES LIMITED)
ACN 119 992 175

ENTITLEMENT ISSUE PROSPECTUS

A non-renounceable entitlement issue of one new Share for every two Shares held by those Shareholders registered at the Record Date at an issue price of \$0.02 per Share to raise up to \$1,000,000 (being an issue of up to 50,000,000 Shares, based on the number of Shares on issue as at the date of this Prospectus), together with one free attaching Entitlement Offer New Option for every two Shares subscribed for and issued (**Offer or Entitlement Offer**).

The Offer is conditionally underwritten by BW Equities Pty Ltd (ACN 146 642 462) (**Underwriter**). Refer to Section 9.5 for details regarding the terms of the Underwriting Agreement.

IMPORTANT NOTICE

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Securities offered by this Prospectus should be considered as speculative.

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1. CORPORATE DIRECTORY

Directors

Simon Andrew
Managing Director

Tim Kestell
Non-Executive Director

Mark Milazzo
Non-Executive Director

Company Secretary

Amanda Burgess

Share Registry*

Computershare Investor Services
Pty Ltd
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PERTH WA 6000

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Auditor*

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Registered Office

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Solicitors

Steinepreis Paganin
Lawyers and Consultants
Level 4, The Read Buildings
16 Milligan Street
PERTH WA 6000

Underwriter

BW Equities Pty Ltd
Level 30
360 Collins Street
MELBOURNE VIC 3000

*This entity is included for information purposes only. It has not been involved in the preparation of this Prospectus but has consented to being named in this Prospectus.

2. 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 this Prospectus with ASIC Lodgement of this Prospectus & Appendix 3B with ASX*	29 August 2019
General Meeting Notice sent to Optionholders regarding Entitlement Offer	29 August 2019
Notice sent to Shareholders regarding Entitlement Offer	2 September 2019
'Ex' date for the Entitlement Offer	3 September 2019
Record Date for the Entitlement Offer	4 September 2019
Prospectus despatched to Shareholders	9 September 2019
Convertible Loan Shares and Options to be issued	9 September 2019
Settlement of the First Placement	9 September 2019
Last day to extend Closing Date	13 September 2019
Closing Date	18 September 2019
Entitlement Offer Shares quoted on a deferred settlement basis	19 September 2019
ASX notified of under subscriptions under the Entitlement Offer	23 September 2019
Settlement of the Entitlement Offer	25 September 2019
Last day to issue Shortfall Securities (based on Closing Date of 18 September)	9 October 2019
Settlement of the Second Placement	To be confirmed ²
Completion of the Acquisition	To be confirmed ³

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 the Second Placement Conditions (being certain of the key Conditions Precedent to completion of the Acquisition. The Company has obtained a waiver of ASX Listing Rule 7.3.2, to allow the Company to issue the Second Placement Securities more than 3 months after the date of the General Meeting but no later than 28 February 2020.
3. Completion of the Acquisition is conditional on the satisfaction of the Conditions Precedent.

3. IMPORTANT NOTES

This Prospectus is dated 29 August 2019 and was lodged with the ASIC on that date. The ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Securities may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

It is important that investors read this Prospectus in its entirety and seek professional advice where necessary. The Shares the subject of this Prospectus should be considered highly speculative.

Applications for Securities offered pursuant to this Prospectus can only be submitted on an original Entitlement and Acceptance Form or Shortfall Application Form.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

3.1 Risk factors

Potential investors should be aware that subscribing for Securities in the Company involves a number of risks. The key risk factors of which investors should be aware are set out in Section 8 of this Prospectus. These risks together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the Shares in the future. Accordingly, an investment in the Company should be considered highly speculative. Investors should consider consulting their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

3.2 Forward-looking statements

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of our Company, the Directors and our management.

We cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

We have no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this prospectus, except where required by law.

These forward looking statements are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 8 of this Prospectus.

4. DETAILS OF THE OFFER

4.1 The Offer

The Offer is being made as a non-renounceable entitlement issue of one new Share for every two Shares held by Shareholders registered at the Record Date at an issue price of \$0.02 per Share (together with one free attaching New Option for every two Shares subscribed for and issued). Fractional entitlements will be rounded up to the nearest whole number.

Based on the capital structure of the Company as at the date of this Prospectus, (and assuming no existing Options are exercised prior to the Record Date) a maximum of 50,000,000 Shares and 25,000,000 New Options will be issued pursuant to this Offer to raise up to \$1,000,000. No funds will be raised from the issue of the New Options.

As at the date of this Prospectus the Company has 7,678,571 Options on issue all of which may be exercised prior to the Record Date in order to participate in the Offer. Please refer to Section 5.5 of this Prospectus for information on the exercise price and expiry date of the Options on issue.

All of the Shares offered under this Prospectus will rank equally with the Shares on issue at the date of this Prospectus. Please refer to Section 6 for further information regarding the rights and liabilities attaching to the Shares.

All of the New Options offered under this Prospectus will be issued on the terms and conditions set out in Section 7 of this Prospectus.

All Shares issued on conversion of the New Options will rank equally with the Shares on issue at the date of this Prospectus.

The purpose of the Offer and the intended use of funds raised are set out in Sections 5.2 and 5.2 of this Prospectus.

4.2 Minimum subscription

There is no minimum subscription.

4.3 Acceptance

Your acceptance of the Offer must be made on the Entitlement and Acceptance Form accompanying this Prospectus. Your acceptance must not exceed your Entitlement as shown on that form. If it does, your acceptance will be deemed to be for the maximum Entitlement.

You may participate in the Offer as follows:

- (a) if you wish to accept your **full** Entitlement:
 - (i) complete the Entitlement and Acceptance Form; and
 - (ii) attach your cheque, drawn on an Australian bank or bank draft made payable in Australian currency, for the amount indicated on the Entitlement and Acceptance Form; or

- (b) if you only wish to accept **part** of your Entitlement:
 - (i) fill in the number of Shares you wish to accept in the space provided on the Entitlement and Acceptance Form; and
 - (ii) attach your cheque, drawn on an Australian bank or bank draft made payable in Australian currency, for the appropriate application monies (at \$0.02 per Share); or
- (c) if you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.

4.4 Payment

4.4.1 Cheque/bank draft

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to "Hylea Metals Limited" and crossed "Not Negotiable".

Your completed Entitlement and Acceptance Form and cheque must reach the Company's share registry no later than 5:00 pm WST on the Closing Date.

4.4.2 Payment by BPAY®

For payment by BPAY®, please follow the instructions on the Entitlement and Acceptance Form. You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions. Please note that should you choose to pay by BPAY®:

- (a) you do not need to submit the Entitlement and Acceptance Form but are taken to have made the declarations on that Entitlement and Acceptance Form; and
- (b) if you do not pay for your Entitlement in full, you are deemed to have taken up your Entitlement in respect of such whole number of Shares which is covered in full by your application monies.

It is your responsibility to ensure that your BPAY® payment is received by the share registry by no later than 5:00 pm (WST) on the Closing Date. You should be aware that your financial institution may implement earlier cut-off times with regards to electronic payment and you should therefore take this into consideration when making payment. Any application monies received for more than your final allocation of Shares (only where the amount is \$1.00 or greater) will be refunded. No interest will be paid on any application monies received or refunded.

The Offer is non-renounceable. Accordingly, a Shareholder may not sell or transfer all or part of their Entitlement.

One New Option with an exercise price of \$0.04 and an expiry date of three years from the date of grant will be issued for every two Shares subscribed for and issued under the Offer.

4.5 Underwriting

The Offer is fully underwritten by the Underwriter. Refer to Section 9.5 of this Prospectus for details of the terms of the underwriting.

4.6 Effect on control of the Company

Neither the Underwriter nor Matador are currently Shareholders. However, Matador will become a Shareholder upon conversion of the Convertible Loan. Neither the Underwriter nor Matador is a related party of the Company for the purpose of the Corporations Act. The voting power of the Underwriter and Matador at various levels of shortfall under the Capital Raising are set out in below to show their potential respective voting power in the Company if they are required to participate in the Entitlement Offer and are based on the assumption that the Underwriter and Matador takes up their full entitlement of 25,000,000 Shares each under each scenario.

Event	Shares held by Underwriter	Voting power of Underwriter	Shares held by Matador	Voting power of Matador
Date of Prospectus	-	0.00%	-	0%
Conversion of Convertible Loan	-	0.00%	25,034,798	8.34%
Completion of Entitlement Offer				
Fully subscribed	-	0.00%	25,034,798	8.34%
75% subscribed	6,250,000	2.08%	31,284,798	10.42%
50% subscribed	12,500,000	4.16%	37,534,798	12.51%
25% subscribed	18,750,000	6.25%	43,784,798	14.59%
0% subscribed (full Shortfall taken by Underwriter)	25,000,000	8.33%	50,034,798	16.67%

Notes:

- The voting power shown in the table above reflects the voting power in the Company after the issue date under the Entitlement Offer (meaning it includes the Shares issued under the Entitlement Offer, the Convertible Loan and the First Placement, but does not include the issue of Shares under the Second Placement or the Initial Consideration Shares and assumes that none of the First Placement Shares are taken up by the Underwriter or Matador).
- The voting power shown in the table above also assumes that neither the Underwriter nor Matador take up any Shares offered under the First Placement.

The number of Shares held by the Underwriter and Matador and their voting power in the table above show the potential effect of the underwriting of the Offer. However, it is unlikely that no shareholders, other than the Underwriter and Matador, will take up their Entitlements under the Offer. The underwriting obligation and therefore voting power of the Underwriter and Matador will reduce by a corresponding amount for the amount of Entitlements under the Offer taken up by the other shareholders.

In addition, Shareholders should note that if they do not participate in the Offer, their holdings are likely to be diluted by approximately 33% (as compared to their holdings and number of Shares on issue as at the date of the Prospectus). Examples of how the dilution may impact Shareholders assuming no New Options have been exercised are set out in the table below:

Holder	Holding as at Record date	% at Record Date	Entitlements under the Offer	Holdings if Offer not taken Up	% post Offer
Shareholder 1	10,000,000	10%	5,000,000	10,000,000	6.7%
Shareholder 2	5,000,000	5%	2,500,000	5,000,000	3.3%
Shareholder 3	1,500,000	1.5%	750,000	1,500,000	1%
Shareholder 4	400,000	0.4%	200,000	400,000	0.27%
Shareholder 5	50,000	0.05%	25,000	50,000	0.03%
Total	100,139,194		50,000,000		150,139,194

Notes:

1. The dilutionary effect shown in the table reflects the dilutionary effect of the Entitlement Offer only, and does not reflect the dilutionary effect of the remainder of the Capital Raising or issue of the Initial or Deferred Consideration Shares.
2. The dilutionary effect shown in the table is the maximum percentage on the assumption that those Entitlements not accepted are placed under the Shortfall Offer. In the event all Entitlements are not accepted and some or all of the resulting Shortfall was not subsequently placed, the dilution effect for each Shareholder not accepting their Entitlement would be a lesser percentage.

4.7 Shortfall Offer

Any Entitlement not taken up pursuant to the Offer will form the Shortfall and will be dealt with in accordance with the Underwriting Agreement. Accordingly, Shareholders should not apply for the Shortfall unless directed to do so by the Underwriter.

The offer of any Shortfall Securities is a separate offer made pursuant to this Prospectus and will remain open after the Closing Date. The issue price of any Shortfall Shares shall be \$0.02, together with one free attaching New Option for every two Shares subscribed for and issued, being the price and terms which the Entitlement Offer has been offered to Shareholders pursuant to this Prospectus.

The Directors, in consultation with the Underwriter, reserve the right to issue Shortfall Securities at their absolute discretion. Accordingly, do not apply for Shortfall Securities unless instructed to do so by the Directors or the Underwriter.

4.8 ASX listing

Application for Official Quotation of the Securities offered pursuant to this Prospectus will be made in accordance with the timetable set out at the commencement of this Prospectus. If ASX does not grant Official Quotation of the Securities offered pursuant to this Prospectus before the expiration of 3 months after the date of issue of the Prospectus, (or such period as varied by the ASIC), the Company will not issue any Securities and will repay all application monies for the Securities within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Securities is not to be taken in any way as an indication of the merits of the Company or the Securities now offered for subscription.

4.9 Issue

Securities issued pursuant to the Offer will be issued in accordance with the ASX Listing Rules and timetable set out at the commencement of this Prospectus.

Securities issued pursuant to the Shortfall Offer will be issued on a progressive basis. Where the number of Shares issued is less than the number applied for, or where no issue is made, surplus application monies will be refunded without any interest to the Applicant as soon as practicable after the closing date of the Shortfall Offer.

Pending the issue of the Securities or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

Holding statements for Securities issued under the Offer will be mailed in accordance with the ASX Listing Rules and timetable set out at the commencement of this Prospectus and for Shortfall Securities issued under the Shortfall Offer as soon as practicable after their issue.

4.10 Overseas shareholders

This Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

It is not practicable for the Company to comply with the securities laws of overseas jurisdictions having regard to the number of overseas Shareholders, the number and value of Shares these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Offer is not being extended and Shares will not be issued to Shareholders with a registered address which is outside Australia or New Zealand.

New Zealand

The Securities are not being offered to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the transitional provisions of the Financial Markets Conduct Act 2013 (New Zealand) and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016 (New Zealand).

This Prospectus has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority. This document is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

Nominees and custodians

Nominees and custodians may not submit an Entitlement and Acceptance Form on behalf of any Shareholder resident outside Australia and New Zealand without the prior consent of the Company, taking into account relevant securities law restrictions. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

4.11 Option Offers

The secondary offers being made under this Prospectus are the Option Offers which relate to the issue of New Options to be issued on conversion of the Convertible Loan to Matador (or their nominee) and to the participants in the First and Second Placements. A maximum of 12,517,399 Convertible Loan Options, 62,482,601 Class A New Options and 112,500,000 Class B New Options will be issued under the Option Offers. No funds will be raised from the Option Offers.

All Shares issued on conversion of the New Options will rank equally with the Shares on issue at the date of this Prospectus.

The Company will provide Matador (or its nominee) and the participants in the First and Second Placements an Application Form and all of the relevant details of how to apply for the New Options under the Options Offer.

4.12 Enquiries

Any questions concerning the Offer should be directed to Amanda Burgess, Company Secretary, on +61 8 9278 2441.

5. PURPOSE AND EFFECT OF THE OFFERS

5.1 Summary of the Acquisition

As announced on 24 June 2019, the Company has entered into a share sale agreement (**Acquisition Agreement**), under which it has agreed to acquire a 65% indirect interest in Paladin Africa from the Vendor, a wholly owned subsidiary of Paladin.

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

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

The Company will hold its interest in Paladin Africa through a joint venture company Lotus. See further details in Section 5.1.4 below.

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

The Government of Malawi (**GoM**) owns 15% of the Kayelekera Project, through the remaining 15% holding in Paladin Africa, and supported the project through a development agreement that provides a stable fiscal environment for the first 10 years of the project (**Development Agreement**). The GoM has a 15% free carry at the project level.

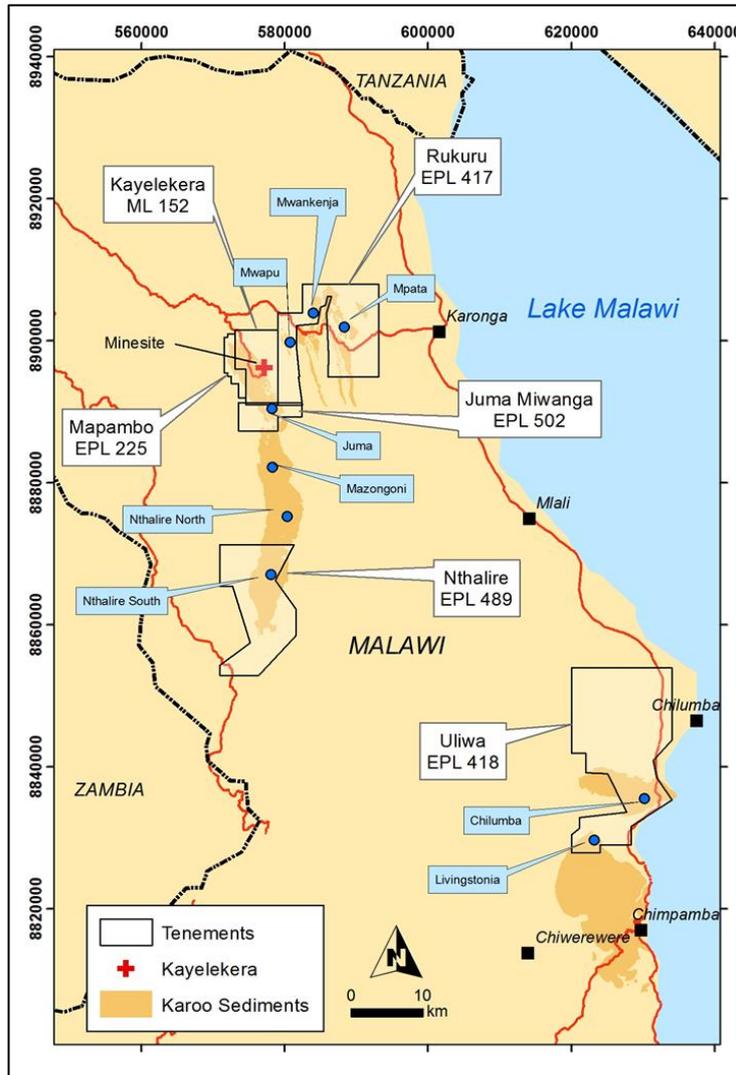
5.1.1 The Kayelekera Project

(a) Location and history

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

The Kayelekera Mine produced over 10.9Mlb of uranium between 2007 and 2014.

Figure 1: Project Location and Licenses



The Mining Licence, ML152, covering 55.5km² was granted in April 2007 for a period of 15 years following the completion of the Development Agreement with the GoM. The surrounding EPL's cover an additional 601.29 km² (Table 1).

Table 1: Kayelekera License Summary

Tenement Name	License	Area (km ²)	Current Holder
Kayelekera	ML 152	55.50	Paladin Africa
Nthalire	EPL 489	137.04	Paladin Africa
Uliwa	EPL 418	276.30	Paladin Africa
Rukuru	EPL 417	146.30	Paladin Africa
Mapambo	EPL 225	13.00	Paladin Africa
Juma-Miwanga	EPL 502	28.65	Paladin Africa
Total	6	656.79	

Paladin permitted, constructed, commissioned and operated Kayelekera between 2007 and 2014 and produced 10.9Mlb of U₃O₈ from an open-pit mine ore processed through an acid leach and resin-in-pulp processing plant.

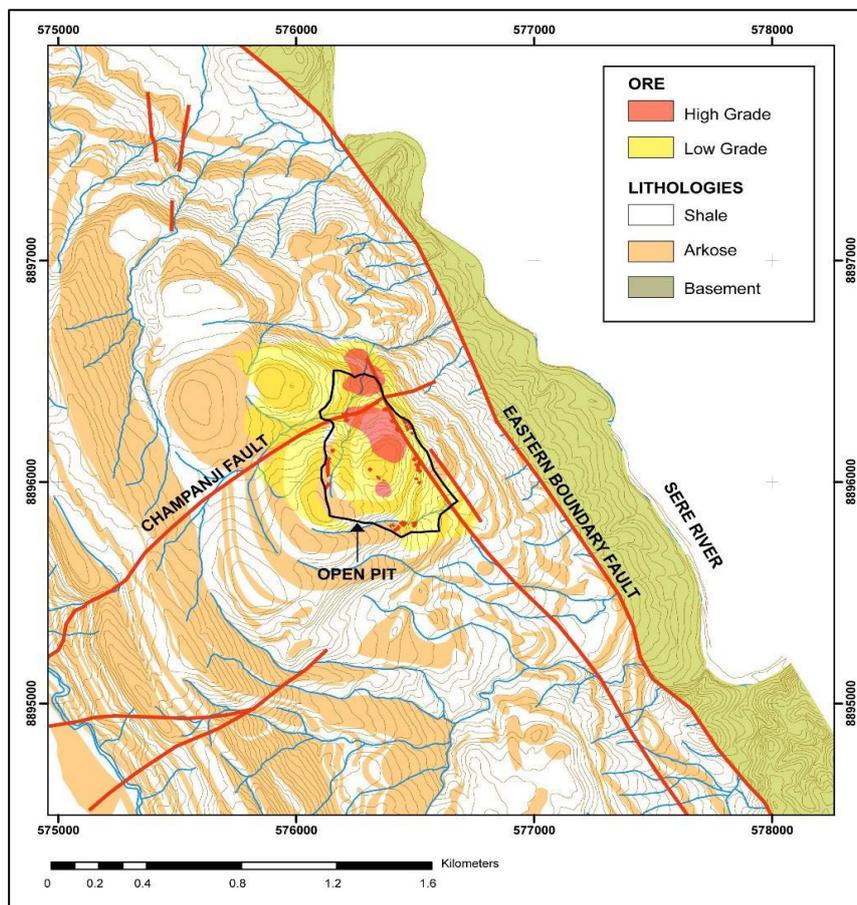
In February 2014, Paladin placed Kayelekera on care and maintenance due to the low uranium pricing. Internal studies, conducted by Paladin, determined that an improved uranium market would provide an opportunity for Kayelekera to restart and again produce uranium.

(b) Geology and mineralisation

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

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

Figure 2: Kayelekera Local Geology



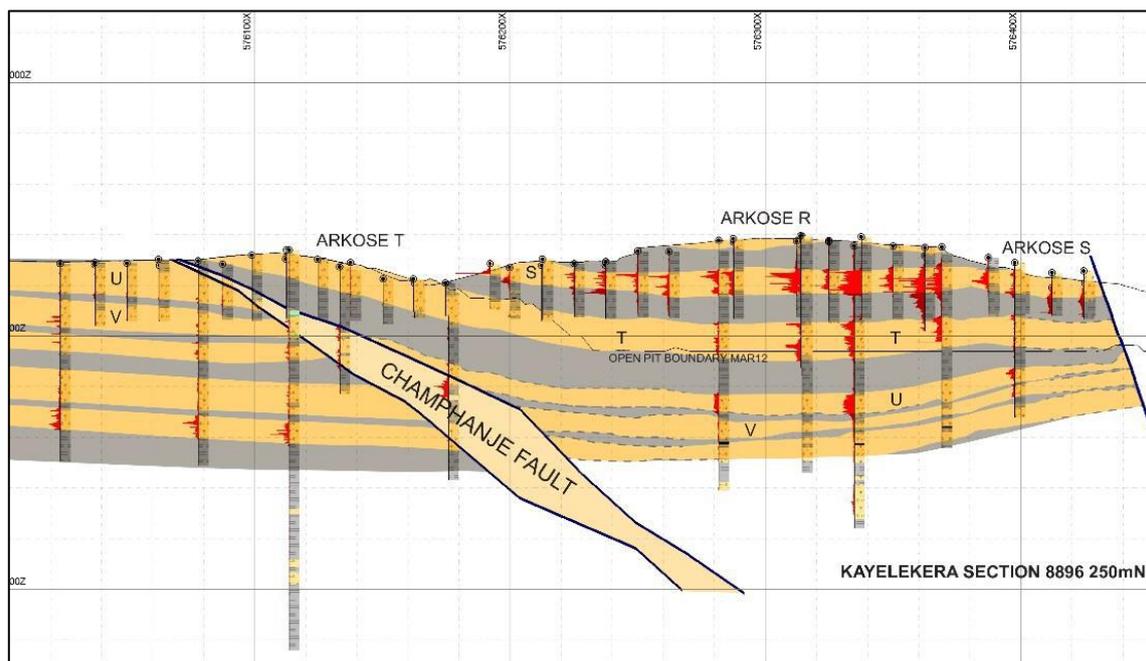
Primary reduced (i.e. carbon and pyrite-bearing) arkose mineralisation accounts for 40% of the total mineralisation. About 30% of the mineralisation is hosted in secondary oxidised arkose (i.e. lacking carbon and pyrite), 10% of mineralisation is termed "Mixed Arkose" and exhibits characteristics of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

Modes of occurrence include disseminated in matrix clay, included in detrital mica grains and intimately intergrown with carbonaceous matter. Individual

grains are extremely fine, typically <10 µm. Coffinite and uraninite also show an association with a TiO₂ phase, possibly rutile after detrital ilmenite. It is possible that uranium deposition was accompanied by leaching of Fe from detrital ilmenite and precipitation of a TiO₂ polymorph.

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

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



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

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

- (i) they are not reported in accordance with the JORC Code 2012;
- (ii) a Competent Person has not done sufficient work to classify the estimates of Mineral Resources in accordance with the JORC Code 2012;
- (iii) it is possible that following evaluation and/or further exploration work the currently reported estimates may materially change and hence will need to be reported afresh under and in accordance with the JORC Code 2012; and
- (iv) while the Company has conducted a site visit, and has technically reviewed the methodology and reporting

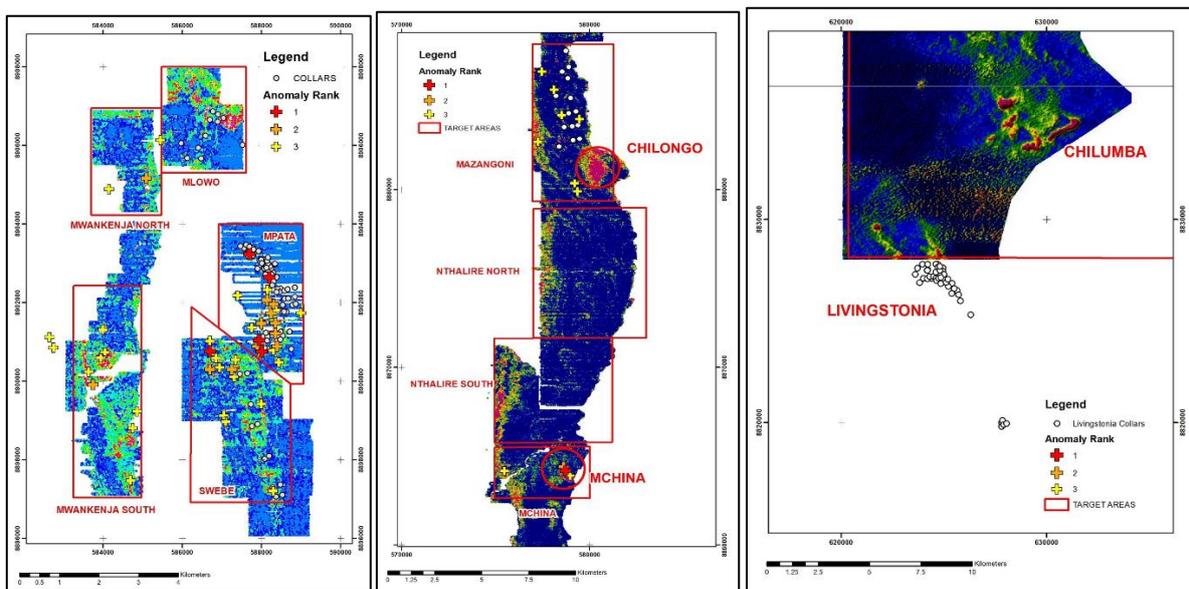
documents used to estimate the Mineral Resources, and notes that Paladin technical staff had a high level of experience in the estimation of uranium resources; nothing has come to the attention of the acquirer that causes it to question the accuracy or reliability of the former owner's estimates; but the Company has not independently validated the former owner's estimates and therefore is not to be regarded as reporting, adopting or endorsing those estimates.

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

(c) Exploration potential

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

Figure 4: Kayelekera Project Exploration Target Areas



5.1.2 Project team

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

- (a) **Mr Grant Davey** who is a highly experienced mining engineer with over 25 years of senior management and operational experience in the construction and operation of uranium, gold, platinum and coal mines in Africa, Australia, South America and Russia. More recently, Mr Davey was instrumental in developing the Honeymoon Uranium Project and Panda Hill Niobium Project. Mr Davey is a Director of several exploration and mining companies;

- (b) **Mr Keith Bowes** who is a highly experienced process engineer with over 25 years' experience. Mr Bowes Project managed the Boss Resources' redevelopment program for the Honeymoon Uranium Mine including all study phases, commercial trials of the new processing technology. As part of the study he led the development in the application of two new technologies that have redefined the Honeymoon opportunity (leach chemistry and IX resins). Previously he was the Area Manager for the Skorpion zinc operation in south-west Namibia, an operation comprised of an open cut mine, mill, leach, SX-EW and furnace with a production rate of 150,000 tonnes per year of special high-grade zinc. He also managed the Technical Services group for BHP's Cerro Matoso nickel operation in Colombia (the world's second largest ferronickel producer). Mr Bowes has been involved in multiple projects and restart assessments across various commodities for projects throughout Australia, African and Canada; and
- (c) **Mr Neil Inwood** who is a highly experienced consulting geologist with over 25 years' experience. Mr Inwood led the geology due-diligence team reviewing the Honeymoon Uranium Mine that led to the acquisition by Boss Resources in 2015. Previously he was also the uranium specialist for Coffey Mining and undertook technical and due-diligence studies on multiple uranium projects internationally including in Australia, Namibia, Zambia, USA, Argentina, Colombia, Hungary and the Czech Republic. Mr Inwood was also the CP/QP for Resources for Extracts Husab Uranium Project in Namibia (to be the world's second largest uranium mine) and was previously the CP/QP for uranium resources for multiple companies including Bannerman, Deep Yellow, Atom Energy, U3O8 Corp, Vimy Resources, Energia Minerals and Wildhorse Energy amongst others.

5.1.3 Acquisition Agreement

The material terms of the Acquisition Agreement are as follows:

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

- (B) 30-day VWAP for Shares up to and including the business day prior to issue (**Deferred Consideration**).

The \$200,000 cash payment, forming part of the Initial Consideration, has been paid to the Vendor on behalf of the Company by Mr Grant Davey. Mr Davey will be reimbursed for this amount by the Company from the proceeds of the Capital Raising as detailed in Section 5.2.

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

Under the Acquisition Agreement:

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

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

- (d) (**Conditions Precedent**): Completion is expected to occur in the second half of 2019 subject to the following Conditions Precedent having been

satisfied by 31 August 2019 (or such later date as the parties may agree):

- (i) to the extent required, obtaining the following parties' consent to the sale of the shares in Paladin Africa and the assignment of the assigned receivables to the Company:
 - (A) Malawian Energy and Mines Minister and Finance Minister;
 - (B) Reserve Bank of Malawi;
 - (C) Nedbank Limited; and
 - (D) the holders of Paladin notes approving the sale of Paladin Africa;
 - (ii) Paladin granting Paladin Africa a licence to use certain intellectual property utilised in the Kayelekera plant;
 - (iii) assignment of the benefit of certain receivables owed by Paladin Africa to other Paladin group companies to Lotus with effect from completion of the acquisition;
 - (iv) Company Shareholder approval for:
 - (A) the issue of the Initial Consideration Shares;
 - (B) the issue of the Capital Raising Securities;
 - (C) the change in nature and scale of the Company's operations by virtue of the acquisition under Listing Rule 11.1.2; and
 - (D) any financial benefits received by related parties of the Company for the purposes of the Corporations Act; and
 - (v) the release of certain security interests registered over the assets of Paladin Africa.
- (e) **(End Date):** Provided that the Seller or the Buyer has not been notified by the GoM that the approvals contemplated by the Conditions Precedent in Sections 5.1.3(d)(i)(A) and 5.1.3(d)(i)(B) will not be granted, if the Conditions Precedent in clauses 3.1.1 and 3.1.2 are not satisfied or waived by:
- (i) 31 August 2019, the End Date will automatically extend to 30 November 2019;
 - (ii) 30 November 2019, the End Date will automatically extend to 31 December 2019;
 - (iii) 31 December 2019, the End Date will automatically extend to 31 January 2020; and
 - (iv) 31 January 2020, the End Date will automatically extend to 28 February 2020.

5.1.4 Summary of the Company's arrangements in Lotus

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

Chichewa is controlled by Mr Grant Davey.

Mr Tim Kestell, a Director, has advised that he holds a beneficial interest of 22.5% of Chichewa and will consequently have an indirect beneficial interest of approximately 4.5% of Paladin Africa and the Kayelekera Project.

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

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

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

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

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

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

5.1.5 Capital Raising

The Company is proposing to raise between \$8,000,000 to \$8,500,000 (before costs) (underwritten to a maximum of \$8,000,000 see below for further details) via the issue of Shares at an issue price of \$0.02 per Share, together with one free attaching New Option.

The Capital Raising is to be undertaken as follows:

- (a) a \$500,696 convertible loan from Matador (**Convertible Loan**), convertible into 25,034,798 Shares and 12,517,399 Convertible Loan Options (a summary of the key terms of the Convertible Loan Agreement are set out in Section 9.4.4 below);

- (b) the issue of 124,965,202 Shares to sophisticated and professional investors, in order to raise \$2,499,304 (before costs) (**First Placement**);
- (c) an underwritten non-renounceable entitlement offer to eligible shareholders of one new Share for every two Shares held to raise \$1,000,000 (before costs) (**Entitlement Offer**), with any Shares and Options not taken up under the Entitlement Offer to be the subject of the shortfall offer as described in Section 4.7 (**Shortfall Offer**); and
- (d) the further issue of between 200,000,000 and 225,000,000 Shares to sophisticated and professional investors, in order to raise between \$4,000,000 to \$4,500,000 (before costs), conditional on the satisfaction of the Second Placement Conditions (**Second Placement**),

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

5.1.6 Underwriting

The Company has received a firm commitment letter from BW Equities to underwrite the Capital Raising up to \$8,000,000 (meaning that \$500,000 of the Second Placement is not underwritten). This underwriting commitment will terminate if each of the following has not been satisfied by 5:00pm (Perth time) on 28 February 2020:

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

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

Matador is controlled by Mr Grant Davey, who also controls the Company's proposed joint venture partner in Lotus, Chichewa and is also a part of the technical team which will be assisting the Company with the Kayelekera Project following completion of the Acquisition. Please refer to Section 5.1.4 for further information on the Company's arrangements with Chichewa in relation to Lotus, and Section 5.1.2 for further information on the Project technical team.

5.2 Purpose of the Offer

The purpose of the Capital Raising is to fund the acquisition as summarised in Section 5.1.

The purpose of the Entitlement Offer is to raise \$1,000,000. No funds will be raised from the issue of the New Options under the Option Offers.

The funds raised from the Offer and the remainder of the Capital Raising are planned to be used in accordance with the table set out below:

Item	Minimum Amount (\$)	Maximum Amount (\$)
Source of funds		
Existing funds	40,000	40,000
Convertible Loan	500,596	500,596
First Placement	2,499,304	2,499,304
Entitlement Offer	1,000,000	1,000,000
Second Placement	4,000,000	4,500,000
TOTAL	\$8,040,000	\$8,540,000
Use of funds		
Refund of option fee ¹	200,000	200,000
Environmental Bond first instalment ²	5,738,881	5,738,881
Underwriter Fee	400,000	400,000
Estimated costs of the Acquisition	480,000	480,000
Exploration and studies work on the Kayelekera Project	500,000	500,000
Exploration on existing projects	500,000	500,000
Working Capital (including corporate costs)	221,119	721,119
TOTAL	\$8,040,000	\$8,040,000

Notes:

1. For further details please refer to Section 9.4.3.
2. First instalment of the Environmental Bond equivalent to US\$4,000,000 converted into AUD at the Reserve Bank of Australia exchange rate of 1 AUD to 0.6970 USD correct as at 26 June 2019.

The above table is a statement of current intentions as of the date of this Prospectus and has been completed based on the assumption that the entire Capital Raising has been completed. As with any budget, intervening events (including exploration success or failure) and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

5.3 Effect of the Offer

The principal effect of the Offer, assuming no Options are exercised prior to the issue date, will be to:

- (a) increase the cash reserves by \$824,228 (after deducting the estimated expenses of the Offer) immediately after completion of the Offer;

- (b) increase the number of Shares on issue from 100,139,194 as at the date of this Prospectus to 300,139,194 Shares following completion of the Offer; and
- (c) increase the number of Options on issue from 7,678,571 as at the date of this Prospectus to 107,678,571 Options following completion of the Offer.

5.4 Pro-forma balance sheet

An unaudited pro-forma balance sheet of the Company (based on the unaudited 30 June 2019 management accounts) following completion of the Acquisition and the Capital Raising and issues of all Shares contemplated by this Notice is set out.

The pro-forma balance sheet has been prepared assuming no Options are exercised prior to the issue date and including expenses of the Offer.

The pro-forma balance sheet has been prepared to provide investors with information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company as noted below. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

	Unaudited 30 June 2019 AUD	Pro-forma adjustments AUD	Pro-forma consolidated after Acquisition ¹ AUD
Assets			
Cash and cash equivalents	72,846	2,062,948	2,135,794
Trade and other receivables	45,157	0	45,157
Other	0	0	0
Total current assets	118,003	2,062,948	2,180,951
Property, plant and equipment	1,917	0	1,917
Exploration and evaluation assets	11,789,470	19,872,631	31,662,101
Intangible assets and goodwill		0	0
Total non-current assets	11,791,387	19,872,631	31,664,018
Total assets	11,909,390	21,935,579	33,844,969
Liabilities			
Trade and other payables	90,875	0	90,875
Borrowings	0	0	0
Total current liabilities	368,237	0	368,237
Non current liabilities			
Provisions	0	8,635,579	8,635,579
Total non current		8,635,579	8,635,579

	Unaudited 30 June 2019 AUD	Pro-forma adjustments AUD	Pro-forma consolidated after Acquisition ¹ AUD
liabilities			
Total liabilities	368,237	8,635,579	9,003,816
Net assets	11,541,153	13,300,000	24,841,153
Equity			
Contributed Equity	43,790,848	13,300,000	57,090,848
Reserves	1,064,439	0	1,064,439
Accumulated losses	(33,314,134)	0	(33,314,134)
Total equity	11,541,153	13,300,000	24,841,153

Notes:

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

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

The Pro-Forma Statement of Financial Position has been prepared by adjusting the financial position as at 30 June 2019 for the Company for the adjustments as outlined below. The 30 June 2019 financial position has not been audited or audit reviewed.

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

5.4.2 Pro-forma adjustments

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

Initial Consideration Shares on settlement of the Acquisition for a purchase price equivalent to A\$1,800,000 through the issue of 90,000,000 Shares.

Deferred Consideration Shares on settlement of the Acquisition for a purchase price equivalent to A\$3,000,000 through the issue of 150,000,000 Shares.

Payments of the Environmental Bond advance are as follows:

- US\$4,000,000 on Completion;
- US\$1,000,000 on the date that is 1 year after Completion;
- US\$2,000,000 on the date that is 2 years after Completion; and
- US\$3,000,000 on the date that is 3 years after Completion.

5.5 Effect on capital structure

The effect of the Offer on the capital structure of the Company, assuming no Options are exercised prior to the issue date, is set out below.

Shares

	Number
As at the date of this Notice	100,139,194
To be issued pursuant to the Convertible Loan	25,034,798
To be issued pursuant to the First Placement	124,965,202
To be issued pursuant to the Entitlement Offer	50,000,000
Total Shares on issue after completion of the Offer	300,139,194
Total Shares on issue after completion of the Second Placement and the Acquisition	590,139,194¹

Notes:

1. Assumes only the underwritten amount of the Second Placement is raised. If the maximum subscription under the Second Placement is raised, an additional 25,000,000 Shares will be issued.

Options

	Number
Options currently on issue: (Unquoted exercisable at \$0.84 on or before 31 Dec 2019) (Unquoted exercisable at \$0.28 on or before 2 Feb 2020)	535,714 7,142,857
Convertible Loan New Options to be issued	12,517,399
Class A New Options to be issued	62,482,601
Entitlement Offer New Options to be issued	25,000,000
Total Options on issue after completion of the Offer	107,678,571
Total Options on issue after completion of the Second Placement and the Acquisition	207,678,571¹

Notes:

1. Assumes only the underwritten amount of the Second Placement is raised. If the maximum subscription under the Second Placement is raised, an additional 12,500,000 New Options will be issued.

Performance Shares

	Number
Performance Shares currently on issue	2,232,142 ¹
Performance Shares offered pursuant to the Offer	-
Total Performance Shares on issue after completion of the Offer	2,232,142
Total Performance Shares on issue after completion of the Second Placement and the Acquisition	2,232,142

Notes:

1. Comprising 1,167,071 Class A Performance Shares and 1,116,071 Class B Performance Shares. The Performance Shares are due to expire on 8 December 2021 and the terms of these Performance Shares are set out in the notice of meeting dated 30 November 2016 as announced on 28 October 2016 and issued on 8 December 2016.

The capital structure on a fully diluted basis:

- (a) as at the date of this Prospectus is 110,049,637 Shares;
- (b) on completion of the Offer will be 410,049,907 Shares (assuming no Options are exercised prior to the issue date); and
- (c) on completion of the Second Placement and the Acquisition will be 710,049,907 Shares (assuming no Options are exercised prior to the issue date and only the underwritten amount of the Second Placement is raised).

No Shares or Options on issue are subject to escrow restrictions, either voluntary or ASX imposed.

5.6 Details of substantial holders

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

Shareholder	Shares	%
New Age Group Co., Limited (a company incorporated in Hong Kong)	7,298,149	7.29
Darren Craig Glover ¹	11,904,762	11.89
Benjamin Leigh Harper ¹	11,904,762	11.89
Providence Gold and Minerals Pty Ltd ¹	11,929,762	11.91
Neon Capital Limited	15,000,000	14.98

Notes:

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

None of the substantial holders has indicated whether or not they intend to participate in the Entitlement Offer.

6. RIGHTS AND LIABILITIES ATTACHING TO SHARES

6.1 Shares

The following is a summary of the more significant rights and liabilities attaching to Shares being offered pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

(a) General meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution of the Company.

(b) Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

- (i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for each Share held, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(c) Dividend rights

Subject to the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares.

The Directors may from time to time pay to the Shareholders any interim dividends as they may determine. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

Subject to the ASX Listing Rules and the Corporations Act, the Company may, by resolution of the Directors, implement a dividend reinvestment plan on such terms and conditions as the Directors think fit and which provides for any dividend which the Directors may declare from time to time payable on Shares which are participating Shares in the dividend reinvestment plan, less any amount which the Company shall either pursuant to the Constitution or any law be entitled or obliged to retain, be applied by the Company to the payment of the subscription price of Shares.

(d) **Winding-up**

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any shares or other securities in respect of which there is any liability.

(e) **Shareholder liability**

As the Shares issued will be fully paid shares, they will not be subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(f) **Transfer of shares**

Generally, shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act and the ASX Listing Rules.

(g) **Future increase in capital**

The issue of any new Shares is under the control of the Directors of the Company. Subject to restrictions on the issue or grant of Securities contained in the ASX Listing Rules, the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing share or class of shares), the Directors may issue Shares as they shall, in their absolute discretion, determine.

(h) **Variation of rights**

Under section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

(i) **Alteration of constitution**

In accordance with the Corporations Act, the Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

7. RIGHTS AND LIABILITIES ATTACHING TO THE NEW OPTIONS

The terms and conditions of the New Options are as follows.

7.1 Entitlement

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

7.2 Exercise Price

Subject to paragraph 7.9, the amount payable upon exercise of each New Option will be \$0.04 (**Exercise Price**).

7.3 Expiry Date

Each Entitlement Offer New Option will expire at 5:00 pm (WST) on date which is 3 years after the date each Entitlement Offer New Option is granted (**Entitlement Offer New Option Expiry Date**). A Entitlement Offer New Option not exercised before the Entitlement Offer New Option Expiry Date will automatically lapse on the Entitlement Offer New Option Expiry Date.

Each Class A New Option will expire at 5:00 pm (WST) on date which is 3 years after the date each Class A New Option is granted (**Class A New Option Expiry Date**). A Class A New Option not exercised before the Class A New Option Expiry Date will automatically lapse on the Class A New Option Expiry Date.

Each Class B New Option will expire at 5:00 pm (WST) on date which is 3 years after the date each Class B New Option is granted (**Class B New Option Expiry Date**). A Class B New Option not exercised before the Class B New Option Expiry Date will automatically lapse on the Class B New Option Expiry Date.

Each Convertible Loan Option will expire at 5:00 pm (WST) on date which is 3 years after the date each Convertible Loan Option is granted (**Convertible Loan Option Expiry Date**). A Convertible Loan Option not exercised before the Convertible Loan Option Expiry Date will automatically lapse on the Convertible Loan Option Expiry Date.

7.4 Exercise Period

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

7.5 Notice of Exercise

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

7.6 Exercise Date

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

7.7 Timing of issue of Shares on exercise

Within 15 Business Days after the later of the following:

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

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

- (a) issue the number of Shares required under these terms and conditions in respect of the number of New Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (b) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (c) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the New Options.

If a notice delivered under 7.7(b) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

7.8 Shares issued on exercise

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

7.9 Reconstruction of capital

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

7.10 Participation in new issues

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

7.11 Change in exercise price

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

7.12 Transferability

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

8. RISK FACTORS

8.1 Introduction

- (a) The Securities offered under this Prospectus are considered highly speculative. An investment in the Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below, together with information contained elsewhere in this Prospectus and to consult their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.
- (b) There are specific risks which relate directly to the Company's business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this Section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Securities.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

8.2 Company specific

(a) Conditional Acquisition

Pursuant to the Acquisition Agreement, the Company has agreed to acquire a 65% indirect interest in Paladin Africa, completion of which is subject to the fulfilment of certain Conditions Precedent. There is a risk that the conditions for Completion cannot be fulfilled and, in turn, that completion of the Acquisition of a 65% indirect interest in Paladin Africa does not occur.

If the Acquisition is not completed, the Company will incur costs relating to advisors and other costs without any material benefit being achieved.

(b) Potential for significant dilution

Upon implementation of the Offer, assuming no Options are exercised prior to the issue date the number of Shares in the Company will increase from 100,139,194 currently on issue to 300,139,194. Additionally, the Company will be issuing the Initial Consideration Shares and the other Shares under the Second Placement close to the issue date of the Shares under the Entitlement Offer. This will further increase the Company's total number of Shares by between 290,000,000 and 315,000,000. Consequently, as a result of the Entitlement Offer and the issue of the remaining Capital Raising Shares and Initial Consideration Shares, each Share will represent a significantly lower proportion of the ownership of the Company.

It is not possible to predict what the value of the Company or a Share will be following the completion of the Offer being implemented and the Directors do not make any representation as to such matters.

The last trading price of Shares on ASX prior to the date of this Prospectus of \$0.055 is not a reliable indicator as to the potential trading price of Shares after implementation of the Offer.

(c) Funding risks

The Company is a mineral exploration company and currently relies on external funding. The Company's capital requirements depend on numerous factors including the success of its planned exploration programs, the future exploration programs for its projects, the Company's ability to generate income from its operations and possible acquisitions or other corporate opportunities. If the Company acquires any new project it may need to raise further capital to fund the acquisition or the project once acquired.

Also, the Company has an obligation to fund material future payments to the Vendor under the Acquisition Agreement in relation to the Environmental Bond. Even if the Offer and the rest of the Capital Raising is fully subscribed, the Company will need to raise further capital in the future to make those payments.

If the Company is unable to raise sufficient capital to make those payments, the Company will be in breach of its obligations under the Acquisition Agreement, which will give the Vendor the right to terminate the Acquisition Agreement and potentially seek to have the Company and Lotus return the Paladin Africa shares acquired under the Acquisition Agreement.

Any future capital raising could result in dilution to existing Shareholders, depending on the nature of the capital raising (whether it is via debt or equity).

Further, there is no guarantee that any future funding required by the Company would be available or on terms acceptable to the Company. If funding was not available on terms acceptable to the Company, it may need to scale back its exploration programs, which may impact adversely on the Company, or it may not be able to secure opportunities to acquire new projects or other corporate opportunities.

8.3 Risks specific to Paladin Africa and the uranium industry

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

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

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

(b) Production risk

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

Should the Kayelekera Mine return to production, ongoing production and commissioning of staged expansions to production may not proceed to plan, with potential for delay in the timing of targeted production and/or a failure to

achieve the level of targeted production. These potential delays or difficulties may necessitate additional funding which could lead to additional equity or debt requirements for Paladin Africa. In addition to potential delays, there is a risk that capital and/or operating costs will be higher than expected or there will be other unexpected changes in variables upon which expansion and commissioning decisions were made, such as a fall in the price of uranium. These potential scope changes and/or cost overruns may lead also to reductions in revenues and profits and/or additional funding requirements.

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

(c) Speculative nature of mineral exploration and development

Development of the Kayelekera Project is contingent upon obtaining satisfactory exploration results. Mineral exploration and development involves substantial expenses and a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to adequately mitigate. The degree of risk increases substantially when a company's properties are in the exploration phase as opposed to the development, construction and operational phase. There is no assurance that commercial quantities of ore will be discovered at the Kayelekera Project. There is also no assurance that, even if commercial quantities of ore are discovered, the Kayelekera Mine will be brought back into commercial production.

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

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

prices, exchange rates, construction costs, design requirements, delays in construction and expansion plans.

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

(d) Resources and reserves estimates

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

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

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

(e) Uncertainty relating to Inferred Mineral Resources

Inferred mineral resources that are not mineral reserves do not have demonstrated economic viability. Due to the uncertainty which may attach to inferred mineral resources, there is no assurance that inferred mineral resources will be upgraded to measured or indicated resources or proven or probable mineral reserves as a result of continued exploration.

(f) Security of tenure

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

(g) Government regulations

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

expenditures, restrictions and delays in the development of the Kayelekera Project, the extent of which cannot be predicted.

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

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

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

(h) Climate change risk

Increased regulation of greenhouse gas emissions could adversely affect Paladin Africa's cost of operations. Mining of mineral resources including uranium is relatively energy intensive and depends on fossil fuels. Regulatory change by governments in response to greenhouse gas emissions may represent an increased cost to Paladin Africa impacting profitability. Increasing regulation of greenhouse gas emissions, including the progressive introduction of carbon emissions trading mechanisms and tighter emission reduction targets or the introduction of a carbon tax in any jurisdiction in which Paladin Africa operates is likely to raise energy costs and costs of production.

(i) Foreign operations

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

Changes, if any, in mining or investment policies or shifts in political attitude in any of the countries in which it operates may adversely affect Paladin Africa's

operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use, black economic empowerment or similar policies, employment, contractor selection and mine safety. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure, could result in loss, reduction or expropriation of entitlements.

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

(j) Failure of basic infrastructure

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

(k) Project profitability

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

(l) Liquidity concerns and future financing

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

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

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

reduce or terminate some or all of its operations, which may have a material adverse effect on the Company's financial position and performance.

(m) **Logistics**

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

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

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

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

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

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

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

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

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

(q) **Contractors**

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

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

(r) **Economic conditions**

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

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

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

Should the Kayelekera Mine return to production:

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

- (iii) any or all of these events could have an adverse impact on Paladin Africa's operations, its financial condition and financial performance and are beyond Paladin Africa's control.

(t) **Environmental and social risk**

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

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

(u) **Currency risk**

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

(v) **Ability to manage growth**

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

and timely reduction in expenses or a failure to manage other issues arising from growth can have a material adverse effect on Paladin Africa's operating results.

(w) Occupational health and safety

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

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

(x) General taxation matters

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

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

(y) Litigation

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

(z) Volatility of uranium prices

The mining industry is competitive and there is no assurance that, even if significant quantities of a mineral resource are discovered or extracted, a profitable market will exist for the sale of this mineral. In particular, there can be no assurance that uranium prices will be such that the Kayelekera Mine can be returned to production and mined at a profit. The only significant commercial

use for uranium is to fuel civil nuclear power plants for the generation of electricity. Any adverse change in policies or laws concerning nuclear power in countries which operate nuclear power plants may negatively affect global uranium demand and Paladin Africa.

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

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

(aa) **Uninsurable risks**

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

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

(bb) **Political stability**

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

8.4 General risks

(a) **Economic**

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

(b) **Market conditions**

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- general economic outlook;
- introduction of tax reform or other new legislation;
- interest rates and inflation rates;
- changes in investor sentiment toward particular market sectors;
- the demand for, and supply of, capital; and
- terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(c) **Additional requirements for capital**

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing in addition to amounts raised under the Offer. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programmes as the case may be. There is however no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.

(d) **Dividends**

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

(e) **Taxation**

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

(f) **Reliance on key personnel**

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

8.5 Speculative investment

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Securities offered under this Prospectus

Therefore, the Securities to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Securities.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

9. ADDITIONAL INFORMATION

9.1 Litigation

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

9.2 Continuous disclosure obligations

The Company is a “disclosing entity” (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company’s securities.

This Prospectus is a “transaction specific prospectus”. In general terms a “transaction specific prospectus” is only required to contain information in relation to the effect of the issue of securities on a company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 3 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and

- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
- (i) the annual financial report most recently lodged by the Company with the ASIC;
 - (ii) any half-year financial report lodged by the Company with the ASIC after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC; and
 - (iii) any continuous disclosure documents given by the Company to ASX in accordance with the ASX Listing Rules as referred to in section 674(1) of the Corporations Act after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

Details of documents lodged by the Company with ASX since the date of lodgement of the Company's latest annual financial report and before the lodgement of this Prospectus with the ASIC are set out in the table below.

Date	Description of Announcement
29 August 2019	Grant of Waiver of ASX Listing Rule 7.3.2
21 August 2019	Tenement Update
20 August 2019	PDN: Update – Noteholder Consent – Kayelekera Sale
19 August 2019	Alteration to Notice of Meeting
9 August 2019	Shareholder Approval Required Under ASX Listing Rule 10.1
8 August 2019	PDN: Update – Noteholder Consent – Kayelekera Sale
30 July 2019	Quarterly Cashflow Report
30 July 2019	Quarterly Activities Report
25 July 2019	Notice of General Meeting/Proxy Form
23 July 2019	PDN: Noteholder Consent Sale of 85% Int. in Kayelekera Mine
23 July 2019	Convertible Loan Agreement and Capital Raising Update
15 July 2019	Conclusive Resolution to Section 232 Trade Investigation
8 July 2019	Investor Presentation Kayelkera Uranium Project
24 June 2019	HCO to acquire high grade Kayelekera uranium project
24 June 2019	PDN: Paladin to sell Kayelekera interest
21 May 2019	Appendix 4G
15 May 2019	Response to ASX Appendix 5B Query
2 May 2019	Update – Consolidation/Split – HCO
2 May 2019	Results of Meeting

Date	Description of Announcement
2 May 2019	Consolidation/Split – HCO
2 May 2019	Consolidation of Capital Updated Timetable
30 April 2019	Quarterly Activities Report
30 April 2019	Quarterly Cashflow Report
4 April 2019	Tenement Update
4 April 2019	Notice of General Meeting/Proxy Form – Capital Reconstruction
15 March 2019	Half Yearly Report and Accounts
4 February 2019	Appendix 3B
30 January 2019	Quarterly Activities Report
30 January 2019	Second Quart Cashflow Report
22 January 2019	Release of Shares from Escrow
14 January 2019	Response to ASX 3x and 3Z Queries
11 January 2019	Final Director's Interest Notice
11 January 2019	Initial Directors Notice
2 January 2019	Details of Company Address
2 January 2019	Director Appointment/Resignation
29 November 2018	Results of Annual General Meeting
7 November 2018	Final Director's Interest Notice
31 October 2018	Resignation of Director
31 October 2018	September 2018 Quarterly Cashflow Report
31 October 2018	September 2018 Quarterly Activities Report
26 October 2018	Notice of Annual General Meeting/Proxy Form
4 October 2018	Corporate Presentation

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

The announcements are also available through the Company's website www.hyleametals.com.au/.

9.3 Market price of shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest, lowest and last market sale prices of the Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

Highest	\$0.073	19 July 2019
Lowest	\$0.012	18 June 2019
Last	\$0.055	28 August 2019

9.4 Material contracts

The following are summaries of the significant terms of the material agreements which relate to the business of the Company.

9.4.1 Acquisition Agreement

Please refer to the summary of the Acquisition Agreement provided in Section 5.1.3.

9.4.2 Summary of the Company's arrangements in Lotus

Please refer to the summary of the Company's arrangements in Lotus provided in Section 5.1.4.

9.4.3 Consultancy Agreement

The following are the key terms of the Consultancy Agreement:

- (a) **(Services)**: the Company has engaged Mr Grant Davey as a consultant with respect to the business and Mr Davey agrees to provide consultancy services with respect to the business (**Consultancy Services**);
- (b) **(Term)**: Mr Davey shall provide the Consultancy Services from the day of completion of the first capital raising by the Company following the date of the Consultancy Agreement for a period of 2 years, with any renewal or extension to be agreed by the parties;
- (c) **(Fee)**: the Company must pay Mr Davey an annual fee of \$150,000 (**Consultancy Fee**). The Consultancy Fee is exclusive of GST and shall be paid by electronic funds transfer on a quarterly basis to a bank account designated by Mr Davey;
- (d) **(Expense Reimbursement)**: the Company acknowledges that Mr Davey incurred expenses in connection with the Acquisition, including but not limited to an exclusivity fee and legal fees (**Project Expenses**). Subject to the Company being satisfied by the documentary verification of the Project Expenses to be provided by Mr Davey, the Company shall reimburse Mr Davey for the Project Expenses up to a maximum amount of \$200,000. Payment to Mr Davey for reimbursement of the Project Expenses shall be made within 14 days of completion of the first capital raising by the Company following the date of the Consultancy Agreement;
- (e) **(Long Form Consultancy Agreement)**: within 6 months of the Consultancy Agreement, the Company and Mr Davey shall agree on the terms and conditions of a long form agreement for provision of the Consultancy Services. The Long Form Agreement shall contain terms and conditions customary for such an agreement (**Long Form Agreement**). Until such time as this Consultancy Agreement is superceded by the Long Form Agreement, this Consultancy Agreement represents a legally binding agreement between the Company and Mr Davey; and
- (f) **(Termination)**: either party may terminate this Agreement by notice in writing to the other if the Acquisition by the Company is terminated or does not proceed for any reason, in which case:

- (i) Mr Davey will only be entitled to the Consultancy Fee up to the date of such termination; and
- (ii) the Company will not be entitled to a refund of the Project Expenses reimbursed under clause 5 prior to termination.

9.4.4 Convertible Loan Agreement

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

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

Matador will elect to either be repaid in cash or convert the Convertible Loan at the Conversion Price;
- (g) **(Security)**: the Convertible Loan is unsecured; and
- (h) **(Interest)**: the Convertible Loan is interest free (other than default interest if not repaid or converted on time in accordance with the terms of the Convertible Loan Agreement).

9.5 Underwriting Agreement

The following are the key terms of the Firm Commitment Letter:

- (a) **(Allocation Confirmation)**: BW Equities has given the company a firm commitment to subscribe for a maximum of \$8,000,000 **(Firm Commitment)** as set out below:
 - (i) \$3,000,000 under the First Placement;
 - (ii) \$1,000,000 under the Entitlement Offer; and

- (iii) \$4,000,000 under the Second Placement;
- (b) **(Underwriting Fee)**: The Company has agreed to pay an underwriting fee of 5% of the amount of the Firm Commitment, payable in tranches on settlement of the applicable part of the Capital Raising (this fee includes any selling fees BW Equities agrees to pay to any sub-underwriter who agrees to take up part of the Firm Commitment);
- (c) **(Cessation of obligations)**: BW Equities obligations and rights in respect of the Firm Commitment will terminate only if each of the following has not occurred by 5.00pm (Perth time) on 28 February 2020:
 - (i) execution of binding transaction documents in relation to the Acquisition **(Acquisition Documents)** and the Company announcing the Acquisition;
 - (ii) the Company obtaining all necessary shareholder approvals for the Acquisition (including all necessary shareholder approvals for the Capital Raising); or
 - (iii) satisfaction of the following outstanding Conditions Precedent to Completion:
 - (A) all Malawi government consents necessary to complete the Proposed Acquisition being obtained; and
 - (B) all consents and approvals required from Nedbank Limited (provider of Environmental Bond to the Kayelekera Mine) necessary to complete the Proposed Acquisition being obtained;

The Firm Commitment Letter also contains a number of representations and warranties from BW Equities to the Company that are considered standard for an agreement of this type.

9.6 Interests of Directors

Other than as set out in this Prospectus, no Director or proposed Director holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:

- (d) as an inducement to become, or to qualify as, a Director; or

- (e) for services provided in connection with:
- (i) the formation or promotion of the Company; or
 - (ii) the Offer.

Security holdings

The relevant interest of each of the Directors in the securities of the Company as at the date of this Prospectus, together with their respective Entitlement, is set out in the table below.

Director	Shares	Options	Entitlement	\$
Tim Kestell	4,969,443 ¹	0	2,484,722	49,694.44
Simon Andrew	0	0	0	0
Mark Milazzo	0	0	0	0

Note:

1. Mr Kestell's holds an indirect interest in 4,969,443 Shares as result of his shareholding in Blue Capital Limited.

The Board recommends all Shareholders take up their Entitlement and advises that all Directors intend to take up their respective Entitlements.

Remuneration

The remuneration of an executive Director is decided by the Board, without the affected executive Director participating in that decision-making process. The total maximum remuneration of non-executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The current amount has been set at an amount not to exceed \$500,000 per annum.

In addition, Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The following table shows the total (and proposed) annual remuneration paid to both executive and non-executive directors.

Director	FY20 ¹	FY19	FY18
Tim Kestell	\$36,000	\$36,000	\$30,000 ²
Simon Andrew	\$100,000	\$54,000 ³	-
Mark Milazzo	\$36,000	\$36,000	\$36,000 ⁴

Note:

1. FY20 annual remuneration is correct as at the date of this Prospectus.
2. Pro rata from Mr Kestell's appointment on 7 September 2017.
3. Pro rata from Mr Andrew's appointment on 2 January 2019.
2. Pro rata from Mr Milazzo's appointment on 7 March 2018.

9.7 Interests of experts and advisers

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (b) promoter of the Company; or
- (c) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (d) the formation or promotion of the Company;
- (e) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (f) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (g) the formation or promotion of the Company; or
- (h) the Offer.

BW Equities will be paid an underwriting fee of approximately \$400,000 in relation to the Capital Raising (inclusive of fees to be paid to Matador as sub-underwriter and any other selling fees paid to brokers in connection with the Capital Raising). The portion of this fee attributable to the Offer is \$50,000. During the 24 months preceding lodgement of this Prospectus with the ASIC, BW Equities has been paid fees totalling \$0 by the Company.

Matador will be paid a sub-underwriting fee of approximately \$200,000 in relation to the Capital Raising (inclusive any other selling fees paid to brokers in connection with the Capital Raising). The portion of this fee attributable to the Offer is \$25,000. During the 24 months preceding lodgement of this Prospectus with the ASIC, Matador has been paid fees totalling \$0 by the Company.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offer. The Company estimates it will pay Steinepreis Paganin \$25,000 (excluding GST and disbursements) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has been paid fees totalling \$207,241.50 (excluding GST and disbursements) for legal services provided to the Company.

9.8 Consents

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the Securities), the Directors, the persons named in the Prospectus with their consent as Proposed Directors, any underwriters, persons named in the Prospectus with their consent having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading and deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the Prospectus, the other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and
- (b) in light of the above, only to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

BW Equities has given its written consent to being named as underwriter to the Offer and the Option Offers in this Prospectus, in the form and context in which it is named. BW Equities has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC. BW Equities (including its related entities) is not a Shareholder of the Company and currently has no relevant interest in any of the Company's Securities.

Matador has given its written consent to being named as a sub-underwriter to the Offer in this Prospectus, in the form and context in which it is named. Matador has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC. Matador (including its related entities) is not a Shareholder of the Company and currently has no relevant interest in any of the Company's Securities.

RSM Australia Partners has given its written consent to being named as the solicitors to the Company in this Prospectus. RSM Australia Partners has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Steinepreis Paganin has given its written consent to being named as the solicitors to the Company in this Prospectus. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

9.9 Expenses of the offer

In the event that all Entitlements are accepted, the total expenses of the Offer are estimated to be approximately \$190,402 (excluding GST) and are expected to be applied towards the items set out in the table below:

	\$
ASIC fees	3,206
ASX fees	5,696
Underwriting fees	150,000
Legal fees	25,000
Printing and distribution	3,500
Miscellaneous	3,000
Total	<u>190,402</u>

9.10 Electronic prospectus

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Forms. If you have not, please phone the Company on +61 8 9278 2441 and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both. Alternatively, you may obtain a copy of this Prospectus from the Company's website at <https://www.hyleametals.com.au/>.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

9.11 Financial forecasts

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

9.12 Taxation Implications

The Directors do not consider that it is appropriate to give participants in the Offers advice regarding the taxation consequences of applying for Securities under this Prospectus, as it is not possible to provide a comprehensive summary of the possible taxation consequences. The Company, its advisers and officers, do not accept any responsibility or liability for any taxation consequences to participants in the Offers. Potential participants in the Offers should, therefore, consult their own professional tax adviser in connection with the taxation implications of the Securities offered pursuant to this Prospectus.

9.13 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship

The Company will not be issuing share or option certificates. The Company is a participant in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of Shares issued to them under this Prospectus. The notice will also advise holders of their Holder Identification

Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

9.14 Privacy Act

If you complete an application for Securities, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to assess your application, service your needs as a holder of equity securities in the Company, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988 (Cth)* (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Securities, the Company may not be able to accept or process your application.

10. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.

Simon Andrew
Managing Director
For and on behalf of
HYLEA METALS LIMITED

11. GLOSSARY

\$ means the lawful currency of the Commonwealth of Australia.

Acquisition has the meaning given in Section 5.1.

Acquisition Agreement has the meaning given in Section 5.1.

Applicant means a Shareholder who applies for Securities pursuant to the Offer or a Shareholder or other party who applies for Shortfall Securities pursuant to the Shortfall Offer.

Application Form means an Entitlement and Acceptance Form or Shortfall Application Form as the context requires.

ASIC means the Australian Securities and Investments Commission.

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

ASX Listing Rules means the listing rules of the ASX.

ASX Settlement Operating Rules means the settlement rules of the securities clearing house which operates CHES.

Board means the board of Directors unless the context indicates otherwise.

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

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

Capital Raising has the meaning given in Section 5.1.5.

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

Class A New Option means a New Option issued to subscribers under the First Placement.

Class B New Option means a New Option issued to subscribers under the Second Placement.

Closing Date means the date specified in the timetable set out at the commencement of this Prospectus (unless extended).

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

Completion means completion of the Acquisition.

Conditions Precedent has the meaning given in Section 5.1.3(d).

Constitution means the constitution of the Company as at the date of this Prospectus.

Convertible Loan means a \$500,696 convertible loan from Matador, convertible into 25,034,798 Shares and 12,517,399 Convertible Loan Options on the terms set out in the Convertible Loan Agreement.

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

Convertible Loan Option means a New Option issued under the terms of the Convertible Loan Agreement.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the directors of the Company as at the date of this Prospectus.

Entitlement means the entitlement of a Shareholder who is eligible to participate in the Offer.

Entitlement and Acceptance Form means the entitlement and acceptance form either attached to or accompanying this Prospectus.

Entitlement Offer or **Offer** means the non-renounceable entitlement issue the subject of this Prospectus.

Entitlement Offer New Option means a New Option issued under the Entitlement Offer.

First Placement means an offer of up to 124,965,202 Shares, at an issue price of \$0.02 per Share to raise \$2,499,304.04, together with one free attaching Class A New Option for every two Shares subscribed for and issued under the First Placement.

Lotus means Lotus Resources Pty Ltd (ACN 633 939 439).

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

New Option means an Option issued on the terms set out in Section 7 of this Prospectus.

Official Quotation means official quotation on ASX.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Option Offers means the issue of the Convertible Loan Options, the Class A New Options and the Class B New Options the subject of this Prospectus.

Paladin means Paladin Energy Limited (ACN 061 681 098).

Paladin Africa means Paladin Africa Limited (a company incorporated under the laws of Malawi).

Prospectus means this prospectus.

Record Date means the date specified in the timetable set out at the commencement of this Prospectus.

Second Placement means an offer of up to 225,000,000 Shares, at an issue price of \$0.02 per Share to raise \$4,500,000, together with one free attaching Class B

New Option for every two Shares subscribed for and issued under the Second Placement.

Second Placement Conditions means obtaining the following parties' consent to the sale of the shares in Paladin Africa and the assignment of the assigned receivables to the Company:

- (a) Malawian Energy and Mines Minister and Finance Minister;
- (b) Reserve Bank of Malawi; and
- (c) the holders of Paladin notes approving the sale of Paladin Africa.

Section means a section of this Prospectus.

Securities means Shares and/or New Options.

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

Shareholder means a holder of a Share.

Shortfall means the Shares not applied for under the Offer (if any).

Shortfall Offer has the meaning in Section 5.1.5.

Shortfall Securities means those Securities issued pursuant to the Shortfall.

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

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