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24 June 2019

ASX ANNOUNCEMENT

HYLEA TO ACQUIRE HIGH-GRADE KAYELEKERA URANIUM PROJECT

Hylea Metals Limited (**HCO, Hylea** or the **Company**) is pleased to announce the acquisition of a 65% interest in the Kayelekera Uranium Project ("Kayelekera" or the "Project") from Paladin Energy Limited (ASX: PDN).

HIGHLIGHTS

- **HCO has entered into an agreement with Paladin to acquire a 65% interest in the Kayelekera Uranium Project** in Malawi
- The remaining 35% is held by HCO's joint venture partner Chichewa (20%) and the Government of Malawi (15%). **HCO will have an option to acquire a further 20% interest in Kayelekera** from Chichewa
- **Kayelekera hosts a high grade resource with an existing open pit mine and demonstrated excellent metallurgical recoveries (87.5%)** having historically produced over 10.9MIb of uranium between 2009 and 2014[1]
- Significant infrastructure is already in place including a **3MIb per annum resin in pulp extraction plant**
- The operation is currently on care and maintenance with all assets maintained in good standing. Assets include:
    - *Over **US$200M of CAPEX** spent on plant and infrastructure*[2]
    - *Process facility throughput - **1.5mtpa (3.3MIb pa)***[1]
    - ***Significant high grade U_3O_8 JORC 2004 Mineral Resource estimate** (refer to Table 2below)*[3]
- The consideration payable for the acquisition Is as follows *(refer Appendix 1 for full details):*
    - ***Initial Consideration -** $1.8M worth of Hylea ordinary shares*
    - ***Deferred Consideration -** $3M worth of Hylea ordinary shares to be issued on the 3rd anniversary of completion*
    - ***Royalty -** 3.5% of gross returns at the Kayelekera mine up to a maximum of $5M; and*
    - ***Environmental Bond** – Replacement of the environmental of US$10M to be paid over three years.*
- **In FY13, the open pit mine produced 1,072,000t of ore at an average grade of 1,350 ppm U_3O_8** with an annualised stripping ratio of 3:1[4]
- Large **157km² tenement package** with excellent exploration potential
- **Company-transforming acquisition places Hylea at the forefront of aspiring Australian uranium producers**

*"The acquisition of 65% of Kayelekera is an excellent opportunity for HCO. **Kayelekera is a world class uranium asset that has produced over 10.9MIb of uranium** and represents an opportunity to use the past production information to re-engineer certain mining and processing processes in order to reduce the overall Capex and Opex of the operations. We are optimistic about the global uranium market and the outlook for firmer pricing"* ***said HCO Managing Director Simon Andrew.***

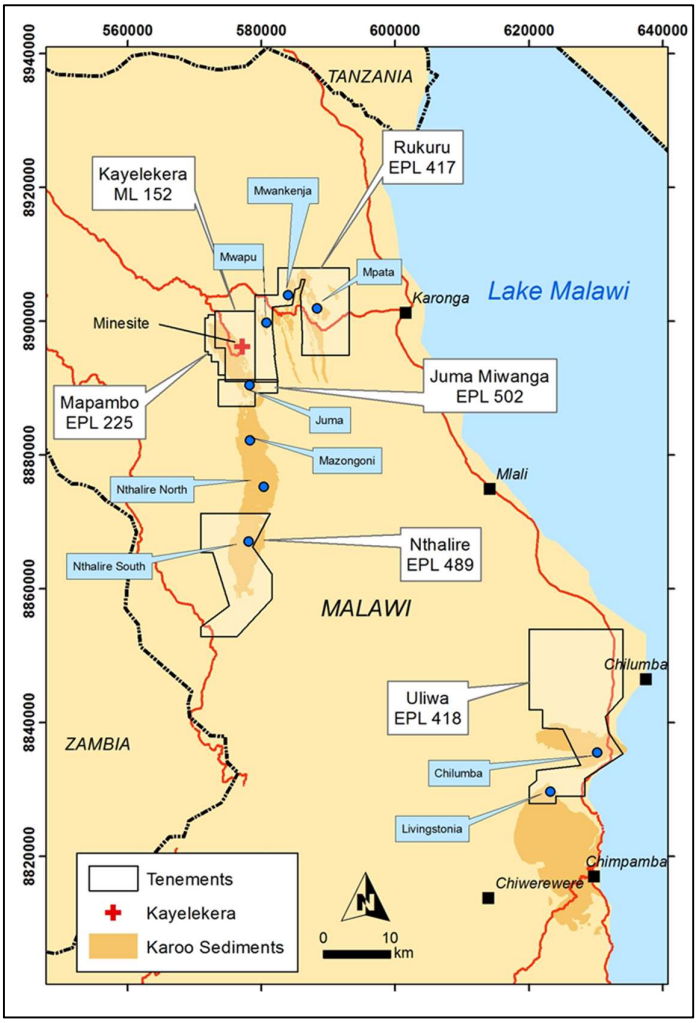
Figure 1: Kayelekera Process Plant

[1] *https://www.paladinenergy.com.au/kayelekera-malawi-project-development*
[2] *Mining Review Africa, July 1st, 2009*
[3] *https://www.paladinenergy.com.au/kayelekera-malawi-geology*
[4] *Paladin Energy Annual Report 2013*

ABOUT KAYELEKERA

The Kayelekera Uranium Project is located in northern Malawi, southern Africa, 52km west (by road) of the town of Karonga (Figure 2). 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 mine produced over 10.9MIb of uranium between 2009 and 2014[1] with a significant high grade Resource estimate (refer to Table 2 below for further details).

Figure 2: Project Location and Licenses



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

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Table 1: Kayelekera License Summary

Tenement Name	License	Area (km²)	Current Holder
Kayelekera	ML 152	55.5	PAL
Nthalire	EPL 489	137.04	PAL
Uliwa	EPL 418	348.8	PAL
Rukuru	EPL 417	146.3	PAL
Mapambo	EPL 225	14	PAL
Juma-Miwanga	EPL 502	28.65	PAL
Total	6	730.3	

The Government of Malawi (**GoM**) owns 15% of Kayelekera, through a 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. The GoM is committed to supporting and encouraging the private sector to assume a leading role in the economic development of projects in the mining sector.

Paladin permitted, constructed, commissioned and operated Kayelekera between 2007 and 2014 and produced 10.9Mlb of U_3O_8 from an open-pit mine ore processed through an acid leach and resin-in-pulp processing plant (Figure 1 above).

In February 2014, Paladin placed Kayelekera on care and maintenance due to the low uranium pricing. Internal studies determined that an improved uranium market would provide an opportunity for Kayelekera to restart and again produce uranium from its remaining Resource (refer to Table 2 below for further details).

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RESOURCES

The project hosts a Resource (JORC Code 2004 and NI 43-101) of 19Mt at 700ppm U_3O_8 for 28.7Mlb of contained U_3O_8 (Table 2). Table 2 summarises the latest Mineral Resource.

Based on a 2014 pit optimisation study, Paladin stated an Ore Reserve (JORC Code 2004 and NI 43-101) adjusted for mining to June 2014. However, due to current uranium prices, permitting requirement, and lack of a JORC 2012 PFS level study it is likely that the currently stated Ore Reserves do not meet the requirement of Ore Reserves under the JORC Code 2012 and would be downgraded to Mineral Resources. Accordingly, the Company has not repeated the Ore Reserve statements in this announcement, as it does not consider that there is a reasonable basis for the Company to do so in light of the factors referred to in this paragraph.

Mineralisation remains open to the west and north-west of the existing ore body. Upon completion of the acquisition the Company would plan additional exploration to expand the size of the existing Mineral Resource and also to test known regional exploration targets for mineralisation.

Table 2: Kayelekera Mineral Resource (note: JORC 2004)[2]
Reported above a 300ppm U_3O_8 cut-off (note: figures have been rounded)

	Mt	Grade (ppm U_3O_8)	Mlb U_3O_8
Measured	0.7	1,010	1.7
Indicated	12.7	700	19.6
Inferred	**5.4**	**620**	**7.4**
Total	**18.9**	**700**	**28.7**

Note: The Company has not repeated the Resource estimate previously reported by Paladin for stockpiles at the Kayelekera mine as they were not reported under recognised JORC categories

The estimates of Mineral Resources are not reported in accordance with the JORC Code 2012; a Competent Person has not done sufficient work to classify the estimates of Mineral Resources in accordance with the JORC Code 2012; it is possible that following evaluation and/or further exploration work the currently reported estimates may materially change and hence will need to be reported afresh under and in accordance with the JORC Code 2012; 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; additionally nothing has come to the attention of the acquirer that causes it to question the reliability of the former owner's estimates; the acquirer has not independently validated the former owner's estimates and as required under the relevant ASX guidance notes, the Company should not be regarded as reporting, adopting or endorsing those estimates. As noted above, It is likely that the Ore Reserves previously stated by Paladin would not meet the requirement of Ore Reserves under the JORC Code 2012 for the reasons outlined above and would be downgraded to Mineral Resources and, accordingly, the Company has not repeated those Ore Reserve statements in this announcement.

Figure 3: Uranium produced from site

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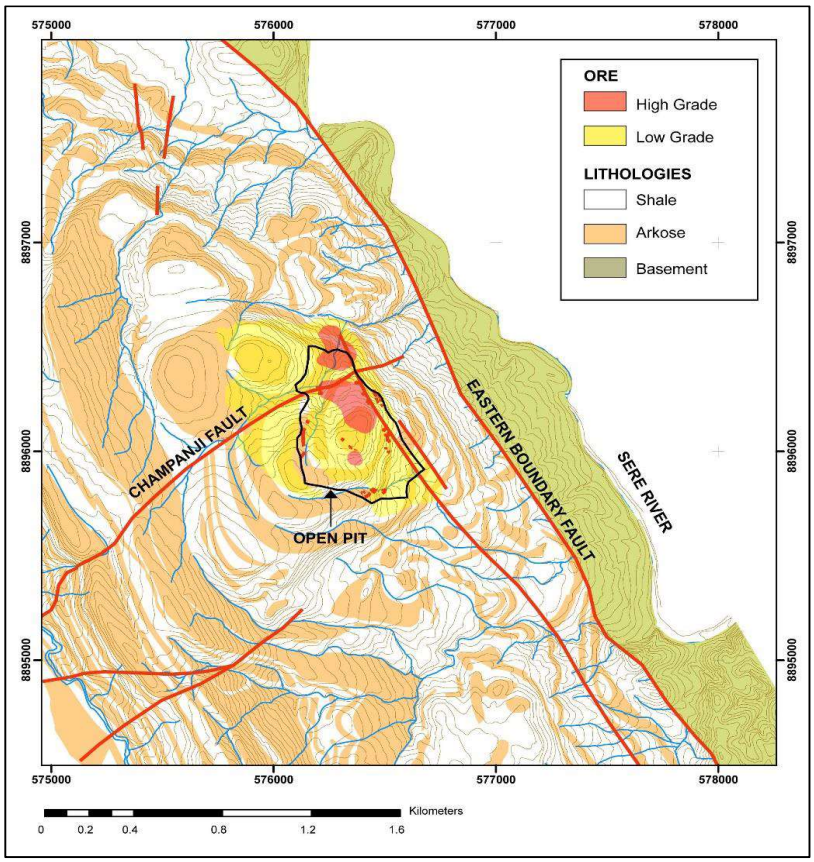
GEOLOGY AND MINERALISATION

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 (Figure 4). 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 4: 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.

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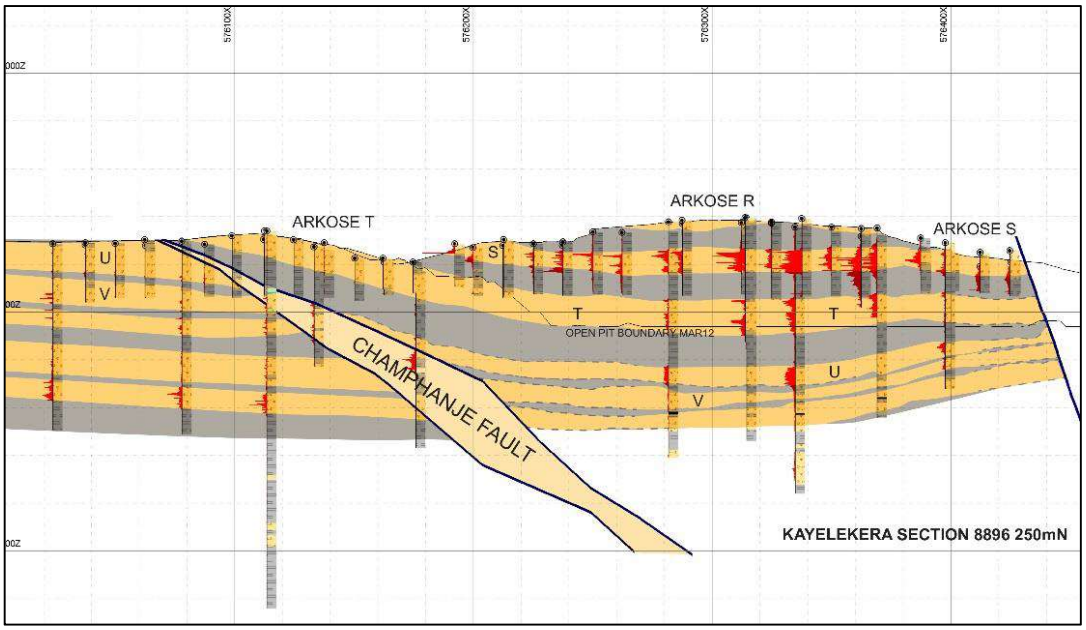
A further 20% of primary mineralisation is hosted by mudstone and is termed "mudstone mineralisation". Most uranium in mudstone mineralisation is present as coffinite with lesser uraninite in a matrix of clay minerals. Secondary ore tends to be concentrated in vertical fractures and along the contacts between mudstone and arkose and is restricted to the upper parts of the orebody. Figure 5 below presents a representative cross-section of the orebody.

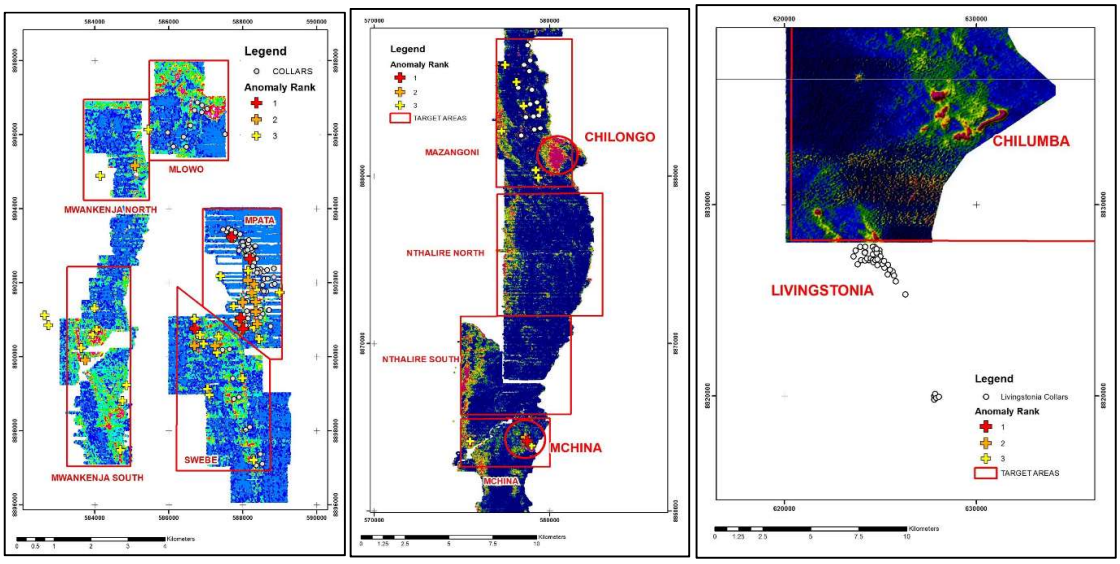
Figure 5: Typical cross-section of Kayelekera showing tabular nature of mineralisation



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 6). No geophysical techniques other than radiometric and magnetic surveying have been employed previously and opportunities exist for alternative methods to be employed; and for exploration over areas under surficial cover.

Figure 6: Kayelekera Project Exploration Target Areas



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PROJECT TEAM

Hylea has a highly experienced board and access to a strong technical team including:

Mr Grant Davey 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

Mr Keith Bowes 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

Mr Neil Inwood, 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.

OTHER PROJECTS

HCO will continue to explore ways to advance the Hylea Cobalt Project in NSW. Hylea remains highly prospective for cobalt and other metals including nickel, scandium and vanadium. The sharp fall in the price of cobalt in 2018 has made it difficult to attract capital to advance the Hylea project. HCO remains optimistic that underlying demand for cobalt will eventually drive an improvement in the price of cobalt. We therefore plan to maintain the Hylea project in good standing and continue to explore the tenement package.

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NOTE ON RESOURCES MENTIONED IN THIS ANNOUNCEMENT

The reported Resources estimates for the Kayelekera Project were previously reported by Paladin and have not been fully vetted by Hylea. The original statements of Resources can be found under https://www.paladinenergy.com.au/kayelekera-malawi-geology (note: figures quoted after mining depletion to June 2014) and 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 Resources were reported under the JORC Code 2004 and NI 431-101 and the estimates may not conform to the requirements of the JORC Code 2012. Due to the age of the underlying Feasibility study documents (2007) Hylea will likely need to undertake a PFS level of study to report an Ore Reserve under the JORC Code 2012 or else downgrade the Ore Reserve to a Mineral Resource.

Hylea understands that the reported Resources were undertaken by reputable and competent practitioners; however, neither Hylea nor its consultants have reviewed the resource in sufficient detail to make a judgement on their veracity. Future estimates will likely need to incorporate mine to Resource reconciliation data, additional assessment of QAQC of chemical data sets to radiometric sourced U_3O_8 grades and on-site verification of underlying drill hole data sets. Due to the age of the underlying studies utilised for the Reserves, environmental permits required post care and maintenance, change in operational cost items, advancements in uranium processing technology and the underlying uranium price used (US$60/lb) in the 2009 Reserves it is likely that Reserves previously stated by Paladin would not be applicable under JORC 2012 and that further Pre-Feasibility studies would be required to state reserves under JORC 2012, and that the Ore Reserves previously stated by Paladin would be downgraded to resources. Accordingly, the Company has not repeated those Ore Reserves statements in this announcement

The work undertaken to estimate the Kayelekera Resources are set out in the document titled "Kayelekera, Malawi Resource and Reserve Estimation" and dated 5th January 2009. Work undertaken more broadly on the project leading into the resource and mining studies is summarised in Table 3. Significant work has been undertaken on the property leading into the Resource estimate which was based upon a dataset that included 122 diamond and percussion holes for 7,591metres of drilling (pre-Paladin) and 903 diamond and percussion/RC holes undertaken by Paladin from 2004 to 2007. Work leading into the Resource estimation included:

- In 2005, 11 diamond holes drilled in the deposit to collect metallurgical samples. The holes were geologically logged and down-hole gamma logged. Equivalent uranium values were calculated for each 5cm interval. Metallurgical samples were collected from 11 diamond holes over a core length of 40cm, each sample weighing approximately 2.5-3.0kg. The drilling produced a total of 854 samples at an average grade of 0.14% eU3O8. Subsequently the equivalent uranium values of oxidised ore were reduced by a disequilibrium factor of 25% derived from a study undertaken in February 2005 by an independent consultant.
- RC drilling was undertaken in 2005 where 120 holes were drilled for a total of 5,433 metres. All drill collars were surveyed in by surveyors who also conducted a re-survey of the existing historical drill holes. The nominal drill hole size was 5 inches and all drill samples were bagged from the cyclone and weighed to provide some assessment of the average drilling sample recoveries, the average weight of the 1978 metres checked was 25.04kg per sample against an expected 29kg for 100% recovery. All samples were geologically logged and on each metre sample a scintilometer reading (SPP2 instrument) was taken and recorded. All samples were riffle split into 80/20% proportions. The larger approximately 20kg samples were stored on site if they appeared mineralised or gave a count value of larger than 750cps on the scintillometer. A further 200 – 500g sample was precision riffle split from the 5kg sample for assay of U3O8. A total of 2001 1metre samples, 68 duplicates and 92 blanks, totalling 2,161 samples were sent to Setpoint Laboratories in Johannesburg for U_3O_8 determination by pressed powder XRF method. All drill holes were gamma downhole logged for equivalent uranium (eU_3O_8%) grade determination. All drill collar survey pickups were performed by an independent contractor.
- Commencing in mid 2007 a drilling program was designed to enable the conversion of Inferred resource category panels in the original resource estimation that fell within the pit design to a higher resource category as well as to test the limits of the then existing resource. At the completion of the program, 132 holes for 9,955.2m of RC had been drilled in the exploration phase and 620 holes for 14,244.96m of RC had been drilled in the pre-mining grade control phase. All samples were riffle split into 80/20% proportions. The larger approximately 20kg samples were stored on site if they appeared mineralised or gave a count value of larger than 750cps on the scintillometer. All of the smaller approximately 5kg portions were bagged and stored locally for future reference. A further 200 – 500g sample was precision riffle split from the 5kg sample for assay of U3O8. Approximately 5% of samples were sent to Setpoint Laboratories in Johannesburg for U_3O_8 determination by pressed powder XRF method as a continuous check against down hole gamma values. All drill holes were gamma downhole logged for equivalent uranium (eU3O8%) grade determination. All drill collar survey pickups

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were performed by either the onsite Senior Mining Engineer or Surveyor, both of whom are employed by Paladin. As a second check on previous work, all existing drill holes were also picked up. Standards and blanks were also submitted in the sample stream and Paladin considered that the performance of laboratory repeats, these show good precision and acceptable accuracy.

- The data used in the resource estimate was based on a combined sample dataset from the original historical drilling and that conducted by Paladin during 2005 and 2008. This data was validated as much as possible by reference to original historical graphical drill logs, sample submission sheets and analytical reports. The original historical drill holes were re-surveyed where possible and those positions incorporated into the sample dataset. The Qualified Person considered that the resource estimations based on this data could be classified as Measured, Indicated or Inferred as appropriate. Garde data was adjusted using disequilibrium calibrations were developed using factors supplied by an independent consultant and ranged from 0.71 to 0.83.
- The Kayelekera deposit consists of a sequence of alternating arkose units (up to seven in total) and intervening mudstone units. The arkose/mudstone sequence is well defined and appears to be fault bounded on the eastern side, with an east-west trending fault intersecting the sequence within the northern portion of the package. As the mineralisation is flat lying and all drilling included in the resource estimation is vertical the mineralised intercepts was considered to represent true widths.
- The drill hole database was intersected with the mineralisation wireframes and the results were coded into the drill hole database. From this mineralised drill hole intercepts were produced, and these were subsequently composited to 1.0 metre intervals and used in the grade estimation process.
- Univariate and conditional statistics were conducted on the modelled grade populations which led into variogram analysis for use in the subsequent grade estimation. The resources estimates were undertaken utilising multiple indicated kriging with change of support utilised.
- The Resource was reported above a 300ppm eU3O8 lower cutoff with Selective Mining Unit (SMU) dimensions of 4mE x 4mN x 2mRl assumed along with grade control spacing of 3.5mE x 4.4mN x 1mRl.

The stated Resources were depleted for mining by Paladin personnel for mining up to 2014 (the start of care and maintenance). An unpublished in-house study for the recommencement of production at Kayelekera was completed by Paladin in 2016 which indicated the project could be returned to production in a higher uranium price environment.

Work required to report the estimates under JORC 2012 include assessment of the current Resource data and estimation techniques and updating reporting requirements to JORC 2012. Due to the quality of the work undertaken by the previous workers, it is envisaged that much of this work could be undertaken on a desk-top basis if no material items are identified. This work is envisaged to commence immediately after acquisition and is expected to be completed within 6 months.

Mr Neil Inwood is a Fellow of the AusIMM and Competent person under JORC 2012 Code and considers that the information included in the announcement provided is an accurate representation of the available data and studies for the material mining project

The estimates of Mineral Resources are not reported in accordance with the JORC Code 2012; a Competent Person has not done sufficient work to classify the estimates of Mineral Resources in accordance with the JORC Code 2012; it is possible that following evaluation and/or further exploration work the currently reported estimates may materially change and hence will need to be reported afresh under and in accordance with the JORC Code 2012; *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 acquirer has not independently validated the former owner's estimates and therefore is not to be regarded as reporting, adopting or endorsing those estimates. As noted above, it is likely that the Ore Reserves previously stated by Paladin would not meet the requirement of Ore Reserves under the JORC Code 2012and would be downgraded to Mineral Resources and, accordingly, the Company has not repeated those Ore Reserves in this announcement.

Note on responsibility

This announcement and the information disclosed in it has been prepared by HCO and not Paladin Energy Limited or Paladin Energy Minerals Pty Ltd (collectively **Paladin**). Paladin has not verified or reviewed the disclosures made in this announcement and does not assume any responsibility for its accuracy or completeness. Paladin accepts no liability for the contents of this announcement.

Table 3: Significant Historical Studies of The Kayelekera Uranium Project

CEGB: Work carried out up to 1990	Date	Prepared by
Reserve		
Ore Reserve Assessment	September 1989	WEL
In-Situ Geological Reserves	December 1989	L Brown
Feasibility Studies		
Cost and Definition Study	August 1986	Davy Mckee
Preliminary Mine Design	March 1990	WEL
Kayelekera Uranium Project, Feasibility Study	June 1990	WEL
Kayelekera Project, Financial Evaluation	December 1990	WEL
Environmental Studies		
Environmental Impact Study, Induction Report	May 1988	WS Atkins
Kayelekera Uranium Project, Environmental Assessment	December 1990	WS Atkins
Metallurgy		
Malawian Uranium Test work: Phase 1 – Ore Leachability	February 1986	Davy McKee
Investigation of the Recovery of Uranium, Progress Reports No's 1 and 2	December 1989	Lakefield Research
Study of Metallurgical Test work	March 1990	WEL
Geotechnical		
Geotechnical Report on Possible Opencast Operations	June 1988	Geoffrey Walton
Preliminary Geotechnical Assessment and Design of Open Pit Slopes, Tailings Impoundment, Waste Dumps, Plant Site and Related Facilities	September 1989	Piteau Associates
Other		
The Geology of the Kayelekera Uranium Deposit	December 1990	RP Shaw
Hydrogeology and Hydrology	October 1990	SRK
Paladin: Work carried out 1999-2007	**Date**	**Prepared by**
Preliminary Evaluation of the 1990 Feasibility Study, Engineering and Development Options	November 1999	G Gauci
A Basic Financial Model	January 2000	G Gauci & B Hawley,
Kayelekera Project, Concept Study	July 2000	DJ Butcher
Preliminary Financial Model & Analysis	October 2000	Carmichael First Capital
Resource Model Studies	February 2005	Hellman & Schofield
Pre-Feasibility Study	February 2005	Paladin
Resource Model Update	February 2006	Hellman & Schofield
Feasibility Study	February 2007	GRD Minproc
Reserve Estimation Studies	March 2007	GRD Minproc

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APPENDIX 1

ACQUISITION DETAILS

- Hylea will hold its interest in Paladin Africa through a joint venture company Lotus Resources Pty Ltd (**Lotus**).
- Hylea owns 76.5% of the shares in Lotus, with the other 23.5% held by Chichewa Resources Pty Ltd (**Chichewa**). Chichewa is controlled by Mr Grant Davey. Hylea director Tim Kestell has a beneficial interest of 17.5% of Chichewa.
- Lotus will acquire 85% of Kayelekera, by acquiring 85% of the shares in Paladin Africa. As noted above, the other 15% of the shares in Paladin Africa are owned by the Government of Malawi.
- This means that the Company will hold an indirect interest of 65% in Kayelekera, with Chichewa holding an indirect interest of 20% and the Government of Malawi holding the other 15%.
- The consideration for the sale of Paladin's 85% shareholding in Paladin Africa is set out below. The Company will fund 100% of this consideration.
- The Government of Malawi has a 15% free carry at the project level.
- Chichewa's 20% at the Lotus level will be free carried to the later of:
  (i) 3 years from Completion of the sale; or
  (ii) A$10M in project expenditure by Hylea.
- Completion is expected to occur in the second half of 2019.
- Paladin Africa is the legal and beneficial owner of significant infrastructure and plant and equipment and the following licences which comprise the Kayelekera Project:

  (i) Mining Licence 152 - Kayelekera;
  (ii) Exclusive Prospecting Licence - 225 - Mapambo;
  (iii) Exclusive Prospecting Licence - 417 - Rukuru;
  (iv) Exclusive Prospecting Licence - 418 - Uliwa;
  (v) Exclusive Prospecting Licence - 489 - Nthalira;
  (vi) Exclusive Prospecting Licence – 502 - Juma-Miwanga; and
  (vii) all mining information relating to the tenements.

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CONDITIONS

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

1) to the extent required, obtaining the following parties' consent to the sale of shares and the assignment of the Assigned Receivables to the Company:
   (i) Malawian Energy and Mines Minister and Finance Minister;
   (ii) Reserve Bank of Malawi;
   (iii) Nedbank Limited; and
   (iv) the requisite majority of Paladin Noteholders;
2) Paladin granting Paladin Africa a licence to use certain intellectual property utilised in the Kayelekera plant;
3) 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;
4) Hylea shareholder approval for:
   (i) the issue of the initial Consideration (and, if ASX grants the necessary waiver of the ASX Listing Rules, the Deferred Consideration);
   (ii) the issue of the capital raising Shares and options (see below);
   (iii) the change in nature and scale of the Company's operations by virtue of the acquisition under Listing Rule 11.1.2; and
   (iv) any financial benefits received by related parties of the Company for the purposes of the Corporations Act; and
5) the release of certain security interests registered over the assets of Paladin Africa.

CONSIDERATION

The consideration payable for the acquisition Is as follows:

1) **Initial Consideration** - $200,000 in cash, plus $1.8M worth of fully paid ordinary shares in Hylea (**Shares**) to be issued on completion, calculated using the 30 day volume weighted average price (**VWAP**) for Shares up to the business day prior to issue;
2) **Royalty** - a royalty of 3.5% of gross returns at the Kayelekera mine up to a maximum of $5M in favour of Paladin; and
3) **Deferred Consideration** - $3M worth of Shares to be issued on the 3rd anniversary of completion, calculated using the 30 day VWAP for Shares up to the business day prior to issue.
4) **Environmental Bond** - In connection with the Acquisition, Paladin Africa must repay (or procure that the Company repays on its behalf) the amount of US$10M which had previously been advanced by Paladin to Paladin Africa to fund the environmental bond in favour of the Government of Malawi. The following amounts will be payable to Paladin in respect of the environmental bond advance:
   (i) US$4M on Completion;
   (ii) US$1M on the date that is 1 year after Completion;
   (iii) US$2M on the date that is 2 years after Completion; and
   (iv) US$3M on the date that is 3 years after Completion.

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

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CAPITAL RAISING

The Company is proposing to fund the acquisition with capital raisings to raise between $8M and $8.5M as follows:

1) a placement of 150,000,000 Shares to sophisticated and professional investors at an issue price of $0.02 per Share to raise $3M (before costs), together with one free attaching option to acquire a Share exercisable at $0.04 each on or before the date which is 3 years from grant (**Option**) for every two Shares issued (**First Placement**);

2) an underwritten non-renounceable rights issue at an issue price of $0.02 per Share to raise $1M (before costs), together with one free attaching Option for every two Shares issued (**Rights Issue**); and

3) a further placement of between 200,000,000 and 225,000,000 Shares to sophisticated and professional investors at an issue price of $0.02 per Share to raise between $4M and $4.5M(before costs), together with one free attaching Option for every two Shares issued (**Second Placement**). Settlement of the Second Placement will be conditional on satisfaction of the key conditions precedent to completion of the Acquisition.

The capital raisings are proposed to be carried out in connection with and to partially fund payments to be made by the Company under or in relation to the proposed acquisition of an interest in the Kayelekera Mine by the Company.

The First Placement will be issued in two tranches:

1) the first tranche of 25,034,585 Shares will be issued under the Company's available placement capacity (15,020,751 Shares to be issued under Listing Rule 7.1 and 10,013,834 issued under Listing Rule 7.1A), with the attaching Options to be issued subject to shareholder approval; and

2) the second tranche of 124,965,415 Shares will be issued subject to shareholder approval.

If the Proposed Acquisition does not proceed, the proceeds of the first tranche of the First Placement will be used by the Company for expenditure on its existing projects, to pursue further acquisition opportunities and for general working capital purposes.

The Company has received a firm commitment letter from BW Equities Pty Ltd to underwrite the above capital raisings up to $8M (meaning that $0.5M 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:

1) the Company obtaining all necessary shareholder approvals for the acquisition and the capital raisings (other than the first tranche of the First Placement);

2) satisfaction of the following conditions precedent to completion of the acquisition:

   (i) all Malawi government consents necessary to complete the acquisition being obtained;

   (ii) all consents and approvals required from Nedbank Limited (provider of Environmental Bond to the Kayelekera Mine) necessary to complete the acquisition being obtained; and

   (iii) all consents and approvals required from the noteholders of Paladin Energy Limited to complete the acquisition being obtained.

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.

A detailed timetable for the First Placement and the Rights Issue will be released shortly. It is expected that the Rights Issue will be settled at the same time as the second tranche of the First Placement. The record date for the Rights Issue will be advised when the detailed timetable has been finalised for release to the market.

SHAREHOLDER INTENTION TO VOTE IN FAVOUR

The Company has received voting intention statements from the following shareholders indicating that (subject to their being no superior proposals and subject to the transaction conditions being satisfied) they intend to vote their Shares in favour of the resolutions to approve the acquisition and the capital raising, including the related party financial benefits described below):

1) New Age Group Limited: in relation to 7,298,033 Shares directly or indirectly owned or controlled by them (being approximately 7.29% of the Shares on issue at the date of this announcement); and

2) Providence Gold and Minerals Pty Ltd: in relation to 35,714,286 Shares directly or indirectly owned or controlled by them (being 36% of the Shares on issue at the date of this announcement).

These shareholders have consented to their intention statements being disclosed in this announcement. Taking into account 19,939,443 Shares held by parties that the Company considers will be excluded from voting on the relevant resolutions, the above shareholdings represent over 50% of the Shares which may be voted on the resolutions to approve the acquisition and the capital raising.

OPTION OVER CHICHEWA'S 20% IN LOTUS JOINT VENTURE COMPANY

Hylea 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 Hylea to acquire its interest in Lotus. As for the Hylea 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 Hylea Shares, based on the 20 day VWAP for Shares up to the date prior to receipt of the call or put option exercise notice. If Hylea 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 Hylea's election) a mixture of cash and Shares (up to the maximum number which may be issued without shareholder approval).

RELATED PARTIES

As noted above, Hylea director Mr Tim Kestell, is the beneficial owner of a minority interest of 17.5% of Chichewa. This means that Mr Kestell will have an indirect beneficial interest of approximately 3.5% of Paladin Africa and the Kayelekera project (through Chichewa's indirect holding of 20% of Paladin Africa through its holding in Lotus.

As noted above, Chichewa is controlled by Mr Grant Davey, who will provide technical services to the Company as part of the Company's Project technical team in relation to the Kayelekera project.

SHAREHOLDER APPROVAL

Shareholder approval will be sought for the acquisition, the capital raisings and the financial benefits which will be received by Mr Kestell in relation to the acquisition. A Notice of Meeting is expected to be despatched to shareholders shortly with a likely shareholder meeting date to be mid-August 2019 (may be subject to change).

It is likely that the Company will need to seek shareholder approval under Listing Rule 10.1 and Chapter 2E of the Corporations Act before it can complete any acquisition of Chichewa's 20% interest in Lotus under the put and call options referred to above. The Company will seek all necessary shareholder approvals at the relevant time.

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