

CONVERTIBLE LOAN AGREEMENT AND CAPITAL RAISING UPDATE

Hylea Metals Limited (HCO, Hylea or the Company) is pleased to announce that it has entered into a convertible loan agreement with Matador Capital Pty Ltd (Matador) to raise \$500,696 (Convertible Loan) (Convertible Loan Agreement).

HIGHLIGHTS

- **Successful Convertible Loan Agreement signed to raise \$500,696** with Matador.
- Successful completion of the first tranche of the Capital Raising intended to enable Hylea to **complete the acquisition of an indirect 65% interest in the Kayelekera Project (Acquisition)**. The details of the Acquisition including the conditions precedent are contained in the Company's announcement to the ASX on 24 June 2019.
- The Company has entered into a loan agreement convertible into shares and options to be issued after the record date for the rights issue announced on 24 June 2019. See below for the key terms of the Convertible Loan Agreement.
- The Company anticipates the Convertible Loan funds in full being received on or before 26 July 2019.

As announced by the Company on 24 June 2019, the Company is proposing to fund the Acquisition with capital raisings to raise between \$8 million and \$8.5 million 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 \$3 million (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 \$1 million (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 \$4 million and \$4.5 million (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 Acquisition.

The First Placement was to be issued in two tranches:

- 1). **Tranche 1:** 25,034,798 Shares to 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 7.1 A), with the attaching Options to be issued subject to shareholder approval; and
- 2) **Tranche 2:** the second tranche of 124,965,202 Shares will be issued subject to shareholder approval.

The Convertible Loan replaces Tranche 1 of the First Placement. This is being done so that all Shares issued under the First Placement and the Second Placement will be issued after the record date for the Rights Issue and will not be eligible to participate in the Rights Issue. The Shares issued on conversion of the Convertible Loan will also be issued after the record date for the Rights Issue.

Underwriting arrangements

As announced on 24 June 2019, the Company has received a firm commitment letter from BW Equities Pty Ltd to underwrite the above capital raisings up to \$8 million (meaning that \$0.5 million 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.

Matador has agreed to sub-underwrite up to \$4 million of BW's underwriting commitment. The underwriting commitment and Matador's sub-underwriting commitment have been reduced by the amount of the Convertible Loan, such that the remaining underwriting commitment is \$7.5 million of which \$3.5 million is sub-underwritten by Matador.

Convertible Note Agreement

The terms of the Convertible Loan Agreement include the following:

- (a) Subject to shareholder approval, the Convertible Loan will be converted for the issue of Shares at the deemed issue price of \$0.02 per Share (**Conversion Shares**);
- (b) Matador will also be issued 1 free attaching Option for every 2 Conversion Share that is issued;
- (c) Conversion will occur automatically subject to and conditional upon Shareholders approving the Acquisition;
- (d) Matador's Conversion Shares will not be issued until after the record date for the Rights Issue, such that the Conversion Shares will not be eligible to participate in forthcoming Rights Issue (as defined and further explained above); and
- (e) Matador to receive a 5% capital raising fee on the amount of the Convertible Loan pursuant to the terms of the sub-underwriting arrangements referred to above. Otherwise, there are no fees or interest payable in relation to the Converting Loan (other than default interest in the event of late payment).

If Shareholders have not approved the Acquisition 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.

First Placement, Second Placement and Rights Issue

The Company expects to release a Notice of Meeting which will include resolutions to approve the Acquisition and the capital raisings referred to above and related matters.

The Notice of Meeting will include a detailed timetable in relation to the Rights Issue and the First Placement.

Settlement of the Second Placement will be conditional on satisfaction of the key conditions precedent to completion of the Acquisition.

For further information, contact:

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