

ASX Announcement

24 December 2021

DEBT RETIREMENT AND CAPITAL RAISING

HIGHLIGHTS

- **\$40 million corporate bonds to be retired to substantially strengthen the balance sheet**
- **Capital raising of \$12.5 million committed by:**
 - **Firm commitment under the shortfall of \$2.5 million; and**
 - **Partial underwriting of remaining shortfall up to \$10 million**
- **Accrued Interest on corporate bonds of \$2.1 million settled by the issue of options**

Newfield Resources Limited (**Newfield** or **Company**) (ASX: **NWF**) is pleased to announce a combined retirement of approximately \$40 million corporate bonds debt and approximately \$2.1 million of interest accrued thereon, and \$12.5 million capital raising from a firm commitment and underwritten agreement as part of the ongoing rights issue and shortfall programme. The combined exercise significantly strengthens the balance sheet of the Company and reduces the long-term bond debt to zero. In addition, these corporate initiatives will improve the Company's ability to deliver value to its shareholders.

Executive Director, Karl Smithson, commenting on these corporate initiatives, said *"The Directors are very pleased with the successful negotiation, led by the Company's corporate adviser, Townshend Capital, to capitalise a majority of its outstanding bond debt and accumulated interest. Furthermore, the additional \$2.5 million firm commitment from a sophisticated investor, and the \$10 million underwriting arrangement, made as part of the shortfall from the Company's recent rights issue, provides further capital to advance the Tongo Mine development."*

"This corporate debt for equity restructuring and further capital raise not only strengthens our balance sheet but removes our obligation to repay approximately \$5 million of interest on an annual basis and over \$15 million for the remaining life of the corporate bonds."

"The retirement of the bonds for equity underscores the confidence of the bondholders in the future of Newfield as we advance the Tongo Mine towards production. The Board remains very grateful for the continued support of all stakeholders."

RETIREMENT OF CORPORATE BONDS

The Company currently has corporate bonds on issue representing, in aggregate, approximately \$40 million in principal debt. Please refer to the ASX announcement dated 25 July 2019 ('Positive FID and US\$30.5M Bond Issuance') for further details. The Company has now entered into binding agreements with its corporate bondholders and certain former bondholders who retain entitlements to accrued interest to retire these bonds and accrued interest payments as follows:

- (a) **AUD Corporate Bonds:** AUD Corporate Bonds with a total face value of \$15 million will be converted to equity by the issue of 42,857,143 fully-paid ordinary shares (**Shares**) at an issue price of \$0.35 per Share (**AUD Conversion Shares**). These Conversion Shares will be issued under the Company's placement capacity pursuant to Listing Rule 7.1. All Conversion Shares will rank equally with existing Shares.
- (b) **USD Corporate Bonds:**
 - (i) US\$7.5 million Corporate Bonds will also be converted to equity by the issue of approximately 29,354,208 Shares at an issue price of \$0.35 per Share (**USD Conversion Shares**). These USD Conversion Shares will be issued under the Company's placement capacity pursuant to Listing Rule 7.1. All USD Conversion Shares will rank equally with existing Shares.
 - (ii) US\$10 million of the USD Corporate Bonds will be repaid in cash funded by existing cash reserves.
- (c) **Accrued Interest due on the Corporate Bonds:** The agreements with the corporate bondholders and certain former bondholders provide that the interest payable from 1 July 2021, on both the AUD Corporate Bonds and USD Corporate Bonds, of an aggregate amount of approximately \$2.1 million will be settled by the issue of 24,744,513 unquoted options to subscribe for Shares (**Conversion Options**). These Conversion Options will be exercisable at \$0.50 each and have a two-year term from the date of their issue. The Conversion Options will be issued under the Company's placement capacity pursuant to Listing Rule 7.1.
- (d) **Conditions precedent:** The repayment arrangements are conditional upon the following conditions precedent being satisfied on or before 20 December 2021:
 - (i) securing an underwriting commitment of \$10 million of the remaining shortfall to the Rights Offer (**Shortfall**);
 - (ii) where required, all necessary legal, regulatory and shareholder approvals to effect the repayment arrangements being obtained;
 - (iii) all bondholders executing binding agreements with the Company for the repayment of their Corporate Bonds and accrued interest on the basis outlined above;
 - (iv) all former bondholders with entitlements to accrued interest payments executing binding agreements with the Company for the repayment of such accrued interest on the basis outlined above.

The conversion price of \$0.35 per AUD Conversion Share and USD Conversion Share is the same as the price at which Shares were offered under the rights issue announced by the Company on 15 September 2021 (**Rights Offer**).

Settlement of the repayment arrangements is currently anticipated to occur on or about 4 January 2022.

Following the issue of AUD Conversion Shares, USD Conversion Shares and Conversion Options, all rights and obligations under the bond agreements will be discharged.

FIRM COMMITMENT RECEIVED UNDER THE SHORTFALL OF \$2.5 MILLION

As indicated in the Company's prospectus for the Rights Offer dated 13 September 2021 (**Rights Offer Prospectus**), the Company has been working with Townshend Capital Pty Ltd AFSL No. 219326 (**Townshend Capital**), the lead manager to the Rights Offer, to place the remaining Shortfall within 3 months of the close of the Rights Offer (**Shortfall Placement**).

The Company received a firm commitment from a sophisticated investor of \$2.5 million by the issue of 7,142,857 Shares at an issue price of \$0.35 per Share. This placement was arranged by Townshend Capital. The Shares will be issued under the shortfall to the Rights Offer announced to the ASX on 8 November 2021 and is expected to occur on or around 29 December 2021. The investor is not a related party or a substantial shareholder of the Company.

PARTIAL UNDERWRITING OF SHORTFALL – \$10 MILLION

The Company further advises that it has entered into an underwriting agreement with Townshend Capital to partially underwrite the Shortfall Placement up to \$10 million, representing the placement of 28,571,429 Shares at \$0.35 per Share (**Underwriting Agreement**).

This underwriting arrangement and the \$2.5 million Shortfall Placement are intended to replace the cash reserves of the Company which will be applied to repaying USD\$10 million of the USD Corporate Bonds.

Pursuant to the terms of the Underwriting Agreement, this underwritten placement will occur on or before 4 February 2021, being within 3 months of the closing date of the Rights Offer.

Townshend Capital will be entitled to a fee of 5% of the underwritten amount, up to the maximum amount of the fees that would otherwise be payable to it in its role as lead manager to the Rights Offer. Accordingly, no additional consideration is provided to Townshend Capital for underwriting. For further details of the lead manager arrangements, please refer to sections 3.3 and 8.2 of the Rights Offer Prospectus.

The Underwriting Agreement contains a number of indemnities, conditions, representations and warranties from the Company to Townshend Capital that are considered standard for an agreement of this nature.

A summary of the significant termination events (**Termination Events**) is set out in Annexure A of this announcement.

An Appendix 3B follows this announcement.

**AUTHORISED BY
THE BOARD OF DIRECTORS**

About the Tongo Diamond Project:

The Tongo Diamond Mine Development comprises two adjacent mining licences covering a combined area of 134 square kilometers in eastern Sierra Leone. Tongo hosts 11 identified diamondiferous kimberlites, only five of which are incorporated in the current JORC-compliant indicated and inferred diamond resource estimate of 8.3 million carats. Of this resource, a 1.1 million carat probable reserve, has been estimated.

ANNEXURE A – UNDERWRITING AGREEMENT: TERMINATION EVENTS

The Underwriting Agreement is subject to a number of termination provisions which may result in Townshend Capital terminating its obligations under the Underwriting Agreement if they occur at any time prior to the final allotment date. There events include:

TERMINATION BY UNDERWRITER

1. the Shortfall Placement is withdrawn or modified by the Company without the prior consent of Townshend Capital (which consent must not be unreasonably withheld or delayed);
2. a 'Material Adverse Change' occurs, any event occurring after the date of the Underwriting Agreement which individually, or in aggregate, has or is reasonably likely to have a significant adverse effect on the outcome of the Shortfall Placement in so far as it relates to the assets, liabilities, financial position, performance, profitability or prospects of the Company or any of its subsidiaries (**Relevant Company**) as a whole, excluding:
 - (a) any event required to be undertaken or procured by the Relevant Company pursuant to the Placement; and
 - (b) any effect of the COVID-19 pandemic;
3. the Company breaches any material term of the Underwriting Agreement and fails to remedy such breach within 10 business days of a request by Townshend Capital to do so;
4. an event of insolvency occurs in respect of the Relevant Company which has or is reasonably likely to have a significant adverse effect on the outcome of the Shortfall Placement in so far as it relates to the assets, liabilities, financial position, performance, profitability or prospects of the Relevant Company;
5. any disclosure materials given to Townshend Capital by the Company after the date of the Underwriting Agreement and before completion discloses a matter which would cause any warranty given by the Company to cease to be true and correct in all material respects and such matter has or ought reasonably to have a significant adverse effect on the outcome of the Shortfall Placement so far as it relates to the assets, liabilities, financial position, performance, profitability or prospects of the Relevant Company; or
6. any warranty by the Company ceases to be true and correct in all material respects and the breach of such warranty has or ought reasonably to have a significant adverse effect on the outcome of the Shortfall Placement so far as it relates to the assets, liabilities, financial position, performance, profitability or prospects of the Relevant Company.

TERMINATION BY COMPANY

7. Townshend Capital breaches any material term of the Underwriting Agreement and fails to remedy such breach within 10 business days of a request by the Company to do so;
8. an event of insolvency occurs in respect of Townshend Capital which has or is reasonably likely to have a significant adverse effect on Townshend Capital's ability to perform its obligations under the agreement; or
9. any warranty given by Townshend Capital ceases to be true and correct in all material respects and the breach of such warranty has or ought reasonably to have a significant adverse effect on Townshend Capital's ability to perform its obligations under the Underwriting Agreement.