

ASX Announcement

31 January 2022

DECEMBER QUARTERLY ACTIVITIES REPORT

Newfield Resources Limited (ASX: **NWF**) (**Newfield** or **Company**) is pleased to announce its activities for the quarter ending 31 December 2021.

Highlights

1. Tongo Mine Development:

- A total of 975 m of underground development achieved to date (183m in the quarter)
- Underground development of the return airway (RAW) on the Kundu kimberlite and the Kundu decline continued

2. Processing:

- Processing of kimberlite from the RAW yielded encouraging results with gem diamonds up to 9.6ct recovered
- Recovered grades of 2.03 carats per tonne realised

3. Safety:

- 773 Lost Time Injury Free Days recorded to date
- LTIFR of 0.49 (measured per 200,000 hours worked)

4. Environment, Social and Governance (ESG) Reporting:

- Sign up to ESG Reporting via the SocialSuite platform

5. Corporate:

- Rights issue raised A\$24.97 million through issue of 71.36 million shares at A\$0.35 per share
- A\$40 million of corporate bond debt retired significantly strengthening balance sheet
- Accrued bond interest of A\$2.1 million settled by issue of 24.74 million options exercisable at A\$0.50 each on or before 4 January 2024
- Further capital raise of A\$12.50 million announced at A\$0.35 per share

1. Tongo Mine Development

Underground Development

A total of 975m of underground development has been achieved to date, inclusive of some 183m in the quarter.

Kundu Return Air Way

The development of the Return Air Way (**RAW**) on Kundu Segment A has reached the point where the ventilation raise can now commence (see Figure 1). The RAW has developed some 217m and blasting in an easterly direction will continue on-reef to give top level access to the planned stope mining from Level-1 below the RAW. This development will continue to provide small volumes of kimberlite ore for processing prior to the first mining stopes being established.

Kundu Decline

Blasting of the 4m x 4m Kundu decline continued at an 8-degree down angle and has now reached the point where the first mining level rock drive can be established, some 191m from the split with the Joint Decline (see Figure 1). The Level-1 rock drive will be developed for 55m to the first cross-cut to intersect the Kundu ore body from which the first mining raises and stopes will be established.

Underground Support and Infrastructure

A new pump station (Pump Station 5) is being constructed in the Kundu decline to manage any water ingress from the Kundu decline and Level-1 development. The roof of the various development tunnels is continually supported with split sets and mesh. As development progresses, so will the power, ventilation and water management systems be installed along with the advance.

2. Processing

During the development of the Kundu RAW, kimberlite is being yielded from the on-reef drive. This material is trucked to the 5tph DMS processing plant where it is stockpiled for treatment. Processing of some 380 tonnes has yielded 771.6 carats at a calculated run of mine grade of 2.03 carats per tonne (203 carats per hundred tonnes) at a +1.2mm bottom cut off. Re-crushing at a smaller crusher size setting and processing of the DMS and final recovery tailings is in progress to recover smaller diamonds so that the full population suite of diamonds can be used to calculate the final grade of this controlled sample.

In-house analysis estimates that 76% of the diamond recoveries are in the gem quality category, with gemstones ranging in size up to 9.6 carats thus far. Many diamonds exhibit excellent crystal shapes with top colour and clarity characteristics (See photos below).

Although the volume of ore processed to date is relatively small, the results are calculated to be consistent with the estimated diamond grade and value of the Kundu ore reserve. A final grade reconciliation of this Kundu sample processing and the ore reserve estimate grade will be made once full processing results are available.

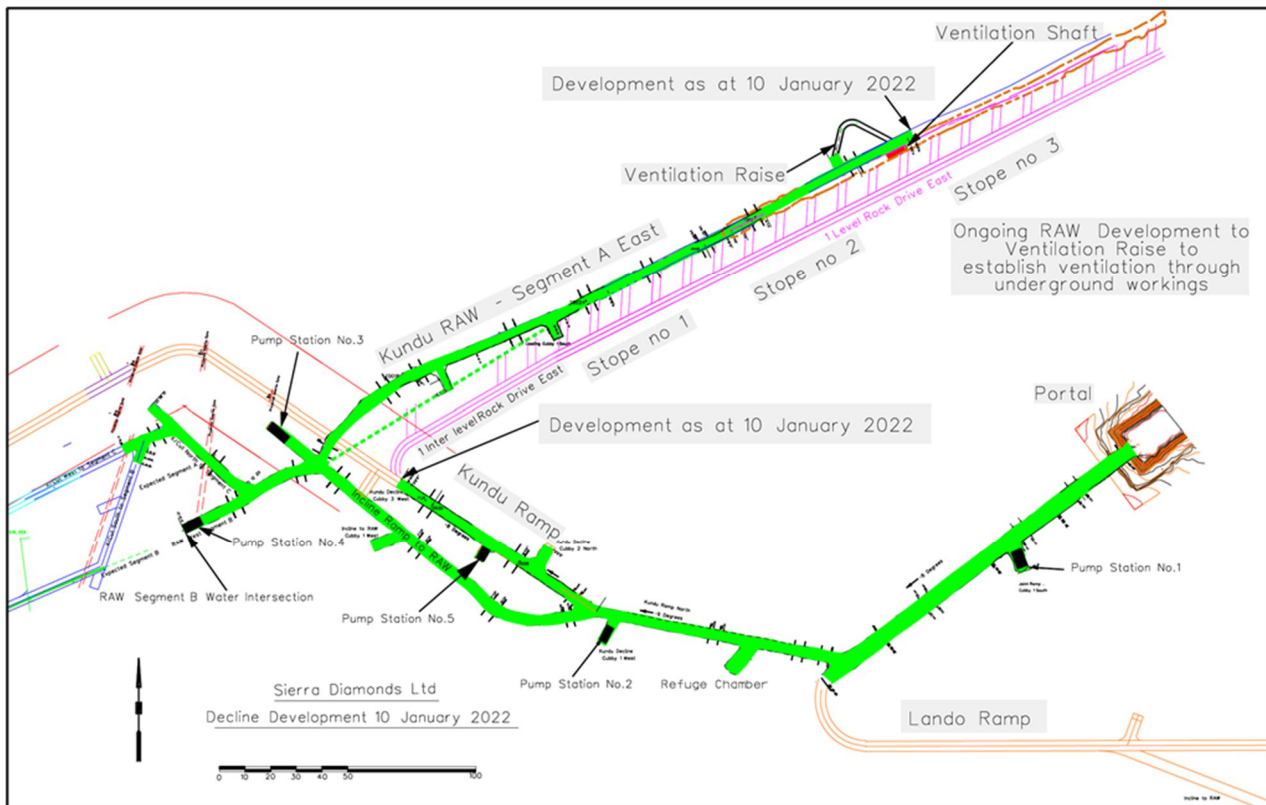
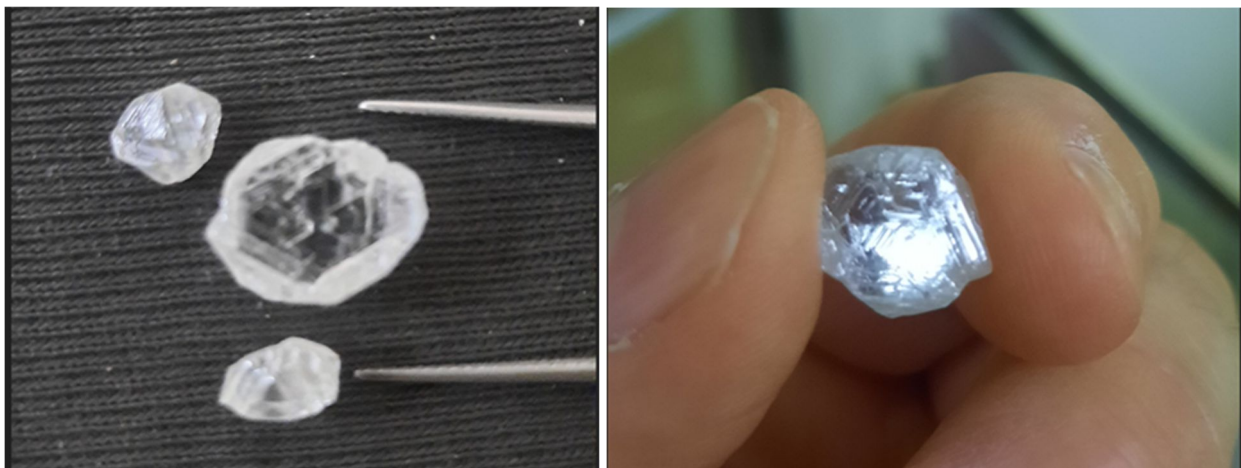


Figure 1: Mine development to 10 January 2022

Construction of 25tph Processing Plant

Steel work fabrication continued for the construction of the 25tph plant. In addition, a number of pumps, electric motors and screen decks are being refurbished to be used on the plant. A revised project plan has been issued by the external consulting group which forecasts completion and commissioning around mid-2022.



Top left: Kundu gem diamonds. Top right: 9.6ct gemstone



Top left: 5 grainer gemstone. Top right: 2 grainer gemstones

3. Safety

Health and Safety

The Company is pleased to report that no lost time injuries (**LTI**) have occurred on the mine, or on any of the Company's projects, since November 2019, giving 773 LTI free days as at the end of the quarter. The ongoing Loss Time Injury Frequency Rate (**LTIFR**) continues to decrease to 0.49. The reporting calculation is based on per 200,000 hours worked.

Currently, there are no COVID-19 restrictions imposed by the Government of Sierra Leone other than the usual testing on entry and exit to the country. The Company continues to adhere to its policy of daily health screening and sanitation protocol and regular COVID-19 awareness briefings to its workforce.

4. ESG Reporting

SocialSuite Platform

In December, the Company reported that it has signed up to the Social Suite platform to implement, monitor and report on its comprehensive Environment, Social and Governance (**ESG**) policies as it evolves into a mining and production focussed company.

The SocialSuite platform provides a technical platform to help capture, monitor and report a corporation's impact on people and the environment. It is aligned with the World Economic Forum Stakeholder Capitalism metrics and the four pillars of this framework, namely Principals of Governance, Planet, People and Prosperity. Within this framework there are 21 core metrics to follow. Newfield has recently established its baseline report against all these metrics and will on a quarterly basis measure and reports its progress, which will be captured in an annual report. These annual reports will become available on the Company's website.

Corporate Social Responsibility

During the quarter, the Company held a community stakeholder meeting whereby the annual surface rental payments for the two mining licences were made. A total of U\$59,000 was paid across to various community, government, district council and landowner stakeholders.

5. Liberia Exploration

Newfield, through its subsidiary company Stellar Diamonds Liberia Inc., holds two high interest exploration licences in the diamond-rich Kumgbo area of western Liberia (Zoi and Biedien). Following on from its detailed exploration and assay results, applications for relinquishment and extensions were made to the Ministry of Mines to retain the positive areas and relinquish the negative areas of the licences. The extended areas have now been approved by the Ministry of Mines and Energy and now the two licences cover areas of 86.7km² for Biedien and 83.56km² for Zoi, reduced from the original combined area of 670km².

Exploration results to date are very encouraging. A number of high interest kimberlitic indicator anomalies are defined in the retained areas, and to date five kimberlites have been discovered in the Zoi licences. It is clear that further kimberlites remain to be discovered within the retained licence areas based on the distribution of the indicator mineral anomalies and known kimberlite occurrences.

During the next quarter a 200kg sample of kimberlite from K5 (in Zoi) will be consigned to the SRC Laboratory in Canada for microdiamond analysis to determine the relative diamond content of this kimberlite.

6. Corporate and Financial Matters

Cashflow

The attached Appendix 5B has been prepared on a consolidated basis and includes the cash flows from all subsidiaries across the Group. The payments included in the operating cash flows in Section 1 have been made to suppliers and employees to advance the construction of return airways and decline, process kimberlite ore through the 5tph plant to recover diamonds and to extinguish existing creditors for work performed in previous periods.

Rights Issue

On the 8 November 2021, the Company announced the results of the non-renounceable rights issue (**Rights Offer**). A total of \$24,974,878.95 (before costs) was raised from the Rights Offer, through the issue of 71,356,797 shares at a price of A\$0.35 per share.

Bond Debt Retirement, Issue of Options and Capital Raising

On the 24 December 2021, as amended, the Company announced that it had retired approximately A\$40 million of corporate bond debt which comprised of AUD bonds of A\$15 million (**AUD Corporate Bonds**) and USD bonds of US\$17.5 million (**USD Corporate Bonds**). The total AU\$15 million AUD Corporate Bonds and US\$7.5 million USD Corporate Bonds were converted

to equity by the issue of 42,857,143 shares and 29,354,208 shares respectively at a price of A\$0.35 per share. US\$10 million of the USD Corporate Bond debt was repaid in cash from existing cash reserves. As a result of the retirement of these Corporate Bonds, all rights and obligations under their constituent bond agreements have been extinguished.

In addition to the Corporate Bond debt retirement, the Company also reached agreements with the bondholders to settle the interest payable on both the AUD Corporate Bonds and USD Corporate Bonds from 1 July 2021 until settlement date of 4 January 2022. An aggregate amount of approximately A\$2.1 million has been extinguished by the issue of 24,744,513 unquoted options exercisable at A\$0.50 each option on or before 4 January 2024.

The impact of the transaction on the balance sheet and cash flow has been to remove approximately A\$40 million of interest-bearing debt from the liabilities of the Company, increase the net asset position of the Group by approximately A\$25 million and remove the cash flow requirement to pay a total amount of approximately A\$43 million in interest and principal repayments over the next 3 years.

On 24 December 2021, the Company also announced a placement of 7,142,857 shares pursuant to the shortfall to the Rights Offer at a price of A\$0.35 to raise A\$2.5 million (before costs) arranged by Townshend Capital Pty Ltd (**Townshend Capital**), the lead manager to the Rights Offer (**Shortfall Placement**). Furthermore, it was announced that Newfield entered into an underwriting agreement with Townshend Capital to partially underwrite the Shortfall Placement up to A\$10 million, representing 28,571,429 shares at A\$0.35 per share (**Underwriting Agreement**).

This Underwriting Arrangement and the A\$2.5 million Shortfall Placement are intended to replenish the cash reserves of the Company which was applied to repay the US\$10 million of the USD Corporate Bonds.

The Directors continue to assess the Group's funding strategy to maintain an appropriate structure to progress the development of the Tongo Diamond Project into production.

Payments to related parties

A description of and explanation for payments to related parties and their associates per Section 6.1 of the Appendix 5B following this Quarterly Activities Report is set out in the table below.

Payments to related parties of the entity and their associates	Current Quarter \$A'000	Previous Quarter \$A'000
Directors' remuneration		
Executive Directors ¹	442	80
Non-Executive Directors ¹	76	10
Total Directors' remuneration	518	90
Associated entities/services ¹	64	-
Total payments to related parties of the entity and their associates	582	90

Note:

1. Payments pursuant to director service agreements as disclosed in the Remuneration Report of the FY21 Annual Report, including amounts accrued over the past 18 months.

Authorised by:

The Board of Directors

Newfield Resources Limited

Schedule of Tenements as at 31 December 2021

PROJECT	TENEMENT NUMBER	TENEMENT NAME	AREA (km ²)	STATUS	NEWFIELD'S INTEREST
<u>SIERRA LEONE</u>					
TONGO KIMBERLITE MINE	ML02/2018	Tongo	9.98	Granted	100%
	ML02/2012	Tonguma	124	Granted	Nil but subject to the tribute mining agreement
<u>LIBERIA</u>					
KUMBGO PROJECT	MEL1157/14 ¹	Kumgbo (Biedien)	86.70	Granted	90%
	MEL1158/14 ¹	Kumgbo (Zoi)	83.56	Granted	90%
<u>WESTERN AUSTRALIA</u>					
NEWFIELD GOLD PROJECT	M77/0422	Newfield	0.85	Granted	100%
	M77/0846	Woongaring Hills	0.39	Granted	100%

Note:

- Applications for renewals and relinquishment for certain areas of MELs 1157/14 and 1158/14 have been made to the Ministry of Mines and Energy in Liberia. The renewals have been approved and licence fees invoiced for the reduced areas.

Interests in Mining Tenements Lapsed, Relinquished or Reduced for the quarter ended 31 December 2021

Nil

Interests in farm-in or farm-out agreements for the quarter ended 31 December 2021

Nil

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Newfield Resources Limited

ABN

98 153 219 848

Quarter ended ("current quarter")

31 December 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	-	-
	(b) development	(4,379)	(6,450)
	(c) production	-	-
	(d) staff costs	(2,000)	(3,215)
	(e) administration and corporate costs	(546)	(652)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	15	15
1.5	Interest and other costs of finance paid	(137)	(1,286)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(7,047)	(11,588)

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation	(83)	(89)
	(e) investments	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	55
2.6	Net cash from / (used in) investing activities	(83)	(34)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	24,976	24,976
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(1,261)	(1,261)
3.5	Proceeds from borrowings	808	3,903
3.6	Repayment of borrowings	(13,881)	(13,881)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (shares to be issued)	2,000	2,000
3.10	Net cash from / (used in) financing activities	12,642	15,737

4.	Net increase / (decrease) in cash and cash equivalents for the period	5,512	4,415
4.1	Cash and cash equivalents at beginning of period	192	1,592
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(7,047)	(11,588)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(83)	(34)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	12,642	15,737

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	5	2
4.6	Cash and cash equivalents at end of period	5,709	5,709

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	3,709	192
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (shares to be issued)	2,000	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,709	192

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	582
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

Executive director remuneration	442
Non executive director remuneration	76
Associated entities/services	64

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
7.6		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(7,047)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(83)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(7,130)
8.4 Cash and cash equivalents at quarter end (item 4.6)	5,709
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	5,709
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	0.8
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
No. The Company will adapt its development and production plan to utilise funds raised from the Underwriting Agreement and the shortfall placement completed in January 2022 in addition to commencing the sale of diamonds during this year.	
8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Yes. The Company has entered into a binding Underwriting Agreement to place 35,000,000 shares at an issue price of \$0.35 per share to raise \$10 million before costs.	
8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Yes. The Company expects to be able to meet its development and initial production objectives for the period with the funds available.	
<i>Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.</i>	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 January 2022

Authorised by: The Board of Directors

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.