

ASX Announcement

31 January 2023

QUARTERLY ACTIVITIES REPORT for the period ending 31 December 2022

Newfield Resources Limited (ASX: **NWF**) (**Newfield** or **Company**) announces its activities for the quarter ended 31 December 2022.

HIGHLIGHTS

Safety

- 222 Lost Time Injury Free Days recorded to end of quarter
- 0 LTI recorded for the quarter and year to date
- LTIFR year to date 0 (per 200,000 hours worked)
- Life of Mine LTIFR 0.45 (per 200,000 hours worked)

Mine Development and Production

- 149m of underground development achieved in the quarter (1,979m to date)
- Three stope faces on Kundu mine Level-1 now established
- Stope faces advanced a total of 34.4m in quarter (70m to date)
- 1,250t Stope tonnes mined (2,805t to date)
- 2,252 ore tonnes processed
- 2,447 carats recovered at a grade of 1.09 carats per tonne (expected grade of 0.9cpt)

Resource and Mine Grade Reconciliation

- 2,670 carats from underground mining returned average positive grade variances vs. the resource model of +33%
- Work conducted to confirm the diamond price per carat to be used for modelling purposes completed - increase in the price to be used recommended from US\$222 to US\$251 per carat

Corporate and Funding

- Resignation of NED in the quarter, and appointment of new NED in Jan-23
- A\$2.014 million capital raising by Townshend Capital to complete A\$10m underwriting amount
- Placement notice of AU\$0.289 million issued to L1 Capital, along with 4 million options at price of AU\$0.54
- Agreement for US\$1.5 million entered into with Delgatto Diamond Finance Fund
- Loan agreement for AU\$3 million entered into with Goodrich Capital

1. Safety

There were zero lost time injuries (LTI) recorded during the period and the financial year to date and the Company recorded 222 LTI free days as at the end of the quarter. The last LTI was recorded on 24 May 2022. The life of mine Loss Time Injury Frequency Rate (LTIFR) has improved to 0.45 (end of the last quarter: 0.48). The reporting calculation is based on per 200,000 hours worked.

2. Operations - Tongo Diamond Mine Development

Underground Development

A total of 149m was developed in the quarter bringing the total underground development for the project to 1,979m. Advancement of both the Kundu and Lando declines continued, with the Level-1 waste and ore drives and the establishment of two new cross-cuts which has gained access the Kundu ore body (cross-cuts 16 and 18). The access to the eastern segment of the Kundu ore body is significant in that this will result in a further increase in production at the mine.

The 4m x 4m Lando decline has now advanced 100m from the split with the Kundu joint decline.

Figure 1 shows the underground mine development (green), with Kundu kimberlite development and stopes (blue). The ongoing expansion will focus on the Kundu and Lando declines and stope mining on Kundu Level-1 mine stopes A1, A2 and A3.

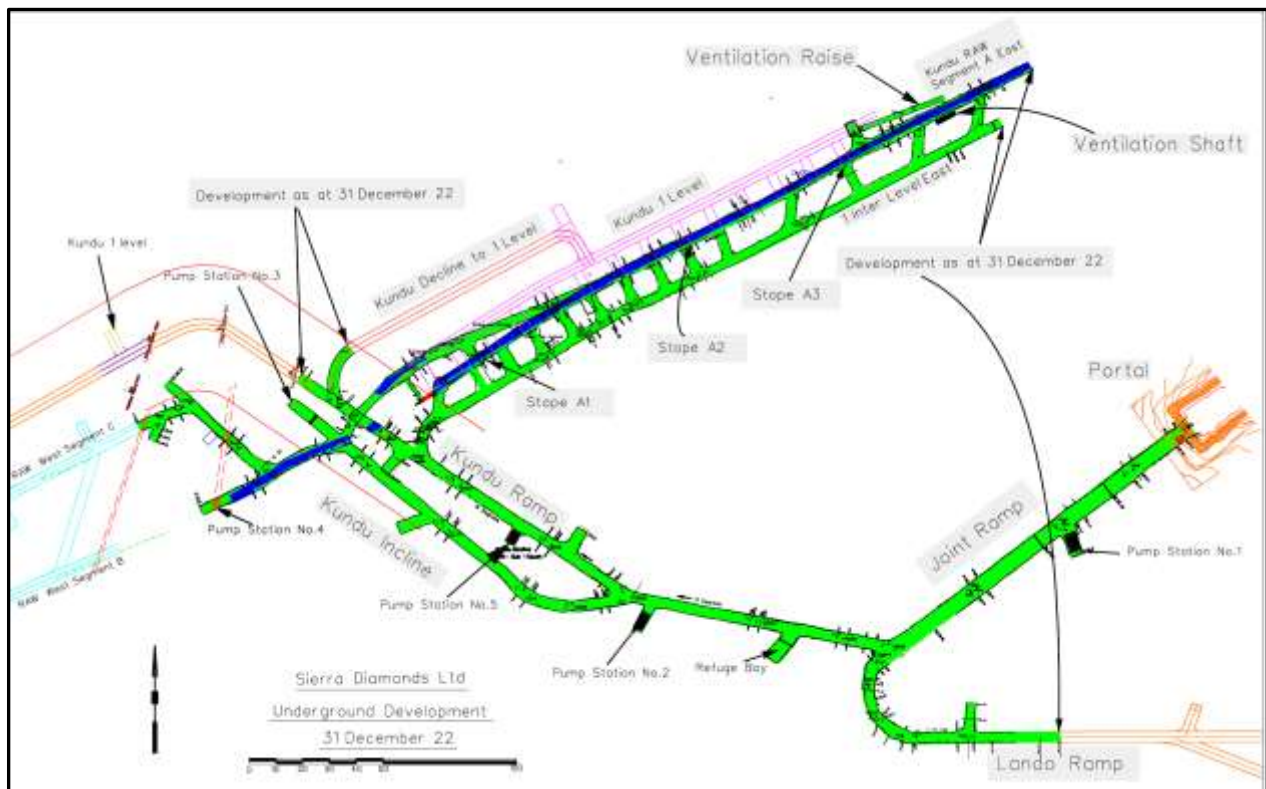


Figure 1: Mine development plan to 31 December 2022

Level-1 Production Stopes

Three Level -1 production stopes are operational: Kundu Stopes A1, A2 and A3. These stopes have been advanced 34.4m along strike during the quarter bringing the total stope face advance along strike to 70.0m.

The competency of the granitic side walls remains good, allowing the average stope width of 0.55m to be maintained. The improvement in stoping width against the budgeted width 0.85m (positive variance of 35%) means that the run of mine ore delivered to the processing facility is significantly less diluted than planned. Consequently, the processing facility is able to treat a higher quality ore and produce more carats per unit of throughput time than has been planned for. Cost per carat is reduced too as a result.

The site team have shown demonstratable commitment to continually look for innovative ways to produce more with the same and continue to implement sustainable mining efficiencies.

Underhand mining methods are being employed to mine the pillars between stopes A1 and A2 and A2 and A3. This has led to more tonnage production sooner than planned for these pillars. A fourth stope will be developed in Q1-23, some 37.5m further east of stope A3 and will be brought into production as planned.

The mine schedule is being met. This is especially pleasing in that the mine has only recently brought stopes into production utilising local personnel who have had no previous mining exposure or training.

At the end of the quarter, a total of 1,250 tons of run of mine stope material was blasted, extracted and transported to the 5tph plant for processing.

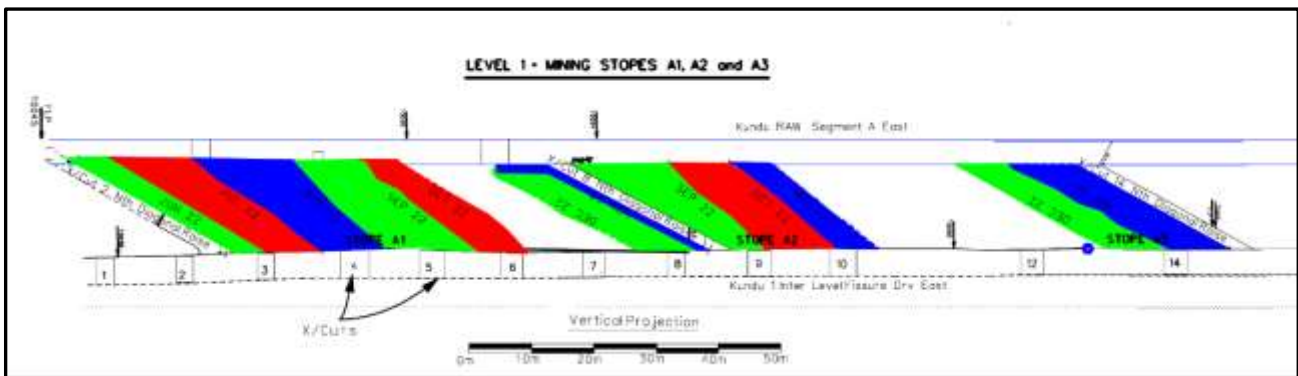


Figure 2: Level-1 Stope Mining

Processing

Processing from the underground stopes A1, A2 and A3 during the quarter has yielded a total of 2,447.27 carats (at a +1.2mm cut-off) from 2,252 diluted tonnes during the quarter for a recovered run of mine grade of 1.09 carats per tonne, exceeding the budget grade of 0.9 carats per tonne (+21%).

The diamond quality remained consistent with the previously announced production and included a large gem-quality stone weighing 15 carats.

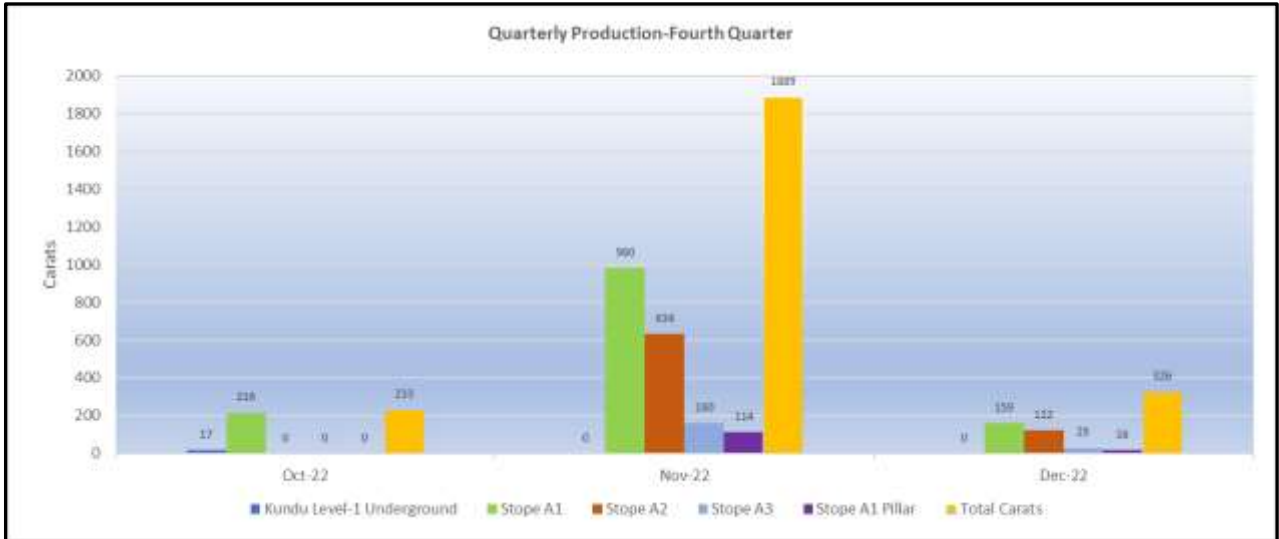


Figure 3: Quarterly Carats Produced October to December 2022



Figure 4: Gem Quality Diamonds Produced, including 15-ct gem (top left)

Modelled Diamond Price

Z-Star Mineral Resource Consultants (Z*) were contracted by Newfield to provide an update to the revenue (US\$/carat) of the Kundu and Lando dykes to take into account the updated rough diamond market conditions as well as the results of the first diamond tender completed in May 2022. This work also included the results of a bulk sample that had previously been collected and valued from the Peyima kimberlite dyke.

In summary, the contribution of the revised assortment model, based on a combined parcel size of 5,018 carats, has resulted in a 12% increase in the average diamond price from US\$222 to US\$251 per carat at a factored +1.18mm cut off. This compares with the average selling price of US\$262 per carat from the first diamond tender concluded in May 2022.

The Peyima dyke has a slightly higher estimated diamond price of US\$266 per carat based on a coarser size frequency distribution than Kundu and Lando, although the sample of 110 carats is considered to be too small to be statistically representative.

Mining Grade Reconciliation

Three further control samples from the underground mining were separately collected and processed to establish the recovered mining grade versus the resource block model grade for those areas. These were collected from the Kundu Level-1 mining area of the ore drive and Stopes A1 and A2 (Control samples 4, 5 and 6 respectively).

The three samples comprised a total of 2,969.53 carats yielded from processing of a total of 960.15 surveyed in-situ kimberlite tonnes. Figure 5 below shows the recovered grades ranging from 2.59cpt to 3.46cpt, providing favourable grade variances from the block model grades of 14.1% to 41.8%. Combined, the three samples have an average positive grade variance of +33% versus the estimated block model (resource) grade for the areas mined.

Figure 5 shows results from eight control samples that have now been collected and processed independently. All but one shows a significant positive grade variance versus the resource grade, which is encouraging. Furthermore, the initiatives taken to control dilution from the stope mining activities (reported above) are producing positive results and these initiatives will continue to be applied where possible and will have a positive on the run-of-mine grades versus the modelled grades forecast for the mine schedule moving forward.

Kimberlite Dyke & Segment	Location	Sample	In-situ kimberlite tons	Carats recovered	Grade (carats per tonne)		Grade Variance (%)
					Resource block model (+1.18mm)	Actual (+1.2mm)	
Kundu A	Return Airway	Control sample 1	380.88	970.50	2.21	2.55	15.3%
Kundu A	Return Airway	Control sample 2	65.70	230.99	2.21	3.52	59.1%
Kundu A	Level-1 ore drive	Control sample 3	319.30	950.29	2.36	2.98	26.1%
Kundu A	Level-1 ore drive	Control sample 4	249.58	764.66	2.14	3.06	43.0%
Kundu A	Stope A1	Control sample 5	417.10	1444.30	2.44	3.46	41.8%
Kundu A	Stope A2	Control sample 6	293.47	760.57	2.27	2.59	14.1%
Kundu B	TGBS3 Bulk sample	Control sample 7	474.23	1062.01	2.40	2.24	-6.7%
Lando G	TGBS4 Bulk sample	Control sample 8	761.94	1637.38	1.98	2.15	8.3%
Average Control Samples 4,5,6			960.16	2969.53	2.28	3.04	33.0%

Figure 5: Grade Reconciliation of Control Samples from Mining and Bulk Sampling

3. ESG and Reporting

During this quarter, the Company continued to remain compliant with local legislation in submitting its environmental monitoring reports and receiving quarterly audit site visits by the Environmental Protection Agency.

The focus for community development projects remains on supporting small-scale agricultural projects and providing microfinance to local businesses for selected community members, with both initiatives proving successful.

Several training and development initiatives also continue within the national workforce to enhance skills and uplift personnel.

The community grievance mechanism is operational and provides a direct channel for communication, discussion and grievance mitigation with the national workforce and the affected communities.

The Company continues to prepare its power requirement documentation for submission to the national power provider EDSA as part of negotiations to access the hydroelectric power line located in close proximity to the Tongo Mine site. Successful negotiations would enable the Company to access green energy at a lower cost than the only current option of running diesel powered generators in the remote area of eastern Sierra Leone.

People

Newfield's subsidiary company Sierra Diamonds employed 246 people at the Tongo Mine in Sierra Leone. Of these, 208 (85%) are local Sierra Leoneans, and 38 (15%) are skilled expatriates. Some 27 of the national Sierra Leonean staff are female (11%) and the Company continues efforts to increase this proportion in line with our diversity policy.

In the previous quarter it was reported that the Company provided on-the-job training 19 graduates and interns. The training term ended in November; however, the Company has employed a total of 6 of these graduates in areas of human resources, government and community, technical services, and mining. The Company is committed to training and development and the Local Content Policy of the Government of Sierra Leone.

A mining industry wide negotiation process with the Mine Workers Union was successfully completed during the quarter and the new employment terms will be rolled out from January 2023, thus enhancing industrial relations and improving working conditions for all National staff.

The Company also reports that Rowan Carr, Mineral Resource Manager, has left the Company after many years of service to pursue other opportunities. Mr Carr led the geological teams in the establishment of an 8.3 million carat indicated and inferred resource on the Tongo Mine and has, over the years, trained his successor Mr Sulaiman Swaray, a Sierra Leonean National, in fulfilment of the Company's Local Content Policy. The Directors and Management wish to thank Rowan for his significant contribution and wish him well in his future endeavours.

4. Liberia Exploration

No exploration work was conducted on the Liberia licences pending processing and results of the microdiamond samples that are currently in the SRC Laboratory in Canada.

5. Outlook

Mining of Kundu A stopes will continue into Q1-23 and provide ore for processing although it's probable volumes will be lower than Q4-22. The decline development of Kundu and Lando will continue towards deeper levels.

The development towards the Kundu B and C kimberlite segments to the west of the ore body awaits certain critical equipment to advance those drives, which is expected during Q1-23.

A second diamond sale for late in Q1-23 is being considered, subject to rough diamond market conditions.

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. A majority of the Section 1 quarterly operating cash flows represent the cost of running the mine activities during the quarter. The quarterly operating activity includes continued mining from the production stopes on Level-1 at Kundu, as well as continuation of the Kundu and Lando decline developments.

Processing of underground stope material yielded 2,447 carats as the Company continues to progress development towards commercial production. The majority of costs incurred relate to the continuing development of the underground infrastructure and stope mining.

Capital Raising

Further share placements were made during the quarter at a price of AU\$0.35 per share to raise a gross total of AU\$2.014 million (before costs) to complete the AU\$10 million shortfall capital raising programme which is underwritten by Townshend Capital Pty Ltd, the lead manager to the rights offer (**Underwriting Agreement**), as follows:

- On 7 October 2022, 2,857,143 shares issued to raise AU\$1 million (before costs); and
- On 26 October 2022, 2,898,572 shares issued to raise AU\$1.014 million (before costs).

The Company announced on 24 November 2022 that it had issued a placement notice for AU\$289,000 as part of the AU\$55 million equity funding facility with SBC Global Investor Fund, a fund of L1 Capital Global Opportunities Masters Fund (**L1 Capital**). A total of 1,043,008 shares were issued to L1 Capital on the same day. At the end of the placement period a total of 875,758 shares were subscribed for by L1 Capital to satisfy the AU\$289,000 placement, and L1 Capital therefore holds 167,250 shares in balance. Furthermore, 4,000,000 options at a strike price of AU\$0.54 exercisable over three years were issued to L1 Capital as part of the equity funding facility agreement.

On 28 November 2022, the Company announced it had entered into an agreement with the Delgatto Diamond Finance Fund (**Delgatto**) for an initial US\$1.2 million funding against future diamond sales. An additional US\$0.3m was received from Delgatto on the 23 December 2023 after the Company completed a diamond export to Antwerp, bringing the total advance to US\$1.5 million.

The Company also entered into an AU\$3 million unsecured loan agreement with Goodrich Capital Pty Ltd on 29 December 2022 to be repaid in 12 months at an interest rate of 7.5% per annum. No fees are payable by Newfield for the establishment or provision of the loan.

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

Board Changes

On 28 October 2022, the Company announced the resignation of Mr Chris Burton following which the Company actively sought another candidate for the non-executive director role and appointed Ms. Karen O'Neill, a seasoned mining and finance professional, to the Board on the 13 January 2023.

Lapse of Performance Rights

The Company also advises that 331,430 Performance Rights issued to employees lapsed as a result of the cessation of employment in accordance with the terms of their issue. The relevant Appendix 3H follows this announcement.

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.

	Current Quarter \$A'000	Previous Quarter \$A'000
Payments to related parties of the entity and their associates		
Directors' remuneration		
Executive Directors	103 ¹	80 ¹
Non-Executive Directors	75 ¹	6 ¹
Total Directors' remuneration	178	86
Associated entities/services	186 ¹	-
Total payments to related parties of the entity and their associates	364	86

Note:

1. Payments pursuant to director service agreements as disclosed in the Remuneration Report of the FY22 Annual Report. Amount paid includes outstanding amounts accrued over the last 12 months.

Authorised by:

The Board of Directors

Newfield Resources Limited

About the Tongo Diamond Mine:

The Tongo Diamond Mine Development comprises two adjacent mining licences covering a combined area of 134 square kilometres 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. Newfield, under its subsidiary company Sierra Diamonds, has developed the Tongo Diamond Mine into production achieving its first successful diamond sale in May 2022 where it achieved an average price of US\$262 per carat.

Schedule of Tenements as at 31 December 2022

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	Kumgbo (Biedien)	86.70	Granted	90%
	MEL1158/14	Kumgbo (Zoi)	83.56	Granted	90%
<u>WESTERN AUSTRALIA</u>					
NEWFIELD GOLD PROJECT	M77/0422	Newfield	0.85	Granted	30%
	M77/0846	Woongaring Hills	0.39	Granted	30%

Interests in Mining Tenements Lapsed, Relinquished or Reduced for the quarter ended 31 December 2022

Nil

Interests in farm-in or farm-out agreements for the quarter ended 31 December 2022

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 2022

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	(949)	(1,960)
(c) production	(1,850)	(3,337)
(d) staff costs	(2,252)	(3,984)
(e) administration and corporate costs	(355)	(505)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	1
1.5 Interest and other costs of finance paid	(54)	(54)
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	(5,460)	(9,839)

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	(38)	(46)
(e) investments	-	-
(f) other non-current assets	-	-

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
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)	-	-
2.6	Net cash from / (used in) investing activities	(38)	(46)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities) (see note 6)	1,915	5,639
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	(325)	(542)
3.5	Proceeds from borrowings	4,238	4,338
3.6	Repayment of borrowings	(73)	(154)
3.7	Transaction costs related to loans and borrowings	(89)	(89)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	5,666	9,192

4.	Net increase / (decrease) in cash and cash equivalents for the period	168	(693)
4.1	Cash and cash equivalents at beginning of period	397	1,258
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(5,460)	(9,839)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(38)	(46)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5,666	9,192

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	(2)	(2)
4.6	Cash and cash equivalents at end of period	563	563

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	563	397
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	563	397

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	364
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	103
Non-executive director remuneration	75
Associated entities/services	186

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 ⁽ⁱ⁾	3,000	2,000
7.2 Credit standby arrangements	-	-
7.3 Other (please specify) ⁽ⁱⁱ⁾	2,199	2,199
7.4 Total financing facilities	5,199	4,199
7.5 Unused financing facilities available at quarter end		1,000
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
<p>(i) Unsecured loan from Goodrich Capital Pty Ltd with interest of 7.5% per annum repayable by 23 November 2023.</p> <p>(ii) USD1.5m financing facility provided by DelGatto Diamond Finance Fund, secured against future diamond sales and repayable by 23 November 2023, with an effective interest rate of 16.2% per annum.</p>		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(5,460)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(38)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(5,498)
8.4 Cash and cash equivalents at quarter end (item 4.6)	563
8.5 Unused finance facilities available at quarter end (item 7.5)	1,000
8.6 Total available funding (item 8.4 + item 8.5)	1,563
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	0.28
<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?	
Yes.	

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

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 an equity funding facility to access up to \$55 million in equity capital over 36 months and has obtained shareholder approval at the 2022 AGM to refresh its share placement capacities enabling the Company to raise more capital through the issue of equities. The Company also plans to conduct a diamond sale of approximately 7,000 carats at the end of Q1-23 and use the proceeds to settle existing liabilities. The Company is also assessing other funding options to raise further cash to fund its operations, including the existing Goodrich loan facility. The Directors are confident that sufficient funds will be raised to continue operations based on previous fundraising experience and will also seek to ensure that funding is accessed at appropriate valuations to preserve the value and limit dilution for all shareholders.

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 early production objectives for the period. It also has the ability to adjust its operating cash outflows if required.

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.

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 2023

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.