

PROJECT AND DEBT FINANCING UPDATE OF TONGO DIAMOND PROJECT

ANNOUNCEMENT

10 JULY 2023

HIGHLIGHTS

- Conditional and Non-Binding Terms Sheet for a US\$50 million debt facility (**Facility**) has been executed with the Africa Finance Corporation (**AFC**) for the continuing development of the Tongo Diamond Project (**Project**). Detailed due diligence is in progress with the AFC and its independent consulting groups.
- The Facility will enable the production ramp-up at the Tongo Diamond Mine to be accelerated, construction of the designed 50tph processing plant and final recovery and advance the Tongo Dyke-1 kimberlite into development and production.
- Recent operations have focused on stope mining of the eastern segment of the Kundu ore reserve with plans to establish development towards the west of Kundu being implemented.
- Next diamond sale scheduled for mid-July 2023.

Debt Facility



Newfield Resources Limited (ASX: **NWF**) (**Company**) is pleased to announce that its wholly owned subsidiary, Sierra Diamonds Limited (**SDL**), has entered into a Conditional and Non-Binding Terms Sheet for a US\$50 million secured debt facility with the AFC for the continuing development of the Tongo Diamond Mine into commercial production.

AFC is a multilateral financial institution established in 2007 to be the catalyst for private sector-led infrastructure investment across Africa. AFC's approach combines specialist industry expertise with a focus on financial and technical advisory, project structuring, project development, and risk capital to address Africa's infrastructure development needs and drive sustainable economic growth.

Sixteen years on, AFC has developed a track record as the partner of choice in Africa for investing and delivering on instrumental, high-quality infrastructure assets that provide essential services in the core infrastructure sectors of power, natural resources, heavy industry, transport, and telecommunications. AFC has 40 member countries and has invested US\$11.5 billion across Africa since its inception.

The key material terms of the Terms Sheet include:

Facility Description	Senior Secured Debt Facility
Maximum amount of Facility	US\$50 million
Security	First-ranking security over the assets of SDL

Interest rate	Competitive margin above 3-month secured overnight financing rate (SOFR) ¹ Interest payable quarterly
Royalty	A gross production royalty of 0.5%-2.5% on diamond sales, rising progressively over a six-year period
Loan Covenants	Loan covenants customary for a facility of this nature, including as to debt service, loan life and project life cover ratios
Availability	Drawdown within 24 months of financial close
Tenor	6 years after financial close with a repayment schedule over the term
Equity contribution	NWF is to contribute up to US\$15 million equity to the mine before the drawdown of the facility
Conditions to provision of the facility (financial close)	Provision of the facility would be subject to certain customary conditions being satisfied, including: a) independent due diligence required covering key aspects of the Project, including technical, social, legal, environmental and financial areas related to the company and mining operations; b) execution of finance documents; and c) the relevant internal approval processes of AFC.
Other	Fees and early repayment terms typical of such a debt financing facility

Provision of the facility will be announced on completion of the conditions to financial close.

NWF Executive Director Mr Karl Smithson commented:

“We are delighted to have signed the Terms Sheet with the AFC, representing a significant milestone for the Company. The due diligence progress preceding this Terms Sheet has been extensive, and we are pleased with the progress made to date. Due diligence is ongoing, led by the AFC and its independent consulting groups concerning technical, financial, environmental and social aspects of the Company and the Tongo Mine development.

“The Board of Directors are of the opinion that the Terms Sheet is a crucial step forward and provides a framework for the parties to align on the financing terms for the Project.

“Through its own funding, Newfield has substantially advanced the Tongo Mine from exploration to development and into first production. We believe that the right financing partnership will enable the Tongo Mine to move to full-scale production and create many positive benefits for all stakeholders, including the local communities, the Government of Sierra Leone and the shareholders of Newfield.

“Our capable technical team, including recently appointed technical adviser to the Board, Koos Visser, is actively progressing off and on-site due diligence processes with the AFC’s independent advisor groups, and we look forward to providing further updates as we progress.”

¹ The Company notes that the AFC has provided debt finance at competitive rates to a number of African-based projects, including but not limited to the Colluli Potash Project in East Africa and the Karowe Underground Diamond Mine Expansion of Lucara Diamonds in Botswana (these project references have been provided with the consent of the AFC)

Operational Update

Further to the March 2023 quarterly activities report dated 24 April 2023 and the Mining Indaba Investor Presentation dated 3 February 2023, the Company provides the following operational update:

Mine Development Planning and Activities



Figures 1 and 2: Underground Development on Kundu

The operational focus at the Tongo Mine remains on stope mining of the Kundu A segment. We will now move towards developing the return airway drive to the west to access the high-grade Kundu B ore body at its top end, yielding further ore for processing.

Mining Grade Reconciliation

Notably, the recovered grade via processing of Kundu ore is showing consistently higher grades than calculated in the mineral resource estimate. As previously reported, for a series of controlled samples totalling over 2,900 carats, a grade variance of +33% was realised for mined areas of Kundu A reserve, being actual recovered in-situ kimberlite grade of 3.04 carats per tonne vs. mineral reserve estimate grade of 2.28 carats per tonne.

Modelled Diamond Price

Z-Star Mineral Resource Consultants (Z*) were contracted by Newfield to provide an updated estimate of 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.

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 modelled 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.

Other Operational Activities

The Company continues to engage with state power provider EDSA regarding access to the hydroelectric power line that traverses the Tongo Mine site. Meetings have continued concerning the design and agreement of the infrastructure from the hydropower line to the mine site, which, if successful, would enable the Company and SDL to access green energy at a lower cost. As previously noted, the only current option for electricity is running diesel-powered generators in the remote area of eastern Sierra Leone.

Diamond Sales

The Company's first diamond sales of 5,200 carats in the Antwerp diamond market in May 2022 achieved an average sales price of US\$262 per carat, which exceeded the modelled reserve price of US\$222 by over 18%. A second diamond sale of over 7,000 carats is now planned for mid-July 2023. Although current market conditions have softened recently, the longer-term fundamentals support a robust market for rough diamonds underpinned by decreasing global diamond production. The Company refers to additional commentary on the diamond market in its Mining Indaba Investor Presentation dated 3 February 2023).



Figure 3: Images of rough diamonds from the Tongo Mine

Competent Persons Statement

The information in this announcement relating to mine production, mineral resource and ore reserve estimates has been reviewed and compiled by Karl Smithson, Executive Director of Newfield and Chief Executive Officer of Newfield's subsidiary company Sierra Diamonds Limited. Karl is a qualified geologist and Fellow of the Institute of Materials, Metals and Mining with over 30 years of experience in the diamond and natural resource

sectors. Mr Smithson has sufficient experience which is relevant to this style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as a Competent person as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resource and Ore Reserves. Mr Smithson consents to the inclusion in this announcement of the matters based on this information in the form and context in which it appears.

The information in this announcement may relate to the Mineral Resource estimate released by the Company in announcements titled “7.4 million carats Resource for the Tongo Diamond Project” dated 26 November 2018 and “Increase in Diamond Resource to 8.3 million carats” dated 27 January 2021.

Disclaimer

This announcement includes forward-looking statements, and Newfield has concluded that it has a reasonable basis for providing the forward-looking statements, including but not limited to commentary on the non-binding Terms Sheet with the AFC, as outlined in this announcement. Forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions which are outside the control of Newfield. Any forward-looking statements in this announcement relate to information available to Newfield only at the date of this announcement and subject to any continuing obligations under any applicable law and the ASX Listing Rules, Newfield does not undertake any obligation to update or revise any information or any of the forward-looking statements in this announcement of any changes in events, conditions or circumstances on which any such forward-looking statement is based.

-ENDS-

This announcement has been authorised for release by the Company’s Board of Directors.

Corporate enquiries

Karl Smithson – Executive Director
E: k.smithson@newfieldresources.com.au

Investor enquiries

Stephen Moloney – Corporate Storytime
E: stephen@corporatestorytime.com

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.