

New Energy Minerals Agreement to Sell Remaining 50% of Balama Resources Pty Ltd

8 February 2018

SUMMARY

- New Energy has entered into a binding Share Sale and Purchase Agreement (SSPA) with Auspicious Virtue Investment Holding Limited for the sale by New Energy of all its remaining shares in Balama Resources Pty Limited.
- On completion of the SSPA, Auspicious Virtue Investment Holding Limited, an investment vehicle owned by Mr Louis Ching, will be the sole shareholder of Balama, holding 100% of the shares on issue.
- Balama is the subsidiary company through which New Energy has held its interest in the Caula graphite and vanadium project. Following completion of the SSPA, New Energy will have no further interest in the Caula project.
- As part of the sale transaction, New Energy has agreed to conduct an equal access Capital Reduction, under which the Company will provide a return of capital to its shareholders, of an aggregate amount being not less than 60% of the Purchase Price less the costs incurred by the Company, in executing and completing the sale transaction.
- The SSPA is subject to a number of conditions precedent including a favourable assessment by an Independent Expert and approval of the SSPA by New Energy Shareholders.
- Although the Board of New Energy Limited is confident about the outcome of its dispute with Arena, the sale of Balama under the SSPA mitigates risks for shareholders from the dispute.

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New Energy Minerals Limited ("**New Energy**", the "**Company**") (**ASX:NXE FRA:GGY**) announces that today it has entered into a binding Share Sale and Purchase Agreement ("**SSPA**"), with Auspicious Virtue Investment Holding Limited, for the sale by New Energy of all its remaining shares (the "**Shares**") in Balama Resources Pty Limited ("**Balama**"), for a total cash consideration of AUS\$7,000,000 ("**Purchase Price**"). On completion of the SSPA ("**Completion**"), Auspicious Virtue Investment Holding Limited, an investment vehicle of Mr. Louis Ching, will be the sole shareholder of Balama, holding 100% of the shares on issue, an increase from its current 50% holding of the issued capital in Balama.

Balama is the subsidiary company through which New Energy holds its interest in the Caula graphite and vanadium project. Following Completion, New Energy will have no further interest in the Caula project, which is the Company's main undertaking.

As part of the SSPA, New Energy has agreed to conduct an equal access Capital Reduction ("**Capital Reduction**"), under which the Company will provide a return of capital to its shareholders of an aggregate amount being not less than 60% of the Purchase Price, less the costs incurred by the Company in executing and completing the sale transaction. Through the Capital Reduction, the Board of New Energy aims to return some value to shareholders, whilst allowing them to retain their shares in the Company. A summary of the terms of the SSPA are set out in Appendix 1 to this announcement.

As announced on 7 November 2018, the Company entered into a Strategic Investment Agreement ("**Agreement**") with Mr. Louis Ching, whereby he acquired 50% of the shares on issue in Balama, through his investment vehicle, Auspicious Virtue Investment Holding Limited, a company incorporated in the British Virgin Islands. Under the **Agreement**, Mr. Louis Ching also entered into a private placement with New Energy through his other investment vehicle, UbezTT International Holdings ("**UbezTT**"), which resulted in UbezTT becoming a substantial shareholder in New Energy, currently holding 15.3% of the issued shares in the Company. Mr. Ching also holds a directorship in Balama.

Although New Energy Limited is confident in its dispute with Arena Investors LLC ("**Arena**") (see announcement 6 November 2018), the sale of the remaining shares in Balama under the SSPA reduces shareholder exposure to the Company's dispute against Arena, as an adverse outcome for the Company in the dispute, could potentially involve Arena having a substantial claim against the Company which could likely result in nil value from the Caula Project being returned to existing New Energy shareholders.

The SSPA is subject to a number of conditions precedent (described in more detail in Appendix 1), including:

- New Energy procuring an Independent Expert's Report in which the Independent Expert concludes that the sale of the Shares by the Company to Auspicious Virtue Holding Investment Limited in accordance with the SSPA is favourable to the Company's Shareholders, therefore either:
 - (a) fair and reasonable; or
 - (b) not fair but reasonable,to the Company's Shareholders (other than the Purchaser or its Associates);
The Company proposes to engage BDO Corporate Finance Pty Ltd to provide the Independent Expert's Report.
- New Energy's Shareholders (excluding Auspicious Virtue Investment Holding Limited and its associates) approve of the disposal of the shares in Balama Resources Pty Ltd to Auspicious Virtue Investment Holding Limited in accordance with the SSPA at a meeting held in accordance with:
 - (a) ASX Listing Rule 11.2; and
 - (b) ASX Listing Rule 10.1.
- New Energy's Shareholders approve of the Capital Reduction in accordance with section 256C(1) of the Corporations Act and New Energy complies with the requirements of section 256C in relation to the shareholder approval.

New Energy will convene an Extraordinary General Meeting (**EGM**) of the Company to be held as soon as practicable, currently expected to be in March 2019, for the purpose of considering and voting in favour of the resolutions in order to satisfy that condition precedent. Subject to satisfaction of all the conditions precedent, New Energy expects the sale to be completed in mid-June 2019 and the Capital Reduction is expected to be completed as soon as possible thereafter.

The New Energy Board unanimously considers the transactions contemplated in the SSPA, to be in the best interests of New Energy Shareholders and recommends that Shareholders approve the resolutions, in the absence of a Superior Proposal and subject to the Independent Expert's Report, expressing the opinion described above.

More information about the SSPA and the Capital Reduction will be provided in an Explanatory Memorandum which will accompany the Notice of Meeting convening the EGM. Shareholders will also be provided with a copy of the Independent Expert's Report. Auspicious Virtue Investment Holding Limited will not be eligible to vote its shareholding at the EGM in respect of the sale. Auspicious Virtue Holding Limited will be eligible to vote its shareholding in relation to the approval of the Capital Reduction.

New Energy Minerals Chairman Ian Daymond commented: "Following several months of very careful examination of the Company's financial situation, and following the unsolicited approach by the Company's largest shareholder, New Energy Directors have negotiated with its largest shareholder the highest sale price obtainable for the remaining 50% of the issued capital of Balama Resources Pty Ltd. The transaction has been negotiated with consideration to the disappointingly low prevailing share price, despite a series of excellent results being announced throughout 2018 in respect of the Caula Vanadium & Graphite Project. The Board has also considered various alternatives for the future funding of the Company and its projects, taking into account the need to avoid excessive dilution to existing shareholders, given the current share price and also within the context of the highly disputed and highly damaging statutory demand by Arena Investors.

"An unsolicited, non-binding offer was received from UBezTT at the end of November 2018, and although a public company takeover or scheme of arrangement involving the New Energy entity itself was considered in this process, it was considered to be a very costly form of corporate transaction for the Company. As a result, the best price obtainable from the Purchaser for the 50% shareholding was AUS\$7,000,000. The Directors of New Energy unanimously reached the conclusion that the sale of the remaining 50% of the issued capital of Balama Resources Pty Ltd to Auspicious Virtue Investment Holding Limited should be considered to be in the best interests of the Company and its shareholders excluding the Purchaser and its associates and, accordingly, now recommend that shareholders approve the relevant resolutions to be proposed at the forthcoming EGM, but only in the absence of a Superior Proposal and subject to the Independent Expert's Report being favourable.

"The distribution in cash to NXE shareholders of at least 60% of the sale proceeds net of transaction costs is considered, in all the circumstances, to be a significant benefit for all shareholders as well as for NXE itself. Shareholders will retain their existing shares in NXE and will therefore retain a stake in the Company going forward. Assuming 60% of the net sale proceeds are distributed to NXE Shareholders, then NXE will receive after closing 40% of the net sale proceeds (around AUS\$2.6 million to AUS\$ 2.7 million), to supplement NXE's cash resources which will be further supplemented by receipt of the gross amount of AUS\$2.8 million upon closing of the sale of the ruby assets to Fura Gems Inc. NXE's total cash resources will of course depend upon the outcome of the dispute with Arena Investors of which the outcome (as yet not known) could increase (or reduce) these cash resources.

"Our plan is for NXE to retain its ASX-listed status as an explorer and developer of mineral interests and for NXE to be adequately funded going forward. A review of potential mineral interest acquisition opportunities is already underway. Further announcements concerning future project opportunities and the status of the Arena dispute will be made as and when required.

"We urge and encourage shareholders to vote in favour of the various resolutions if no Superior Proposal emerges and if the Independent Expert's Report is favourable. We also call upon shareholders actively to support the Board and Management going forward in the interests of the Company and all shareholders."

Appendix 1 – Summary of the terms of the SSPA

Term	Summary
Parties	New Energy Minerals Limited (as Vendor) and Auspicious Virtue Investment Holding Limited (as Purchaser).
Key Transaction Elements	The Vendor sells all the shares it holds in Balama to the Purchaser for a total, fixed purchase price of AUS7,000,000. Subject to satisfaction of the conditions precedent, the purchase price is payable in full on Completion.
Conditions Precedent	<p>The sale and purchase are subject to the following conditions precedent:</p> <ul style="list-style-type: none"> (a) (Independent expert report) the Vendor procures (at its cost) an Independent Expert's Report that states the Independent Expert's opinion that: <ul style="list-style-type: none"> (i) the sale of the Shares by the Vendor to the Purchaser in accordance with this Agreement is either: <ul style="list-style-type: none"> (A) fair and reasonable; or (B) not fair but reasonable, to Vendor Shareholders (other than the Purchaser or its Associates); (b) (ASX Listing Rules) the Vendor's shareholders (excluding the Purchaser and its Associates) approve of the disposal of the Shares under this Agreement at a meeting held in accordance with: <ul style="list-style-type: none"> (i) Listing Rule 11.2 of the ASX; and (ii) Listing Rule 10.1 of the ASX; (c) (Capital Reduction) the Vendor's shareholders approve of the Capital Reduction in accordance with section 256C(1) of the Corporations Act and the Vendor complies with the requirements of section 256C in relation to the shareholder approval; (d) (Tax Opinion) receipt by the Vendor of a Binding Tax Opinion in a form capable of satisfying MIREME for the purpose of obtaining the MIREME Authorisations; (e) (Authorisation) receipt by the Vendor of the MIREME Authorisations; and (f) (Legal opinions) the Vendor procures (at its cost) and delivers to the Purchaser, two legal opinions addressed to the Purchaser and in form and substance satisfactory to the Purchaser (acting reasonably) as follows: <ul style="list-style-type: none"> (i) a legal opinion from a reputable law firm qualified to practise in the Republic of Mauritius confirming that there are no actions or regulatory approvals required in the Republic of Mauritius to give effect to the execution, delivery and performance by the Vendor of this Agreement and each transaction contemplated by this Agreement; (ii) a legal opinion from DLA Piper, SAL & Caldeira Advogados Lda confirming that: <ul style="list-style-type: none"> (A) the Tenements are in good standing and title to the Tenements is held by the relevant Company Group Member; (B) Save for the Tax Opinion and MIREME Authorisations no actions or regulatory approvals are required in the Republic of Mozambique as a result of, or to give full effect to the execution, delivery and performance by the Vendor

	<p>of, this Agreement and each transaction contemplated by this Agreement; and</p> <p>(C) the execution, performance and/or enforcement of this Agreement by the Purchaser will not contravene any Laws applicable to the Republic of Mozambique.</p> <p>The SSPA can be terminated if the conditions precedent have not been satisfied or waived prior to 1 July 2019.</p>
Exclusivity	The Vendor has granted the Purchaser exclusivity until 1 July 2019 (or such earlier date on which the SSPA is terminated in accordance with its terms).
Break Fee	<p>The Parties have agreed to the concept of a break fee of AUS\$150,000 (Break Fee). The Vendor has agreed to pay the Purchaser the Break Fee if the Vendor Board changes its recommendation to Shareholders to vote in favour of the proposed resolutions, or if a Superior Proposal is received by the Vendor. The break fee is not payable by the Vendor if the resolutions are not passed (in the absence of a change in recommendation or a Superior Proposal).</p> <p>The Purchaser has agreed to pay the Vendor the Break Fee if the Purchaser fails to pay the Purchase Price to the Vendor in immediately available funds when due on the completion date specified in the SSPA. The Break Fee is not payable by the Purchaser, if the Vendor is required to pay the Break Fee pursuant to the SSPA or if Completion occurs in accordance with the SSPA.</p>
Non-compete	The Vendor has agreed not to compete with the Purchaser in graphite and vanadium projects in Mozambique for a period of up to 3 years.
Customary terms	The SSPA is on customary terms, including with respect to pre-completion obligations, warranties and indemnities and post-completion obligations, as would be expected for a transaction of this nature.

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