NEW ENERGY MINERALS LIMITED

ACN 090 074 785

NOTICE OF GENERAL MEETING

Notice is given that the Meeting will be held at:

TIME: 10.00 (WST)

DATE: 14 May 2019

PLACE: HLB Mann Judd
Main Board Room
Level 4
130 Stirling Street
Perth, Western Australia

Independent Expert's Report: Shareholders should carefully consider the Independent Expert's Report prepared for the purpose of the Shareholder approval under section 611 item 7 of the Corporations Act (refer to Resolution 1). The Independent Expert's Report comments on the fairness and reasonableness of the transaction with Auspicious Virtuous Investment Holding Limited the subject of Resolution 1. The Independent Expert has determined that the Disposal is FAIR and REASONABLE to the non-associated Shareholders.

This Notice of General Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of General Meeting please do not hesitate to contact the Company Secretary on +61 8 9217 2400.

ASX takes no responsibility for the contents of this Notice of General Meeting.

BUSINESS OF THE MEETING

AGENDA

1. RESOLUTION 1 – DISPOSAL OF MAIN UNDERTAKING

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

> *"That, for the purposes of ASX Listing Rules 10.1 and 11.2 and for all other purposes, Shareholders approve the disposal of the Company's interest in Balama Resources Pty Ltd (ACN 601 395 368) on the terms and conditions set out in the Explanatory Statement."*

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the Resolution is passed. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

2. RESOLUTION 2 – EQUAL CAPITAL REDUCTION

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

> *"That, subject to the passing of Resolution 1 and completion of the Fura Transaction, for the purposes of Sections 256B and 256C of the Corporations Act, and for all other purposes, the issued share capital of the Company be reduced by $4.14 million by returning to Shareholders $0.027 for each Share held on the Record Date and otherwise on the terms and conditions set out in the Explanatory Statement."*

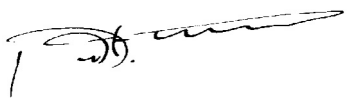
3. RESOLUTION 3 – SECTION 195 APPROVAL

To consider and, if thought fit, to pass, the following resolution as an **ordinary resolution**:

"That, subject to the passing of Resolutions 1, for the purposes of section 195(4) of the Corporations Act and for all other purposes, Shareholders approve and authorise the Directors to complete matters relating to the Company's Long Term Incentive Plan as outlined in the Explanatory Statement."

Dated: 11 April 2019

By order of the Board



Robert Marusco
Company Secretary

Voting in person

To vote in person, attend the Meeting at the time, date and place set out above.

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 9217 2400.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

1. BACKGROUND

1.1 General

As announced by the Company on 7 November 2018, the Company entered into an agreement with a strategic investor, UBezTT International Investment Holdings (BVI) Ltd (**UBezTT**), pursuant to which UBezTT agreed to make a strategic equity investment in the Company (**NXE Placement**) with the option to also make a project level investment in the Company's wholly owned subsidiary, Balama Resources Pty Ltd (**Balama**), which holds the Company's interest in the Caula Vanadium-Graphite project (**Strategic Investment Agreement**).

Subsequent to the execution of the Strategic Investment Agreement, UBezTT completed the investment and acquired an interest in 50% of the shares in Balama, as well as subscribing for 23,076,923 Shares in the Company.

UBezTT is a company associated with Mr Louis Ching.

On 8 February 2019, the Company then announced that it had entered into the Agreement to dispose of its remaining interest in Balama to Auspicious Virtuous Investment Holding Limited (**Auspicious**) (**Agreement**). Like UBezTT, Auspicious is a company associated with Mr Louis Ching.

A summary of the key terms and conditions of the Agreement are set out in Schedule 1.

It is a condition precedent of the Agreement that the Company's Shareholders approve the capital reduction the subject of Resolution 2.

If Shareholders approve Resolutions 1 and 2 and completion under the Agreement occurs, the effect will be that the Company will dispose of the remainder of its interest in the Project following which the Company will re-set and seek out and assess new opportunities for new acquisitions or project developments that the Board considers to have potential for exploration and mining success.

1.2 Fura transaction

Back in July 2018, the Company also announced that it had entered into an agreement pursuant to which it was disposing of all of its interest in its ruby assets to Fura Gems Inc (**Fura**) (**Fura Transaction**). The Fura Transaction has not yet completed, as the Company works through the conditions precedent, most specifically, the receipt of a binding tax opinion and Ministerial approval from the Mozambique Government.

Completion of the Fura Transaction is expected to have an impact on the timing of the completion of the return of capital contemplated under this Notice of Meeting.

In the event that the Fura Transaction does not complete, the equal capital reduction will not occur.

1.3 Independent Expert's Report

ASX Listing Rule 10.10.2 requires a notice of meeting containing a resolution under ASX Listing Rule 10.1 to include a report on the transaction from an independent expert.

The Independent Expert's Report accompanying this Notice sets out a detailed independent examination of the Disposal to enable non-associated Shareholders to assess the merits and decide whether to approve Resolution 1. The independent expert has concluded that the Disposal is fair and reasonable to the non-associated Shareholders.

Shareholders are urged to carefully read the Independent Expert's Report to understand its scope, the methodology of the valuation and the sources of information and assumptions made.

2. RESOLUTION 1 – DISPOSAL OF MAIN UNDERTAKING

2.1 General

Resolution 1 relates to the approval under ASX Listing Rule 11.2 to enable the Company to dispose of its main undertaking, being its interest in the Caula Graphite and Vanadium Project (**Project**) held within Balama (**Disposal**).

Listing Rule 11.2 provides that if a company intends to dispose of its main undertaking, it can only do so with the approval of its shareholders.

2.2 Value of the Company's interest in Balama

The Project remains in the exploration phase and therefore does not generate any revenues and will require further expenditure to develop it into an operating mine. To date the Company has spent $10,862,761 exploring and developing the Project.

2.3 Impact on the Company

The impact of the Disposal on the Company's balance sheet is set out in the pro-forma balance sheet contained in the Independent Expert's Report.

The cash consideration payable to the Company under the Agreement will be used by the Company as follows:

(a) to meet the costs of the transaction summarised in Section 1 above;

(b) the payment of the return of capital the subject of Resolution 2; and

(c) to fund the ongoing expenses of the Company and working capital while the Company considers new opportunities post the disposal of Balama.

The Disposal itself will:

(a) not have any impact on the capital structure of the Company;

(b) not result in any changes to the Company's board of directors or senior management; and

(c) not result in the Company needing to borrow funds or raise capital in the short term.

2.4 Advantages and Disadvantages of the Disposal

The Directors believe that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on the proposed Disposal.

Advantages

(a) the Disposal provides the Company with the opportunity to realise value from the recent exploration works completed, and positive results discovered, at the Project, given that the Company's share price has not responded positively on release of these strong results, which in the opinion of the Directors could have reasonably been expected to happen;

The Company announced the Disposal on 8 February 2019 and explained that the Disposal has been negotiated with consideration to the disappointingly low share price, despite a series of strong results being announced throughout 2018 with respect to the Project. Therefore, the cash offer from Auspicious provides the Company with a tangible crystallisation of value from the Project;

(b) the capital reduction allows an opportunity for Shareholders of the Company to realise value from the Project which is not otherwise available on-market due to the low liquidity of the Company's shares and the Company's prevailing low share price; and

(c) consideration from the Disposal will provide the Company with cash reserves sufficient to extinguish all existing and potential liabilities, such as those arising from the Arena Dispute. The amount claimed by Arena is approximately $5.1 million, including a $2.5 million termination fee which the Company is in the process of disputing. As detailed in the announcement on 8 February 2019, the Disposal mitigates any risk for Shareholder's arising from the Arena Dispute.

Disadvantages

The Directors believe that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on the proposed Disposal:

(a) the consequence of the Disposal is that the Company will sell its main undertaking and be required, within a period of 6 months from the date of the Disposal to identify a new project or opportunity or risk being suspended from trading by the ASX and potentially be required to re-comply with Chapters 1 and 2 of the ASX Listing Rules before its Shares can be re-instated to trading;

(b) there is a risk that the Company may not be able to locate and acquire other suitable investment opportunities; and

(c) the Company will be changing the scale of its activities by a significant extent, which may not be consistent with the investment objectives of all Shareholders.

2.5 Future activities and direction post-Sale

Following the completion of the Disposal, the Company will have sufficient cash reserves to fund its activities and will continue to assess and identify projects or

assets that the Board considers will have the potential to add value to Shareholders.

The Company will continue to consider opportunities for further investment in mining and exploration projects, in particular in Africa where the Board has significant history and expertise.

2.6 Effect of the Sale not being approved

If the Disposal is not approved:

(d) the Company will continue to own 50% of the interests in Balama;

(e) the Agreement will be terminated;

(f) the Company will be obligated to make a payment of $150,000 to Auspicious as a break fee;

(g) the return of capital the subject of Resolution 2 will not proceed; and

(h) the Company will need to consider alternatives for raising funds to meet its ongoing commitments.

2.7 Listing Rule 10.1 and Independent Expert's Report

ASX Listing Rule 10.1 provides that an entity must ensure that neither it, nor any of its child entities, acquires a substantial asset from, or disposes of a substantial asset to, amongst other persons:

(a) a related party of the entity

(b) a substantial holder of the entity;

(c) an associate of a substantial holder of the entity,

without the prior approval of holders of the entity's ordinary shareholders.

Given that UBeTTz has a holding over 10% in the Company currently and is therefore a 'substantial holder' of the Company under the Listing Rules, ASX requires the Company to seek approval under Listing Rule 10.1 for the Company to dispose of the interest in Balama to Auspicious.

ASX Listing Rule 10.10.2 requires a notice of meeting containing a resolution under ASX Listing Rule 10.1 to include a report on the transaction from an independent expert.

The Independent Expert's Report (a copy of which is enclosed with this Notice of Meeting) assesses whether the Disposal is fair and reasonable to the non-associated Shareholders of the Company.

The Independent Expert's Report concludes that the Disposal is **fair and reasonable** to the non-associated Shareholders of the Company.

Shareholders are urged to carefully read the Independent Expert's Report to understand the scope of the report, the methodology of the valuation and the sources of information and assumptions made in reaching this conclusion.

The Independent Expert's Report is also available on the Company's website at www.newenergyminerals.com.au. If requested by a Shareholder, the Company

will send to a Shareholder a hard copy of the Independent Expert's Report at no cost.

2.8 Director interests and recommendations and shareholder intentions

The Directors do not have any material interest in the outcome of the Resolution other than as a result of their interest arising solely in the capacity as Shareholders.

The Directors have a relevant interest (held directly and indirectly) in the securities of the Company as set out in the following table:

Director	Shares	Options	Performance Rights
Ian Daymond	250,000	450,000	2,000,000
Bernard Oliver	145,560	500,000	4,000,000
Cobus van Wyk	17,984,658	Nil	4,486,000
Christiaan Jordaan	17,984,658	Nil	4,486,000
Evan Kirby	52,227	Nil	2,900,000

The Board has approved the proposal to put Resolution 1 to Shareholders.

Having regard to the advantages and disadvantages of the Disposal above, each of the Directors intends to vote all of their Shares in favour of Resolution 1.

Based on the information available, all of the Directors consider that the proposed Disposal is in the best interests of the Company and recommend that Shareholders vote in favour of Resolution 1 in the absence of a superior proposal.

3. RESOLUTION 2 – EQUAL CAPITAL REDUCTION

3.1 Background

As set out in Sections 1 and 2 above, and as previously announced to ASX, it is a term of the Disposal that the Company undertake a return or capital, or equal capital reduction, with 60% of the funds received from Auspicious under the Disposal. Based on the amount of consideration payable, and the number of Shares the Company has on issue, this will equal an amount of 2.7 cents per Share being returned to Shareholders.

The Corporations Act provides that a company may reduce its share capital if:

(a) it is fair and reasonable to the company's shareholders as a whole;

(b) does not materially prejudice the company's ability to pay its creditors; and

(c) is approved by shareholders under Section 256C of the Corporations Act.

Section 256C of the Corporations Act requires that an equal capital reduction be approved by an ordinary resolution of shareholders.

3.2 Inter-conditional resolution

Resolution 2 is conditional upon the passing of Resolution 1. Therefore, Resolution 2 will only be implemented if both Resolution 1 and Resolution 2 are approved.

3.3 Information for Shareholders on equal capital reduction

(a) **Entitlement to participate**

All Shareholders who are registered on the Company's share register as at the Record Date of 4.00pm (WST) on the day immediately prior to the date of the Meeting will participate in the equal capital reduction.

(b) **Amount of entitlement**

Each Shareholder who participates in the equal capital reduction will receive 2.7 cents cash for each Share held as at the Record Date.

(c) **Indicative timetable**

The Company has lodged with ASIC a copy of this Notice of Meeting and the Explanatory Statement in accordance with section 256C(5) of the Corporations Act.

If Resolution 2 is passed, the equal capital reduction will occur:

(i) after the completion of the Disposal; and

(ii) after completion of the Fura Transaction.

As at the date of this Notice, the exact dates of those two events are unknown. However, as soon as practicable after the Company becomes aware of when the equal capital reduction can be implemented, the Company will make a relevant announcement to ASX confirming the dates and processes for the equal capital reduction.

3.4 Shareholder approval and regulatory requirements

(a) **Regulatory requirements**

The capital reduction is an "equal capital reduction" in accordance with section 256B (2) of the Corporations Act as:

(i) it relates only to ordinary Shares in the capital of the Company;

(ii) it applies to each holder of ordinary shares in the same proportion to the number of ordinary shares they hold in the Company; and

(iii) the terms of the reduction are the same for each holder of ordinary shares in the Company.

Under section 256C of the Corporations Act the capital reduction must be approved by an ordinary resolution passed at a general meeting of the Company. Resolution 2 seeks this approval from Shareholders. An ordinary resolution requires a simple majority of votes cast by Shareholders present (in person, by proxy or representative) and entitled to vote on the resolution.

Under section 256B of the Corporations Act, the Company must not affect a reduction of capital unless it:

(i) is fair and reasonable to the Shareholders as a whole;

(ii) does not materially prejudice the Company's ability to pay its creditors; and

(iii) is approved by Shareholders.

(b) **Directors' opinion**

The Directors believe that:

(i) the capital return is fair and reasonable to the Shareholders as a whole as the terms of the capital return are the same for each Shareholder and the capital return is on a pro-rata basis;

(ii) the capital return does not materially prejudice the Company's ability to pay its creditors as the Company will have sufficient cash reserves to pay its creditors after the capital return; and

(iii) the Company will remain solvent following the capital return.

The Directors have considered the advantages and disadvantages of the capital return, as follows.

3.5 Advantages

The advantages of the equal capital reduction are tied to the advantages of the Disposal which are summarised in Section 2.4 above. Shareholders should therefore read the advantages in Section 2.4 when considering this transaction.

3.6 Disadvantages

A disadvantage of the proposed capital return is that following its implementation the Company will have a reduced capital base from which to operate. However, the Directors are of the opinion that the Company will retain sufficient cash proceeds to meet the Company's working capital needs and to pay its creditors. Also, as set out in the pro-forma balance sheet in Section 14 of the Independent Expert's Report, the post capital return net cash reserves of approximately $8.37 million is expected to be sufficient to pursue new acquisition and exploration activities in the foreseeable future and to protect the Company from any adverse result in the Arena Dispute. Further funds can be raised by share issues/placements and, depending upon any project acquired, debt financing or quasi debt financing are further options.

Shareholders should also read the disadvantages of the Disposal summarised in Section 2.4 above.

3.7 Effect of the proposed capital return

(a) **Effect on the Company**

The capital return will be paid entirely from the Company's existing cash received from the Disposal. The effect of the capital return is that the Company's cash resources will be reduced by the amount of capital (cash) returned (paid) to Shareholders (approximately $4.14 million), while at the same time the paid-up capital will decrease by the corresponding amount.

To illustrate the effect of the equal capital reduction on the Company's financial position, an unaudited pro-forma balance sheet of the

Company (on a post-equal capital reduction basis) is set out in Section 14.3 of the Independent Expert's Report.

This pro forma balance sheet shows the impact of the disposal under the Fura Transaction and the Disposal.

(b) **Effect on Shareholders**

The effect of the capital return is that Shareholders will receive 2.7 cents for each fully paid ordinary share held on the Record Date. The capital return will have no effect on the number of shares held by Shareholders, the paid or unpaid amount in relation to shares held by Shareholders or on their proportionate interests in the share capital of the Company.

(c) **Effect on creditors**

The Company will have sufficient cash reserves to pay its creditors after the capital return (see the Directors' opinion above).

(d) **Arena statutory demand**

As announced on 28 March 2019, the Court has reserved its judgement in the hearing of the application to have Arena's statutory demand set aside. The decision is expected to be delivered by the end of May 2019. The Company's position on the statutory demand and Arena's claims has been announced to the ASX previously.

If the Company is successful in having the statutory demand set aside, the Company intends to defend its position on any future claim made by Arena.

(e) **Effect on Options**

The Company currently has the following options on issue:

No. of Options	Exercise Price	Expiry Date
6,193,827	$0.35	On or before 25 January 2020
17,103,348	$0.20	On or before 26 November 2020
800,000	$1.50	On or before 14 June 2019
1,400,000	$0.75	On or before 21 June 2019
750,000	$0.6	On or before 4 August 2019
266,288	$0.273	On or before 23 January 2020
72,978	$0.273	On or before 25 January 2020
151,956	$1.00	On or before 9 March 2020
300,000	$1.50	On or before 31 March 2020

300,000	$2.00	On or before 31 March 2020
218,182	$0.715	On or before 20 July 2020
1,333,333	$1.17	On or before 20 July 2020
1,276,596	$1.222	On or before 20 July 2020
333,333	$1.17	On or before 15 Sept 2020
180,000	$1.30	On or before 16 October 2020
750,000	$0.307	On or before 15 January 2021
500,000	$0.356	On or before 13 March 2021
2,572,347	$0.323	On or before 13 March 2021
4,174,950	$0.262	On or before 29 May 2021
600,000	$0.273	On or before 22 May 2021
308,759	$0.178	On or before 25 October 2021
23,076,923	$0.14	On or before 20 December 2021

There will be no change to the number of Options on issue or the terms of those Options as a result of the capital return.

(f) **Effect on Performance Rights**

The Company currently has on issue 19,900,000 Performance Rights under the Company's Long Term Incentive Plan that when vested will entitle the holder to acquire shares in the Company. The Performance Rights are subject to varying vesting conditions. All of those Performance Rights have vesting hurdles relating to the development at the Caula Project that is owned by Balama and is the subject of the sale.

Under the terms of the Company's Long Term Incentive Plan, the Board may determine, at its absolute discretion, that some or all of a holder's Performance Rights should vest upon a transaction, event or state of affairs that should are similar to a change of control transaction.

The Board considers that the disposal of the Company's main undertaking for valuable consideration is within this scope set out in the Long Term Incentive Plan, and has therefore determined that, upon the completion of the Disposal, the Performance Rights should vest, acknowledging the work that has been done by the holders to identify, develop and negotiate the disposal of the Project for valuable consideration that will see a return of capital paid to Shareholders.

As a result, the Disposal will see all of the Performance Rights vest, and 19,900,000 Shares be issued to the holders of the Performance Rights. However, the vesting of these Performance Rights will not occur until the

Disposal has been completed, and as such, the holders will not be entitled to participate in the capital return in relation to these Performance Rights.

(g) **Effect on Convertible Notes**

The Convertible Notes remain subject to the terms and conditions on which they were issued. The terms of the Convertible Notes. Under the terms of the Convertible Notes, the conversion price of the Convertible Notes will be adjusted in accordance with the terms of those notes to reflect the return of capital.

(h) **Effect on capital structure**

The capital return will have no effect on the total number of Shares on issue. Following the capital return the Company will continue to have an issued share capital of 150,895,442 fully paid ordinary shares.

3.8 Taxation Implications for Shareholders

The impact of the transaction may have a different taxation impact on Shareholders depending on a variety of factors including the jurisdiction in which they reside and the cost base of their interests in the Company. For this reason, the Company has refrained from providing any taxation advice. Accordingly, Shareholders are encouraged to seek their own professional advice in relation to their tax position. Neither the Company nor any of its officers, employees or advisers assumes any liability or responsibility for advising Shareholders about the tax consequences for them from the proposed capital return.

3.9 Directors' interests and recommendations

All of the Directors of the Company hold Shares and accordingly they will be taking part in the capital return. No Director will receive any payment or benefit of any kind as a consequence of the capital reduction, other than as a Shareholder.

The table of interests held by the Directors are set out in Section 2.7 above.

Each of the Directors intends to vote in favour of Resolution 2.

The Directors unanimously recommend that Shareholders vote in favour of Resolution 2.

4. RESOLUTION 3 – SECTION 195 APPROVAL

4.1 Section 195 of the Corporations Act

Section 195 of the Corporations Act provides that a Director of a public company may not vote or be present during meetings of Directors when matters in which that Director holds a "material personal interest" are being considered, except in certain limited circumstances.

Section 195(4) relevantly provides that if there are not enough Directors to form a quorum for a Directors meeting because of this restriction, one or more of the Directors may call a general meeting and the general meeting may pass a resolution to deal with the matter.

As outlined in Section 3.7(f) above, the Company has on issue various Performance Rights under its Long Term Incentive Plan that have performance

hurdles that relate to the performance and development of the Caula Project which is being disposed of by the Company which will see a return of capital paid to Shareholders.

The terms of the Company's Long Term Incentive Plan provide that upon the occurrence of transactions such as a change of control or similar, the Board may determine that the Performance Rights issued under the Long Term Incentive Plan should vest.

Given all of the Directors hold Performance Rights under the Long Term Incentive Plan, they would all have a material personal interest in any consideration of whether the Performance Rights on issue should vest where the Disposal is completed and the capital return is paid out to existing Shareholders. The number of Performance Rights held by each Directors is set out in Section 2.8.

In the absence of Resolution 3, the Directors will not be able to form a quorum at directors' meetings necessary to make this determination in relation to the Performance Rights. The Directors have accordingly exercised their right under section 195(4) of the Corporations Act to put the issue to Shareholders to seek authorisation for the Directors to deal with the Performance Rights on issue under the Long Term Incentive Plan and to determine that the vesting hurdles be waived to enable those Performance Rights to be converted into Shares following the completion of the Disposal and completion of the return of capital.

Resolution 3 is an ordinary resolution.

GLOSSARY

$ means Australian dollars.

Agreement means the Share Sale and Purchase Agreement dated on or about 8 February 2019 between the Company and Auspicious.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

Auspicious means Auspicious Virtue Investment Holding Limited.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Chair means the chair of the Meeting.

Company means New Energy Minerals Limited (ACN 090 074 785).

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

General Meeting or **Meeting** means the meeting convened by the Notice.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

Proxy Form means the proxy form accompanying the Notice.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a registered holder of a Share.

UBezTT means UBezTT International Investment Holdings (BVI) Ltd.

WST means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE 1 – SUMMARY OF KEY TERMS AND CONDITIONS OF AGREEMENT

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 AU$7,000,000. Subject to satisfaction of the conditions precedent, the purchase price is payable in full on Completion.
Conditions Precedent	The sale and purchase are subject to the following conditions precedent: (a) (**Independent expert report**) the Vendor procures (at its cost) an Independent Expert's Report that states the Independent Expert's opinion that: (i) the sale of the Shares by the Vendor to the Purchaser in accordance with this Agreement is either: (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: (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: (i) a legal opinion from a reputable law firm qualified to practise in the Republic of

Term	Summary
	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: (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 of, this Agreement and each transaction contemplated by this Agreement; and (C) the execution, performance and/or enforcement of this Agreement by the Purchaser will not contravene any Laws applicable to the Republic of Mozambique. The Agreement can be terminated if the conditions precedent have not been satisfied or waived prior to 1 July 2019.
Exclusivity	The Vendor has granted the Purchaser exclusivity until 1 July 2019 (or such earlier date on which the Agreement is terminated in accordance with its terms).
Break Fee	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). 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 Agreement. The Break Fee is not payable by the Purchaser, if the Vendor is required to pay the Break Fee pursuant to the Agreement or if Completion occurs in accordance with the Agreement.

Term	Summary
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 Agreement 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.

NEW ENERGY MINERALS LIMITED
Independent Expert's Report

OPINION: Fair and reasonable

9 April 2019

BDO

Financial Services Guide

9 April 2019

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 (‘**we**’ or ‘**us**’ or ‘**ours**’ as appropriate) has been engaged by New Energy Minerals Limited (‘**New Energy**’) to provide an independent expert’s report on the proposal to sell New Energy’s 50% interest in Balama Resources Pty Ltd. You are being provided with a copy of our report because you are a shareholder of New Energy and this Financial Services Guide (‘**FSG**’) is included in the event you are also classified under the Corporations Act 2001 (‘**the Act**’) as a retail client.

Our report and this FSG accompanies the Notice of Meeting required to be provided to you by New Energy to assist you in deciding on whether or not to approve the proposal.

Financial Services Guide
This FSG is designed to help retail clients make a decision as to their use of our general financial product advice and to ensure that we comply with our obligations as a financial services licensee.

This FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services Licence No. 316158;
- Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- Any relevant associations or relationships we have; and
- Our internal and external complaints handling procedures and how you may access them.

Information about us
We are a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide professional services primarily in the areas of audit, tax, consulting, mergers and acquisition, and financial advisory services.

We and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business and the directors of BDO Corporate Finance (WA) Pty Ltd may receive a share in the profits of related entities that provide these services.

Financial services we are licensed to provide
We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients, and deal in securities for wholesale clients. The authorisation relevant to this report is general financial product advice.

When we provide this financial service we are engaged to provide an expert report in connection with the financial product of another person. Our reports explain who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice
We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. If you have any questions, or don’t fully understand our report you should seek professional financial advice.

Fees, commissions and other benefits that we may receive
We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately $30,000.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report and our directors do not hold any shares in New Energy.

Other Assignments – In February 2019, BDO was engaged by New Energy to provide a valuation report regarding the valuation of options issued to Directors in the half year ended 31 December 2018, for a fee of approximately $2,000.

Remuneration or other benefits received by our employees
All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from New Energy for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

Referrals
We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Complaints resolution
Internal complaints resolution process
As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme
A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Australian Financial Complaints Authority ('**AFCA**').

AFCA is an external dispute resolution scheme that deals with complaints from consumers in the financial system. It is a not-for-profit company limited by guarantee and authorised by the responsible federal minister. AFCA was established on 1 November 2018 to allow for the amalgamation of all Financial Ombudsman Service ('**FOS**') schemes into one. AFCA will deal with complaints from consumers in the financial system by providing free, fair and independent financial services complaint resolution. If an issue has not been resolved to your satisfaction you can lodge a complaint with AFCA at any time.

Our AFCA Membership Number is 12561. Further details about AFCA are available on its website www.afca.org.au or by contacting it directly via the details set out below.

Australian Financial Complaints Authority
GPO Box 3
Melbourne VIC 3001
AFCA Free call: 1800 931 678
Website: www.afca.org.au
Email: info@afca.org.au

You may contact us using the details set out on page 1 of the accompanying report.

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PO Box 700 West Perth WA 6872
Australia

9 April 2019

The Directors
New Energy Minerals Limited
C/ MVP Financial, Level 1, 9 Bowman Street
SOUTH PERTH WA 6151

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

On 8 February 2019, New Energy Minerals Limited ('**New Energy**' or '**the Company**') announced that New Energy had entered into a binding share sale and purchase agreement ('**SSPA**') with Auspicious Virtue Investment Holding Limited ('**Auspicious**') for the sale by New Energy of its 50% interest in Balama Resources Pty Ltd ('**Balama**') ('**the Transaction**'). Balama holds the Company's interest in the Caula graphite and vanadium project ('**Caula Project**').

Auspicious, an investment vehicle owned by Mr Louis Ching, currently holds the remaining 50% interest in Balama and therefore will hold 100% of the Balama shares on issue at the completion of the Transaction. Mr Ching currently holds a 15.3% interest in New Energy and is a director of Balama. Following completion of the Transaction, New Energy will have no further interest in the Caula Project, which is currently New Energy's main business undertaking.

As part of the Transaction, New Energy has agreed to undertake a return of capital to its shareholders of an aggregate amount of $4.14 million, or $0.027 per share, being not less than 60% of the consideration received from the sale of the Company's shares in Balama, less costs of the sale process ('**Capital Reduction**').

2. Summary and Opinion

2.1 Requirement for the report

The directors of New Energy have requested that BDO Corporate Finance (WA) Pty Ltd ('**BDO**') prepare an independent expert's report ('**our Report**') to express an opinion as to whether or not New Energy's proposed disposal of its 50% interest in Balama to Auspicious is fair and reasonable to the non-associated shareholders of New Energy ('**Shareholders**').

Our Report is prepared pursuant to ASX Listing Rule 10.1 and is to be included in the Notice of Meeting for New Energy in order to assist the Shareholders in their decision whether to approve the Transaction.

The directors of New Energy have also requested BDO to consider whether the Capital Reduction will materially prejudice the Company's ability to pay its creditors and whether the Company will remain

solvent as part of the directors' duties under Section 256C of the Corporations Act 2001 Cth ('**the Act**'). Our analysis of the Capital Reduction and New Energy's subsequent solvency is detailed in Section 14.

2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ('**ASIC**') Regulatory Guide 111 'Content of Expert's Reports' ('**RG 111**') and Regulatory Guide 112 'Independence of Experts' ('**RG 112**').

In arriving at our opinion, we have assessed the terms of the Transaction as outlined in the body of this report. We have considered:

- How the value of the assets being disposed compares to the value of the consideration to be received for the assets;
- The likelihood of an alternative offer being made to New Energy;
- Other factors which we consider to be relevant to the Shareholders in their assessment of the Transaction; and
- The position of Shareholders should the Transaction not proceed.

2.3 Opinion

We have considered the terms of the Transaction as outlined in the body of this report and have concluded that, in the absence of an alternate offer, the Transaction is fair and reasonable to Shareholders.

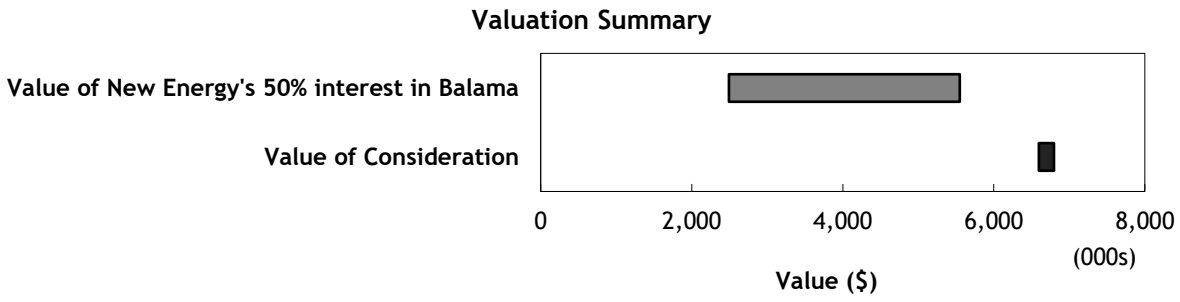
2.4 Fairness

In section 12 we determined that the Transaction consideration compares to the value of New Energy's 50% interest in Balama, as detailed below.

	Ref	Low $	Preferred $	High $
Value of New Energy's 50% interest in Balama	10	2,493,752	4,023,752	5,548,752
Value of Consideration	11	6,697,000	6,697,000	6,697,000

Source: BDO analysis

The above valuation ranges are graphically presented below:



The above pricing indicates that, in the absence of any other relevant information, and an alternate offer, the Transaction is fair for Shareholders.

2.5 Impact of the Capital Reduction on the solvency of New Energy

As a result of the proposed changes to New Energy regarding the Capital Reduction, we have been requested by the directors of New Energy to express our opinion in this Report in relation to whether the Capital Reduction materially prejudices New Energy's ability to pay its creditors and remain solvent.

Our analysis and consideration is detailed out in Section 14 of this Report and includes the following:

Fura Transaction Completed

- The pro-forma balance sheet of New Energy outlined in section 14 assumes the Fura Transaction is completed showing a cash balance strong enough to repay current liabilities and any additional penalties payable as part of the dispute with Arena;
- We calculated a pro-forma current ratio of 1.93, which shows that New Energy will have sufficient current assets to extinguish creditors as they arise; and
- New Energy has a debt facility from Fura currently available for the time until the earlier of the sale of the Montepuez Assets or 31 March 2019 (being the drop dead date of the Fura Transaction). We note the drop dead date for the Fura Transaction has been extended a number of times to allow time for satisfaction of the outstanding conditions precedent.

Fura Transaction Terminated

- In the event the Fura Transaction does not settle by 30 April 2019 and the drop dead date is not extended further, the Fura Transaction will be terminated and New Energy will no longer have access to the associated $2.80 million Fura Loan Facility;
- In this scenario, the cash balance would be approximately $3.50 million. This would not be sufficient to settle current liabilities. In addition, should New Energy be unsuccessful in disputing the termination fee in relation to the Arena Dispute, the Company may not have sufficient cash reserves necessary to pay the penalty. This could materially prejudice New Energy's ability to pay its creditors and remain solvent on completion of the Capital Reduction. Therefore, as set out in the accompanying Notice of Meeting, the directors of New Energy have advised that the Capital Reduction will not be completed unless the Fura Transaction closes; and
- Assuming no alternative buyer for the Montepuez assets can be found, the Montepuez assets would no longer be considered current assets, and therefore the current ratio would decrease to 1.14 times.

Having regard to the above, and as at the date of this Report, in our opinion New Energy's ability to pay its creditors and remain solvent upon completion of the Transaction and associated Capital Raise, is dependent on the settlement of Fura Transaction or alternative sale of the Montepuez assets, in addition to the outcome of the Arena Dispute. Given that the directors of New Energy have stated that the Capital Reduction will not be completed unless the Fura Transaction is completed, it is our opinion that the Capital Reduction will not materially prejudice New Energy's ability to pay its creditors and remain solvent.

2.6 Reasonableness

We have considered the analysis in section 13 of this report, in terms of both

- advantages and disadvantages of the Transaction; and

- other considerations, including the position of Shareholders if the Transaction does not proceed and the consequences of not approving the Transaction.

In our opinion, the position of Shareholders if the Transaction is approved is more advantageous than the position if the Transaction is not approved. Accordingly, in the absence of any other relevant information and/or an alternate proposal we believe that the Transaction is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	**Advantages**	**Section**	**Disadvantages**
13.1.1	The Transaction is Fair	13.2.1	Shareholders' investment profile will change as a result of the Transaction
13.1.2	The Transaction provides an opportunity to realise value from the Caula Project		
13.1.3	The Capital Reduction provides Shareholders with an opportunity to realise value not otherwise available on-market		
13.1.4	The Transaction provides cash reserves necessary to settle an outstanding or potential liabilities		

Other key matters we have considered include:

Section	Description
14.1	Alternative Proposal
14.2	Potential movement in share price
14.3	Solvency of New Energy following the Capital Reduction

3. Scope of the Report

3.1 Purpose of the Report

ASX Listing Rule 10.1 requires that a listed entity must obtain shareholders' approval before it acquires or disposes of a substantial asset, when the consideration to be paid for the asset or the value of the asset being disposed constitutes more than 5% of the equity interest of that entity at the date of the latest published accounts. Based on the reviewed accounts as at 31 December 2018, the value of the consideration to be paid for New Energy's 50% interest in Balama is approximately 51% of the equity of New Energy.

Listing Rule 10.1 applies where the vendor or acquirer of the relevant assets is a related party of the listed entity.

In this case, the acquirer, Auspicious, is owned by Mr Louis Ching. Mr Ching holds 15.3% interest in New Energy and is a director of New Energy's subsidiary company, Balama. Therefore, Mr Ching is considered a related party of New Energy.

Listing Rule 10.10.2 requires the Notice of Meeting for shareholders' approval to be accompanied by a report by an independent expert expressing their opinion as to whether the transaction is fair and reasonable to the shareholders whose votes are not to be disregarded.

Accordingly, an independent experts' report is required for the Transaction. The report should provide an opinion by the expert stating whether or not the terms and conditions in relation thereto are fair and reasonable to non-associated shareholders of New Energy.

3.2 Regulatory guidance

Neither the Listing Rules nor the Corporations Act defines the meaning of 'fair and reasonable'. In determining whether the Transaction is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

This regulatory guide suggests that, where an expert assesses whether a related party transaction is 'fair and reasonable' for the purposes of ASX Listing Rule 10.1, this should not be applied as a composite test — that is, there should be a separate assessment of whether the transaction is 'fair' and 'reasonable', as in a control transaction. An expert should not assess whether the transaction is 'fair and reasonable' based simply on a consideration of the advantages and disadvantages of the proposal.

We do not consider the Transaction to be a control transaction. As such, we have used RG 111 as a guide for our analysis but have considered the Transaction as if it were not a control transaction.

In determining whether the advantages of the Transaction outweigh the disadvantages, we have had regard to the views expressed by ASIC in RG 111. This Regulatory Guide suggests that an opinion as to whether the advantages of a transaction outweigh the disadvantages should focus on the purpose and outcome of the transaction, that is, the substance of the transaction rather than the legal mechanism to affect it.

RG 111 sets out that the expert should inquire whether further transactions are planned between the entity, the vendor or their associates and if any are contemplated determine if these are at arm's length. RG 111 also suggests that an expert should consider whether the transaction will deter the making of a takeover bid.

3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is equal to or greater than the value of the securities subject of the offer. In the case of New Energy, the 50% interest in Balama is the subject of the offer. The value of the consideration received from Auspicious is the cash received by New Energy, less costs of the Transaction. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. RG 111 states that when considering the value of the securities subject of the offer in a control transaction the expert should consider this value inclusive of a control premium. However, as stated in Section 3.2 we do not consider that the Transaction is a control transaction.

Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any alternate options.

Having regard to the above, BDO has completed this comparison in two parts:

- A comparison between the value of New Energy's 50% interest in Balama being disposed and the value of the consideration provided from Auspicious (fairness – see Section 12 'Is the Transaction Fair?'); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the resolution, after reference to the value derived above (reasonableness – see Section 13 'Is the Transaction Reasonable?').

RG 111 suggests that the main purpose of an independent expert's report is to adequately deal with the concerns that could reasonably be anticipated of those persons affected by the transaction.

Having regard to RG 111, we have completed our Report as follows:

- An investigation into the advantages and disadvantages of the Transaction (Sections 13.1 and 13.2); and
- An analysis of any other issues that could be reasonably anticipated to concern Shareholders as a result of the Transaction (Section 14).

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('**APES 225**').

A Valuation Engagement is defined by APES 225 as follows:

'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

4. Outline of the Transaction

On 8 February 2019, New Energy announced it had entered into the SSPA with Auspicious for the disposal of New Energy's 50% interest in Balama for cash consideration of $7.00 million, less costs of the sale process. Balama holds the Company's interest in the Caula graphite and vanadium project ('**Caula Project**').

Auspicious, an investment vehicle owned by Mr Louis Ching, currently holds the remaining 50% interest Balama and therefore will hold 100% of the Balama shares on issue at the completion of the Transaction. Mr Ching currently holds 15.3% interest in New Energy and is a director of Balama. Following completion of the Transaction, New Energy will have no further interest in the Caula Project, which is currently New Energy's main business undertaking.

As part of the Transaction, New Energy has agreed to undertake a return of capital to its shareholders of an aggregate amount being not less than 60% of the consideration received from the sale of the Company's Balama shares, less costs of the sale process.

Key conditions to be satisfied for the Transaction to be implemented include the following:

a) New Energy procures an Independent Expert's Report that states the Independent Expert's opinion that the Transaction is either fair and reasonable, or not fair but reasonable to the Shareholders.

b) Shareholders approve the Transaction at a meeting held in accordance with ASX Listing Rule 10.1 and ASX Listing Rule 11.2.

c) Shareholders approve of the Capital Reduction in accordance with section 256C(1) of the Act and New Energy complies with the requirements of section 256C in relation to shareholder approval.

d) Receipt of a legal opinion for the following:

    a. 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 New Energy of the SSPA; and

    b. from DLA Piper, SAL & Caldeira Advogados Lda confirming that the tenements held in Balama are in good standing and title to the tenements is held by New Energy or the relevant subsidiary company of New Energy.

5. Profile of New Energy

5.1 History

New Energy is an Australian mining and exploration company focused on the development of battery mineral assets in the south-east African nation of Mozambique. Through its 50% interest in Balama, New Energy holds an interest in the Caula Graphite-Vanadium Project located in the Cabo Delgado Province of Northern Mozambique.

Formerly known as Mustang Resources Limited, New Energy listed on the ASX in 2002, and has its head office located in South Perth, Western Australia.

New Energy's current board members and senior management are listed below:

- Mr Ian Daymond – Non-Executive Chairman;
- Dr Bernard Olivier – Managing Director;
- Mr Cobus Van Wyk – Chief Operating Officer;
- Mr Christiaan Jordaan – Non-Executive Director; and
- Mr Robert Marusco – Chief Financial Officer & Company Secretary.

5.2 Recent Corporate Events

On 20 July 2017, New Energy announced it had secured an $8.50 million funding package with major US institutional investor, Arena Investors LP ('**Arena**'), under a convertible note facility. Funds were drawn in four tranches over the three months following the initial announcement. The entire face value of $8.5 million was repaid by conversion to shares by the end of October 2017.

On 8 January 2018, New Energy announced it had secured an additional $19.95 million funding package with Arena, through a multi-tranche convertible note facility ('**Arena Facility**'). Funds were to be made available in seven tranches, to fund the ongoing development of the Montepuez and Caula Projects.

On 8 January 2018, New Energy announced its offer of a 1-for-5 non-renounceable entitlement issue to eligible shareholders at an offer price of 2.6 cents per share to raise up to $4.00 million. Funds raised were to contribute to the ongoing development of the Montepuez and Caula Projects. Note that New Energy undertakes a 1-for-1 share consolidation in September 2018. Therefore the above capital raising price of 2.6 cents on a pre-consolidation basis, is in fact $0.26 on a post-consolidation basis.

On 22 February 2018, further to its announcement of 8 January 2018, New Energy proposed revised terms of the entitlement issue to raise up to $4.44 million through a 1-for-4 issue at 2.3 cents per share ($0.23 on a post-consolidation basis).

On 27 March 2018, New Energy announced the results of the entitlement issue in which $2.47 million was raised through the issue of 106.81 million shares at 2.3 cents per share ($0.23 on a post-consolidation basis). The total raised included $0.76 million of shortfall taken up by eligible shareholders, to be issued within three months.

On 17 July 2018, New Energy announced an agreement to merge all its ruby assets ('**Montepuez Assets**') with Fura Gems Inc ('**Fura**') for consideration of 10.50 million in Fura shares, valued at $3.99 million, to be paid in three tranches over 20 months ('**Fura Transaction**'). As part of the transaction, Fura

committed to invest $25.00 million in further exploration and resource definition of the expanded Montepuez Project over three years.

On 13 August 2018, New Energy announced it had received formal commitments to raise approximately $2.40 million via a private placement to Company Directors and professional and sophisticated investors to advance the Caula Project. Of this amount, $2.18 million was raised through the issue of 158.66 million shares at 1.374 cents per share ($0.1374 on a post-consolidation basis).

On 15 August 2018, New Energy announced the agreement of key approvals and waivers with Arena relating to the Fura Transaction. Under the amended deed, Arena provided the required approvals for the transaction and agreed to waive the 15% termination fee on amounts not drawn, allowing New Energy to determine the extent to which they drawn on finance, if at all. As at 1 August 2018, Arena held a total of $2.50 million in convertible notes in New Energy.

On 25 September 2018, New Energy completed a 10-for-1 consolidation of the Company's securities.

On 6 November 2018, New Energy announced that it had been served with a statutory demand notice by Arena, arising from debts allegedly owed by the Company in relation to the Arena Facility. The quantum of Arena claim is $5.10 million including a claim for a termination fee of $2.50 million ('**Arena Dispute**').

On 7 November 2018, New Energy announced it had entered into a binding agreement with a strategic investor group led by Hong-Kong based businessman Mr Louis Ching, for a strategic equity placement and joint venture ('**JV**') partnership for the Caula Project. The agreement involved a $1.50 million placement in New Energy through the issue of 23.00 million shares at 6.5 cents per share post-consolidation basis) to Mr Ching's private investment vehicle, UBezTT International Investment Holding (BVI) Ltd ('**UBezTT**'). Furthermore, the agreement involved a $3.50 million asset level investment and incorporated joint venture in Balama, through which Auspicious acquired a 50% holding. The placement and joint venture transaction was completed on 30 November 2018 and Mr Ching is now a Director of Balama.

On 29 November 2018, New Energy announced an amendment to the Fura Transaction, under which consideration will now be $2.80 million cash, as opposed to the original agreement of 10.5 million shares in Fura. Concurrently, New Energy also entered into a loan agreement with Fura for the amount of $2.80 million which will be able to be drawn prior to the completion of the Fura Transaction, for the purpose of settling any claims under the Arena dispute. Upon completion of the Fura Transaction, the loan agreement will automatically terminate and any accrued capitalised interest waived by Fura.

On 23 January 2019, New Energy announced that mediation to settle the Arena Dispute did not result in a resolution. Therefore, the Company's application in the Supreme Court of Western Australia will proceed, with the court date set for 27 March 2019.

On 8 February 2019, New Energy announced the Transaction to market, detailing the SSPA with Auspicious for the sale of the Company's remaining 50% stake in Balama, for consideration of $7.00 million.

On 5 March 2019, the Company announced the extension of the Drop Dead Date of the Fura Transaction from 28 February 2019 to 31 March 2019. The extension is to allow for the satisfaction of the outstanding conditions precedent, primarily the receipt of Ministerial approval and a binding tax opinion from the tax authorities in Mozambique.

On 3 April 2019, New Energy announced a further extension of the Drop Dead Date of the Fura Transaction from 31 March 2019 to 30 April 2019 to allow for the satisfaction of the above outstanding conditions precedent.

5.3 Projects

Caula Graphite and Vanadium Project

Through Balama, New Energy holds an interest in the Caula project, which is prospective in graphite and vanadium. Located in the Cabo Delgado Province of Northern Mozambique, the Caula project spans an area of approximately 31.9km^2 and is located approximately 230km west of the provincial capital of Pemba and 35km north of the town of Montepuez. The project is situated nearby to the world's largest producing graphite mine and close to transport infrastructure, including the ports of Pemba and Nacala.

New Energy acquired 100% of the issued capital of Balama in late 2014, including Balama's 80% interest in the project vehicle for the Caula Project, Tcaumba Minerals S.A. The remaining 20% is owned by a local partner.

Exploration drilling commenced at the Caula Project in 2016 and continued into 2018. The most recent results of which were announced in July 2018, highlighting JORC (measured) vanadium resource of 22 Mt @ 0.37% for 81,600 tonnes of vanadium pentoxide and within the same deposit, JORC (measured) graphite resources of 21.9 Mt @13.4% for 2.93 million tonnes of contained graphite.

A scoping study was completed for the Caula Project in October 2018, confirming the viability of an open pit vanadium and graphite mine and processing plant. The high grade of the graphite resource in particular, increased the economic feasibility of the project. Based on the current resource, the mine has an expected life of 26 years.

In November 2018, New Energy Entered into a JV partnership with Auspicious, in which Auspicious acquired a 50% interest in Balama through a $3.50 million asset level investment.

Feasibility study drilling for a pre-feasibility study ('**PFS**') was conducted in late 2018 and the results of the PFS are currently targeted for release in the first half of 2019.

The focus of the Caula Project is now on fast-tracking the implementation of Phase 1 trial mining, with first cash flows targeted for the second half of 2019.

Other mineral assets

Through additional subsidiaries of Balama Resources, New Energy also owns an interest in three mining tenements spanning 341.5km^2 in the region surrounding the Caula Project. Balama's wholly owned subsidiaries RQL Graphite S.A. and Montepuez Mineral Resources S.A. and 60% interest in an unincorporated JV for licence 5873L, each hold a single mining license with prospective geology. Except for licence 5873L, the licenses are remotely located and no exploration has been conducted to date.

5.4 Historical Balance Sheet

Statement of Financial Position	Reviewed as at 31-Dec-18 $	Audited as at 30-Jun-18 $	Audited as at 30-Jun-17 $
CURRENT ASSETS			
Cash and cash equivalents	950,470	879,394	510,169
Trade and other receivables	469,152	474,882	549,601
Financial assets held for sale	-	-	203,986
Held for sale assets	15,028,914	3,992,222	-
Prepayments	45,987	47,118	187,457
TOTAL CURRENT ASSETS	**16,494,523**	**5,393,616**	**1,451,213**
NON-CURRENT ASSETS			
Trade and other receivables	394,280	1,092,126	-
Property, plant and equipment	650,447	1,115,559	1,126,781
Exploration and evaluation assets	55,813	7,375,217	30,581,065
TOTAL NON-CURRENT ASSETS	**1,100,540**	**9,582,902**	**31,707,846**
TOTAL ASSETS	**17,595,063**	**14,976,518**	**33,159,059**
CURRENT LIABILITIES			
Trade and other payables	1,025,558	2,628,541	2,009,215
Liabilities associated with assets held for sale	230,579		
Provisions	-	-	25,064
Interest bearing loans and borrowings	2,500,000	3,400,000	-
TOTAL CURRENT LIABILITIES	**3,756,137**	**6,028,541**	**2,034,279**
NON-CURRENT LIABILITIES			
Provisions	114,542	109,121	105,110
TOTAL NON-CURRENT LIABILITIES	**114,542**	**109,121**	**105,110**
TOTAL LIABILITIES	**3,870,679**	**6,137,662**	**2,139,389**
NET ASSETS	**13,724,384**	**8,838,856**	**31,019,670**
EQUITY			
Contributed equity	176,950,863	171,818,894	155,013,532
Reserves	23,494,016	17,927,753	13,747,892
Accumulated losses	(188,918,833)	(182,617,224)	(141,199,178)
Non-controlling interests	2,198,338	1,709,433	3,457,424
TOTAL EQUITY	**13,724,384**	**8,838,856**	**31,019,670**

Source: New Energy Annual Reports for the years ended 30 June 2018 and 30 June 2017, Reviewed accounts for the half year ended 31 December 2018.

We note that in New Energy's reviewed accounts for the half-year ended 31 December 2018, the Company's auditor issued an emphasis of matter in regards to the existence of material uncertainty relating to the ability of New Energy to continue as a going concern. New Energy incurred a net loss after tax of $6.14 million for the half-year ended 31 December 2018 and $43.25 million for the year ended 30 June 2018. As a result, in order to meet its forecast operational and capital commitments, New Energy must raise additional capital.

Commentary on balance sheet:

- Held for sale assets of $3.99 million at 30 June 2018 related to value of consideration to be received for the Montepuez assets under the Fura Transaction at 30 June 2018. The value of this consideration was subsequently revised to $2.80 million and together with the current assets of Balama, comprised the value of assets held for sale of $15.03 million at 31 December 2018. We note that 100% of the Balama assets and liabilities are recognised in the New Energy balance sheet as it is consolidated to include the non-controlling interest held by Auspicious.
- Property plant and equipment of $0.65 million at 31 December 2018 comprised mainly mining plant and equipment of $0.38 million and buildings of $0.27 million, after accumulated depreciation.
- Exploration and evaluation assets of $0.56 million at 31 December 2018 and $7.38 million at 30 June 2018, related to expenditure carried forward in respect of New Energy's graphite and vanadium interests. The value decreased significantly in the half year ended 31 December 2018 as the exploration and evaluation assets held in Balama were reclassified as at 31 December 2018 to assets held for sale.
- Interest bearing loans and borrowings of $2.50 million at 31 December 2018 and $3.40 million at 30 June 2018, related to the issue of convertible notes to Arena under the July 2017 and January 2018 funding packages and interest accrued on these.

5.5 Historical Statement of Comprehensive Income

Statement of Comprehensive Income	Reviewed 6 mths ended 31-Dec-18 $	Audited year ended 30-Jun-18 $	Audited year ended 30-Jun-17 $
Revenue			
Interest income	1,889	5,165	5,664
Gain on sale of assets	228,715	20,770	23,962
Foreign exchange gain (loss)	(2,540,641)	(241,248)	70,018
Finance income (expense)	(222,283)	(6,321,440)	45,364
Expenses			
Impairment of held for sale asset	(1,192,222)	-	-
Write off of exploration and evaluation	(628,778)	(9,328,467)	(8,055,076)
Administration costs	(1,835,129)	(3,809,282)	(3,116,709)
Fair value loss on financial asset held at fair value though P&L	-	(159,658)	(170,092)
Depreciation	-	(210,303)	(32,536)
Loss from continuing operations before income tax	(6,188,449)	(20,044,463)	(11,229,405)
Income tax expense	-	-	-
Loss from continuing operations after income tax	**(6,188,449)**	**(20,044,463)**	**(11,229,405)**
Loss from discontinued operations	**(226,535)**	**(23,206,944)**	**-**
Net loss for the period	**(6,414,984)**	**(43,251,407)**	**(11,229,405)**
Foreign currency translation reserve	1,999,032	-	-
Foreign currency translation gain (loss)	-	(304,933)	661,061
Total comprehensive loss for the year	**(4,415,952)**	**(43,556,340)**	**(10,568,344)**
Loss attributable to con-controlling interest	(1,973,604)	(1,747,991)	(85,371)
Loss attributable to owners of the parent	(2,442,348)	(41,808,349)	(10,482,973)

Source: New Energy Annual Reports for the years ended 30 June 2018 and 30 June 2017, Reviewed accounts for the half year ended 31 December 2018.

We note that in New Energy's reviewed accounts for the half-year ended 31 December 2018, the Company's auditor issued an emphasis of matter in regards to the existence of material uncertainty relating to the ability of New Energy to continue as a going concern. New Energy incurred a net loss after tax of $6.14 million for the half-year ended 31 December 2018 and $43.25 million for the year ended 30 June 2018. As a result, in order to meet its forecast operational and capital commitments, New Energy must raise additional capital.

Commentary on statement of comprehensive income:

- Finance expenses of $0.22 million for the six months ended 31 December 2018 and $6.32 million for the year ended 30 June 2018 related primarily to costs and interest incurred in relation to the convertible notes issued to Arena.
- The impairment of asset held for sale of $1.19 million relates to the value of the Montepuez consideration to be received from Fura. Initially the consideration for the Fura Transaction consisted of cash and shares in Fura valued at $3.99 million. During the half year ended 31 December 2018, the sale and purchase agreement for the Montepuez assets was adjusted to consist of a cash only offer of $2.80 million.
- Administration costs of $3.81 million for the year ended 30 June 2018 comprised mainly employee benefits expense and consulting fees expense of $1.25 million, marketing expenses of $0.51 million, travel expenses of $0.50 million, shared based payment expenses of $0.46 million and accounting and audit fees of $0.33 million.
- During the year ended 30 June 2018, a net loss from discontinued operations of $23.21 million was recognised in relation to New Energy's ruby assets being sold under the Fura Transaction.

5.6 Capital Structure

The share structure of New Energy as at 11 March 2019 is outlined below:

	Number
Total Ordinary Shares on Issue	150,895,442
Top 20 Shareholders	74,610,049
Top 20 Shareholders - % of shares on issue	49.44%

Source: Computershare Investor Services Pty Ltd

The range of shares held in New Energy as at 25 February 2019 is as follows:

Range of Shares Held	No. of Ordinary Shareholders	No. of Ordinary Shares	%Issued Capital
1-1,000	832	275,379	0.18%
1,001-5,000	1,104	3,097,927	2.05%
5,001-10,000	572	4,487,408	2.97%
10,001-100,000	1,028	33,817,826	22.41%
100,001 – and over	194	109,216,902	72.38%
TOTAL	3,730	150,895,442	100.00%

Source: Computershare Investor Services Pty Ltd

The ordinary shares held by the most significant shareholders as at 11 March 2019 are detailed below:

Name	No of Ordinary Shares Held	Percentage of Issued Shares (%)
BNP Paribas Noms Pty Ltd	32,835,037	21.76%
Reguis Resources Group Limited	17,349,529	11.50%
BNP Paribas Nominees Pty Ltd	5,212,482	3.45%
JP Morgan Nominees (Australia) Limited	2,918,279	1.93%
Subtotal	58,315,327	38.65%
Others	92,580,115	61.35%
Total ordinary shares on Issue	**150,895,442**	**100.00%**

Source: Computershare Investor Services Pty Ltd

The current options of New Energy on issue as at 25 February 2019 are outlined below:

Current Options on Issue	Number
Listed options (expiry 25/01/20 @$0.35)	6,193,827
Long-term incentive option	500,000
Long-term incentive option	750,000
Long-term incentive shares	250,000
Long-term performance rights (class A)	1,499,999
Long-term performance rights (class B)	6,000,000
Long-term performance rights (class C)	2,000,000
Long-term performance rights (class D)	2,000,000
Long-term performance rights (class E)	2,000,000
Long-term performance rights (class F)	5,000,001
Listed options (expiry 26/11/20 @$0.20)	17,103,348
Performance rights	1,400,000
Performance rights (class A)	1,499,999
Performance rights (class B)	6,000,000
Performance rights (class C)	2,000,000
Performance rights (class D)	2,000,000
Performance rights (class E)	2,000,000
Performance rights (class F)	5,000,001
Unlisted options (expiry 14/06/19 @ $1.50)	800,000
Unlisted options (expiry 21/06/19 @ $0.75)	1,400,000
Unlisted options (expiry 04/08/19 @ $0.60)	750,000
Unlisted options (expiry 23/01/20 @ $0.273)	266,289
Unlisted options (expiry 25/01/20 @ $0.273)	72,978
Unlisted options (expiry 09/03/20 @ $1.00)	151,956
Unlisted options (expiry 31/03/20 @ $1.50)	300,000
Unlisted options (expiry 31/03/20 @ $2.00)	300,000

Current Options on Issue	Number
Unlisted options (expiry 20/07/20 @ $0.715)	218,182
Unlisted options (expiry 20/07/20 @ $1.17)	1,333,334
Unlisted options (expiry 20/07/20 @ $1.222)	1,276,596
Unlisted options (expiry 15/09/20 @ $1.17)	333,334
Unlisted options (expiry 16/10/20 @ $1.30)	180,000
Unlisted options (expiry 15/01/21 @ $0.307)	750,000
Unlisted options (expiry 13/03/21 @ $0.356)	500,000
Unlisted options (expiry 13/03/21 @ $0.323)	2,572,348
Unlisted options (expiry 29/05/21 @ $0.262)	4,174,951
Unlisted options (expiry 22/05/21 @ $0.273)	600,000
Unlisted options (expiry 25/10/20 @ $0.307)	308,759
Unlisted options (expiry 19/12/21 @ $0.14)	23,076,923
TOTAL	**102,812,825**

Source: Computershare Investor Services Pty Ltd

6. Profile of Auspicious

6.1 History

Auspicious is an investment holding company, incorporated in the British Virgin Islands, with its head office located in Sheung Wan, Hong Kong. Following the establishment of a JV partnership in November 2018, Auspicious holds the remaining 50% interest in Balama. Upon completion of the Transaction, Auspicious will be the sole shareholder of Balama, holding 100% of the shares on issue.

Auspicious is one of a number of investment holding vehicles owned by Mr Ching, a Hong-Kong based businessman with extensive experience in commodity trading and business development in China, South-Korea and several other countries throughout Asia and Africa. Through another of his private investment vehicles, UBezTT, Mr Ching is also a substantial shareholder of New Energy with a 15.3% interest.

7. Economic analysis

7.1 Mozambique

Domestic growth

After a period of strong growth, averaging 7% per annum from 2011 to 2015, Gross Domestic Product ('**GDP**') growth in Mozambique slowed to 3.8% in 2016 and 3.7% in 2017. The decrease was primarily the result of a national debt crisis exposed in 2016, when $2 billion (representing approximately 10% of GDP) in hidden government loans were uncovered. The International Monetary Fund ('**IMF**') amongst other foreign aid agencies and investors subsequently withdrew their support, and foreign investment declined 23% in the year to follow.

In 2017, Mozambique reported GDP of US$12.65 billion and GDP growth is forecast to return to approximately 4% per annum in the medium-term, although this is only just above population growth.

External debt levels remain unsustainably high at around 85.2% of GDP at the end of 2017, although a recent recovery in the national currency allowed this to be reduced from 103.7% at the end of 2016. The IMF is unlikely to resume funding until beyond 2022 and the Country remains in default, therefore it has had to rely on fiscal measures to gradually reduce public debt.

The primary industry in Mozambique is agriculture, representing almost 22% of GDP in 2017, although this has reduced from almost 30% in 2009. In the last 2 years, mining has increased its share of GDP and recent Government initiatives are focused on further growing the mining sector in an attempt to create sustainable economic growth and again attract foreign investment.

Unemployment

Unemployment in Mozambique in 2018 was 24.9%, decreasing only slightly for the fourth consecutive year after reaching a 25 year high of 25.3% in 2014.

Approximately 70% of Mozambique's population of 29.67 million (2017) live and work in rural areas, and agriculture continues to be the primary employment industry.

Inflation

After peaking at over 25% in 2016 due to a significant depreciation of the national currency, inflation in Mozambique stabilised at an estimated average of 4.6% in 2018. The reduction was the result of tight monetary policy, lower food prices and the stabilisation of the exchange rate.

The IMF's economic forecast for Mozambique in 2019 is for a further gradual recovery in economic activity and continued subdued inflation of approximately 6%.

Source: The World Bank, African Development Bank, International Monetary Fund

Conflict in the Cabo Delgado Province

Since June 2018, a travel warning has been in place for the Cabo Delgado Province of Mozambique, in which the Caula Project resides. Since that time, a number of attacks have taken place resulting in several fatalities. The USA, UK and Australian Governments current advice is to reconsider travel to the region due to the ongoing threat and high level of risk.

Source: Australian Government Department of Foreign Affairs and Trade Smart Traveller, UK Government foreign travel advice

7.2 Australia

Domestic growth

The Australian economy grew slightly above trend in 2018 despite slow GDP growth in the September quarter. The Reserve Bank of Australia **('RBA')** is expecting GDP growth to be 3.0% in 2019, before slowing in 2020 as mining production stabilises. Business investment conditions remain positive. Non-residential building and private infrastructure projects led growth in non-mining business investment, with the pipeline of work yet to be done above recent year averages. Forecast GDP growth in 2019 is supported by rising business investment and higher levels of public infrastructure spending.

Similar to trends exhibited globally, downside risks have increased. Slow growth in household income and consumption contributed to lower than expected GDP growth in the September quarter. Household income growth has been particularly weak over recent quarters. However, household income is expected to increase over coming years concurrently with household consumption.

Drought conditions have weighed on some types of rural production and have contributed to higher farm input costs. Farm GDP and rural exports fell by approximately 10% over the year to the September quarter. Rural exports increased marginally in the September 2018 quarter due to strong overseas demand. Rural output is forecast to fall further in the coming quarters due to lower crop production and an expected fall in livestock numbers.

Unemployment

Conditions in the Australian labour market have continued to improve, with the unemployment rate averaging 5% in the December 2018 quarter. Total employment increased by a further 80,000 in the December quarter to be 2.25% higher year-over-year. Wage growth has picked up slightly, but remains low. While low wage growth is expected to continue, a stronger domestic economy should see a gradual lift in wage growth overtime.

Inflation

Domestic inflation remains low, stable and in line with forecasts by the Consumer Price Index - increasing by 1.8% over the past year. Underlying inflation is expected to gradually increase over the next couple of years. Inflation is expected to reach 2% by late-2019 and 2.25% by the end of 2020.

Currency movements

On a trade-weighted basis, the Australian dollar has depreciated marginally in recent months, but remains within the narrow range that it has been trading recently. Australian market interest rates have narrowed the gap on major economies' market interest rates since the end of 2018. This has tended to offset exchange rate appreciation stemming from higher commodity prices.

Source: www.rba.gov.au *Statement by Philip Lowe, Governor: Monetary Policy Decision* 5 February 2019, *Statement on Monetary Policy – February 2019*

7.3 Global outlook

Global Growth Outlook

While conditions in the global economy remain positive, the outlook has become more uncertain. This is partly due to the difficulty predicting how global trade policies will evolve, particularly between China

and the US. Trade tensions between China and the US remain high and this contributed to the sharp decline in exports between the two countries in late-2018.

Chinese GDP growth for 2018 was recorded at 6.6%. China's GDP growth is expected to moderate in 2019 due to tightening financial conditions. Recently targeted fiscal and monetary policies have partially offset any negative effects arising from trade tensions. However, growing trade tensions have led to considerable uncertainty around future growth in China and countries with strong trade links to China.

Financial market conditions in most advanced economies tightened in late-2018. This followed a lengthy period of accommodative market conditions. The tightening of conditions resulted in: rising corporate funding costs, easing of new debt issuances, lower equity prices and rises in volatility in financial markets. These risks have since been partially reversed, and it is worth noting that risk premiums historically remain low. Long term government bond yields have also declined in recent months, due to the scaling back of expectations over the frequency of central bank interest rate increases as well as a decline in inflation expectations. Monetary policy settings are expected to remain little unchanged globally for some time.

Emerging market currencies have somewhat appreciated in recent months, along with increases in equity prices. Despite these positive indications, some risks remain in emerging markets, specifically in East Asia, where growth has eased over the past year due to softer external demand. GDP growth in emerging Asian economies is just below 5%.

Core inflation in advanced economies including the USA, Canada, Norway, Sweden and the UK is around central banks' targets. In other advanced economies however, inflation remains noticeably below target. Headline inflation has decreased recently, and is expected to decline further due to falling oil prices.

Although GDP growth rates are expected to ease in a number of advanced economies, ongoing capacity constraints are likely to put upward pressure on inflation. Once oil prices return to stable levels, inflation is expected to rebound slightly in European and Japan, whilst remaining close to target in the US.

Source: www.rba.gov.au *Statement by Philip Lowe, Governor: Monetary Policy Decision* 5 February 2019, *Statement on Monetary Policy – February 2019*

8. Industry analysis

8.1 Graphite

Graphite is one of the three allotropes of carbon, along with coal and diamonds. In its natural form, it is a very soft and low density mineral with a metallic lustre. Graphite has a unique combination of both metallic and non-metallic properties making it suitable for a variety of industrial and electronic end uses and in many cases, unable to be substituted. It is highly refractory, flexible, lubricant and chemically inert and is also considered to be the most electrically and thermally conductive of non-metals.

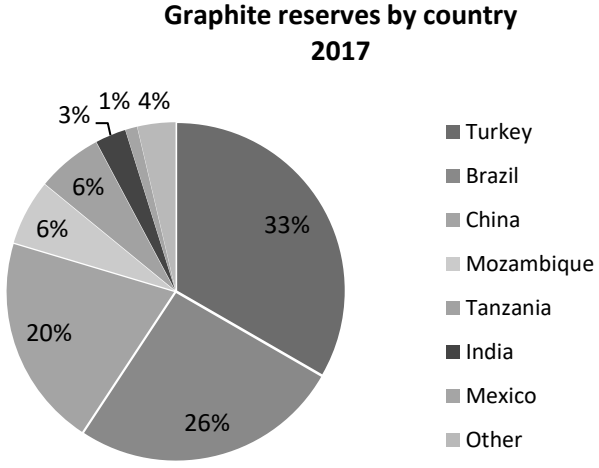
Natural graphite occurs primarily in three forms, flake, amorphous, and vein graphite. Flake graphite occurs as carbon flakes which crystallise in metamorphic rocks and form large disseminated deposits, while amorphous graphite refers to smaller crystal-like particles found in similar geologies. Vein graphite is considered the most rare form of graphite and occurs in veins intruding igneous rocks. It is mined as solid lumps in small quantities, currently only in Sri Lanka. The majority of global graphite produced is flake and amorphous graphite. Graphite can also be recycled and some graphite powders synthetically manufactured.

The majority of global graphite production is used for refractory applications in steelmaking and metallurgy, and to a lesser extent in a wide variety of applications for the automotive industry - in brake linings, spark plugs, bearings, gaskets, clutch materials and more. In the past decade however, growth in the graphite market has been driven primarily by emerging technologies including large-scale fuel cells, lithium-ion batteries, aerospace, pebble-bed nuclear reactors, solar power and to make graphene.

Most portable electronic devices such as laptops, tablets and smartphones use lithium-ion batteries, with the average smartphone battery containing about 15 grams of graphite. Significant growth in the electric vehicle and battery storage industries have further driven demand for graphite for use in lithium-ion batteries, which contain approximately 10 times the amount of graphite as they do lithium.

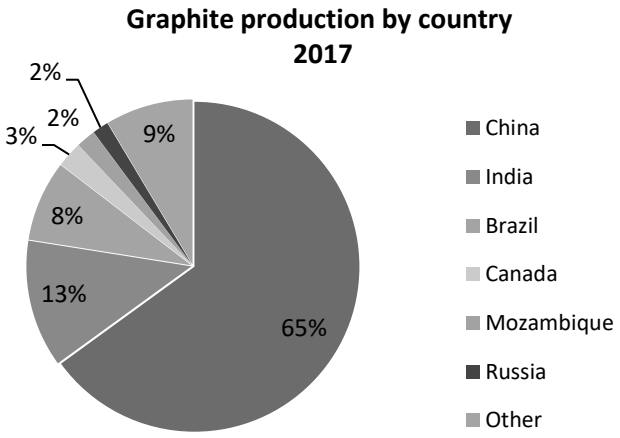
Global production & reserves

Approximately 80% of the world's 270 million tonnes of known graphite reserves are located in the just three countries. Turkey, Brazil and China host substantial reserves of 33%, 26% and 20% respectively, while Mozambique and Tanzania each hold 6% as shown below.



Source: United States Geological Survey 2018

China is the world's leading producer of natural graphite, responsible for approximately 65% of global production in 2017. Together with India, Brazil, Canada, Mozambique and Russia, these six countries accounted for approximately 91% of total global production, as shown in the graph below.



Source: United States Geological Survey 2018

Pricing & outlook

There is no spot or futures market for graphite, rather prices are set by private treaty on a contract basis. Graphite prices are determined based on particle (flake) size, carbon content (purity), shape, thickness (layers) and application. The historical average annual price of flake graphite according to the USGS is set out in the table below.

Graphite flake import price	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Average price per ton at foreign ports (US$)	1400	1460	1710	1270	1330	1370	1180	720	694	753

Source: United States Geological Survey 2018 & 2013 (*estimate)

Traditionally, demand for graphite has been driven by the steel and automotive manufacturing industries and long-term contracts have characterised the industry. Following the GFC, as the global downturn was felt by these key consumption industries, demand decreased and graphite prices subsequently declined. A stronger than expected rebound in demand for graphite in 2010 and 2011 however, saw prices peak well above pre-GFC levels and contract lengths shorten as consumers sought to lock in available supply.

In the last decade, demand for graphite has continued to steadily increase, largely as the result of improving global economic conditions which have benefitted key consumption industries. Subsequent periods of under-supply have seen prices fluctuate, although global supply has also gradually increased. While this has allowed prices to stabilise, it has been at a new higher base, reflective of the growing global demand for graphite.

While traditional industrial industries will continue to play a significant role in sustaining the demand for graphite, emerging technologies are expected to drive an increase in global demand going forward. Increasing investment in the manufacture of large-scale fuel cell and battery applications for energy storage and electric vehicles in particular, will require significant amounts of high-grade graphite. Tesla's

Nevada Gigafactory for example, is expected to produce 500,000 electric vehicles per year, with the average fully electric vehicle requiring approximately 50 kilograms of graphite.

Source: United States Geological Survey 2018, Bloomberg, IBIS World

8.2 Vanadium

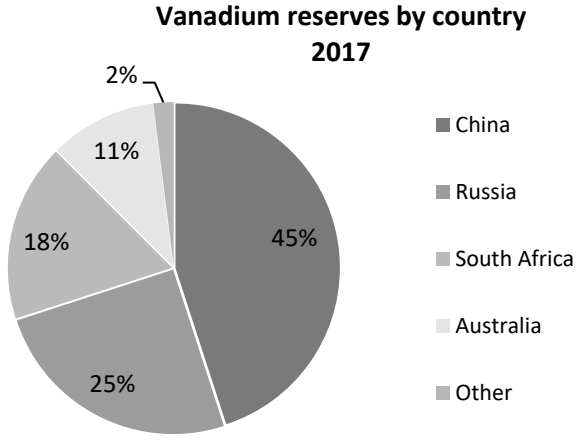
Vanadium is a soft, ductile, silver-grey metal that is found in more than 60 minerals as a trace element in a number of different rock types. It does not occur naturally in its metallic form, rather is derived from mined ore, either as either a primary or co-product from direct mineral concentrates such as magnetite (approximately 30% of production), or as a by-product of steel making slags (approximately 70% of production). Vanadium can also be recovered from wastes such as fly ash, oil residues and waste solutions from the processing of uranium ores.

The primary use for vanadium is in alloys, particularly high-strength steel and titanium production for the aerospace, construction and automobile industries. It is also used in the production of ceramics and electronics, textile dyes, fertilisers, synthetic rubber, in welding, nuclear engineering and to a growing extent, in the development of fuel cells and vanadium redox flow batteries ('**VRB**').

VRB technology offers large-scale, light-weight, rechargeable and durable battery-store solutions which are being increasingly implemented in the renewable energy industry. VRB's also have considerable potential for use in the electric vehicle industry, with higher-voltage, superior energy density and longer life expectancy than lithium-ion batteries.

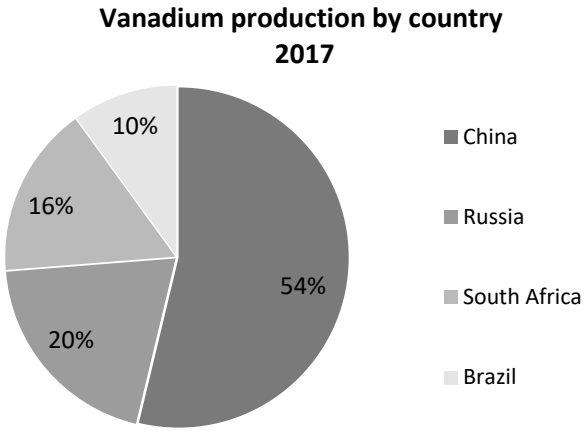
Global production & reserves

According to the USGS, world resources of Vanadium exceed 63 million tonnes, however as vanadium often occurs in minute amounts in various rocks or as a co-product or by-product of bauxite, coal, crude oil, shale oil and tar sands, resources are not full indicative of available supplies. The graph below shows the four countries which combined, host approximately 98% of the 20 million tonnes of vanadium reserves considered to be recoverable. China hosts approximately 45% of these global reserves, followed by Russia (25%), South Africa (18%) and Australia (11%).



Source: United States Geological Survey 2018

China is the world's largest vanadium producer and in 2017, was one of just four countries which recorded production. Total global vanadium production for the year was 80,000 tonnes, led by China (54%), Russia (20%), South Africa (16%) and Brazil (10%).



Source: United States Geological Survey 2018

Pricing & outlook

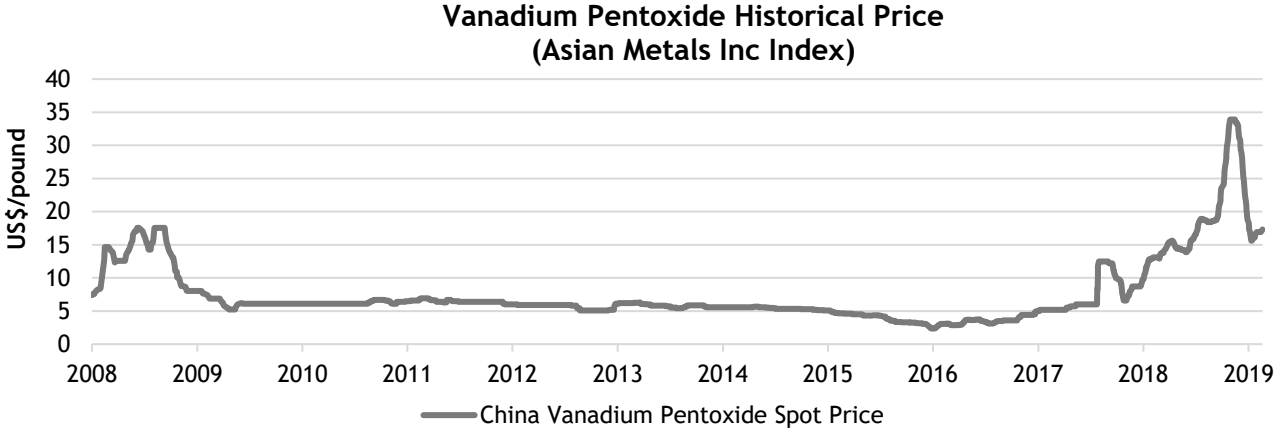
Vanadium trading prices are difficult to verify, with no central market recording prices. The price of ferrovanadium generally trades at a premium to vanadium pentoxide, the co-product of the Caula project.

The average annual price of vanadium pentoxide over the past decade, according to the US Geological Survey ('**USGS**'), is set out below:

Vanadium pentoxide	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Average price per pound (US$)	5.20	3.38	4.16	5.61	6.04	6.52	6.76	6.46	5.43	12.92

Source: United States Geological Survey 2018 & 2013

The graph below shows trends in the vanadium spot price over the past decade, based on the Asian Metal Inc China Vanadium Pentoxide Flake 98% FOB Spot Price Index.



Historically, the stability of the vanadium market can be attributed to its use primarily in steel production, although in the last two decades, the market has been characterised by periods of under-supply causing price spikes.

A long period of global oversupply in the late 90's and early 2000's saw a number of vanadium producers exit the market, despite growing demand. Ultimately, this led to a global shortage in 2005, and vanadium prices reach an all-time peak, as China become a net importer of vanadium rather than a net exporter. The gradual development of additional vanadium mines has since provided for growing demand and prices followed the overall global commodities upswing before collapsing following the 2008 GFC.

In the past three years, tightening of environmental regulation in China has again seen a number of temporary and permanent mine closures, leading to a reduction in global stockpiles. The gradual impact of the closures was reflected in recent vanadium pentoxide prices, which increased slowly throughout 2017, averaging US$5.20 per pound compared to US$3.38 per pound in 2016.

The growing interest in vanadium for use in battery storage has also contributed to sustained growth in 2018 and, combined with new policies prescribing a higher percentage of vanadium in steel rebar in China, saw prices peak at a decade long high. Following the announcement of the new policies in January 2018, vanadium prices surged to a decade long high, before reaching a near new record high in October 2018, prior to the policy's introduction in November 2018.

In the near future, steel production will continue to dominate demand for vanadium, which is forecast to increase driven largely by increased demand from China. The shift toward green technology and resulting interest vanadium redox batteries for renewable energy storage or in electric vehicles however, is expected to have considerable impact on the vanadium market going forward. For example, the battery mineral mining industry in Australia as a whole, is forecast to continue growing at 18.4% per annum through to 2024 to be worth $3.8 billion, with minerals such as vanadium, high-purity alumina and graphene playing an increasingly prevalent role.

Source: United States Geological Survey 2018, Bloomberg, IBIS World

9. Valuation approach adopted

RG 111 states that a transaction is fair if the value of the offer price or consideration is equal to or greater than the value of the securities subject of the offer. In the case of New Energy, the 50% interest in Balama is the subject of the offer. The value of the consideration received from Auspicious is the cash received by New Energy, less costs of the Transaction.

Given that the Transaction results in New Energy selling the shares that it holds in Balama, we are required to value the shares in Balama to determine the value of New Energy's 50% interest.

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings ('**FME**')
- Discounted cash flow ('**DCF**')
- Quoted market price basis ('**QMP**')
- Net asset value ('**NAV**')
- Market based assessment

A summary of each of these methodologies is outlined in Appendix 2.

9.1 Valuation of New Energy's interest in Balama

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information. In our assessment of the value of Balama shares we have assessed the value of Balama as an entity and then determined the value of the Company's 50% interest. We have chosen to employ the following methodology:

- NAV on a going concern basis as our primary valuation methodology;
- We have not employed a secondary valuation methodology

We have chosen NAV as our solitary valuation methodology for the following reasons:

- The Caula Project and residual mineral assets held in Balama do not currently generate any income nor are there any historical profits that could be used to represent future earnings. Therefore, the FME approach is not appropriate;
- Balama currently has no foreseeable future net cash inflows, so the application of the DCF valuation approach is not appropriate;
- The QMP methodology is relevant when a company's shares are listed on an exchange, such as the ASX. When a company's shares are listed, there is a regulated and observable market where a company's shares are traded. Given that Balama is not listed on an exchange, the QMP methodology is not appropriate; and
- Consequently, we have adopted the NAV approach as our primary valuation methodology. Balama's mineral assets are currently not producing assets and no revenue or cash flows are currently generated by these assets. Therefore, we consider that the NAV approach is best suited for the valuation.

Independent specialist valuation

In valuing the Caula Project and residual mineral assets held in Balama as part of our NAV valuation, we have relied on the independent specialist valuation performed by Mining Insights Pty Ltd ('**Mining Insights**') in accordance with the Australasian Code for Public Reporting of Technical Assessments and

Valuations of Mineral Assets 2015 (**'the Valmin Code'**) and the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 (**'the JORC Code'**). We are satisfied with the valuation methodologies adopted by Mining Insights which we believe are in accordance with industry practice and compliant with the requirements of the Valmin Code. A copy of Mining Insights' Independent Valuation Report is attached in Appendix 3.

10. Valuation of New Energy's interest in Balama

10.1 Net Asset Valuation of New Energy's interest in Balama

The value of New Energy's interest in Balama on a going concern basis is reflected in our valuation below, which is based on Balama's net asset position as at 31 December 2018.

Balama Resources Pty Ltd Statement of Financial Position	Notes	Unaudited 31-Dec-18 $	Low valuation $	Preferred valuation $	High valuation $
CURRENT ASSETS					
Cash and cash equivalents	a)	2,075,859	1,259,896	1,259,896	1,259,896
Intercompany receivables	b)	1,080,952	-	-	-
TOTAL CURRENT ASSETS		**3,156,811**	**1,259,896**	**1,259,896**	**1,259,896**
NON-CURRENT ASSETS					
Exploration and evaluation assets	c)	2,207,453	3,960,000	7,022,000	10,070,000
TOTAL NON-CURRENT ASSETS		**2,207,453**	**3,960,000**	**7,022,000**	**10,070,000**
TOTAL ASSETS		**5,364,264**	**5,219,896**	**8,281,896**	**11,329,896**
CURRENT LIABILITIES					
Trade and other payables		232,391	232,391	232,391	232,391
Intercompany payables	b)	1,896,915	-	-	-
TOTAL CURRENT LIABILITIES		**2,129,307**	**232,391**	**232,391**	**232,391**
TOTAL LIABILITIES		**2,129,307**	**232,391**	**232,391**	**232,391**
NET ASSETS		**3,234,958**	**4,987,504**	**8,049,504**	**11,097,504**
New Energy's interest in Balama			50%	50%	50%
New Energy's interest in Balama			**2,493,752**	**4,024,752**	**5,548,752**

Source: Management accounts of Balama for the period ended 31 December 2018, BDO analysis

The table above indicates the net asset value of New Energy's 50% interest in Balama is between $2.49 million and $5.55 million with a preferred value of $4.02 million.

We have been advised that there has not been a significant change in the net assets of Balama since 31 December 2018.

The following pro forma adjustments were made to the net assets of Balama as at 31 December 2018 in arriving at our valuation.

a) Adjusted cash balance

Under the terms of the SSPA, Balama shall be free of intercompany receivable and payables balances at completion of the Transaction. The net payables position is to be repaid with the current cash reserves of Balama. The resulting cash balance is calculated in the table below:

Item	Total
Cash and cash equivalents at 31-Dec-18	2,075,859
Add: Intercompany receivables	1,080,952
Less: Intercompany payables	1,896,915
Adjusted cash and cash equivalents	**1,259,896**

Source: BDO analysis

b) Intercompany receivables & payables

As stated above, Balama shall be free of intercompany receivable and payable balances at completion of the Transaction, under the SSPA. The net payables position is to be repaid with the current cash reserves of Balama.

c) Market valuation of exploration assets held in Balama

We instructed Mining Insights to provide an independent market valuation of the exploration assets held in Balama. Mining Insights has chosen to value Balama's mineral assets on the basis of comparable transactions as the primary method and to use the geoscientific rating method as a cross check. In applying the comparable transaction method, Mining Insights considered recent market transactions involving the sale and purchase of tenements with graphite mineralisation and delineated Mineral Resource which they consider most comparable to Balama's mineral assets. The geoscientific rating method involves assessing the base acquisition cost of the tenement and applying multiples to quantify the relevant technical aspects of the project. Further information on these methodologies is set out in Section 9 of the attached Independent Valuation Report (Appendix 3).

We consider these methods to be appropriate given the early stage of development of Balama's mineral assets.

The range of values for each of Balama's exploration assets as calculated by Mining Insights is set out below:

Mineral Asset	Equity	Low valution $	Preferred valuation $	High valuation $
Caula (6678L)	80%	3,600,000	6,400,000	9,200,000
5873L	60%	168,000	316,000	458,000
6363L	100%	72,000	116,000	152,000
7560L	100%	120,000	190,000	260,000
Total (Balama's share)		**3,960,000**	**7,022,000**	**10,070,000**

Source: Mining Insights

The table above indicates a range of values between $3.96 million and $10.07 million, with a preferred value of $7.02 million. The valuation range is considered appropriate for projects at this stage of development, reflecting the uncertainty of the eventual extraction of the mineral resource.

11. Valuation of consideration

As set out in the SSPA, Consideration paid to New Energy for the Company's 50% interest in Balama by Auspicious will be $7.00 million cash.

In assessing the value of Consideration we have considered all costs relating to the Transaction, not including funds distributed under the Capital Reduction. The Capital Reduction does not impact the Fairness or Reasonableness of the Transaction and has been considered separately in section 14.

A breakdown of Transaction costs as advised by management are set out below.

	$
Consideration	**7,000,000**
Less: costs of the sale process	
Australian legal fees	30,000
Mozambique Title opinion	10,000
Mauritius legal fees	3,000
IER inclusive of Valmin report	35,000
Mozambique tax advisory (estimate)	15,000
Value of Consideration (less costs of the sale process)	**6,907,000**
Less: Advisory fees	
Corporate Finance advisory fee (3%)	210,000
Value of Consideration (less total transaction costs)	**6,697,000**

Source: New Energy, BDO analysis

After all transaction costs, the total value of Consideration for the Transaction is $6.697 million.

12. Is the Transaction fair?

The value of New Energy's 50% interest in Balama is compared to the total Consideration received under the Transaction below:

	Ref	Low	Preferred	High
		$	$	$
Value of New Energy's 50% interest in Balama	10	2,493,752	4,024,752	5,548,752
Value of Consideration	11	6,697,000	6,697,000	6,697,000

We note from the table above that the value of Consideration is greater than the assessed value of New Energy's 50% interest in Balama. Therefore, we consider that the Transaction is fair.

13. Is the Transaction reasonable?

13.1 Advantages of Approving the Transaction

We have considered the following advantages when assessing whether the Transaction is reasonable:

13.1.1. The Transaction is fair

As set out in section 12, the Transaction is fair. RG 111.12 states that an offer is reasonable if it is fair.

13.1.2. The Transaction provides an opportunity to realise value from Caula Project

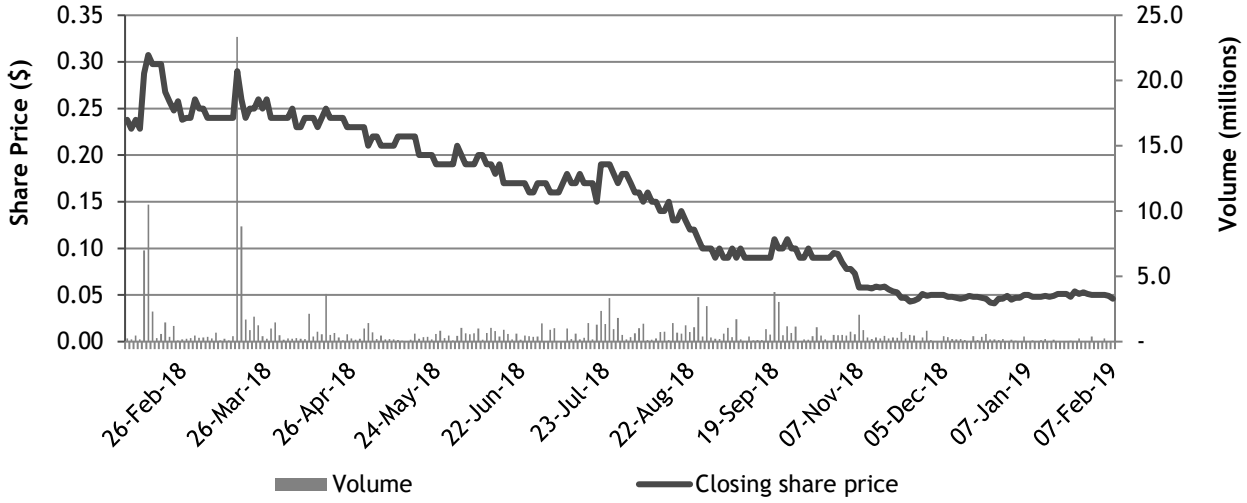
The Transaction provides New Energy with the opportunity to realise value from the recent exploration works completed, and positive results discovered, at the Caula Project, given that the New Energy share price has not responded positively on release of these strong results that could have reasonably been expected to happen. New Energy announced the Transaction on 8 February 2019 and explained that the Transaction has been negotiated with consideration to the disappointingly low share price, despite a series of strong results being announced throughout 2018 with respect to the Caula Project. Therefore, the cash offer from Auspicious provides New Energy with a tangible crystallisation of value from the Caula Project.

13.1.3. The Capital Reduction provides Shareholders with an opportunity to realise value not otherwise available on-market

Through the associated Capital Reduction, the Transaction will allow Shareholders to realise a portion of their investment in New Energy discussed above, which may not otherwise be available on-market due to the low liquidity of New Energy's shares and New Energy's prevailingly low share price.

To demonstrate this low liquidity of the Company's shares, we have analysed the trading history of New Energy over the twelve months prior to the announcement of the Transaction on 8 February 2019. The chart below shows the declining trend in New Energy's share price over the period, particularly in the three months prior to the announcement.

NXE share price and trading volume history



Source: Bloomberg

To provide further analysis of the market for New Energy shares, we have also considered the volume of trading in New Energy shares over the twelve months prior to the announcement, as set out below:

Trading days	Share price low	Share price high	Cumulative volume traded	As a % of issued capital
1 Day	$0.046	$0.046	2,300	0.00%
10 Days	$0.046	$0.056	984,210	0.65%
30 Days	$0.041	$0.056	3,078,588	2.04%
60 Days	$0.040	$0.060	12,649,080	8.38%
90 Days	$0.040	$0.120	34,990,207	23.19%
180 Days	$0.040	$0.250	95,187,893	63.08%

Source: Bloomberg, BDO analysis

This table indicates that New Energy's shares display a recent low level of liquidity, with approximately 2% of the Company's current issued capital being traded in the six-week period leading up to the announcement.

As shown through our analysis, it is unlikely that New Energy Shareholders' will be able to realise their investment through the trading of New Energy shares on-market. The proposed Capital Reduction subsequent to completion of the Transaction, therefore provides Shareholders with an opportunity to crystallise a portion of their investment in New Energy.

13.1.4. The Transaction provides cash reserves necessary to settle any outstanding or potential liabilities

Consideration from the Transaction will provide New Energy with cash reserves sufficient to extinguish all existing and potential liabilities, such as those arising from the Arena Dispute.

The amount claimed by Arena is approximately $5.10 million, including a $2.60 million termination fee which New Energy is in the process of disputing. As detailed in the announcement on 8 February 2019, the Transaction mitigates any risk for Shareholder's arising from the Arena Dispute.

13.2 Disadvantages of Approving the Transaction

If the Transaction is approved, in our opinion, the potential disadvantages to Shareholders include that set out below:

13.2.1. Shareholders' investment profile will change as a result of the Transaction

Following the divestment of the Caula project under the Transaction, New Energy will no longer be exposed to vanadium and graphite exploration and mining. As set out in the SSPA, New Energy further agrees that it will not engage in any vanadium or graphite exploration or mining in Mozambique for a period of three years.

As a result of the above, Shareholders' investment profile on their investment in New Energy Shares will change. It is possible that the new risk profile of New Energy following the Transaction will no longer match Shareholders' investment strategies.

Furthermore, following the Transaction, New Energy will no longer have any current business operations. As detailed in the announcement on 8 February 2019, a review of potential mineral asset acquisition opportunities is already underway. However, it is reasonable to assume that the process to find and acquire an appropriate investment may take considerable time, and Shareholder's investment will remain effectively dormant until this time.

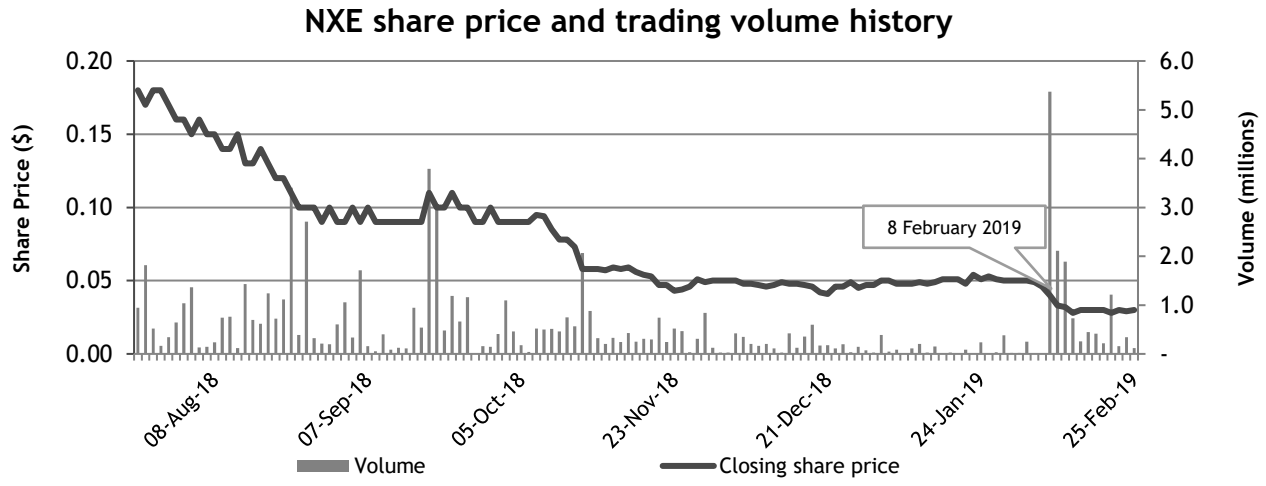
14. Additional considerations

14.1 Alternative Proposal

We are unaware of any alternative proposal that might offer the Shareholders of New Energy a premium over the value resulting from the Transaction.

14.2 Potential movement in share price

We have analysed movements in New Energy's share price since the Transaction was announced on 8 February 2019. A graph of the Company's share price and trade volume leading up to and following the announcement of the Transaction is set out below:



Source: Bloomberg

The daily closing price of New Energy's shares from the period 25 July 2018 to 25 February 2019 ranged from a low of $0.028 on 12 February 2019 to a high of $0.180 on 30 July 2018. On the day of the announcement, the share price closed lower than the previous day at $0.040, and a six-month high of 5.37 shares were traded, which represents approximately 4% of the Company's total issued capital. On 11 February 2019, the first full day of trading following the announcement, the share price closed down from the previous day, at $0.033 with a traded volume of 2.1 million shares. In the period since the announcement, the share price of New Energy has continued to trend downward.

The table below details the Volume Weighted Average Price (**'VWAP')** of New Energy shares for the 5-day period subsequent to the announcement of the Transaction on 8 February 2019.

Share Price per unit	08-Feb-19	10 days pre announcement	10 days post announcement
Closing price	$0.040		
Volume weighted average price (VWAP)		$0.0510	$0.0356

Source: Bloomberg

Following the announcement of the Transaction, New Energy's share price has decreased from a VWAP of $0.0510 over the ten days prior to the announcement to $0.0356 over the ten days subsequent to the announcement. Given the above analysis, if the Transaction is approved then New Energy's share price may remain below pre-announcement levels.

14.3 Solvency of New Energy following the Capital Reduction

In addition to our assessment of the Fairness and Reasonable of the Transaction, we have also considered the solvency of New Energy following the Capital Reduction.

As part of the Transaction, New Energy will undertake a Capital Reduction of approximately $4.14 million which will be implemented by way of equal distribution of funds to the Shareholders of New Energy. The Capital Reduction will cause the cash balance of New Energy to reduce by approximately $4.14 million.

As a result of the proposed changes to New Energy as a result of the Transaction and Capital Reduction, we have been requested by the directors of New Energy to express our opinion in this Report in relation to whether the Capital Reduction materially prejudices New Energy's ability to pay its creditors and remain solvent.

The pro-forma balance sheet of New Energy, outlined below, has been constructed to assist our analysis of New Energy's ability to remain solvent subsequent to the implementation of the Transaction and the Capital Reduction.

Statement of Financial Position	Reviewed 31-Dec-18 $	Fura Transaction	Balama Transaction	Capital Reduction	Advisory fee	Pro forma
CURRENT ASSETS						
Cash and cash equivalents	950,470	2,800,000	6,907,000	(4,144,200)	(210,000)	6,303,270
Trade and other receivables	469,152					469,152
Held for sale assets	15,028,914	(2,800,000)	(12,228,914)			-
Prepayments	45,987					45,987
TOTAL CURRENT ASSETS	**16,494,523**	**-**	**(5,321,914)**	**(4,144,200)**	**(210,000)**	**6,818,409**
NON-CURRENT ASSETS						
Trade and other receivables	394,280					394,280
Property, plant and equipment	650,447					650,447
Exploration and evaluation asset	55,813					55,813
TOTAL NON-CURRENT ASSETS	**1,100,540**	**-**	**-**	**-**	**-**	**1,100,540**
TOTAL ASSETS	**17,595,063**	**-**	**(5,321,914)**	**(4,144,200)**	**(210,000)**	**7,918,949**
CURRENT LIABILITIES						
Trade and other payables	1,025,558					1,025,558
Liabilities associated with assets held for sale	230,579		(230,579)			-
Interest bearing loans	2,500,000					2,500,000
TOTAL CURRENT LIABILITIES	**3,756,137**	**-**	**(230,579)**	**-**	**-**	**3,525,558**
NON-CURRENT LIABILITIES						
Provisions	114,542					114,542
TOTAL NON-CURRENT LIABILITIES	**114,542**	**-**	**-**	**-**	**-**	**114,542**
TOTAL LIABILITIES	**3,870,679**	**-**	**(230,579)**	**-**	**-**	**3,640,100**
NET ASSETS	**13,724,384**	**-**	**(5,091,335)**	**(4,144,200)**	**(210,000)**	**4,278,849**

Source: BDO analysis

a) Fura Transaction

We have assumed that prior to completion of the Transaction, New Energy will settle the Fura Transaction, however we note a number of extensions to the drop dead date, most recently from 31 March 2019 to 30 April 2019, as announced on 3 April 2019. Under the Fura Transaction, New Energy's ruby assets, displayed above in assets held for sale, will be exchanged for cash consideration of $2.80 million.

Should the Fura Transaction not be settled by the completion of the Transaction, New Energy will still have access to the $2.80 million debt facility offered under the Fura Loan Agreement, to assist New Energy in paying for any significant costs that may have arisen from the Arena Dispute. However, we note that continued access to the debt facility offered under the Fura Loan Agreement after 30 April 2019 (in the event the Fura Transaction doesn't close by 30 April 2019) is dependent on Fura again extending the drop dead date of the proposed Fura Transaction. We note that the drop dead date for the Fura

Transaction has been extended a number of times to allow time for satisfaction of the outstanding conditions precedent, being receipt of a binding tax opinion from the tax authorities in Mozambique, and Ministerial approval.

If the Fura Transaction does not close by 30 April 2019, and Fura does not extend the drop dead date of the Fura Transaction, then it will be terminated, which will see New Energy not receive the $2.80 million cash in consideration for the Montepuez Assets, and the termination of the Fura Loan Agreement. This could reduce the ability of New Energy to liquidate its current assets as it would continue to hold the Montepuez Assets, rather than an additional $2.80 million cash. As set out in the accompanying Notice of Meeting, the directors of New Energy have stated that the Capital Reduction will not be completed unless the Fura Transaction closes.

b) Balama Transaction

Upon completion of the Transaction, New Energy's 50% interest in Balama to the value of $7.00 million presented in assets held for sale above, will be exchanged for cash Consideration of $7.00 million, less costs of the sale process of $93,000.

Note that 100% of the Balama assets and liabilities are included on the New Energy balance sheet as the consolidation accounting includes the non-controlling interest of Balama held by Auspicious.

c) Capital Reduction

As part of the Transaction, New Energy has agreed to undertake a Capital Reduction to its shareholders of an aggregate amount being not less than 60% of the consideration received from the sale of the Company's Balama shares, less costs of the sale process, with such costs not to exceed $100,000.

As set out in section 11, management have advised costs of the sale process totalling $93,000. We have adopted this in our assessment of consideration and in the calculation of the Capital Reduction.

For the purpose of our assessment, we have assumed that the minimum amount of 60% of the total Consideration less costs of the sale process, will be distributed through the Capital Reduction. The total value distributed to Shareholders via the Capital Reduction is therefore equal to $4.14 million, or $0.027 per share.

d) Advisory fee

As advised by management, a Corporate Finance advisory fee of 3%, or $210,000, is payable to Bromius Capital in relation the Transaction.

e) Solvency

Fura Transaction Completed

Following the above adjustments, which assumes the Fura Transaction is completed, the pro-forma net asset position of New Energy following the Transaction will be $4.28 million with a strong cash balance of $6.30 million. This is sufficient to allow New Energy to settle all recorded liabilities.

We have also calculated the pro-forma current ratio (current assets/current liabilities) to be 1.93. This shows that New Energy will have sufficient current assets to extinguish all current liabilities.

In addition, should New Energy be unsuccessful in disputing the termination fee in relation to the Arena Dispute, the Company will have sufficient cash reserves necessary to pay the additional $2.60 million sought by Arena.

Fura Transaction Terminated

In the event the Fura Transaction does not settle by 30 April 2019 and the drop dead date is not extended further, the Fura Transaction will be terminated and New Energy will no longer have access to the associated $2.80 million Fura Loan Facility.

In this instance, the pro-forma cash balance would decrease to $3.50 million and, assuming no alternative buyer for the Montepuez assets can be found, these assets would no longer be considered current assets and therefore the current ratio would decrease to 1.14 times.

Should New Energy also be unsuccessful in disputing the termination fee in relation to the Arena Dispute, the Company will not have sufficient cash reserves necessary to pay the additional $2.60 million sought by Arena. This will materially prejudice New Energy's ability to pay its creditors and remain solvent on completion of the Capital Reduction. However, the directors of New Energy have stated that the Capital Reduction will not be completed unless the Fura Transaction closes.

In completing our analysis, the ability of New Energy to pay its creditors and remain solvent upon completion of the Transaction and associated Capital Raise, is dependent on the settlement of Fura Transaction or alternative sale of the Montepuez assets, in addition to the outcome of the Arena Dispute.

Given that the directors of New Energy have stated that the Capital Reduction will not be completed unless the Fura Transaction is completed, it is our opinion that the Capital Reduction will not materially prejudice New Energy's ability to pay its creditors and remain solvent.

15. Conclusion

We have considered the terms of the Transaction as outlined in the body of this report and have concluded that the Transaction is fair and reasonable to the Shareholders of New Energy.

Furthermore, as requested by the directors of New Energy, we have considered the impact of the Capital Reduction on the solvency of New Energy and find that the ability of the Company's to pay its creditors and remain solvent upon completion of the Capital Reduction, is dependent on the outcome of the Fura Transaction or alternative sale of the Montepuez assets, in addition to the outcome of the Arena Dispute.

Given that the directors of New Energy have stated that the Capital Reduction will not be completed unless the Fura Transaction is completed, it is our opinion that the Capital Reduction will not materially prejudice New Energy's ability to pay its creditors and remain solvent.

16. Sources of information

This report has been based on the following information:

- Draft Notice of General Meeting and Explanatory Statement on or about the date of this report;
- Audited financial statements of New Energy for the years ended 30 June 2018 and 30 June 2017
- Reviewed financial statements of New Energy for the period ended 31 December 2018;
- Unaudited management accounts of Balama for the period ended 31 December 2018;
- Independent Valuation Report of Balama's mineral assets dated 12 March 2019 prepared by Mining Insights;
- The Share Sale and Purchase Agreement between New Energy and Auspicious;
- Share registry information;
- RBA's Monetary Policy Decision 5 February 2019;
- Bloomberg;
- World Bank;
- African Development Bank;
- International Monetary Fund;
- Australian Government Department of Foreign Affairs and Trade Smart Traveller;
- UK Government foreign travel advice;
- U.S. Geological Survey;
- IBIS World;
- Information in the public domain; and
- Discussions with Directors and Management of New Energy.

17. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of $30,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by New Energy in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by New Energy, including the non provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to New Energy and Auspicious and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of New Energy and Auspicious and their respective associates.

A draft of this report was provided to New Energy and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

BDO is the brand name for the BDO International network and for each of the BDO Member firms.

BDO (Australia) Ltd, an Australian company limited by guarantee, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of Independent Member Firms. BDO in Australia, is a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International).

18. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Fellow of Chartered Accountants Australia & New Zealand. He has over 30 years' experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 300 public company independent expert's reports under the Corporations Act or ASX Listing Rules and is a CA BV Specialist. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Corporate Finance Practice Group Leader of BDO in Western Australia, the Global Natural Resources Leader for BDO and a former Chairman of BDO in Western Australia.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans 20 years in the Audit and Assurance and Corporate Finance areas. Adam is a CA BV Specialist and has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

19. Disclaimers and consents

This report has been prepared at the request of New Energy for inclusion in the Notice of Meeting which will be sent to all New Energy Shareholders. The directors of New Energy have requested that BDO Corporate Finance (WA) Pty Ltd prepare an independent expert's report to express an opinion as to whether or not New Energy's proposed disposal of its 50% interest in Balama to Auspicious is fair and reasonable to the non-associated shareholders of New Energy

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Notice of Meeting. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Notice of Meeting other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to the Transaction. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Transaction, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of New Energy, or any other party.

BDO Corporate Finance (WA) Pty Ltd has also considered and relied upon independent valuations for mineral assets held by Balama.

The valuer engaged for the mineral asset valuation, Mining Insights, possess the appropriate qualifications and experience in the industry to make such assessments. The approaches adopted and assumptions made in arriving at their valuation is appropriate for this report. We have received consent from the valuer for the use of their valuation report in the preparation of this report and to append a copy of their report to this report.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd is required to provide a supplementary report if we become aware of a significant change affecting the information in this report arising between the date of this report and prior to the date of the meeting or during the offer period.

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD

Sherif Andrawes

Director

Adam Myers

Director

Appendix 1 – Glossary of Terms

Reference	Definition
The Act	The Corporations Act 2001 Cth
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
Arena	Arena Investors LP
Arena Dispute	The notice of statutory demand served to New Energy Minerals Limited by Arena Investors LP in relation to debts allegedly owed by New Energy under the convertible note facility with Arena Investors LP
Arena Facility	The convertible note facility made available to New Energy Minerals Limited by Arena Investors LP
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
Auspicious	Auspicious Investment Holding Limited
Balama	Balama Resources Pty Ltd
BDO	BDO Corporate Finance (WA) Pty Ltd
The Capital Reduction	The proposed return of capital to New Energy's shareholders of an aggregate amount being not less than 60% of the consideration received from the sale of the Company's shares in Balama, less costs of the sale process
The Caula Project	The Caula graphite and vanadium project owned by Balama Resources Pty Ltd
The Company	New Energy Minerals Limited
Corporations Act	The Corporations Act 2001 Cth
DCF	Discounted Future Cash Flows
DFS	Definitive feasibility study
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
FME	Future Maintainable Earnings

Reference	Definition
FOS	Financial Ombudsman Service
Fura	Fura Gems Inc
The Fura Transaction	The agreement for the sale of New Energy Minerals Limited's ruby assets to Fura Gems Inc
GDP	Gross Domestic Product
IMF	International Monetary Fund
JORC Code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 Edition)
JV	Joint venture
Mining Insights	Mining Insights Pty Ltd
Montepuez Assets	Ruby assets owned by New Energy
NAV	Net Asset Value
New Energy	New Energy Minerals Limited
PFS	Pre-feasibility study
QMP	Quoted market price
RBA	Reserve Bank of Australia
Regulations	Corporations Act Regulations 2001 (Cth)
Our Report	This Independent Expert's Report prepared by BDO
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)
Section 411	Section 411 of the Corporations Act
Section 611	Section 611 of the Corporations Act
Shareholders	Shareholders of New Energy Minerals Limited not associated with the Transaction
SSPA	The Share Sale Purchase Agreement between New Energy Minerals Limited and Auspicious Investment Holding Limited for the sale of New Energy's 50% interest in Balama Resources Pty Ltd

Reference	Definition
Sum-of-Parts	A combination of different methodologies used together to determine an overall value where separate assets and liabilities are valued using different methodologies
The Transaction	The proposal dispose of New Energy's 50% interest in Balama to Auspicious
UBezTT	UBezTT International Investment Holding (BVI) Ltd
USGS	U.S. Geological Survey
Valmin Code	Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (2015 Edition)
Valuation Engagement	An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.
VRB	Vanadium redox flow batteries
VWAP	Volume Weighted Average Price
WACC	Weighted Average Cost of Capital

Appendix 2 – Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

1 *Net asset value ('NAV')*

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

2 *Quoted Market Price Basis ('QMP')*

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a liquid and active market in that security.

3 *Capitalisation of future maintainable earnings ('FME')*

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax (‘**EBIT**’) or earnings before interest, tax, depreciation and amortisation (‘**EBITDA**’). The capitalisation rate or ‘earnings multiple’ is adjusted to reflect which base is being used for FME.

4 *Discounted future cash flows (‘DCF’)*

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

5 *Market Based Assessment*

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

Appendix 3 – Independent Valuation Report

Independent Mineral Asset Valuation Report – New Energy Minerals Ltd.

Report Prepared for

BDO Corporate Finance (WA) Pty Ltd.

Report Prepared by

Mining Insights

March 2019

BDO Corporate Finance (WA) Pty Limited

Independent Mineral Asset Valuation Report – New Energy Minerals Ltd.

Mining Insights Pty Ltd (Mining Insights)

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Project Number P1902

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Key Abbreviations

$ or AUD	Australian Dollar
New Energy	New Energy Minerals Ltd
AS	Australian Standards
AusIMM	Australasian Institute of Mining and Metallurgy
ha	Hectare(s)
JORC	2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists, and Mineral Council of Australia
K	Thousand
Kg	Kilogram
Km	Kilometres(s)
Km^2	Square kilometre(s)
Kt	kilotonne (one thousand tonnes)
M	Million
m	Meter
m^3	cubic metre
Mt	Millions of tonnes
Mineral Resource	A 'Mineral Resource' is a concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, quality, and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, quality, continuity, and other geological characteristics of a Mineral Resource are known, estimated, or interpreted from specific geological evidence and knowledge, including sampling. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated, and Measured categories.
Mtpa	Millions of tonnes per annum
Ore Reserve	An 'Ore Reserve' is the economically mineable part of a Measured and/or Indicated Coal Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at Pre-Feasibility or Feasibility level as appropriate that include the application of Modifying Factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified. The reference point at which Reserves are defined, usually, the point where Ore is delivered to the processing plant must be stated. It is important that, in all situations where the reference point is different, such as for a saleable product, a clarifying statement is included to ensure that the reader is fully informed as to what is being reported.
Mining Insights	Mining Insights Pty Ltd.
t	Tonne
tpa	Tonnes per annum

Executive Summary

In February 2019, New Energy Minerals Limited (New Energy or Company) entered into conditional agreements which incorporated the following:

- The proposed sale of New Energy's 50% holding in Balama Resources Pty Ltd ("Balama"), a subsidiary company of New Energy for cash consideration of $7,000,000.

Mining Insights Pty Ltd. (Mining Insights) was instructed by BDO Corporate Finance (WA) Pty Limited (BDO) to prepare an Independent Mineral Asset Valuation Report (IVR or Report) which BDO will use as part of their Independent Expert Report (IER).

Tenements

New Energy has 50% holding in Balama. Mineral assets held in Balama includes:

- 80% holding in Caula Project (Tenement 6678L);
- 60% holding in Tenement 5873L;
- 100% holding in Tenement 6363L; and
- 100% holding in Tenement 7560L.

The Balama's tenements are located approximately 230 km west of the port city and provincial capital Pemba, and 35 km north of the town of Montepuez in northeastern Mozambique. The Caula project (Tenement 6678L) is the most advanced project with a defined Mineral Resource.

Geology

Balama's tenements are situated in the Mozambique Belt of the East African Orogen. The vanadium-graphite mineralisation is hosted in quartzitic schists of the Xixano complex, with the most common lithologies including Graphitic Schists, Gneisses and thin Pegmatoidal zones.

The mineralised zone is contained within a reclined isoclinal fold structure, which dips at roughly 60 degrees to the west at the Caula deposit.

Exploration

A helicopter-borne time-domain electromagnetic survey was completed in 2015, covering 5873L and the Caula Project. The survey yielded well-defined EM anomalies. These anomalies were prioritised and a drilling program was initiated to test the geophysical targets.

A total of 17 drill holes were drilled during the 2015-2017 period at the Caula Project including 1 reverse circulation (RC) and 16 cored diamond (DD) drilling were drilled for a total of 99m of RC and 1,877m of DD drilling. Information for this drilling was used to report Mineral Resource in 2017 and a subsequent update in 2018.

Subsequently, an18 holes (for 3,025m) DD and 16 holes (for 1,025m) RC drilling program was undertaken by New Energy in Q3 of 2018 to test for both up-dip and down-dip extensions to the Caula deposit. Samples are still being assayed and analysed at present.

Caula Project - Mineral Resource

The Mineral Resource estimation work was carried out by Mr Johan Erasmus of Sumsare Consulting located in Witbank, South Africa. A maiden Inferred Mineral Resource was reported in November 2017 based on the drilling during 2015 and 2016.

Subsequently, further drilling was completed during 2017 and assayed for both TGC and Vanadium. Samples from the previous drilling program were also assayed for Vanadium and Resource Estimates were updated in July 2018. The table below summarises the TGC and Vanadium Mineral Resources that are contained within the Caula Project.

Caula Project - Mineral Resources as a Graphite Project

Resource Block	Cut-off % TGC	Measured Resource		Total Resource		
		Tonnes Mt	Grade % TGC	Tonnes Mt	Grade %TGC	Contained Graphite Carbon (Mt)
Oxidised Zone	8	8.5	13.4	8.5	13.4	1.13
Fresh Zone	8	13.4	13.5	13.4	13.5	1.80
Total Project	**8**	**21.9**	**13.4**	**21.9**	**13.4**	**2.93**

Caula Project - Mineral Resources as a Vanadium Project

Resource Block	Cut-off % V_2O_5	Measured Resource		Total Resource		
		Tonnes Mt	Grade % V_2O_5	Tonnes Mt	Grade % V_2O_5	Contained V_2O_5(kt)
Oxidised Zone	0.2	8.9	0.31	8.9	0.31	27.4
Fresh Zone	0.2	13.1	0.41	13.1	0.41	54.2
Total Project	**0.2**	**22.0**	**0.37**	**22.0**	**0.37**	**81.6**

At the time of reporting of the resource estimate, there was insufficient work completed to confirm that both the TGC and Vanadium Mineral Resource can be recovered from the same ore material (i.e. host rock). As a result, the TGC and Vanadium Mineral Resource stand on their own (as reported by the Competent Person for Mineral Resource).

Work to prove the recovery of an economic vanadium product is still at an early stage.

Caula Project - Metallurgical Test Work

New Energy completed preliminary metallurgical testing at Independent Metallurgical Operations Pty Ltd (IMO). Results were reviewed by Dr Evan Kirby, a metallurgical consultant and Non-Executive Director of the company. Metallurgical results are summarised as follows:

- Conductivity-based (EM) sorting prior to processing can marginally increase process plant feed grade but at a significant loss of TGC and Vanadium yields;

- Best TGC recoveries achieved was 87% on oxide sample and 96% on fresh samples;
- Concentrate grade of 97% TGC was achieved with the proportion of large graphite flakes (>180µm) of up to 67.9% in a fresh sample, 68.1% on Transitional sample and 46.2% in Oxide sample; and,
- Wet High-Intensity Magnetic Separation (WHIMS) was able to upgrade a 0.48% V_2O_5 feed material to 1.42% V_2O_5 at a recovery of 90.8% from a sample extracted from fresh zone drill core from which graphite was removed prior to testing.

Caula Project – Techno-Economic Study

New Energy released the results of the scoping study in 2018 which was compiled by Bara Consultants in conjunction with New Energy staff. The study assessed that the project is economical variable based on the set of parameters used in that techno-economic study.

Mineral Asset Valuation

Mining Insights has used market based "Market Comparable" and cost-based "Geoscientific Rating Method" approaches to derive the Mineral Asset Valuation for the New Energy's tenements.

Mining Insights has considered the current market, locality, and technical and strategic factors. These technical and strategic factors have been assessed by Mining Insights and they have been concluded to have an impact on the development of the Project.

Based on Market Comparable and Geoscientific Rating method, the valuation for New Energy's interest in Balama's portfolio of tenements has been determined to be in the range of $1,980,000 to $5,035,000 with a preferred value of $3,510,000.

Valuation – Balama Projects (New Energy's Equity Basis)

Project	Equity	Valuation ($'000)		
		Lower	Preferred	Higher
Caula (6678L)	80%	3,600	6,400	9,200
5873L	60%	168	316	458
6363L	100%	72	116	152
7560L	100%	120	190	260
Total (Balama's Share)		**3,960**	**7,022**	**10,070**
New Energy's Share (50% of Balama)		**1,980**	**3,510**	**5,035**

This valuation range is considered appropriate for the projects at this stage of development, reflecting the uncertainty of the eventual extraction of a mineral resource.

1 Introduction

In February 2019, New Energy Minerals Limited (New Energy or Company) entered into conditional agreements which incorporated the following:

- The proposed sale of New Energy's 50% holding in Balama Resources Pty Ltd ("Balama"), a subsidiary company of New Energy for cash consideration of $7,000,000.

Mining Insights Pty Ltd. (Mining Insights) was instructed by BDO Corporate Finance (WA) Pty Limited (BDO) to prepare an Independent Mineral Asset Valuation Report (IVR or Report) which BDO will use as part of their Independent Expert Report (IER) for the mineral assets held in Balama being:

- 80% holding in Tenement 6678L (Caula Project);
- 60% holding in Tenement 5873L;
- 100% holding in Tenement 6363L and
- 100% holding in Tenement 7560L.

This Report is complete up to and including 22 February 2019. A draft of the technical component of the report was provided to New Energy, along with a written request to identify any material errors or omissions prior to lodgement.

1.1 Compliance with JORC and VALMIN Code

This report has been prepared in accordance with the Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports 2015 Edition ("The VALMIN Code") and the Australasian Code for Reporting of Exploration Results, Mineral Resources, and Ore Reserves 2012 Edition (The JORC Code).

Both codes are binding upon Members of the Australian Institute of Geoscientists (AIG), the Australasian Institute of Mining and Metallurgy (AusIMM), the Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves and the rules and guidelines issued by such bodies as ASIC and Australian Securities Exchange (ASX), which pertain to Independent Experts' Reports.

The authors have taken due note of the rules and guidelines issued by bodies such as the Australian Securities and Investments Commission (ASIC) and the ASX, including ASIC Regulatory Guide 111 – Content of Expert Reports, and ASIC Regulatory Guide 112 – Independence of Experts.

1.2 Qualifications

The principal personnel responsible for the preparation and review of this report are Mr Manish Garg (Director), a Mineral Valuation Specialist and Mr Rob Wason (Senior Geologist).

Mr Manish Garg [BEng (Minerals Engineering), Masters of Applied Finance, MAusIMM] is a mineral asset valuation specialist with over 30 years' experience in mining operations, mining feasibility studies, consulting and corporate roles in lead, zinc, copper, nickel, gold, graphite and coal – project management, metallurgy, scoping study and valuation.

Mr Rob Wason [BSc (Geology), MSc (Geology), MAusIMM] is a geologist with over 10 years' experience in the mining industry as an exploration geologist and geological consultant. Rob's has worked in a variety of commodities, including gold, copper, base metals, REE, phosphate and coal – exploration and geology.

The information in this Report that relates to the technical assessment and valuation of mineral assets reflects information compiled and conclusions derived by Mr Manish Garg and Mr Rob Wason who are both Members of the Australasian Institute of Mining and Metallurgy. Mr Garg and Mr Wason are consultants to Mining Insights and not related parties to New Energy.

Mr Garg and Mr Wason have sufficient experience relevant to the technical assessment and valuation of the mineral assets under consideration and to the activity which they are undertaking to qualify as Practitioners as defined in the 2015 edition of the Australasian Code for the Public Reporting of Technical Assessments and Valuations of Mineral Assets. Mr Garg and Mr Wason consent to the inclusion in the Report of the matters based on the information in the form and context in which it appears.

1.3 Data Sources

Mining Insights has based its review of the projects on information made available to the principal author by New Energy along with technical reports prepared by consultants, government agencies and previous tenements holders, and other relevant published and unpublished data. Mining Insights has relied upon discussions with New Energy' management as well as recent exploration reports for information contained within this Report.

Mining Insights has used its reasonable endeavours to verify the accuracy and completeness of the information provided to it by New Energy on which it has relied in compiling the Report. We have no reasons to believe that any of the information or explanation so supplied are false or that material information has been withheld.

1.4 Site Visit

The mineral asset valuation specialist involved in this assignment have previously conducted a review of other graphite projects in the vicinity. Mining Insights' did not consider that a site visit was warranted as it was considered that a site visit would not reveal information or data material to the outcome of this Report. Specialist is satisfied that there is sufficient current information available to allow an informed evaluation to be made without an inspection.

1.5 Tenement Status Verification

The legal firm, SAL & Caldeira Advogados, Lda (S&C) was engaged by the company to provide an independent assessment of the status of its tenements in Mozambique. Mining Insights has reviewed S&C's report, dated 23 Nov 2018. S&C has found that:

1: All the listed licenses are valid and in force;

2: The annual rentals for all the licenses have been paid and are up to date.

Mining Insights notes that it is not qualified to make legal representations in regards to the ownership and legal standing of the mineral tenements that are the subject of this valuation.

Mining Insights has relied on the accuracy and completeness of the tenure documentation supplied to it by S&C and New Energy. Mining Insights has made all reasonable enquiries and has cross-checked these licences against publicly available datasets and confirmed that the licences and areas match those areas in the public datasets.

1.6 Independence

Neither Mining Insights nor the author(s) of this report, have or have previously had, any material interest in New Energy or its projects/assets. Mining Insights nor the authors have not prepared any previous reports relating to the mineral assets that are the subject of this Report.

Mining Insights' relationship with BDO and New Energy is solely one of professional association between client, project owner and independent consultant.

1.7 Professional Fees

Mining Insights' estimated fee for completing this report is based on its normal professional daily rates plus reimbursement of incidental expenses. The fees are agreed based on the complexity of the assignment, Mining Insights' knowledge of the assets and the availability of data. The fee payable to Mining Insights for this engagement is estimated at approximately $20,000. The payment of this professional fee is not contingent upon the outcome of the report.

1.8 Consent

Mining Insights consents to this report being included, in full, in BDO's IER in the form and context in which the technical assessment is provided, and not for any other purpose.

Mining Insights provides this consent on the basis that the technical assessments expressed in the Summary and in the individual sections of this report are considered with, and not independently of, the information set out in the complete report.

1.9 Disclaimer

The opinions expressed in this report are appropriate as of 22 February 2019. The opinions expressed in this Report are based upon the information supplied to Mining Insights by New

Energy. The opinions in this Report are provided in response to a specific request from BDO to do so.

Mining Insights has exercised all due care in reviewing the supplied information. Whilst Mining Insights has compared key supplied data with expected values, the accuracy of the results and conclusions from the review are entirely reliant upon the accuracy and completeness of the supplied data. Mining Insights does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from commercial decisions or actions resulting from them. Opinions presented in this Report apply to the site conditions and features as they existed at the time of the investigations, and those reasonably foreseeable. These opinions do not necessarily apply to conditions and features that may arise after the date of this Report, about which Mining Insights had no prior knowledge nor had the opportunity to evaluate. New Energy was provided with a technical section of this Report and requested to identify any material errors or omissions prior to its lodgement.

2 Industry & Markets

2.1 Graphite Industry

Graphite is an industrial mineral with unique physical properties which includes superior thermal/electrical conductivity. It generally occurs in one of three forms: Microcrystalline or amorphous, Crystalline lump or vein and Crystalline flake.

Microcrystalline or amorphous type graphite is made up of aggregates of fine graphite crystals, which give the material a soft, black, earthy appearance. This material is usually hosted by quartzites, phyllites, metagreywackes and conglomerates. Amorphous graphite is defined as being finer than 40µm in diameter, but some trade statistics define the upper limit at 70µm. Generally, the 40 – 70µm is the limit of resolution of the human eye. Deposits with grades of over 80% carbon are considered to be economically viable.

Crystalline lump or vein type graphite is found as interlocking aggregates of coarse and/or microcrystalline platy, or less commonly, acicular graphite. The veins are hosted by igneous and metamorphic rocks, such as gneiss, schist, quartzite and marble.

Flake type graphite occurs as flat, plate-like crystals, with angular, rounded or irregular edges, with the crystals disseminated throughout originally carbonaceous metasediments. Flake graphite ranges in flake size from 1mm to 25mm, with an average size of 2.5mm. For commercial purposes, flake graphite is divided into:

- jumbo flake;
- large flake;
- medium flake;
- fine flake; and,
- powder.

Impurities include minerals that are commonly found in metasediments – usually quartz, feldspar, mica, amphibole, garnet and calcite, with occasional amphiboles, pyrrhotite, pyrite and magnetite.

Natural Flake Graphite occurs in host rocks such as quartz-mica schist, feldspathic or micaceous quartzite and gneiss. Flake graphite may also occur in metamorphosed carbonate rocks, though these occurrences are currently of little economic significance. Flake graphite deposits are usually strata bound, with individual beds or lenses ranging from 30cm to more than 30m thick and extending for lengths of two kilometres or more. Ore bodies are normally tabular, occasionally lenticular, and occur locally as irregular bodies in the hinge zones of folds. Most economic deposits of flake graphite are of Archean to late Proterozoic age. These rocks may contain up to 90% graphite, although 10-15% graphite is a more typical grade for an ore body.

2.1.1 Graphite Economics: Characteristics and Processing

Flake graphite occurs in host rocks such as quartz-mica schist, feldspathic or micaceous quartzite and gneiss. Flake graphite may also occur in metamorphosed carbonate rocks, though these occurrences are currently of little economic significance. Flake graphite deposits are usually strata bound, with individual beds or lenses ranging from 30cm to more than 30m thick, and extending for lengths of two kilometres or more. Ore bodies are normally tabular, occasionally lenticular, and occur locally as irregular bodies in the hinge zones of folds. Most economic deposits of flake graphite are of Archean to late Proterozoic age. These rocks may contain up to 90% graphite, although 10-15% graphite is a more typical grade for a mineral deposit.

Favourable mineralogy is critical for easy liberation of graphite. Mineralogical characterisation of graphite-bearing rocks should primarily aim to determine the graphitic carbon content and graphite flake size, as these two properties largely determine the economic value of the graphite.

Table 2:1 Typical Graphite Classification

Graphite Size	Size (microns)
Jumbo Flake	>300
Large Flake	300 – 180
Medium Flake	180 - 150
Fine Flake	150 - 105
Powder	<105

Source: Syrah Resources Website

Flakes in the size range 250µm-1mm commands the highest prices, with medium graphite flakes (down to 150µm) also in some demand. An excess of graphitic fines will reduce the flake size and therefore the value of the final product. Further, fine graphite will coat other minerals, which may then act as graphite during froth flotation and be recovered with the graphite concentrate. This thereby reduces the grade of the product. Mica will often occur interlayered with graphite and may be difficult to remove during preparation. Fine material (such as clay and lateritic soil) may also coat the graphite.

Mined ore Natural graphite is then beneficiated into graphite concentrate containing typically 94% to 98% total graphitic carbon (TGC).

2.1.2 Graphite Usage

Graphite has many unique physical properties:

- Superior thermal/electrical conductivity
- Stable wide temperature range
- High melting point
- Excellent lubrication

- Malleable
- Resistant to chemical attack
- Fire retardant and thermally efficient building products

Natural Flake Graphite find uses in:

- Refractories
- Batteries (Lithium-Ion Batteries)
- Foundries
- Friction Products
- Lubricants

Traditional demand for graphite is largely tied to the steel industry where it is used as a liner for ladles and crucibles, as a component in bricks which line furnaces ("refractories"), and as an agent to increase the carbon content of steel. In the automotive industry, it is used in brake linings, gaskets and clutch materials. Graphite also has a myriad of other emerging uses in batteries, thermal management in consumer electronics, lubricants, fire retardants, and reinforcements in plastics.

The global demand for commercial graphite is growing. This growth profile is being driven by the increasing number of applications for graphite in technology and industry. The material has applications in electronics, nuclear reactors, manufacturing, aircraft and automotive production and in developing energy markets. Notably, graphite is an essential component of the modern lithium-ion battery, making it a key material in smartphones, tablets, laptops and electric cars.

Graphite is also used to produce graphene. Graphene is an allotrope of carbon, essentially a one-atom-thick layer of graphite. Its weight and shape make graphene desirable for uses in computer chips, laptops, optics and lasers etc.

Graphite, if it possesses the special property of 'expandability,' can also be further processed to produce 'expanded' graphite. 'Expanded' graphite is used to produce flexible graphite sheets and foils for manufacturing gaskets, packaging and other sealing materials in critical applications. In particular, it is useful in high temperature and high-pressure environments and is also considered valuable in the battery market. 'Expanded' graphite is highly valuable and highly sought after.

Graphite is a highly valuable commodity and its unique physical and chemical properties make it difficult to substitute.

2.1.3 Demand and Supply

The global graphite market was approximately 2.45 million tonnes in 2016 and is made up of 950,000 tonnes of natural graphite and 1.45 million tonnes of synthetic graphite. Approximately 75% of Natural Flake graphite is sourced in China. Other major producers include Brazil, India and more recently Mozambique, Madagascar and Tanzania.

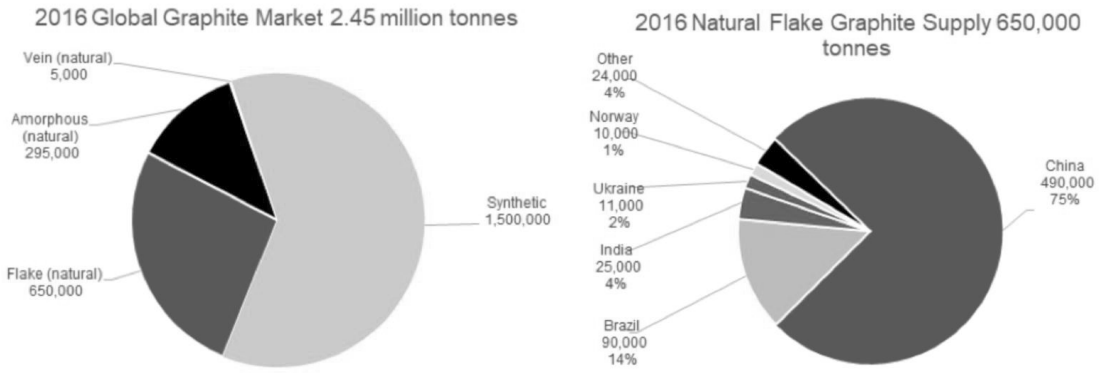

Figure 2:1 Graphite Supply
Source: Syrah Resources Website

2.1.4 Pricing

The global graphite pricing is based on the flake size and typically 95% purity (% of TGC). The size of the flake has a significant impact on the price achieved. Generally, there is a very limited market for low purity graphite (<90% TGC).

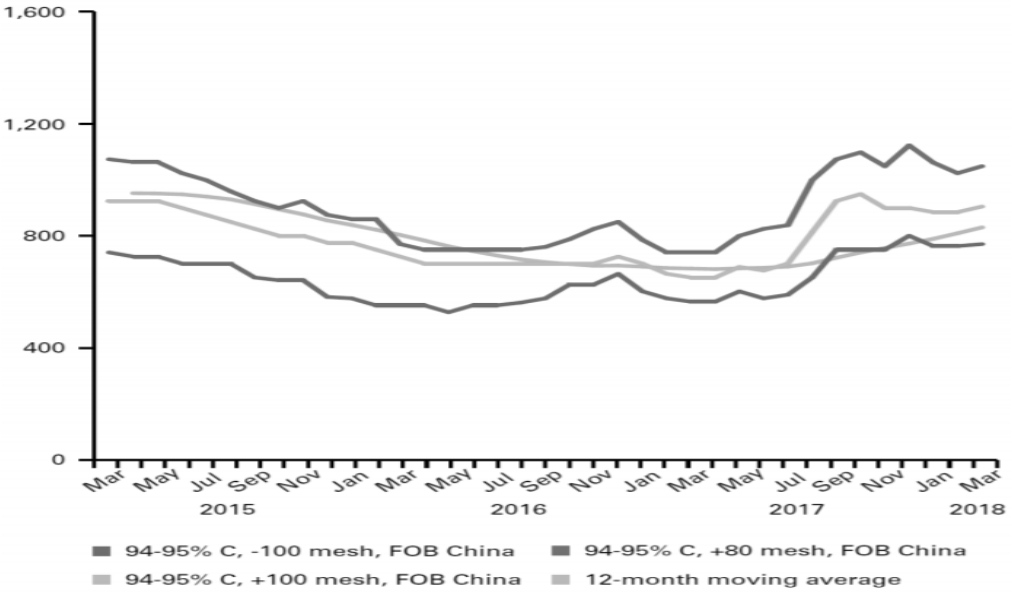

Figure 2:2 Natural Graphite Prices
Source: Graphex Limited Website

2.2 Vanadium

2.2.1 Demand and Supply

Steel applications account for over 92% of total consumption. High-strength low-alloy (HSLA) steels are by far the largest market for vanadium.

Vanadium in batteries, which have been slated as a potential growth market should vanadium redox flow batteries (VRB) become the method of choice for storing intermittent energy this could create further demand pressures over the coming years. VRBs require high purity V_2O_5 of >99.5%.

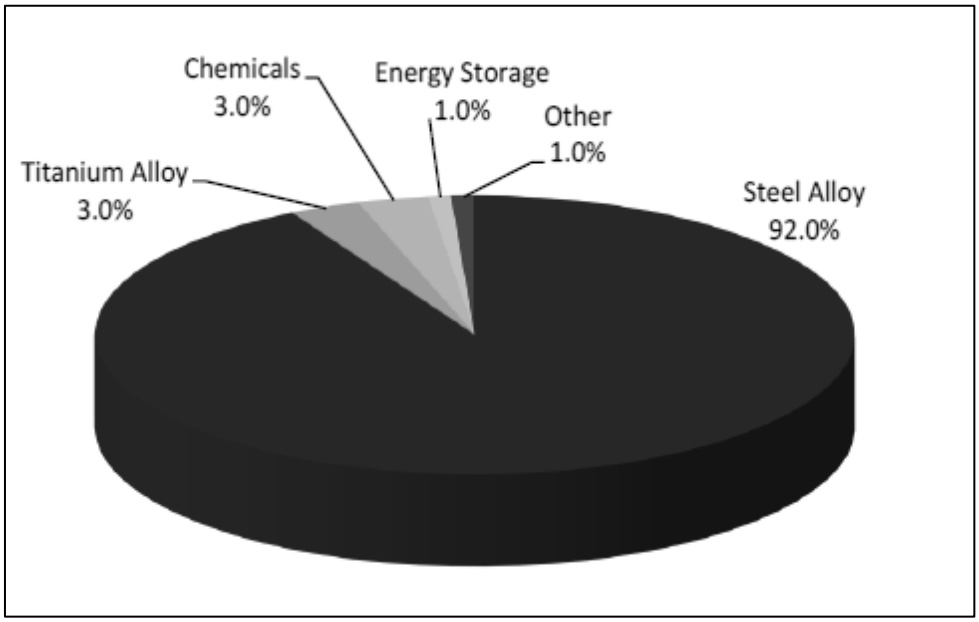

Figure 2:3 Vanadium Demand
Source: Metal Bulletin

China is currently the world's largest producer of vanadium and accounts for over 57% of the world's supply. The bulk of the supply in China comes from steel plants that process low-grade vanadium-bearing magnetite ores to produce steel and a vanadium slag which is then further processed through a process similar to the primary production processes – salt roast and leach operations. Other major producers of vanadium are Russia (11%) and South Africa (10%).

Global supply remains tight following the closure of Evraz Highveld in South Africa and the subsequent drawing down of inventory stocks. Chinese output remains below its 2015 peak and environmental inspections in China in 2017 put additional pressure on the market.

2.2.2 Pricing

Vanadium prices reached decade highs towards the end of 2017. Global consumption continued to increase owing to volume growth in the market as well as increasing intensity of use of vanadium in steel.

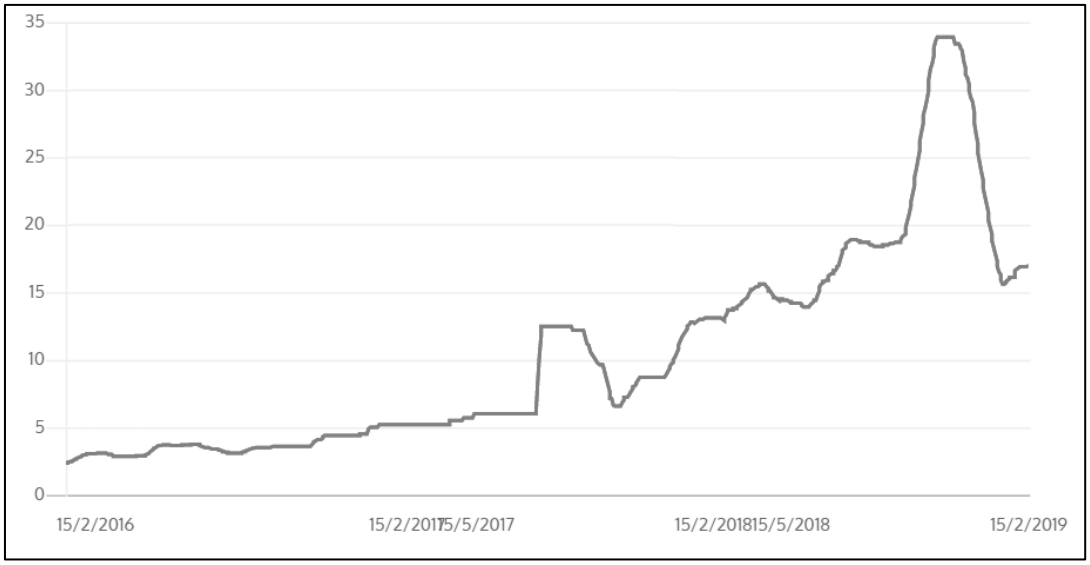

Figure 2:4 Vanadium Price ($/lb., min 98% V_2O_5, China)
Source: Vanadiumprice.com

In the past two years, the Chinese vanadium spot price has tripled from US$5/lb to reach US$17/lb. Reduced supply and the new Chinese rules to increase vanadium content in steel rebar have been well publicised and are responsible for most of the rise.

3 Tenements

3.1 Location and Access

New Energy holds 4 granted exploration licenses in Mozambique. These tenements are located in northern Mozambique in the Cabo Delgado Province (Figure 3:1).

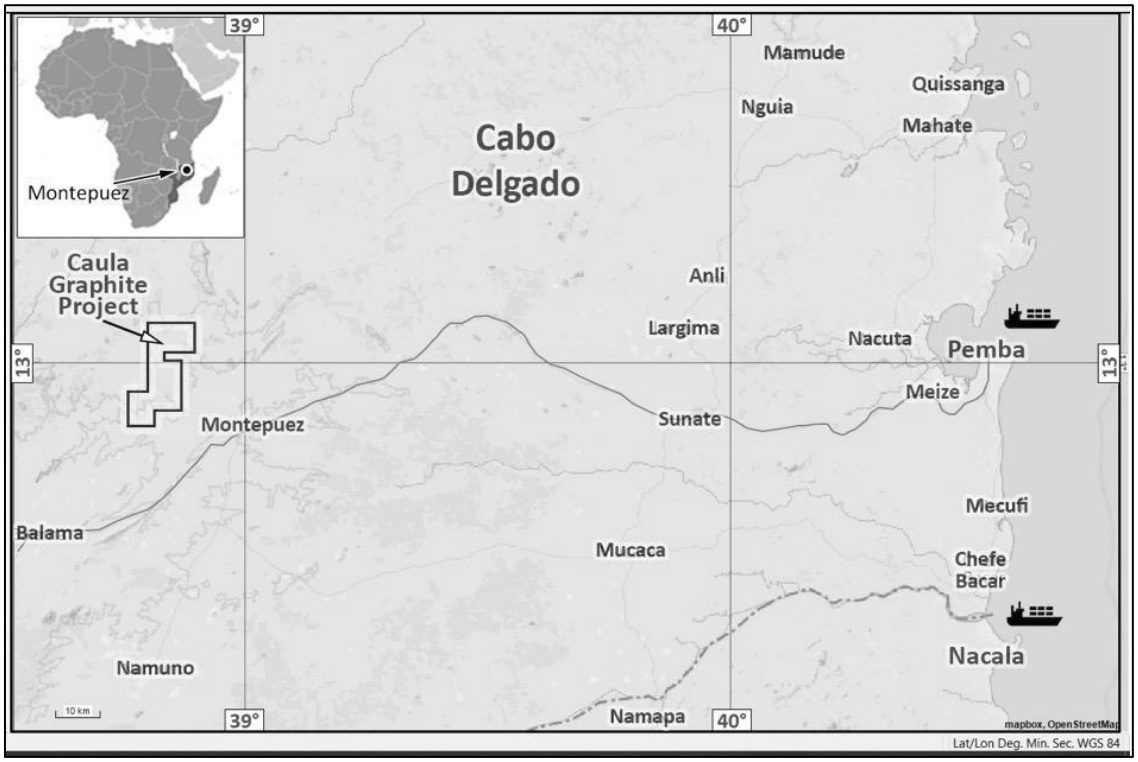

Figure 3:1 Location of Caula Project in Mozambique
Source: New Energy Website

The Caula Project (Tenement 6678L) is located approximately 230 km west of the port city and provincial capital Pemba and 35 km north of the town of Montepuez in northeastern Mozambique. Administratively, the closest village is Caula, within the Montepuez District of the Cabo Delgado Province.

The Caula Project can be accessed by road from Pemba, via Montepuez. Montepuez is located on the main tarred road, EN106, connecting Nampula to Pemba. The Caula Project is located approximately 35 km north of Montepuez and is easily accessed using the dirt road leading to Nairoto. All of the major rivers are crossed by sturdy, high-level, bridges. The Project Area is close to the south-western corner of the licence area. Export ports exist at Pemba and Nacala.

New Energy's other tenements are located in close proximity to the Caula Project (Figure 3:2).

3.2 Tenement Status

The tenements under review in this report are shown in Figure 3:2 and the current status of the tenements are summarised in Table 3:1. Mining Insights is not aware of any material history of these mineral assets.

The legal firm, SAL & Caldeira Advogados, Lda (S&C) was engaged by the company to provide an independent assessment of the status of its tenements in Mozambique. Mining Insights has reviewed S&C's report, dated 23 Nov 2018. S&C has found that:

1: All the listed licenses are valid and in force;

2: The annual rentals for all the licenses have been paid and are up to date.

Table 3:1 Tenement Schedule

Tenement No.	Holder	Grant Date	Expiry Date	Area (km^2)
6678L* (Caula Project)	Tchaumba Minerals	18/03/2014	18/03/2019	31.9
5873L	Cosec Consultoria	17/11/2014	17/11/2019	137.8
6363L	Montepuez Mineral Resources	18/11/2015	18/11/2020	75.8
7560L	RQL Graphite Resources	21/06/2016	21/06/2021	127.9
Total Area			(Square km)	**373.4**

**Application for conversion of licence 6678L to a mining concession # 9407C has been made in May 2018.*

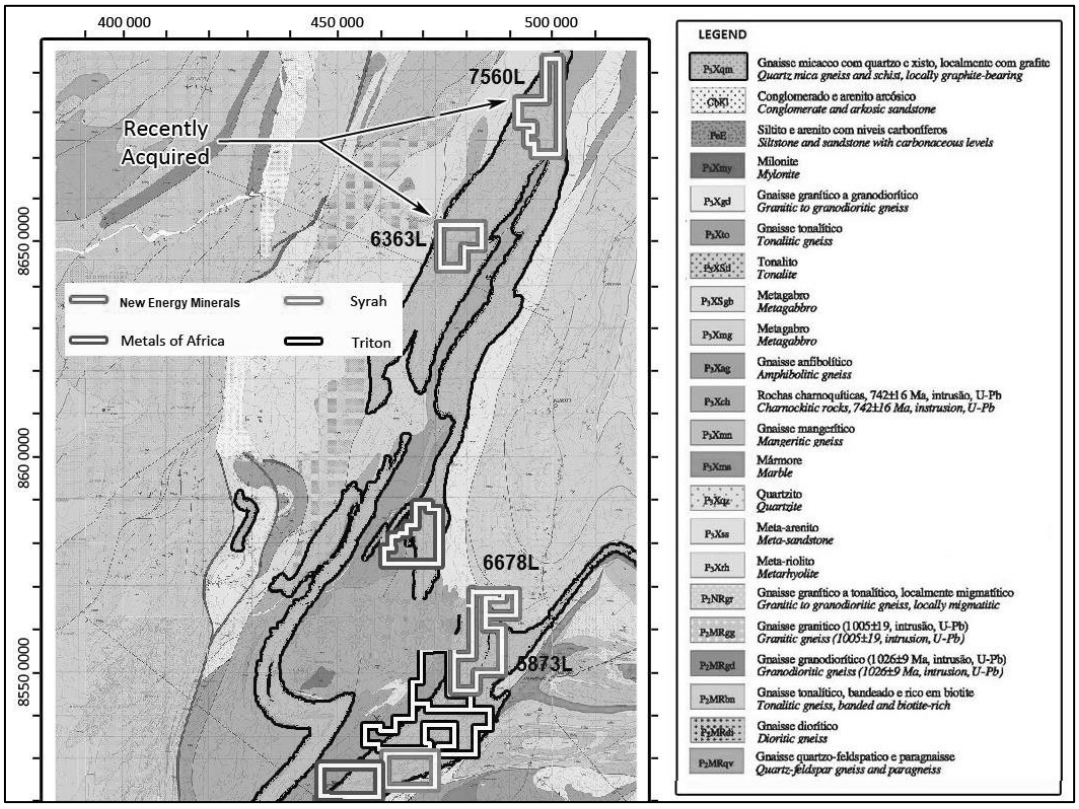

Figure 3:2 Tenements Location

Source: New Energy ASX Announcement, 8 March 2016

4 Geological Settings

4.1 Regional Geology

New Energy tenements are situated in the Mozambique Belt of the East African Orogen and contain highly metamorphosed meta-sediments and meta-volcanic. The rocks of the East-African Orogen are dated 850 – 620 Ma, in which metamorphic facies vary from amphibolitic to granulitic.

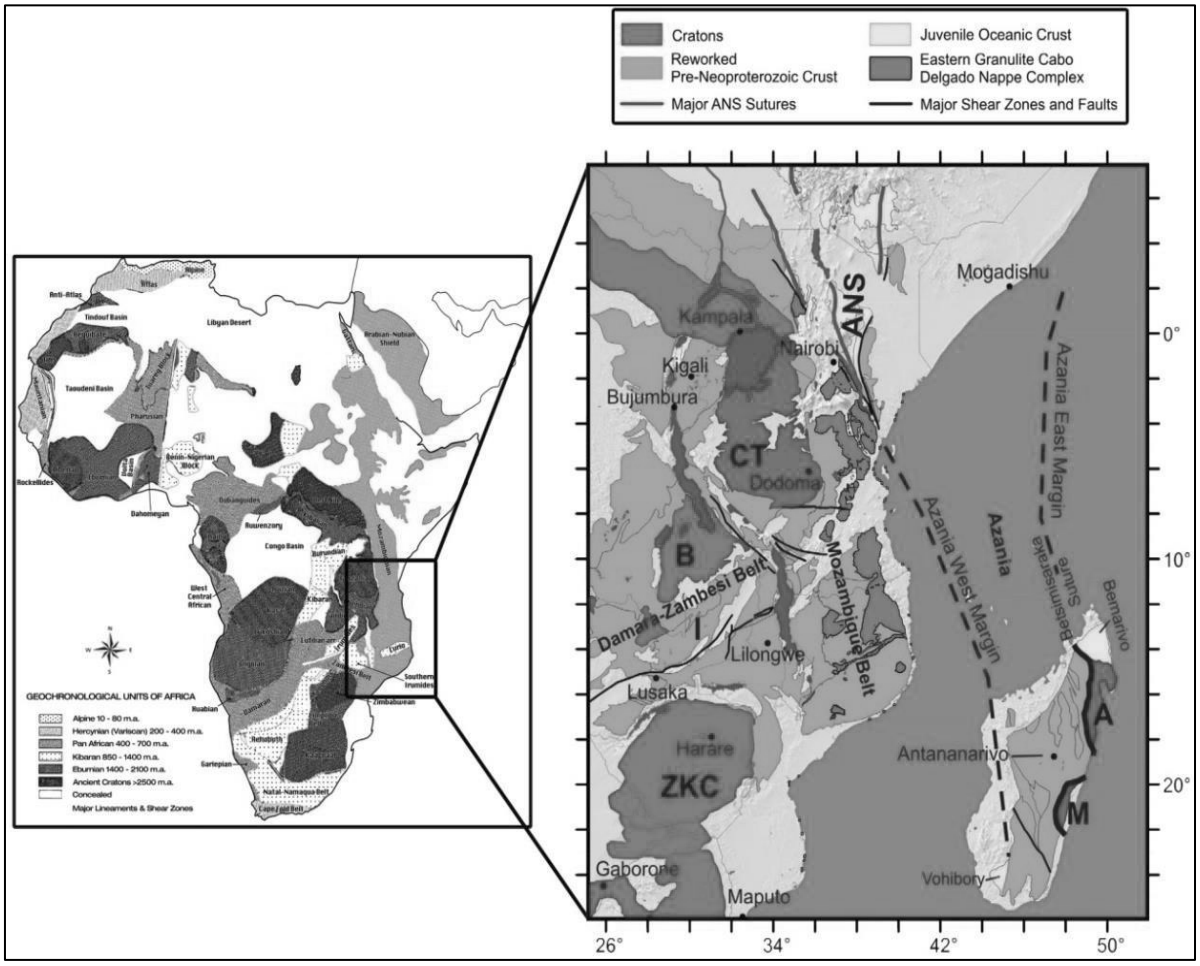

Figure 4:1 Regional Geology

Source: New Energy ASX Announcement, 8 March 2016

4.2 Local Geology

The vanadium-graphite mineralisation is hosted in quartzitic schists of the Xixano complex, with the most common lithologies including Graphitic Schists, Gneisses and thin Pegmatoidal zones. Although Sulphides are occasionally logged, they are usually absent. The surrounding country rock consists of Quarzitic and Micaceous Schists and Gneisses. Vanadium mineralisation is found within the Vanadium-Mica Roscoelite, potentially up to 17% V_2O_5 in the mica depending on lattice position substitution and valency states (When Vanadium substitutes for Aluminium in the Muscovite lattice it constitutes up to 17% of the molecule mass. With this Vanadium substitution the mineral is named Roscoelite).

The mineralised zone is contained within a reclined isoclinal fold structure, which dips at roughly 60 degrees to the west (Figure 4:2). Due to the region's tectonic history, these meta-sediments have been altered to the extent that no sedimentary structure remains.

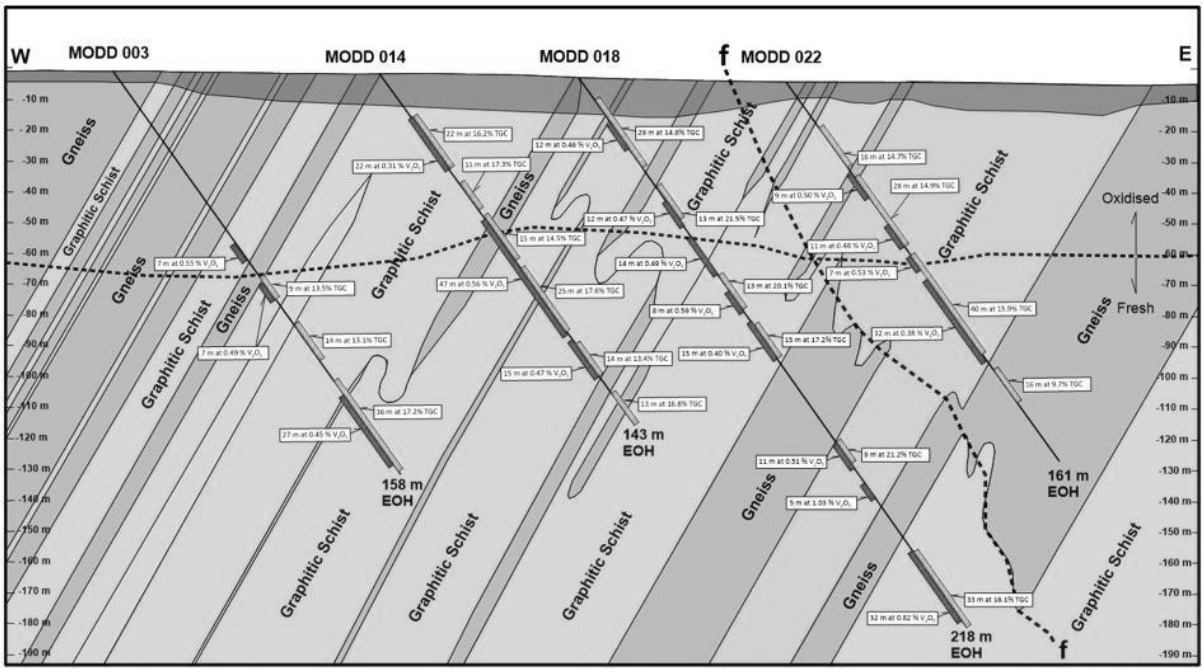

Figure 4:2 General Cross section of the Caula Deposit
Source: New Energy ASX Announcement, 8 Aug 2018

5 Exploration History

5.1 Geophysics (5873L & Caula Project)

A helicopter-borne time-domain electromagnetic and magnetic survey was completed in 2015, covering 5873L and the Caula Project. The survey yielded a total of 105.65 line-km of geophysical data which was used to map out geological and structural domains, locating conductive anomalies in an otherwise resistive background.

The survey yielded well-defined EM anomalies. These anomalies were prioritised and a drilling program was initiated during 2015 to test the geophysical targets.

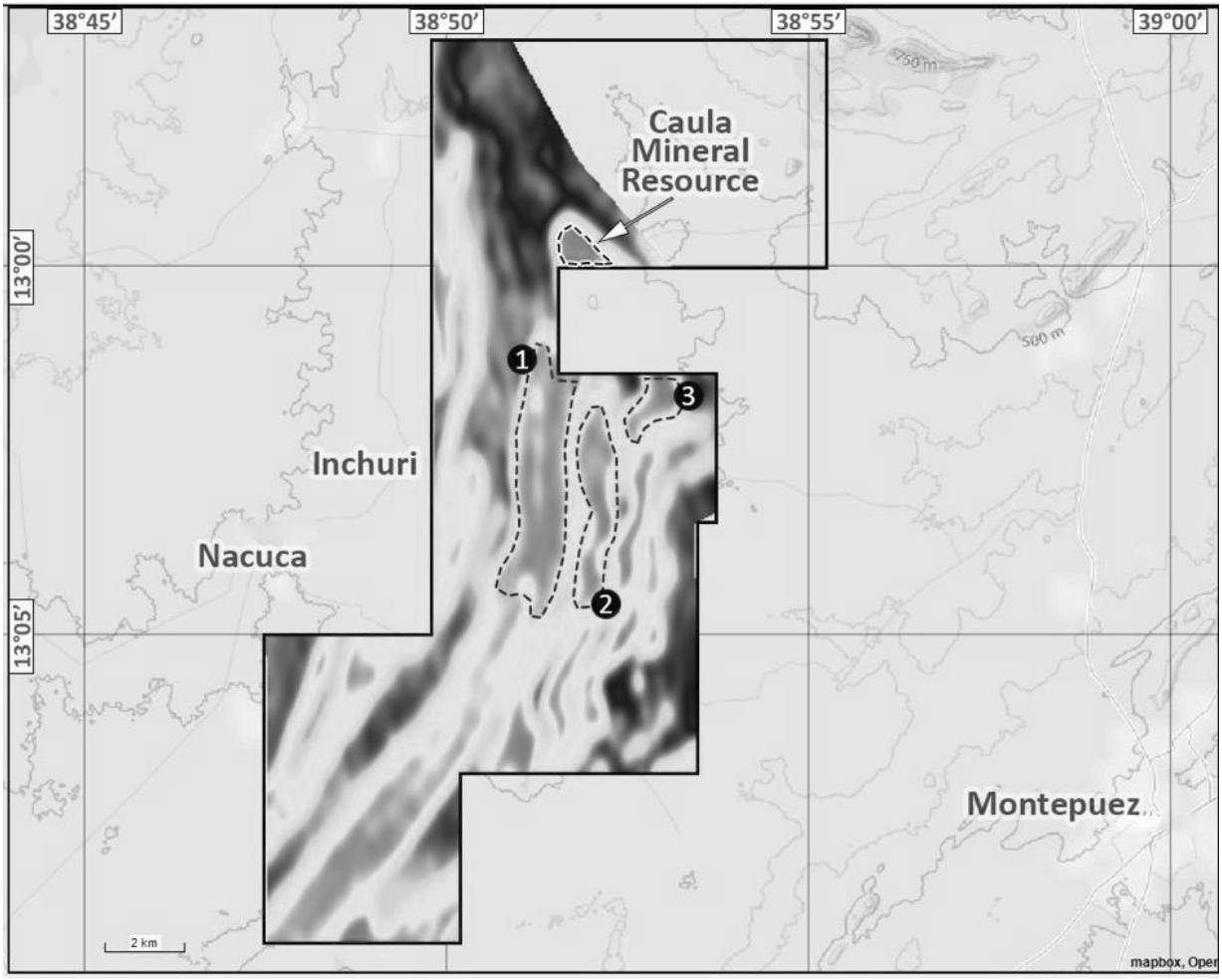

Figure 5:1 Image of Electromagnetic Signature – 5873L & Caula Project
Source: New Energy Announcement, 8 August 2018

5.2 Drilling (Caula Project)

New Energy completed three drilling campaigns from 2015 to 2017 period at the Caula Project. A total of 17 drill holes including 1 reverse circulation (RC) and 16 cored diamond (DD) drilling were drilled for a total of 99m of RC and 1,877m of DD drilling.

Figure 5:2 Drilling RC (Left) and DD (Right) at Caula Deposit
Source: Graphite Resource Report, July 2018

Subsequently, an 18 holes (for 3,025m) DD and 16 holes (for 1,025m) RC drilling program was undertaken by New Energy in Q3 of 2018 to test for both up-dip and down-dip extensions to the Caula deposit.

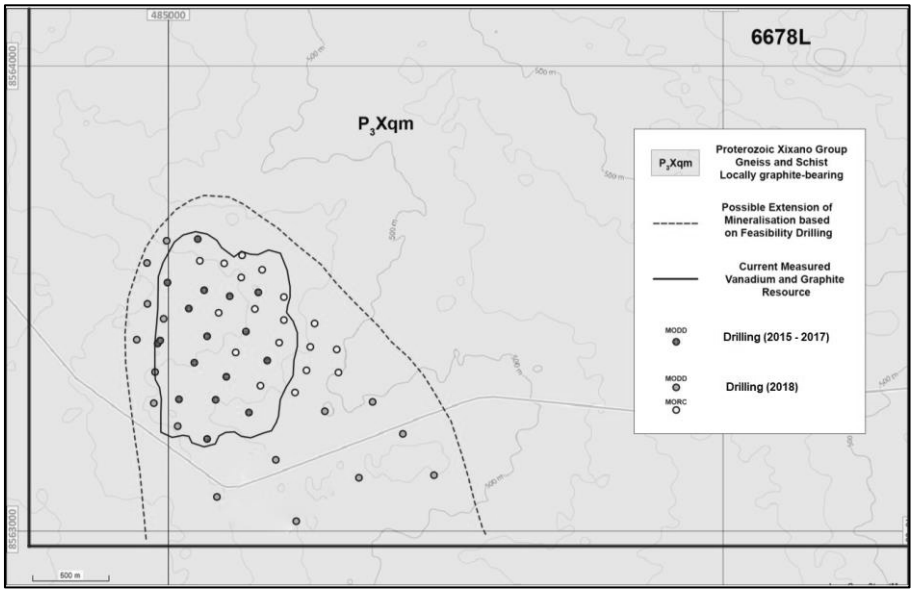

Figure 5:3 Location for 2018 Drilling Program
Source: New Energy Announcement, 6 September 2018

Samples are still being assayed and analysed at present.

6 Caula Project

6.1 Resource Estimate

The Mineral Resource estimation work was carried out by Mr Johan Erasmus of Sumsare Consulting located in Witbank, South Africa. A maiden Inferred Mineral Resource of 5.4 Mt at 13.0% Total Graphitic Carbon (TGC) was reported in accordance to JORC 2012 in November 2017 based on the drilling during 2015 and 2016 (ASX announcement 6 November 2017).

Subsequently, further drilling was completed during 2017 and assayed for both TGC and Vanadium. Samples from previous drilling program were also assayed for Vanadium and Resource Estimates were updated and reported in accordance with JORC 2012 Code in July 2018. Table 6:1 and Table 6:2 summarises the TGC and Vanadium Mineral Resources that are contained within the Caula Project.

Table 6:1 Caula Project - Mineral Resources as a Graphite Project

Resource Block	Cut-off % TGC	Measured Resource		Total Resource		
		Tonnes Mt	Grade % TGC	Tonnes Mt	Grade %TGC	Contained Graphite Carbon (Mt)
Oxidised Zone	8	8.5	13.4	8.5	13.4	1.13
Fresh Zone	8	13.4	13.5	13.4	13.5	1.80
Total Project	**8**	**21.9**	**13.4**	**21.9**	**13.4**	**2.93**

Source: New Energy Announcement, 24 July 2018

Table 6:2 Caula Project - Mineral Resources as a Vanadium Project

Resource Block	Cut-off % V_2O_5	Measured Resource		Total Resource		
		Tonnes Mt	Grade % V_2O_5	Tonnes Mt	Grade % V_2O_5	Contained V_2O_5(kt)
Oxidised Zone	0.2	8.9	0.31	8.9	0.31	27.4
Fresh Zone	0.2	13.1	0.41	13.1	0.41	54.2
Total Project	**0.2**	**22.0**	**0.37**	**22.0**	**0.37**	**81.6**

Source: New Energy Announcement, 20 July 2018

At the time of reporting of the resource estimate, there was insufficient work completed to confirm that both the TGC and Vanadium Mineral Resource can be recovered from the same ore material (i.e. host rock). As a result, the TGC and Vanadium Mineral Resource stand on their own (as reported by the Competent Person for Mineral Resource). Work to prove the recovery of an economic vanadium product is still at an early stage.

Mining Insights has reviewed the Caula Resource Report at a high level. Whilst Mining Insights agrees with the broad principles and methods involved in the resource estimation, Mining Insights has not independently reviewed the Resource model in detail or verified the updated tonnes and grades. Mining Insights considers that the Caula Mineral Resources have been appropriately estimated and that good practice has been followed. The Mineral Resource estimate is considered reasonable.

6.2 Metallurgical Test Work

New Energy completed preliminary metallurgical testing at Independent Metallurgical Operations Pty Ltd (IMO) during 2017 and 2018. Results were reviewed by Dr Evan Kirby, who is a Metallurgical consultant and Non-Executive Director of the company.

Metallurgical results are summaries as follows:

- Conductivity-based (EM) sorting prior to processing, can marginally increase process plant feed grade but at a significant loss of TGC and Vanadium yields;
- Best TGC recoveries achieved was 87% on oxide sample and 96% on fresh samples;
- Concentrate grade of 97% TGC was achieved with the proportion of large graphite flakes (>180µm) of up to 67.9% in a fresh sample, 68.1% on Transitional sample and 46.2% in Oxide sample;
- Wet High-Intensity Magnetic Separation (WHIMS) was able to upgrade a 0.48% V_2O_5 feed material to 1.42% V_2O_5 at a recovery of 90.8% from a sample extracted from fresh zone drill core from which graphite was removed prior to testing.

6.3 Techno-Economic Study

New Energy released the results of the scoping study in 2018 which was compiled by Bara Consultants in conjunction with New Energy staff (ASX Announcement 22 October 2018).

Mining Insights notes the following:

- Life of Mine Mining Inventory used in the scoping study of 30.8Mt (using 0% cut-off) is significantly higher than reported Mineral Resource of 22 Mt at 8% cut-off.
- Scoping study assumes that Graphite and Vanadium could be extracted sequentially from the same Ore (i.e., host rock) based on a single laboratory scale WHIMS test.
- Process plant grade and recoveries are based on limited laboratory scale testing. No locked cycle laboratory testing was completed.

Mining Insights considers that work to prove the recovery of an economic vanadium product is still at an early stage and further metallurgical test work is required to be completed prior to assessing the techno-economic viability of the project.

7 Project Risks

Mining Insights has identified a range of risk elements or risk factors which may affect the future operations and financial performance of the Caula Project. Some of the risk factors are completely external and beyond the control of management. However, the project-specific risks can be mitigated by taking proper measure in advance. Key project risks that have been identified are discussed below.

7.1 Sovereign Risk

Sovereign risk is the risk an investment's returns could suffer as a result of political changes or instability in a country. Instability affecting investment returns could stem from a change in government, legislative bodies, other foreign policymakers or military control.

The International Business Center (IBC) in the Eli Broad Graduate School of Management at Michigan State University has rated Mozambique as category D country in a scale of A to E, where A is the lowest risk while E is the highest risk category (www.globaledge.msu.edu).

7.2 Resources & Reserve Risk

The Mineral Resource present within the Caula Project has been categorised as separate Graphite and Vanadium Mineral Resource. Moving forward it may be possible that further exploration, geological and metallurgical assessment may result in a reduction or an increase of resource which would have a material impact on the technical value of the concession.

No Mineral Resource has been reported within other tenements.

No Ore Reserve has been defined at any of these projects. Moving forward it may be possible that further technical studies may not result in the development of Ore Reserve which would have a material impact on the value of the project.

7.3 Processing Risk

Limited mineral processing studies have been conducted so far. Results so far suggest that high graphite concentrate grades are possible at acceptable recoveries. Although significant results have been obtained from the limited samples test work conducted so far, detailed mineral processing test work is required to ascertain graphite grade and recovery in locked-cycle tests and pilot plant.

Moving forward, it may be possible that unfavourable results from further test-work may jeopardise project viability.

7.4 Commodity Price Risk

Graphite price and its demand are cyclical in nature and subject to significant fluctuations. Any significant decline in the prices of these or demand could materially and adversely affect the company’s business and financial condition results of operations and prospects.

Commodity markets are highly competitive and are affected by factors beyond the Company's control which include but are not limited to:

- Global Economic Condition;
- Government actions including policy on electrical cars; and,
- Fluctuations in industries with high graphite demand.

7.5 Mine Infrastructure Associated Risk

Although accessibility of the project is good, a significant mine infrastructure facility including power generation needs to be developed before the commencement of mining activity.

7.6 Mining Approvals, Tenure, and Permits

During mining, many government permits and approvals may be required to ramp up the capacity and the associated infrastructure facilities. Any delays in obtaining the required approvals may affect the production expansion and the mine plan. This may likely cause the project to overrun, which may significantly affect project capital and operating costs.

It is also possible that delays to land access and associated interruptions may occur in the future and that this may have a material impact on the value of the concession.

7.7 Environmental and Social Risks

While environmental and social risks have been identified and management plans are in place, it is possible that failure to comply with the environment criteria or failure to maintain good relationships with the local community will impact the project. Except environmental risk associated with the retreatment of tailing, these risks are not considered to be greater for these projects than any other graphite projects.

8 Valuation

8.1 Valuation Approaches

There are several recognised methods used in valuing mineral assets. The applicability of these methods depends on several project-specific factors including the level of maturity of the mineral assets and the availability and reliability of the information about the project.

In determining the appropriate method(s) to be used for valuation of these assets, Mining Insights has taken into consideration the classification of these assets as defined in the VALMIN Code and the different methodologies that are generally accepted as industry practice for each classification. Generally, there are three broad methods of valuation that are used for valuing mineral assets. These are i) the cost approach, ii) the income approach, and iii) the market approach, with each being suitable for the relevant status of the exploration or mining project from grassroots exploration through to operating mine, respectively.

The asset classifications that may be applied to a project are set out in Table 8:1.

Table 8:1 Typical Valuation Methods

Classification	General Description	Valuation Methods
Exploration Areas	Properties where mineralisation may or may not have been identified, but a Resource has not been identified.	Rule of Thumb, Geo-scientific method, Comparable Transactions
Advanced Exploration Areas	Properties where considerable exploration has been undertaken and specific targets identified. Resource estimation may or may not have been made. Good understanding of mineralisation present.	Geo-scientific method, Appraised Value Method, Comparable Transactions
Pre-development Projects	Properties where mineral resources have been identified but the decision to proceed with development have not been made. Includes properties held on retention titles.	The above methods and DCF/NPV valuation

Source: VALMIN CODE

A summary of each of these methodologies is outlined in Appendix B of this Report.

The valuation approaches that are generally adopted for exploration areas are broadly defined as inferential methods that rely on comparative or subjective inputs such as the rule of thumb or appraised value methods. These include the estimated mineral content and a value of the mineral derived from recent transactions. Typically, such a method values the property in $ per unit area or $ per tonne of mineral resource. The value would be discounted by any specific site factors as well as the status of the resource classification.

An understanding of the geology of the mineral deposit, structure and defined mineral resources places the New Energy's tenements in the Exploration or Pre-Development classification phase. A large range of valuation methods is recognised for this status with some requiring a degree of subjective estimation. All have been used by valuation practitioners and usually, a combination of methods is used as a cross check to the reasonableness of the input assumptions.

A meaningful value using a discounted cash flow method for these projects cannot be obtained as further work is needed to delineate/ augment its JORC Reserves for these prospects. Therefore, for the valuation of these mineral assets, income-based approaches may not be appropriate.

Therefore, in accordance with Section 8.3 of the VALMIN 2015 code, Mining Insights has used two approaches "Market Comparable" and cost-based "Multiple of Exploration Expenses Method", to derive the reasonable value of the mineral assets included under the scope of this Report. The selection of these two approaches is based on factors such as:

- development status of the mineral assets; and
- extent and reliability of available information.

In Mining Insights' opinion, New Energy's tenements are exploration project and as discussed above, market comparative method and cost-based methods are generally used to value such type of projects. Therefore, Mining Insights has preferred to apply a combination of two methods to value the project due to the uncertainties attached to its progress. The valuation methods applied include market-based "Comparable Transactions Method" and cost-based "Geoscientific Rating Method".

8.2 Valuation based on Comparable Market Transaction Method

8.2.1 Valuation based on Market Comparable – Caula Project

To determine the fair market value for the Caula Project, Mining Insights has reviewed recent market transactions for exploration assets involving sale and purchase of tenements with graphite mineralisation and delineated Mineral Resource reported in accordance with the JORC Code.

To determine implied value relevant to the valuation date (22 February 2019), Mining Insights has considered only those transactions which occurred within a period of four years of the transaction. Mining Insights has identified 8 transactions which can be considered relevant in assessing the fair market value of the Caula Project. These market transactions are listed in Table 8:2.

Table 8:2 Comparable Market Transactions – Caula Project

Date	Project	Seller	Buyer	Location	Interest	Consideration ($M)	Value $M (100%)	Resources (Mt)	Grade (TGC %)	Contained TGC (Mt)	Implied Value ($/t TGC)
May-18	Lindi	Undisclosed	Walkabout Resources	Tanzania	30%	1.3	4.4	29.6	11.0%	3.25	$1.35
Apr-18	Siviour	Ausmin Development	Renascor	South Australia	51%	5.6	11.0	80.6	7.9%	6.37	$1.73
Feb-18	Grafex	Gregory James Sheffield	Triton	Mozambique	20%	1.9	9.6	1,443	11.1%	160.32	$0.06
Sep-17	Munglinup	Gold Terrace Pty Ltd	Mineral Commodities Ltd	Western Australia	51%	4.4	8.6	3.6	15.3%	0.56	$15.56
May-17	Chilalo	Graphex	CN Docking	Tanzania	50%	24.0	48.0	16.9	10.2%	1.72	$27.85*
Jun-16	Siviour	Ausmin Development	Renascor	South Australia	29%	0.7	2.3	16.8	7.4%	1.24	$1.82
Sep-15	Graphmada	Stratmin Global Resources Plc	Bass	Madagascar	100%	5.4	5.4	5.7	4.1%	0.23	$22.95
										Average $/t TGC	$10.19
										Median $/t TGC	$1.82
										Quadrant 1 $/t TGC	$1.35
										Quadrant 3 $/t TGC	$22.95

Source: ASX Company Announcements

** Transaction not completed.*

In assessing a valuation factor for unit resource tonnes, Mining Insights analysed these transactions and considered them to be suitable comparatives for the valuation of Caula Project. The transactions were analysed in terms of the implied purchase price and the Mineral Resource at the time of the transaction. The share prices at the time of the announcement of the transactions were considered, where shares formed a part of the consideration and the timing of payments, as set out in the initial agreements, was also taken into account.

In May 2018, Walkabout Resources exercised its option to acquire the remaining 30% interest in the Lindi Graphite Project in Tanzania for US$1 million ($1.3M) in cash. Lindi's Resource Estimate of 2016 also includes 0.2% V_2O_5 apart from 11%TGC. Based on the Mineral Resource, currency exchange rate and share price at the time, this equates to $1.35/t of TGC.

During April 2018, Renascor Resources exercised the option to acquire the remaining 51% equity in the Siviour Graphite Project from Ausmin Development Pty Ltd by issuing 187.6 million shares in the company. Based on the Mineral Resource and share price at the time, this equates to $1.73/t of TGC.

In February 2018, Triton Minerals acquired the remaining 20% of the Mozambique exploration licenses encompassing the areas of Ancuabe, Nicanda Hill, Cobra Plains, Nicanda West and Balama South from its JV partner, Gregory James Sheffield, for US$1.5M ($1.9M). Nicanda Project's Mineral Resource also includes 0.29% V_2O_5 apart from 11% TGC. Based on the Triton's Mineral Resource and exchange rates at the time, this equates to $0.06/t of TGC.

During September 2017, Mineral Commodities Ltd (MRC) acquired 51% interest in the Munglinup Graphite Project in Western Australia from Gold Terrace Pty Ltd for upfront consideration of $3.2M cash and 10 million shares in MRC. Based on the Mineral Resource and MRC's share price at the time, this equates to $15.56/t of TGC.

In May 2017, CN Docking Joint Investment and Development Co Ltd signed a non-binding term sheet with Graphex for an equity investment of US$18M ($24M) for a 50% interest in the Graphex's Chilalo Project along with the off-take agreement. Based on Chilalo's Mineral Resource and exchange rates at the time, this equates to $27.85/t of TGC. However, the transaction was not completed.

During September 2015, Bass Metals entered into an agreement with Stratmin Global Resources Plc to acquire Graphmada Graphite assets located in Madagascar. These assets have previously operated. Initial payment includes $1.5M cash in addition to 75 million shares at $0.01/share. Subsequently in December 2016, Bass renegotiated the deferred consideration payment to $3.14M, bringing the total cost of acquisition to $5.39M. Based on the Mineral Resource and share price at the time, this equates to $22.95/t of TGC.

To confirm the unit price of the comparable transactions identified, Mining Insights reviewed the enterprise value per TGC resource tonne (or TGC equivalent) of selected comparable Mineral Resource (Figure 8:1). The enterprise value is based upon the share price as at 15 February 2019 and the most recently reported financial and share registry information.

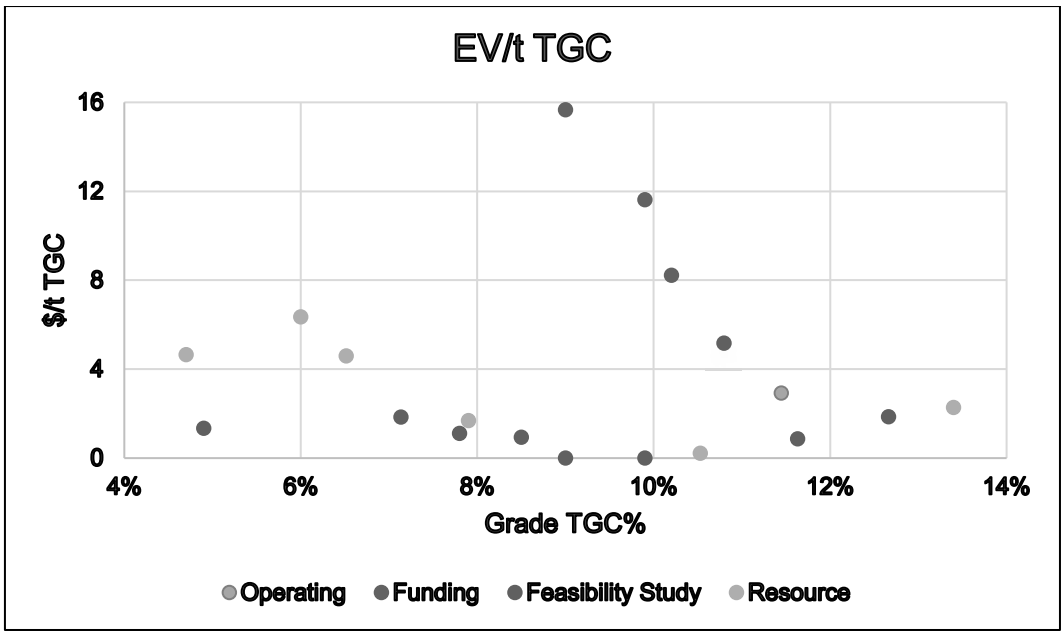

Figure 8:1 EV/t TGC compared to Mineral Resource Grade

Mining Insights have also reviewed EV/t of neighbouring Syrah Resources Balama Mine which contains significant Mineral Resource at 11% TGC and 0.23% V_2O_5. Based on market capitalisation and latest available cash and debt position, EV/t was estimated at $2.70/t TGC.

Considering the risk profile based on project location, geology, metallurgy, and other micro and macro-economic parameters (including market sentiment) which could affect the project viability and economics, in Mining Insights' opinion, the implied value of delineated mineralisation within the Caula Project should be in the range of $2.0/t to $4.0/t of contained TGC in Mineral Resource with a preferred value of $3.0/t of contained TGC.

Therefore, based upon the market based comparable transaction method, the valuation of the 100% of the Caula Project has been assigned in the range of $5.9M to $11.7M with a preferred value of $8.8M. A summary of the Mining Insights' market-based valuation is presented in Table 8:3.

Table 8:3 Market-Based Valuation – Caula Project (6678L)

Project	Contained TGC (Mt)	Market Value ($/t TGC)			Valuation ($M)		
		Lower	Preferred	Higher	Lower	Preferred	Higher
Caula Project	2.93	2.0	3.0	4.0	5.9	8.8	11.7
Market Based Valuation – Caula Project (100% Basis)					**5.9**	**8.8**	**11.7**

This valuation range can be considered appropriate for the project at this stage of development, reflecting the uncertainty of eventual extraction of a mineral resource.

8.2.2 Valuation based on Market Comparable – Other Tenements

To determine the fair market value for New Energy's other tenements which has no defined Mineral Resources, Mining Insights has reviewed recent market transactions for exploration assets involving sale and purchase of tenements with graphite mineralisation without any delineated Mineral Resource reported in accordance with the JORC Code.

Mining Insights has identified three (3) transactions which can be considered relevant in assessing the fair market value of these tenements. These market transactions are discussed below:

- In June 2018, Mineral Commodities Ltd. acquired tenement E74/565 adjoining to its Munglinup Graphite Mining Lease in Western Australia for a cash consideration of $200,000. The previous airborne geophysical survey showed that the graphitic gneiss extends into E74/575. Based on the size of the tenement of 151.8 km^2, this equates to $1,318/$km^2$ of the tenement.

- In April 2017, Metals Australia Ltd. acquired 20.4 km^2 of the tenement at the Lac Rainy Nord Graphite project in Quebec, Canada for a consideration of 5 Million fully paid shares in the company. Exploration previously completed had identified several mineralized targets and is contiguous with Focus Graphites' Lac Knofe Graphite Project in the South, as well as the Company's existing Lac Rainy Nord Graphite Project. Based on the size of the tenement and prevailing share price, this equates to $1,471/$km^2$ of the tenement.

- Discovery Africa Ltd. acquired a graphite exploration tenement in Uganda in April 2014. Exploration tenement EL 1173 located adjacent to the Kitgum Project was acquired for a cash consideration of US$25,000 and 9.5 Million fully paid shares in the company. Based on the size of the tenement, prevailing exchange rate and share price, this equates to $3,291/$km^2$ of the tenement.

Mining Insights notes that these transactions involve tenements in 3 different jurisdictions (Australia, Canada & Uganda) with varying level of prospectivity for Graphite as compared to Balama's tenements which are located in Mozambique which is emerging as one of a major supplier of natural graphite outside China.

Considering the location, geology, prospectivity and other micro and macro-economic parameters (including market sentiment), in Mining Insights' opinion, the implied value of New Energy's other tenements without defined Mineral Resource should be in the range of $1,000/$km^2$ of the tenement to $5,000/$km^2$ of tenement depending on the tenement's prospectivity. Based on the market based comparable transaction method, the valuation (100% basis) of the New Energy's other tenements is presented in Table 8:4.

Table 8:4 Market-Based Valuation – Other Tenements (100% Basis)

Tenement	Area km^2	Market Value ($/km^2)			Valuation ($'000) (100% Basis)		
		Lower	Preferred	Higher	Lower	Preferred	Higher
5873L	137.8	2,000	3,500	5,000	276	482	689
6363L	75.8	1,000	1,500	2,000	76	114	152
7560L	127.9	1,000	1,500	2,000	128	192	256

This valuation range can be considered appropriate for the project at this stage of development, reflecting the uncertainty of eventual extraction of a mineral resource.

8.3 Valuation based on Geoscientific Rating Method

The Geoscientific or Modified Kilburn method of valuation, as described by Kilburn (1990), attempts to quantify the relevant technical aspects of a property through the use of appropriate multipliers (factors) applied to an appropriate base (or intrinsic) value. The intrinsic value is referred to as the Base Acquisition Cost (BAC) and is critical as it forms the standard base from which to commence a valuation. It represents "the average cost to identify, apply for and retain a base unit of area of the title".

Multipliers or factors are considered for Off-property aspects, On-property aspects, Anomaly aspects and Geological aspects. These multipliers are applied sequentially to the BAC to estimate the Technical Value for each tenement. A further Market Factor is then considered to derive a Fair Market Value.

Mining Insights has used a BAC of $450/km^2, which is in line with recent valuation reports by SRK, Agricola, Xstract Mining Consultants and Optiro. Mining Insights has assessed the Market Factor so that the average A$/km^2 factor for all licences assessed, is similar to the area-based valuation factor derived from the market analysis. The rating criteria used for assessing the modifying factors are provided in Table 8:5.

Table 8:5 Geoscientific Rating Table

Rating	Off property Factor	On Property Factor	Anomaly Factor	Geological Factor
0.1			No anomaly identified	Unfavourable geological setting
0.5	Unfavourable district/basin	Unknown area	Extensive previous exploration provided poor results	Poor geological setting/ extensive cover
0.9			Poor results to date	Generally, favourable geological setting, undercover or complexly deformed
1	No known mineralisation in district	No known mineralisation on lease	No targets outlined	Generally favourable geological setting
1.5	Minor workings	Minor workings or mineralised zones exposed	Target identified, initial indications positive	

Rating	Off property Factor	On Property Factor	Anomaly Factor	Geological Factor
2	Several old workings in district	Several old workings or exploration targets identified	Several well-defined targets supported by limited drill data	Multiple exploration models being applied simultaneously
2.5			Several well-defined targets with encouraging drill results	Well defined exploration model applied to new areas
3	Mine or abundant workings with significant previous production	Mine or abundant workings with the previous production		Significant mineralised zones exposed in prospective host rocks
3.5			Significant grade intercepts evident but not linked on the cross or long section	
4	Along strike from a major deposit	Major mine with significant historical production	Several sub-economic grades intercept on adjacent sections	Well understood exploration model, with valid targets in the structurally complex area, or undercover
5	Along strike of the world-class deposit		Marginal economic targets of significant size	Well understood exploration model, with valid targets in well-understood stratigraphy
6			Several significant ore grade correlate-able intersections	Advanced exploration model constrained by known and well-understood mineralisation
10		World class mine		

Geoscientific ratings per tenement and valuation based on a Geoscientific Method for New Energy's tenements are provided in Table 8:6. These Geoscientific ratings have considered the location, prospectivity and level of exploration work completed.

Table 8:6 Valuation - Geoscientific Method (100% Basis)

Tenement	Area (km2)	BAC ($'000)	Factor Range	Off Property	On property	Anomaly	Geology	Technical Value ($'000)	Market Factor	Valuation ($'000)
Caula (6678L)	31.9	14	Low	3	3	5	5	3,226	1	3,226
			High	4	4	7	7	11,240		11,240
5873L	137.8	62	Low	2	1	1.5	1.5	279	1	279
			High	3	1.5	1.5	2	837		837
6363L	75.8	34	Low	2	1	1	1	68	1	68
			High	3	1	1	1.5	153		153
7560L	127.9	58	Low	2	1	1	1	115	1	115
			High	3	1	1	1.5	259		259

8.4 Valuation Summary

In forming its opinion of the reasonable value of New Energy's tenements, Mining Insights has taken guidance from the comparable market transactions method and Geoscientific Rating method. In selecting its overall value range and preferred value, Mining Insights has placed equal weight on the values implied by the Comparable Transaction and Geoscientific Rating Methods, with a preferred value being halfway between low and high-value range.

Summary for the New Energy's tenements (on 100% basis) is shown in Table 8:7.

Table 8:7 Valuation – New Energy Projects (100% Basis)

Project	Method	Implied Value ($'000) 100% Basis		
		Low	High	Preferred
Caula (6678L)	Comparable Transaction	5,900	11,700	
	Geoscientific Rating	3,226	11,240	
	Selected	**4,500**	**11,500**	**8,000**
5873L	Comparable Transaction	276	689	
	Geoscientific Rating	279	837	
	Selected	**279**	**763**	**525**
6363L	Comparable Transaction	76	152	
	Geoscientific Rating	68	153	
	Selected	**72**	**152**	**115**
7560L	Comparable Transaction	128	256	
	Geoscientific Rating	115	259	
	Selected	**120**	**260**	**190**

Table 8:8 considers New Energy's equity position in Balama's mineral assets.

Table 8:8 Valuation – Balama Projects (New Energy's Equity Basis)

Project	Equity	Valuation ($'000)		
		Lower	Preferred	Higher
Caula (6678L)	80%	3,600	6,400	9,200
5873L	60%	168	316	458
6363L	100%	72	116	152
7560L	100%	120	190	260
Total (Balama's Share)		**3,960**	**7,022**	**10,070**
New Energy's Share (50% of Balama)		**1,980**	**3,510**	**5,035**

Based on Market Comparable and Geoscientific Rating method, the valuation for New Energy's relevant interest in Balama's portfolio of tenements has been determined to be in the range of $1,980,000 to $5,035,000 with a preferred value of $3,510,000. This valuation range is considered appropriate for the projects at this stage of development, reflecting the uncertainty of eventual extraction of a mineral resource.

Compiled by

Manish Garg
Director / Mineral Asset Valuation Specialist

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Appendix A – Qualifications

Manish Garg is a Director at Mining Insights Pty Ltd. Mining Insights is a mining and logistics consulting organisation with headquarter at Brisbane, Australia. Manish has extensive experience in the assessment and valuation of mineral assets.

Sept 2016 – Present **Mining Insights Pty Ltd**
Director

Consulting work with over 9 valuation assignments including:

- Oakdale Resource – Oakdale Graphite Project
- New Century Resources – Century Zinc & Kodiak Projects
- Ascot Resources – Colombian Coal Assets
- Golden Energy & Resources Ltd – Valuation of 4 major operating mines for Singapore SGX Mainboard listing
- AMCI – Vale's Carborough Downs Mine
- AMCI – South Galilee Coal Project
- Balamara Resources – Coal Assets in Poland
- Mayur Resources – Gold & Copper projects in PNG
- Valor Resources – Manganese Copper project, Peru

Oct 2011 – Sept 2016 **Salva Resources Pty Ltd**
Director – Consulting

Consulting work including over 25 valuation assignments including:

- Hancock Prospecting Pty Ltd – Valuation
- Chinalco Yunnan Copper Resources Ltd – Due Diligence & Valuation
- Guildford Coal Ltd – Independent technical expert report
- Kangaroo Resources Ltd – Independent Valuation
- Conto resources Ltd & Dateline Resources Pty Ltd – Independent Valuation
- Avocet Resources Ltd & Lion One Metals Ltd – Independent valuation
- Anglo Coal – Management Advisory
- Rio Tinto – Management Advisory
- Sakari Resources Ltd – Management Advisory
- RSM Bird Cameron Pty Ltd – Ind Valuation
- Planet Resources – Independent technical expert report
- Mitchell Energy Pty Ltd – Valuation
- Pilbara Commodities Pty Ltd – Independent Valuation
- Queensland Coal Investment Pty Ltd – Valuation
- Triveni Earthmovers Pty Ltd – Due Diligence on Iron ore asset in Mauritania
- OPG International Ventures Pty Ltd – Valuation
- AMCI - Due Diligence & Valuation
- Temasek Holding (Singapore) Pty Ltd – Due Diligence & Valuation
- Fitzroy Port Pty Ltd – Due Diligence

Apr 2009 – Oct 2011 **Xstract Mining Consultants Pty Ltd**
Manager & Principal Consultant – Evaluation

Consulting work including working on over 30 evaluation and valuation assignments including:

- First Reserve Corporation Inc – Due Diligence & Valuation
- Temasek Holding (Singapore) Pty Ltd – Due Diligence & Valuation
- KPMG – Valuation
- Oman Oil – Due Diligence & Valuation
- Cliff Natural Resources - Management Advisory
- Rio Tinto – Due Diligence & Valuation
- Anglo Coal – Due Diligence & Valuation
- Mitsui – Due Diligence & Valuation
- AMCI – Due Diligence & Valuation
- Vale – Due Diligence & Valuation

June 2006 – Apr 2009 **Rio Tinto**
Group Manager – Business Improvement

Internal consulting work including assignments for strategy and valuation for:

- Hunter Valley Operations
- Mount Thorley Warkworth Operations
- Bengalla Coal Mine
- Kestrel Mine
- Blair Athol Mine
- Hail Creek Mine
- Clermont Mine
- Rio Tinto Alcan Weipa Operations
- Kennecott Utah Copper
- Rio Tinto Pilbara Iron

June 2005 – June 2006 **BHP Billiton – Illawarra Coal**
Manager – Business Excellence

Internal consulting work including assignments for optimisation, strategy and valuation for:

- West Cliff Mine
- Appin Mine
- Dendrobium Mine
- Port Kembla Coal Terminal

March 2004 – June 2005 **Oceanagold Gold Ltd**
Manager – Business Strategy

Internal consulting work including assignments for optimisation, valuation, strategy and business modelling for:

- Macraes Open-pit
- Frasers Underground
- Reefton Open-pit

Oct 2002 – March 2004 **WMC Resources Ltd (now BHP Billiton – Nickel West)**
Manager – Business Planning

Internal Consulting work including assignments for optimisation, evaluation of various assets, merger & acquisition strategy and valuation for:

- Kalgoorlie Nickel Smelter
- Mount Keith Mine
- Leinster Operations
- Kambalda Operations
- Kwinana Nickel Refinery
- Olympic Dam Operations

Mar 1992 – Oct 2002 **Pasminco Ltd (now MMG Resources)**

March 2000 – Oct 2002	**Manager – Business Analysis**
March 1999 – March 2000	**Manager – Market Analysis**
Oct 1997 – March 1999	**Lead Engineer – Studies**
Mar 1992 – Oct 1997	**Superintendent - Metallurgy**

Internal Consulting work including assignments for operations, optimisation, evaluation and feasibility studies including modelling for:

- Elura Mine, Cobar
- Broken Hill Mine
- Century Mine
- Rosebery Mine
- Hobart Smelter
- Budel Smelter, Netherlands
- Port Pirie Smelter

July 1988 – Feb 1992 **Vedanta Plc.**
Engineer – Mineral Processing

Education

1997 - 2000 **Master of Applied Finance**
Securities Institute (now Kaplan), Melbourne

1984 - 1988 **Bachelor of Engineering (Minerals Engineering) (Honours)**
Indian School of Mines

Professional Associations

Member of the Australasian Institute of Mining and Metallurgy
Member of the Australian Institute of Company Directors

Others

Workshop leader for various technical conference and workshops on valuation and project assessment.

Appendix B – Valuation Approaches and Methods

To ensure compliance with the ASX's listing rules and Australian Corporations Law, this Report has been prepared in accordance with the VALMIN Code. Under the VALMIN Code, mineral assets are classified according to their maturity. A *mineral asset* includes all property held for the purpose of near term or eventual mineral extraction, including but not limited to:

- real property
- intellectual property
- concessions, plant, equipment and associated infrastructure.

Most mineral assets can be classified as outlined in the table below.

Mineral asset classification

Project development stage	Criterion
Exploration areas	Mineralisation may or may not have been defined, but where a Mineral Resource has not been identified.
Advanced exploration areas	Considerable exploration has been undertaken and specific targets identified. Sufficient work has been completed on at least one prospect to provide a good geological understanding and encouragement that further work is likely to result in the determination of a Mineral Resource.
Pre-development / Resource	Mineral Resources and/or Ore Reserves have been identified estimated. A positive development decision has not been made. This includes properties where a development decision has been negative and properties are either on care and maintenance or held on retention titles.
Development	Committed to production but not yet commissioned or not initially operating at design levels.
Operating	Mineral properties, in particular mines and processing plants, which have been fully commissioned and are in production.

Source: VALMIN, 2005

Under the VALMIN Code, the *value* is the fair market value of a mineral asset (2005). Fair market value is the amount of money or the cash equivalent that a willing buyer and seller would exchange on the valuation date in an arm's length transaction (VALMIN, 2005). Each party is assumed to have acted knowledgeably and without compulsion. In essence, fair market value is comprised of:

- Underlying or 'technical value' - a mineral asset's future economic benefit under a set of assumptions, excluding any premium or discount for the market, strategic, or other considerations
- Market component - a premium relating to market, strategic or other considerations, which can be either positive, negative, or zero.

The market value should include all material information to the asset. For projects with extensive technical detail, the valuer determines the materiality of information based on whether its inclusion would result in the valuation reaching a different conclusion.

There is no single method of valuation which is appropriate for all situations. Rather, there are several valuation methods, each of which has some merit and is more or less applicable depending on the circumstances. Mineral assets are generally valued based on approaches that assess income, cost, and the open market. As the VALMIN Code is not prescriptive in this regard, the 2008 Edition of The South African Code for the Reporting of Mineral Asset Valuation (SAMVAL) and the Canadian 2003 Edition of the Standards and Guidelines for Valuation of Mineral Properties (CIMVAL) provide insight into applicable approaches, as shown in the table below.

Valuation approaches for different types of mineral assets

Approach	Project development stage			
	Exploration	Resource	Development	Operating
Income	No	Rarely	Yes	Yes
Cost	Yes	Rarely	No	No
Market	Yes	Yes	Yes	Yes

Source: CIMVAL, 2003

Market-based approach

The market-based approach uses the transaction prices of projects in similar geographical, geopolitical, and geological environments to derive a market value using a process similar to that in the real estate industry (CIMVAL, 2003). The market-based approach may use the assumption either of joint venture terms or outright acquisitions and can be presented in a range of unitised values including on a dollar per ounce or tonne of contained metal/mineral; a dollar per square kilometre; or as a percentage of the prevailing commodity price.

In the Mining Insights' opinion, a market-based approach is well suited to establishing a likely value for mineral deposits and exploration projects, as it inherently takes into account all value drivers.

Related comparable transactions

Recent comparable transactions can be relevant to the valuation of projects and concessions. While it is acknowledged that it can be difficult to determine to what extent the properties and transactions are indeed comparable unless the transactions involve the specific parties, projects or concessions under review, this method can provide a useful benchmark for valuation purposes. The timing of such transactions must be considered as there can be a substantial change in value with time.

Mining Insights has considered whether any comparable relevant transactions have taken place in recent years which can be used as a basis for estimation of the value of the mining assets assessed herein.

As no two mineral assets are the same, the Expert must be cognizant of the quality of the assets in the comparable transactions, with specific reference to:

- the grade of the resource
- the metallurgical qualities of the resource
- location of the deposit (geopolitical risk associated with the location)
- the proximity to infrastructure such as an existing mill, roads, rail, power, water, skilled workforce, equipment, etc.
- likely operating and capital costs

- the amount of pre-strip (for open pits) or development (for underground mines) necessary
- the likely ore to waste ratio (for open pits)
- the size of the concession covering the mineral asset, and
- the overall confidence in the resource.

Alternative offers and joint venture terms

If discussions have been held with other parties and offers have been made on the project concessions under review, then these values are certainly relevant and worthy of consideration. Similarly, joint venture terms where one party pays to acquire an interest in a project or spends exploration funds in order to earn interest, provide an indication of value.

Rules of thumb or yardsticks

Certain industry ratios are commonly applied to mining projects to derive an approximate indication of value. The most commonly used ratios are dollars per tonne of coal in resources, dollars per tonne of coal in reserves, and dollars per tonne of annual production. The ratios used commonly cover a substantial range which is generally attributed to the 'quality' of the coal, the infrastructure to reach markets and the status of the tonnes estimates. Low cost of production tonnes is clearly worth more than high-cost tonnes. Where a project has the substantial future potential not yet reflected in the quoted resources or reserves a ratio towards the high end of the range may be justified.

Other Expert Valuations

Where other independent experts or analysts have made recent valuations of the same or comparable properties, these opinions clearly need to be reviewed and to be taken into consideration.

Cost-based Approaches

Appraised Valuation or Multiple of exploration expenditure method (MEE)

Past expenditure or the amount spent on exploration of a concession is commonly used as a guide in determining the value of exploration concessions, and 'deemed expenditure' is frequently the basis of joint venture agreements. The assumption is that well-directed exploration has added value to the property. This is not always the case and exploration can also downgrade a property and therefore a 'prospectively enhancement multiplier' (PEM), which commonly ranges from 0.5-3.0, is applied to the effective expenditure. The selection of the appropriate multiplier is a matter of experience and judgement.

To eliminate some of the subjectivity with respect to this method, Mining Insights applies a scale of PEM ranges as follows to the exploration expenditure:

Prospectively enhancement multipliers

PEM Range	Criteria
0.2 - 0.5	Exploration (past and present) has downgraded the tenement prospectivity, no mineralisation defined
0.5 - 1.0	Exploration potential has been maintained (rather than enhanced) by past and present activity from regional mapping

PEM Range	Criteria
1.0 - 1.3	Exploration has maintained, or slightly enhanced (but not downgraded) the prospectivity
1.3 - 1.5	Exploration has considerably enhanced the prospectivity (geological mapping, geochemical or geophysical activities)
1.5 - 2.0	Scout drilling (RAB, Aircore, RC) has identified economic drill intersections of mineralisation
2.0 – 2.5	Detailed drilling has defined prospects with potential economic interest
2.5 – 3.0	A Mineral Resource has been estimated at Inferred JORC category
3.0 – 4.0	Indicated Mineral Resources have been estimated that are likely to form the basis of a Pre-feasibility Study
4.0 – 5.0	Indicated and Measured Resources have been estimated and economic parameters are available for assessment

Source: Mining Insights

Over-riding any mechanical or technical valuation method for exploration ground must be recognition of prospectivity and potential, which is the fundamental value in relation to exploration properties.

Geo-Scientific rating (or Kilburn method)

Geo-Scientific rating (or Kilburn method), is used to value early stage exploration assets. This method is an attempt by the valuation expert to quantify the various technical aspects of a property through the use of multipliers which are applied to a base or intrinsic value (Goulevitch J & Eupene G S, 1994 and Kilburn,1990). This intrinsic value is known as the base holding cost (BHC) which represents “the average cost to identify, apply for and retain a base unit of area of tenement title”.

To derive a value for each property, the valuation expert considers four key attributes which either enhance or downgrade the BHC of each property. The technical factors considered are:

- the Off-property factor – nearby properties containing physical indications of favourable mining conditions such as old workings and/or mines;
- the On-property factor – the property being assessed hosts favourable mining indications such as historic workings or mines. Importantly any mineralisation capable of supporting a Mineral Resource estimate, compliant according to the guidelines of the JORC Code, will be assessed using other valuation methods;
- the Anomaly factor – assesses the degree of exploration completed over the property and the number of resultant mineralised targets identified, and
- the Geological factor – assesses the area covered by and degree of exposure of favourable rock types and/or structures (if this is related to the mineralisation style being assessed) within the property.

These attributes are given incremental, fractional or integer ratings to arrive at a series of multiplier factors. These multipliers are then applied sequentially to the BHC to estimate the Technical Value of each mineral property. This is adjusted for local market conditions to determine the Fair Market Value of the project as at the effective valuation date. The strength of the geo-scientific method is that it makes an attempt to implement a systematic system. Whilst it does require a subjective assessment of the various multipliers, it also demands a degree of detached rigour to account for the key factors that can be reasonably considered to impact on the exploration potential of a property. Mining Insights’ multipliers or ratings and the criteria for rating selection are summarised in the table below.

Geo-Scientific Rating Criteria

Rating	Off property Factor	On Property Factor	Anomaly Factor	Geological Factor
0.1			No anomaly identified	Unfavourable geological setting
0.5	Unfavourable district/basin	Unknown area	Extensive previous exploration provided poor results	Poor geological setting/ extensive cover
0.9			Poor results to date	Generally, favourable geological setting, undercover or complexly deformed
1	No known mineralisation in district	No known mineralisation on lease	No targets outlined	Generally favourable geological setting
1.5	Minor workings	Minor workings or mineralised zones exposed	Target identified, initial indications positive	
2	Several old workings in district	Several old workings or exploration targets identified	Several well-defined targets supported by limited drill data	Multiple exploration models being applied simultaneously
2.5			Several well-defined targets with encouraging drill results	Well defined exploration model applied to new areas
3	Mine or abundant workings with significant previous production	Mine or abundant workings with the previous production		Significant mineralised zones exposed in prospective host rocks
3.5			Significant grade intercepts evident but not linked on the cross or long section	
4	Along strike from a major deposit	Major mine with significant historical production	Several sub-economic grades intercept on adjacent sections	Well understood exploration model, with valid targets in the structurally complex area, or undercover
5	Along strike of the world-class deposit		Marginal economic targets of significant size	Well understood exploration model, with valid targets in well-understood stratigraphy
6			Several significant ore grade correlate-able intersections	Advanced exploration model constrained by known and well-understood mineralisation
10		World class mine		

(modified by Mining Insights)