

# Update for The Quarter Ending 31 March 2019

24 April 2019

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## HIGHLIGHTS

- The Company entered into a binding Share Sale and Purchase Agreement ("SPA") with Auspicious Virtue Investment Holding Limited, for the sale by New Energy of all its remaining shares in Balama Resources Pty Ltd for a total cash consideration of AUD\$7,000,000.
- Under the SPA, a capital reduction will be conducted to provide a return of capital to its shareholders of an aggregate amount being not less than 60% of the Purchase Price of the remaining 50% of Balama Resources Pty Ltd, less the costs incurred by the Company in executing and completing the sale transaction.
- The Drop Dead Date under the Merger of Ruby Assets Agreement with Fura Gems Inc, was extended for closing of the ruby assets sale transaction from 28 February 2019 to 31 March 2019 and then to 30 April 2019, to allow for the satisfaction of the outstanding conditions precedent, principally being the receipt of a binding tax opinion from the tax authorities of Mozambique, and Ministerial approval.
- New Energy announced very positive results from the first set of specialised independent tests conducted by German-based NGS Trading and Consulting GmbH, on its 40%-owned Caula Graphite and Vanadium project located in Northern Mozambique.
- The Company's application to have Arena's statutory demand set aside was heard by the Master of the Supreme Court of Western Australia on 27 March 2019. It was announced that Master Sanderson of the Supreme Court of Western Australia reserved his judgement, with his decision expected in three to 6 weeks from the court hearing date.

**New Energy  
Minerals**

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New Energy Minerals Limited (“**New Energy**” or “the **Company**”) (**ASX:NXE, FRA:GGY**) is pleased to provide an update in respect of its activities for the quarterly period ending 31 March 2019.

## **Operational Update**

### **Agreement to Sell Remaining 50% of Balama Resources**

In February 2019, New Energy announced that it had entered into a binding Share Sale and Purchase Agreement (“**SPA**”), with Auspicious Virtue Investment Holding Limited, for the sale by New Energy of all its remaining shares (the “**Shares**”) in Balama Resources Pty Limited (“**Balama**”) for a total cash consideration of AUD\$7,000,000 (“**Purchase Price**”). On completion of the SPA (“**Completion**”), Auspicious Virtue Investment Holding Limited, an investment vehicle of Mr. Louis Ching, will be the sole shareholder of Balama, holding 100% of the shares on issue, an increase from its previous 50% holding of the issued capital in Balama.

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

As part of the SPA, New Energy agreed to conduct an equal access capital reduction (“**Capital Reduction**”), under which the Company will provide a return of capital to its shareholders of an aggregate amount being not less than 60% of the Purchase Price, less the costs incurred by the Company in executing and completing the sale transaction. Through the Capital Reduction, the Board of New Energy aims to return some value to shareholders, whilst allowing them to retain their shares in the Company.

As announced on 7 November 2018, the Company entered into a Strategic Investment Agreement (“**Agreement**”) with Mr. Louis Ching, whereby he acquired 50% of the shares on issue in Balama, via his investment vehicle, Auspicious Virtue Investment Holding Limited, a company incorporated in the British Virgin Islands. Under the **Agreement**, Mr. Louis Ching also entered into a private placement with the New Energy via his secondary investment vehicle, UbezTT International Holdings (“**UbezTT**”), which resulted in UbezTT becoming a substantial shareholder in New Energy, currently holding ~15% of the issued shares in the Company. Mr. Ching also holds a directorship of Balama.

It should be noted that the SPA is subject to a number of conditions precedent which were outlined in the ASX announcement dated 8 February 2019.

### **Extension of the Merger of Ruby Assets Agreement with Fura Gems**

During the quarter, the Company announced the extension of the Drop Dead Date under the Merger of Ruby Assets Agreement dated 28 November 2018 (“**MRAA**”) as amended with Fura Gems Inc (“Fura”) (“**Amending Agreement**”). As announced, Fura gave the Company notification of the extension of the Drop Dead Date for closing of the ruby assets sale transaction with Fura under the Amending Agreement from 28 February 2019 to 31 March 2019 and then to 30 April 2019, to allow for the satisfaction of the outstanding conditions precedent, principally being the receipt of a binding tax opinion from the tax authorities of Mozambique and Ministerial approval.

For further details of the Ruby Asset Merger, please see ASX announcements dated 17 July 2018 and 29 November 2018.

### **Metallurgical Tests Show Expandability and Purity of Caula Graphite**

During the quarter, the Company announced the results of the first set of specialised independent tests conducted by German-based NGS Trading and Consulting GmbH (“NGS”) on its 40%-owned Caula Graphite and Vanadium project located in Northern Mozambique.<sup>1</sup>

For the evaluation work, two composite samples of graphite concentrate, one produced from the Oxide Zone and one from the Fresh Zone, were submitted to NGS. Chemical purification tests, as well as a full suite of

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<sup>1</sup> Refer to ASX Announcement dated 15 March 2019

expandability tests (25 different combinations of pre-treatment and expansion temperature) for the preparation of expandable graphite, were conducted on all grain sizes. NGS tested expandability of both zones with the most common, low cost and simplest methods of pre-treatment.

The first set of expandable tests conducted at NGS produced expansion ratios of up to 430 mL/g for both the Oxide Zone and Fresh Zone composite samples and an average of 295 mL/g for all flake sizes combined. The excellent expandability makes the graphite suitable for the production of expanded graphite for the use in flame retardant building cladding materials. This is an important and potentially very high-growth use for graphite. The minimum industrial specification for this use is an expandability of 150 mL/g. According to this benchmark, an expandability of 175 mL/g is considered satisfactory, whilst an expandability of 230 mL/g is considered excellent.

Chemical purification testwork was conducted on both the Oxide Zone and Fresh Zone samples. An average purity of 99.86% TGC (total graphitic carbon) was achieved from the Oxide Zone sample through a non-optimised, simple and low cost chemical up-grading process, on all flake sizes including the minus 75µm fraction. The weighted average for all flake sizes larger than 75µm achieved 99.97% TGC purity.

The NGS report notes that there is no reaction of the graphite samples and graphite ash with hydrochloric acid (HCl). This indicates the absence of carbonates in the samples, zero carbonate content being essential for some graphite applications.

The report further states that the ash (from combustion of the graphite during gravimetric analysis) mainly consists of very small mica in the coarse-flake sizes. Furthermore, NGS did not find any grains of hard minerals such as quartz in the flake ash. This observation qualifies the flake graphite from the Caula project as suitable for the production of graphite foil.

The report also states that the extremely high grade of the chemically purified graphite qualifies it for the production of spherical graphite and all kinds of high-technology applications.

## **Corporate Update**

### **Arena Dispute**

On 23 January 2019, the Company announced that the mediation between Arena and the Company, which was held on 18 January 2019, did not result in any form of settlement between the parties. As a result, a court date in late March 2019 was set to hear the Company's application to set aside Arena's statutory demand.

During November 2018, the Company announced that it had lodged an application pursuant to Section 459G of the Corporations Act, to set aside the statutory demand by Arena Structured Private Investments (Cayman) LLC ("Arena"), arising from debts allegedly owed by the Company under the terms of the Unsecured Convertible Note Deed between the Company and Arena. New Energy, in consultation with its legal counsel, lodged the application to the Supreme Court of Western Australia on 19 November 2018 to have the statutory demand set aside.

The Company's application to have Arena's statutory demand set aside was heard by the Master of the Supreme Court of Western Australia on 27 March 2019. It was announced that Master Sanderson of the Supreme Court of Western Australia had reserved his judgement, with his decision expected in three to 6 weeks from the court hearing date.

# FOR FURTHER INFORMATION, PLEASE CONTACT:

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## **FORWARD-LOOKING STATEMENTS AND DISCLAIMERS:**

This document may include forward-looking statements. Forward-looking statements include but are not necessarily limited to the Company's planned exploration program and other statements that are not historic facts. When used in this document, words such as "could", "plan", "estimate", "expect", "intend", "may", "potential", "should" and similar expressions are forward-looking statements. Although the Company considers that its expectations reflected in these statements are reasonable, such statements involve risks and uncertainties, and no assurance can be given that actual results will be consistent with these forward-looking statements.

Recipients are cautioned against placing reliance on forward-looking statements in the announcement, actual values, results and or interpretations may be materially different to those implied or expressed as they are limited to this announcements date of issue.

The announcement is in summary form and for information purposes only, recipients are urged to conduct their own analysis to satisfy themselves to the accuracy and completeness of the information, any statements and/or opinions that have been made in this announcement.

This announcement and the information summarised herein does not constitute as offer, invitation, solicitation or recommendation in relation to the sale or purchase of shares in any jurisdiction. The announcement may only be distributed in jurisdictions where the legal requirements of that jurisdiction is met. Recipients are advised to familiarise themselves and be aware of the legal requirements and restrictions that may apply to their jurisdictions as a failure to comply may result in a violation of the securities laws.

The announcement has been compiled without consideration to the recipient's investment objectives, financial needs or circumstances. The information, opinions and recommendations in this announcement does not constitute investment advice or recommendation. Recipients are urged to always seek professional advice before making any investment decision.

All investment transactions involve risk, including but not limited to, market fluctuations, adverse political and financial developments. New Energy Minerals Limited, its employees, its contractors, its officers, its agents and advisors do not make any representation or warranty, express or implied, as to the currency, accuracy, reliability or completeness of any information, statements, opinion, estimates, forecasts or other representations contained in this announcement. No responsibility for any errors or omissions from the announcement arising out of negligence or otherwise is accepted.

This announcement has been prepared by New Energy Minerals Limited (ASX:NXE), this document contains background information about NXE that is current at the date of this announcement. This announcement is in a summary format and should not be seen as all-inclusive or complete.

## APPENDIX: NEW ENERGY MINERALS TENEMENT SCHEDULE

Tenement	NXE Interest	NXE Effective Net Interest/Right to Earn
<b>Diamond License</b>		
4525L Save River Diamond Project	51.8%	51.8%
<b>Balama Graphite Project*</b>		
5873L – Unincorporated JV with license holder	30%	30%
7560L – Incorporated JV with license holder	50%	50%
6363L – Incorporated JV with license holder	50%	50%
6678L/9407C – Incorporated JV with license holder	40%	40%
<b>Ruby Licenses**</b>		
8245L/8955C Montepuez Ruby Project	65%	65%
4143L/8921C Montepuez Ruby Project	60%	60%
5030L Montepuez Ruby Project	52.5%	52.5%

\*Subject to the SPA with Auspicious Virtue Investment Holding Ltd - refer to ASX Announcement dated 8 February 2019.

\*\*Subject to the MRAA with Fura Gems Inc - refer to ASX Announcement dated 29 November 2018.

## Appendix 5B

# Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

### Name of entity

NEW ENERGY MINERALS LTD

### ABN

34 090 074 785

### Quarter ended ("current quarter")

31 MARCH 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (.9.months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	386
1.2 Payments for		
(a) exploration & evaluation	(633)	(3,971)
(b) development	-	-
(c) production	-	-
(d) staff costs	(207)	(1,000)
(e) administration and corporate costs	(452)	(1,994)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	5	8
1.5 Interest and other costs of finance paid	(2)	(259)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,289)</b>	<b>(6,830)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(13)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (.9.months) \$A'000</b>
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	22	515
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>22</b>	<b>502</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	-	7,294
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(21)	(166)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(21)</b>	<b>7,128</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	2,949	833
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,289)	(6,830)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	22	502
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(21)	7,128
4.5	Effect of movement in exchange rates on cash held	(24)	4
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>1,637</b>	<b>1,637</b>

<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1 Bank balances	1,586	2,899
5.2 Call deposits	51	50
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,637</b>	<b>2,949</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

<b>Current quarter \$A'000</b>
186
-

6.1 Payment of director fees

**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

<b>Current quarter \$A'000</b>
-
-



8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	2,500
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Previously on 8 January 2018 the Group announced that it had secured a funding package from Arena Structured Private Investments (Cayman) LLC ("**Arena**"), a major US institutional investor, for face value of \$21,000,000 in the form of a convertible note facility. The issued Convertible Notes attracted interest at 11% per annum. The funds were to be drawn down in seven Tranches with Tranche 2 subsequently split into Tranche 2A and 2B on 22 May 2018. Arena paid Tranche 2A on 29 May 2018 but has failed to pay Tranche 2B which was expected to be received in late June 2018.

As at the date of this report the Company and Arena are in dispute as previously announced to market and noted in the Company's activities report. As a result, the Unsecured Convertible Note Deed between Arena Structured Private Investments (Cayman) LLC and New Energy was terminated in November 2018 and as such no further funding is available from Arena.

As at 31 March 2019 Arena held a total of \$2.5 million (face value) of convertible notes in the Company, of which \$1 million is in Tranche 1 notes issued in January 2018 with an 18-month term and \$1.5 million is in Tranche 2A notes issued in July 2018, also with an 18-month term.


9. <b>Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Exploration and evaluation	1,486
9.2 Development	-
9.3 Production	-
9.4 Staff costs	5
9.5 Administration and corporate costs	166
9.6 Other (provide details if material)	-
<b>9.7 Total estimated cash outflows</b>	<b>1,657</b>

10. <b>Changes in tenements (items 2.1(b) and 2.2(b) above)</b>	<b>Tenement reference and location</b>	<b>Nature of interest</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter</b>
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2 Interests in mining tenements and petroleum tenements acquired or increased				

### **Compliance statement**

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

Sign here:

  
.....  
(Company secretary)

Date: 24 April 2019.....

Print name: Robert Marusco.....

### **Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.