

Update for the Quarter Ending 30 September 2019

25 October 2019

HIGHLIGHTS

- Fura provided the Company written notification of the extensions of the Drop Dead Date for closing of the ruby assets' sale transaction with Fura under the Amending Agreement until 30 September 2019 and beyond the September 2019 quarter end to 31 October 2019.
- The extensions for closing of the MRAA was to allow further time for the satisfaction of the outstanding conditions precedent, principally the receipt of a binding tax opinion from the tax authorities in Mozambique, and Ministerial approval.
- In relation to the sale of the remaining 50% of Balama Resources Pty Ltd, New Energy and Auspicious Virtue Investment Holdings Limited agreed to the extension of the Conditions Precedent End Date to 1 December 2019.
- The Company reiterated that following consultation with the independent expert and the Company's legal advisors, the equal capital reduction announced concurrently with the Share Sale and Purchase plan for the sale of the remaining 50% of Balama Resources Pty Ltd, is to only be made after (and subject to) the completion of the Fura Transaction.
- Issue of Mining Concession 9407C by the Mozambican Ministry of Mineral Resources & Energy (previously prospecting & exploration license 6678L), with the concession issued to Tchaumba Minerais S.A (in which Balama Resources Pty Ltd, currently the 50% subsidiary of New Energy, holds an 80% shareholding) and is valid until 26 March 2044.
- The Master of the Supreme Court of Western Australia set aside the statutory demand from Arena Investors on the grounds that New Energy has an arguable offsetting claim for economic duress against Arena, arising from its refusal or threatened refusal to further fund the Company as required under the Convertible Note Deed.
- The Master delivered his judgment in relation to the costs of the application to set aside the statutory demand, with Arena Investors required to pay the Company's costs of the application to set aside the statutory demand, to be assessed according to the Supreme Court scale of costs. The Master declined to make any indemnity costs or special cost orders.

- **New Energy and Auspicious agreed to the extension of the Conditions Precedent End Date to 1 December 2019. Furthermore, the parties agreed to vary the Share Sale & Purchase Agreement through the execution of a Deed of Variation dated 25 September 2019 which also included an advance to the Company of \$600,000.**

New Energy Minerals Limited (“**New Energy**”, the “**Company**”) (**ASX:NXE, FRA:GGY**) is pleased to provide an update to the market in relation to the Company’s activities for the quarter ending 30 September 2019.

New Energy Minerals Managing Director, Christiaan Jordaan, commented: “During the September quarter, New Energy progressed on a number of fronts, as the Company continued to work to finalise the divestment of the remaining 50% of Balama Resources, which holds the Caula project, and the divestment of the Montepuez Ruby Project, to Fura Gems. Importantly, during the reporting period, the Master of the Supreme Court set aside Arena’s claim awarding costs to New Energy, thereby allowing further resources for the Company to review potential new projects in Australia and Internationally.”

“Since the Board restructure in June 2019, New Energy Directors have been working together in a collaborative manner, to not only finalise the transactions relating to the sale of assets, but to also review new opportunities. Whilst the Company works to finalise the asset divestments, New Energy will continue to assess projects across several industries. The Board of New Energy would like to thank shareholders for their support and patience to date.”

Operational Update

Fura Transaction

Drop Dead Date

On 1 July 2019, New Energy announced a further extension of the Drop Dead Date, under the Merger of Ruby Assets Amending Agreement dated 26 November 2018 (“**MRAA**” or “**Fura Transaction**”), as amended with Fura Gems Inc. (“Fura”) (“**Amending Agreement**”).

New Energy announced that Fura had provided the Company written notification of the extension of the Drop Dead Date, for closing of the ruby asset’s sale transaction with Fura under the Amending Agreement from 30 June 2019 to 31 July 2019, to allow for the satisfaction of the outstanding conditions precedent, principally the receipt of a binding tax opinion from the tax authorities in Mozambique, and Ministerial approval.

The Company confirmed that all required documents in relation to the binding tax opinion was lodged and that the application for Ministerial approval was well advanced. The timing of receipt of this opinion (and therefore the satisfaction of this condition) is outside the control of the Company and Fura. However, the Company announced that the NXE Board was working with the Mozambique authorities to assist where required.

During the reporting period, Fura provided the Company with further written notification of the extension of the Drop Dead Date, for closing of the ruby assets sale transaction with Fura under the Amending Agreement, to 30 September 2019.

Although occurring outside of the reporting period, on 27 September 2019, the Company announced the further extension of the Drop Dead Date under the Merger of Ruby Assets Amending Agreement, to 31 October 2019.

For further details of the Ruby Asset Merger, please see ASX announcements dated the 17 July 2018 and 29 November 2018. The Company continues to work closely with the Mozambique government and tax authorities to close the transactions as soon possible.

Balama Transaction

Conditions Precedent End Date

During the September Quarter, New Energy announced a further one month extension of the Conditions Precedent End Date under the Share Sale and Purchase Agreement dated 8 February 2019 (“SSPA” or “Balama Transaction”) with Auspicious Virtue Investment Holding Limited (“Auspicious”).

New Energy and Auspicious agreed the extension of the Conditions Precedent End Date to 31 August 2019, to allow for the satisfaction of the outstanding conditions precedent, principally the receipt of a binding tax opinion from the tax authorities in Mozambique, and Ministerial approval. During the reporting period, New Energy and Auspicious agreed to further extensions with the current Precedent End Date standing at 1 December 2019.

It should be noted that Balama is the subsidiary through which New Energy holds its interest in the Caula graphite and vanadium project. Following completion of the SPA, New Energy will have no further interest in the Caula project, which was Company’s former main undertaking.

The Company is currently exploring new project opportunities, both within Australia and internationally.

Capital Reduction

As announced on 8 February 2019, New Energy entered into a Share Sale and Purchase Agreement (“SPA”) with Auspicious Investment Holdings Limited (“Auspicious”), to sell the remaining 50% of Balama Resources (“Balama”), the entity which holds the Company’s interest in the Caula project. 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.

During the reporting period the Company reiterated that following consultation with the independent expert and the Company’s legal advisors, the equal Capital Reduction is to only be made after (and subject to) the completion of the Fura 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.

Variation Deed with Auspicious

New Energy and Auspicious Virtue Investment Holding Limited (Auspicious) have agreed the extension of the Conditions Precedent End Date to 1 December 2019. Furthermore, the parties have agreed to vary the SSPA through the execution of a Deed of Variation dated 25 September 2019 (“Variation Deed”).

Under the Variation Deed Auspicious has agreed to advance AU\$0.6m (Advance), to New Energy as a pre-completion loan secured against New Energy’s 50% share in Balama Resources Pty Ltd. The loan bears interest at 12% p.a and on closing of the Balama transaction the loan plus interest will be deducted from the Purchase Price. In the event that completion under the SSPA does not occur, New Energy will have 30 days to repay the loan (plus interest). Furthermore, the parties have agreed to include certain moveable assets (vehicles, accommodation, generators etc) in the definition of the assets being acquired by Auspicious under the SSPA.

Caula Project Mining Concession

On 1 August 2019 New Energy announced the issue of Mining Concession 9407C by the Mozambican Ministry of Mineral Resources & Energy (previously prospecting & exploration license 6678L). The concession was issued to Tchaumba Minerais S.A (in which Balama Resources Pty Ltd, currently the 50% subsidiary of New Energy, holds an 80% shareholding) and is valid until 26 March 2044.

Furthermore, the Company advised that 2 million Performance Rights have vested under the Company’s Long Term Incentive Plan upon the conversion of exploration license 6678L to a mining concession (Class E Performance Rights). Consequently, 2 million fully paid ordinary NXE shares were issued to the respective holders of the Class E Performance Rights and an updated Appendix 3B lodged.

Corporate Update

Arena Investors

On 16 July 2019 New Energy announced that the Master of the Supreme Court of Western Australia had set aside the statutory demand from Arena Investors.

The statutory demand was set aside on the basis that the Master considers that New Energy has an arguable offsetting claim for economic duress against Arena arising from its refusal or threatened refusal to further fund the Company as required under the Convertible Note Deed.

The Company previously advised the market on 21 November 2018 that it considered it has an offsetting claim, being damages for Arena's failure to fund the Company amounting to a breach of contract by Arena and amounting to unconscionable conduct on Arena's part in the order of \$17.03 million. Arena has been ordered to pay the costs of the application to set the statutory demand, including reserved costs.

The Master also provided the Company the opportunity to apply for special cost orders which the Company intends to pursue to its full extent. On 19 August 2019 the Master delivered his judgment in relation to the costs of the application to set aside the statutory demand. Arena Investors will be required to pay the Company's costs of the application to set aside the statutory demand, to be assessed according to the Supreme Court scale of costs. The Master declined to make any indemnity costs or special cost orders.

On 4 September 2019 it was announced that Arena had formally discontinued its appeal against the decision by the Master of the Supreme Court of Western Australia to set aside the statutory demand from Arena. As previously advised, New Energy continues to consult with its legal team in relation to claims against Arena arising from Arena's failure to fund the Company as required under the terms of the Unsecured Convertible Note Deed.

The Company wishes to again extend its thanks to Chris Bailey (Williams & Hughes Perth) and Martin Cuerden SC for all their hard work on this matter.

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.

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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 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")

30 SEPTEMBER 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (.3.months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(684)	(684)
(b) development	-	-
(c) production	-	-
(d) staff costs	(68)	(68)
(e) administration and corporate costs	(257)	(257)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(2)	(2)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,011)	(1,011)

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (.3.months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(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)	-	-
2.6	Net cash from / (used in) investing activities	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
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	(5)	(5)
3.5	Proceeds from borrowings	600	600
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)	-	-
3.10	Net cash from / (used in) financing activities	595	595

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	938	938
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,011)	(1,011)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	595	595
4.5	Effect of movement in exchange rates on cash held	11	11
4.6	Cash and cash equivalents at end of period	533	533

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	482	887
5.2	Call deposits	51	51
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	533	938

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

Current quarter \$A'000
79
-

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

Current quarter \$A'000
-
-

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
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.		

Item 8.3

As at 30 June 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.


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.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	72
9.2 Development	-
9.3 Production	-
9.4 Staff costs	-
9.5 Administration and corporate costs	368
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	440

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
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:  Date: 25 October 2019
(Company secretary)

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.