

Variation of Balama Share Sale Agreement

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New Energy Minerals Limited ("**New Energy**", the "**Company**") (**ASX:NXE FRA:GGY**) announces the variation of some terms of the Share Sale and Purchase Agreement dated 8 February 2019 ("**SSPA**"), with Auspicious Virtue Investment Holding Limited ("**Auspicious**" or "**Purchaser**").¹

New Energy and Auspicious agreed to vary the SSPA through the execution of a second deed of variation dated 24 January 2020 ("**Variation Deed**").

Under the Variation Deed, the Parties agreed to amend the Purchase Price to AU\$3.5m (from AU\$7.0m), for the sale by New Energy of its 50% shareholding in Balama Resources Pty Ltd ("**Balama**"). Furthermore, Auspicious has agreed to provide New Energy with an additional AU\$1.0m pre-completion loan ("**Additional Loan**") on or before 5 February 2020, which is in addition to the AU\$0.6m loan provided in September 2019 ("**Loan**"). On closing of the SSPA, both the loan and the additional loan, plus interest, will be deducted from the Purchase Price.

As a result of the delays experienced in gaining the Mozambique Government approvals, the shareholder approval for the disposal of the Company's interest in Balama, originally granted on 14 May 2019, has lapsed. The Company is thus required to obtain a new updated Independent Expert Report and seek new shareholder approval at an Extraordinary General Meeting (EGM), to be held as soon as practicably possible, hopefully before April 2020.

In accordance with the Variation Deed, completion of the SSPA (as varied) therefore remains conditional on the following conditions being met or waived on or before 30 June 2020 ("**Conditions Precedent End Date**"):

- (A) (**Independent expert report**) the Company 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 Company to the Purchaser in accordance with the SSPA (as varied) is either:
 - fair and reasonable; or
 - not fair but reasonable,
- to the Company's Shareholders (other than the Purchaser or its Associates);
- (B) (**ASX Listing Rules**) the Company's shareholders (excluding the Purchaser and its Associates) approve of the disposal of the Shares under the SSPA at a meeting held in accordance with Listing Rule 11.2 of the ASX; and Listing Rule 10.1 of the ASX.

¹ Refer to ASX Announcement dated 8 February 2019 for details of the SSPA.

(C) (**Tax Opinion**) receipt by the Company of a Binding Tax Opinion in a form capable of satisfying the Mozambique Ministry of Minerals (MIREME) for the purpose of obtaining the Ministerial Authorisations; and

(D) (**Authorisation**) receipt by the Vendor of the Ministerial Authorisations.

(together, “**Conditions Precedent**”).

In the event that the Conditions Precedent are unable to be met or waived on or before the Conditions Precedent End Date, or if any Condition Precedent becomes incapable of being satisfied, New Energy must repay the AU\$1.0m **Additional Loan** received from Auspicious, together with the original \$600k pre-completion loan advanced in September 2019 (with interest), within 30 days after the Conditions Precedent End Date. Both the Loan and the Additional Loan are secured by a security deed provided in favour of the Purchaser granting a first-ranking specific security over 100% of the shares held by the Company in Balama.

As a result of the termination of the Management and Technical Services Agreement (“**MTSA**”) with Regius Resources Group Ltd (“**Regius**”), and the subsequent initiation of legal steps by Balama and New Energy against Regius to recover books, records, moveable assets and funds², New Energy and Auspicious have also agreed to appoint a subsidiary of Auspicious as service provider to Balama. Furthermore, as result of Regius’ unlawful possession of the Caula site and equipment and their subsequent misappropriation and theft of vehicles, equipment and other assets, New Energy and Auspicious have also agreed that the Company will fund, from the Additional Loan proceeds, legal expenses incurred in Australia and Mozambique as result of the proceedings initiated against Regius, as well as agreed historical Balama creditors for outstanding sample assays and metallurgical testing.

The variation deed executed on 25 September 2019³, and this Variation Deed agreed with Auspicious allow New Energy to remain adequately (but not generously) capitalised as it continues diligently with the time-consuming process of receiving final tax opinions and ministerial approvals from the Mozambique Government, for the sale of both its ruby and graphite assets.

The additional loan funds to be received from Auspicious as a result of this Variation Deed also enables New Energy to pursue various planned legal actions against Regius, its former service provider and Regius’ majority owner and former COO (and director) of New Energy, Cobus van Wyk, to recover funds and assets, and to sue for damages related to their gross misconduct and breach of various agreements.

As a result of the weakened graphite and vanadium markets and all the challenges and delays experienced by New Energy over the last twelve months, the purchase price under this Variation Deed has been substantially reduced. Accordingly and disappointingly, New Energy will not be in a cash position to proceed with the original planned capital return of 60% of the net proceeds of sale to shareholders and the SSPA has therefore been amended accordingly nor does the Company expect that it will be possible to plan any reduced capital return in the foreseeable future

After carefully examining all the circumstances including the Company’s strained financial position and ongoing legal proceedings, the Board considers that this Variation Deed serves the best interests of the Company and its shareholders generally.

The Board wishes to express its appreciation to Auspicious for the agreed variation of terms and for its ongoing support of the Company in very challenging circumstances.

The two non-associated Directors of the Company, Messrs Ian Daymond and Christiaan Jordaan intend to recommend shareholders vote in favour of the amended Balama sale transaction (and to vote their own shareholdings in favour) if and when the Independent Expert Report to be obtained concludes that the amended transaction is either Fair and Reasonable or Not Fair but Reasonable to shareholders other than the Purchaser and its Associates.

² Refer to ASX Announcement dated 31 October 2019.

³ Refer to ASX Announcement dated 26 September 2019.

Over the coming months it is the Company's intention to acquire a new project for development, as it pushes ahead and continues to do everything in its power to expedite the closing of the Balama and Fura transactions as soon as possible.

Christiaan Jordaan
Managing Director

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