

Update for the Quarter Ending 31 December 2019

31 January 2020

**New Energy
Minerals**

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HIGHLIGHTS

- Fura provided the Company 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 31 January 2020 (subsequently extended post quarter end to 29 February 2020).
- The extensions for closing of the MRAA were 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 February 2020 (subsequently extended post quarter end to 30 June 2020).
- Balama Resources Pty Ltd terminated the Management and Technical Services Agreement (MTSA), with Regius Resources Group Ltd, following actions and omissions by Regius that the Company considers fundamental breaches of the MTSA, including the refusal by Regius to hand over documents and records of Balama's Mozambican subsidiaries and the misappropriation of Balama assets.
- Counterclaim served by Regius against Balama which is not accepted by the Company and will be defended. The Company continues to pursue its own claim against Regius.
- New Energy appointed KPMG as tax advisors and CGA Advogados as legal advisors in Mozambique, with both KPMG and CGA to assist New Energy with closing matters relating to the Balama and Fura sale agreements.
- The Company was served with a Writ of Summons filed in the Supreme Court of Western Australia by Arena Structured Private Investments (Cayman), LLC, arising from debts allegedly owed by the Company under the terms of the Unsecured Convertible Note Deed between the Company and Arena.

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 period ending 31 December 2019.

New Energy Minerals Managing Director, Christiaan Jordaan, commented: “During the December Quarter, New Energy continued to work with the Mozambique authorities, as the Company endeavoured 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. In November, to expedite the closing of the transactions, New Energy appointed KPMG as tax advisors, and CGA Advogados as legal advisors in Mozambique. The Board will work closely with these new advisors and continue to work with the Mozambique authorities to close the Balama and Fura transactions as soon as is feasible.

“Despite having Arena Investments’ Statutory Demand (issued under the Corporations Act) set aside by the Master of the Supreme Court of Western Australia in July 2019, during the Quarter New Energy was served a Writ of Summons from Arena. The Company will be defending the claim and will commence a counterclaim against Arena, with preliminary estimates of damages at approximately \$17.03m. The Board will vigorously defend its position and in the March 2019 quarter New Energy will continue to review potential projects for acquisition. On behalf of the Board of Directors, I would like to thank shareholders for their support and patience to date.”

Operational Update

Fura Transaction

Drop Dead Date

On 30 October 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 31 October 2019 to 31 November 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 had been 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 31 December 2019, and subsequently provided another extension to 31 January 2020. Following the end of the quarter the Drop Dead Date has been further extended to 29 February 2020.

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 as is feasible.

Balama Transaction

Conditions Precedent End Date

During the December 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 3 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 February 2020.

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.

Termination of Agreement with Regius Resources & Counterclaim

On 29 November 2019 New Energy announced that Balama Resources Pty Ltd (Balama), in which the Company has a 50% shareholding, terminated the Management and Technical Services Agreement (MTSA), with Regius Resources Group Ltd ("Regius"), following actions and omissions by Regius that the Company considers fundamental breaches of the MTSA, including the refusal by Regius to hand over documents and records of Balama's Mozambican subsidiaries and the misappropriation of Balama assets.

The Company also confirmed that as set out in Note 20 of its FY2019 Annual Report, Regius owes New Energy a net amount of A\$624,857, and also that as set out in Note 18, New Energy and Regius are in dispute regarding an invoice issued by Regius to New Energy for historic costs, which the Company's legal advisors confirmed is not in line with the terms of the relevant MTSA. Balama and the Company have instructed its lawyers in Australia and Mozambique to take further legal steps, including international arbitration against Regius to enforce its rights, protect its assets in Mozambique and recover funds owing to it.

Balama has been served with a Counterclaim by Regius,

The Counterclaim is brought in the international arbitration proceedings commenced by Balama against Regius in November 2019 (refer announcement dated 4 November 2019 which stated that further legal steps were being taken against Regius in respect of historical costs owing to NXE and refer Note 18 in FY2019 Annual Report for NXE).

On 27 December 2019 Balama was successful in obtaining urgent interim orders against Regius compelling it to hand over documents in its possession relating to the Caula Project.

Regius' Counterclaim seeks orders for Balama to pay a total of US\$727,690.08 in invoices (contrast the amount of \$624,857 claimed by NXE to be owing by Regius to Balama as set out in Note 20 of the FY2019 Annual Report of NXE). Balama does not accept it is liable to pay that sum.

Regius' Counterclaim also claims that Balama repudiated the Management and Technical Services Agreement (MTSA) between the parties, and claims damages for loss of future earnings under the MTSA. Regius had not yet quantified its alleged damages. Balama considers that the MTSA was validly terminated and says the MTSA would have expired by 21 November 2019 in any event.

Balama will be working with its solicitors to defend Regius' Counterclaim to the fullest extent.

In December 2019 the Company is informed that Regius made an ex parte application to a local court in Mozambique for a provisional order relating to certain moveable assets contained on the Caula Project site, which was granted before the end of December 2019. The Company absolutely denies the claim by Regius as the Company is the owner of and has paid for all of these assets and equipment now claimed by Regius

The Company also understands that Regius is required to undertake certain actions to maintain its provisional order, which the Company considers Regius has failed to do. *Only once the full court case is settled will final possession and ownership be determined. During this period Regius will not be allowed to remove or do anything that prejudices the assets in dispute.* The Company is represented by law firm CGA in Mozambique.

Corporate Update

Arena Investors

On 24 December 2019 New Energy gave notice that the Company had been served with a Writ of Summons and Statement of Claim filed in the Supreme Court of Western Australia 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.

A Statutory Demand issued under the Corporations Act, from Arena in relation to this matter had been previously received by the Company, which was ultimately set aside by the Master of the Supreme Court of Western Australia. Arena's claim under the Writ of Summons totals approximately A\$5.11 million and includes a claim for principal of A\$2.5 million and a termination payment of A\$2.535 million and interest.

The Company will be defending the claim and will be commencing a counterclaim against Arena. As notified in its ASX Announcement dated 21 November 2018, the Company considers it has claims for damages arising from Arena's breach of the Unsecured Convertible Note Deed, unconscionable conduct and economic duress. The Company's preliminary estimate of its damages is approximately \$17.03m. The Company also considers the termination payment is not payable or is void by reason of being a penalty. New Energy will be taking further legal advice in relation to both Arena's claims and the Company's counterclaims.

Extension of Convertible Note Terms

In December 2019 New Energy announced the extension of the Convertible Notes under the Convertible Note Agreements dated 12 June 2019. On 12 June 2019, the Company announced that it had secured short-term funding from sophisticated and professional investors in the form of unsecured convertible notes totalling A\$406,000. The Convertible Note Agreements were due to mature on 12 December 2019. All of the Convertible Note holders have agreed to extend the facility for 6 months with key terms included in ASX release dated 10 December 2019.

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
Diamond Licence		
4525L Save River Diamond Project	51.8%	51.8%
Balama Graphite Project*		
5873L – Unincorporated JV with license holder	30%	30%
7560L – Incorporated JV with license holder	50%	50%
6363L – Incorporated JV with license holder	50%	50%
9407C – Incorporated JV with license holder (changed from 6678L as a result of an application for a Mining Concession)	40%	40%
Ruby Licenses**		
8245L/8955C Montepuez Ruby Project	65%	65%
4143L/8921C Montepuez Ruby Project	60%	60%
5030L Montepuez Ruby Project	52.5%	52.5%

*Subject to a SPA with Auspicious Virtue Investment Holding Ltd, refer to ASX Announcement dated 8 February 2019.

**Subject to 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 DECEMBER 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (.6.months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(222)	(906)
(b) development	-	-
(c) production	-	-
(d) staff costs	(66)	(134)
(e) administration and corporate costs	(132)	(389)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(5)	(7)
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	(425)	(1,436)

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 (.6.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)
3.5	Proceeds from borrowings	-	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

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	533	938
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(425)	(1,436)
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
4.5	Effect of movement in exchange rates on cash held	(9)	2
4.6	Cash and cash equivalents at end of period	99	99

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	48	482
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)	99	533

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
77
-

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
-
-

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	1,600	1,600
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	2,906
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 31 December 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 and as such no further funding is available from Arena.

As at the date of this report the Company has Convertible Notes of \$406,000 which were due to mature on 12 December 2019 and now extended for 6 months 12 June 2020. These Convertible Notes bear interest at 12% p.a and are convertible to shares at a conversion price of \$0.022 per share.

As at the date of this report the Company has drawn \$1.6 million as a pre-completion loan from Auspicious Virtue Investment Holding Limited following the Share Sale and Purchase Agreement announced on 8 February 2019 and amended on 25 September 2019 and 24 January 2020. These loans bear interest at 12% p.a and are secured against 100% of the Company's shares in Balama Resources Pty Ltd.

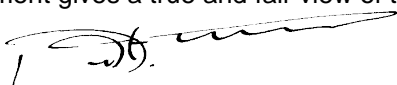
9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	-
9.2 Development	-
9.3 Production	-
9.4 Staff costs	-
9.5 Administration and corporate costs	990
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	990

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:



 (Company secretary)

Date: 31 Jan 2020.....

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.