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Newfield Resources Limited (ASX: NWF)

May 2019

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Note: This report is based on information provided by the company as at May 26, 2019.

Investment Profile

Share Price as at May 24, 2019	A\$0.23
12 month L/H (\$)	A\$0.105/0.23
Issued Capital	
Ordinary Shares	581.3 m
Unlisted Options	56.0 m
Market Capitalisation	A\$133.7 m
Cash - March 31, 2019	A0.62 m
Other on-call funds	A\$7.00 m

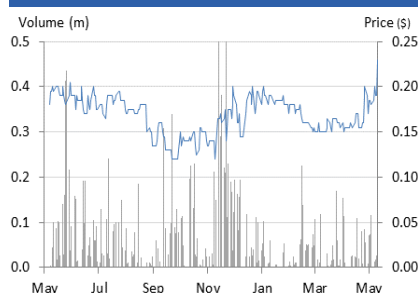
Board and Management

Mr Karl Smithson: Executive Director
Mr Anthony Ho: Executive Director
Mr Michael Lynn: Executive Director
Mr Robert Ang: Non-Executive Director
Mr Rowan Carr: Mineral Resource Manager
Mr Max Truckenbrodt: Mining Manager

Major Shareholders

Rustiyan Oen	26.11%
Sparkle Capital	8.44%
QP and Co Ltd	6.51%
Deutsche Balaton/Delphi	5.94%
Wonder Holdings	5.06%
Directors	1.34%
Top 20	84.83%
Number of Shareholders	1,492

Price Chart



Mark Gordon - Senior Analyst

The investment opinion in this report is current as at the date of publication. Investors and advisers should be aware that over time the circumstances of the issuer and/or product may change which may affect our investment opinion.

SET FOR DEVELOPMENT

Having recently completed a positive Front End Engineering and Design ("FEED") Study and declared initial Probable Reserves of just over one million carats of diamonds at 100 cpht, Newfield Resources ("Newfield" or "the Company") is set to commence development of the Tongo Kimberlite Project ("Tongo" or "the Project") in eastern Sierra Leone, with an FID expected in Q3, CY19.

The Project, which is held under two granted large scale Mining Licences ("ML"), is fully permitted and thus ready to go. One ML, Tonguma, is held by Octea Limited ("Octea"), with Newfield's subsidiary Sierra Diamonds operating under Tribute Mining and Revenue Sharing Agreements with Octea.

The FEED Study presents an eight year base case starter operation based on Probable Reserves only in two of the eleven recognised kimberlite dykes, producing up to 257,844 ctpa from up to 230,901 tpa of ore, and with a total production of just over one million carats - first production is expected within twelve months of commencement of development.

There is significant upside to this base case however - the Project has total Resources of 7,369 mcts at a grade of 250 cpht, and with a diamond value of US\$191/ct. This includes 5,786 mcts at 300 cpht and with a value of US\$194/ct at the Kundu and Lando dykes, which are the dykes to be mined in the initial operations.

The Company has also published a significant Exploration Target with a range contained diamonds of 3.7 mcts to 20.8 mcts, and thus the Company's strategy is to progressively add to and upgrade Resources through drilling in parallel with operations. The Resource base and Exploration Target underpin the potential for the Project to be developed into a long term mine, with, given the nature of kimberlite dyke mineralisation, the possibility of a significant proportion of the Exploration Target being converted to Resources. In addition the Resources and Exploration Targets are from only seven of the identified diamondiferous kimberlite dykes, with four more requiring initial assessment.

Strengths of the Project include relatively high grade and high value diamonds and thus relatively high values per tonne of kimberlite - a vital factor when considering this style of narrow dyke mineralisation.

The Company also holds alluvial exploration tenements along the Sewa River, which are currently under care and maintenance, and early stage exploration ground in neighbouring Liberia.

KEY POINTS

- ◆ **Ready for development:** With completion of the FEED Study, the Project is now ready for development - some site operations have already commenced, including excavation of the portal box cut.
- ◆ **Relatively low capex:** The estimated up front capital of US\$29.4 million is relatively low, and should be relatively easy to finance - one of the reasons for the low figure is that Newfield will refurbish (at an estimated cost of US\$5.1 million) a 50 tph processing plant that has been provided at a nominal cost under the agreements with Octea - this has the potential to treat up to 300,000 tpa of ore.
- ◆ **Low opex:** Similarly, estimated opex figures are quite low, with estimated longer term operating costs of under US\$100/tonne - although operations on kimberlite dykes are labour intensive, the cost of labour in Sierra Leone is relatively low.
- ◆ **Experienced team:** Newfield's operations personnel have extensive experience in diamonds as well as in West Africa and Africa in general.
- ◆ **Supportive major shareholders, tightly held:** The Top 20 hold close to 85% of the Company, and have been sticky and provided consistent support in major capital raisings to date.
- ◆ **Steady news flow:** With development imminent (the FID is targeted for Q3, CY19), and with diamond production planned from 2020 onwards, we would expect steady news flow.

SWOT ANALYSIS

Strengths

- ◆ **Large Resource base with high grade and high value diamonds:** This is the key strength of the Project, with the high value per tonne of kimberlite (due to the high grade and high diamond value) particularly important given the narrow, dyke style mineralisation.
- ◆ **Well understood style of deposit and mining methods:** Kimberlite fissure dykes have been mined extensively and successfully, particularly in South Africa, and thus both mineralisation style and mining methods are well understood. One key factor with dyke mineralisation is the general consistency of grade and diamond quality along strike and down dip, with systems also having vertical extents of many hundreds of metres.
- ◆ **Low cost:** The results of studies to date indicate a relatively low cost operation, which, in the case of the capex is important in that it should make financing the Project relatively simple.
- ◆ **Experienced team:** A key part to any project is having personnel with the relevant experience, both in the jurisdiction and the style of mineralisation.

Weaknesses

- ◆ **Mineralisation geometry:** Although well understood, kimberlite dykes are generally narrow, and require labour intensive hand held mining techniques and can prove problematic to mine if not managed properly. Issues can include excessive unplanned dilution amongst others, however, that should not be a major issue at Tongo given the competent wall rocks.
- ◆ **Size perception:** A common characteristic of narrow vein operations is that only a few years worth of Reserves (or Indicated/Measured Resources) are on the books at any one time, with these being progressively added to in parallel with operations - this may give the misconception that there is only a small Resource base, where in fact there is a large potential Resource/Reserve that is only defined when required. This could be the case with potential investors looking at the FEED study, and not understanding the upside and longer term potential.

Opportunities

- ◆ **Expansion of operations:** The main opportunity at Tongo given the mineralisation style, Resource base and Exploration Target is the expansion of proposed operations from the base case as presented in the FEED study to a longer term operation producing at a consistent rate - Resource upgrades should only require relatively limited drilling, with 50 m spaced holes sufficient to upgrade Inferred Resources to Indicated. Operations could also be expanded through expanding the plant and thus increasing throughput.

Threats/Risks

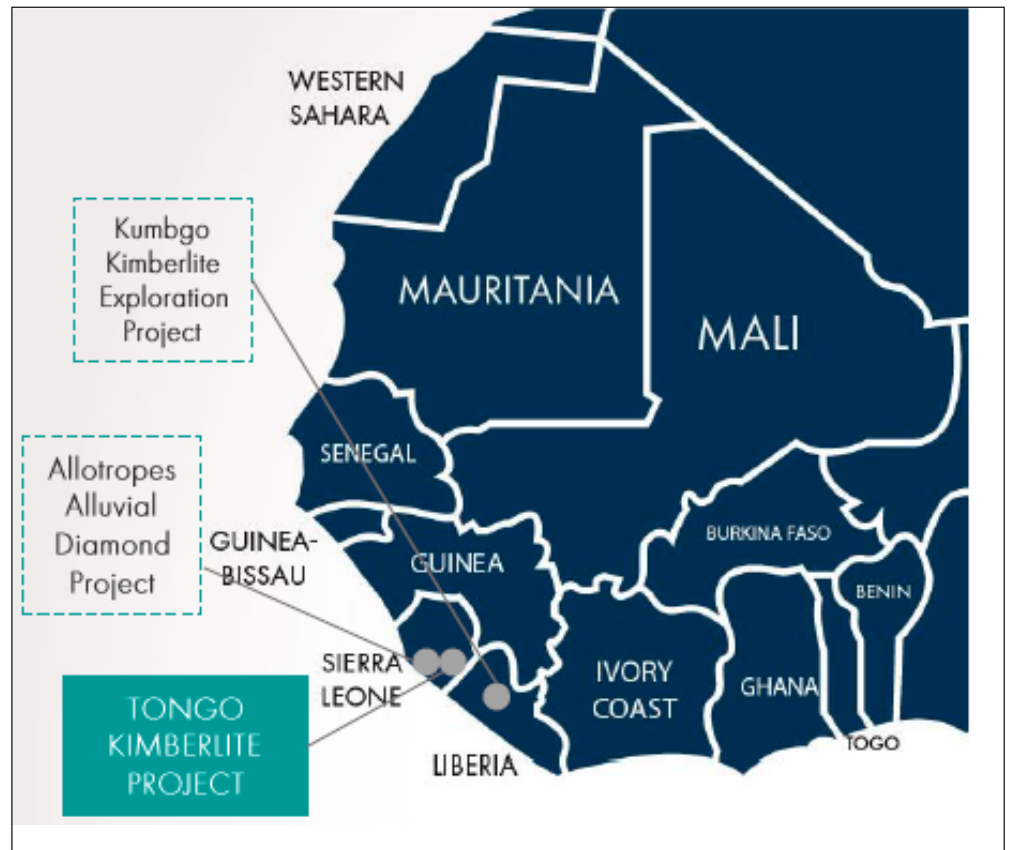
- ◆ **Markets:** Both the equities markets and markets for products are perennial risks for any players in resources.
- ◆ **Ramp up and operational risk:** We see this as the key technical risk for Newfield, with kimberlite dyke mining requiring experienced personnel for a successful operation. This may prove challenging in the first few years, with the Company needing to bring in experienced personnel as well as train up local miners. In addition, development will need to be kept well ahead of production, to give flexibility in stope selection, and the ability to provide enough feed from a number of what are generally relatively small stopes.
- ◆ **Theft:** Diamond theft can be an issue particularly from the stopes and cross cuts - this can have a significant impact on revenue, in that the stones that can be seen, and thus stolen, are the larger, higher value diamonds. Ways of mitigating this include (amongst others) by controlling blasting so as the rock is not blasted too finely so as to limit diamond liberation in the stopes.
- ◆ **Security and stability:** Although being relatively stable since the end of the civil war in 2002, given its history, there is the potential for further unrest in the future, however this is a risk in many parts of the world in which miners operate. Mitigating this risk is that the past three elections since 2002 have been uneventful.

OVERVIEW

STRATEGY AND PROJECT OVERVIEW

- ◆ Newfield's focus is the development of the underground Tongo Kimberlite Project ("Tongo" or "the Project"), located in eastern Sierra Leone (Figure 1) - the Company has commenced site works for the Project development, which has a relatively low expected up front capex of US\$29.4 million.

Figure 1: Project location



Source: Newfield

- ◆ Tongo is a kimberlite fissure dyke diamond deposit, similar in style to a number historically mined in South Africa - these form the deeper parts of the classical kimberlite diamond mineralised systems, and are feeders to the kimberlite pipes.
- ◆ Subject to finance, Newfield plans to develop, and then ramp up production to ~250,000 carats per annum over the next few years, with ~1.1 mct planned to be produced over an eight year mine life at a diluted grade of 100 cpht.
- ◆ This however is a base case/starter scenario, and is based on the ~1.1 mct Probable Reserves only, which have been estimated from Indicated Resources resulting from recent 50 m spaced infill drilling targeting Inferred mineralisation at <230 mbs along partial strike lengths of two out of the four dykes that currently host Mineral Resources - this 10,981 m drilling programme was undertaken as part of the recently completed FEED Study on which the starter operation is based.
- ◆ The Project hosts Inferred and Indicated Resources of 7369 mcts at a grade of 250 cpht (inclusive of Reserves), with the kimberlites also being intersected in drilling at considerably deeper levels than the Resources, which are predominantly estimated only to 230 mbs.
- ◆ In addition there are an extra seven kimberlite dykes (of which four have been drilled, and which contribute to the Exploration Target of between 3.7 mcts and 20.8 mcts) - the Company plans to undertake infill, Resource delineation and exploration drilling to progressively add to Resources and Reserves as production progresses, which should add considerable upside to the planned starter operation as recently released to the market.
- ◆ The Company acquired Tongo through a Scheme of Arrangement (that was finalised in mid-2018) with the then LSE listed Stellar Diamonds Limited ("Stellar"). The Scheme was largely all scrip, and included the ultimate issue of 95.5 million shares to share and option holders of Stellar.

- ◆ The issue included 10.81 million shares to convert notes held by Deutsche Balaton, a listed German investment company, and also a current substantial shareholder of Newfield.
- ◆ Cash payments relating to the scheme totalled A\$9.881 million, and covered a number of items, including the repayment of Stellar convertible notes and legals amongst others.
- ◆ Prior to the Stellar merger, Newfield's activities were focussed on the Allotropes Alluvial Diamond Project ("Allotropes"), which included exploration for both alluvial and hard-rock diamonds largely along the Sewa River and tributaries; in addition Stellar held the early stage Kumbgo Project in neighbouring Liberia which is now in the merged entity (Figure 1).
- ◆ Newfield also holds a number of Western Australian gold tenements, including the Newfield Gold Project, which has now been farmed out to Syndicated Minerals Limited (ASX: SMD).
- ◆ Given the focus on Tongo these other projects will not be discussed further.

FINANCIAL POSITION

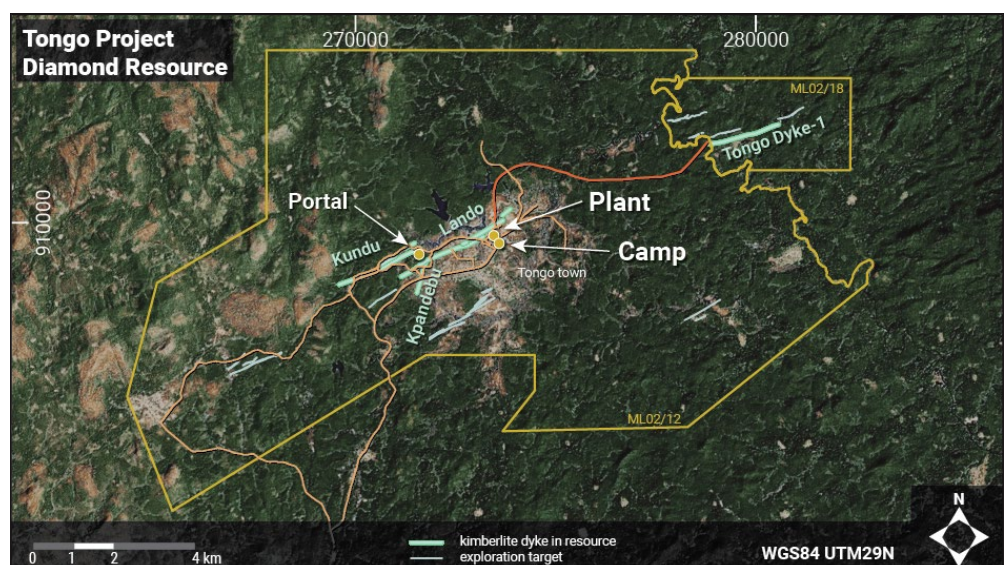
- ◆ As of March 31, 2019 the Company had A\$0.62 million in cash and no debt - it also has "on-call" interest bearing funds of A\$7 million.
- ◆ In the March and June quarters, 2018, the Company raised A\$40.035 million through two issues - these included a placement of A\$10 million at A\$0.20/share and a fully underwritten rights issue at A\$0.15 that raised A\$30.035 million.
- ◆ Over the past twelve months the Company has spent A\$9.688 million on the FEED programme, exploration, evaluation and development, and A\$6.049 million on the merger transaction costs and other working capital.

TONGO KIMBERLITE PROJECT - NWF 100% & TRIBUTE AGREEMENT WITH OCTEA

LOCATION, TENURE AND INFRASTRUCTURE

- ◆ The Project is fully permitted, and includes two granted large scale Mining Licences (MLs) located in eastern Sierra Leone, approximately 45 km NNE of the regional town of Kenema (Figures 1 and 2) - the two MLs are ML01/12 (124 km², granted on July 10, 2012 for 25 years) and ML02/18 (9.98 km², granted on May 16, 2018 for 25 years) - prerequisites to the grant of the MLs included environmental studies and agreements with the local communities.

Figure 2: Tongo Project tenements and layout



Source: Newfield

- ◆ The nearest towns are Panguma, located at the SW end of the tenements, and Tongo, located around the planned operations.
- ◆ Access to Kenema is by ~25 km of recently upgraded dirt road to Mano Junction, and then 20 km on tar road - Kenema (population ~200,000, and the second largest city in Sierra Leone) itself is 300 km by highway from Freetown and is also served by an airport.

- ◆ ML02/18 “Tongo” is 100% held by Sierra Diamonds Limited, a 100% owned subsidiary of Newfield.
- ◆ ML01/12 “Tonguma” is held 100% by Tonguma Limited, a 100% owned subsidiary of Octea Mining Limited (“Octea”), itself a subsidiary of privately held BSG Resources. Stellar entered into Tribute Mining and Revenue Sharing Agreements with Octea, with this subsequently passing to the merged entity.
- ◆ Terms of the agreement include:
 - Newfield to fund and operate the mine development and operations, including diamond marketing,
 - Newfield to refund certain costs to Octea, including the annual licence fees,
 - Certain assets held by Octea are to be acquired by Newfield at nominal cost, including the 50 tph processing plant at Octea’s Koidu Mine,
 - Newfield will own all infrastructure and capital items procured for the operations on both the Tonguma and Tongo licences,
 - Octea to receive a 10% gross royalty on any revenue received (after payment of the 6.5% Sierra Leone Government export royalty),
 - Royalty payments to Octea will only commence after Newfield has recouped 100% of expenditure incurred in developing the Project, however Octea, in parallel with the recoupment of Newfield’s costs, is entitled to an initial revenue share payment of US\$5 million; and,
 - Octea shall be paid a one off payment of US\$5.5 million on the fifth anniversary date of the commencement of implementation of the mine plan - this will occur in 2023.

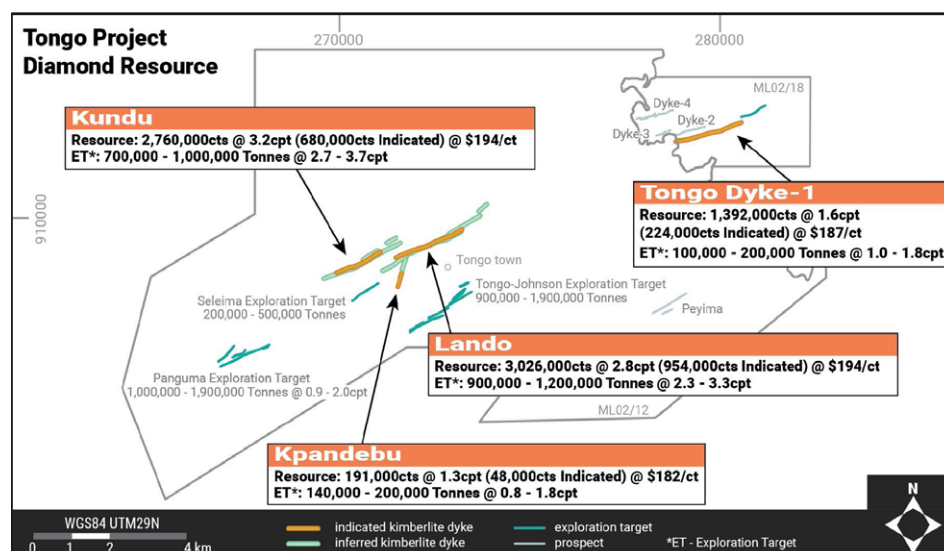
History and Previous Work

- ◆ The kimberlite dykes in the Tongo Licence were initially discovered by Stellar and Octea in 2006, however alluvial diamonds had been mined in the area by artisanal miners from the 1950s, with some commercial alluvial mining in the 1980s.
- ◆ Activities carried out by Sierra Diamonds and Tonguma Limited, and more recently Newfield have included geological mapping, drilling (over 75,000 m to date) and bulk sampling - the results have been used in Resource and Reserve estimations and development studies; these studies include:
 - A Preliminary Economic Assessment (“PEA”) for Tongo-Tonguma, completed on behalf of Stellar by SRK in September 2016; and,
 - The FEED study completed on behalf of Newfield, and released to the market on May 9, 2019 in conjunction with the initial Ore Reserves for the Project - this study is discussed further below.

Geology and Mineralisation

- ◆ The Project covers areas of the Archaean Man Craton, with basement rocks including tonalite, trondhjemite, granodiorite and granitic gneisses.
- ◆ The basement has been intruded by Jurassic dolerite dykes, which generally trend WNW-ESE, and the ENE-WSW trending Cretaceous kimberlite dykes (Figure 3) - the intrusions are related to the stress regimes caused by the opening of the Atlantic Ocean.
- ◆ The dykes represent the hypabyssal facies of a kimberlite feeder/maar volcano system, and are the feeders to the upper facies kimberlite pipes that readers would be more familiar with - dyke swarms can extend to many kilometres depth below surface, and at Tongo the outcropping dykes indicate significant erosion of the higher parts of the mineralised kimberlite complex, which has resulted in the extensive alluvial deposits in the region.
- ◆ The dykes are generally steeply dipping and thin (average thickness of 35 cm, with a maximum of ~1.5 m), and are comprised of a number of overlapping, discoid lenses that pinch and swell - individual lenses can be separated by up to a number of metres.
- ◆ Dyke morphology is strongly influenced by the country rock into which they are intruded - the competent nature of the Man Craton units has resulted in relatively “well-behaved” dykes.
- ◆ A notable feature of kimberlite dyke diamond deposits is consistent grade and stone quality for considerable distances along strike and down dip - for example, the Star and Sedibeng diamond deposits in South Africa have been mined from surface to depths of at least 600 m, and are still open - at Tongo kimberlites have been intersected to depths of over 400 m in drilling, and likewise are still open at depth, with this reflected in the Exploration Target for the Project.

Figure 3: Tongo kimberlite dykes showing Resources and Exploration Targets



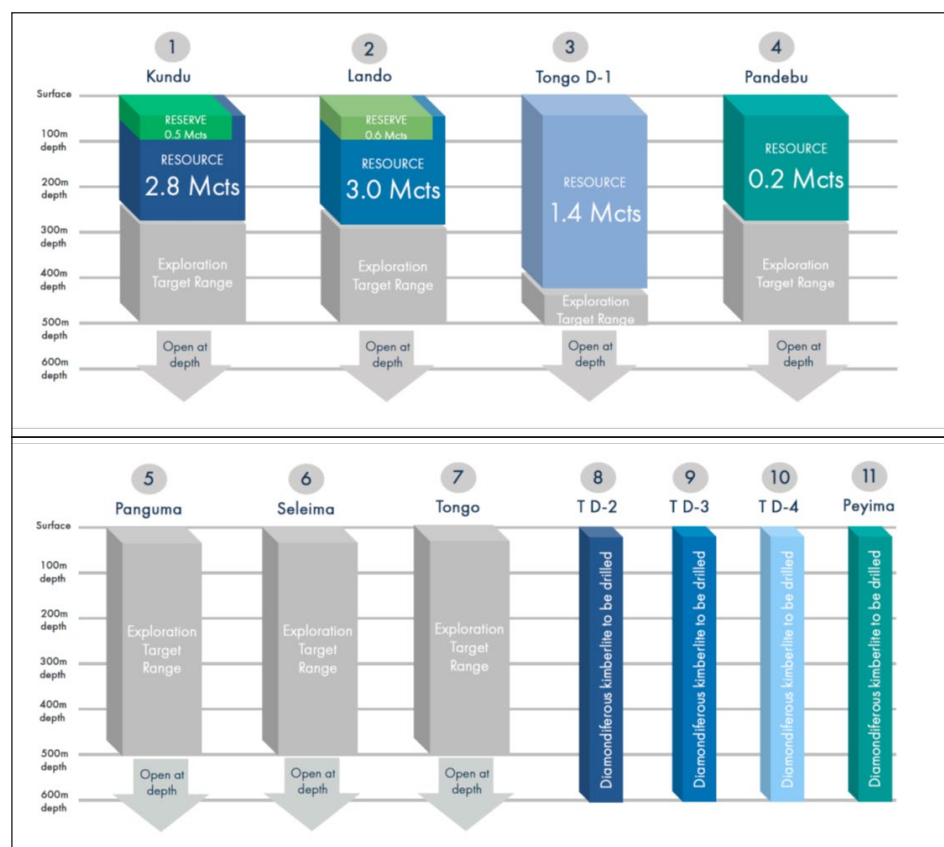
Source: Newfield

- ◆ To date 11 separate kimberlite dykes/swarms have been recognised, with four of these being extensively drilled; these include (Figure 3):
 - Tongo Dyke 1 - strike length of 2,000 m,
 - Kundu - strike length of 4,623 m,
 - Lando - strike length of 4,333 m; and,
 - Kandebeu - strike length of ~1,000 m.
- ◆ The remaining seven dykes have only had minimal or no drilling, with three included in the Exploration Target (Figures 3 and 4).

RESERVES AND RESOURCES

- ◆ Reserves, Resources and Exploration Targets have been estimated for Tongo, with this shown schematically in Figure 4, and detailed in Tables 1 to 3.

Figure 4: Diagrammatic representation of Tongo Reserves, Resources and Exploration Targets



Source: Newfield

- ◆ Table 1 details the Mineral Resource Estimate ("MRE") as released to the market on November 26, 2018 - this is an upgrade to the MRE released by Stellar on March 26, 2012, and incorporates the 10,792 m of Resource upgrade core drilling completed by Newfield following the Stellar merger.
- ◆ The outcome of this drilling, which infilled selected areas of previously drilled areas to 50 m spacing, resulted in the estimation of the initial Indicated Resources for the Project.
- ◆ The Indicated Resources are generally at a depth from surface to 135 m below surface (245 mAMS to 110 mAMS), with those at Tongo being from 200 mAMS to 60 mAMS - this highlights the potential to readily upgrade further deeper Inferred Resources to Indicated, that can then be converted to Ore Reserves - Resource upgrade drilling will be undertaken in parallel with the proposed mining operations.
- ◆ The MRE is based on a bottom cutoff of 1.00 mm, and the figures highlight the high in-ground value for the Kundu and Lando dykes - the diamond values of close to US\$200/ct are high by global standards, with our analysis indicating that they are close to double the production weighted global average for kimberlite mines.

Table 1: Tongo Mineral Resource Estimate - November 2018

Tongo Mineral Resource Estimate - November 2018						
Kimberlite	Resource Category	Tonnes Kimberlite	+1.0mm Grade (cpt)	Total Carats	Diamond Value (US\$/ct)	\$/tonne Kimberlite
Kundu	Indicated	200,000	3.4	680,000	194	660
Kundu	Inferred	650,000	3.2	2,080,000	194	621
Kundu	Total	850,000	3.2	2,760,000		
Lando	Indicated	320,000	3.0	954,000	194	582
Lando	Inferred	740,000	2.8	2,072,000	194	543
Lando	Total	1,060,000	2.9	3,026,000		
Pandebu	Indicated	60,000	0.8	48,000	182	146
Pandebu	Inferred	110,000	1.3	143,000	182	237
Pandebu	Total	170,000	1.1	191,000		
Tongo D-1	Indicated	160,000	1.4	224,000	187	262
Tongo D-1	Inferred	730,000	1.6	1,168,000	187	299
Tongo D-1	Total	890,000	1.5	1,392,000		
Total	Ind & Inf	2,970,000	2.5	7,369,000	191	476
Total	Indicated	740,000	2.6	1,906,000	193	497
Total	Inferred	2,230,000	2.4	5,463,000	191	471

Source: Newfield

- ◆ Table 2 presents initial Ore Reserves for the Kundu and Lando dykes - this is based on a 1.18 mm bottom cut, hence the higher values per carat, and was prepared in conjunction with the FEED Study.
- ◆ This also highlights the significant dilution of Resources, given dyke widths averaging 35 cm, and with the Reserves calculated on a minimum mining width of 85 cm.
- ◆ As for the Indicated Resources, the inventory will be added to in parallel with mining operations.

Table 2: Tongo Ore Reserves - May 2019

Tongo Ore Reserves - May 2019						
Kimberlite	Classification	Tonnes (Mt)	Diluted grade (cpt)	Carats (Mcts)	Diamond value (US\$/ct)	\$/tonne Kimberlite
Kundu	Probable	0.50	0.92	0.46	222	204
Lando	Probable	0.59	1.08	0.64	222	240
Total	Probable	1.09	1.00	1.09	222	222

Source: Newfield

- ◆ The Exploration Target as presented in Table 3 highlights the significant upside potential for the Project - our view, given the nature of kimberlite dyke mineralisation, is that, with drilling, we may expect to see a significant proportion of these converted to Resources, and then, dependent upon modifying factors, to Reserves.
- ◆ The base of the Exploration Target is generally at 500 mbs, however, given the nature of kimberlite dykes, mineralisation, if present at that depth could extend for a considerable distance below.

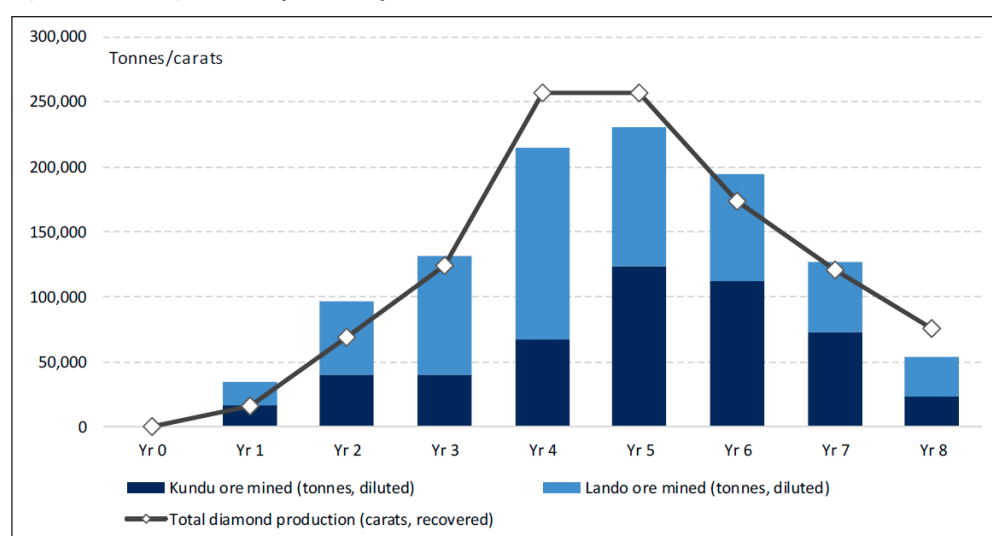
Table 3: Tongo Exploration Target - November 2018

Tongo Exploration Target - November 2018								
Kimberlite	Depth	Segment	Tonnes (Min)	Tonnes (Max)	+1.18 mm Grade Min (cpt)	+1.18 mm Grade Max (cpt)	Carats Min (mct)	Carats Max (Mct)
Tongo D-1 East	200 masl to -200 masl	TD1/2	100,000	200,000	1	1.8	100,000	360,000
Kundu	0 masl to -255 masl	Various	500,000	1,250,000	1.7	4	850,000	5,000,000
Lando	0 masl to -255 masl	Various	1,200,000	3,200,000	1.5	3.5	1,800,000	11,200,000
Pandebu	0 masl to -255 masl	Various	60,000	200,000	0.9	2.1	54,000	420,000
Panguma	Surface to -255 masl	Various	1,000,000	1,900,000	0.9	2	900,000	3,800,000
Total	-	Various	3,960,000	9,150,000	1.3	3.1	3,704,000	20,780,000
Tongo (Tonguma)	Surface to -255 masl	Various	900,000	1,900,000	No grade	No grade	-	-
Seleima	Surface to -255 masl	Various	200,000	500,000	No grade	No grade	-	-

Source: Newfield

FEED STUDY

- ◆ The results of the FEED Study for an initial 8 year operation producing one million carats from the Kundu and Lando dykes were released to the market on May 9, 2019 - a fair amount of the work was based on the 2016 PEA completed by Stellar.
- ◆ As mentioned previously, this is a base case starter operation, and it is expected, that with ongoing Resource upgrades and conversion to Reserves, that a long term operation will be feasible.
- ◆ The ultimate production level may be based around the capacity of the 50 tph mill and DMS treatment plant being sourced from Octea (and which will be refurbished) - this has, working 24 hours a day, six days a week and with an availability of 85%, the capacity to surpass the peak annual production as presented in the FEED Study.
- ◆ Outcomes and costs from the FEED Study are presented in Tables 4 to 6 below, with the base case production profile presented in Figure 5 - this is based on current Reserves only, and with the ongoing definition of new Reserves we would not expect to see the drop in production from year 6.

Figure 5: FEED study base case production profile

Source: Newfield

- ◆ Outcomes, prices and costs are based on nominal figures, escalated at 2% pa over the life of the proposed operation - we have modelled these and the outcomes appear reasonable.
- ◆ Our view is that both the capital and operating costs appear to be reasonable - one advantage of Sierra Leone is relatively cheap labour costs, and, with the operation being relatively labour intensive, results in relatively low overall costs.

- ◆ We have compared the operating costs with those as published by similar operations in Africa - an example is Frontier Diamonds (ASX: FDX), with our analysis indicating direct production costs of under US\$100/tonne hoisted for mining undertaken at the South African Star and Sedibeng fissure dyke mines from the December quarter, 2017 until the December quarter 2018.

Table 4: FEED study outcomes

FEED study outcomes	
Forecast financial information (Reserves only)	US\$m
Total gross revenue	267
Total operating costs	-137
Upfront capital costs	-29
Residual LOM capital costs	-23
Total free cashflow	77
NPV (10% dr, ungeared, pre-Octea royalties and tax)	33
IRR (ungeared, pre-Octea royalties and tax)	30

Source: Newfield

Table 5: FEED study capex estimate

FEED study capex estimate		
Item	Upfront US\$m	Ongoing US\$m
Portal infrastructure and decline development	5.3	-
Level development and ventilation	7.8	7.0
Process plant refurbishment	5.1	-
Power supply	2.0	0.7
General infrastructure	3.8	
Mining licence fees	2.2	5.0
Major equipment replacement		9.4
Other	3.2	1.1
Total	29.4	23.3

Source: Newfield

Table 6: FEED study opex estimate

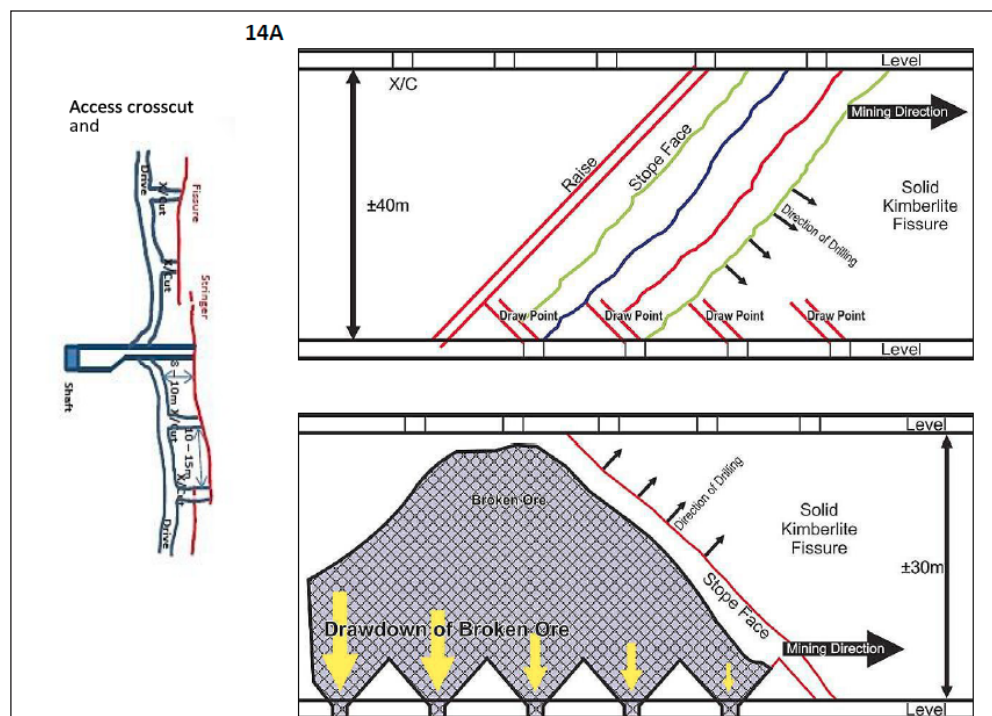
FEED study opex estimate			
LOM operating cost forecast (nominal)	US\$m	US\$/t diluted ore	US\$/ct
Stope mining	20.6	19	18.8
Underground power	25.5	23.5	23.4
Labour	42.3	39	38.7
SL government export royalty (6.5%)	15.8	14.5	14.4
Diamond marketing	3.6	3.4	3.3
G&A/other	17.7	16.3	16.2
Total	125.5	115.7	114.8

Source: Newfield

Mining Operations

- ◆ The Company plans to carry out mining on Kundu and Lando in parallel, with these being accessed by declines - this will include a single access portal, which will lead into a 149 m long x 6 m wide x 4 m high 8° decline - this will then split into two 4 m x 4 m declines servicing the two dykes.
- ◆ The dykes will be mined on 35 m levels, with each level accessed by 2 m wide x 2.2 m high strike drives, parallel to, and ~6 m from the dyke; the dyke will then be accessed by 2 m wide x 2.2 m high crosscuts at 12 m centres - it is planned to use mechanised mining in the declines (trucks, jumbos and LHDs, which will be leased), and hand-held mining methods for the strike drives, crosscuts and stope mining.
- ◆ The planned mining method is overhand shrinkage stoping as shown in the bottom right hand panel of Figure 6 - the left hand panel shows a typical relationship of the strike drives and crosscuts to the dyke; this also shows a layout for a shaft access, however will be similar for decline access as planned at Tongo.

Figure 6: Shrinkage stoping types - overhand as planned for Tongo is shown in the bottom right panel



Source: IIR

- ◆ Current plans are to use tracked haulage, with ore loaded from the crosscuts by small “teaspoon” bidders into cocopans hauled by battery powered locomotives - ore will be hauled to ore passes linked to the main haulage levels for eventual loading onto 15 tonne underground dump trucks for haulage up the decline to the treatment plant.
- ◆ The Company is also looking at trackless haulage options.

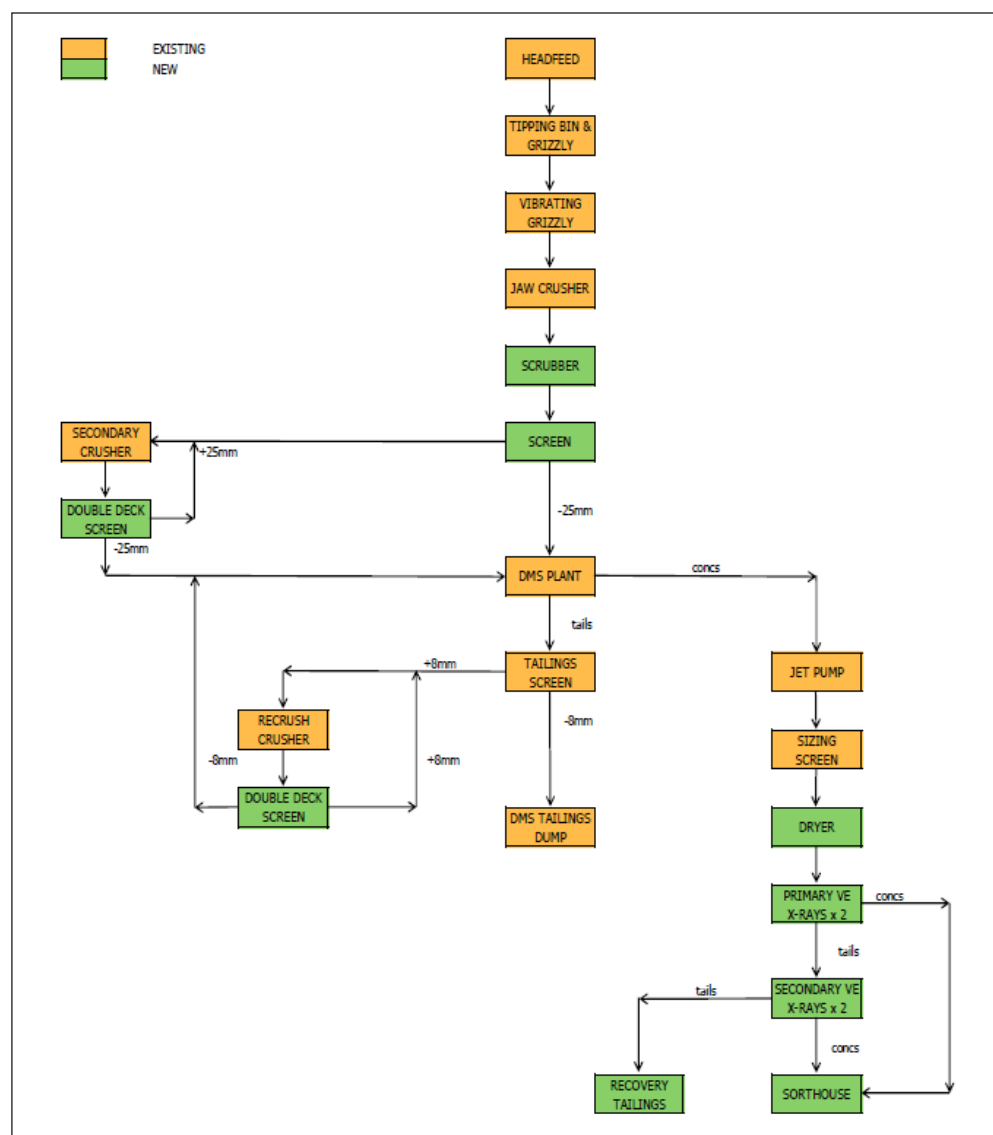
Process and Recovery

- ◆ The Company has, as part of the agreement with Octea, sourced a 50 tpa dense media separation (“DMS”) processing plant, that has the capacity to treat 300,000 tpa on a 6 day/24 hours per day/85% utilisation basis - this will be located near the Kundu/Lando portal.
- ◆ The plant will be refurbished, however with a new recovery and sort house being included - this is vital in maximising recoveries as well as minimising theft - the proposed refurbished plant layout is shown in Figure 7.
- ◆ The plant contains seven main stages as is typical of this style of plant:
 - Head feed/primary crushing to -25 mm,
 - Scrubbing/screening,
 - Secondary crushing,
 - DMS concentration and transfer,
 - Recrushing to -8 mm,
 - Recovery (largely X-Ray); and,
 - Sorting.
- ◆ Tails, which will have a nominal minimum size of 1.2 mm will be dry stacked after dewatering.

Power and Infrastructure

- ◆ Power is to be supplied using diesel generators - these will be rolled out as power requirements increase, with estimated requirements of 1.02 Mw in Year 3, and then increasing as deeper mine levels are accessed.
- ◆ Process water is readily available on site, including from water pumped from the mine - an existing bulk sampling pit located near the plant is planned to be used as a storage dam.
- ◆ The Company will utilise existing infrastructure, including buildings, where it can, and will also construct an accommodation village for an estimated 80 senior and middle management personnel - the remainder of the workforce will be housed in the wider Tongo community.

Figure 7: Proposed refurbished plant layout



Source: Stellar 2016 PEA

PEERS

- ◆ Table 7 presents a handful of listed diamond developers and operators - these include Australian, UK and Toronto listed companies, with enterprise values listed in the currency of the relative exchange - other figures are quoted in US dollars.
- ◆ This includes sales and production data for the period as given in the “Basis” column - note that figures for Newfield are forecast, and are those for the peak annual production (Year 4) as presented in the FEED Study; this highlights the high grade and hence high value per tonne processed for the planned Newfield operations as compared to peers, as shown in the “Value (US\$/t)” column.
- ◆ There are three ASX listed companies - Newfield, Lucapa and Frontier, with Frontier being the closest analogue to Newfield with activities concentrated on diamondiferous dykes - the operations of other companies are focussed on kimberlite pipes and, in the case of Lucapa until recently, the Lulo alluvial project - Lucapa has recently commenced production from the hard rock Mothae operation.
- ◆ With the exception of Stornoway (with the Canadian Renard operation), all operations in the table are in Africa.
- ◆ Frontier, which is currently in a trading suspension pending raising capital, has been looking to develop the Star and Sedibeng fissure mines in South Africa, similar in style to Tongo - both of these have an extensive history of mining, and have been mined to depths of at least 600 m with consistent grades and high value diamonds.

Table 7: Newfield peers

Newfield peers										
			Sales			Production				
Company	Ops	EV (m)	Sales Ct	Revenue (US\$m)	US\$/ct	Tonnes Treated	Diamonds Recovered	Grade (cpht)	Value (US\$/t)	Basis
Petra Diamonds	Various	£686	3,793,799	US\$495 m	\$131	12.1 mt	3,649,704	30	\$39	FY18
Lucara Diamonds	Karowe	C\$558	350,798	US\$176 m	\$502	2.6 mt	366,086	14	\$71	FY18
Firestone Diamonds	Liqhibong	£202	831,637	US\$62 m	\$75	3.8 mt	835,832	22	\$16	FY18
Stornoway Diamonds	Renard	C\$250	1,203,289	US\$123 m	\$103	2.3 mt	1,324,123	57	\$58	FY18
Gem Diamonds	Letseng	£109	125,100	US\$267 m	\$2,131	6.5 mt	126,900	2	\$42	FY18
Newfield	Tongo	A\$133	257,844	US\$57 m	\$222	0.2 mt	257,844	112	\$248	Yr 5*
Lucapa Diamonds	Lulo	A\$96	20,121	US\$26 m	\$1,312	0.3 bcm	19,196	7	\$88	FY18
Lucapa Diamonds	Mothae	A\$96	5,411	US\$3.8 m	\$707	0.3 mt	6,918	2	\$17	Q1 CY19
Frontier	Star and Sedibeng	A\$3	6,136	US\$2 m	\$361	0.02 mt	5,094	21	\$75	Q2 FY19

Source: IRESS, company reports and releases

* The Newfield figures are the peak annual production as presented in the FEED study; figures for all others are actual

CAPITAL STRUCTURE

- ◆ Newfield currently has 581.3 million fully paid ordinary shares and 56 million unlisted options on issue - the options include 6 million exercisable at A\$0.50 on or before December 30, 2020 and 50 million exercisable at A\$0.30 on or before March 31, 2021.
- ◆ The largest shareholder is Rustiyan Oen, with 26.11%, with a number of funds also having significant holdings.
- ◆ The Company is tightly held, with the Top 20 holding 84.83%, and with a total of 1,492 shareholders.
- ◆ The Board hold 1.34%.

BOARD AND MANAGEMENT

- ◆ **Mr Karl Smithson - Executive Director:** With over 30 years' experience in the resources sector in Africa, Karl has held senior management positions at De Beers, SouthernEra Resources, Mano River Resources and Stellar Diamonds. Karl possesses an in-depth knowledge of exploration, evaluation and production of diamond and other mineral resources, and has the capability to undertake detailed financial modelling of projects. Throughout Karl's career, he has established strong government and local stakeholder relationships in numerous African countries and has successfully secured a number of joint venture agreements with both major and junior resource companies.

Karl holds a Bachelor of Science in Geology (Honours) from Kingston University, London, and a Masters of Business Administration from the University of Cape Town, and is a Fellow of the Institute of Materials, Minerals and Mining (UK).

- ◆ **Mr Anthony Ho – Executive Director:** Anthony qualified as a Chartered Accountant in 1983 with Deloitte and is presently the principal of a consulting firm, Anthony Ho and Associates, specialising in providing corporate and financial services to ASX-listed companies.

Prior to establishing his practice in 1991, he spent 7 years in a senior corporate role with a major investment and resource group in Western Australia. He is currently a Director of a number of companies listed on ASX.

Anthony is a commerce graduate of the University of Western Australia.

- ◆ **Mr Michael Lynn - Executive Director:** Michael is a diamond geologist with over 30 years' experience in the African Continent (including DRC, Tanzania, Guinea, and South Africa) as well as India, Canada and Brazil. His career included senior exploration and management

roles with the De Beers Group and the Anglo American Corporation. Michael holds a Masters Degree in Exploration Geology (Cum Laude), and is a Fellow of the Geological Society of South Africa, and a Competent Person for the reporting of diamond resources and reserves.

- ◆ **Mr Robert Ang - Non-Executive Director:** Robert presently is a Portfolio Manager of ESW Manage Pte Ltd in Singapore, responsible for trades in foreign exchange currencies, commodities and stock indices futures. His banking career included being Vice President of the Bank of America in Jakarta as the Head of the Foreign Exchange Desk, before being posted to Singapore as the Director of the Bank of America's Foreign Exchange Trading division. Mr Ang went on to hold senior management roles at Credit Suisse Bank (Singapore), Bank of America-Merrill Lynch (Singapore), UniCredit Bank AG (Hong Kong) and Toronto-Dominion Bank (Singapore).

He is a graduate in banking and finance from Monash University, Melbourne.

- ◆ **Mr Rowan Carr - Mineral Resource Manager:** A highly experienced diamond exploration and mining operations specialist, Rowan has a proven track record in successfully and safely operating across eight African countries, many regions of which are considered high risk zones. Rowan has over 30 years of experience in diamond operations from grass roots exploration to mining operations.

Rowan holds a Bachelor of Science (Honours), Masters of Mineral Exploration and is a Chartered Geologist. He has a wide network throughout the global diamond industry and is a Fellow of the Geological Society, London.

- ◆ **Mr Max Truckenbrodt - Mining Manager:** Max has over 25 years' diamond mining experience working in Africa. He began his mining career in 1989 and progressed through the ranks at a number of mining operations culminating in his position as Mine Manager on the Star and Sedibeng underground diamond mines in South Africa. Prior to joining Newfield Resources, Max held the position of Mine Manager at Kimberley Underground Mines.

Max holds a National Higher Diploma in mining from Technikon Witwatersrand and a South African Mine Manager's Certificate of Competency..

BACKGROUND – DIAMOND MARKETS

Global Production and Markets

- ◆ In 2017 global production through the Kimberley Process was in the order of 151 million carats (up from 127 million carats in 2014), as shown in Table 8, and which includes both gem and industrial diamonds.
- ◆ Approximately 44% is industrial production, with major producers of industrial stones being Russia, Congo (Kinshasa), Australia and Botswana.
- ◆ The demand and pricing for gem diamonds is related to global economic conditions, with diamonds being a luxury and discretionary item.
- ◆ The largest producer was the Russian Federation, which produced close to 43 million carats, or 28% of the total – the country was also the largest producer by value.
- ◆ Although a relatively minor producer, Sierra Leone is a producer of relatively high value diamonds, with these largely sourced from the Koidu operation, operated by a subsidiary of the Beny Steinmetz Group of Companies.

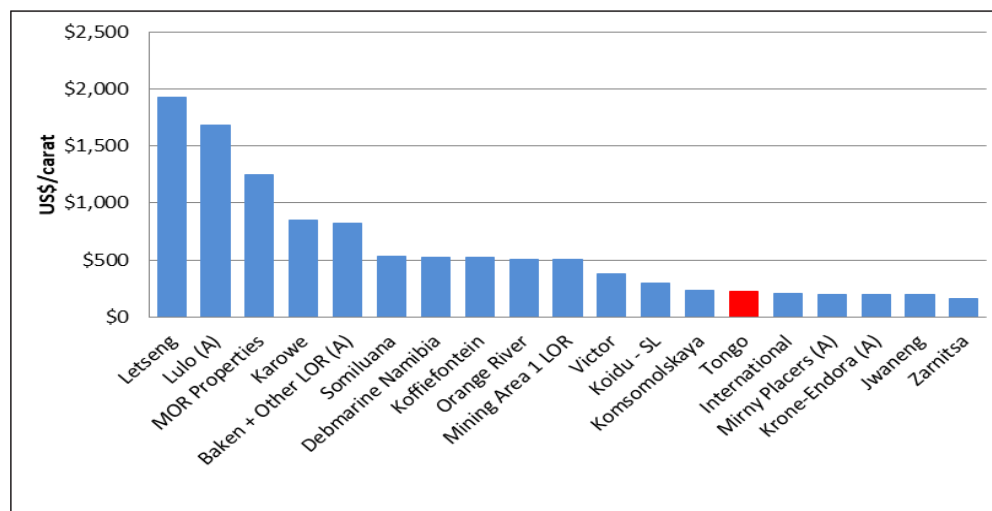
Table 8: Global diamond production, 2017

Global diamond production, 2017			
Country Name	Volume, cts	Value, US\$	US\$ / cts
Russian Federation	42,614,780	\$4,112,173,170	\$96.50
Canada	23,233,988	\$2,059,907,718	\$88.66
Botswana	22,961,298	\$3,329,388,246	\$145.00
Congo, Democratic Republic of	18,902,764	\$157,270,993	\$8.32
Australia	17,134,730	\$199,695,128	\$11.65
South Africa	9,682,965	\$1,303,927,051	\$134.66
Angola	9,438,802	\$1,104,622,553	\$117.03
Zimbabwe	2,507,604	\$175,379,664	\$69.94
Namibia	1,948,412	\$1,010,716,179	\$518.74
Lesotho	1,126,409	\$342,657,690	\$304.20
Tanzania	298,127	\$79,416,709	\$266.39
Sierra Leone	289,141	\$122,316,628	\$423.03
Brazil	254,896	\$37,887,315	\$148.64
Guinea	181,450	\$20,462,951	\$112.77
Ghana	82,233	\$2,771,918	\$33.71
Liberia	71,152	\$39,411,254	\$553.90
Guyana	52,161	\$10,295,036	\$197.37
Central African Republic	47,637	\$6,505,305	\$136.56
Congo, Republic of	46,758	\$1,159,662	\$24.80
India	41,702	\$7,354,349	\$176.36
Cote D'ivoire	7,361	\$182,479	\$24.79
Cameroon	1,757	\$917,847	\$522.26
Totals	150,926,362	\$14,124,512,315	\$93.59

Source: Kimberley Certification Process

- ◆ Prices are quoted per carat, with a carat equalling 0.2 grams.
- ◆ Diamond pricing is based on a number of factors, including size, colour and clarity, with higher quality and larger stones enjoying often substantial premiums per carat.
- ◆ Around 20 operations had average prices of >US\$150/ct in 2017, as shown in Figure 8 - amongst the highest value diamonds are those from Lesotho, as well as the Orange River alluvial and Namibian marine operations.
- ◆ At current estimated values those from Tongo compare well with this premium group.

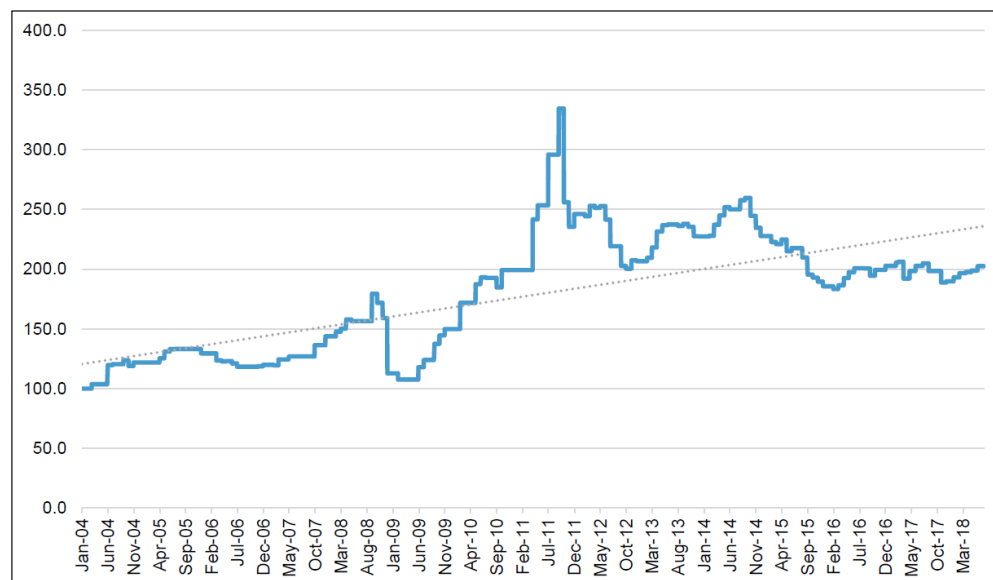
Figure 8: Diamond sales price by operation - 2017



Source: Paul Zyminsky.com

- ◆ As shown in Figure 9 diamond prices have enjoyed a real escalation of 1.0% per annum over the past 12 years, assuming a US CPI of 2.5% pa over the same period.

Figure 9: Diamond price index, January 2004 to May 2018



Source: Petra Diamonds website image

- ◆ Despite falls in 2014-2015, prices have now stabilised.

BACKGROUND - SIERRA LEONE

DEMOGRAPHICS AND GOVERNMENT

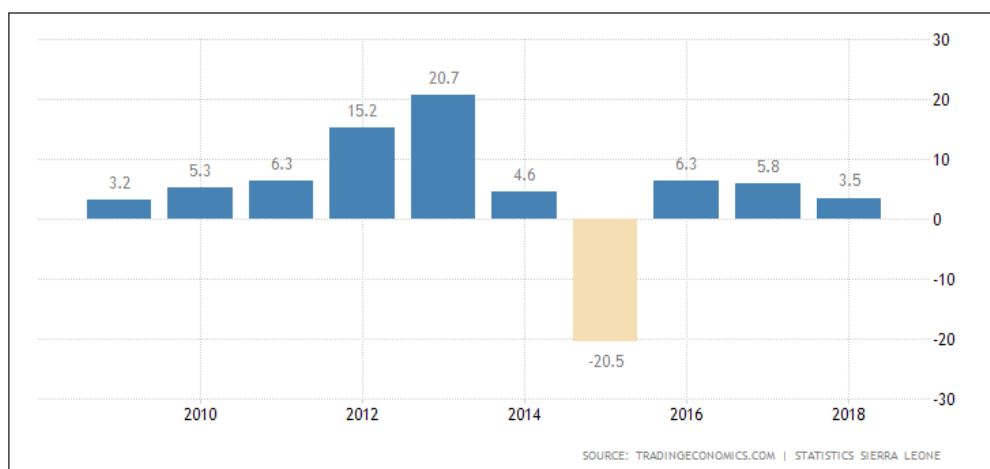
- ◆ With a population of some 7.5 million (and with 60% under the age of 25), Sierra Leone is the 30th most populous country in Africa, and with a population density of ~86 people per km², it is 11th most densely populated country on the continent.
- ◆ In 2018 42% of the population were urbanised, with the largest city being Freetown (population just over 1 million), and the second largest Kenema (population ~200,000).
- ◆ Sierra Leone has over 11 local ethnic groups, with the largest being the Temne and Mende, both each with over 30% of the population; there are also small numbers of foreigners, including Europeans.
- ◆ The primary religion is Muslim, with close to 80%; the majority of the remainder of the population are Christian.
- ◆ English is the official language, however regular usage is largely limited to the literate minority – Mende is the principal language in the south and Temne in the north – Krio, an English based creole language is also widely spoken and understood.

- ◆ The Chief of State and Head of Government is the President, who is directly elected with five-year terms – Ministers are appointed by the President with cabinet responsible to the President.
- ◆ The last presidential election was held on April 4, 2018, with President Julius Maada Bio being elected.
- ◆ The legislative branch includes a unicameral Parliament of 146 seats, with members serving five year terms, and with elections at the same time as the Presidential election.
- ◆ Given previously being an English colony (Sierra Leone gained independence in 1961), the legal system is largely based on the English common law, however customary law is also widely practiced.
- ◆ The country has endured a number of periods of instability, civil war and single party rule since independence, with the most recent period of instability being the civil war from 1991 to 2001, which was partly sparked by the civil war in neighbouring Liberia.
- ◆ The country has been reasonably stable since the May 2002 elections following the end of the civil war, with all elections being uneventful; one subsequent challenge however was the 2014/2015 Ebola outbreak that also affected neighbouring Guinea and Liberia – this caused close to 4,000 deaths in the country.
- ◆ One of the issues facing the country is corruption, with the country rating 130 out of 180 in Transparency International's 2018 Corruption Perceptions Index.
- ◆ However, this is a known factor for entities wishing to operate in the country, and it is ranked higher than a number of countries that ASX-listed companies operate in, including PNG, Mexico and the DRC amongst others.
- ◆ In early 2019 the current government launched three commissions of enquiry looking at corruption of the former APC government that was in power from 2007 to 2018.

ECONOMY

- ◆ The currency is the Leone, with a current value of ~9,000 to the USD – the value has halved over the past five years.
- ◆ According to the World Bank, the country's GDP was around US\$10 billion (151/184 measured globally), however the GDP per capita at US\$1,526 was 174th globally – the economy took a major hit with the 2014/2015 Ebola outbreak, however there has been reasonable growth subsequent to this, with 6.1% in 2016 and 4.2% in 2017 (Figure 10).
- ◆ This hit to the economy was also coincident with falling mineral prices and decrease in demand, further impacting the economy – it is estimated that the economy shrunk by ~20% at this time, which followed a number of years of increasing growth driving by mining, particularly iron ore (however it was the closure of iron ore mines that contributed to the slump).

Figure 10: Sierra Leone GDP growth 2009 to 2018



Source: tradingeconomics.com

- ◆ Agriculture, at 61%, is the main contributor to GDP, with mining contributing ~10%.
- ◆ The main export earners are mineral products, including iron ore, bauxite, diamonds and rutile – in 2017 exports of these products totalled ~US\$620 million, or 70% of total exports, however this was affected by the early 2018 closure of the Tonkolili iron ore mine by owners Shandong Iron and Steel in early 2018.

- ◆ Given the reliance on mineral resources for export income, and the troubles that have beset the industry, the Government of Sierra Leone is keen to attract investment into the minerals industry.

MINING REGULATION

- ◆ As mentioned above, Sierra Leone has a reasonably well-developed mining industry, with minerals forming the bulk of the country's exports; in addition, there have been deep-water oil and gas discoveries offshore, although to date none have proved to be economically viable.
- ◆ The Government also earns significant revenue from the industry through royalties, signature bonuses and licencing fees amongst others.
- ◆ The industry in Sierra Leone is regulated under the Mines and Minerals Act, 2009, which is supplemented by the Mines and Minerals Operational Regulations 2013 – these are similar in structure and operation to those in many other jurisdictions.
- ◆ A number of licence types can be issued, including reconnaissance, exploration, artisanal mining and large scale mining licences – of most interest here are:
 - The exploration licence, which grants an exclusive right to explore for one or more specified substances within the licensed area. The licence is valid for an initial period of up to four years over a maximum area of 250 km². Renewals are permitted, provided that the maximum area over which the licence is being renewed does not exceed 125 km² and the extension granted under the licence is for no more than three years in the first instance and two years in the second instance.
 - The large-scale mining licence gives its holder an exclusive right to conduct exploration and mining operations within the licensed area and dispose of the minerals to which the licence relates. Licences may be granted for an initial period of up to 25 years, with the possibility of subsequent renewals for periods of up to 15 years.
- ◆ The owner of a large scale mining licence is required to obtain a land lease or other rights to the surface rights with the owner of the land, and is required to pay fair and reasonable compensation for any disturbances.
- ◆ As in most other jurisdictions mining approvals also require the completion and approval of an environmental impact assessment and the issuance of an environmental impact assessment licence which is valid for 12 months and needs to be renewed.
- ◆ As is also similar with other jurisdictions, the holder of a large scale mining licence is required to enter into a community development agreement with the primary host local community, as well as to, as far as feasible, give preference to local goods, services and workers.



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