

Non-binding indicative proposal to acquire Stellar Diamonds plc and associated capital raisings

ASX Code: **NWF**

THIS IS AN ANNOUNCEMENT OF A POSSIBLE OFFER UNDER RULE 2.4 OF THE CITY CODE ON TAKEOVERS AND MERGERS (THE "CODE"). THIS ANNOUNCEMENT IS NOT AN ANNOUNCEMENT OF A FIRM INTENTION TO MAKE AN OFFER UNDER RULE 2.7 OF THE CODE AND THERE CAN BE NO CERTAINTY THAT ANY OFFER WILL BE MADE EVEN IF THE PRE-CONDITIONS ARE SATISFIED OR WAIVED.

Highlights

- **Announcement of possible offer to acquire AIM-listed diamond explorer, Stellar Diamonds plc.**
- **Two tranche placement to raise aggregate of A\$10 million at A\$0.20 per share.**
- **Proposed underwritten non-renounceable rights issue to raise A\$30 million at A\$0.15 per share.**
- **Interim loan to Stellar of US\$3 million.**

On 1 February 2018, AIM-listed Stellar Diamonds plc (**Stellar**, AIM:STEL) announced that it had received a possible offer from the Board of Newfield Resources Limited (**Newfield**, ASX:NWF) to acquire the issued and to be issued share capital of Stellar in an all-scrip transaction to be effected by a Court-sanctioned scheme of arrangement of Stellar under Part 26 of the UK Companies Act 2006 (**Possible Offer**). A copy of Stellar's announcement may be found at <http://stellar-diamonds.com/news/press>.

In order to enable Stellar to become the operator of the combined Tongo-Tonguma mine, Newfield has agreed to provide a loan of US\$3 million (**Loan**) to Stellar.



Photographs of diamonds recovered from dredging activities in EL 15/2012

ASX Release: 1 February 2018

ACN 153 219 848

DIRECTORS

Mr Anthony Ho
(Executive Director)

Mr Michael Lynn
(Executive Director)

Mr Robert Ang
(Non-Executive Director)

CAPITAL STRUCTURE

Shares on Issue: 235.58M

Options on Issue: 6M

Newfield has received binding commitments for a placement raising A\$7 million, from which the Loan will be advanced. This placement is due to be settled in the coming days. Newfield is also proposing to place an additional A\$3 million of shares, subject to the receipt of prior shareholder approval. A notice of meeting will be circulated to shareholders in due course.

In order to raise the funds necessary to progress the Tongo-Tonguma project through to production, Newfield also proposes to raise A\$30 million by way of an underwritten non-renounceable rights issue at A\$0.15 per share. Further details regarding the terms of the underwriting and the rights issue will be announced in due course, following the execution of an underwriting agreement.

About Stellar Diamonds plc

Stellar is an AIM-listed entity incorporated in the United Kingdom, which holds a portfolio of advanced diamond assets in Sierra Leone and exploration licences in Liberia. The main focus is on the Tongo – Tonguma kimberlite project in Sierra Leone which is advancing towards mine development.

The Tongo project is presently owned by Stellar. The Tonguma project is adjacent to Stellar's Tongo project and is presently owned by Octea Mining Limited (**Octea**). Stellar is party to a Tribute Mining and Revenue Share Agreement with Octea pursuant to which, conditional upon certain completion conditions, Stellar will have an economic interest in the Tonguma project. The agreements with Octea are expected to be consummated shortly following provision of the Loan to Stellar. Stellar will then proceed with Front End Engineering Design (“FEED”), mine development drilling and relocation and upgrade of a 50 tonne per hour DMS plant that will be utilised for the kimberlite processing and diamond recovery from the mine.

The Directors of Newfield therefore believe that the Tongo-Tonguma kimberlite project complements Newfield’s existing portfolio of assets in Sierra Leone as well as offering the potential for substantial near and long-term cash flows. Newfield intends to use the proceeds of the proposed rights issue to advance the project through to production.

Outline of Possible Offer

Under the Possible Offer, if implemented, a total of 95,500,000 Newfield shares (“**Consideration Shares**”) will be issued to Stellar shareholders in consideration for the issued and to be issued share capital of Stellar and which would represent a 16.4% of the enlarged share capital of Newfield once it has completed its placings and rights offer. Newfield will seek shareholder approval for the issuance of the Consideration Shares to Stellar, with a notice of meeting to be circulated in due course.

The making of any offer will be conditional, unless otherwise waived by Newfield, on Newfield securing underwriting for a A\$30 million non-renounceable rights issue, the proceeds of which would mainly be used to advance the Tongo-Tonguma project into production.

In addition, the completion of any offer will be subject to conditions precedent considered customary for transactions of this nature, including:

- Newfield shareholders providing all necessary shareholder approvals;
- approval by a majority in number of Stellar shareholders representing 75% in value of votes cast, whether in person or by proxy, as well as any additional ancillary shareholder approvals; and
- the parties receiving all regulatory approvals or consents and/or complying with all requirements imposed by any regulatory body (including any governmental agency, ASX and AIM) and approvals, together with certain other conditions customary for a transaction of this nature.

Whilst the negotiations are advanced, there can be no certainty that Newfield will make any formal and binding offer to Stellar, nor as to the final terms of any offer, even if the conditions set out above are met or waived. Neither this announcement, nor the announcement by Stellar, is an announcement of a firm intention to make an offer under Rule 2.7 of the UK Takeover Code (Code) and accordingly there can be no certainty that any offer will be made even if the pre-conditions are satisfied or waived.

Placement

In conjunction with the progression of the Possible Offer, Newfield has received binding commitments for a placement raising A\$7 million (before costs) by the issuance of 35 million shares at A\$0.20 per share. This placement is due to be settled in the coming days, with the shares to be issued pursuant to Newfield's 15% placement capacity under ASX Listing Rule 7.1.

Newfield is also proposing to undertake a further placement to raise an additional A\$3 million, by the issuance of 15 million shares at A\$0.20 per share. Newfield will circulate a notice of meeting to shareholders seeking the necessary shareholder approvals for this placement (as well as the Possible Offer) in due course.

The funds raised pursuant to two-tranche placement are intended to be applied towards:

- the US\$3 million Loan to Stellar, which will be utilised to commence the FEED programme as described above;
- advancement of Newfield's existing projects, namely, continued exploration work on its Allotropes Diamond Project in Sierra Leone and its gold projects in Kalgoorlie, Western Australia; and
- general working capital.

Loan

In order to provide Stellar with working capital and to satisfy the key outstanding completion condition of its agreement with Ocea to become operator of the combined Tongo-Tonguma mine under a revenue share mode (which first requires Stellar to finance the Front End Engineering Design (FEED) stage of the mine plan for the Tongo-Tonguma project (**Mine Plan**)), Newfield has agreed to provide a loan of US\$3 million (**Loan**) to Stellar. The Loan is not conditional on the Possible Offer.

For completeness, it is also a condition precedent to completion of the agreement between Ocea and Stellar that valid licence opinions are received for Tongo and Tonguma (which Stellar advise are expected to be received in the near future) and satisfactory confirmation from Ocea that the Tonguma licence is unencumbered and not subject to any security pledge.

The key terms of the Loan are as follows:

- **Use of funds:**
 - payment of certain licence fees with respect to the Tongo-Tonguma project;
 - commencing the FEED work and mine development drilling; and
 - general working capital.
- **Repayment:** 8 months or within 3 months of any competing offer for Stellar becoming unconditional.

- **Interest:** 24% per annum.
- **Security:** Unsecured.

Rights issue

Simultaneously with the making of any offer made to Stellar, Newfield intends on undertaking a A\$30 million underwritten non-renounceable rights issue, through the issue of 200,000,000 new shares in Newfield at a price of A\$0.15 per share (**Rights Issue**).

Newfield intends that the majority of the net proceeds of the Rights Issue will be used as follows:

- for the development of the Tongo-Tonguma kimberlite project in Sierra Leone into production in accordance with the mine plan developed by Stellar and pursuant to the terms of the Tribute Mining Agreement and Revenue Share Agreement entered into by Stellar with Octea, further details of which were announced by Stellar on the AIM platform and its website on 28 April 2017;
- to repay Stellar's outstanding loan notes and accrued interest of approximately US\$3.2 million in aggregate and other creditors; and
- general working capital and transaction costs.

Completion of the Rights Issue will be conditional on, amongst other things, the acquisition of Stellar completing.

Indicative capital structure

The anticipated effect of the Transaction on Newfield's issued shares is detailed below:

	Number of shares	%
Newfield shares currently in issue	235,583,335	40.54%
Tranche 1 Placement	35,000,000	6.02%
Entitlement Offer	200,000,000	34.42%
Tranche 2 Placement	15,000,000	2.58%
Scheme Consideration	95,500,000	16.43%
Total	581,083,335	100.00%

The above is indicative only, and subject to change.

General and reservations to the Possible Offer

This announcement has been made to ensure the market is fully informed, and that there is no 'excluded information' in respect of Newfield within the meaning of section 708A(7) of the *Corporations Act 2001* (Cth), prior to Newfield completing the placement described in this announcement.

This announcement is not an announcement of a firm intention to make an offer under Rule 2.7 of the Code and there can be no certainty that an offer will be made, nor as to the terms on which any offer will be made.

In accordance with Rule 2.6(a) of the Code, an announcement is required, by no later than 5.00 pm on 1 March 2018 to either announce a firm intention to make an offer for Stellar in accordance with Rule 2.7 of the Code or announce that it does not intend to make an offer, in which case the announcement will be treated as a statement to which Rule 2.8 of the Code applies. This deadline can be extended with the consent of the Panel on Takeovers and Mergers (UK) (**Panel**) in accordance with Rule 2.6(c) of the Code.

Further announcements will be made as appropriate and shareholders are strongly advised to take no action for the time being.

Newfield reserves the right to make an offer on less favourable terms than those set out in this announcement in the event that:

- a) an agreement or recommendation in respect of such terms is reached with the Board of Stellar; or
- b) an offer or possible offer for Stellar is announced by a third party.

In the event Stellar announces, declares, pays or makes any dividend or distribution to Stellar shareholders at any time, Newfield reserves the right to make an equivalent reduction in the terms of the Possible Offer.

In addition, Newfield reserves the right to introduce other forms of consideration and/or vary the proposed mix of consideration in any offer.

Dealing disclosure requirements of the Takeover Code (the “Code”):

Under Rule 8.3(a) of the Code, any person who is interested in 1% or more of any class of relevant securities of an offeree company or of any paper offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any securities exchange offeror is first identified.

An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) of the Code applies must be made by no later than 3.30 p.m. (London time) on the 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 p.m. (London time) on the 10th business day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Code, any person who is, or becomes, interested in 1% or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror, save to the extent that these details have

previously been disclosed under Rule 8 of the Code. A Dealing Disclosure by a person to whom Rule 8.3(b) of the Code applies must be made by no later than 3.30 p.m. (London time) on the business day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3 of the Code.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4 of the Code).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Panel's website at www.thetakeoverpanel.org.uk, including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0) 20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.

Authorised by:

Anthony Ho
Executive Director