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新礦資源有限公司
NEWTON RESOURCES LTD

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1231)

BUSINESS UPDATE

COAL PURCHASE AGREEMENT IN RELATION TO OFFTAKE OF COAL FROM COAL MINES IN INNER MONGOLIA

This announcement is made by Newton Resources Ltd (the “**Company**”) to inform the shareholders and potential investors of the Company the latest development of the business of the Company and its subsidiaries (collectively, the “**Group**”).

Reference is made to the announcement of the Company dated 22 January 2018 in relation to a memorandum of understanding entered into by the Group with a coal mining company (the “**Coal Company**”) in the People’s Republic of China (the “**PRC**”) for the proposed offtake of coal by the Group from coal mines (the “**Coal Mines**”) located in Inner Mongolia Autonomous Region, the PRC (“**Inner Mongolia**”).

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce that, on 15 March 2018, Xingan League Newton Trading Company Limited (the “**Buyer**”), a wholly owned subsidiary of the Company established in the PRC, entered into a coal purchase agreement (the “**Coal Purchase Agreement**”) for the supply of coal, pursuant to which, among others, the Buyer secured the supply of not less than 500,000 metric tonnes of coal from the designated coal distributor of the Coal Company (the “**Seller**”) and shall pay to the Seller a sum of RMB50 million as the deposit for the coal supply (the “**Contractual Deposit**”). Based on the anticipated market demands from time to time, the Buyer and the Seller shall enter into monthly purchase contracts setting out the quantity of coal to be purchased by the Buyer for the specified period.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Coal Company, the Seller and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited). Based on information currently available to the Group, the Coal Company is principally engaged in the mining, processing and sale of coal, and is the registered holder of three mining permits covering a site area of approximately six square kilometres in Inner Mongolia for the total annual production capacity of 900,000 metric tonnes of coal.

Under the Coal Purchase Agreement, the purchase price of the coal shall be determined by reference to the selling price per metric tonne of coal on-sold by the Buyer during the relevant calendar month and an agreed discount, which shall then be payable on a monthly basis.

In consideration for the performance of the Seller's obligations under the Coal Purchase Agreement, the Buyer shall, within 15 business days after the date thereof (or such other date as mutually agreed by the Buyer and the Seller, whichever is the later), pay to the Seller the Contractual Deposit. Such Contractual Deposit shall be applied towards the settlement of any unpaid purchase price for the coal supplied, and shall be refunded (without interest) to the Buyer within 10 banking days upon the termination of the Coal Purchase Agreement. The Coal Purchase Agreement shall have a term commencing from the date thereof and ending on 31 December 2018, and may be renewed thereafter by mutual agreement of the Buyer and the Seller.

The Group is committed to look for business and investment and/or development opportunities so as to enable it to achieve the goal of carrying out sustainable development and diversifying business and revenue sources, thereby enhancing the Group's overall development. Since the second half of 2016, the Group has expanded its iron concentrate business to the downstream trading business, primarily involving the supply and sales of iron ore. Having noted the recent recovery of the coal price which was driven by market dynamics in the PRC whereby (1) domestic coal supplies have been lowered as a result of the governmental measures to crackdown illegal coal mining and to tackle over-capacity; and (2) coal demand is likely to remain stable and concerns about policy impact from coal-to-gas conversion should ease, the Group has recently started the negotiation for the offtake of coal from the Coal Mines and the offtake of coal under the Coal Purchase Agreement is considered to be an opportunity to diversify the product offerings in the trading business of the Group, and brings a new income stream to the Group. This strategic development also evidenced the establishment of the Group's business presence in Inner Mongolia, which is well known for its affluent mining reserves and resources. In view of the stable demand for coal in Northern China for industrial use, power supply and heating, and the close proximity of the Coal Mines to the customers, it is believed that the Group could, through the trading of coals, improve its operating and financial performances.

The Board wishes to emphasize that the prices and demands of coal, being an international commodity, are subject to market fluctuations from time to time and future economic and market conditions which could not be foreseen or anticipated by the Group. Accordingly, there is no assurance that the trading of coal by the Group can be profitable. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
Newton Resources Ltd
Wu Wai Leung, Danny
Non-executive Director

Hong Kong, 16 March 2018

As at the date of this announcement, the executive Directors are Mr. Li Changfa and Mr. Luk Yue Kan; the non-executive Directors are Dr. Cheng Kar Shun and Mr. Wu Wai Leung, Danny; and the independent non-executive Directors are Mr. Tsui King Fai, Mr. Lee Kwan Hung and Mr. Shin Yick, Fabian.