新礦資源有限公司
NEWTON RESOURCES LTD

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

BUSINESS UPDATE

MEMORANDUM OF UNDERSTANDING 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**").

The board (the "**Board**") of directors (the "**Directors**") of the Company is pleased to announce that, on 20 January 2018, the Group entered into a memorandum of understanding (the "**Coal MOU**") with a coal mining company (the "**Coal Company**") in the People's Republic of China (the "**PRC**"). Based on information currently available to the Group, the Coal Company is principally engaged in the mining, processing and sale of coals, and is the registered holder of three mining permits for total annual production capacity of 900,000 metric tonnes of coal, with coal mines (the "**Coal Mines**") located in Inner Mongolia Autonomous Region, the PRC ("**Inner Mongolia**").

Under the Coal MOU, the Group and the Coal Company will further discuss, among others, on the proposed offtake of not less than 500,000 metric tonnes of coals from the Coal Mines by the Group. The purchase price of the coal is expected to be determined by reference to the average selling price of the coal on-sold by the Group from time to time and an agreed discount. Subject to further negotiations among the parties, and the due diligence review by the Group, the parties to the Coal MOU intend to enter into a formal offtake agreement as soon as possible.

The Coal MOU does not constitute a legally binding agreement among the parties in respect of the proposed offtake of coals from the Coal Mines. Save as aforesaid, other provisions in the Coal MOU (such as the right of due diligence review, confidentiality, governing law and other costs provisions) are legally binding on the parties thereto.

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 proposed offtake of coal under the Coal MOU is considered to be an opportunity to diversify the product offerings, and thereby to broaden the income spectrum of the Group.

The Board wishes to emphasize that no binding agreement in relation to the proposed offtake of coal from the Coal Mines has been entered into as at the date of this announcement. Accordingly the proposed offtake of coal may or may not proceed. 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, 22 January 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.