

# Newland Resources Ltd

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Manager Announcements  
Company Announcements Office  
ASX Limited  
20 Bridge Street  
Sydney NSW 2000

Dear Sir,

## LETTER OF INTENT SIGNED IN RELATION TO PROPOSED ACQUISITION

Newland Resources Limited (**Newland**) is pleased to announce that it has entered into a letter of intent with Pacific International Management, Inc. (**PIM**) in relation to a proposed acquisition of interests from PIM (**Proposed Acquisition**).

### Proposed Acquisition

Under the Proposed Acquisition, Newland proposes to acquire the following interests from PIM:

- a 50% interest in the issued share capital of Zeus Petroleum Ltd (**Zeus**), a United Kingdom petroleum exploration company; and
- a 26% interest in the issued share capital of South American Ferro Metals Limited (**SAFM**), a British Virgin Islands company with Brazilian iron ore assets.

Consideration for the Proposed Acquisition is the issue by Newland to PIM of:

- 28 million fully paid ordinary Newland shares; and
- \$30 million of 5 year convertible notes with a coupon rate of 8%, convertible at \$0.50 per Newland share.

Newland attributes a value of \$32 million to the 50% interest in Zeus, and \$12 million to the 26% interest in SAFM.

The Proposed Acquisition is subject to a number of conditions precedent, including the following:

- the satisfactory outcome of due diligence enquiries to be undertaken by Newland;
- entry into formal binding agreements in relation to the Proposed Acquisition;
- approval of the Proposed Acquisition by Newland shareholders in general meeting in accordance with all regulatory requirements; and
- compliance with the requirements of the ASX Listing Rules.



### **Zeus Petroleum Ltd**

Zeus is a petroleum exploration company, incorporated in England and Wales. Zeus holds petroleum exploration interests in the British North Sea, being 4 North Sea Licences covering 7 blocks or part blocks. These interests are currently being evaluated by Zeus. One of these licences, the Athena block (of which Zeus owns a 10% interest) is in development drilling and now contains a proven reserve as outlined by the operator, Ithaca Energy Inc ([www.ithacaenergy.com](http://www.ithacaenergy.com)).

Rheochem plc, a dual ASX and AIM listed company (ASX code: **RHE** and AIM code: **RHEP**) owns the other 50% interest in Zeus. Further information about Zeus and its assets can be found via Rheochem's website, [www.rheochem.com.au](http://www.rheochem.com.au), or via the ASX announcements platform at [www.asx.com.au](http://www.asx.com.au).

### **South American Ferro Metals Limited**

SAFM is a special purpose company incorporated in the British Virgin Islands. SAFM's wholly owned Brazilian operating subsidiary holds SAFM's principal asset, being the Ponte Verde iron ore project located in the heart of the iron ore quadrilateral, Minas Gerais, in southern Brazil.

This project is situated close to established mining operations and close to both infrastructure and markets. An additional 2000m (approximately) of further drilling is required for SAFM to establish a JORC compliant resource.

SAFM intends to go into small scale production in the next few months. This is understood to be a low capital expenditure project, as SAFM initially intends to use plant already on site, as well as sell the product at the mine gate into steel mills already operating and needing additional feedstock. Newland understands that this should be an early cash flow generating project.

SAFM also hopes to move the project through its development phase in approximately 12 months and into full production in approximately 12 to 18 months.

### **Convertible notes**

As outlined above, part of the consideration for the Proposed Acquisition is the issue by Newland to PIM of 5 year convertible notes with an aggregate face value of \$30 million. It is proposed that Newland will have a redemption option such that Newland can give PIM 6 months notice of its intention to redeem the notes, after which PIM can elect either a cash redemption or conversion at \$0.50 per Newland share. For the first 2 years following issue, interest on the notes is to be accumulated, pending revenues being received from one of Zeus' principal assets, the Athena oil field. After the first 2 years following issue, interest will be paid on the notes half yearly.

### **Pacific International Management, Inc.**

PIM, the vendor in the Proposed Acquisition, is a private investment company that is beneficially owned by Mrs H.M. West. Mrs West currently has an interest in approximately 50 million shares in Newland (representing approximately 30% of Newland's existing fully paid ordinary share capital) through HSBC Custody Nominees (Australia) Limited. Following completion of the Proposed Acquisition, Mrs West will have an interest in 78 million shares in Newland, representing approximately 40% of the expanded issued share capital of Newland.

### **Next steps in relation to the Proposed Acquisition**

Following a satisfactory outcome of due diligence enquiries undertaken by Newland and entry into formal binding agreements in relation to the Proposed Acquisition, Newland will prepare and distribute a notice of meeting and explanatory memorandum to Newland shareholders seeking approval of the Proposed Acquisition. This notice will contain further details about the Proposed Acquisition, including further details about Zeus, SAFM and their respective projects and assets.

**Newland Financial Group Limited**

As foreshadowed in Newland's March 2008 quarterly report, the Newland Board has resolved, subject to shareholder approval, to reduce its interest in its wholly owned subsidiary Newland Financial Group Limited (**NFG**) and seek admission to dealing of NFG on the AIM market of the London Stock Exchange. A notice of meeting and explanatory memorandum is being prepared by Newland that will contain full details of this proposed restructure. Newland hopes to finalise and distribute this notice to shareholders shortly.

If you have any questions with respect to the Proposed Acquisition, please contact Mr Lindsay Colless at Newland on +61 8 9227 1186.

Yours faithfully,  
For **NEWLAND RESOURCES LTD**



L A Colless  
**Chairman**