

CESAR PROJECT HIGHLIGHTS

- **Exploration Target**
 - 250 Mt to 650 Mt
 - 800 – 1,300m depth
 - Export thermal coal
 - 6,100 – 7,000 kcal/kg
- **Secure Tenure 30 years**
 - GIK -103 (2,587 Ha)
 - GHN-121 (1,554 Ha)
 - 90% NAE equity interest
- **Adjacent to major open pit thermal coal mines of the world class Cesar Basin:**
 - Drummond Coal (23 Mtpa)
 - Glencore (5 Mtpa)
 - Goldman-Sachs (6 Mtpa)
- **Proximity to Infrastructure**
 - 200km rail connection (FENOCO) to Atlantic coast ports at Santa Marta
 - Highway connections to Santa Marta and other ports

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Resource Sector
Coal

Countries of Focus
UK
Colombia

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CESAR COAL PROJECT UPDATE

Revised Exploration Target

- **Interpretation of additional seismic data by technical consultants provides revised conception exploration target:**

CESAR EXPLORATION TARGET TONNAGE (Concessions GIK-103, GHN-121)
250 - 650 million tonnes (in-situ)

- **Export thermal quality expected (6,100 to 7,000 kcal/kg)**
- **Potentially accessible via modern, high productivity, mechanised underground mining methods**
- **Search for a strategic partner commencing to advance this project**

***NAE Managing Director, Gary Fietz, commented:** “Further seismic interpretation work undertaken at the Cesar Project has improved confidence in the exploration target; however, it has resulted in a small downgrade of the tonnage at the upper end of the target range.*

The Cesar Project demonstrates the potential to host a very large resource of high quality export coal in a world class thermal coal production basin. However, due to the nature of the deposit, given the depth of the target and associated exploration and development costs, the Company has elected to commence a search for a strategic partner who is able to fund the exploration and development of the Cesar Project.”



Figure 1. Location of NAE Cesar Project, Colombia

Background

On 11 May 2011, NAE announced that it had acquired two exploration and mining concessions (GHN-121 and GIK-103) totalling 4,141 hectares in the world class Cesar thermal coal basin of Colombia, through the NAE-Aurora Partnership (NAE ownership 90%). A conceptual exploration target of 200 - 800 million tonnes of export quality thermal coal was reported at the time of acquisition, based on initial due diligence and seismic interpretation.

The Cesar concessions are located in the south western portion of the Cesar thermal coal basin, immediately adjacent to major open pit export thermal coal mining operations currently operated by Drummond and Goldman Sachs. The Middle Member of the Los Cuervos Formation ("the target sequence") typically demonstrates a total coal seam thickness of up to 35m, containing multiple seams 2m to 6m thick. Current production from the Cesar Basin is over 40 Mtpa and is forecast to increase to over 75 Mtpa.

Coal produced from the Cesar Basin is widely recognised as high quality, low sulphur thermal coal with calorific values in the range of 6,100 to 7,000 kcal/kg. The majority of coal from the Cesar Basin is transported by rail approximately 200km to a number of port facilities near Santa Marta on the Atlantic Coast and exported primarily to the European and North American thermal coal markets. The rail line to port crosses the Cesar Project.

Exploration Target

Since acquisition, additional seismic data has been obtained and re-interpreted by FWS Consultants Ltd ("FWS"), a UK based environmental and geological consultancy, and by UK based seismic consultants. FWS have updated and re-appraised the geological model and refined the estimated contours for the top coals of the target sequence beneath the two licence blocks GHN-121 and GIK-103. The revised conceptual exploration target is as follows:

CESAR CONCEPTUAL EXPLORATION TARGET TONNAGE (GIK-103, GHN-121)
250 - 650 million tonnes (in-situ)

Published information on the thickness of the coal packet in close proximity to the concessions demonstrates that the coal sequence in this area is likely to be of between 180m and 280m thick and include five to nine seams of workable thickness greater than 2m, in addition to one seam that commonly attains a thickness of over 5m. Similar to other mines in the area, it is anticipated that the seams are export quality thermal coal.

The seams lie in a synclinal structure beneath the licences, the deepest part of which appear to be in the order of 1,300m below surface. A significant proportion of the licences are inferred to be underlain by coal seams at depths of between 800m and 1,300m. Based on the revised top coal contours and from the seam sequence and thicknesses determined in boreholes in close proximity to the licences, a total Exploration Target Tonnage (in-situ) is estimated to be in the range of 250 to 650 million tonnes, which is potentially accessible via modern, high productivity, mechanised underground mining methods.

Drilling is required to confirm the depth, quality and thickness of coal, and other conditions pertinent to evaluating mineability.

Moving Forward

Given these recent results from the seismic interpretation work undertaken at the Cesar Project and the Company's review of costs associated with further development of Cesar, NAE has now commenced a search for a strategic partner to advance the Project.

ENDS

Competent Person Statement:

Information in this document that relates to Exploration Results is based on information compiled by Dr Frederick Smith, who is a Fellow of the Institute of Materials, Minerals and Mining. Dr Smith is a Director and Shareholder of Aurora Energy S.A and the Managing Director and Principal Consultant of FWS Consultants Ltd. Dr Smith has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Dr Smith consents to the inclusion in the documents of the matters based on his information in the form and context in which it appears.

The potential quantity and grade of the exploration target is conceptual in nature as there has been insufficient exploration conducted to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

The conceptual exploration target estimate above is based mainly upon (a) interpretation of legacy seismic profiles (ca. 30 years old) to assess the likely geological structure; and (b) and comparisons with the coal-bearing sequences exploited in adjacent or nearby licence blocks to assess likely coal thicknesses. The project is at an early stage, and so the target tonnages relate to coal in situ, in seams likely to be of workable thickness, but do not include any allowances for mining layout, recovery, support areas, or currently unforeseen geological losses. The range in the tonnage estimate reflects chiefly the current uncertainty (without direct borehole evidence) of the total thickness of mineable coal.