

New Age Exploration Limited

Maiden Resource for Lochinvar Project

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News

New Age Exploration ('New Age') has announced a maiden resource estimate for its Lochinvar coking coal project on the English-Scottish border. Based on 4 drill holes completed by New Age and 13 historic drill holes completed by the National Coal Board New Age's independent consultant, Palaris Mining, has calculated a combined resource of 112Mt for coal lying in the Nine Foot and Six Foot seams at Lochinvar, all within the inferred category. An additional exploration target has been outlined by Palaris of 28-47Mt with 15-24Mt from the Five Foot seam.

Figure 1: The maiden resource for New Age's Lochinvar project is a major milestone for the Company.

Seam	Inferred Resource (Mt)	Inherent Moisture (%)	Ash (%)	Volatile Matter (%)	Sulphur (%)	Swell Number
Nine Foot	78	2.4	10.4	32.6	2.1	6.5
Six Foot	34	3.0	11.0	32.0	3.5	6.5
Total	112					

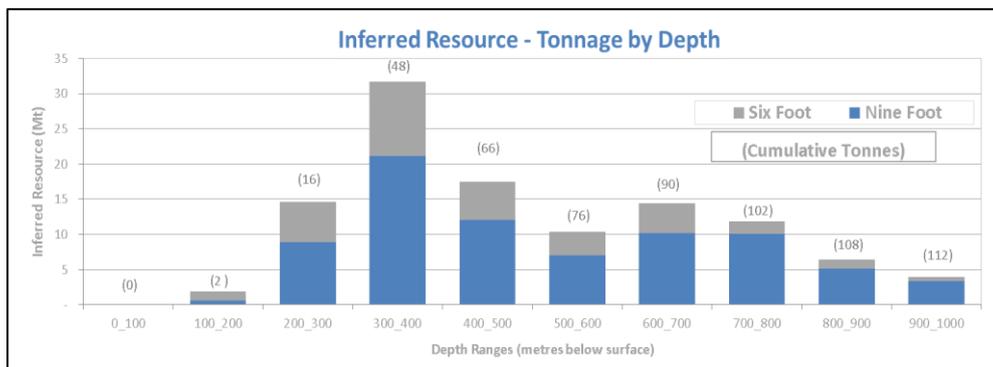
Source: New Age Exploration

Resource Constrained to Mineable Seams at Mineable Depths

When producing the resource model Palaris applied basic constraints to ensure that only mineable seams were included in the estimate. The constraints included a minimum seam thickness of 1.2m, a maximum depth of 1,000m and a maximum parting distance (the gap between the different ply of coal within a seam) of 0.8m.

Of the various coal seams within the Lochinvar coal sequence it is expected that only the Six Foot and Nine Foot seams will routinely meet the seam thickness requirements although there will likely be areas of the Five Foot seam that may also be included in the ultimate resource based on these constraints. There is a gap between the Six and Nine Foot seams that varies between 13m and 30m. Based on knowledge of other underground coal mining operation Palaris and New Age expect that the minimum gap of 13m will be sufficient to allow for the exploitation of both seams but note that geotechnical conditions across the coal bed will determine whether this can be achieved.

Figure 2: While Palaris constrained the resource to a maximum depth of 1,000m most of the resource lies between 300m and 700m.



Source: New Age Exploration

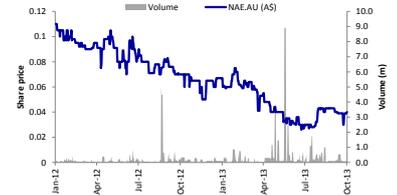
As shown in figure 2, most of the resource lies between 300m and 700m from surface. It is expected that the resource at these depths will be relatively easy to access from a decline development, without requiring a hoisting shaft. New Age currently envisages that most of the coal will be mined using continuous miners which will make the mine plan sufficiently flexible to handle the geotechnical conditions as well as most offsetting faults. On average the coal seams have a dip of 7 degrees which will not pose a problem for mine development.

OCEAN EQUITIES

Coking Coal: UK

2nd October 2013

Market Cap	A\$10m
Listing/Ticker	ASX:NAE
Share Price	A\$0.039
Shares o/s	258.3
52 week High/Low	A\$0.083/A\$0.026
Cash	~A\$5m
Reserves (P&P)	Na
Resources (Inf)	112Mt



Highlighted Related Research:

- 29th Jul'13: Drilling results
- 3rd Jul'13: Washability test results
- 11th Apr'13: Coal quality analysis confirms high quality coking coal
- 12th Mar'13: Initial drill results from Lochinvar Coking Coal Project
- 23rd Jan'13: Commencement of Phase 1 Drilling Campaign at Lochinvar
- 17th Jan'13: Ocean Equities Year Ahead

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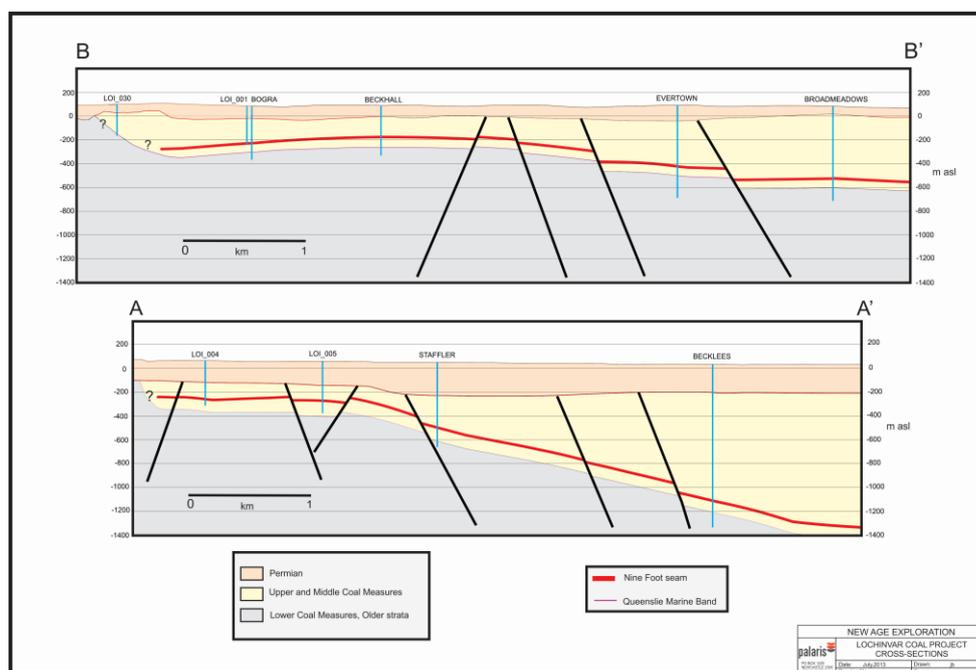
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Figure 3: New Age has compiled the historic and recent drill data to complete a cross section through its Lochinvar project.



Source: New Age Exploration

Ocean Comment

The publication of the maiden resource is a major milestone for New Age and gives the Company a base to build a project on. Notwithstanding some initial drilling issues, New Age has been able to quickly advance Lochinvar through its initial drilling phase and the resource has largely met expectations. While the current resource of 112Mt may be somewhat smaller than the >300Mt exploration target, it reflects the sensible constraints that New Age and Polaris have applied to the resource.

Going forward New Age has a fairly straight road ahead. As the latest discussions with UK based steel mills confirm, the Lochinvar product will likely be an acceptable blending feed for their mills thanks to its advantageous fluidity and swelling properties which offset the moderate sulphur content of ~1% in the washed product. More coal quality tests will need to be conducted but initial signs are positive that Lochinvar will produce a marketable product.

New Age expects its product to fetch a price similar to imported coking coal with an approximate 20% discount to account for the high volatile nature of the coal. Recent deals completed between steel mills and BHP Billiton suggest that the current price of coking coal is US\$140-150/tonne which would equate to the Lochinvar product receiving a price of \$112-120/tonne currently. Based on the size of the resource and the geotechnical factors New Age expects that Lochinvar will be able to support annual production of at least 1Mtpy coking coal production which suggests Lochinvar could generate revenues in excess of \$100m/year.

Whilst it is still too early to suggest operating costs for the project, the advantageous position of the project virtually on infrastructure and in an area of low cost labour we expect the upcoming economic viability analysis to show that the project could generate a robust profit margin.

Peer comparison – Highlighting the Near Term Opportunity

The large quality variance between coking coal projects and companies makes it difficult to construct an appropriate peer group for New Age to value its resource. We believe that it is more appropriate to compare enterprise value to in-situ value. Discounting the latest coking coal contract price of US\$145/tonne by 20% to account for the high volatile nature of the Lochinvar coal gives an estimated in-situ value of US\$116/tonne or approximately US\$13 billion for the total resource of 112Mt.

Currently New Age's enterprise value of A\$5m/US\$4.7m equates to just 0.036% of the in-situ resource value of Lochinvar which we believe is low. Based on industry standards we would expect New Age's enterprise value to increase to at least 0.1% of the in-situ

value of its project which would equate to \$14m or a market capitalisation of \$19m (including \$5m cash) suggesting a fair value of A\$0.074 per share.

Possibly the closest peer to New Age is Attila Resources (ASX:AYA, Market Cap:A\$40m, EV: A\$51m) which has an JORC resource of 78Mt to give it an EV/resource ratio of A\$0.65. Attila's Kodiak project in Alabama, USA, has similar advantages to Lochinvar being on infrastructure and the expected production rates are similar at 1-3Mtpy product. A recently completed pre-feasibility study on the project demonstrated estimated its NPV8 to be ~\$240m with an IRR of 48% assuming current coal prices.

As with most coking coal projects, the two projects are not directly comparable but Attila demonstrates the potential for New Age and Lochinvar and how the Company can add significant value through completion of scoping and feasibility studies. New Age remains fully funded to complete a scoping study on Lochinvar which it expects to complete in mid-2014 and quickly lead directly into a pre-feasibility study.

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