

NAE Managing Director's Update 20 May 2015

Welcome to the first NAE Update for 2015 following the "Completion of US\$0.6M Funding Facility" announcement made this Monday.

The Funding Facility with our largest shareholder, Resource Capital Funds ("RCF"), allows the Company to access US\$600,000 (~A\$746,000) either by calling for RCF to subscribe for NAE shares at 1.5 cents per share during the next 19 months or by drawing an unsecured loan over the next 12 months, at the Company's option. Proceeds from the Funding Facility, together with existing cash reserves, will be applied to corporate and working capital costs associated with maintaining NAE's Lochinvar project.

This Monday, we also made the first request to RCF under the Funding Facility for subscription of 14,427,494 ordinary shares at a price of 1.5 cents per share, raising A\$216,412 which will be completed within 10 days and increasing RCF's ownership from 31.887% to 34.886%.

We are very pleased to have RCF's ongoing support, especially during the current period of difficult market conditions as coking coal prices remain at cyclical lows. The Funding Facility will ensure the ongoing viability of the Company until well into 2016 and preserve the Lochinvar project until coking coal prices recover and it is possible to raise funding to re-start the Lochinvar work program aimed at developing the project.

Planning and costing of a detailed exploration program that would take Lochinvar through to construction has been completed. The program includes a seismic trial, followed by high resolution 2D and 3D seismic surveys over the licence and further infill drilling. This work ensures we will be 'ready to go' as soon as market conditions improve.

Commencing in 2014, we acted swiftly to implement a range of cost reductions within the Company. These include:

- Cessation of all Colombian activities
- Reducing directors fees and management remuneration
- Significant reduction in the number of management positions
- Reductions in other corporate overheads
- Downsizing the Melbourne corporate office

Please note our new contact details are Level 3, 480 Collins Street, Melbourne and Phone +61 3 8610 6494

Importantly, NAE recently commenced a search process for new project opportunities in other commodities which are more attractive in current market conditions and that can be advanced while we wait for coking coal prices to improve. Whilst the current market conditions continue to be very challenging, they do present good opportunities to acquire other assets at attractive prices.

We are also continuing to pursue options to maximise shareholder value from the Redmoor project which could include divestment of the asset.

I will be in the UK in June where I will be holding a number of meetings with potential strategic and institutional investors and also meeting with Lochinvar project's key stakeholders.

I look forward to providing further updates as news comes to hand. Should you have any queries, please feel free to contact me.

Kind regards



Gary Fietz