

## 1 Mt/yr coking coal, starting 2017

Lochinvar : 112Mt JORC Resources in 2 mineable seams, for 30Mt of good quality coking coal sales.

### Recommendation

**BUY; High Risk**

### Price

**5.0c**

### Valuation

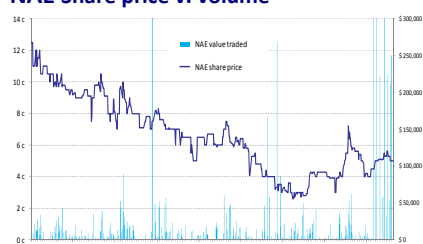
**18c**

- NAE was granted the licence over Lochinvar, in UK, in June 2012. NAE reported 112Mt Inferred Resources in 2 mineable seams in October 2013.
- In June, NAE announced preliminary tests showed 80% recovery to a 4% ash product, with CSN of 7.0 – 7.5, indicating it is a low ash high vol coking coal. We expect that it will sell at a net discount to HQ HCC benchmark.
- Beer & Co estimates capital costs of USD 235m to produce 1.0Mt/yr of coking coal at an estimated all in sustaining cash cost of about around USD 84/t.

### Snapshot

Market Cap	\$12.9m
Shares on Issue (pre issue)	258.3m
52 Week High	7.5c
52 Week Low	2.6c
1 month / 6 month VWAP	5.27c / 4.82c

### NAE Share price v. volume



Lochinvar is part of the Canonbie coal field, which was first drilled in the 1950s by the UK National Coal Board.

Lochinvar was explored intermittently until the mid 1980s, when it was shelved with much of the UK coal industry.

Lochinvar coal appears to be similar to Maltby, an English mine that was shut in 2013, which reportedly sold for about 80% of HQ HCC benchmark, FOB, but with a transport premium of up to \$20/t.

NAE expects a scoping study to be completed by July 2014.

**Author :** Pieter Bruinstroop  
[pbruinstroop@beerandco.com.au](mailto:pbruinstroop@beerandco.com.au)

### Lochinvar : On Scottish side of border with England

The mine plan is based on coal at depths of less than 600m. The area is economically disadvantaged and welcomes new industry.

### Mining by 3 CM units, for 1.0Mt/yr of product coal

Mining is planned to be done by 3 continuous miner units which means lower start-up costs, more flexible mine implementation and better access to appropriate skills. It will also mean that the potential for ground subsidence can be nearly eliminated with effective mine planning.

### Our Cap.ex estimate is USD 235m

We expected low capital costs as virtually no infrastructure is required. Our estimated capital cost is USD 233/t of annual product capacity.

### Our All in sustaining cash cost estimate is USD 84/t.

Our cash cost estimate, delivered to port or English customer, including sustaining capital and periodic replacement of the CM units, is low as :

- Nearly all operators and trades persons will live within 30km of the mine;
- UK mining wage costs are lower than in Australia, with an operator costing about £ 46k/yr, including all on-costs; and
- Royalties are low, at 18p/t

### Beer & Co values the Lochinvar project at USD 200m

Based on our estimates above, our resulting valuation for Lochinvar, as at end 2013, is USD 202m, after allowing for \$ 24m in feasibility costs still to be spent.

### Financing is a significant risk to our per share valuation of NAE, of 18c.

Lochinvar is a valuable project, even at lower coal prices. Translating a project valuation into a per share valuation requires assumptions on how the project will be financed, including the prices at which equity will be raised and the potential for the sale of a share in the project at a value much nearer to NPV than the company's share price. This is the major risk factor in our valuation.

This report was produced by Beer & Co Research, an independent research and advisory firm. If you do not wish to receive our research, please email to [info@beerandco.com.au](mailto:info@beerandco.com.au) with "unsubscribe" If you wish to receive, free of charge, Beer & Co research, please register at <http://beerandco.com.au/all-research/>

## New Age Exploration : In Brief

### Lochinvar Project - Description

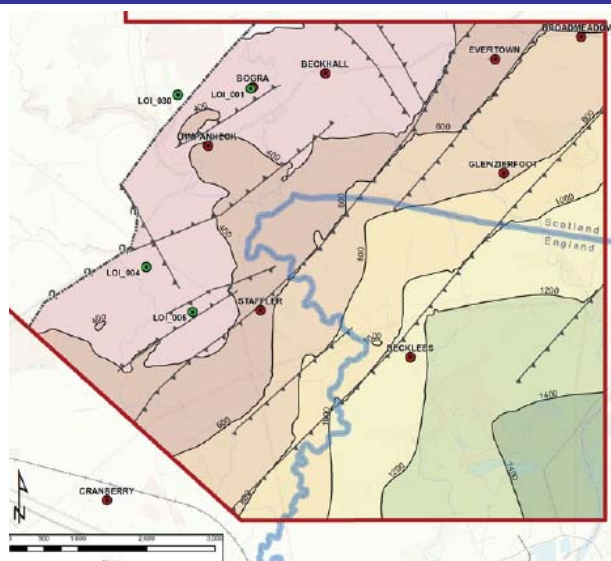
NAE secured the Lochinvar coal project in June 2012. The project had previously been the subject of geological work by the UK National Coal Board in the 1950s and also the late 1970s / early 1980s.

While the tenement straddles the England – Scotland border, most of the coal to be exploited, with a maximum depth of 600m anticipated, is on the Scottish side of the border, as shown in Figure 1.

Lochinvar has an Inferred Resource of 112Mt of good quality coking coal

Using the NCB data and its own drilling, NAE was able to announce an Inferred resource of 112Mt in 2 potentially mineable seams, as shown in Figure 2.

Figure 1 : Lochinvar straddles Scotland-England border



Source : NAE Annual Report, 2013

Figure 2 : Lochinvar Inferred Resource estimate and coal analysis

Coal Seam	Inferred Resource	Yield	Ash	Vol.	S	CSN	P	Fluidity
Nine Foot seam	78 Mt	84 %	3.5 %	34.5 %	1.36 %	7.5	0.008 %	3,400
Six foot seam	34 Mt	77 %	4.0 %	34.7 %	1.82 %	7.0	0.034 %	1,400
<b>TOTAL</b>	<b>112 Mt</b>							

Sources : NAE ASX announcement, 1 October 2013

Beer & Co expects that Lochinvar coal should sell at a discount to the FOB benchmark, but also attract a premium due to the lower transport cost

Figure 2 also shows that the Lochinvar is a good quality coking coal, with a good swell, low Phosphorous, but high volatiles and moderate to high Sulphur levels.

The low ash levels makes Lochinvar desirable as a blending coal, while the S levels make it necessary to blend to reduce the S nearer to 1%.

The coal is similar to the Maltby mine in England, which we understand sold at about 80% of the FOB GQ HSS benchmark, but achieved freight premium of up to \$20/t. Maltby was closed in 2013 and is currently replaced by imported High Volatile HCC, imported from USA.

We would expect Lochinvar to sell at 80% of the FOB benchmark plus a premium of \$10-\$15/t reflecting the transport cost advantage.

## Lochinvar Project - Development

Beer & Co expects mining to be done by Bord & pillar, using 3 continuous mining units at a rate of 1,350kt/yr of Run of Mine coal for 1,000kt/yr of clean coal.

Beer & Co has constructed its own estimates of

- capital costs – US\$ 235m
- time line; and
- operating costs – US\$ 84/t

### Capital Cost estimate : US\$ 235m

Beer & Co estimates the capital cost to be US\$ 235m. It should have low costs as :

- Most infrastructure is in place, with the M1 motorway and rail shown in the South-West corner of Figure 1, within 1km of the S-W corner of the tenement;
- UK labour costs are generally significantly lower than Australian costs; and
- Most workers will live in towns no more than 30km from the site.

### Project time-line

Beer & Co expect that the project time line will be

- Publish scoping study mid 2014;
- Feasibility study mid 2015;
- Financing in place end 2015;
- Construction in 2016; and
- Begin production in early 2017.

Beer & Co derives an estimated value for the Lochinvar project of US\$ 250m

### Operating Costs : US\$ 84/t

Beer & Co estimates all in sustaining cash costs, per tonnes of saleable product, including royalties and sustaining capital such as periodic replacement of the CM units, to be US\$ 84/t. The main report shows the detail in our estimate.

### Project Value : US\$ 250m

Figure 3 shows the cashflows projected by Beer & Co for the Lochinvar project, after debt servicing and repayment (ie., net to equity).

**Figure 3 : Projected cashflows for NAE's Lochinvar project**

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
HQ HCC price	\$ 148/t	\$ 163/t	\$ 175/t	\$ 175/t	\$ 175/t	\$ 175/t	\$ 175/t	\$ 175/t	\$ 175/t	\$ 175/t	\$ 175/t	\$ 175/t	\$ 175/t
Coal sold	0 kt	0 kt	0 kt	149 kt	930 kt	1,013 kt	1,013 kt	1,013 kt	1,013 kt	1,013 kt	1,013 kt	1,013 kt	1,013 kt
Revenue, Lochinvar	\$ 131/t	\$ 143/t	\$ 153/t	\$ 153/t	\$ 153/t	\$ 153/t	\$ 153/t	\$ 153/t	\$ 153/t	\$ 153/t	\$ 153/t	\$ 153/t	\$ 153/t
RoM coal mined	0 kt	0 kt	0 kt	270 kt	1,316 kt	1,350 kt	1,350 kt	1,350 kt	1,350 kt	1,350 kt	1,350 kt	1,350 kt	1,350 kt
Site Costs	\$ 0/t	\$ 0/t	\$ 0/t	\$ 77/t	\$ 52/t	\$ 50/t	\$ 51/t	\$ 52/t	\$ 53/t	\$ 53/t	\$ 54/t	\$ 55/t	\$ 56/t
Off-site costs	\$ 0/t	\$ 0/t	\$ 0/t	\$ 10/t	\$ 18/t	\$ 19/t	\$ 19/t	\$ 19/t	\$ 19/t	\$ 19/t	\$ 19/t	\$ 19/t	\$ 19/t
Revenue	US\$ 0m	US\$ 0m	US\$ 0m	US\$ 23m	US\$ 142m	US\$ 154m	US\$ 154m	US\$ 154m	US\$ 154m	US\$ 154m	US\$ 154m	US\$ 154m	US\$ 154m
Total Cash Costs	US\$ 0m	US\$ 0m	US\$ 0m	US\$ 13m	US\$ 64m	US\$ 70m	US\$ 71m	US\$ 72m	US\$ 72m	US\$ 73m	US\$ 74m	US\$ 75m	US\$ 76m
Dep'cn & Amort'sn	US\$ 0m	US\$ 0m	US\$ 0m	US\$ 1m	US\$ 6m	US\$ 11m	US\$ 11m	US\$ 11m	US\$ 11m	US\$ 11m	US\$ 11m	US\$ 11m	US\$ 11m
E B I T	US\$ 0m	US\$ 0m	US\$ 0m	US\$ 9m	US\$ 71m	US\$ 74m	US\$ 73m	US\$ 72m	US\$ 71m	US\$ 70m	US\$ 69m	US\$ 68m	US\$ 67m
Interest Expense	US\$ 0m	US\$ 0m	US\$ 0m	(US\$8m)	(US\$15m)	(US\$14m)	(US\$13m)	(US\$11m)	(US\$9m)	(US\$8m)	(US\$6m)	(US\$3m)	US\$ 0m
Tax Expense	US\$ 0m	US\$ 0m	US\$ 0m	US\$ 0m	(US\$11m)	(US\$12m)	(US\$12m)	(US\$12m)	(US\$12m)	(US\$12m)	(US\$13m)	(US\$13m)	(US\$13m)
N P A T	US\$ 0m	US\$ 0m	US\$ 0m	US\$ 1m	US\$ 45m	US\$ 48m	US\$ 48m	US\$ 49m	US\$ 49m	US\$ 50m	US\$ 51m	US\$ 52m	US\$ 54m
Feasibility	(US\$3m)	(US\$7m)	(US\$4m)	US\$ 0m	US\$ 0m	US\$ 0m	US\$ 0m	US\$ 0m	US\$ 0m	US\$ 0m	US\$ 0m	US\$ 0m	US\$ 0m
Project Cap.Ex Cap.Ex	US\$ 0m	US\$ 0m	(US\$114m)	US\$ 0m	US\$ 0m	US\$ 0m	US\$ 0m	US\$ 0m	US\$ 0m	US\$ 0m	US\$ 0m	US\$ 0m	US\$ 0m
Sus. Cap. Ex	US\$ 0m	US\$ 0m	US\$ 0m	(US\$1m)	(US\$5m)	(US\$5m)	(US\$5m)	(US\$5m)	(US\$5m)	(US\$5m)	(US\$5m)	(US\$18m)	(US\$18m)
Net Cashflow	(US\$3m)	(US\$7m)	(US\$114m)	(US\$1m)	US\$ 44m	US\$ 53m	US\$ 53m	US\$ 54m	US\$ 55m	US\$ 56m	US\$ 57m	US\$ 58m	US\$ 60m

Source : Beer & Co estimates

Beer & Co makes projections of how NAE will fund this project, with a mix of

- equity raisings to under-take feasibility assessments;
- equity raising to fund the development of the Lochinvar project
- debt funding to develop the Lochinvar project; and
- sale of a stake in the Lochinvar project at a value near NPV.

Figure 3 shows :

- only 9 years of operation, while our value is based on the 30 year project life;
- C1 cash costs of about US\$72/t, with a further average of \$12/t for sustaining capital, which is driven by replacement of the CM units, as shown in the final 2 years;
- projected cashflows assuming 50% gearing.

Using a 10% discount rate on the after tax cashflows Beer & Co derives a value for the Lochinvar project of US\$ 250m, as at the end of 2013. As shown in Figure 4, this value should rise over time :

- As positive cashflows get nearer, due to the impact of discounting; and
- As the project is progressively de-risked.

### Valuation of NAE

New Age Exploration (NAE) has a market cap of approx. \$13m.

NAE will need to raise equity over time to execute each of the steps outlines in the project time-line, as well as corporate costs which are not shown in Figure 3.

The keys to deriving a value for NAE are :

- At what price future equity will be raised;
- The potential to sell a stake in the project near NPV, or conclude a transaction with a significant cornerstone investor on a similar basis; and
- The amount and cost of debt able to be secured.

Figure 4 shows Beer & Co's assumptions on equity raisings.

Beer & Co assumes that NAE sells a 25% stake in the project at 95% of our NPV as at end 2015, while Figure 4 shows our projections for equity raisings.

Figure 4 : Funding Lochinvar project

	Mar. 2014	Sep. 2014	Jun. 2015	Mar. 2016
Purpose	fund scoping	fund PFS	fund DFS	construction
Project NPV	US\$ 212m	US\$ 225m	US\$ 239m	US\$ 286m
risk factor (% of NPV)	50 %	65 %	75 %	85 %
<b>Riskd project value</b>	<b>US\$ 106m</b>	<b>US\$ 146m</b>	<b>US\$ 179m</b>	<b>US\$ 243m</b>
New shares	59m	150m	100m	350m
Issued at	4.5 c	7.0 c	10.0 c	15.0 c
net raised	\$A 2.5m	\$A 9.9m	\$A 9.4m	\$A 49.5m

Source : Beer & Co estimates

Our base case valuation is 18c, which allows for significant value growth as the project is progressively de-risked

Our resulting base case valuation, which is highly risked as shown in Figure 5, is 16c/share.

We initiate research with a Buy, High Risk, recommendation.

Figure 5 : Base case valuation of NAE is 18c/share

	discount rate = 12.0 %	30-Jun-13			29-Jan-14
		risk :	100%	Product	per share
Lochinvar, NAE share	50 %	\$A 182m	\$A 91m	9.9 c	12.7 c
Asset sale	50 %	\$A 51m	\$A 26m	2.8 c	2.8 c
Corporate	100 %	(\$A 31m)	(\$A 31m)	(3.3c)	(3.3c)
Exploration	75 %	(\$A 2m)	(\$A 4m)	(0.4c)	(0.4c)
Cash / debt	100 %	\$A 5m	\$A 5m	0.5 c	0.5 c
Cash to be raised	100 %	\$A 53m	\$A 53m	5.8 c	5.8 c
<b>TOTAL</b>		<b>\$A 258m</b>	<b>\$A 140m</b>	<b>15.2 c</b>	<b>18.0 c</b>
Shares on issue		258.3m	FPO shares	24.5m	options
		59m	issued 2014	0.6m	op. ex'd
		600m	issued 2015 & 16		

Source : Beer & Co estimates

## NAE : Conclusions

### Synopsis

NAE secured the Lochinvar project , in Scotland, in June 2012, 6 months after it first lodged its application. Beer & Co expects that the project will begin production in early 2017, less than 5 years after acquisition.

NAE has published an Inferred Resource but have not yet published information related to the project costs or economics.

### Key assumptions

Critical estimates / assumptions we have made in our analysis include :

- A Long Run High Quality Hard Coking Coal price of USD 175/t;
- Lochinvar coal sells at a discount to the benchmark of about 20% on an FOB basis, but also receives a benefit, assumed to be \$12.50/t, as nearby users do not need to pay this cost as they do when buying competitor US coals;
- The development is financed by selling a 30% stake in the project, which facilitates securing debt for 55% of the project cost;
- Project capital costs of about USD 235m, or \$233 per tonne of annual capacity;
- C1 operating costs of about USD 76/t, and all in costs of about USD 84/t, driven by relatively modest labour costs and short rail distance;
- Production of 1,350kt/yr of run of mine coal for about 1,000kt/of product coal.

### Key Outcomes

Our base case valuation is 18c/share.

We see very strong value growth over time as the project is progressively de-risked, from 18c/share as at end 2013, to 36c/share by mid 2016.

Our valuation is particularly sensitive to assumed coking coal prices and GBP-USD rate.

While our valuation is impacted by changes in these assumptions, the investment decision is not impacted.

### Conclusion

NAE is a high risk investment. It is highly leveraged to the assumed coking coal price as well as operational delivery and funding.

Our 12 month share price target is more than 3x the current share price, while our 3 year target price is more than 6x the current share prices.

In our view, the project has a strong likelihood of being delivered as projected, partly because the project scope is manageable.

Beer & Co initiates research with a Buy, High Risk recommendation.

## Board and Management

### **ALAN BROOME, Chairman**



Mr Alan Broome, AM (I.Eng, F.AusIMM, FAICD, FICME, MInstD (NZ)) is a metallurgist with over 40 years' experience in mining and metals. A well-known figure in the Australian mining industry, Alan has extensive board experience, both as a director and chairman of a number of listed and unlisted mining and mining technology companies.

Alan commenced his career as a metallurgist in the Port Kembla Steelworks before joining the Australian Coal Industry Research Laboratories, which he ran for over a decade. Over the past 20 years, Alan has had in-depth experience in coal mining, mining technology, equipment, services and research sectors, both in Australia and abroad.

### **GARY FIETZ, Managing Director and Chief Executive Officer**



Mr Gary Fietz holds a degree in geology and is a senior resources industry executive with over 22 years experience in all aspects of exploration, business development and project evaluation. His extensive international experience includes 21 years with BHP Billiton, primarily working in the iron ore business group. Mr Fietz has also worked on coal, base metals and gold projects.

Most recently, Mr Fietz held the position of Project Director, West Africa for BHP Billiton Iron Ore where he was responsible for direction of exploration programs and project development of an advanced tier-one project within the region. Previously, he held the position of Vice President Iron Ore Business Development with responsibility for assessing global iron ore business development opportunities for BHP Billiton.

Mr Fietz has a broad range of commercial and technical experience including; exploration management, global iron ore and coal deposit targeting studies, acquiring early stage exploration projects, M&A transactions, divestments, joint venture agreements, project evaluation and project development.

### **GAVAN RICE, Non Executive Director**



Mr Gavan Rice has been a practising barrister of the Supreme Court of Victoria for the past 25 years. Mr Rice has had considerable previous experience as a director of public companies listed on the Australian Securities Exchange.



### **MIKE AMUNDSEN, Non Executive Director**

Mr Mike Amundsen has over 30 years' experience in the global resources industry and is currently a provider of corporate advisory services. Mr Amundsen was previously CEO & Managing Director of FerrAus Limited. Prior to this, Mr Amundsen had a 28 year career with BHP Billiton, holding numerous positions in business development, finance, planning and strategy. Early in his BHP career Mr Amundsen was based in Brisbane and Hong Kong managing coal marketing to Asian customers and later, coal acquisitions and joint ventures. Also whilst with BHP, Mr Amundsen spent seven years on the Board of the Brazilian iron ore producer Samarco (a 50:50 JV between Vale and BHP Billiton).



Beer & Co Research

New Age Exploration (NAE:ASX)

January 2014

Year ended June	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Section 1 - P&amp;L</b>							
Sales revenue	\$Am	0	0	0	19	117	127
Interest revenue	\$Am	0	0	0	2	1	1
Other revenue	\$Am	0	0	0	0	0	0
<b>Total Revenue</b>	\$Am	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>118</b>	<b>128</b>
Cost of Goods Sold	\$Am	0	0	0	(12)	(52)	(55)
Royalties	\$Am	0	0	0	(0)	(0)	(0)
Exploration Expense	\$Am	(3)	(0)	(0)	0	0	0
Corporate Costs	\$Am	(3)	(3)	(3)	(3)	(4)	(4)
Other Operating Expenses	\$Am	0	0	0	0	0	0
<b>Total Operating Expenses</b>	\$Am	<b>(6)</b>	<b>(3)</b>	<b>(3)</b>	<b>(3)</b>	<b>(16)</b>	<b>(59)</b>
EBITDA	\$Am	(6)	(3)	(3)	(2)	3	69
Dep'n & Amort'n	\$Am	0.0	0.0	0.0	0.0	(0.7)	(8.8)
EBIT	\$Am	(5.6)	(3.2)	(3.2)	(1.6)	2.3	55.9
Interest Expense	\$Am	0.0	0.0	0.0	0.0	(7.1)	(13.6)
Other	\$Am	0	0	0	0	0	0
Pre-Tax Profit	\$Am	(5)	(3)	(3)	(2)	(5)	41
Tax Expense	\$Am	0.0	0.0	0.0	0.0	0.3	(8.8)
NPAT	\$Am	(5)	(3)	(3)	(2)	(4)	32
Reported NPAT	\$Am	(5)	(3)	(3)	(2)	(4)	32

Section 2 - Key Data

Ordinary shares - year end	m	258.3	317.2	566.7	912.3	912.3	912.3	912.3
Fully diluted shares on issue	m	258.3	317.2	566.7	912.3	912.3	912.3	912.3
Weighted #shares	m	258.3	287.7	492.0	739.4	912.3	912.3	912.3
Earnings per Share		(3.0c)	(1.1c)	(0.6c)	(0.2c)	(0.5c)	3.5 c	4.0 c
Dividends Per Share		0.0 c	0.0 c	0.0 c	0.0 c	0.0 c	1.0 c	1.0 c

Section 3 - Balance Sheet

Cash	\$Am	5	1	74	61	28	58	80
Receivables	\$Am	0	0	0	0	5	16	16
Other	\$Am	0	0	0	0	0	0	0
<b>CURRENT ASSETS</b>	\$Am	<b>5</b>	<b>1</b>	<b>74</b>	<b>61</b>	<b>33</b>	<b>74</b>	<b>96</b>
Receivables	\$Am	0	0	0	0	0	0	0
P, P & E	\$Am	0	1	2	2	2	2	2
Mining Properties / Explora	\$Am	5	5	5	62	91	89	84
Other	\$Am	0	0	0	0	0	0	0
<b>NON-CURRENT ASSETS</b>	\$Am	<b>5</b>	<b>6</b>	<b>7</b>	<b>64</b>	<b>92</b>	<b>91</b>	<b>86</b>
<b>TOTAL ASSETS</b>	\$Am	<b>10</b>	<b>6</b>	<b>80</b>	<b>125</b>	<b>125</b>	<b>164</b>	<b>182</b>
Payables	\$Am	1	0	0	0	(2)	(4)	(4)
Debt	\$Am	0	0	0	0	17	18	20
Other	\$Am	0	0	0	0	0	0	0
<b>CURRENT LIABILITIES</b>	\$Am	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>15</b>	<b>14</b>	<b>16</b>
Long Term Debt	\$Am	0	0	0	0	157	139	119
Deferred Tax Liability	\$Am	0	0	0	0	0	0	0
Other	\$Am	0	0	0	0	0	0	0
Provisions	\$Am	0	0	0	0	0	0	0
<b>NON-CURRENT LIABILITIES</b>	\$Am	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>157</b>	<b>139</b>	<b>119</b>
<b>TOTAL LIABILITIES</b>	\$Am	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>173</b>	<b>153</b>	<b>135</b>
<b>NET ASSETS</b>	\$Am	<b>9</b>	<b>6</b>	<b>80</b>	<b>125</b>	<b>(47)</b>	<b>11</b>	<b>47</b>
Accumulated Profit (Loss)	\$Am	(13)	(16)	(20)	(21)	(12)	68	151
Reserves	\$Am	1	10	57	54	(127)	(148)	(196)
Contributed Equity	\$Am	21	24	43	92	92	92	92
Minority Interest	\$Am	9	17	80	125	(47)	11	47
<b>Total Equity</b>	\$Am	<b>9</b>	<b>17</b>	<b>80</b>	<b>125</b>	<b>(47)</b>	<b>11</b>	<b>48</b>

Section 4 - Cashflow

Net Cashflow from operatio	\$Am	(3)	(6)	(10)	(6)	(5)	37	44
Hedging	\$Am	0	0	0	0	0	0	0
Net Interest Paid	\$Am	0	0	0	0	(7)	(15)	(14)
Taxes Paid	\$Am	0	0	0	0	(4)	(10)	(10)
Change in Working Capital	\$Am	0	(1)	0	0	(7)	(13)	(0)
Other	\$Am							
<b>OPERATING CASHFLOW</b>	\$Am	<b>(3)</b>	<b>(7)</b>	<b>(10)</b>	<b>(6)</b>	<b>(18)</b>	<b>4</b>	<b>21</b>
Exploration Expenditures	\$Am	(4)	(1)	(1)	0	0	0	0
Maintenance Capex	\$Am	0	0	0	0	0	(4)	(4)
Expansion Capex	\$Am	0	0	0	(57)	(29)	0	0
<b>PPE Acquisitions (Total Cape)</b>	\$Am	<b>(4)</b>	<b>(1)</b>	<b>(1)</b>	<b>(57)</b>	<b>(29)</b>	<b>(4)</b>	<b>(4)</b>
PPE Divestments	\$Am	0	0	65	0	0	0	0
<b>INVESTING CASHFLOW</b>	\$Am	<b>(4)</b>	<b>(1)</b>	<b>64</b>	<b>(57)</b>	<b>(29)</b>	<b>(4)</b>	<b>(4)</b>
Change in Equity	\$Am	0	3	19	49	0	0	0
Dividends Paid	\$Am	0	0	0	0	0	(9)	(9)
Change in Debt	\$Am	0	0	0	0	174	(17)	(18)
Other	\$Am							
<b>FINANCING CASHFLOW</b>	\$Am	<b>0</b>	<b>3</b>	<b>19</b>	<b>49</b>	<b>174</b>	<b>(17)</b>	<b>(27)</b>

Commodity price assumptions

Year ended June	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
AUD-USD	0.892	0.850	0.850	0.850	0.850	0.850
HQ HCC	148	163	175	175	175	175
GBP - USD	1.584	1.600	1.600	1.600	1.600	1.600
Lochinvar blend	131	143	153	153	153	153

Mine Production (100% basis)

RoM coal	000 t	0	0	0	270	1,316	1,350
Coal sold	'000 t	0	0	0	149	930	1,013

NAE share

RoM coal	000 t	0	0	0	189	921	945
Coal sold	'000 t	0	0	0	104	651	709

Resources

Coal Seam	Inferred Resource	RoM Coal Analysis				CSN
		I M	Ash	Vol.	S	
Nine Foot seam	78 Mt	2.4%	10.4%	32.6%	2.1%	6.5
Six foot seam	34 Mt	3.0%	11.0%	32.0%	3.5%	6.5
Five foot seam						
<b>TOTAL</b>	<b>112 Mt</b>					

Coal Seam	Yield	Washed coal Analysis				P	Fluidity
		Ash	Vol.	S	CSN		
Nine Foot seam	89%	3.1%	33.8%	1.26%	7.0	0.003%	T B A
Six foot seam	77%	4.0%	34.7%	1.82%	7.0	0.034%	1,400
<b>Blend</b>	<b>85%</b>	<b>3.4%</b>	<b>34.1%</b>	<b>1.43%</b>	<b>7.0</b>	<b>0.012%</b>	<b>#VALUE!</b>

Assumed mining inventory (50% of coal shallower than 600m)

Coal Seam	RoM
Nine Foot seam	25 Mt
Six foot seam	13 Mt
<b>TOTAL</b>	<b>38 Mt</b>

Asset based Valuation

discount rate = 12.0%	30-Jun-13		29-Jan-14		
	risking	100%	Product	per share	
Lochinvar, NAE share	50%	\$A 176m	88.2 c	9.7 c	12.4 c
Asset sale	50%	\$A 52m	25.8 c	2.8 c	2.8 c
Corporate	100%	(\$A 31m)	(30.7c)	(3.4c)	(3.4c)
Exploration	75%	(\$A 2m)	(1.3c)	(0.1c)	(0.4c)
Cash / debt	100%	\$A 5m	4.9 c	0.5 c	0.5 c
Cash to be raised	100%	\$A 52m	52.4 c	5.8 c	5.7 c
<b>TOTAL</b>		<b>\$A 253m</b>	<b>139.2 c</b>	<b>15.3 c</b>	<b>17.7 c</b>
Shares on issue		258.3m	FPO shares	24.5m	options
		59.9m	issued 2014	0.6m	exercised
		590.0m	issued 2015		

Assumed Cash Costs, US \$/t

	LoM	2016-17	2017-18	2018-19	2019-20	2020-21
Mining	20	22	19	19	19	19
Processing	21	28	20	20	20	20
Tech. Services	5	13	5	5	5	5
Site Admin	5	12	5	5	5	5
Transport	17	8	16	17	17	17
Royalties	0.4	0.4	0.4	0.4	0.4	0.4
<b>TOTAL</b>		<b>US\$ 68/t</b>	<b>US\$ 83/t</b>	<b>US\$ 66/t</b>	<b>US\$ 66/t</b>	<b>US\$ 67/t</b>

Financial Ratios

Year ended June	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Revenue	\$Am	0	0	2	19	118
EBITDA	\$Am	(6)	(3)	(3)	(2)	3
EBIT	\$Am	(6)	(3)	(3)	(2)	2
NPAT (reported)	\$Am	(5)	(3)	(3)	(2)	(4)
Adjusted EPS (cps)		(3.0c)	(1.1c)	(0.6c)	(0.2c)	(0.5c)
EPS Growth (%)			62%	46%	63%	(117%)
DPS (c)		0.0 c	0.0 c	0.0 c	0.0 c	1.0 c
Dividend Yield (%)		0%	0%	0%	0%	20%
PE adj. (x)	x	(0.9)	(4.4)	(8.1)	(22.1)	(10.2)
EV / EBITDA (x)	x	0.0	0.0	0.0	0.0	0.0
EV / EBIT (x)	x	0.0	0.0	0.0	0.0	0.0
Gearing (%)		0%	0%	0%	139%	96%
Return on Assets		(51%)	(4%)	(1%)	2%	34%
Return on Equity		(18%)	(4%)	(1%)	9%	281%
EBITDA Margin (%)		n/a	n/a	n/a	n/a	16%
Interest Cover (x)	x	n/a	n/a	n/a	n/a	0.3

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Free Cashflow	\$Am	(6)	(8)	54	(63)	(47)
Net Cashflow	\$Am	(6)	(6)	73	(14)	127



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The analyst responsible for this research report certifies that all of the views expressed reflect his personal views about the securities and the issuer.

Report prepared by : Pieter Bruinstroop [pbruinstroop@beerandco.com.au](mailto:pbruinstroop@beerandco.com.au)

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BEER & CO PTY LTD ABN 88 158 837 186,  
AUTHORISED REPRESENTATIVE MELBOURNE VENTURE SECURITIES PTY LTD AFSL No. 224 313

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Melbourne Office:  
Suite 4, Level 2, Bank House  
11 - 19 Bank Place,  
Melbourne, Vic, Australia 3000  
Telephone: (+613) 9600 3599  
Facsimile: (+613) 9602 2291  
Email: [info@beerandco.com.au](mailto:info@beerandco.com.au)  
Web: [www.beerandco.com.au](http://www.beerandco.com.au)