

# EUREKA *report*

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June 20, 2011

## **New Age Exploration (NAE) 8¢**

Tiny by any measure, New Age is an Australian coal explorer that has found itself in a field of giants. Very few Australian investors have heard of New Age, and fewer understand the game it is playing. But, last week a deal involving one of Japan's big trading houses, Itochu, put the seal of approval of what New Age is up to.

Coal is the commodity, and the South American country of Colombia the location.

Generally associated with terrorist trouble and drugs, but not necessarily in that order, Colombia is one of the world's major coal exporters from a series of coal-rich basins in the north of the country, shipping from both its Atlantic and Pacific coasts to Europe and Asia.

Most of the world's big miners are busy in the Colombian coal industry, including commodities giant, Glencore, Brazil's biggest company, Vale, and a big, privately owned US miner called Drummond Company of Alabama.

It is into this valley of giants – or more correctly, the Cesar Basin – that New Age has acquired its first tenements, which it believes could contain between 200 million and 800 million tonnes of thermal quality (electricity generating) coal.

No drilling has occurred yet on the two tenements owned by Melbourne-based New Age, a step normally considered an absolute prerequisite to investors taking a mining company seriously.

That view changed last Wednesday when Drummond did a deal with Itochu, selling a 20% stake in its Colombian coal assets to the Japanese trader for \$US1.52 billion.

The sale has nothing to do with New Age except that it shows the high level of demand in Japan for thermal coal in the wake of its nuclear crisis, and that its two tenements directly abut three tenements owned by Drummond, with one of those the location of mines producing 20 million tonnes of coal a year.

What New Age has done is insert itself into one of Colombia's coal basins at a time of high coal demand. Its neighbours include some of the world's biggest miners, and investment banks, with Goldman Sachs of New York the surprising direct owner of the three million tonne-a-year La Francia mine about 10 kilometres north of New Age's tenements.

How New Age "monetises" its position will be the interesting next part of its story. Exploration is an essential step, though the nature of the geology of the Cesar Basin indicates that coal will continue into its tenements. Infrastructure in the area is good, with a rail line running across the middle of New Age's ground.

But, another possibility now that Itochu has put a high price on Colombian coal assets is that New Age could attract the interest of the majors keen to put their foot on additional future coal reserves.

Whatever happens, New Age is playing the classic small company game of acquiring an asset in the right location and then seeing how it can leverage value via a corporate deal, or by actually discovering something.