

12 June 2012

ASX: NAE

ASX ANNOUNCEMENT**Licence Granted over Major Coking Coal Project in the United Kingdom**

New Age Exploration Limited ("NAE" or "the Company") is pleased to announce it has been granted an underground licence over a major coking coal project in the United Kingdom, via application made to the UK Coal Authority. The licence, located near Carlisle, covers an area of 67.5 km² across the Scottish and English borders and is part of the Canonbie coalfield discovered in the 1950's by the National Coal Board ("NCB"). The Company has named the project the Lochinvar Project ("Lochinvar").

This is NAE's first coal acquisition outside of Colombia, where the Company owns a portfolio of coking and thermal coal assets, and the grant of the Lochinvar licence significantly strengthens NAE's presence as an emerging near term coal producer.

Highlights

- **67.5km² underground licence (an area of approximately 10km by 7km) over the Lochinvar Coking Coal Project granted to NAE by the UK Coal Authority**
- **Conceptual Exploration Target of 330 to 410 million tonnes of potential coking and PCI coal in the semi-hard to hard coking coal range with the expected coal quality to be a high volatile, high calorific value, low ash, modest to high sulphur coal with high swell indices**
- **The Conceptual Exploration Target is based on 13 boreholes and 55km of seismic lines completed by the NCB from the 1950's to the early 1980's**
- **Multiple seams including the Nine Foot Seam with expected average thickness of 2.0m and shallow dips (generally between 5° and 10°)**
- **Coal seams expected to start at depths of 100m from the surface based on historic drilling and seismic data**
- **Access agreements in place with two surface owners for proposed mine surface facilities and for exploration activities**
- **Lochinvar is served by extensive infrastructure including a railway line within 16km providing access to multiple ports and steelworks**
- **Significant European markets exist for Lochinvar coking coal which are currently importing coking coal from Australia, the United States and Canada**
- **NAE obtained the underground licence over Lochinvar for only the cost of the Coal Authority's standard application fee of £12,500**
- **NAE holds a 100% interest in the licence and there are no vendor payments**
- **Delineation of initial JORC resource anticipated within 12 months**

NAE Managing Director, Gary Fietz, commented *“The granting of the licence over the Lochinvar Coking Coal Project marks a major milestone for NAE. Based on historic drilling and seismic data, we are very excited about the potential of a major project at Lochinvar, which has excellent infrastructure in place and is located in very close proximity to European steel mills.”*

“Significantly to our shareholders, Lochinvar was identified by our in-house business development team and has been secured at minimal cost via a competitive application process from the UK Coal Authority. As such, there are no vendor payments and our funds only need to be used to define and develop the project and not on any vendor or third party payments.”

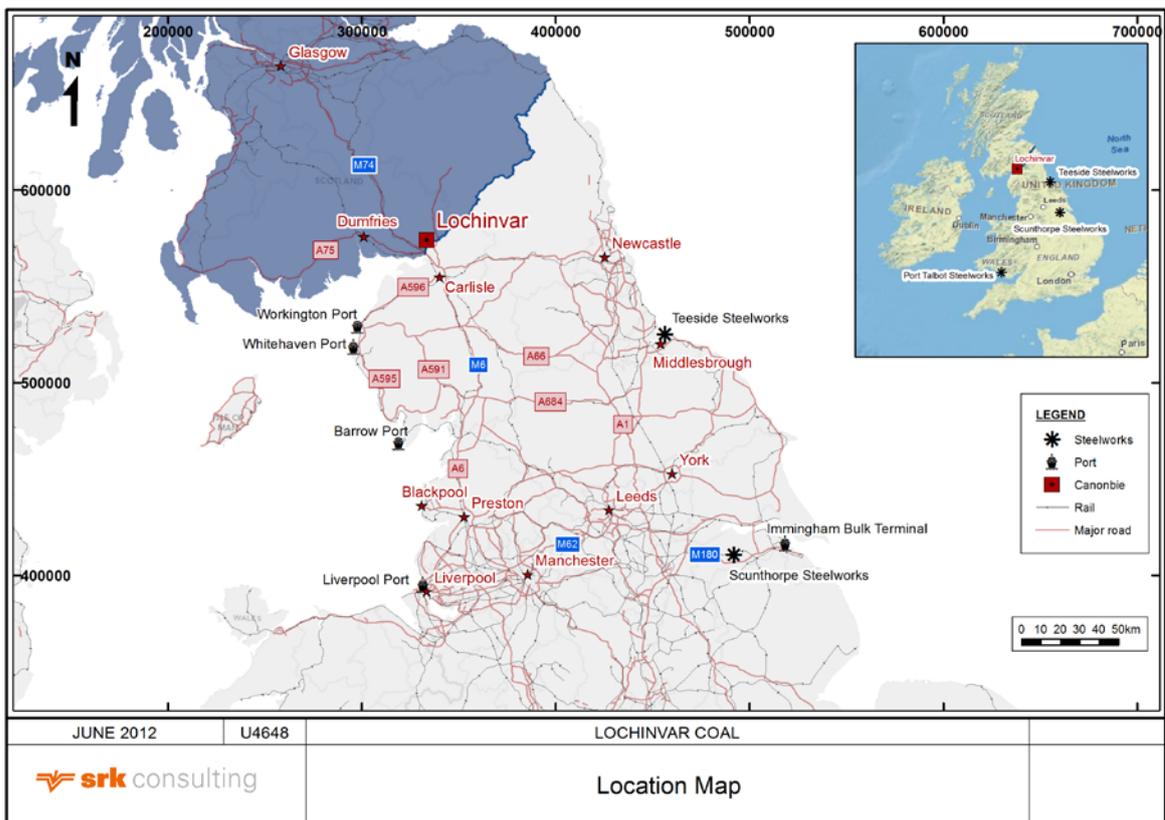
“That we were able to secure such a substantial coking coal project through a competitive process for only the standard application fees in these times of strong coking coal demand is quite a feat. The “concealed” nature of the deposit and the timing of its discovery and exploration during a long period of the wholesale decline in the UK coal industry are good indicators as to why Lochinvar has remained unexploited until now.”

“NAE plans to rapidly progress evaluation and development of a significant underground mining project to exploit the shallow coking coal exploration target. We will be building a small team in the UK to quickly advance the drilling program, supported by our local consultants, which will assist us in advancing towards a JORC resource definition in the upcoming year.”

“This new licence diversifies our portfolio to another global region whilst maintaining our coal focus. Our portfolio of Colombian coal projects will be advanced in tandem with Lochinvar.”

Lochinvar Coking Coal Project

Figure 1 - Location Map



P:\U4648 MPS Canonbie Coal\Project\CAD\Location_03.mxd

Background

NAE has been granted an underground licence (excluding rights to coal seam gas) over the Lochinvar Project covering 67.5km² (6,752 hectares) by the UK Coal Authority. The Lochinvar Project is located 21 km north of Carlisle and 120km south-east of Glasgow.

NAE obtained the licence over Lochinvar for only the cost of the Coal Authority's standard application fee of £12,500. NAE holds a 100% interest in the licence and there are no vendor payments. The licence is conditional on granting of necessary planning and development consents prior to commencement of production.

The licence grant over Lochinvar is the result of almost 18 months work by NAE, and was identified by the Company's in-house business development team. Working closely with knowledgeable UK based consultants, NAE lodged an application over the area in December 2011 as a competing application to a partly overlapping application made by a third party.

The Canonbie coalfield, of which Lochinvar forms the western part, was discovered at a time of major upheaval in the UK coal industry, driven by declining coal prices and increasing costs. The NCB announced a decision to close 20 mines in 1984, precipitating the famous miners' strike during 1984-85, which followed a long period of coal industry decline lasting over two decades.

The declining state of the UK coal industry in the late 1980's overshadowed favourable results of an exploration program undertaken on the Canonbie coalfield during the late 1970's and early 1980's and the publication of a geological paper by G.S. Picken on this coalfield in 1988. The NCB became the British Coal Corporation in 1987 and with the passing of the Coal Industry Act in 1994, the industry wide administrative functions of British Coal were transferred to a new Coal Authority and the economic assets privatised. The concealed Canonbie coalfield, including the Lochinvar Project, had until recently, remained as an undeveloped project within the Coal Authority.

While the Canonbie coalfield was known, it is only with recent rising coal prices that a renewed interest in the development of UK coal projects has occurred. These projects, including Lochinvar, demonstrate the right characteristics of scale, without the challenges of reopening old workings, and are in areas supportive of development. Currently, domestic UK coal production is around 18Mtpa which is primarily thermal coal production. A number of significant underground longwall coal mines are now operating in the UK including; Dawmill (3.5Mtpa), Thoresby (1.4Mtpa), Kellingley (1.8Mtpa), Maltby (1.4Mtpa) and Hatfield (1.2Mtpa). Tata Steel is also advancing with plans to develop a large new underground coking coal mine near their Port Talbot steelworks in Wales.

A third party who lodged a competing application to NAE's Lochinvar application, was also recently granted a licence by the Coal Authority over the eastern part of the Canonbie coalfield. This followed an agreement with NAE to amend the applications so that they no longer overlapped.

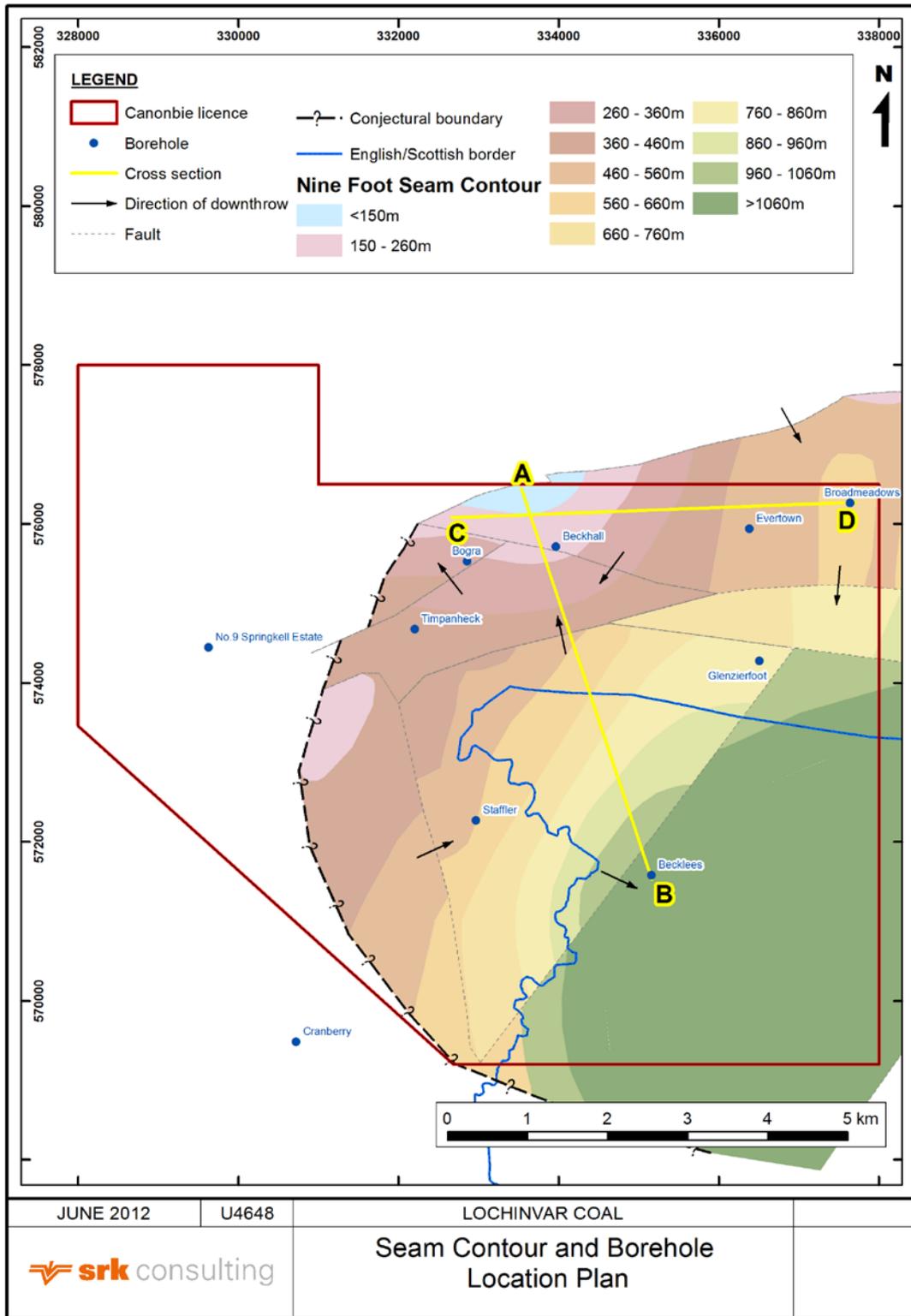
Previous Exploration

Historic exploration at Lochinvar was commenced in 1950's by NCB who drilled four boreholes in the Canonbie coalfield. This work proved the existence of the same sequence of thick coals of the Middle Coal Measures, which had been previously mined at Rowanburn colliery, where operations ceased in 1922.

In the late 1970's and early 1980's, the NCB drilled a further nine boreholes and shot 55 kilometres of seismic line within the Canonbie coalfield which proved the existence of a large concealed coking coal coalfield. The geological and mining potential of the coalfield was summarised by G. S. Picken,

coal geologist with the British Coal Corporation, in his 1988 paper "The concealed coalfield at Canonbie: an interpretation based on boreholes and seismic surveys".¹

Figure 2 - Lochinvar Seam Contour and Borehole Location Plan



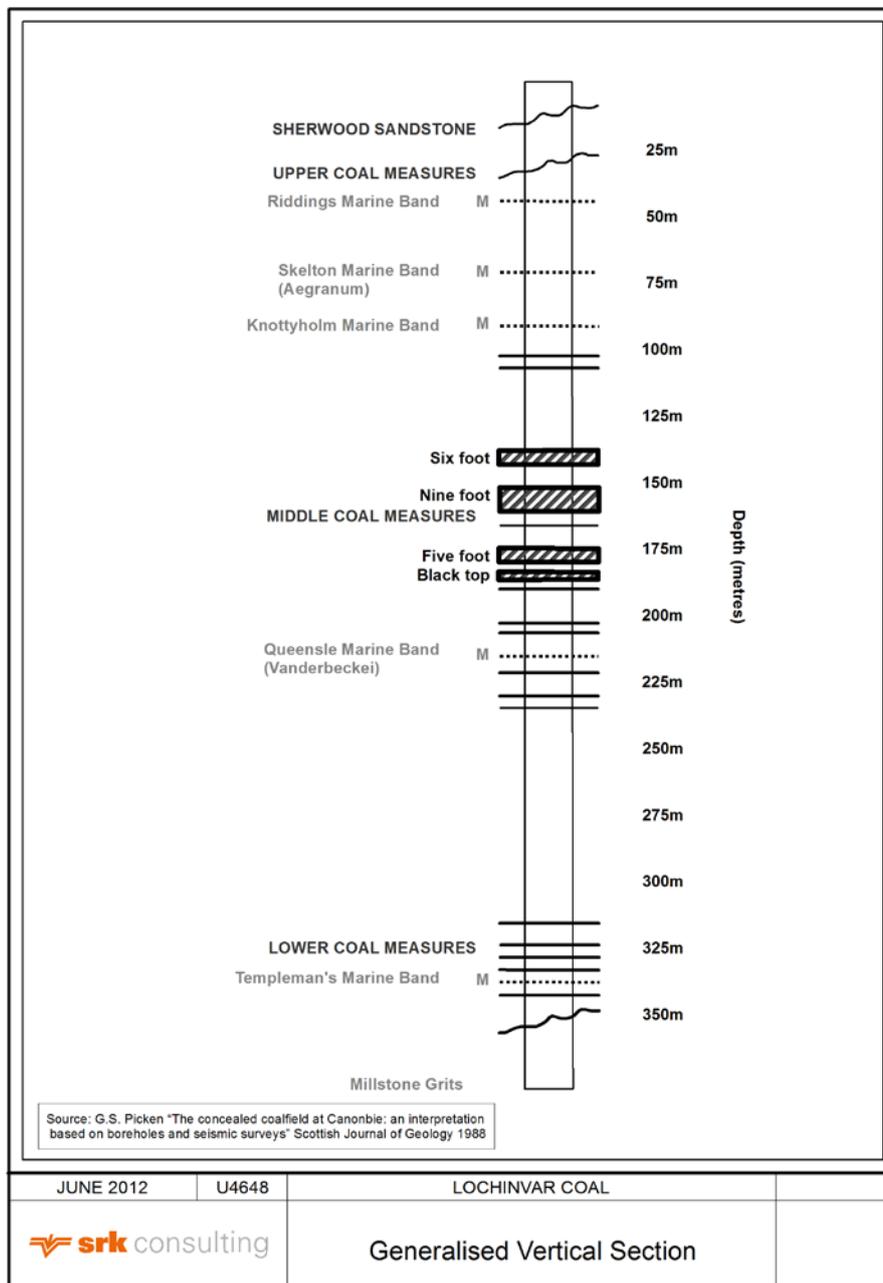
¹ The concealed coalfield at Canonbie: an interpretation based on boreholes and seismic surveys, G.S. Picken, Scottish Journal of Geology 1988: v. 24;p. 61-71

NAE's consultants, SRK have reviewed the previous exploration and geology of the Lochinvar Project and have produced the seam contour plan shown in Figure 2. The key parameters of the Lochinvar deposit include:

- Shallow seam dip across most of the deposit of usually between 5° and 10°
- Several major faults reasonably well defined by seismic work in the 1970's and 1980's
- Target seams include Nine Foot, Five Foot, Six Foot and Black Top
- Nine Foot Seam ranges from 1.7m up to 3.0m thick with average thickness of 2.0m

The target seams are all located in the Middle Coal Measures and mainly beneath Triassic rocks (Sherwood Sandstone Group). Figure 3 shows the generalised vertical section of the deposit, with the major seams (Six Foot, Nine Foot, Five Foot and Black Top Seams) within the Middle Coal Measures unit.

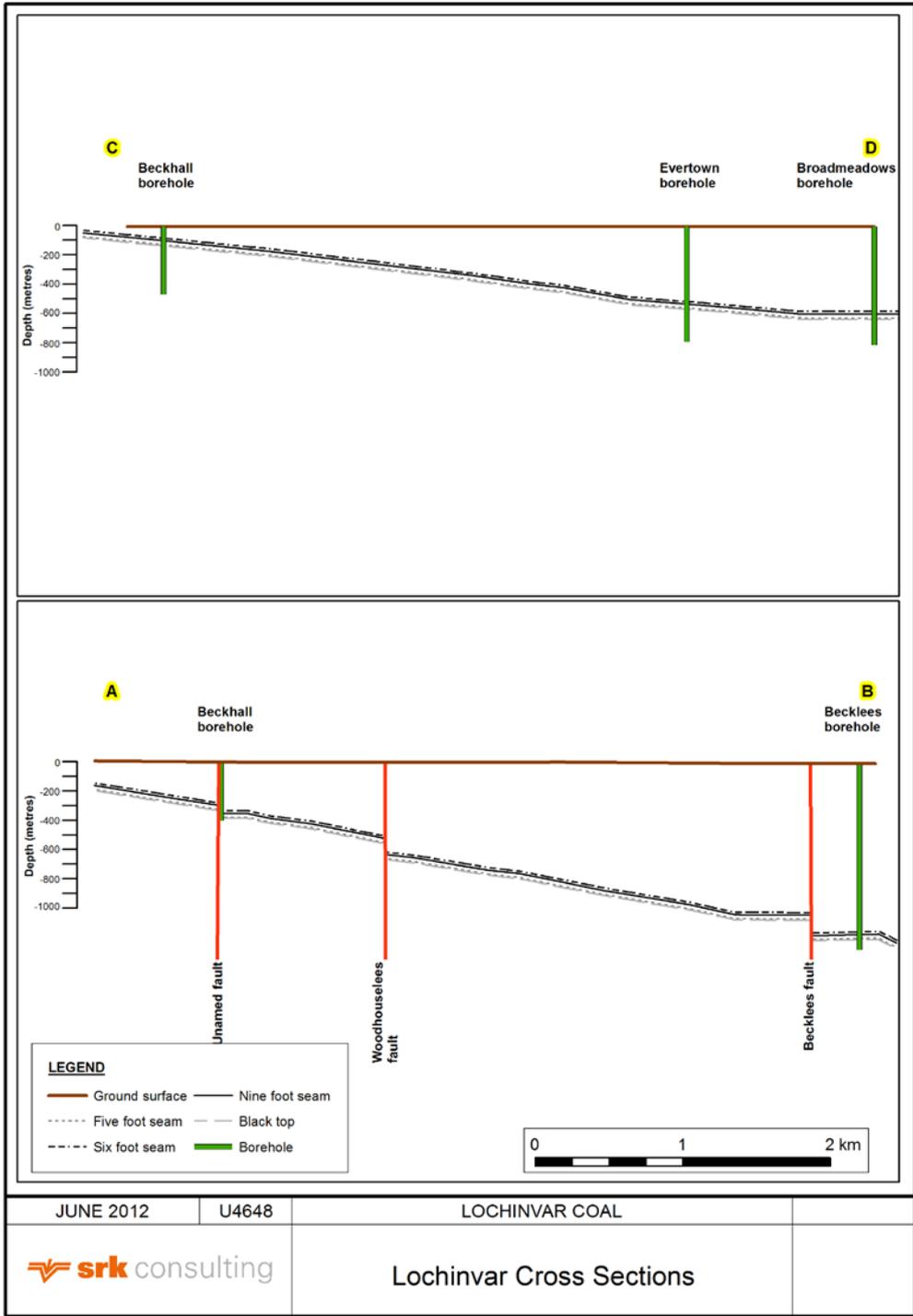
Figure 3 - Generalised Vertical Section



Further drilling is required to bring the historic exploration results up to JORC resource standards. NAE’s consultants, SRK, have created a computerised 3D model to help delineate the resource and to plan the exploration program required to achieve a JORC resource.

Including the Six Foot, Nine Foot, Five Foot and Black Top seams, **the project has a conceptual exploration target of 330 to 410 million tonnes, with 4% at depths less than 200m, 22% between 200m and 400m deep, and 20% between 400m and 600m deep.** Figure 4 shows indicative cross sections at two different orientations through the Lochinvar deposit.

Figure 4 - Lochinvar Indicative Cross Sections



Coal Quality

Coal in the Lochinvar licence can generally be described as a high volatile, high calorific value coal with low ash and modest to high sulphur. Information currently available indicates the coal has good coking qualities, although the absence of detailed analysis precludes a more definitive categorisation.

Preliminary assessment by SRK of the coal analysis, primarily on the Glenzierfoot, Knottyholm and Rowanburnfoot boreholes, indicate a high volatile coking coal with swell indices generally between 6 to 8 and Gray King indices around the G5 and G6 levels. **This indicates that Lochinvar may be able to produce a coking coal at least in the semi-hard to hard coking coal range.** With few exceptions, the ash contents (air dried) are below 10% and inherent moisture (air dried) in the 2.5 to 3% range. All the low ash coal appears to be of low specific gravity, 1.4 or less with relatively low amounts of middle gravity high ash coal indicating coal that can be easily processed.

Previous exploitation results indicate sulphur levels in the main seams are commonly higher than 1.0% with a number of seams having sulphur levels from 2.0% to 3.5%. A significant proportion of the sulphur in the coal is reported as being pyritic and potentially removable by processing. This is supported by float and sink test results from the upper measures in the Rowanburn borehole (to the east of Lochinvar) which achieved reductions in sulphur content of between 33% and 50%. Further investigation are required to determine an optimum processing design.

Previous exploration results also indicate a high chlorine content that varies between 0.35% and 0.60%. This could exclude the coal from much of the power generation market in the UK but subject to more detailed information on coking quality, the coal is likely to have good potential for sales in the UK and European coking markets.

Further work is required to assess the distribution of sulphur and chlorine within the deposit, the impact of processing on reducing levels of sulphur and chlorine and customer tolerances for these elements. It is currently expected that through a combination of processing and blending of Lochinvar coal (with other coking coals by customers), that Lochinvar will be able to produce a high value in use coking coal for European steel mills.

During the period of the downsizing of British Coal in the 1990's, many records were lost. Of the 13 bore holes drilled in the area, full seam analysis results were only recovered for three of the holes (Glenzierfoot, Knottyholme and Rowanburn). The results from these three boreholes (two of which are to the east of the Lochinvar licence) indicate the following likely coal quality information for the target seams of the Middle Coal Measures:

Figure 5 - Summary of Provisional Coal Quality and Seam Thickness

Seam	SG	Coal Thickness (m)	Proximate Analysis (adb)				Gross CV(adb) kcal/kg	GK	Swell
			Ash %	Sulphur %	VM %	Moisture %			
Six Foot	1.35	1.5	7.0	2.5	34.0	3	7,223	G2	8
Nine Foot	1.35	2.0	7.5	2.5	35.4	3	7,778	G6	8
Five Foot	1.35	1.3	5.8	1.2	33.3	3	7,656	G4	8
Black Top	1.35	1.0	9.3	3.3	33.8	3	7,278	G6	8

(Source: SRK evaluation of Glenzierfoot, Knottyholme and Rowanburn Boreholes data)

Surface Owner Agreements

NAE has entered into 12 month Exclusivity Agreements with two key landowners, both of which have been identified as the possible position of the surface facilities for the Lochinvar underground mine. The Exclusivity Agreements, which hold the option to extend for a further 12 months, cover due diligence, surface access for drilling activities and subsequent negotiation of detailed terms in respect of an Option Agreement for lease/purchase of the required land.

Infrastructure

Lochinvar benefits significantly from being located in close proximity to all major infrastructure, with both the major London to Glasgow railway and London to Glasgow motorway within 16km of the property. Ports are accessible by road and rail, with Workington and Whitehaven located within 80km and Liverpool within 240km. Immingham bulk terminal is situated 330km by rail for deep-water export.

Rail Distances from Gretna Green	Distance (km)
Teesside Steelworks	200
Scunthorpe Steelworks	287
Port Talbot Steelworks	517
Workington Port	69
Whitehaven Port	80
Barrow Port	153
Liverpool Port	220
Immingham Port	330

Potential Markets

Europe currently imports around 46Mtpa of coking coal including around 6Mtpa into the UK, of which a significant portion (approximately 76%) is sourced from distant suppliers including Australia, Canada and US. During 2011, landed prices were near US\$280/t for Australian and Canadian supplies, and US\$250/t for US supplies.

These statistics demonstrate the attractiveness for European buyers to consider local sources like Lochinvar in more manageable smaller delivery parcels, much the same way that iron ore from Sweden and Norway is a competitive source of supply into Europe. In the case of Lochinvar and depending upon customer requirements, the coal product could be delivered directly to UK steel mills by rail. For example, Sahaviriya Steel² Industries' Scunthorpe Steelworks is located only 200km by rail.

² Sahaviriya Steel Industries (SSI) acquired the blast furnace, coke ovens and other certain assets at the Teesside Steel Works from Tata Steel UK Limited (Tata Steel) in February 2011. SSI restarted hot metal and steel production at the Teesside Steel Works in April 2012 with steel capacity of approximately 3.5 million tonnes per annum.

Project Timeline

Following a comprehensive review of Lochinvar, the Company will progress a drilling program in the upcoming year, with the intention to achieve a JORC Inferred Resource and to commence a scoping study. NAE anticipates expenditure, including drilling program, of around A\$3m to delineate an initial JORC resource within one year.

Competent Person Statement:

Information in this document that relates to Exploration Results is based on information compiled by Dr William Hatton (C.Geol – Geological Society of London) 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 Hatton consents to the inclusion in the documents of the matters based on his information in the form and context in which it appears. Dr Hatton is a Principal Coal Geologist with SRK Consulting (UK) Ltd.

The potential quantity and grade of the exploration target is conceptual in nature as there has been insufficient exploration 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) Detailed British Geological Survey mapping at a 1:10,000 scale.*
- (b) An historic exploration programme set out in the National Coal Board’s (NCB) Plan for Coal in 1974.*
- (c) NCB deep drilling and seismic exploration from the late 1970’s and early 1980’s.*
- (d) A summary paper by Graham Picken in the Scottish Journal of Geology in 1988.*
- (e) A preliminary Vulcan 3-D representation of the concealed coalfield (representing (a) to (d) above) generated by Dr Hatton.*

The project is at an early stage, and so the target tonnages are provisional and 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 any unforeseen geological losses. The range in tonnage estimate reflects the uncertainty of the seam sections, structural and grade continuity encoded within the Vulcan exploration model.

ENDS

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