

1 August 2014

A warm welcome to the first NAE Update which I plan to do quarterly and also after major announcements. The aim of these updates is to summarise recent NAE highlights and to put these into context along with providing information on current activities and near-term priorities.

On 31 July 2014, NAE released its Quarterly Report for the quarter ended 30 June 2014.

As always, it has been a busy quarter with highlights including:

- Completion of the Lochinvar Phase 1b drilling program, including 2 extra holes added to the program as released on 20 May 2014 (total 6 holes completed on 2 July 2014)
- Progressing the Lochinvar Scoping Study, including completion of the Options Selection stage of the study which identified a miniwall as the primary means of underground coal production to be the Priority Development Case (released on 3 July 2014). The miniwall has a higher production rate than continuous miner cases which were also considered.

We have now received most of the coal quality results from the Phase 1b drilling with the results to date indicating the potential to produce a high volatile coking coal product with a specification generally within the range of previously released coal quality results. As soon as we receive all of the results from the laboratory, we will release the Phase 1b coal quality results which are expected during August.

Our current focus is on updating the Lochinvar structural interpretation and resource model with the results from the recently completed Phase 1b drilling. As part of this, we have decided to re-interpret ~50km of National Coal Board seismic lines over Lochinvar and tie the seismic data in with the Nine Foot Seam intercepts from NAE's drilling (10 holes from Phases 1a and 1b). This will improve the accuracy of seismic interpretation and hence, the structural model and mining study which all form key elements of the Scoping Study.

Our Lochinvar Exploration Manager, Donna Sheehy, is currently in Australia and working closely with the seismic consultants (Velseis in Brisbane), resource evaluation consultants (Palaris in Newcastle) and the NAE team in Melbourne to ensure that work is done efficiently and that it accurately incorporates the geological knowledge gained from the drilling program.

The seismic re-interpretation work was not initially in the project schedule and its inclusion is expected to delay the Lochinvar resource update release from July to August and the Scoping Study release from September to October.

Please feel free to contact me if you have any questions.

Kind regards,

Gary Fietz

Managing Director