



Redmoor Joint Venture

Otago Gold Exploration

Managing Directors Update

8 September 2016

Welcome to the latest NAE Update covering; (a) changes announced today to the Redmoor JV Agreement with SML which enables pre-drilling work to start immediately, and (b) Prospecting Permit applications made by NAE over 'mirror image' exploration targets to the Macraes gold deposit in Otago, New Zealand announced on 18 August. The spectacular recent increase in coking coal prices is also discussed.

Redmoor JV Amendment and Commencement of Pre Drilling Works

Today we announced an amendment to the Redmoor JV Agreement with AIM Listed Strategic Minerals Plc ("SML") signed on 26 May 2016 (see attached). The JV amendment is great news for shareholders and for the Redmoor Project as SML will now make a £101,700 part-payment of its Option Payment this month which will be used primarily for advancing pre-drilling works aimed at commencing drilling at Redmoor in the first half of next year. There is a lot of work to be done before drilling can start including; land access and permitting for drillholes, local community engagement, selection of a drilling contractor, negotiating a drilling contract and mobilisation. So we need to get started now to be drilling ready in the first half of 2017 and the £101,700 SML payment enables this to happen.

As part of the JV amendment the period for SML to complete its £945,349 Option Payment has been extended by 6 weeks until 15 February 2017 to align with SML's expected cash flows. SML have recently confirmed their intent to take up the Option in full and are in a strong position to do so, having reported a US\$837,000 cash balance as at 30 June 2016, rising magnetite sales and a major payment due in January 2017 under a rail settlement case.

Tin prices have continued to rise and are now up over 30% since the start of the year to over US\$19,400/t today. Next year's drilling program targeted at extending the high grade tin-tungsten resource at Redmoor looks like it may be ideally timed to take advantage of the upswing in commodity prices.

Otago Gold Permit Applications

NAE's 18 August announcement (see attached) on 2 Prospecting Permit applications over gold exploration targets in Otago have been generated quite a bit of excitement in New Zealand. The reason for this is that the permits cover targets generated by Dr Doug MacKenzie and Prof Dave Craw in the southern part of the Otago Schist belt which are thought to be a 'mirror image' of the geological situation in the Hyde-Macraes Shear Zone in the northern part of the Otago Schist belt that hosts the >10 Moz Macraes gold mine.

Dr Doug MacKenzie and Prof Dave Craw from the University of Otago are the leading experts in Otago Schist hosted gold deposits and presented papers at the AusIMM NZ Branch Annual Conference held this week. Dr Mackenzie's paper on the "new gold prospect in South east Otago" within NAE's applications has been written up as "arguably the highlight of the first day of New Zealand's annual

mining conference” by Simon Hartley in NZResources.com and also in the Otago District Times. A copy of Simon Hartley’s 5 September NZResources.com article is attached – this also contains links to the presentation made at the conference by Dr MacKenzie and another presentation by Prof Craw on the potential sources of gold nuggets on the southern side of the Otago Schist belt, such as at the famous Gabriels Gully (>0.5 Moz) located some 10km to the south of NAE’s permit applications. There have been a number of other articles on NAE’s Otago permit applications published recently and these can be found on our website at: (<http://nae.net.au/investors-and-media/media/>).

NAE hopes to have the permit applications granted before the end of the year and then plans to undertake reconnaissance exploration program (mainly soil sampling and mapping) for a budget of ~\$150,000 covering both of the permit applications.

These applications mark the first step in NAE’s strategy to build a portfolio of gold assets and several other more advanced stage projects in New Zealand are continuing to be assessed by NAE.

Lochinvar Project and Increase in Coking Coal Price

Hard Coking Coal prices have risen sharply recently to US\$158/t yesterday and are now up over 90% since the start of the year. This spectacular increase in the HCC price has been driven by cut backs on domestic coal production in China, combined with strong steel demand and some Australian supply issues.

The current HCC spot price is now approaching the US\$165/t long term HCC price assumed in the Lochinvar Scoping Study in October 2014 which showed an NPV of US\$263M for the project (<http://nae.net.au/wp-content/uploads/2014/10/Lochinvar-Scoping-Study-Results-Presentation.pdf>).

While we are encouraged by these recent increases in the HCC prices, we need to wait a while and see how sustainable the current situation is. Should HCC prices be sustainable at around current high levels then NAE will re-consider its decision made in 2015 to put activities at Lochinvar on hold.

There is still good overall community support for the Lochinvar Project as illustrated by the attached 4 September 2016 article by Duncan Bick, published in Incumbria.



Should you have any queries, please feel free to contact me.

Kind regards

Gary Fietz
Managing Director