

Fundamental Research Corp.

Investment Analysis for Intelligent Investors

January 18, 2018

New Age Metals Inc. (TSXV: NAM / OTCQB: PAWEF / FSE: P7J) – Updating Resource Estimate at Canada’s Largest Undeveloped PGM Deposit

Sector/Industry: Junior Resource

www.newagemetals.com

Market Data (as of January 18, 2018)

Current Price	C\$0.14
Fair Value	C\$0.49
Rating*	BUY
Risk*	5 (Highly Spec)
52 Week Range	C\$0.05 - C\$0.19
Shares O/S	73,238,757
Market Cap	C\$10.25 mm
Current Yield	N/A
P/E (forward)	N/A
P/B	3.0x
YoY Return	55.6%
YoY TSX	9.9%

*see back of report for rating and risk definitions.



Note: FRC conducted a site visit (River Valley property) in August 2011.

Highlights

- New Age Metals Inc. (“company”, “NAM”) recently completed a 15-hole drill program on its River Valley PGM project.
- Geophysical program in progress to follow up on a new footwall discovery.
- The company is currently working on an updated resource estimate, which is estimated to be completed this quarter.
- A series of drill programs planned after completing the geophysical program.
- Management also aims to complete a Preliminary Economic Assessment (“PEA”) in 2018.
- Palladium continues to be one of the best performing commodities in recent times. Since our previous report in September 2017, prices are up another 15% to US\$1,122 per oz.
- In January 2018, the company entered into a definitive agreement to option out its five lithium projects in Manitoba.
- At the end of October 31, 2017, the company had working capital of \$1.94 million. In December 2017, the company raised \$0.35 million.
- NAM’s share price is up 100% since our previous report. We estimate that NAM’s shares are currently trading at \$2.80 per PGM oz.

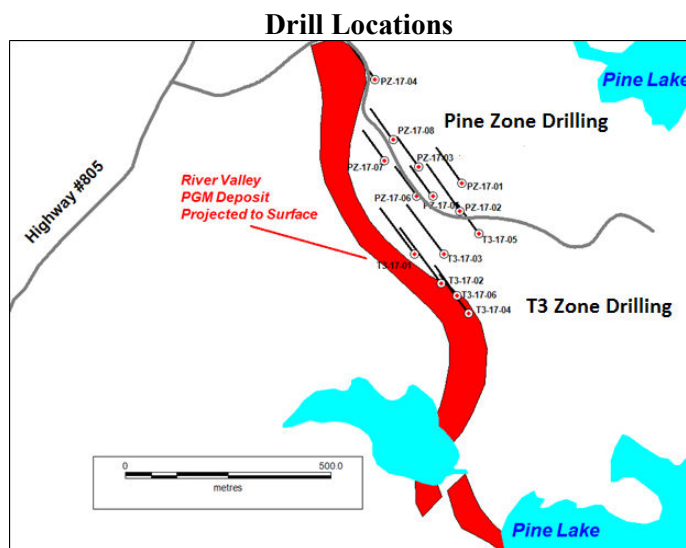
Key Financial Data (FYE - April

(C\$)	2016	2017	2018 (6M)
Cash	\$440,800	\$2,667,803	\$1,138,625
Working Capital	\$728,381	\$2,908,781	\$1,944,993
Mineral Assets	\$43,692	\$605,663	\$1,164,259
Total Assets	\$855,844	\$3,678,347	\$3,179,244
Net Income (Loss)	-\$1,637,824	-\$84,251	-\$920,149
EPS	-\$0.09	\$0.00	-\$0.01

Update on River Valley

At the time of our previous report, in September 2017, the company had just commenced a 15 hole / 4,085 m drill program focused on the footwall mineralization, along the Pine Zone (T2) and the T3 zone. The primary objective of the program was to test the strike and depth of each zone. The program was successful as it extended PGM mineralization by approximately 140 m east of the previously known PGM mineralization.

The following maps show the drill locations:



Source: Company

The following table shows a summary of the program’s results:

2017 Drilling Highlights

Drill Hole	Meterage (m)	Interval (m)	Au g/t	Pt g/t	Pd g/t	3E g/t	Cu %	Ni %	Zone	News Release
T3-17-01	193 to 202	9 m	0.08	0.37	1.11	1.56	0.14	0.32	Footwall	Sept 2017
	including 196 to 200	4 m	0.10	0.47	1.47	2.04	0.15	0.35		
T3-17-02	288 to 299	8 m	0.07	0.33	1.00	1.41	0.17	0.39	Footwall	Sept 2017
	including 290 to 292	2 m	0.15	0.54	1.83	2.52	0.26	0.64		
T3-17-03	262 to 279	17 m	0.05	0.26	0.81	1.12	0.11	0.03	Footwall	Sept 2017
	including 265 to 267	2 m	0.07	0.57	1.96	2.60	0.20	0.04		
T3-17-04	4 to 32	28 m	0.11	0.57	1.77	2.45	0.11	0.02	Main Zone	Sept 2017
	including 4 to 7	3 m	0.26	1.55	5.32	7.12	0.15	0.03	Main Zone	
	Including 24 to 30	6 m	0.17	0.96	2.93	4.06	0.20	0.04	Main Zone	
	37 to 41	4 m	0.13	0.83	2.35	3.30	0.19	0.04	Main Zone	
PZ-17-06	348 to 355	7 m	0.09	0.39	1.15	1.64	0.11	0.02	Footwall	
	170 to 192	22 m	0.06	0.37	1.08	1.51	0.10	0.02	Footwall	Oct 2017
	including 182 to 192	10 m	0.10	0.60	1.87	2.58	0.15	0.03	Footwall	
	including 183 to 185	3 m	0.14	0.89	2.92	3.95	0.16	0.04	Footwall	
PZ-17-07	77 to 84	7 m	0.04	0.25	0.77	1.06	0.06	0.02	Footwall	Oct 2017
PZ-17-08	56 to 70	14 m	0.08	0.48	1.30	2.01	0.15	0.03	Footwall	Nov 2017
	including 66 to 70	4 m	0.09	0.70	2.19	2.98	0.17	0.04	Footwall	
T3-17-06	331 to 334	3 m	0.02	0.11	0.21	0.34	0.02	0.02	Footwall	Nov 2017

Source: Company

The company is currently working on an updated resource estimate, which is estimated to be completed this quarter. The new resource will incorporate all the drilling since 2012, when the previous estimate was calculated. The 2012 estimate, using a cut-off grade of 0.8 g/t PdEq (palladium equivalent) gave a measured and indicated resource of 91 Mt grading 0.84 g/t Pd+Pt+Au, 0.06% copper, and 0.02% nickel. The inferred resource was 36 million tonnes grading 0.53 g/t Pd+Pt+Au, 0.06% copper, and 0.03% nickel. A summary of the resource is shown in the following table:

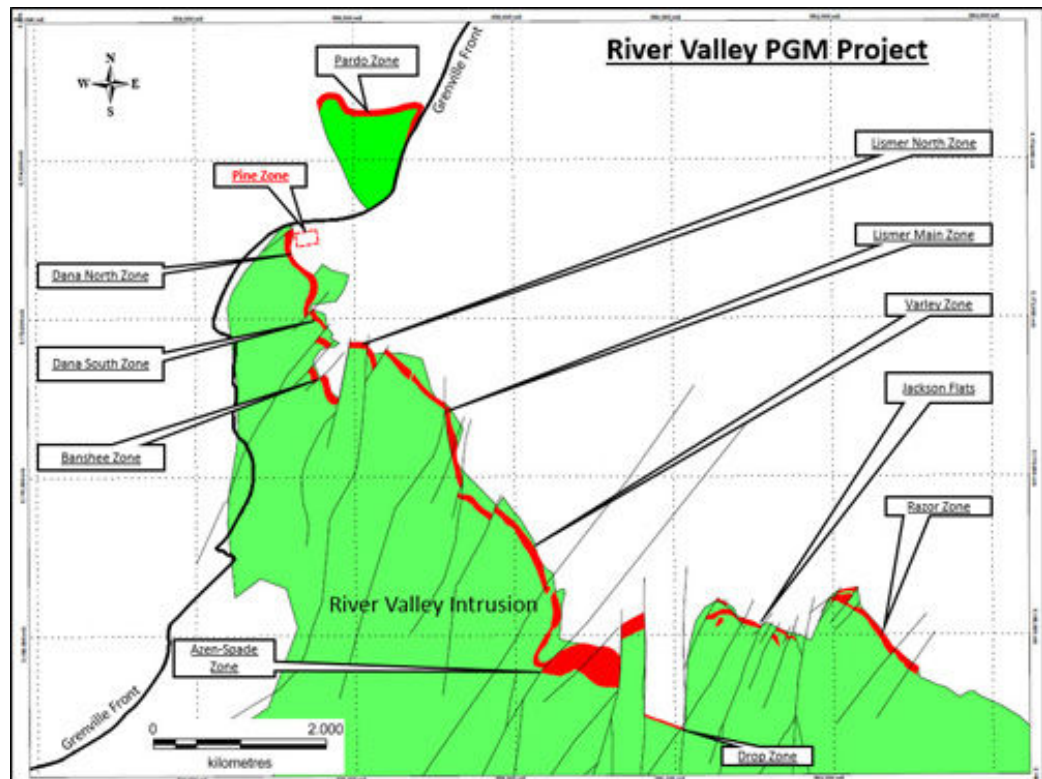
2012 Resource Estimate

cut-off: PdEq - 0.80 gpt	Tonnes	Pd (gpt)	Pt (gpt)	Au (gpt)	PdEq (gpt)
M & I	91.3	0.58	0.22	0.04	1.38
Inferred	35.9	0.36	0.14	0.03	1.07

	PGM + Au (Moz)	PdEq (Moz)	PtEq (Moz)	AuEq (Moz)
M & I	2.46	3.94	1.87	2.78
Inferred	0.61	1.20	0.57	0.85

Source: Company

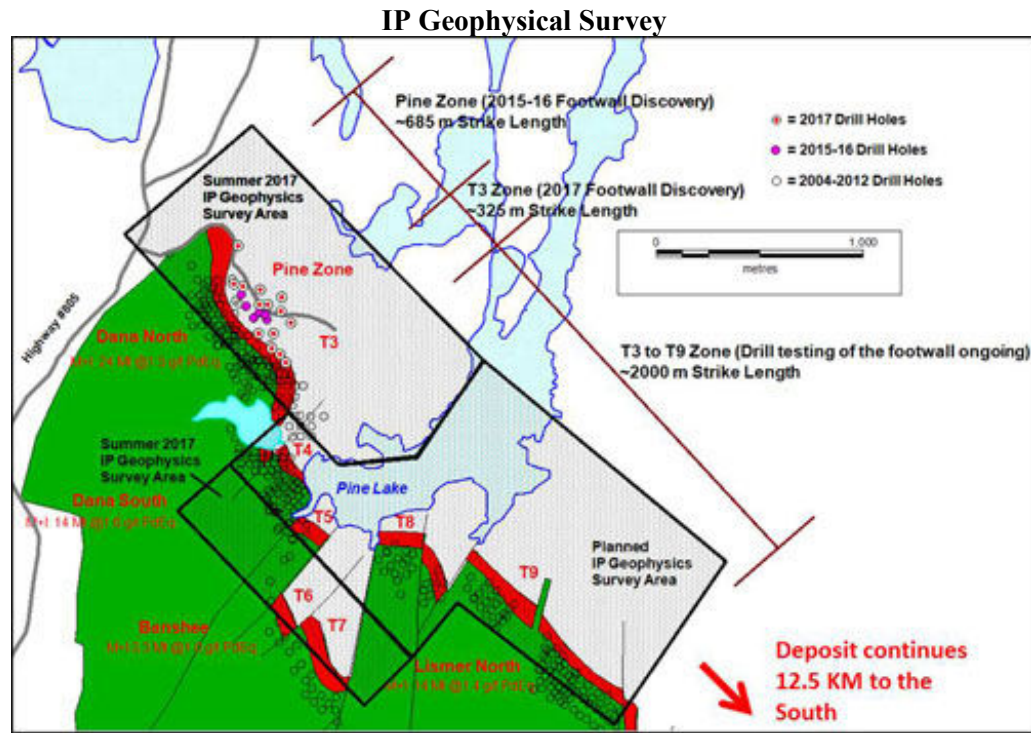
To date, 628 holes / 140,659 m have been drilled on the project. The River Valley deposit is estimated to be 16 km long, 0.2 km wide, and open at depth.



Source: Company

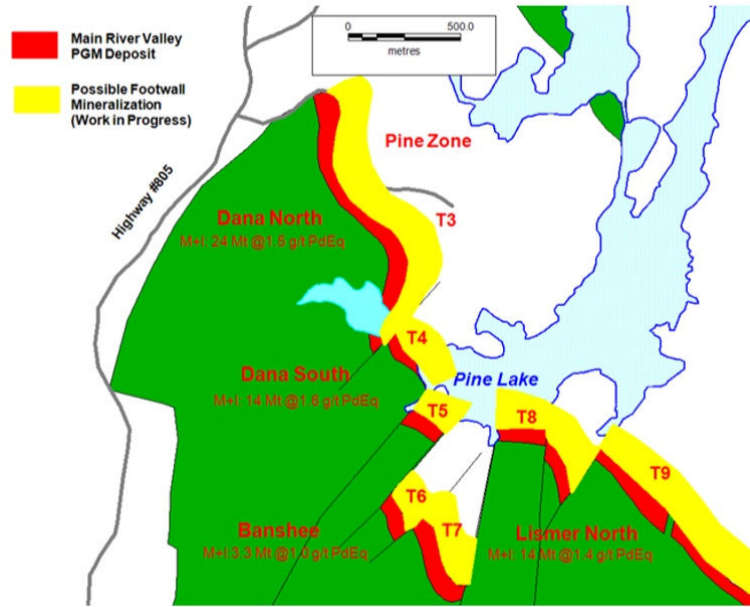
The northern portion of the project is estimated to hold approximately 0.50 Moz of PGM, as per the 2012 resource estimate, across four zones. Based on the recent results, management believes there is strong potential to increase the resource in the area to over 1 Moz.

The company is currently conducting a ground IP geophysical survey to cover a 2 km strike between targets T4 and T9. The survey's results will be used to identify drill targets for drill programs this year.



Source: Company

The yellow colored region shows the potential footwall mineralization (approximately 150 m east of the main deposit) identified from the latest drilling results. **The company is planning a series of drill programs on the footwall to confirm if it stretches along the entire 16 km strike.**



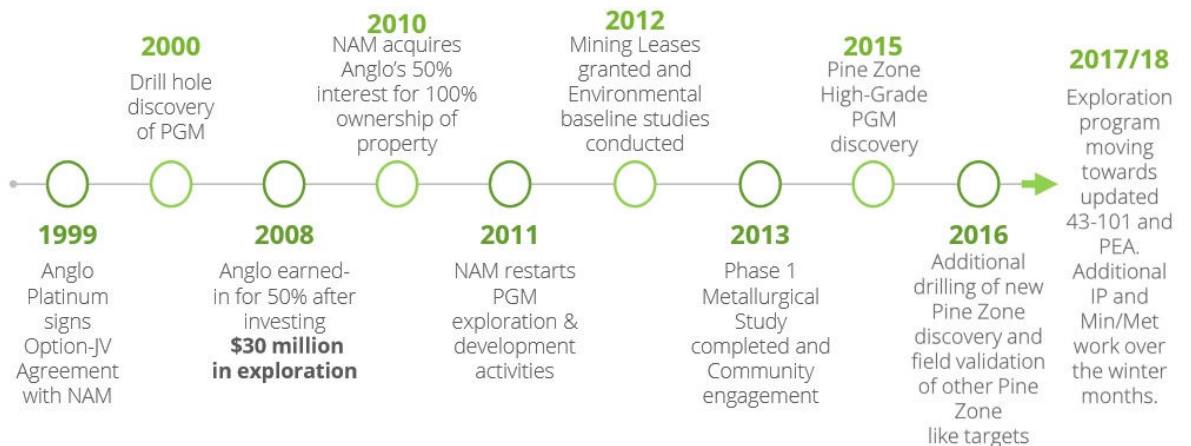
Source: Company

NAM is also conducting mineralogical studies of the ore, upon which a PEA will be initiated, expected by fall 2018.

The following points highlight the key catalysts for 2018:

- Complete ground IP Geophysics
- Obtain a new resource calculation
- A series of drill programs along Footwall (summer/fall 2018)
- Complete mineralogical studies
- Initiate a PEA

The following chart quickly summarizes the project’s history. Approximately \$40 million has been invested on the project to date.



Source: Company

**Options Out
Lithium Assets**

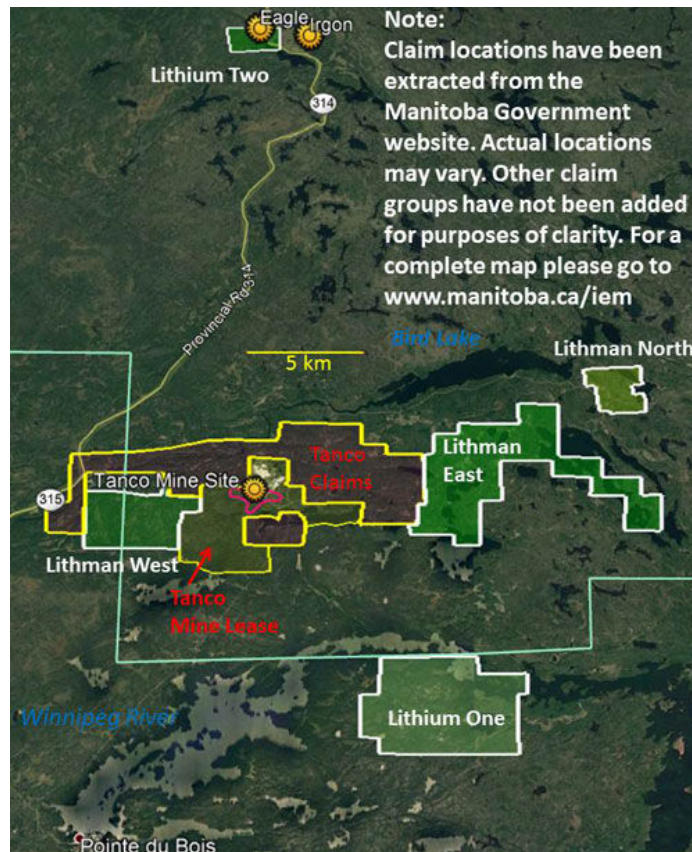
In January 2018, the company entered into a definitive agreement to option out its five lithium projects in Manitoba to Azincourt Energy Corp (TSXV: AAZ). As per the agreement, Azincourt can acquire a 100% interest in the projects in stages.

Azincourt has paid NAM \$10,000, and can acquire a 50% interest for \$0.20 million in cash, paid over 18 months, and up to 1 million shares, paid over 3 years. Azincourt is required to spend \$2.1 million on exploration over 3 years.

Azincourt can increase its interest to 60% by paying another 1 million shares, and spending an additional \$0.75 million on the property by October 2021. At this point, NAM will have the option to form a JV with Azincourt to jointly advance the project. If NAM decides not to exercise this option, Azincourt can increase its interest to 100% by paying another 1 million shares, and spending an additional \$1 million on the project by October 2022.

NAM retains a 2% NSR on all five projects.

NAM’s portfolio, covering 6,000 ha, consists of five pegmatite-hosted hard rock lithium projects in the Winnipeg River Pegmatite Field, in SE Manitoba. NAM is one of the largest claim holders in the Winnipeg River Pegmatite Field. Three projects are considered to be drill ready.



Source: Company

Financials

At the end of Q2-2018 (ended October 31, 2017), the company had cash and working capital of \$1.14 million and \$1.94 million, respectively. We estimate the company had a burn rate (cash spent on operating and investing activities) of \$263k per month in the six months ended October 31, 2017. The following table summarizes the company’s liquidity position:

(in C\$)	2017	2018 (6M)
Cash	\$2,667,803	\$1,138,625
Working Capital	\$2,908,781	\$1,944,993
Current Ratio	19.47	31.28
LT Debt / Assets	-	-
Monthly Burn Rate (incl. investing activities)	\$105,559	\$263,113
Cash from Financing Activities	\$3,281,549	-

Source: Company Data

Subsequent to the quarter end, in December 2017, the company raised \$0.35 million by issuing 0.88 million non-flow through units and 3.78 million flow through units at \$0.075 per unit. Each unit consisted of a common share and half warrant (exercise price of \$0.15 for 18 months).

Stock Options and Warrants

The company currently has 5.73 million options outstanding (weighted average exercise price of \$0.17 per share) and 50.51 million warrants (weighted average exercise price of \$0.18 per share) outstanding. At this time, none of the options or warrants are in-the-money.

Valuation

Palladium continues to be one of the best performing commodities in recent times. Since our previous report in September 2017, prices are up another 15% to US\$1,122 per oz. The current price is up 60% YoY.



After dropping to a low of \$870 per oz, platinum prices are up 14% over the past month.

Gold vs Platinum Price (US\$ / oz)



Source: Macrotrends (gold in orange and platinum in blue)

We have continued to evaluate NAM’ shares based on the market valuations of companies that only hold PGM projects.

Company	Stage	Location	Reserves and M&I (PGM Moz)	Inferred (PGM Moz)	Net Resource (PGM Moz)	EV (\$, M)	EV / Resource (\$ / oz)
North American Palladium	Producer	Ontario, Canada	5.91	0.47	6.15	\$739.70	\$120.26
Platinum Group Metals	PFS	South Africa	10.45	4.54	12.72	\$125.32	\$9.85
New Age Metals	Resource	Ontario, Canada	2.46	0.61	3.08	\$8.62	\$2.80
Nickel Creek Platinum	PEA	Yukon, Canada	21.15	7.13	24.71	\$66.10	\$2.68

Net Resource – 100% of Reserves and M&I Resources + 50% of Inferred Resources. Considering the recently successful drill program, we are not discounting NAM’s inferred resources.

Source: FRC

- North American Palladium (TSX: PDL) is the only pure PGM producer in Canada.
- Platinum Group (TSX: PTM) is in pre-production stage, and holds PGM assets in South Africa.
- Nickel Creek (TSX: NCP) holds a large PEA stage project in Yukon, Canada. Although the project holds a significant PGM resource, it is primarily a nickel project.

NAM’s shares are trading at \$2.80 per oz (\$0.70 per oz at the time of our previous report) based on the 2012 resource estimate. We are maintaining our fair value estimate on NAM’s shares at \$0.49 per share.

Risks

We believe the company is exposed to the following key risks (not exhaustive):

- The value of the company is highly dependent on PGM prices.
- Exploration and development risks.
- A PEA may take longer than expected.
- Access to capital and potential share dilution.

As with most junior exploration / development companies, we rate NAM's shares a risk of 5 (Highly Speculative).

Fundamental Research Corp. Equity Rating Scale:

Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

Hold – Annual expected rate of return is between 5% and 12%

Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:

1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company’s capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.

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