



November 26 2008

Chairman's Address to Annual General Meeting

Good afternoon ladies and gentlemen and welcome to our company's 4th Annual General Meeting.

We meet today during a period of extreme economic and financial uncertainty. The Global Economic Crisis, which unfolded rapidly around the world, after originating in the US housing industry finance market, has impacted severely on investor confidence, credit availability and company equity values. No investment sectors have been insulated from the resulting contagion and destruction of capital value.

As you are well aware, NEC's equity value has been severely affected by some investors' perceptions of the current investment environment. Despite the market conditions substantial positive underlying progress has been made with the Company's projects.

Today, I would like to describe how Northern Energy is positioned in the current uncertain environment and outline how we intend to navigate through the turbulence.

Project Portfolio

When Northern Energy Corporation was established around 4 years ago our resource base was zero.

Over this period the company has established a substantial coal resource base and will shortly establish its first marketable reserve, demonstrating that the company is progressing along the development path.

During this time, management has remained focussed on the portfolio of projects first identified at the time of formation.

This has resulted in a project portfolio which is diverse:-

Geographically

- Surat Basin - Elimatta
- Bowen Basin - Yamala
- Maryborough Basin - Colton
- Northern NSW / Sthn Qld - Ashford/Yetman

By Product Quality

- Maryborough, Ashford coking coal
- Bowen thermal coal
- Surat thermal coal

By mining method

- Open cut – Elimatta, Yamala, Maryborough, Ashford, Yetman
- Underground – Yamala
- Large scale - Elimatta, Yamala
- Small scale – Colton, Ashford, Yetman

The development path of the Company is leading to NEC becoming a multi mine coal producer.

Capital Management

Your Board has also tightly managed the capital structure of the Company, during this project development phase. With a limited number of shares on issue, and the large majority of shares tightly held, the potential to capture the maximum value growth, which arises during pre development phases, has been maximised. Over the four years, the company has raised approximately \$20M, with approximately \$8M currently held as cash. With three advanced projects and only 77.3 million shares on issue, the capital structure of the Company is appropriate for the Company at this stage of development.

This has been a difficult year for shareholders with the collapse of two lending institutions resulting in ownership resumption and forced sale of some shareholdings held in association with the Opes Prime and Primebroker entities.

As a result there has been a significant change in the share register of the company. I welcome all new shareholders, large and small that have supported the company during the year. We are endeavouring to add value to your holdings but have not been immune from the change in sentiment currently prevailing.

Looking forward our focus has now switched towards development and as a result our capital needs will change.

Earlier in our evolution we introduced a Joint Venture partner – Sojitz Corporation to our Yamala project choosing not to attempt to fund all projects in parallel and instead of diluting corporately we introduced a strategic partner to develop this project with us.

With the intention to commence production at the Maryborough project over the next 12 months and the Elimatta project having reached its first reserve milestone our capital needs will increase firstly to establish the Colton mine at Maryborough and secondly to position both the Elimatta and Yamala projects for development in the coming years.

Our preferred approach from this point will be to introduce partners to these projects. This strategy is predicated on the basis of:-

- A trade sale would be a less dilutive source of capital for shareholders, with trade deals valuing assets more highly than equity markets particularly in the current market;
- Introduction of new project investors will reduce the capital required from NEC to progress mine development;
- Introduction of strategic partners will reduce marketing and / or operating risk;
- A trade deal would provide a value benchmark to demonstrate the potential worth of the company
- Strategically it is considered advantageous to introduce new parties to the projects in preparation for long term commitments to rail and port infrastructure.
- NEC has engaged Investec as financial advisors on the Elimatta Project.

Since inception we have received regular enquiries from parties seeking to invest in our coal resources as part of their own security of supply strategy or as part of intent to establish a broader trading portfolio. To date, with the exception of Yamala we have chosen to retain our interest in the projects on the basis that we could add value through further resource definition.

Even in these uncertain times motivated buyers of resources remain Northern Energy is looking to tap this interest right now in the case of the Maryborough project and we are about to commence the marketing of an interest in the Elimatta project.

Clearly the immediate investment environment is very uncertain and as reported earlier in the month the prevailing conditions have disrupted our Maryborough partner search process. Nevertheless we remain engaged with a number of interested parties several of whom have joined the process late and since the change in market circumstances.

Our immediate response to the current environment has been a review of our budgeted expenditure and a decision to reduce our activities to conserve cash. It is our intention to continue to move the Maryborough project / Colton Mine forward and also the Elimatta and Yamala projects with the intention of keeping the resource and mine evaluations of these projects ahead of the critical path which remains the port and rail infrastructure. Otherwise expenditure will be reduced and it is not intended to carry out further "discovery" exploration until there is a change in the financial market environment. While we consider this a prudent step it is nevertheless disappointing given an initial drilling programme identified a new coal discovery at our Yetman prospect in northern NSW.

Global Coal and Investment Environment

The mining sector is a long term industry. The time line from an initial discovery; through to resources and reserves; progression through technical and economic studies and approval processes; construction and finally to steady state production is measured in terms of years not months. As a result projects will usually experience the peaks and troughs in the economic cycles on the way through. We can be comforted, that the outlook for energy demand, coal in particular, remains positive.

Despite the negative sentiment towards coal from some sections of the community, global coal consumption continues to increase. In its recently published World Energy Outlook the International Energy Agency (IEA) reported that global coal consumption rose by 4.6% per annum in the period from 2000-2006 which was faster than overall energy demand. In other words coal increased its share of global energy consumption.

In its latest report the IEA continues to forecast strong growth in coal consumption in its Reference Case. Global coal consumption is forecast to increase by some 60% in the period 2008-2030 – an increase equivalent to approximately the total current consumption of the OECD. Regional coal trade is also forecast to increase by some 60% over the same period.

The most encouraging aspect of this trade forecast from the IEA is that most of this growth of global trade will be with Australia's natural customers, China, India and other Asian economies.

While we cannot ignore current uncertainties and we must adjust in the face of them, in your company's view they reflect a pause in what has been and what will continue to be the inexorable ongoing demand growth for energy all around the globe. We are seeing the billions of people that populate the developing countries of the world aspire to the standard of living we enjoy. Items that we take for granted - refrigeration; air conditioning; heating; lighting and recreation all require power. All will contribute to an increase in primary energy demand. Coal is and will remain a safe, reliable and good value energy commodity for the foreseeable future.

The world's population will require the ongoing development of coal resources such as those contained in our portfolio

Infrastructure

Today the Premier of Queensland announced that an industry financed model for the Wiggins Island coal terminal at the Port Of Gladstone has been granted preferred proponent status. Wiggins Island Coal Terminal Pty Ltd has proposed an ownership model similar to that formed for a new coal terminal at Newcastle which is currently under development – the NCIG project.

Northern Energy Corporation is a member of the 16 coal company consortium formed to promote this industry owned model. We are very pleased to be an industry participant in the Wiggins Island Coal Export Terminal Project.

There remains substantial work to be done before the new ownership model comes into effect. Our commitment to underwrite the feasibility and final engineering design for the terminal remains in effect and the priority rights this commitment provide do not change under a new ownership model.

Conclusion

Your company has confidence in its project portfolio and the underlying competitiveness of the Queensland resource sector. The immediate future will be challenging, but your Company is poised to join the ranks of coal producers with developments suited to its financial capacity at the time. NEC will play a role in the ongoing growth in the supply of coal to satisfy the growing consumption our neighbours.

I would like to thank my fellow directors and the staff at Northern Energy for their efforts this year and look forward to reporting our progress in a more stable environment next year.

Chris Rawlings