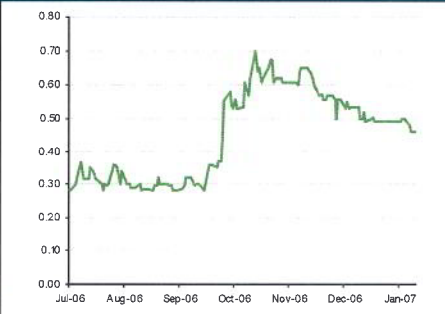


Looking toward the missing link

This week we review Queensland based coal explorer/ developer **Northern Energy Corporation (NEC)**. NEC was listed in February 2005 and holds a portfolio of coking and thermal coal tenements in Northern NSW and South-east / Central QLD.

The company looks well positioned to capitalise from the construction of the long awaited \$1 billion plus Southern "Missing Link" rail development, linking Wandoan with Gladstone, given project approval by the Queensland Government mid last year for construction and completion by 2011. The rail link would open up an export route to the Port of Gladstone for coal production from NEC's prospective *Elimatta* thermal coal deposit.

Table 1: NEC Company data

ASX Code:	NEC	
Number of Shares:	47.3m	
Market Cap:	\$21.8m	
Cash on Hand:	\$2.0m	
Major Shareholders:		
	Renison Consolidated Mines 18%	
	Samuel Capital 8%	
	AMP Limited 5%	
Website:	www.northernenergy.com.au	

Source: Iress

The **Elimatta** project is located in the northern Surat basin, some 30km west of Wandoan. The project hosts an inferred resource of 130Mt of thermal coal with exploration targeting and additional 70-100Mt. Coal quality is expected to be low sulphur, moderate to high energy, high volatile thermal coal suitable for export markets. Elimatta is large, would be mined as an open cut with a low strip ratio and remains open to the south and west.

NEC has nearer term earnings potential through development of its **Maryborough** hard coking coal target, 10km south of Maryborough. Drilling has commenced on the shallow, high quality coking coal target, with development depending largely on the confirmation of fluidity and coke strength testing currently underway. Maryborough would support a small 3-500ktpa open cut operation, providing NEC an opportunity to generate near term cashflow while the much larger Elimatta project remains under evaluation and the missing link is built. Japanese coal trading house Sojitz Corporation is earning a 30% interest in NEC's **Emerald** project via sole funding a \$5.3m exploration program. The program aims to progress a bankable feasibility study over 2-3 years into an underground coal mine development on a 400Mt. thermal coal Target.

We rate **Northern Energy Corporation (NEC, not formally covered)** as a speculative coal explorer/ developer, holding highly prospective exploration targets and well positioned to benefit from the realisation of the Elimatta development.

Please note that **Rocks & Stocks** provides a summary of our views only. Full reports can be found at our website www.abnamromorgans.com.au. Important disclosures regarding companies that are the subject of this report and an explanation of recommendations and volatility can be found at the end of this document.

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COMPANY REPORTS

- **Heemskirk**
HSK, TP\$1.24, Buy
- **Alcoa Inc**
AAI, TP US32.66, Buy
- **Lihir Gold**
LHG, TP\$2.59, Sell

NEWS SNIPPETS

- **Rio Tinto**
- **Perseverance**
- **Highlands Pacific**
- **Tamaya Resources**
- **Emperor Mines**
- **Aibdion***
- **Minara Resources***
- **LionOre***
- **Western Areas***
- **Bendigo Mining***
- **Auselect***

* = Not Formally Covered

COMMODITIES

- **ABN AMRO Base Metals Review**

Chris Brown

Oil & Gas, Metals & Mining

Roger Leaning

Energy, Infrastructure, Metals & Mining

Ross MacLeod-Carey

Metals & Mining,

Tom Sartor

Metals & Mining,