

Lots of paddling under the water but still needs a partner

Will need to raise if no partner appears

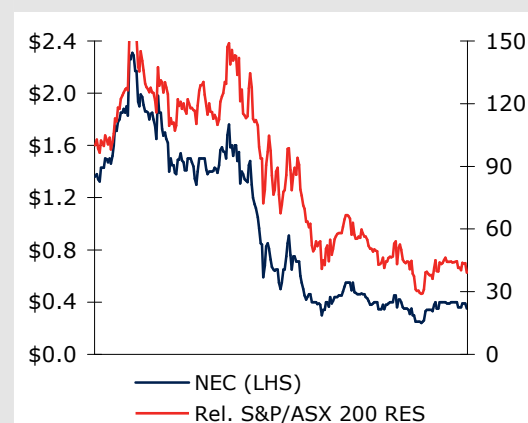
- NEC is doing all the right things but it only has \$3.5m in cash and it still needs a partner to unleash the value in its projects. A capital raising may be necessary if it can't sell a share in its assets over the next couple of quarters in order to fund its projects and its share of commitments to Wiggins Island. Regardless, the company is still highly undervalued, with our estimated price for any sale larger the market cap of the whole firm. Our recommendation remains a BUY with a price target of \$0.55.
- The company states that it has "received a substantial number of approaches from a diverse range of potential investors" for both Colton and Elimatta, its two 100% owned projects.
- Colton JORC resource statement still being formulated, combining data from 338 historical drill hole recently released by the QLD government and seismic data shared from Blue Energy its own with its own 50 drill holes. Preliminarily, the 3 sets of data have confirmed the extension of coal seams down dip. In parallel, NEC is nearing completion of the Environmental Management Plan and Mining Lease Application which will be finished upon the incorporation of the geo and mining models.
- At Elimatta, Worley Parsons continues to mine design study, and are investigating the potential to increase capacity to 5Mtpa rather than the current 4Mtpa.
- Following Yamala coal quality testing, it appears that NEC has decided to proceed with the aim of producing high yield thermal coal rather than producing a split of lower yield metallurgical coal. Work is being funded by Sojitz under a farm-in.
- Infrastructure developments continuing. Surat Basin Rail released its EIS in the Quarter, incorporating 42Mtpa capacity. At Wiggins Island, final engineering design for Stage 1 is progressing. Financial Close for the project is expected in June 2010 but NEC will have to continue to fund its share of the feasibility up from the current \$3.5m to a potential \$8.3m.

Year End June 30	2007A	2008A	2009F	2010F	2011F
Reported NPAT (\$m)	(0.5)	(0.9)	(1.0)	(0.6)	(6.5)
Recurrent NPAT (\$m)	(0.5)	(0.9)	(1.0)	(0.6)	(6.5)
Recurrent EPS (cents)	(0.8)	(1.3)	(1.2)	(0.7)	(8.1)
EPS Growth (%)	na	na	na	na	na
PER (x)	(42.0)	(26.8)	(28.1)	(47.1)	(4.3)
EBITDA (\$m)	(0.5)	(0.9)	(0.9)	(0.1)	(0.6)
EV/EBITDA (x)	(29.4)	(24.3)	(28.5)	(146.5)	(261.5)
Capex (\$m)	2.7	2.7	0.5	45.4	126.8
Free Cashflow	(2.1)	(4.9)	(8.6)	(53.0)	(139.7)
FCFPS (cents)	(3.5)	(7.0)	(10.7)	(66.1)	(174.2)
PFCF (x)	(10.0)	(5.0)	(3.3)	(0.5)	(0.2)
DPS (cents)	0.0	0.0	0.0	0.0	0.0
Yield (%)	0.0	0.0	0.0	0.0	0.0
Franking (%)	100.0	100.0	100.0	100.0	100.0

30 April 2009		
12mth Rating		BUY
Price	A\$	0.35
Target Price	A\$	0.55
12m Total Return	%	57.1
RIC: NEC.AX		BBG: NEC AU
Shares o/s	m	77.8
Free Float	%	66.0
Market Cap.	A\$m	27.2
Net Debt (Cash)	A\$m	-3.6
Net Debt/Equity	%	na
3m Av. D. T'over	A\$m	0.03
52wk High/Low	A\$	2.31/0.24
2yr adj. beta		1.41
Valuation:		
Methodology		DCF
Value per share	A\$	0.57

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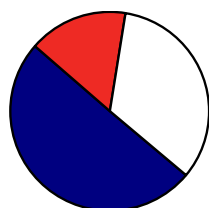
12 Month Share Price Performance



Performance %	1mth	3mth	12mth
Absolute	0.0	-2.6	-73.1
Rel. S&P/ASX 300	-1.2	-9.8	-59.5

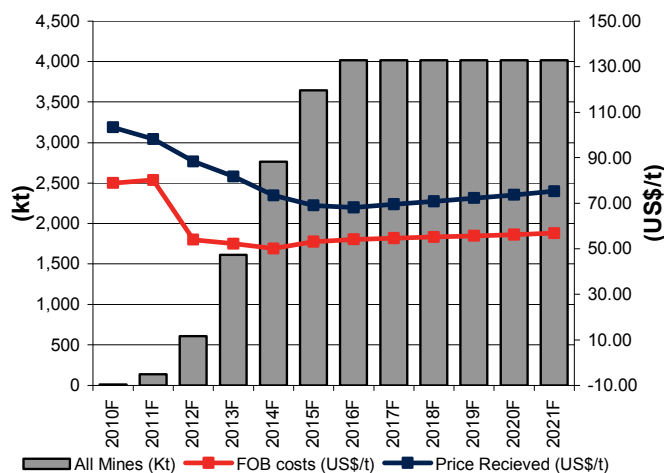
Northern Energy Corp. Ltd.	0.35	
Valuation	A\$m	A\$/sh
Elimatta (51% share)	30.7	0.38
Yamala (87% share)	9.8	0.12
Colton (51% share)	20.5	0.26
Ashford	0.9	0.01
Resources	2.8	0.03
Corporate	(22.7)	(0.28)
Unpaid Capital	0.0	0.00
Cash	3.6	0.04
Debt	(0.0)	(0.00)
NPV	45.6	0.57
Price Target		0.55

Valuation Summary of Operating Assets



- Elimatta (51% share)
- Yamala (87% share)
- Colton (51% share)

Coal Production Summary



Resources & Reserves (Mt)

	Total		
Elimatta			
Resources - Meas - Ind - Tot	129.0	75.0	204.0
Reserves - Prov -Prob - Tot	66.0	3.0	69.0
Yamala			
Resources	0.0	40.0	40.0
Reserves	0.0	0.0	0.0
Colton			
Resources	0.0	0.0	0.0
Reserves	0.0	0.0	0.0
Ashford (Inferred)		18.0	18.0

Directors

Name	Position
Chris Rawlings	Non-Executive Chairman
Keith Barker	Managing Director
Geoff Lord	Non-Executive Director
Kevin Maloney	Non-Executive Director
Sam Willis	Non-Executive Director
Paul Marshall	Company Secretary

Substantial Shareholders

	Shares (m)	%
Kevin Maloney	6.8	8.7
Fraters Nominees (+Tulla)	7.4	9.5
Wexford Capital	6.2	7.9
AMP Ltd	4.1	5.3
Geoff Lord	2.8	3.6

Commodity Assumptions	Year End June 30			
	2008A	2009F	2010F	2011F
US\$/A\$	0.8976	0.7272	0.6925	0.7100
Hard Coking Coal	147.00	257.00	123.50	113.75
Semi-soft Coking Coal	107.93	203.75	92.50	86.25
PCI	111.88	206.25	87.50	83.75
Export Thermal Coal	72.99	111.25	68.25	64.00
Domestic Thermal Coal	42.70	44.00	45.28	46.40

Production Summary	2008A	2009F	2010F	2011F
Attributable Saleable Coal Production				
Elimatta (kt)	0	0	0	0
FOB costs (US\$/t)	0.00	0.00	0.00	0.00
Price Received (US\$/t)	0.00	0.00	0.00	0.00
Yamala (kt)	0	0	0	0
FOB costs (US\$/t)	0.00	0.00	0.00	0.00
Price Received (US\$/t)	0.00	0.00	0.00	0.00
Colton (kt)	0	0	13	134
FOB costs (US\$/t)	0.00	0.00	78.90	80.11
Price Received (US\$/t)	0.00	0.00	103.38	98.11

All Mines (Kt)	0	0	13	134
FOB costs (US\$/t)	0.00	0.00	78.90	80.11
Price Received (US\$/t)	0.00	0.00	103.38	98.11

Profit & Loss (A\$m)	2008A	2009F	2010F	2011F
Sales Revenue	0.1	0.1	1.9	18.5
Other Income	0.4	0.3	1.4	0.0
Operating Costs	0.0	0.0	1.5	15.1
Exploration Exp.	0.0	0.0	0.0	0.0
Corporate/Admin	1.3	1.3	2.0	4.0
EBITDA	(0.9)	(0.9)	(0.1)	(0.6)
Depn & Amort	0.0	0.1	0.1	0.7
EBIT	(0.9)	(1.0)	(0.2)	(1.3)
Interest	0.0	0.0	0.4	5.3
Operating Profit	(0.9)	(1.0)	(0.6)	(6.5)
Tax expense	0.0	0.0	0.0	0.0
Abnormals & Minorities	0.0	0.0	0.0	0.0
NPAT	(0.9)	(1.0)	(0.6)	(6.5)

Normalised NPAT	(0.6)	(0.7)	(0.7)	(4.6)
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Cash Flow (A\$m)	2008A	2009F	2010F	2011F
Adjusted Net Profit	(0.9)	(1.0)	(0.6)	(6.5)
+ Interest/Tax/Expl Exp	0.0	0.0	0.4	5.3
- Interest/Tax/Expl Inc	5.7	6.5	7.4	12.3
+ Depn/Amort	0.0	0.1	0.1	0.7
+/- Other (Associates)	0.0	0.0	0.0	0.0
Operating Cashflow	(6.6)	(7.4)	(7.5)	(12.9)
- Capex (+asset sales)	2.7	0.5	45.4	126.8
- Working Capital Increase	(4.4)	0.7	0.0	0.0
Free Cashflow	(4.9)	(6.6)	(3.1)	(13.7)
- Dividends (ords & pref)	0.0	0.0	0.0	0.0
+ Equity raised	1.1	7.8	0.0	0.0
+ Debt drawdown (repaid)	(0.0)	0.0	30.0	108.0
Net Change in Cash	(3.8)	(0.8)	37.0	(31.7)
Cash at End Period	3.4	2.5	39.6	7.9
Net Cash/(Debt)	3.3	2.5	9.5	(130.1)

Balance Sheet (A\$m)	2008A	2009F	2010F	2011F
Cash/Bullion	3.4	2.5	39.6	7.9
Total Assets	15.4	20.7	111.0	219.9
Total Debt	0.0	0.0	30.0	138.0
Total Liabilities	1.5	0.1	90.9	206.4
Shareholders Funds	13.9	20.6	20.0	13.5

Ratios	2008A	2009F	2010F	2011F
Net Debt/Equity (%)	na	na	na	964.6%
Interest Cover (x)	na	na	na	na
Return on Equity (%)	na	na	na	na

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