

NORTHERN ENERGY CORPORATION LIMITED
AND ITS CONTROLLED ENTITIES

A.B.N. 90 081 244 395

FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

NORTHERN ENERGY CORPORATION LIMITED

CORPORATE DIRECTORY	
<p>DIRECTORS</p> <p>Dr Christopher Rawlings Sam Willis Keith Barker Kevin Maloney Geoff Lord</p>	<p>STOCK EXCHANGE LISTING</p> <p>Australian Stock Exchange Ltd ASX Code: NEC</p>
<p>SECRETARY</p> <p>Paul Marshall</p>	<p>AUSTRALIAN BUSINESS NUMBER</p> <p>ABN 90 081 244 395</p>
<p>ADMINISTRATION AND REGISTERED OFFICE</p> <p>Level 5 60 Edward Street Brisbane QLD 4000</p> <p>Telephone: 07 3303 0695 Facsimile: 07 3303 0601 Email: nec@northernenergy.com.au Website: www.northernenergy.com.au</p>	<p>SHARE REGISTRY</p> <p>Security Transfer Registrars Pty Ltd 77 Canning Highway Applecross WA 6153</p> <p>Telephone: 08 9315 2333 Facsimile: 08 9315 2233 Email: registrar@securitytransfer.com.au Website: www.securitytransfer.com.au</p>
<p>SOLICITORS</p> <p>Hopgood Ganim Level 8 1 Eagle Street Brisbane QLD 4000</p>	<p>AUDITORS</p> <p>PKF Chartered Accountants & Business Advisors Level 6 10 Eagle St Brisbane QLD 4000</p>

NORTHERN ENERGY CORPORATION LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Northern Energy Corporation Ltd and the entities it controlled at the end of, or during, the half-year ended 31 December 2009.

Directors

The names of persons who were directors of Northern Energy Corporation Ltd (NEC), during the whole of the half-year and up to the date of this report, unless otherwise stated, are:

Christopher Rawlings
Sam Willis
Keith Barker
Kevin Maloney
Geoff Lord

Review of Operations

During the half year progress was made on three of Northern Energy's development projects as noted below:

Maryborough EPC 923 and EPC 1082 (NEC 100%)

Substantial progress was made on the Maryborough Project where work focused on both progressing the planning and evaluation for the Colton 0.5Mtpa open cut operation as well as further defining the total resource within the Maryborough exploration area contained within the two EPC's.

Following a drilling program to verify a number of old drilling logs the Company was able to announce (ASX announcement 29 January 2010) a substantial upgrade to the previously reported resource at Maryborough. The resource now stands at 57.4Mt Inferred Resource at depths less than 100m and an Exploration Target¹ of an additional 25-35Mt between 100-150m depth and there remains additional exploration potential in this depth range in areas yet to be drilled to this depth.

Drill cores are currently being analysed in the laboratory and the coal quality information, once received, will be added to the resource model and is expected to result in a further upgrade to the resource category, particularly within and in the vicinity of the proposed Colton Mine area. This work is expected to be completed in the current quarter.

Following completion of a new structural model the Colton Mine Plan is being reviewed in the light of the new information and is expected to result in the delineation of a marketable reserve. The immediate focus is on the Colton mine area itself where a mine producing 0.5Mtpa of coking coal for at least 8 years has been outlined. Mining Lease Applications have been lodged over an area within EPC's 923 and 1082 to cover the initial mining activities proposed for this project. The objective for the Colton Mine from now will be to finalise the project technical and commercial details with the objective of being in a position to make a commitment to the project around the middle of 2010.

Compliance Statement

The information in this report that relates to Coal Resources at Maryborough is based on information compiled by Mr Lyon Barrett, who is a Member of the Australian Institute of Mining and Metallurgy. Mr Barrett is a qualified geologist (B.Sc. (Hons) Adelaide University, 1996) and is an employee of Salva Resources. Mr Barrett has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Barrett consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Elimatta (EPC 650, 1171, 1205) MDL 373 (App) ML 50254 (App) NEC 100%

Activity during the period focused on progressing the feasibility study for the proposed 5Mtpa open cut thermal coal mine project centred on EPC 650. An additional coal quality programme designed to provide more detailed

¹ The potential quality and quantity shown within is conceptual in nature and there has been insufficient work done at present to define a Mineral Resource in this area under the JORC (2004) Code. The nature of an Exploration Target is such that it is uncertain if further exploration will result in the determination of a Mineral Resource in this area.

NORTHERN ENERGY CORPORATION LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT

ply by ply analysis for both product quality optimisation and input to the washplant process design was completed during the period. This programme also provided samples of both coal and dilution material for specialised testing for input to the washplant process design for both raw coal, product coal and waste treatment.

The Draft TOR (Terms of Reference for the EIS) and Project IAS (Initial Advice Statement) were opened for public comment in November. Mine Feasibility study work continues on the project. The mine plan from the pre-feasibility study is being upgraded and detailed operations scheduling and costing is underway. This work incorporates the latest results from the targeted drilling campaign in the Elimatta geological model. On completion of the geological and mine modelling it is expected that there will be an upward revision to resources and reserves although the broad parameters of the proposed Elimatta project are unchanged - namely a 5Mtpa (saleable) open cut project with a mine life in excess of 20 years.

Yamala Coal Joint Venture EPC 927 (NEC 83% Sojtiz 17%)

During the period testing of the cores of immediate roof, floor and coal seam was carried out. Application of the sonic velocity / rock strength relationship model utilising all available geophysical data for the project was completed during the period. This information will ultimately enable predictive roof, seam and floor behaviour analysis across the Yamala deposit and will be a useful input to the mine planning process. Planning for the next exploration and evaluation stage is currently underway.

Capital Raising

During the half year the company completed a capital raising announced in June 2009 that raised \$12 million (before issue costs) through a two tranche placement for \$8 million and an underwritten Share Purchase Plan (SPP) for \$4 million. The shares were issued at 35 cents. The Directors were pleased with, and encouraged by, the support shown by shareholders and new investors who participated in this capital raising.

Auditors Independence Declaration

The auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 5 for the half-year ended 31 December 2009.

This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Keith Barker
Director

Brisbane
Date: 12 March 2009



Chartered Accountants
& Business Advisers

NORTHERN ENERGY CORPORATION LIMITED
AND ITS CONTROLLED ENTITIES

Auditor's Independence Declaration

As lead auditor for the review of Northern Energy Corporation Limited for the half year ended 31 December 2009, I declare that, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Northern Energy Corporation Limited and the entities it controlled during the half year.

PKF
CHARTERED ACCOUNTANTS

Albert Loots
Partner

Dated at Brisbane this 12th day of March 2010

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NORTHERN ENERGY CORPORATION LIMITED AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Consolidated Entity	
	Half Year	
	2009	2008
	\$	\$
Revenue	234,234	270,389
Employment expense	(296,695)	(299,464)
Depreciation and amortisation expenses	(22,978)	(19,346)
Exploration costs	(54,571)	-
Borrowing costs	-	(1,143)
Administration costs	(170,483)	(159,973)
Other expenses	(64,611)	(65,509)
Profit/(Loss) before income tax	(375,103)	(275,045)
Income tax expense	-	-
Net Profit/(Loss) after income tax	(375,103)	(275,045)
Other comprehensive income	-	-
Total comprehensive income for the half-year	(375,103)	(275,045)
Total comprehensive income for the half year is attributable to:		
Owners of Northern Energy Corporation Limited	(375,103)	(275,045)
	Cents	Cents
Basic earnings/(loss) per share	(0.35)	(0.36)
Diluted earnings/(loss) per share	(0.35)	(0.36)

The Consolidated Statement of Comprehensive Income should be read in conjunction with the notes to the financial statements.

NORTHERN ENERGY CORPORATION LIMITED AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009

	Note	Consolidated Entity	
		31 December 2009	30 June 2009
		\$	\$
Current Assets			
Cash and cash equivalents		6,380,372	4,217,756
Other receivables		572,810	598,206
Other current assets		29,160	31,664
Total Current Assets		<u>6,982,342</u>	<u>4,847,626</u>
Non-Current Assets			
Other receivables	3	7,756,975	4,416,443
Financial assets		1	1
Property, plant and equipment		74,284	89,245
Exploration expenditure		18,907,056	14,543,473
Total Non-Current Assets		<u>26,738,315</u>	<u>19,049,162</u>
TOTAL ASSETS		<u>33,720,657</u>	<u>23,896,788</u>
Current Liabilities			
Trade and other payables		1,591,895	619,724
Short term provisions		64,591	55,932
Total Current Liabilities		<u>1,656,485</u>	<u>675,656</u>
TOTAL LIABILITIES		<u>1,656,485</u>	<u>675,656</u>
NET ASSETS		<u>32,064,172</u>	<u>23,221,132</u>
Equity			
Issued capital	5	56,773,277	47,581,037
Reserves		540,526	514,624
Accumulated losses		(25,249,631)	(24,874,529)
TOTAL EQUITY		<u>32,064,172</u>	<u>23,221,132</u>

The Consolidated Statement of Financial Position should be read in conjunction with the notes to the financial statements.

NORTHERN ENERGY CORPORATION LIMITED AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Consolidated Entity	
	Half Year	
	2009	2008
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	4,365	78,028
Payments to suppliers and employees	(654,219)	(470,592)
Interest received	229,869	180,043
Interest and other costs of finance paid	-	(1,143)
Net cash inflow/(outflow) from operating activities	(419,984)	(213,663)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(8,017)	(41,132)
Payments for exploration	(3,577,613)	(3,967,804)
Payments for financial assets	-	(1)
Funding for exploration	330,000	1,272,191
Payments for security deposits	(3,340,532)	(2,987,861)
Net cash inflow/(outflow) from investing activities	(6,596,162)	(5,724,607)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	9,689,930	8,135,000
Payment of share issue costs	(511,168)	(370,000)
Repayment of finance lease principal	-	(4,612)
Net cash inflow/(outflow) from financing activities	9,178,762	7,760,388
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	2,162,616	1,822,118
Cash and cash equivalents at the beginning of the financial period	4,217,756	3,373,270
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	6,380,372	5,195,388

The Consolidated Statement of Cash Flows should be read in conjunction with the notes to the financial statements.

NORTHERN ENERGY CORPORATION LIMITED AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

Consolidated Entity

	Issued Capital	Share Option Reserve	Accumulated Losses	Total
	\$		\$	\$
At 1 July 2008	37,645,018	467,321	(24,260,361)	13,851,979
Share option expense	-	11,487	-	11,487
Shares issued	8,135,000	-	-	8,135,000
Expense of share issues	(370,000)	-	-	(370,000)
Profit/(loss) for the period	-	-	(275,045)	(275,045)
At 31 December 2008	45,410,018	478,808	(24,535,406)	21,353,420
At 1 July 2009	47,581,037	514,624	(24,874,529)	23,221,132
Share option expense	-	25,902	-	25,902
Shares issued	9,689,930	-	-	9,689,930
Expense of share issues	(497,690)	-	-	(497,690)
Profit/(loss) for the period	-	-	(375,103)	(375,103)
At 31 December 2009	56,773,277	540,526	(25,249,631)	32,064,172

The Consolidated Statement of Changes in Equity should be read in conjunction with the notes to the financial statements.

NORTHERN ENERGY CORPORATION LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

1. BASIS OF PREPARATION

The half-year condensed financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Equivalent to International Reporting Standard AASB 134: Interim Financial Reporting and other authoritative pronouncements of the Australian Accounting Standards Board including the Australian Accounting Interpretations.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2009 and any public announcements made by Northern Energy Corporation Ltd and its controlled entities during the half-year in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies have been consistently applied by the entities in the consolidated entity and are consistent with those applied in the 30 June 2009 annual report.

The half-year report does not include all notes of the type normally included in an annual financial report.

2. SEGMENT INFORMATION

The Group has identified the operating segments based on internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

Management are currently focussed on the development of the Queensland and New South Wales tenement projects that are mentioned in the Directors' report which operate in a single business segment, that is coal exploration. No revenue from this activity has been earned to date as the Group is still in the exploration and evaluation stage.

3. CONTINGENT ASSETS AND LIABILITIES

The company has entered into agreements with the Port of Gladstone Authority in relation to the expansion of the Port. Under the agreements entered into NEC plus other coal companies have entered commitments to fund the feasibility study into the expansion of the Port. The costs of the feasibility are being paid by the Port Authority but are subject to bank guarantees from the coal companies. In the event that the feasibility is successfully completed and the development proceeds then the costs of the feasibility will be recovered by usage charges. If the development does not proceed the Port Authority is able to recover the costs from the coal companies. NEC has entered into commitments that will give it a total of 9m/t per annum. The maximum exposure of NEC under this agreement is \$9m. As at 31 December 2009 NEC had provided bank guarantees for \$5.003m (30/6/09 - \$4.253m) in relation to the agreement with a further guarantee for \$1.401m provided in January 2010.

The company has also entered into agreements with Queensland Rail in relation to the expansion of the rail facilities. Under the agreements entered into NEC plus other coal companies have entered commitments to fund the prefeasibility study into network upgrades to the existing QR Network rail network along the Moura system between Banana and Wooderson. The costs of the feasibility are being paid by QR but are subject to bank guarantees from the coal companies. In the event that the project is successfully completed and the development proceeds then the costs of the feasibility will be recovered by usage charges. If the development does not proceed QR is able to recover the costs from the coal companies. The maximum exposure of NEC under this agreement is \$3.32m. As at 31 December 2009 NEC had provided bank guarantees for \$2.59m (30/6/09 - \$nil) in relation to the agreement.

Included in non current receivables as at 31 December 2009 is a term deposit of \$7.593m (30 June 2009 - \$4.253m) in relation to cash deposited as security for the guarantees as noted above.

Apart from the items noted above there have been no other changes in contingent liabilities or contingent assets since the last annual reporting date, 30 June 2009.

NORTHERN ENERGY CORPORATION LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

4. EVENTS SUBSEQUENT TO BALANCE DATE

There have been no events since 31 December 2009 that impact upon the financial report as at 31 December 2009.

5. ISSUED CAPITAL

	Half Year		Half Year	
	2009 Shares	2008 Shares	2009 \$	2008 \$
Opening Balance 1 July	84,420,324	71,312,324	47,581,037	37,645,018
Issue of Ordinary Shares during the Half-Year				
4/8/09 Placement	16,257,143	-	5,690,000	-
4/8/09 Share Purchase Plan	11,428,371	-	3,999,930	-
21/8/08 Placement	-	4,320,000	-	5,400,000
8/9/08 Share Purchase Plan	-	1,708,000	-	2,135,000
31/12/08 Placement	-	480,000	-	600,000
Costs of share placement	-	-	(497,690)	(370,000)
Closing Balance 31 December	112,105,838	77,820,324	56,773,277	45,410,018

6. CHANGES IN GROUP COMPOSITION

During the half year period the company incorporated two new subsidiary companies as noted below. Both companies did not trade during the half year ended 31 December 2009.

<u>Name of Company</u>	<u>Country of Incorporation</u>	<u>Amount Paid \$</u>	<u>% Owned</u>
Colton Coal Pty Ltd	Australia	1	100
Yamala Coal Pty Ltd	Australia	1	100

7. NEW ACCOUNTING STANDARDS AND INTREPRETATIONS

The Economic Entity has adopted all new standards and interpretations applicable for the 2010 financial year and of these the following have a material impact on Northern Energy Corporation Limited:

AASB 101 Presentation of Financial Statements

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new statement of comprehensive income. The statement of comprehensive income presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Consolidated Entity has elected to present one statement. The balance sheet has been renamed in accordance with the standard to Statement of Financial Position.

New Standards and Interpretations Not Yet Adopted

The Economic Entity has reviewed all accounting standards issued but yet effective and off these there are none that are likely to have a material impact on Northern Energy Corporation Limited.

NORTHERN ENERGY CORPORATION LIMITED AND CONTROLLED ENTITIES

DECLARATION BY DIRECTORS

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 6 to 11:
 - (a) comply with Australian Equivalents to International Reporting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
 - (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date.
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Keith Barker
Director

Brisbane
Date: 12 March 2010



Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Northern Energy Corporation Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Northern Energy Corporation Limited, which comprises the Consolidated Statement of Financial Position as at 31 December 2009, and the Consolidated Statement of Comprehensive income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the half-year ended on that date, a summary of significant accounting policies, and other selected explanatory notes and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at 31 December 2009 or from time to time during the half-year ended on that date.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Northern Energy Corporation Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Chartered Accountants
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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Northern Energy Corporation Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

PKF
CHARTERED ACCOUNTANTS

Albert Loots
Partner

Dated at Brisbane this 12th day of March 2010