



ASX Announcement

April 22, 2010

Long Term Off Take for Maryborough Project and \$23M Capital Raising

Key Points

- **Life of Mine off take agreement with a subsidiary of Chinese steel making group Xinyang Iron and Steel Group Company Limited (Xinyang) for 65% of mine output for planned Colton mine and any additional developments at Maryborough;**
- **This off take agreement would deliver approximately \$700M in sales revenue to NEC over 10 years at current coal prices and at the initial planned production rate;**
- **Issue of 16.315 million shares to Xinyang Group (12.7% of expanded capital base) to raise \$23M;**
- **Xinyang Group to be offered a board seat;**
- **Capital injection provides funds to progress development of the Colton Mine;**
- **NEC retains 100% ownership of the Maryborough project; and**
- **Full extent of the resource base and ultimate mine size to be defined, structural and quality modelling of quality continues.**

Northern Energy Corporation Limited (NEC or Company) is pleased to announce an agreement with Chinese steel maker Xinyang Iron & Steel Group Company Ltd (Xinyang) with the signing of a life of mine off take agreement for 65 per cent of project production commencing with the Colton Mine. Xinyang has also agreed to invest \$23M in NEC.

NEC's Managing Director Mr Keith Barker said the alliance with Xinyang marked a significant milestone for the Maryborough Hard Coking Coal Project.

"The Board of Northern Energy welcomes Xinyang as both an investor in the Company and as a future customer through the off take agreement which represents the commencement of an anticipated long term relationship with the Chinese steel industry. China represents an increasingly important market for coking coal and this off take agreement will underpin the market for Burrum Hard Coking Coal which is to be produced from the Colton Mine - the first development within the Maryborough exploration areas EPCs 923 and 1082".

NEC has reached agreement with the Xinyang Group for the following:-

- A subsidiary of Xinyang has entered into a long term coal off take agreement to purchase 65% of the coking coal output of any mine development associated with the Maryborough Hard Coking Coal project including the proposed Colton Mine for which the Company has applied for Mining Leases.
- NEC will place 16,315,000 shares equivalent to approximately 12.7% of NEC's expanded capital to Xinyang at \$1.41 per share to raise approximately \$23M.
- Xinyang will be offered a seat on the NEC board.

NORTHERN ENERGY CORPORATION LIMITED
A.C.N. 081 244 395

Mail Address
GPO Box 5283
BRISBANE QLD 4001

Street Address:
Level 5, 60 Edward Street
BRISBANE QLD 4000

Phone: (07) 3303 0695
Fax: (07) 3303 0601
Email: admin@northernenergy.com.au

"The introduction of Xinyang as a substantial shareholder in NEC is expected to result in benefits to the company that are broader than the Maryborough marketing arrangement and which may include enhancing the prospect for development of the Company's other projects," Mr Barker said. "The \$23 million raised provides a substantial base from which to progress the Colton mine project through early commitments and fund ongoing exploration and evaluation work at Maryborough, Elimatta and the Company's other prospects."

Mr Barker said the substantial capital injection and off take agreement also provided the company with a firm base from which to pursue a number of options for funding the Colton Mine's total development capital requirement.

"The agreement with Xinyang provides us with the capital to take the next step in the development of Colton while retaining 100 percent of the project as we fully evaluate the size of the Maryborough resource base and the potential for further mine expansion." Mr Barker explained.

"The size of the resource identified to date has exceeded our original expectations and the ongoing evaluation work provides us with confidence that additional resources will be defined which will in turn enable us to ultimately increase production beyond the 500,000tpa currently planned for Colton. Expansion of production will require additional mining lease areas and will be subject to a separate approval process to that applicable to Colton".

The agreement with Xinyang is not subject to any government approvals and settlement of the placement agreement is expected to take place within 30 days with a \$2M deposit being lodged immediately.

Off Take Agreement

NEC and Xinyang have agreed a long term off take agreement for Hard Coking Coal produced from the Maryborough Project - the key aspects of which are summarised below:

- NEC's wholly owned subsidiary Colton Coal Pty Ltd has agreed to sell and Xinyang has agreed to buy 65 per cent of coking coal production from the proposed Colton Mine and any future mine developments within the Maryborough Project area.
- The coal will be purchased at a price that is set with reference to the prevailing benchmark prices for Queensland hard coking coal.
- The contract is effectively a life-of-mine contract that will see coal purchases start when production begins at the Colton mine and will continue until production ceases from within the Maryborough Project area.
- NEC has not made any commitment to the specific quantities to be supplied.
- The agreement will result in any expansion of production beyond the currently planned 500,000tpa being underpinned by a long term off take agreement at a price that reflects the high quality hard coking coal expected to be produced from Colton and subsequent mine development areas within the Maryborough Project.

Assuming a Colton mine life of at least 10 years, at current coking coal prices the Agreement would result in revenue of approximately A\$700 million. Further production expansions within the Maryborough project will increase the revenue under this Agreement.

The Maryborough Project and Colton Mine

The Maryborough project currently comprises EPC 923 and EPC 1082. Earlier this year (ASX announcement 29 January 2010) the Company announced an increase in the Inferred resource at Maryborough to 57Mt. Since that announcement further geological modelling, including coal quality results from the drilling programme completed at the end of 2009, has continued.

The Colton Mine (based on MLAs 50273 and 50274) is planned to produce 0.5Mtpa of hard coking coal and offers the opportunity for relatively early production in mid-2011, subject to statutory approvals and final project design and commitment. In parallel with this development NEC plans further exploration and evaluation within the Maryborough Project area with the

aim of extending the resource of hard coking coal and increasing the size of the mine development over time subject to approvals.

About Xinyang Iron and Steel Co. Ltd

Xinyang Iron and Steel Co., Ltd (Xinyang Steel) was established in the 1950s. Located in the southern part of Henan Province, a province of over 100 million people, Xinyang Steel is the 3rd largest steel mill in Henan Province with iron and steel production capacity of 3.3 million tons a year. There is an expansion plan to increase the steel production to over 4.5 million tons per annum. Xinyang Steel requires about 1.5 million tons of coke for steel production. Currently the Xinyang Steel coking plant produces 1.3 million tons of coke each year. The coke products are self consumed for its iron and steel production.

The industrialization and urbanization of China, especially in middle and west regions of China, offer Xinyang Steel enormous scope for further increasing its production. Besides steel making Xinyang Steel also has China's largest manganese ferrous factory. Xinyang Steel has a high grade molybdenum mine and is planning to build a molybdenum iron plant. Xinyang Steel also has a joint venture shipping company for its ore transportation. The shipping company has ordered to build two Cape size vessels. Xinyang Steel has been purchasing iron ore from international flagship mining companies, such as Rio Tinto, BHP, Cliffs Natural Resources and Vale.

Statement of Compliance

The estimate of Coal Resources for the Maryborough Project (EPCs 923 and 1082) as presented in this report has been carried out in accordance with the Guidelines of the "Australian Code for Reporting of Mineral Resources and Ore Reserves" prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australasian Institute of Geoscientists and Minerals Council of Australia, December 2004.

The information in this report to which this statement is attached that relates to the Maryborough Coal resources is based on information provided by Northern Energy Corporation and reviewed and validated by Mr Lyon Barrett. Mr Barrett is a full time employee of Salva Resources and is a member of the Australasian Institute of Mining and Metallurgy. Mr Barrett has reviewed the geological data, constructed the geological model and estimated the coal 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 Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Mineral Resources and Ore Reserves. Mr Barrett is signing off as a Competent Person for this statement. He consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

For and on behalf of the Board
Paul Marshall
Company Secretary

**For further information contact:
Keith Barker Managing Director
Phone: (07) 3303 0695
www.northernenergy.com.au**