



ASX Announcement

July 30, 2010

5.9 Million Tonnes Marketable Reserves at Colton Mine, Maryborough

Key Points

- **Probable Reserve of 5.9 million tonnes hard coking coal at Colton**
- **Identified potential for further increase following exploration programme**
- **Mine planning, coal quality, infrastructure design and costing progressed**
- **Colton Project design work continuing**
- **Exploration programme about to commence, with objective of resource upgrades**

Northern Energy Corporation Limited (NEC) is pleased to announce the delineation of 5.9 million tonnes (Mt) of Probable Reserves of Hard Coking Coal at its proposed Colton Mine, part of the Maryborough project in Queensland.

“The identification of Reserves at the Colton Mine Area represents an important milestone in the plans of the company to establish a 0.5 Mt per annum open cut mine at Colton” said NEC’s Managing Director Keith Barker. “These reserves have been identified following mine engineering and evaluation over the coal resources identified in and around the planned Colton mine area. In addition to the Probable Reserve, the analysis has identified the potential to extend the Reserve area subject to upgrading previously announced Inferred Resources.”

In April this year NEC announced an 83 Mt resource at Maryborough – 9.5 Mt Indicated Resource and 73.5 Mt Inferred Resource. During the past three months the Indicated Resource has increased slightly to 9.8 Mt and the Probable Reserve of 5.9 Mt has been estimated from this Resource.

The mine engineering and evaluation work, conducted by both Runge and NEC, has demonstrated the potential to extend Reserves at the proposed Colton Mine in the short to medium term. This in turn would offer the opportunity to either extend the mine life or increase the rate of production of the Colton Mine. These options will require additional mining lease area and would be subject to a separate approval application process to that currently under way.

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“On the basis of our current evaluation work, which is ongoing, we are confident that following successful exploration planned to commence next month an extension of the Reserves at Colton will be possible”, Mr Barker said. “Increased Reserves will allow us to consider more options for Colton, including an increase in production rate to around 1 Mtpa, which could be achieved at very low incremental capital cost, but would be subject to a separate approval process.”

“We are confident that our planned exploration program will deliver upgraded Resources and further Reserves, both in the current Colton Mine Area and also on the eastern limb of the Maryborough syncline where potential for establishment of a future satellite mining area has been identified”, Mr Barker said.

“While the Colton project has not progressed as quickly as previously anticipated the delineation of this initial Reserve is another important milestone for the Colton Mine and NEC”, Mr Barker said. “The output from these important studies has an impact on the inputs to the Environmental Management Plan, which has also been delayed as a result.”

“Nevertheless, with a value at current market prices of around A\$1.5 Billion this initial Reserve at Colton continues to provide the company with the realistic objective of joining the ranks of hard coking coal producers within the next 2 years with a project that has the potential to increase in capacity at low incremental cost in a short timeframe”, said Mr Barker. “Project timelines are currently under review but our most recent estimates are that shipments are not expected to commence before the second half of 2012.”

JORC Statement Summary

A slight revision to the previous Resource Statement has been made with the Indicated Resource increased from 9.5 Mt to 9.8 Mt. The revised Resource Table for the Maryborough Project is provided below in Table 1.1.

Table 1.1 Total Resources of the Maryborough Coal Project

EPC923 + EPC 1082 Less than 150m Depth		Raw									CF1.4		
Resource Category	Seam	In Situ Million Tonnes	ASH %ad	IM %ad	RD g/cc	RDIS g/cc	CSN	TS %ad	VM %ad	SE MJ/kg	ASH %ad	CSN	YLD %
Indicated	Ellangowan	0.61	15.6	1.8	1.4	1.4	6.6	1.8	27.7	29.4	7.5	8.4	77.1
Indicated	Jubilee	0.87	17.7	1.9	1.4	1.4	7.2	0.8	28.7	28.1	6.9	8.5	70.3
Indicated	A1	1.78	20.0	1.8	1.4	1.4	7.2	1.4	27.9	27.3	7.5	8.4	65.3
Indicated	A2	3.56	26.6	2.0	1.5	1.5	6.1	1.2	24.3	24.2	8.3	8.3	55.7
Indicated	A3	2.98	22.0	1.8	1.5	1.4	6.6	1.1	26.0	26.8	7.3	8.3	62.0
Total Indicated		9.80	22.5	1.9	1.5	1.4	6.6	1.2	26.1	26.2	7.6	8.3	62.0
Inferred	Churchill	10.00											
Inferred	Globe	18.00											
Inferred	Ellangowan	12.88											
Inferred	E1	0.29											
Inferred	E2	0.97											
Inferred	E3	0.54											
Inferred	Jubilee	10.30											
Inferred	A1	2.85											
Inferred	A2	5.84											
Inferred	A3	5.40											
Inferred	B	6.18											
Total Inferred		73.24											
Total Indicated + Inferred		83.03											

A Probable Reserve of 5.9 Mt has been calculated by Runge, as presented below in Table 1.2.

Table 1.2 Probable Reserves for the Colton Mine Area

Seam	Product Coal Million tonnes	Product Moisture (% adb)	Product Ash (% adb)	Product CSN
Churchill P1 Globe Ellangowan E1 E2 E3	0.44	2.5	8.3	8.6
Jubilee A1 A2 A3	0.56 1.16 1.88 1.83	2.5 2.5 2.5 2.5	6.8 7.3 8.3 7.3	8.4 8.4 8.5 8.3
TOTAL	5.87	2.5	7.6	8.4

The Maryborough Project and Colton Mine

The Maryborough project currently comprises EPC 923 and EPC 1082, within which the Colton Mine area has been identified.

The Colton Mine (MLA 50273, 50274) is planned to produce 0.5 Mtpa of hard coking coal. NEC plans to undertake further exploration and evaluation within the Maryborough Project

area to increase the Resource and provide for the future mine development. Expansion of output from the Maryborough Project will require additional mining lease areas which will be subject to an approval process separate to that currently under way for the Colton Mine Project.

Following the Resource announcement by NEC in April (ASX release 28 April 2010), NEC has continued its mine planning and evaluation work to progress the Maryborough project, with focus on the Colton mine, as the initial mining operation. NEC engaged mining consultants Runge Limited (Runge) to assist in the mine planning and evaluation process for the Colton mine project in the light of the substantial increase in the resource announced in April. This work is ongoing, in addition to investigations being conducted by NEC into further potential within the wider Maryborough project area.

Runge has prepared a Reserve Statement under the JORC code, the results of which are reported in this announcement. As at 26th July 2010 the estimated Probable Open Cut Reserve is 5.87 Mt of hard coking coal. This Probable Reserve of 5.87 million tonnes represents 55% of a pit shell containing 10.69 Mt of product coking coal which has an average strip ratio of 7.2 bcm/ROM tonne or 18.1 bcm /product tonne. The remaining 45% is made up of 40% within the Inferred Resource area and 5% within the Unclassified area.

Detailed design work for the project is continuing, particularly in relation to access, power and water infrastructure and the Coal Handling and Process Plant (CHPP). To ensure that sufficient capacity is available in the CHPP, the mine plan currently assumes that several working sections include inter-burden material between groups of thin seams. It is anticipated that as development of the mine progresses and more experience is gained in the mining of these thin seams, the amount of non-coal material presented to the CHPP will reduce significantly in future.

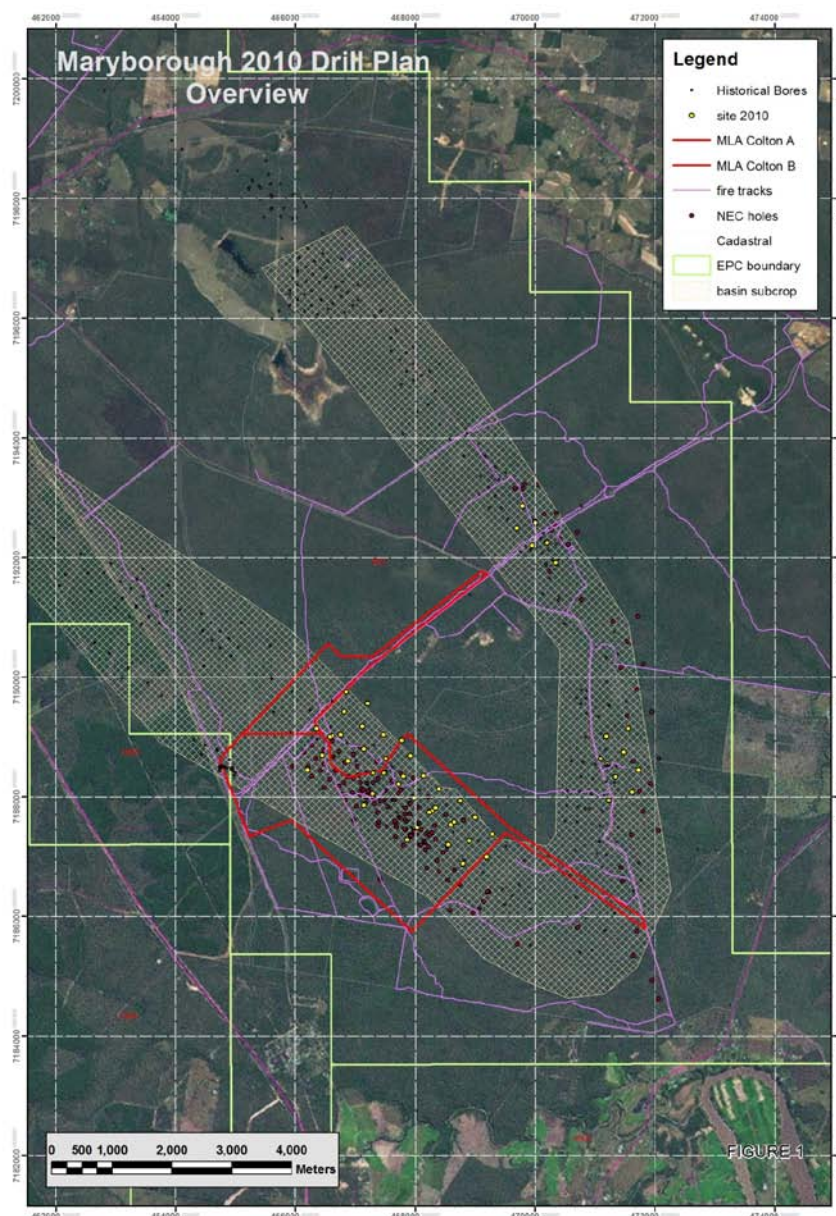
Detailed design work based on recently received coal quality and washability information has resulted in a revision of the headline capital cost of the project from \$60M to \$84M including contingencies. The increase is directly attributable to changes made to the coal handling infrastructure of the CHPP, particularly in the reject stream, and to the inclusion of contingencies that have not previously been included.

NEC's community consultation process in the Maryborough / Hervey Bay region has highlighted significant community support for the project. For example, NEC has received more than 1000 employment enquiries largely from people living in the region even though recruitment has not commenced. Local businesses are keen to service the project and have been submitting a steady stream of expressions of interest.

Additional information raised by residents during the consultation sessions and design changes to the CHPP, have delayed submission of the Environmental Management Plan (EMP), which is now expected to be finalised in August. NEC is confident that the EMP will demonstrate that concerns raised by a few local residents have been considered and included in the project design process. Consultation with the local community may add time to the approval process.

NEC's current assessment of earliest project timing is for project approval 3Q 2011 which would result in first shipments around mid 2012.

A further exploration and evaluation program within the Maryborough Project area is about to commence, with the main aim being to increase the Resource and investigate the capacity for future expansion of the mine. A plan showing the location of the Mining Lease Applications (MLA) for the Colton Mine, which contain the Reserve Area, the wider Resource Area and the drill-holes planned for the current exploration program is shown below.



The project design and evaluation has continued over recent months with progress on the key parameters outlined below:-

- Coal quality** - further analysis of core samples has been undertaken. The ROM feed characteristics are highly variable in terms of ash content and size fractions due principally to increased dilution assumptions in the mine working sections. As a result the wash plant must accommodate substantial variations in size fractions and material type. Yields will be variable but overall the average wash plant yield will be below 50%. The product coal shows consistent high coking qualities – CSN, fluidity, dilatation as shown in the table below, which summarises the clean coal quality from float sink

analysis. Optimisation of the product ash / yield relationship remains under assessment.

Seam			All	A1	A2	A3
No. of WS			28	8	11	9
To	m		18.91	5.25	8.06	5.60
Thickness	m		0.68	0.66	0.73	0.62
Raw RD		ad	1.54	1.52	1.51	1.60
Raw Ash	%	ad	31.0	28.5	28.4	36.6
Top Size	mm		50	50	50	50
Size Range	mm		50x 0	50x 0	50x 0	50x 0
Floats Density			1.40	1.40	1.40	1.40
Floats Yield % of Sample	mass %	ad	53.6	56.1	56.1	47.9
Proximate Analysis						
Moisture	mass %	ad	1.8	1.8	1.8	1.7
Ash	mass %	ad	6.8	7.4	6.1	7.4
Volatile Matter	mass %	ad	30.3	30.4	30.5	29.9
Fixed Carbon	mass %	ad	61.1	60.4	61.6	61.1
Volatile Matter	mass %	daf	33.1	33.5	33.1	32.9
Fuel Ratio (FC/VM)			2.02	1.98	2.02	2.04
Total Sulphur	mass %	ad	0.74	0.76	0.76	0.71
CSN			8.9	9.1	8.9	8.8
Gray King			G4-G12	G8-G12	G4-G12	G7-G11
Gieseler Plastometer						
Maximum Fluidity	dd/min		1800	1900	1620	2040
Dilatometer						
Max Dilatation	%		103	104	107	97

- **ROM feed, washability and process design**;- The current production and financial model is based on assumptions of increased interburden waste between thin coal plies being mined as a single working sections. This results in an increase in dilution in the Run of Mine (ROM) feed quality and hence lower wash plant yields with higher feed ash. The inclusion of substantial non coal material to the wash plant feed does not affect product quality or yield of the coal fraction.

The optimisation of the relationships between mine working sections, CHPP performance and cost is undergoing further detailed assessment.

- **Infrastructure** has been substantially advanced:-

Mine access – site access has been designed and costed for both road and rail (including refurbishment of the Takura branch line and connection to north coast rail line to the Port of Gladstone);

Electricity – assumed to start with onsite diesel power generation until grid connection is made by Ergon;

Water – site will be self sufficient. A disposal pipeline and pump station has been designed and costed;

Rail Access – QR Network Access – Freight will provide access to north coast line. A draft access agreement is under consideration;

Rail Haulage – Negotiations are continuing with a number of potential rail operators;

Port – Barney Point capacity is available and a draft agreement has been offered for consideration. Capacity at Barney Point is available until Wiggins Island is operational. NEC (Colton Mine) is participating in the WICET Stage 1 process to secure future capacity at Wiggins Island.

Cultural Heritage and Native Title - a Right to Negotiate (RTN) process has commenced with the Butchulla people who are the registered Native Title claimants for the mine area. NEC has an excellent working relationship with the Butchulla people and based on discussions to date NEC is confident that an agreement will be reached within the statutory time frames;

Community Consultation – NEC has held several public consultation meetings with communities in the general area of the planned Colton mine. These have been well attended and NEC has welcomed the feedback which has been largely positive. The company is working towards addressing issues that some members of the community have raised about the impact of the proposed mine on their community. These will be incorporated in the Environmental Management Plan (EMP) which is expected to be formally lodged next month.

For and on behalf of the Board
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Company Secretary

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Statement of Compliance

The estimates of Coal Reserves for the Colton Mine Area as presented in this statement have been prepared in accordance with the Guidelines of the "Australasian Code for the 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 statement, which relates to the Colton Mine Reserves, is based on information reviewed by Mr Fred Parker, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Parker is a full time employee of Runge Ltd.

Mr Parker 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 the Reporting of Mineral Resources and Ore Reserves". Mr Parker is signing off on the Coal Reserve portion of this statement and consents to the inclusion in this statement of the matters based on this information in the form and context in which it appears.

The estimate of Coal Resources for the Maryborough Project (EPC 923 &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 statement 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 on the Coal Resource portion of this statement as a Competent Person and consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.