

**NORTHERN ENERGY CORPORATION LIMITED****Statement of Financial Position**

Set out below is the audited Historical Consolidated Statement of Financial Position as at 30 June 2004 and the reviewed Pro-Forma Consolidated Statement of Financial Position as at 30 June 2004 prepared on the basis of the actual funds raised under the issue.

	Notes	AUDITED 30 JUNE 2004 \$	REVIEWED PRO FORMA 30 JUNE 2004 \$
<b>CURRENT ASSETS</b>			
Cash assets	2	<u>0</u>	<u>4,336,914</u>
<b>TOTAL CURRENT ASSETS</b>		<u>0</u>	<u>4,336,914</u>
<b>NON-CURRENT ASSETS</b>			
Exploration & Development Expenditure	3	<u>0</u>	<u>2,774,686</u>
<b>TOTAL NON-CURRENT ASSETS</b>		<u>0</u>	<u>2,774,686</u>
<b>TOTAL ASSETS</b>		<u>0</u>	<u>7,111,600</u>
<b>CURRENT LIABILITIES</b>			
Payables	4	<u>62,518</u>	<u>0</u>
<b>TOTAL CURRENT LIABILITIES</b>		<u>62,518</u>	<u>0</u>
<b>TOTAL LIABILITIES</b>		<u>62,518</u>	<u>0</u>
<b>NET ASSETS</b>		<u>(62,518)</u>	<u>7,111,600</u>
<b>EQUITY</b>			
Contributed equity	5	<u>21,439,505</u>	<u>28,763,623</u>
Accumulated Losses	6	<u>(21,502,023)</u>	<u>(21,652,023)</u>
<b>TOTAL EQUITY</b>		<u>(62,518)</u>	<u>7,111,600</u>

**NORTHERN ENERGY CORPORATION LIMITED**  
**NOTES TO STATEMENT OF FINANCIAL POSITION**

**1. PROPOSED TRANSACTIONS TO ARRIVE AT PRO FORMA STATEMENT OF FINANCIAL POSITION**

The pro-forma statement of financial position has been included for illustrative purposes to reflect the position of the Company on the assumption that the following transactions had occurred between 30 June 2004 and relisting of the company on ASX:

- (a) Issue of 22,248,466 shares on 2 July 2004 to pay scheme creditors, issued at \$0.00281 per share for a value of \$62,518;
- (b) Issue of 33,349,276 shares at \$0.00281 per share to raise \$93,711 working capital;
- (c) Consolidation of equity capital on a 1: 25 basis;
- (d) Issue of 4,500,000 shares at \$0.07025 per share to acquire all of the issued capital of Taroom Coal Pty Ltd for \$316,125;
- (e) Issue of 8,170,000 shares at \$0.125 per share to raise \$1,021,250 working capital;
- (f) Payment of \$75,000 cash and the issue of 10,658,947 shares at \$0.20 per share to acquire the Ashford coal project for a total of \$2,206,789;
- (g) The issue of 20,000,000 shares at \$0.20 to raise \$4,000,000 as the capital raising in conjunction with relisting of the company on the ASX;
- (h) The payment to Cygnet Capital Pty Ltd of transaction fees of \$150,000 and an estimate of stamp duty totalling \$251,772; and
- (i) Payment of capital raising fees of \$301,275 on raisings of \$5,021,250.

	<b>Audited</b>	<b>Reviewed</b>
	<b>30 June 2004</b>	<b>Pro-forma</b>
	\$	30 June 2004
		\$
<b>2. CASH ASSETS</b>		
Cash assets	0	4,336,914
Audited balance at 30 June 2004		0
Adjustments arising in the preparation of the pro-forma cash balances are summarised as follows:		
Issue of shares September 2004		93,711
Issue of shares December 2004		1,021,250
Payment of cash component of Ashford purchase		(75,000)
Issue of shares on relisting		4,000,000
Capital raising commission on share issues		(301,275)
Transaction fees		(401,772)
Pro forma balance at relisting		4,336,914

**NORTHERN ENERGY CORPORATION LIMITED**  
**NOTES TO THE STATEMENTS OF FINANCIAL POSITION**

	<b>Audited</b> <b>30 June 2004</b> \$	<b>Reviewed</b> <b>Pro-forma</b> <b>30 June 2004</b> \$
<b>3. EXPLORATION &amp; DEVELOPMENT EXPENDITURE</b>		
Exploration and Development expenditure	<u>0</u>	<u>2,774,686</u>
Audited balance at 30 June 2004		0
Adjustments arising in the preparation of the pro-forma balance of exploration and development expenditure on coal assets are:		
Purchase of Taroom Coal, including its tenements		316,125
Purchase of Ashford project coal tenements		2,206,789
Stamp duty payable		251,772
Pro forma balance at relisting		<u>2,774,686</u>
<b>4. PAYABLES</b>		
Payables	<u>62,518</u>	<u>0</u>
Audited balance at 30 June 2004		62,518
Adjustment arising in the preparation of the pro-forma payables balance is:		
Payment of Scheme Creditors by issue of shares		(62,518)
Pro forma balance at relisting		<u>0</u>

## NORTHERN ENERGY CORPORATION LIMITED

### NOTES TO THE STATEMENTS OF FINANCIAL POSITION

	<b>Audited</b>	<b>Reviewed</b>
	<b>30 June 2004</b>	<b>Pro-forma</b>
	<b>\$</b>	<b>30 June 2004</b>
		<b>\$</b>
<b>5. CONTRIBUTED EQUITY</b>		
200,236,194 ordinary shares fully paid	21,439,505	28,763,623
	<b>Number of</b>	<b>Issued</b>
	<b>Shares</b>	<b>Capital</b>
		<b>\$</b>
Audited contributed equity at 30 June 2004	200,236,194	21,439,505
Adjustments arising in the preparation of the pro-forma contributed equity balances are:		
Issue of shares to Scheme Creditors	22,248,466	62,518
Issue of shares September 2004 at \$0.00281	33,349,276	93,711
Consolidation of capital on 1:25 basis	(245,600,337)	
Issue of shares for Taroom at \$0.07025	4,500,000	316,125
Issue of shares December 2004 at \$0.125	8,170,000	1,021,250
Issue of shares for Ashford at \$0.20	10,658,947	2,131,789
Issue of shares for relisting at \$0.20	20,000,000	4,000,000
Capital raising fees		(301,275)
Pro forma balance at relisting	<u>53,562,546</u>	<u>28,763,623</u>
<b>6. ACCUMULATED LOSSES</b>		
Accumulated losses	<u>(21,502,023)</u>	<u>(21,652,023)</u>
Audited balance at 30 June 2004		(21,502,023)
Adjustments arising in the preparation of the pro-forma accumulated losses balance is:		
Transaction fee		(150,000)
Pro forma balance at relisting		<u>(21,652,023)</u>