

Northern Energy Corporation Limited

**Drilling Commences at Atholwood Project  
(NEC 50%, Renison Consolidated Mines 50%)**

**Highlights**

- **An initial 10 hole reconnaissance drilling programme has commenced at the Atholwood Project.**
- **The initial Atholwood programme will test a possible 13km strike extension to the Ashford Coal Measures**
- **Drilling is to target areas where Permian sediments similar to those present at the Ashford Project have been surface mapped**
- **Following completion of the initial Atholwood programme drilling will move to Ashford North**

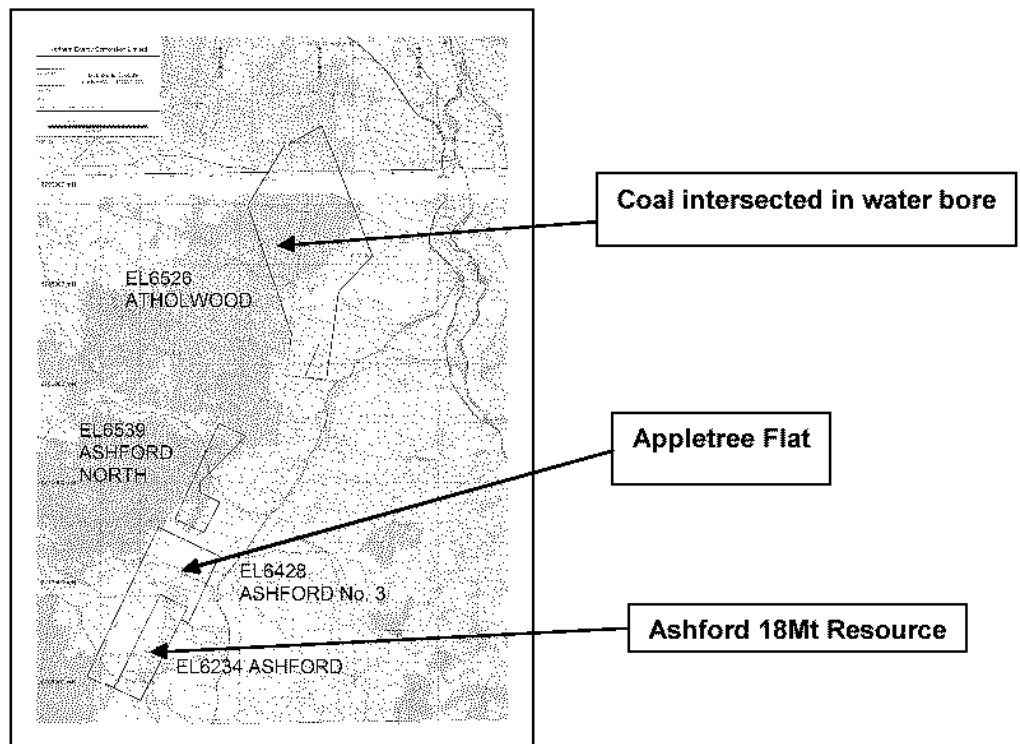
**Exploration Programme Outline**

Northern Energy Corporation (NEC) is pleased to announce that drilling commenced yesterday Sunday July 2 on EL6526 (Atholwood); thus representing the start of the exploration programme previously announced which has the objective of identifying strike extensions of the Ashford Coal Measures. Atholwood is to the north of the Ashford area where exploration has been focussed to date.

In EL6526 (Atholwood), a ten hole reconnaissance program is planned. After completion of the Atholwood program, EL6539 Ashford North will also be subject to reconnaissance drilling. Identification of the Ashford Coal Measures to the north would be the first step towards increasing the existing 18Mt coal resource which has been identified in the Ashford Project (EL6234 & EL6428) where NEC currently owns a 50% interest and is earning the right to acquire an additional 25%.

The potential strike extensions to be drill tested by NEC are comprised of two separate projects being Atholwood (EL6526) which is approximately 10km to the North of the Ashford project and covers an area of approximately 42 sq km and Ashford North which is approximately 700m north of the northern boundary of EL6428 (refer Figure1). The southern portion of the Ashford North area will be drilled following completion of the Atholwood programme and covers some 3 sq. km. Together the areas cover a distance along postulated strike of the order of 13km. This compares with the resource area of only 2 sq. km containing the recently delineated 18Mt inferred resource within the Ashford coking coal project and the total of 6km of strike explored to date in the Ashford project. Encouragingly, NEC's exploration work on the 6km strike length explored to date at the Ashford Project has so far shown the majority of ground covered to host coal measures.

Figure 1 Location Map Ashford Project, Ashford North and Atholwood



Within both Atholwood and Ashford North, sediments similar to those overlying the Ashford Coal Measures adjacent to the old open cut mine in EL6234 have been identified by preliminary fieldwork. Historical drill records also indicate that Permian sequences have been intersected previously and significantly, historical water bore data also indicates the presence of coal within the Atholwood licence area. The northern-most set of NEC drilling in Appletree Flat has provided expectations that the coal measures will continue into the Ashford North area where it appeared that intrusions were becoming less pervasive.

These areas are not subject to the Farm In Agreement that applies to the Ashford Project's EL6234 and EL6428 and the program will therefore be jointly funded by NEC (50%) and Joint Venture partner Renison Consolidated Mines (50%). Approximately 2400m of open hole drilling is planned in this initial program.

#### **Further Exploration Upside**

NEC also holds a 100% interest in additional exploration areas in NSW and Queensland to the north of Atholwood covering in excess of 1300sq. km (refer Figure2). These areas are held with the objective of identifying extensions of the coal bearing sequence along strike from the Ashford Project resources. These holdings create a total distance of over 100km along a postulated strike of Permian sequence. It is intended that exploration will continue to progress north moving away from the delineated resource at Ashford and build on the accumulating regional knowledge as a result of initial drill programmes at Atholwood and Ashford North and any follow up exploration work that is undertaken.

For further information please contact:  
Keith Barker  
Managing Director  
Northern Energy Corporation Limited  
07 33030695  
0417646715

Figure 2 Ashford Regional Project Area

