

28 May, 2009

TAROOM COAL PROPRIETARY LIMITED

ELIMATTA PROJECT - MINING LEASE APPLICATION

Section 15 - Accompaniments

1.0 INTRODUCTION

1.1 PROJECT OVERVIEW

This Mining Lease Application (MLA) is made over Exploration Permit for Coal, EPC 650 – Elimatta (EPC 650) to allow development of the Elimatta Project (the Project). To complete the Project requirements for tenure other applications for Project Infrastructure will follow.

The Project consists of the development of a +250 Million tonne (Mt) thermal coal resource of the Juandah formation in the Surat Basin, South East Queensland, Australia. The Project is planned to mine up to 8.0 Mt of Run of Mine (ROM) coal per annum (pa) – average ~7.5Mtpa, by open cut methods to produce on average 5.0 Mtpa of product coal for export. Project production “life” is anticipated to be more than 20 years based on current economic assessment of the resource.

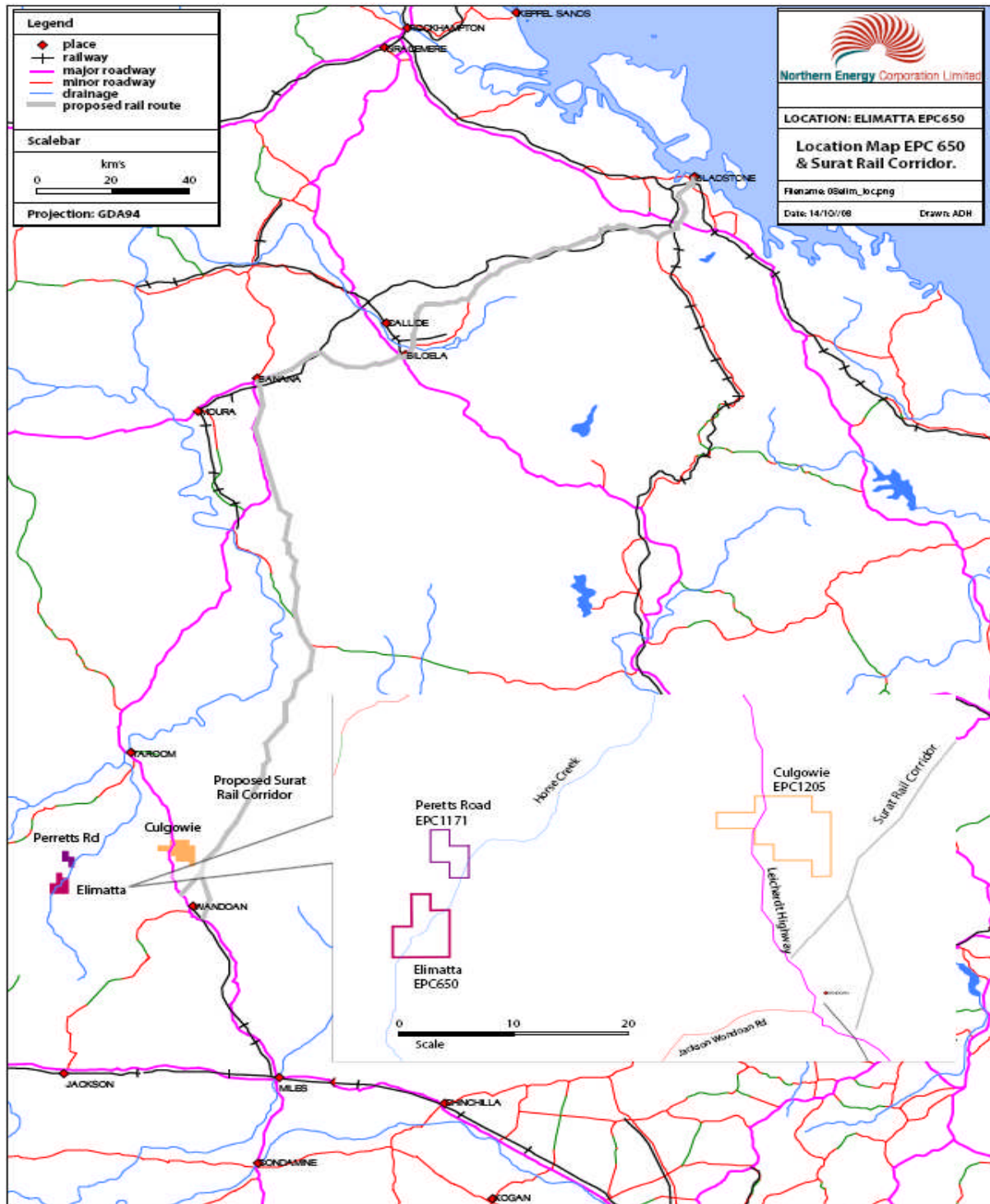
The target commencement date for mine production, subject to the grant of the Mining Lease and Environmental Authority for the Project is end calendar year 2012 with this timing also dependent on the availability of services for the Project and for infrastructure required for product coal transportation to port and for port stockpiling and ship loading. The Project construction period on site prior to start of coal production is anticipated to be 12 to 16 months.

The Project is located in The Dalby Regional Council area in southern inland Queensland, approximately 35 km west of Wandoan Township and 380 km north-west of Brisbane, as shown in Figure 1. Access to the project area is via the Yuleba Taroom Road west of the Leichhardt Highway. The MLA for the mine operations is centred on Exploration Permit for Coal EPC 650 and covers an area of approximately 2,800 hectares (ha).

The Project will involve open cut mining using truck and excavator methods. A Coal Handling and Preparation Plant (CHPP) and associated mine infrastructure will be required on site. Topsoil stripped prior to mining will be stockpiled for later use in rehabilitation. Overburden will be relocated from above the coal seams to in-pit dumps, and in out-of-pit spoil dumps located on site and contiguous with the pit excavations. Processing will involve crushing, screening and washing to separate coal from waste materials. Waste rejects will be de-watered, with water recycled to the processing plant and solids disposed of within spoil dumps. At full production the Project will directly employ up to 300 people.

Product coal will be transported on a purpose constructed rail line approximately 42 kilometres to join the Surat Basin Rail north of Wandoan township and thence to the Wiggins Island Coal Terminal at Gladstone for export.

Figure 1: Project Area Location



1.2 PROJECT PROPONENT

The Project proponent is Taroom Coal Proprietary Limited (Taroom Coal), ACN 079 251 443. Taroom Coal is a wholly owned subsidiary of Northern Energy Corporation Limited (NEC), ABN 90 081 244 395. The project's exploration tenements are held in the name of Taroom Coal and this application is made in the name of Taroom Coal. NEC is the manager of and the responsible entity for all business activity carried out on and in connection with the Taroom Coal tenures.

NEC is a Brisbane based coal exploration and development company which listed on the Australian Stock Exchange in February 2005 – ASX Company Code - NEC. NEC has numerous granted exploration tenements in Queensland and northern NSW which contain both thermal and coking coals. The Elimatta Project is one of four projects NEC is actively progressing from resource identification and proving through to mine development and operation.

NEC's office is located at:

Level 5
60 Edward Street
Brisbane, Qld.
GPO Box 5283
Phone: (61) 7 3303 0695
Facsimile: (61) 7 3303 0601
Website; www.northernenergy.com.au

1.3 PROJECT TENEMENTS.

Taroom Coal holds the following exploration tenements associated with the Elimatta Project:

- EPC 650 (Elimatta)
- EPC 1171 (Perrett's Road)
- EPC1205 (Culgowie)

and has MDL Application 373 over EPC 650 in progress

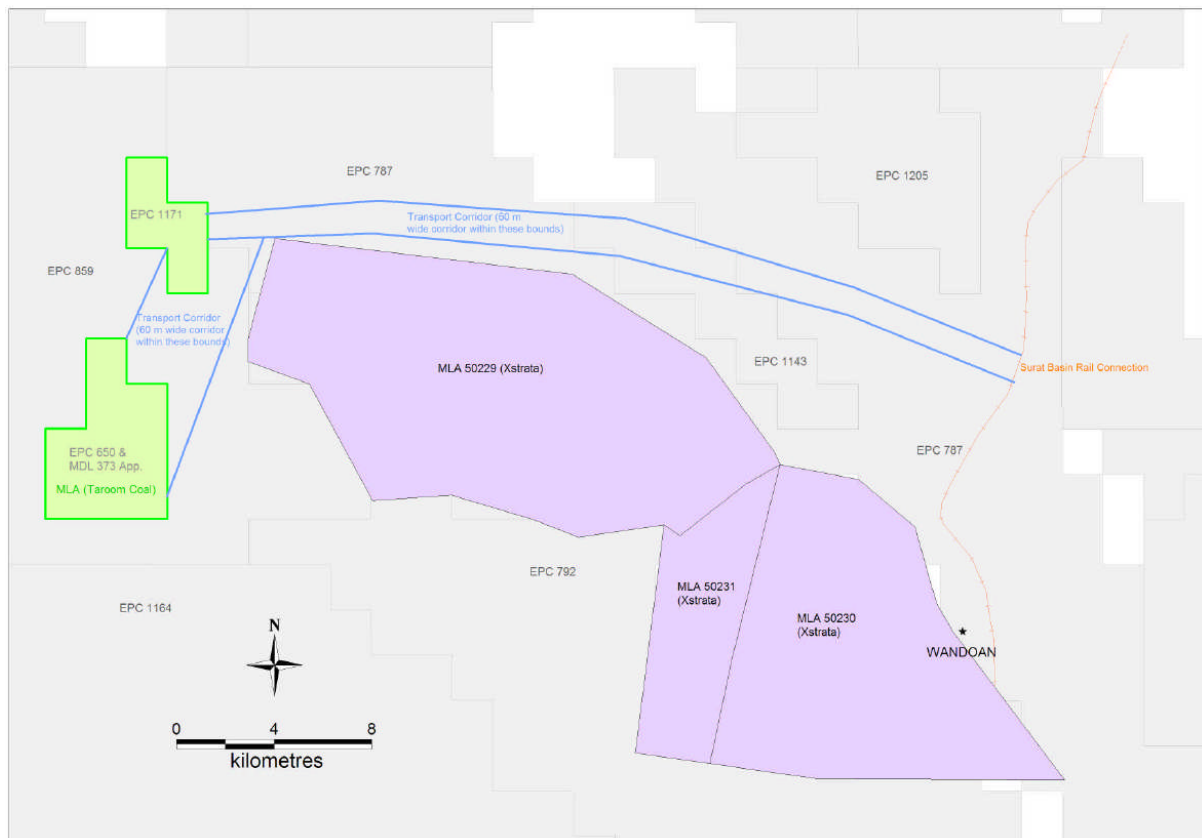
The Project mining area will be located within the proposed MLA which covers the area of EPC 650 (Project area).

EPC 1171 is located 4 km to the north Project Area. Development of resources within this EPC are subject to successful ongoing exploration. Any development would be as a satellite operation to the main Project. If a satellite development is shown to be viable a mining lease application will be made to allow development within EPC1171.

EPC 1205 is located approximately 35km east of the Project and near to the route of the Surat Basin Rail. Subject to exploration success options for development of this area will be considered once the Project is up and running.

A mining lease for mine infrastructure and a mining lease for transportation will be proposed for transfer of product coal from the CHPP location to the Surat Basin Rail connection, approximately 42km east. An application for this lease will be made once location and corridor requirements are finalised. The transport route is intended to be a narrow corridor of approximately 60m width. The route for this corridor will be finalised as detailed planning is completed, taking into account terrain, tenure, environment, community and construction and operating cost.

Figure 2: Infrastructure and Transport Corridor General Location



2.0 PROJECT DESCRIPTION

2.1 Project Resources

NEC as manager of the business of Taroom Coal has carried out extensive exploration to establish a significant coal resource within EPC 650. The exploration target is the Juandah Coal Measures, which form part of the Injune Creek Group. The Juandah and underlying Taroom Coal Measures combined form a comparable section to the Walloon Coal Measures of the Moreton Basin to the east. The Juandah Coal Measures are middle Jurassic in age.

The Juandah coal measures in EPC650 are comprised of 5 main seam groups. The main seam groups are named UG, Y, A, B, and C. The alphabetical name series is based primarily on old Brigalow Mines (former tenure holders) nomenclature. The seams are separated by interbedded to massive sandstones, siltstones and mudstones. The non-coal units are only moderately well lithified and tend to be reasonably soft. The coal typically has a vitreous lustre.

As of September 2008 – the latest iteration of the geological resource model for Elimatta, NEC had identified a resource of some 250Mt – Table 1, to JORC reporting standard with additional resources potentially available in the lower C seam sequence. This resource statement was announced to the ASX on 19 September, 2008.

Table 1: Elimatta Coal Resource by Seam Group

Horizon	Total Resource Area (ha)	In situ Density (g/cc)	Thickness Range (m)	Measured Tonnage (x 10 ⁶)	Indicated Tonnage (x 10 ⁶)	Inferred Tonnage (x 10 ⁶)
UG	1800	1.47	1.2-2.2	11	20	5
Y	2090	1.43	0.5-2.0	15	15	5
A	2535	1.41	1.0-3.0	55	20	5
B	2550	1.38	1.8-2.9	48	20	10
C	490	1.42	2.5-3.5	0	0	20
Sub total				129	75	45
Grand Total (rounded)				129	75	40

Table 2: Elimatta Coal Resource by Vertical Overburden Ratio

Horizon	Cumulative Tonnes (x 10)				
	<3:1	<5:1	<7:1	<10:1	>10:1
UG	0	8	26	33	
Y	<1	11	24	34	<1
A	9	41	64	80	<1
B	8	40	60	73	<4
C	0	1	11	20	0
Total	17	101	185	240	~5

Coal quality testing has confirmed the presence of a high volatile, low sulphur thermal coal suitable for export.

Table 3: Indicative Coal Quality

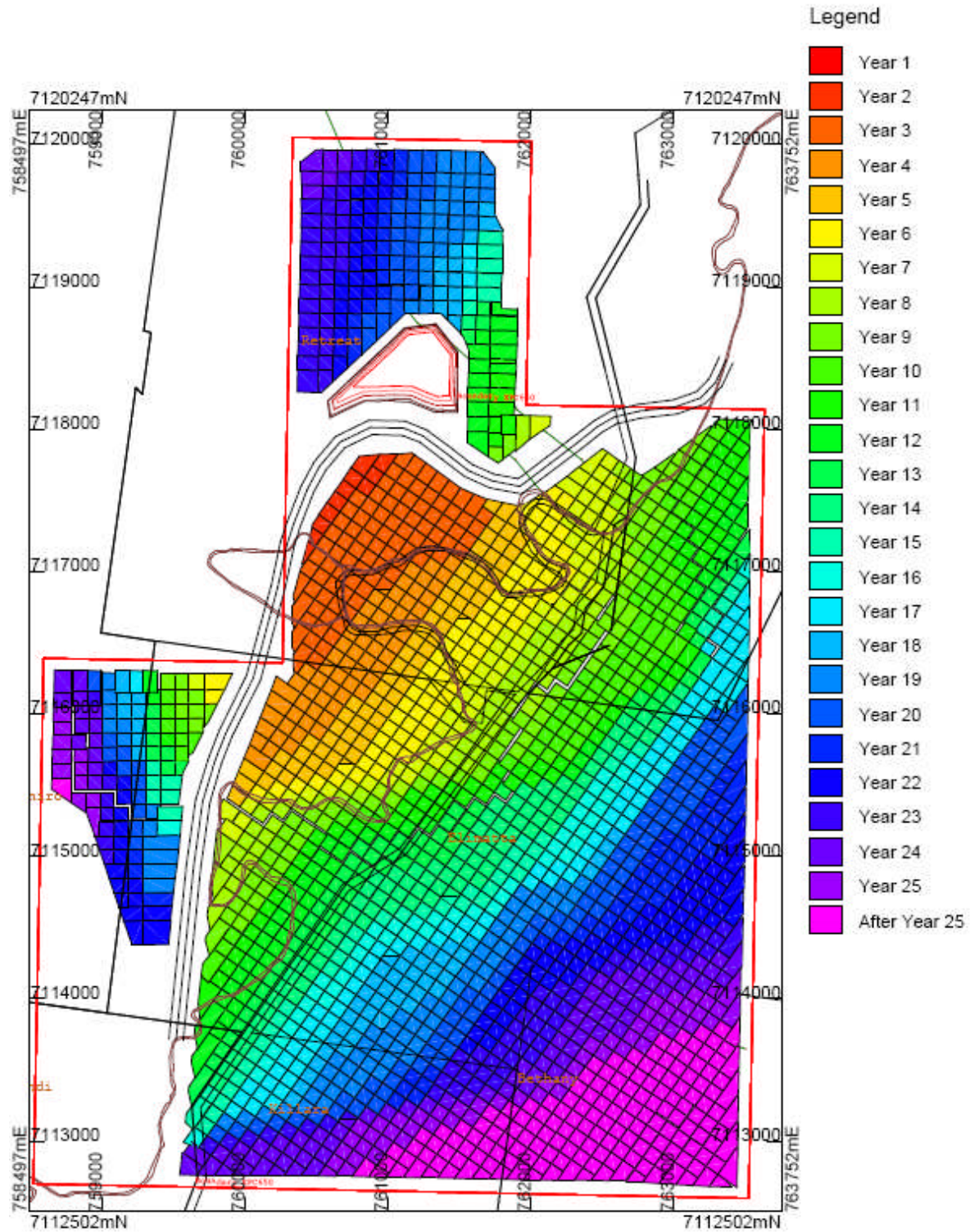
Quality		UG Seam	Y Seam	A Seam	B Seam	C Seam
Raw Quality (8% adm basis)	Raw Ash %	29.69	25.08	22.8	17.9	25.92
	SE MJ/kg	19.59	21.43	22.1	23.97	21.31
	VM%	32.77	35.04	36.2	38.64	35.86
	TS%	0.3	0.33	0.3	0.31	0.29
	HGI	41	42	40	38	40
Coal Prep Simulation Yield*	Yield Dry basis [@16% moisture]	65.15 [55]	71.1 [60]	75.9 [64]	80.3 [67]	70.6 [60]
Product Quality (8% adm basis)	Ash %	9.21	8.01	9.21	8.6	9.39
	SE MJ/kg	26.5	27.35	27.03	27.27	27.26
	VM%	41.58	42.6	42.35	42.73	42.83
	TS%	0.40	0.35	0.34	0.33	0.35
	HGI	32	31	32	32	33

2.2 Mine Operations

Prior to the development of the Project mine topsoil will be progressively removed from the footprint area and stockpiled for later re-use in rehabilitation activities. Progressive rehabilitation will be undertaken through the life of the Project as mined out areas become available. At the current stage of Project definition land disturbance will include mining disturbance (1500 - 2000 ha, whole of project), CHPP and infrastructure (~50 ha), overburden dumps, surface water management dams, workshops and offices, and roads and tracks. (~500 ha). The total area of land disturbance is estimated at approximately 2500ha over the life of the Project. Areas of land disturbance are based on a prefeasibility mine design and are provided as a broad indication of disturbance.

A conceptual site layout of the Project Mining Area is provided in Figure 3. The final size and location of infrastructure and mining excavation boundaries are dependant on continued exploration, project investigation and design, and identification of environmental issues.

Figure 3: Conceptual Mining Layout Plan Showing production Areas 01 - Period Progress Showing Year Number MiningSection - 1



The deposit comprises two major seams of economic interest; the A and B Seams. Typically the overburden above the A Seam averages about 40 meters (m) in thickness and varies between 20m and 60m. Also present in the overburden are two smaller upper seams, the UG and the Y seams. The typical depth of overburden above the UG Seam is 15m to 20m, the interburden down to the Y Seam is 7m to 8m and the typical interburden to the A Seam is 7m to 8m. The configuration of seams favours shovel/excavator and truck mining methods. The C Seam has not been included in mine plans at prefeasibility study level on the basis of its incremental strip ratio below the B seam being too high to allow for economic extraction. The suitability of a dragline for overburden/interburden removal is currently under consideration and remains an option for the Project.

Spoil will initially be placed out of pit beside the first excavation and thereafter backfilled to the mining void. The Project plan proposes two open pit areas which are separated by a fault zone within the deposit. The larger southern area will also contain the diversion of Horse Creek which would otherwise drain through the middle of the major mining area.

The ~7.5 Mtpa average ROM coal rate to produce ~5.0Mtpa product is based on a Coal Handling and Preparation Plant (CHPP) operating for 7,000 hours per year. To minimise raw (new) water requirements, fine reject materials are to be dewatered and then mixed with coarse reject rock for transport back into cells in the mine overburden. No tailings storage facilities are proposed for the Project.

The final rehabilitation plan for overburden dumps will be detailed in the Environmental Impact Statement (EIS) and Environmental Management Plan (EM Plan). Conceptual planning has assumed the final slope of the overburden dump face to be between the angle of repose and 20 degrees depending on the competency of the waste material. Where necessary, berms will be constructed on the outer faces and graded to slope back towards the dump to act as a water control structure for any stormwater flowing from the spoil above.

The slopes and top of the dumps will be topsoiled and deep ripped to bind in the material. Revegetation will use species suitable for the final land use.

The final pit voids after spoil recontouring of the excavation will be protected by constructing an exclusion bund wall around the perimeter from competent rock and/or by fencing, depending on the parameters of the final void.

The exclusion bund wall will be constructed as described in *Technical Guidelines for the Environmental Management of Exploration and Mining in Queensland*. This guideline states that the bund wall should be of a minimum height of 2 m, with a minimum base width of 4 m and be located at least 10 m beyond the area potentially affected by any instability of the pit edge.

Where water quality within the void is suitable for stock, a safe access to the water shall be provided for stock, or the water will be pumped to a stock watering point. Consultation with land holders will be undertaken to determine the preferred use for the water. Where water in voids is not suitable for stock then the voids will be bunded or fenced to prevent stock access.

2.3 Mine Infrastructure

The following mine infrastructure is envisaged for the Project:

- Access and haul roads;
- Offices, workshops and ablutions facilities;
- Coal Handling and Preparation Plant (CHPP);
- ROM pads and lay-down areas;
- Surface water management dams;
- Raw water storage dam;
- Water pipelines;
- Fuel, oil and chemical storages;
- Transmission lines and power supply infrastructure;
- Train loading facility, and
- Explosives magazines

Approvals for off-lease transmission lines and water pipelines to be provided by others will be undertaken separately to the Project approvals.

2.4 Product Transport and Port

Transport of the Project product coal will be by heavy freight rail to Gladstone.

A new rail link – the Surat Basin Rail Project - is to be constructed to connect the Moura Rail System south to the Wandoan area, a distance of approximately 210km. The Elimatta Project is located approximately 42km west of the connection location to this new rail which is approximately 20km north east of Wandoan. NEC will be responsible for the construction of a rail spur line to connect the project area with the Surat Basin Rail. NEC has confirmed with the Surat Basin Rail Project Manager its interest in taking 5mtpa raiiling capacity.

To cater for the increase in traffic on the Moura Rail system due to Surat Basin developments and additional capacity requirements for existing Moura System users, Queensland Rail is progressing with an upgrade to the Moura System. NEC is a party to this upgrade project and has confirmed its interest with Queensland Rail Network Access for 5mtpa raiiling capacity.

NEC is also a party to the development of the Wiggins Island Coal Terminal at Gladstone, a significant coal export facility being planned by the Gladstone Port Corporation. The terminal is anticipated to have annual export capacity in excess of 80Mt. NEC has confirmed its requirement for 5mtpa capacity for the Elimatta project with the Gladstone Port Corporation

A key factor in development timing of the Project is to coordinate development at Elimatta to coincide with capacity availability on the Surat Basin Rail, the Moura Rail System Upgrade and at Wiggins Island Coal Terminal.

2.5 Project Services

The water supply requirement for the mining and processing activities, including water required for dust suppression is estimated to be 1,500 – 2,000 Megalitres per annum. The potential for using coal seam gas extraction water as the primary supply is currently under investigation. A significant coal seam gas extraction industry is being developed over areas around the Elimatta Project. The supply of waste water from these developments is expected to be a viable source for the Project. NEC has been in consultation with a number of CSG producers with regard to the supply of CSG water for the Project. Approval of water transport infrastructure, outside of the MLA, will be undertaken separately to the MLA. Groundwater extracted during mining operations will also be utilised on site.

The estimated installed electrical energy load for the Project is 12 Megawatts which covers the operation of mining equipment, the CHPP and maintenance and domestic use. A supply connection to the area power grid is under investigation through discussions with Powerlink Queensland and Ergon Energy Limited. Approval of transmission lines and related power supply infrastructure, outside of the MLA, will be undertaken separately. Diesel generators may be located on site for use as a power source during the construction stage and as a back up supply when connection to the power grid is established. An alternative electrical power source to a grid connection is to utilize coal seam gas for on or near site power generation. This option will be investigated as part of the project feasibility study.

2.6 Staffing and Accommodation

The Project is proposed as a contractor operation with NEC providing an owners representative team on site and with the Contractor providing all operating and maintenance and administration and systems support staff.

The Project is estimated to directly employ up to 300 full time staff at full production with additional staff required for periodic large maintenance tasks and for special projects. An indicative distribution of the workforce by function is as shown in Table 4. Project construction is also expected to require approximately 300 site employees and additional employment supporting site fabrication and manufacture of components.

Table 4: Mine Site Employment by Work Category

Unit	Personnel
Owners Site Representatives	10
Contractors Site Workforce	
Maintenance	80
Operations	180
Management and Support	30
Total Site Workforce	300

Accommodation for mine staff and contractors will be sought from local service providers in Wandoan and Taroom. The Project does not propose to construct, own or operate any accommodation facilities.

2.7 Site Rehabilitation

Surface preparation before revegetation will include surface contouring, ripping and topsoil spreading. Surface contouring will occur to minimise soil erosion. Topsoil will be stockpiled for use in rehabilitation as it contains organic material and local seed banks. Preserved topsoil will be spread to a thickness similar to the original topsoil). After appropriate surface preparation has occurred as outlined above, disturbed land will be revegetated as follows:

- Spread fertiliser and/or other ameliorates, such as gypsum at an appropriate rate, if required;
- Native species occurring naturally in the local area will be chosen for areas requiring the re-establishment of local native habitat;
- Where an agricultural land use is planned, the species planted will be those commonly used for pasture known to be successful on soils of similar texture; and
- Where practicable, revegetation will occur through direct seeding of selected species. Where direct seeding is not possible (e.g. small areas with limited access), seeds will be manually broadcast.

3.0 COAL SEAM GAS STATEMENT

See separate enclosure for a more detailed but preliminary coal seam gas statement

The Project tenure(s) overlap with coal seam gas exploration tenure Authority to Prospect 852 (ATP 852) currently registered to Pure Energy Resources Limited. The tenure was granted from 20 April, 2007 for an initial term to 30 April, 2011. Pure Energy was recently taken over by the BG Group. NEC has initiated discussions with BG Group towards making a Co-Development Agreement. NEC wishes to negotiate a Co-Development Agreement that provides for efficient and expedited processes under which the parties may obtain and undertake further petroleum tenements and mining tenements in the co-development area.

NEC plans to test for coal seam gas as part of the additional exploration activity necessary to support the Project Feasibility Study. This testing will inform an update to the Coal Seam Gas Statement attached with this application. However, published information in the Environmental Impact Statement for the nearby Wandoan Coal Project indicates that whilst coal seam gas will be present in the Wandoan Coal Project open pit mine workings as a fugitive emission, the concentration of gas is well below levels that would make it suitable for commercial extraction. Given the very similar geology of the coal occurrences within the Wandoan Coal Project area and at the Project and NEC's experience gained during the resource definition drilling there is every reason to expect that testing at the Project will provide a similar result. Exploration results to date indicate that there is no economic gas resource at depths that will be impacted by open cut mining although economic quantities of gas may be available at depth under the open pit workings.

4.0 INITIAL DEVELOPMENT PLAN

See separate enclosure for a more detailed but preliminary Initial Development Plan. NEC proposes to update this Plan for the Project as part of the feasibility study for the project once detailed mine planning has been completed and a start date for mine operations is known.

The Minserve Group has prepared for NEC a prefeasibility study level mining plan for the project and has also issued a “Competent Person’s Report on a Marketable Reserve Statement for the Elimatta Project”. The Minserve study has determined a whole of project schedule as shown in Table 5 and the first five years as in table 6.

Table 5: Minserve Whole of Project Schedule Criteria.

Production Measure	Units	Base Case 5 Mtpa
ROM production max pa	Mtpa	8
Total ROM Coal	Mt	185
Product Coal	Mt	119.6
Yield (wet/wet)	%ar/ar	64.6
Total Overburden	Mbcm	1,189.8
ROM strip ratio	bcm/t	6.43
Product Strip ratio	Bcm/t	9.95

Table 6: Mine Production parameters years 1 – 5 – Prefeasibility Study.

Process	Units	Year 0	Year 1	Year 2	Year 3	Year 4	Total
Overburden Removal	Mbcm	2.28	20.58	21.61	21.43	21.62	87.32
Coal Mined	Mt	0.00	4.88	7.09	6.99	7.05	26.01
Product Coal	Mt	0.00	3.33	5.01	5.01	5.03	18.38
Product Strip Ratio			6.9	4.3	4.3	4.3	

5.0 APPLICATION BOUNDARY

The MLA is made using the EPC 650 boundaries as the MLA boundaries. This is based on the prefeasibility mining plan which shows that all but the southern part of the resource within EPC 650 is potentially economically extractable by open cut mining methods using evaluation standards appropriate for today. In time it is possible that the southern part may also be mined. Provision has also been made for the diversion of Horse Creek principally within the Project area.

6.0 MINING LEASE TERM

The MLA is made for a Mining Lease of forty (40) years duration. This is based on

- Project construction prior to start of production being estimated to take one to two years,
- The mine production period at 5.0Mtpa average product taking 25 years plus (this dependent on the economics of operations in time lasting beyond 25 years as per the pre-feasibility mining study.
- The mine life could be extended depending on prevailing economic conditions towards the end of the prefeasibility mine plan and
- Project de-commissioning taking five to ten years depending on progress with site rehabilitation works.

6.0 LAND TENURE and NATIVE TITLE

The land within EPC 650 is freehold except for Lot 43, Plan AB222 which is Leasehold Land with the lease made to the owners of “Retreat” property. There are six pastoral landholdings overlapping the area covered by EPC 650. The majority of the resource within EPC 650 lies within two of the rural properties (Retreat and Elimatta), but access to the land covered by EPC 650 within all six properties will be needed for the project to proceed.

Native Title has been extinguished other than for one area of unextinguished land – the leasehold land noted above, within EPC 650. This area is located within the Iman No. 1 Native Title Claim. In this part of EPC 650, NEC is conducting exploration under Queensland’s Native Title Protection Conditions. Cultural heritage surveys have been conducted prior to any exploration activity within the Native Title area, and no sites or items of cultural significance have been identified. NEC will enter into an agreement with the Native Title Applicants for inclusion of this land parcel prior to the granting of a Mining Lease.

7.0 PUBLIC INTEREST STATEMENT

Coal is Queensland’s highest value export and the coal industry provides significant value to the State by way of direct and indirect employment, purchase of goods and services and payment of taxes and royalties. The Project provides an opportunity to add to the contribution the industry makes to the State with its development.

The Project will also provide benefit to the country on a national scale. This is achieved through increased foreign revenue from the export of coal and general economic stimulus through increased employment and the purchase of goods and services.

NEC has identified a resource of some 250Mt within the Project Area of which approximately 170Mt can be economically extracted using today’s evaluation standards by efficient open cut mining methods to generate 110Mt product coal suitable for the international market for thermal coals. The project is anticipated to have a production ‘life’ in excess of 25 years.

At prices ruling today the Project will generate on average \$500M revenue per year and make royalty and tax payments in excess of \$80M per year to Federal and State and Local Governments.

The Project will generate approximately 300 full time equivalent jobs during construction and then during production to generate spending potential in the regional area where the workforce is located of approximately \$18M each year.

The Project will have a positive impact on the economy of the region and the State through ongoing expenditures for materials and services, payment of rates, purchase of infrastructure, plant and consumables, use of service industries and payment of taxes.