



February 8, 2011

Dear Shareholder,

REVISED TAKEOVER OFFER FROM NEW HOPE CORPORATION

On the 31st January 2011 your Board received from New Hope Corporation (NHC) a revised takeover Offer of \$1.75 for each Northern Energy Corporation (NEC) share it does not own. On 2nd February the Board announced that it had rejected the revised Offer as it still substantially under-values our Company, as evidenced by the expert opinion of authoritative Independent Expert Lonergan Edwards whose preferred price range values NEC at \$2.70 to \$3.99 per share. It is also well below their higher valuation of \$3.48 to \$4.75, which reflects the value of NEC to an acquirer, such as NHC, with the financial capacity to meet its funding requirements.

The Board advises NEC shareholders to TAKE NO ACTION in relation to New Hope's Revised Offer.

The NEC Board considers that NHC's Revised Offer, and the reasons advanced to accept it, blatantly ignore the business reasoning that supports the valuation conclusions so carefully and cogently articulated in the Experts' Reports.

In an application to the Takeovers Panel in December, NHC claimed that NEC's Target's Statement and the accompanying Independent Experts' Reports were deficient, seeking a declaration of unacceptable circumstances. On January 18 the Panel decided that it would not make a declaration, subject to the publication of certain corrective disclosures and the provision of additional information supporting the valuation in a Supplementary Target's Statement that was distributed to NEC shareholders on 27 January 2011. Interested shareholders may wish to read the Takeovers Panel's reasons for its decision which are available at www.takeovers.gov.au

Your Directors are best placed to understand the value of NEC's coal assets and while during the past four months NHC has had the opportunity to enter into meaningful discussions with the board or to seek access to the NEC data room, it has failed to do so. As a consequence NHC does not possess the necessary information on which to base its original and revised Offers for NEC.

NHC suggests in its revised Offer document that NEC is facing development and capital risks in that the required funding, transport infrastructure and regulatory approvals needed for our mines to operate are not yet fully in place.

These arguments are specious and misleading for the reasons clearly stated in our Target's Statement. Our Colton mine at Maryborough is due to commence production inside 18 months with access to transport facilities for that mine project currently under negotiation and expected to be received in the first quarter of 2011. The regulatory approval process is well-advanced and the Board is confident that it will be able to raise the \$84 million of capital required to bring the Colton Mine into production.

NEC is working steadily through the government approvals process and expects to receive its Mining Lease for the Maryborough operation in the last quarter of 2011. In addition, Maryborough is steadily being de-risked as various value-accretive milestones are passed, including the upgrading of reserves, environmental approvals and agreement on infrastructure access.



In its revised Offer document NHC appears to cast doubt on the quality of NEC's senior management and on their ability to bring our mine projects to the point of production. This suggestion is also without foundation. Both our Managing Director, Keith Barker, and Chief Operating Officer, Mark Turner, are highly experienced mining engineers with a combined 45 years' industry experience and with impressive track records as senior project managers in the Queensland coal industry.

New Hope claims that the waiver of all material conditions attached to their Offer, other than the 50.1% minimum acceptance condition, is an incentive to accept their Offer. In fact the waiver of these conditions makes no material difference to the Offer which, as the Independent Expert points out, continues to fail the value test.

As advised in my letter to you of December 16, 2010, the NEC data room is open to approved third parties and there has been significant interest among a number of companies in conducting due diligence on NEC. Whilst as at the date of this document, no binding offer has been received by the Company, the Board will update shareholders as soon as there is a material development in this process.

Global appetite for Australian coking coal remains very strong and coal prices continue to rise. The market performance of NEC's corporate peers remains strong, with significant mergers and acquisition activity in the sector as Australia's valuable coal assets are sought after.

The NEC Board notes that NHC has conceded that during the Offer period it received acceptances from the holders of only 0.03% of NEC's issued shares, a clear indication that the original Offer, now only slightly augmented, was significantly lower than the market's perception of NEC's value.

The NEC management team remains focused on the execution of its strategy to generate the maximum value for shareholders from Northern Energy's valuable assets.

A Second Supplementary Target's Statement addressing the various arguments put by New Hope in their Fourth Supplementary Bidders Statement is being prepared by NEC and will be available shortly on www.northernenergy.com.au

We thank you for your continuing support.

Dr Chris Rawlings
Chairman

Please call Northern Energy's Information Line if you have any questions regarding the takeover offer by New Hope:

1300 560 339 or + 61 2 8011 0354 (overseas) Monday to Friday, 9am to 5pm AEDST