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26 September 2011

PROPOSAL TO ACQUIRE HIGH QUALITY THERMAL COAL PROJECT IN UTAH

New Horizon Minerals Ltd (**NHO** or the **Company**) is pleased to announce that it has entered into a share sale agreement (**Share Sale Agreement**) to acquire 100% of the issued share capital of Delta Coal Fund Pty Ltd (**Delta Coal**) from the shareholders of Delta Coal (**Transaction**).

Delta Coal has entered into an asset purchase agreement with Carbon Resources LLC (**Carbon Resources**) to acquire a 100% interest in the leasehold and sub-leasehold land from Carbon Resources (**Asset Purchase Agreement**) known as the Kinney #2 thermal coal project located in the United States (**US**) State of Utah (**Project**).

The Project, which will be managed by two US based executives with over 60 years of collective experience in the US coal industry, will transform NHO into a mid-tier coal company.

Key Highlights

- Work on the Project is scheduled commence immediately upon settlement of the Share Sale Agreement (**Settlement**) to convert the exploration target to a **JORC Code compliant resource before end of 1st quarter 2012**.
- The **consideration to be cash, fully paid ordinary shares in NHO (Shares) and performance shares in NHO, based on milestones** of completion of JORC Code resources, bankable feasibility study and commencement of production.
- Patersons Securities Limited (ACN 008 896 311) (**Patersons**), Delta Capital Pty Ltd (**Delta Capital**) and CPS Securities have been appointed as joint lead managers by the Company to a Placement (as defined below) to raise a minimum of \$10 million and up to \$15 million via the issue and allotment of the placement shares at a minimum of 20 cents each (**Placement Share**) with a free attaching option exercisable at 20 cents each on or before 31 December 2014 (**Placement Option**), pursuant to a Prospectus.

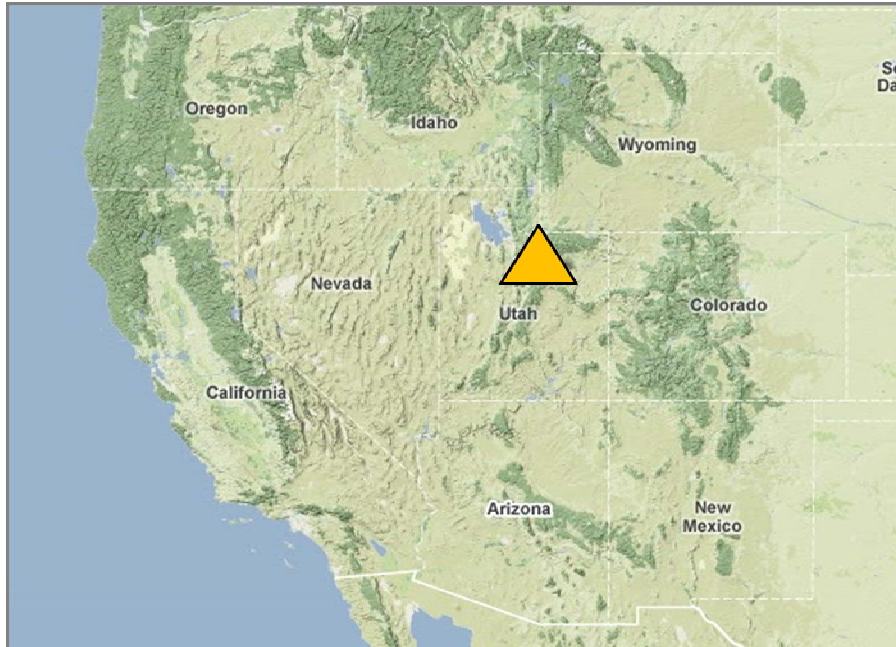
- The Project is an **advanced project and following Settlement work will immediately commence on a bankable feasibility study to target production by 2013.**
- The Project is located near Scofield, Utah, which is a significant coal producing region that has historically produced over 30 million tonnes per annum.
- The Project is **immediately adjacent (less than 1 km) to all necessary infrastructure** including rail and power.
- **Mining permits over the Project area were conditionally granted** by the State of Utah in June 2011.
- **Superior thermal coal quality:** calorific value ranging ranges between 6,400 to 6,780 Kcal/Kg (as received basis) with estimated 7.0 to 9.5% Ash and 0.59 to 0.9% sulphur.
- **Thermal coal exploration target is 20 to 25 million tonnes.**¹
- **Real opportunity to double the exploration target** through the acquisition of adjoining Federal Government land.
- Both **export and domestic sales** have occurred in the region with multiple ports available for the export market, which will be a focus of the bankable feasibility study; however a significant local domestic market also exists with 6 coal fired power stations within a 260 km radius of the Project.
- Coal can possibly used as an attractive blending coal to upgrade the export quality of current western coal exporters.
- NHO's board of directors (**Board**) and executive management team will be strengthened by the appointment of key US based career coal executives **who have agreed to have their entire option incentive package tied to a successful completion of the bankable feasibility study and NHO's Board making a positive decision to mine.** As a result, the Project will have a very **strong management team** and will also have ready access to an experienced local workforce.

Overview of the Project

The Project covers approximately 5,300 acres (2,144 hectares) and is located adjacent to the town of Scofield, Utah, approximately 100 miles (160 km) south east of Salt Lake City.

The Project lies in the Eastern Wasatch Plateau which is within the Uinta Basin Coal Field; a mature coal producing region which has historically produced over 30 million tonnes of coal per annum production.

¹ The Company has target mineralisation but it does not comply with the JORC Code guidelines for the reporting of identified mineral resources and ore reserves. Therefore this mineralisation is considered to be an Exploration Target estimate. The Company plans to undertake further work to enable the estimates to become JORC Code compliant. On this basis, the potential quantity and grade is conceptual in nature. There has been insufficient exploration to define a Mineral Resource under the JORC Code and it is uncertain if further exploration will result in the determination of a Mineral Resource.



The Project consists of a “fee coal” lease with the main “Kinney Parcel” (3,840 acres; 1,554 hectares) positioned adjacent to open Federal coal lands (**Federal Lands**) that together form a logical mining unit accessible only through the planned Kinney Portals.

The Company intends to apply for the Federal Lands following Settlement. Four additional lease parcels (North, West, Broads Canyon, and Clear Creek) totalling approximately 1,500 acres (607 hectares) are not included in the current exploration target and may represent future upside potential.

The leased coal is “fee coal” and the surface is private, therefore the only permitting agency is the Utah Division of Oil, Gas and Mining. A mining permit has been recently approved by the Utah Division of Oil, Gas and Mining. The adjacent Federal Land is administered by the Bureau of Land Management however permitting is the same as on fee land.

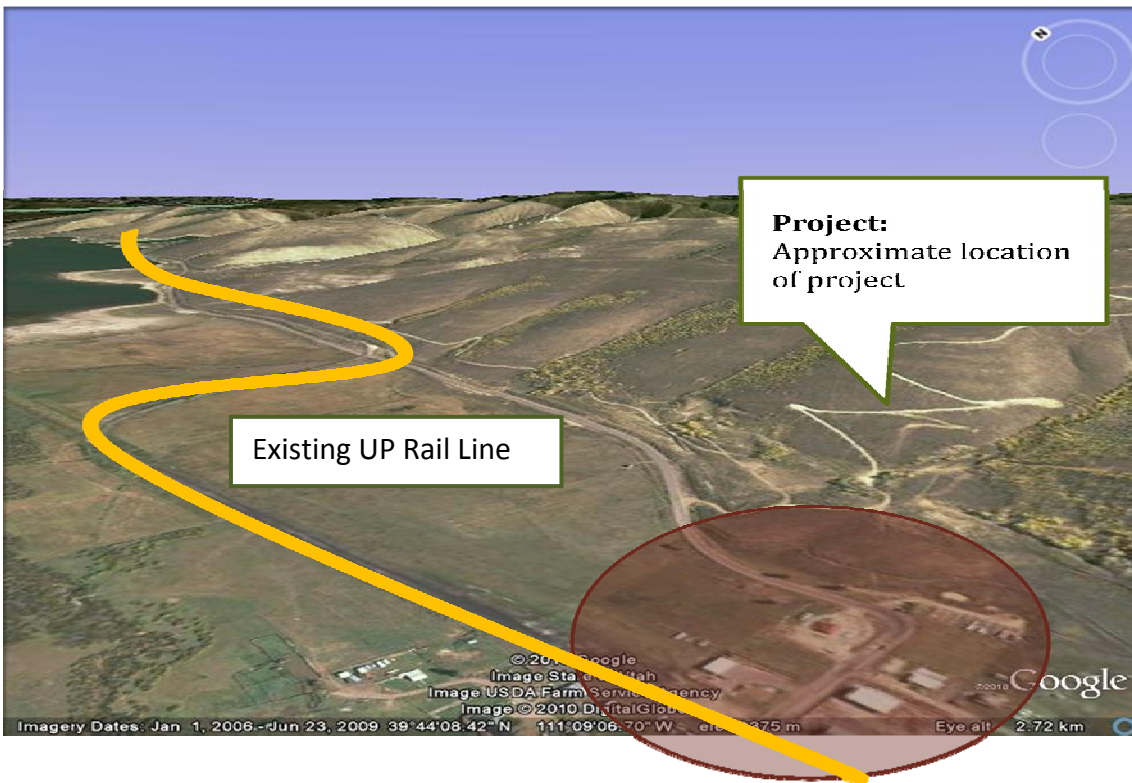
With data from over seventy drill holes, covering the Project and the adjacent open Federal Land, the coal deposit on the Project land is well characterized with a significant amount of detailed geological and engineering work completed by Carbon Resources over the last 10 years.

The coal seams are within the Blackhawk Formation which overlies the Star Point Sandstone in the lower part of the Cretaceous age Mesa Verde Group. The majority of the coal resources in the region are found in the Hiawatha Seam which directly overlies the Spring Canyon Member of the Star Point Sandstone and is the dominant seam throughout the Eastern Wasatch Plateau. Locally, the Hiawatha Seam was historically named the Kinney Seam and caps a 100 foot (+/-) stratigraphic interval of economic interest.

Within the Project the Hiawatha seam ranges from 5 to 11 feet (1.5 to 3.3 m) in thickness and dips average 3.5 degrees north-east. Several N-S normal faults partition the deposit into multiple coal mining blocks.

The planned Project portal is located approximately 1,800 ft. (500 m) from the Union Pacific Rail (UP) spur line. Electricity, potable and non-potable water are readily available at the Project.

Five of the ten active coal mines in Utah are located within 50 km of the Project. Two of the coal producers are located in close proximity (8.5 km) to the Project; Arch Coal's "Skyline Mine", which produces 3 million tonnes per annum; and America West Resources "Horizon Mine", which produces 250,000 tonnes per annum.



Previous Exploration

Several companies, including Carbon Resources, have previously drilled the Project. Over seventy drill holes have been completed on the combined Project and the adjacent Federal Land of which thirteen were cored and analyzed for coal quality, rock mechanics (geotechnical properties), and environmental baseline chemical parameters of both coal and enclosing roof and floor rock.

Based on available data, NHO's management believes the in-situ gross calorific value ranges between **6,400 and 6,780 Kcal/Kg** (as received basis). The exploration target tonnage within the Project is **20 to 25 million tonnes**. The potential quantity and quality is conceptual in nature and there has been insufficient exploration to define a mineral resource and it is uncertain if further exploration will result in determination of a mineral resource.

US Coal Market

According to the World Coal Association, the US has some of the largest coal reserves in the world followed by Russia, China and India and is currently the largest exporter of coal in North America, nearly double the export volume of Canada.

Close to half of the US' electricity is generated by coal and more than 500,000 people are employed in the US coal sector.

Recent estimates are showing that the US is currently exporting approximately 20 million tonnes of coal to Asia and this figure is expected to grow over the next decade as new port developments come on line and current ports capacities are expanded.

The US, especially in areas like Utah, has very high quality coal, making US produced coal an attractive product for both the domestic and export markets.

New Directors and Senior Management

The directors of the Company (**Directors**) recognise that to manage the new activities associated with the Project additional management expertise in the coal mining industry is required and proposes that, subject to completion of the Transaction, the following executives will join NHO:

(a) Michael Placha – Proposed Chief Executive Officer

Mr Placha has worked on various international projects throughout his 35-year career in US, Australia, Canada, Indonesia, China, Russia, Germany and Italy. Mr Placha earned his Bachelor of Science degree in extractive metallurgy from The Pennsylvania State University.

Mr Placha was Senior Vice President of Signal Peak Energy/Global Rail Group from 2006 through 2010 responsible for the financing and development of a \$350 million underground longwall mine, rail and surface facilities in Montana.

Mr Placha led the design and construction of a 36-mile (58 Km) rail spur and 15MTPY coal handling, processing and loadout facilities.

From 2004 until 2006 as President of Sedgman, Canada Mr Placha was responsible for design and construction of two metallurgical facilities in British Columbia.

Prior to this, Mr Placha spent 16 years with Cyprus Coal and its successor companies working in operations, engineering and sales and marketing.

(b) Greg Hunt – Proposed Chief Operating Officer

Mr Hunt grew up in the mining business, working in his father's uranium mining company in Southern Utah, and at age 24 took over management of the company.

After earning a Bachelor Degree and Masters in Geology, Mr. Hunt became a coal mine geologist working through the ranks for 14 years to become a recognized expert in

predicting mining conditions and the daily challenges of underground coal mine production operations.

As Chief Geologist for Cyprus Coal Company he was responsible for technical evaluations of multiple domestic and international coal mine acquisitions and responsible for the daily application of mine geology to mine safety and efficiency at seven Cyprus Mines.

Mr Hunt successfully managed the exploration, dirt-work construction, and reclamation of dozens of drilling programs both in-mine and surface. As part of the management team of an underground coal mine, Mr Hunt instituted successful programs integrating mine geology into every significant mining decision. Mr Hunt managed a successful outcome in relation to a controversial NEPA process of a mine expansion and managed all aspects of permitting of a new underground coal mine.

Mr Hunt has worked as a consultant to the current owners of the Project for the past 10 years and as such has a detailed knowledge of all aspects of the Project geology.

(c) **Carl Coward – Proposed Non-Executive Director**

Mr Coward's qualifications include a Bachelor of Commerce from Curtin University of Technology in Perth, Western Australia. Mr Coward has several years experience in investment banking with a particular focus on the natural resources sector. He has recently been involved in thermal coal projects in Indonesia, South Africa and North America. He is currently an Associate director of corporate advisor Delta Capital and has been instrumental in identifying and managing the Transaction.

ACQUISITION TERMS

The Company has entered into the Share Sale Agreement to acquire 100% of the issued share capital of Delta Coal from the shareholders of Delta Coal. Pursuant to the Asset Purchase Agreement between Delta Coal and Carbon Resources, the Company will acquire the Project following settlement of the Share Sale Agreement.

In exchange for acquiring Delta Coal, NHO will provide the following consideration to the vendors of Delta Coal:

- (a) 10 million Shares, payable upon approval of the Transaction by NHO's shareholders (**Shareholders**) being granted;
- (b) 10 million Class A performance shares in NHO, payable if NHO releases a public announcement that an indicated JORC Code compliant resource of at least 20 million tonnes has been discovered on the Project (**Coal Product**) within 12 months of the acquisition date of the Project, being 1 December 2011 (**Project Acquisition Date**) (collectively, **Milestone A**);
- (c) 10 million Class B performance shares in NHO, payable if NHO completes a bankable feasibility study with NHO's Board giving a positive decision to mine within 36 months of the Project Acquisition Date (**Milestone B**); and

- (d) 10 million Class C performance shares in NHO, payable if NHO undertakes development and commercial production of the Coal Product within 48 months of the Project Acquisition Date (**Milestone C**).

The Share Sale Agreement is subject to the following conditions precedent:

- (a) completion of the Asset Purchase Agreement with Carbon Resources to the sole satisfaction of NHO;
- (b) completion of due diligence by NHO on Delta Coal, its assets and operations and Asset Purchase Agreement, to the sole satisfaction of NHO;
- (c) Carbon Resources obtaining the approval of the bankruptcy court for either the dismissal of case in the District of New Mexico No. 10-16104-j11 or the approval of the Asset Purchase Agreement;
- (d) following completion of the Asset Purchase Agreement, confirmation of Delta Coal's unencumbered title to, and the tenure of, the Project and completion of due diligence in relation to the Project, to NHO's satisfaction;
- (e) completion of the Placement to raise a minimum of approximately \$10 million; and
- (f) the Company obtaining all necessary shareholder and regulatory approvals for the acquisition of Delta Coal and the Placement including re-compliance with Chapters 1 and 2 of the ASX Listing Rules,

by no later than 31 December 2011.

The Asset Purchase Agreement between Delta Coal and Carbon Resources provides that subject to certain conditions being met, the closing of the Asset Purchase Agreement and the first payment will be on or before 1 December 2011.

Pursuant to the Asset Purchase Agreement, in consideration for Delta Coal's acquisition of the Project, Delta Coal must make the following payments to Carbon Resources:

Initial consideration at settlement of the Asset Purchase Agreement	US\$7 million
First deferred consideration	US\$3 million, which is payable on or before 1 June 2012.
Second deferred consideration	US\$15 million, which is payable upon the first to occur of: <ul style="list-style-type: none"> • completion of a bankable feasibility study with NHO's Board making a positive decision to mine; or • 1 December 2014.

Placement of Shares

Pursuant to the terms of the Asset Purchase Agreement, the Company will undertake a placement pursuant to a Prospectus to raise a minimum of \$10 million and up to \$15 million via the issue and allotment of Placement Shares at a minimum price of 20 cents each with a free attaching Placement Option for each Placement Share (**Placement**). Patersons, Delta Capital and CPS Securities are joint lead managers of the Placement.

Funds raised pursuant to the Placement (**Placement Funds**) will be used for acquisition of the Project and working capital purposes. These Placement Funds will be in addition to the Company's current cash reserves of approximately \$2.2 million.

Comments from the Chairman

NHO Chairman Gary Steinepreis commented "This is a major development for New Horizon. The potential acquisition of a fully permitted mine will enable the Company to proceed quickly to a bankable feasibility study and, with a positive decision, to production phase. If the Company is successful in producing thermal coal at the Project then the high quality thermal coal has export potential plus there is the opportunity to immediately double the exploration target through the acquisition of adjoining Federal Government land. NHO's Shareholders are in a tremendous position to capitalise on this exciting opportunity."

Contact details:

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Competent Persons Statement

The information in this report which relates to Exploration Targets, Exploration Results and Mineral Resources is based on information compiled by Mr Allen J Maynard, who is a Corporate Member of the Australasian Institute of Mining and Metallurgy, a Member of the Australian Institute of Geoscientists and independent consultant to the Company. Mr Maynard is principal of Al Maynard & Associates and has over 30 years of exploration and mining experience in a wide variety of mineral deposit styles including coal. Mr Maynard 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 reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Maynard consents to inclusion in the report of the matters based on this information in the form and context in which it appears.

Implications for NHO

Effect of Transaction on NHO's Capital Structure

SHARES	<u>Number</u>
Current Shares on issue	20,500,000
Shares under scrip bid for Delta Coal	10,000,000
Placement Shares issued pursuant to Placement (up to)	70,000,000
TOTAL SHARES ON ISSUE	100,500,000

OPTIONS	<u>Number</u>
Current Options on issue – listed NHOO	20,500,000
Unlisted Incentive Options to be issued to executives – subject to vesting and performance conditions	10,000,000
Placement Options issued pursuant to the Placement (up to) – listed NHOO	70,000,000
TOTAL OPTIONS ON ISSUE	100,500,000

PERFORMANCE MILESTONES	<u>Number</u>
Current performance shares on issue	Nil
Class A performance shares to be issued upon satisfaction of Milestone A	10,000,000
Class B performance shares to be issued upon satisfaction of Milestone B	10,000,000
Class C performance shares to be issued upon satisfaction of Milestone C	10,000,000
TOTAL PERFORMANCE SHARES TO BE ISSUED	30,000,000

Change to Nature and Scale – Chapter 11 of the ASX Listing Rules

The acquisition of the Delta Coal constitutes a significant change to the nature and scale of the Company's activities.

The Company will be suspended for trading on the day of this announcement and recommence trading the following business day.

As part of satisfying its requirements to re-comply with Chapters 1 and 2 of the ASX Listing Rules, the Transaction must be approved by NHO's Shareholders at a general meeting (**Meeting**). NHO's Shareholders will receive a notice of meeting setting out various resolutions relating to the Transaction, including a change in the scale and nature of the Company's activities and the issue of shares under a prospectus (**Notice**). A detailed explanatory statement will accompany the Notice and will be distributed to all Shareholders prior to the Meeting.

In addition to the Notice, NHO will issue a prospectus that will provide full disclosure of material matters and enable NHO to comply with Chapters 1 and 2 of ASX Listing Rules (**Prospectus**). The Company will request a voluntary suspension of its securities on the day prior to the Meeting at which Shareholder approval of the Transaction contemplated will be sought. Once the Company has obtained Shareholder approval for the Transaction and has complied with Chapters 1 and 2 of ASX Listing Rules, it is anticipated that the NHO's securities will be reinstated for trading.

Indicative Timetable

The dates below are indicative only. The Directors reserve the right to vary the dates without prior notice, which may have a consequential effect on the other dates.

The expected dates in relation to quotation of the securities on ASX are subject to the determination of ASX.

Date¹	Event
6 October 2011	Notice dispatched to Shareholders
20 October 2011	Prospectus lodged with ASIC and ASX
20 October 2011	Offer under Prospectus opens
9 November 2011	General Meeting (see Note 1)
11 November 2011	Allotment of Shares under Prospectus
1 December 2011	Completion of Transaction

Note 1: The proposed change in activities will trigger a suspension of the Company's securities which will be activated on the morning of the Meeting and will cease once NHO has satisfied the requirements of Chapters 1 and 2 of the ASX Listing Rules.

New Horizon Minerals Ltd
Pro forma Statement of Financial Position
30 June 2011

	Audited	Pro forma – minimum	Pro forma – maximum
	30 June 2011	\$10m raising 30 June 2011	\$15m raising 30 June 2011
	\$	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	2,369,292	4,369,292	9,069,292
Trade and other receivables	6,039	6,039	6,039
Total current assets	2,375,331	4,375,331	9,075,331
Non-current assets			
Project	-	10,000,000	10,000,000
Other assets	10,000	10,000	10,000
Total non-current assets	10,000	10,010,000	10,010,000
Total assets	2,385,331	14,385,331	19,085,331
LIABILITIES			
Current liabilities			
Project commitment	-	3,000,000	3,000,000
Trade and other payables	41,751	41,751	41,751
Total current liabilities	41,751	3,041,751	3,041,751
Total liabilities	41,751	3,041,751	3,041,751
NET ASSETS	2,343,580	11,343,580	16,043,580
EQUITY			
Contributed equity	2,245,440	11,245,440	15,945,440
Option premium reserve	183,812	183,812	183,812
Accumulated losses	(85,672)	(85,672)	(85,672)
TOTAL EQUITY	2,343,580	11,343,580	16,043,580

Notes:

1. The pro forma statement of financial position takes into account the capital raising less the US\$7 million paid on Settlement and a commitment of US\$3 million on or before 1 June 2012. The A\$:US\$ rate has been assumed at 1:1.
2. The Performance shares and Incentive Options will be valued based upon the share price on the date of issue discounted by a number of potential risk factors including performance risk, escrow discount and market conditions. This will increase the acquisition cost of the Project with the corresponding increase in a reserve account.
3. The costs of the Transaction are based on a market based capital raising fee as well as estimated costs of completion. These are considered to be paid at the closing of the Transaction.