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**NEW HORIZON MINERALS LTD**

**ACN 143 932 110**

**NOTICE OF ANNUAL GENERAL MEETING**

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**TIME:** 10.00 am (WST)

**DATE:** 9 November 2011

**PLACE:** Level 1, 33 Ord Street  
West Perth, Western Australia

***This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.***

***Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+61 8) 9420 9300.***

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**TIME AND PLACE OF MEETING AND HOW TO VOTE**

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**VENUE**

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The annual general meeting of the Shareholders to which this Notice of Meeting relates will be held at 10.00 am (WST) on 9 November 2011 at:

Level 1, 33 Ord Street  
West Perth, Western Australia

**YOUR VOTE IS IMPORTANT**

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The business of the Annual General Meeting affects your shareholding and your vote is important.

**VOTING IN PERSON**

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To vote in person, attend the Annual General Meeting on the date and at the place set out above.

**VOTING BY PROXY**

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To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

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**IMPORTANT NOTICES**

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**Key Dates\***

<b>Event</b>	<b>Date</b>
Execution of Agreement	21 September 2011
Announcement of Transaction	26 September 2011
Dispatch Notice seeking approval for Transaction	6 October 2011
Lodgment of Prospectus with the ASIC and ASX	20 October 2011
Opening of Offer for Capital Raising under the Prospectus	20 October 2011
General Meeting to approve Transaction and Change in Nature and Scale of Activities	9 November 2011
Allotment of Securities under Prospectus	11 November 2011
Completion of Transaction	1 December 2011

\*This timetable is indicative only and is subject to change. The directors of New Horizon reserve the right to amend the timetable.

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## NOTICE OF ANNUAL GENERAL MEETING

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Notice is given that the annual general meeting of Shareholders will be held at 10.00 am (WST) on 9 November 2011 at Level 1, 33 Ord Street, West Perth, Western Australia.

The Explanatory Statement provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Statement and the Proxy Form are part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders of the Company at 7.00pm (Sydney time) on 7 November 2011.

Terms and abbreviations used in this Notice of Meeting are defined in the Glossary.

### AGENDA

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#### ORDINARY BUSINESS

##### Financial Statements and Reports

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2011 together with the declaration of the directors, the directors' report, the Remuneration Report and the auditor's report.

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#### 1. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

*“That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's annual financial report for the financial year ended 30 June 2011.”*

**Note:** The vote on this Resolution is advisory only and does not bind the Directors or the Company.

**Voting Prohibition Statement:** A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person described above may vote on this Resolution if:

- (c) the person does so as a proxy appointed by writing that specifies how the proxy is to vote on the Resolution; and
- (d) the vote is not cast on behalf of a person described in sub-paragraphs (a) or (b) above.

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## 2. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – MR ROBERT HODBY

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purpose of clause 13.2 of the Constitution and for all other purposes, Mr Robert Hodby, a Director, retires by rotation, and being eligible, is re-elected as a Director.”*

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## 3. RESOLUTION 3 – CHANGE IN NATURE AND SCALE OF ACTIVITIES

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That, subject to the passing of Resolutions 4 to 11 (inclusive), for the purposes of ASX Listing Rule 11.1.2 and for all other purposes, the Company be authorised to make a significant change in the nature and scale of its activities to include coal exploration and production.”*

**Short Explanation:** The proposed acquisition of Delta Coal, if successful, will result in the Company changing its business focus to include coal exploration and production. ASX Listing Rule 11.1.2 requires the Company to seek Shareholder approval where it proposes to make a significant change to the nature or scale of its activities. ASX has also advised the Company that it will be required to re-comply with the requirements of Chapters 1 and 2 of the ASX Listing Rules in accordance with ASX Listing Rule 11.1.3. Please refer to the Explanatory Statement for details.

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any person who may obtain a benefit, except a benefit solely in the capacity of a security holder, if the resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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## 4. RESOLUTION 4 – ACQUISITION OF DELTA COAL FUND PTY LTD

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, subject to the passing of Resolutions 3 and 5 to 11 (inclusive), for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Directors to allot and issue:*

- (a) 10 million Shares;*
- (b) 10 million Class A Performance Shares;*
- (c) 10 million Class B Performance Shares; and*
- (d) 10 million Class C Performance Shares,*

*to the Vendors on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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**5. RESOLUTION 5 – CHANGE OF NAME**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

*“That, subject to the passing of Resolutions 3, 4 and 6 to 11 (inclusive), pursuant to Section 157(1) of the Corporations Act and for all other purposes, the name of the Company be changed to “New Horizon Coal Ltd”.*

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**6. RESOLUTION 6 – ISSUE FOR PROSPECTUS CAPITAL RAISING**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, subject to the passing of Resolutions 3 to 5 (inclusive) and 7 to 11 (inclusive), for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Directors to allot and issue of up to:*

- (a) 75 million fully paid ordinary shares (**Shares**) at an issue price of \$0.22 each raising up to a total of \$16.5 million; and*
- (b) 75 million free attaching options to acquire a Share (**Free Attaching Options**) (on the basis of 1 Free Attaching Option for every 1 Share subscribed for),*

*on the terms and conditions set out in the Explanatory Statement.”*

**Short Explanation:** The Company must issue a Prospectus in order to satisfy the requirements of Chapters 1 and 2 of the ASX Listing Rules and as a condition of the Company's securities recommencing trading on the ASX following the Acquisition. Please refer to the Explanatory Statement for details.

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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**7. RESOLUTION 7 – PARTICIPATION OF DIRECTOR IN CAPITAL RAISING – MIKE PLACHA**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, subject to the passing of Resolutions 3 to 6 (inclusive) and 8 to 11 (inclusive), for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for Mike Placha (or his nominee) to participate in the capital raising contemplated by Resolution 6 by subscribing for up to:*

- (a) 681,818 Shares at an issue price of \$0.22 each; and*
- (b) 681,818 Free Attaching Options (on the basis of 1 Free Attaching Option for every 1 Share subscribed for),*

*on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast on this Resolution by Mike Placha, a person who may participate in the proposed issue and any person who might obtain a benefit if the Resolution is passed, except a benefit solely in the capacity of a holder of ordinary securities, and any of their associates.

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**8. RESOLUTION 8 – PARTICIPATION OF DIRECTOR IN CAPITAL RAISING – CARL COWARD**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, subject to the passing of Resolutions 3 to 7 (inclusive) and 9 to 11 (inclusive), for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for Carl Coward (or his nominee) to participate in the capital raising contemplated by Resolution 6 by subscribing for up to:*

- (a) 2,272,727 Shares at an issue price of \$0.22 each; and*
- (b) 2,272,727 Free Attaching Options (on the basis of 1 Free Attaching Option for every 1 Share subscribed for),*

*on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast on this Resolution by Carl Coward, a person who may participate in the proposed issue and any person who might obtain a benefit if the Resolution is passed, except a benefit solely in the capacity of a holder of ordinary securities, and any of their associates.

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**9. RESOLUTION 9 – PARTICIPATION OF DIRECTOR IN CAPITAL RAISING – GARY STEINEPREIS**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, subject to the passing of Resolutions 3 to 8 and 10 to 11 (inclusive), for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for Gary Steinepreis (or his nominee) to participate in the capital raising contemplated by Resolution 6 by subscribing for up to:*

- (a) 2,272,727 Shares at an issue price of \$0.22 each; and*
- (b) 2,272,727 Free Attaching Options (on the basis of 1 Free Attaching Option for every 1 Share subscribed for),*

*on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast on this Resolution by Gary Steinepreis, a person who may participate in the proposed issue and any person who might obtain a benefit if the Resolution is passed, except a benefit solely in the capacity of a holder of ordinary securities, and any of their associates.

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**10. RESOLUTION 10 – PARTICIPATION OF DIRECTOR IN CAPITAL RAISING – ROB HODBY**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, subject to the passing of Resolutions 3 to 9 (inclusive) and 11, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for Rob Hodby (or his nominee) to participate in the capital raising contemplated by Resolution 6 by subscribing for up to:*

*(a) 45,454 Shares at an issue price of \$0.22 each; and*

*(b) 45,454 Free Attaching Options (on the basis of 1 Free Attaching Option for every 1 Share subscribed for),*

*on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast on this Resolution by Rob Hodby, a person who may participate in the proposed issue and any person who might obtain a benefit if the Resolution is passed, except a benefit solely in the capacity of a holder of ordinary securities, and any of their associates.

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**11. RESOLUTION 11 – PARTICIPATION OF DIRECTOR IN CAPITAL RAISING – PATRICK BURKE**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, subject to the passing of Resolutions 3 to 10 (inclusive), for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for Patrick Burke (or his nominee) to participate in the capital raising contemplated by Resolution 6 by subscribing for up to:*

*(a) 227,270 Shares at an issue price of \$0.22 each; and*

*(b) 227,270 Free Attaching Options (on the basis of 1 Free Attaching Option for every 1 Share subscribed for),*

*on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast on this Resolution by Patrick Burke, a person who may participate in the proposed issue and any person who might obtain a benefit if the Resolution is passed, except a benefit solely in the capacity of a holder of ordinary securities, and any of their associates.

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**12. RESOLUTION 12 – ISSUE OF INCENTIVE OPTIONS – GREG HUNT**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

*“That, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Directors to allot and issue 5 million Incentive Options on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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**13. RESOLUTION 13 – ISSUE OF INCENTIVE OPTIONS – MIKE PLACHA**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

*"That, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Directors to allot and issue 5 million Incentive Options on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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**DATED: 6 OCTOBER 2011**

**BY ORDER OF THE BOARD**

**GARY STEINEPREIS  
COMPANY SECRETARY**

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## EXPLANATORY STATEMENT

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This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the Annual General Meeting to be held at 10.00 am (WST) on 9 November 2011 at Level 1, 33 Ord Street, West Perth, Western Australia.

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

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### 14. OVERVIEW OF CHANGE OF ACTIVITIES

#### 14.1 Background

New Horizon Minerals Limited (**New Horizon** or the **Company**) is an Australian public company listed on the official list of ASX (ASX code: NHO).

The Company has predominantly operated in the gold, silver and copper exploration industries in New South Wales. The Company currently has 20% interest in the Mount Drysdale Gold and Base Metal Project and the Hora Bore Base Metal Project from Drysdale Resources, with farmin rights to earn an 80% interest in the projects by expending \$1 million over 3 years.

#### 14.2 Acquisition of Delta Coal

On 26 September 2011, the Company announced to ASX that it had entered into a conditional agreement (**Agreement**) to acquire 100% of the issued share capital of Delta Coal Fund Pty Ltd (ACN 149 580 085) (**Delta Coal**) from the shareholders of Delta Coal (**Vendors**) (collectively, **Transaction**). Please refer to Section 14.8 for further details regarding the terms of the proposed Transaction. A list of the Vendors is contained in Schedule 1.

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 with mining permit number C0070047, located in the United States (**US**) State of Utah (**Kinney Project**).

If the Company successfully completes the Agreement, the Kinney Project will be managed by two US based executives, Mike Placha and Greg Hunt, who have over 60 years of collective experience in the US coal industry.

As announced to ASX on 26 September 2011, the Company now intends to change the focus of its activities to include coal exploration and production. The stated objective of the Company when it was listed on ASX was to allocate part of its working capital budget to review, evaluate and acquire new projects. This change of focus is as a consequence of this review and decision to expand into the coal sector.

Pursuant to the Agreement, the Company will seek to acquire Delta Coal through the offer of the Consideration Securities (as defined at section 14.8(b) below) to the Vendors. Completion of the Transaction is subject to all of the Vendors accepting the offer by the Company for 100% of their shares in Delta Coal. The acquisition of Delta Coal is subject to Shareholder approval and will require the Company to undertake a re-compliance listing with ASX.

In conjunction with the Transaction, the Company plans to raise up to \$16.5 million through the issue of up to:

- (a) 75 million new Shares at an issue price of \$0.22 per Share; and
- (b) 75 million Free Attaching Options (on the basis of 1 Free Attaching Option for every 1 Share subscribed for under the capital raising),

(collectively, **Capital Raising**). The funds raised from the Capital Raising, in addition to the Company's existing cash balance of approximately \$2.1 million, will be used to fund the cost of the Transaction and general working capital.

### 14.3 Background on Delta Coal and its asset

Upon successful completion of the Asset Purchase Agreement with Carbon Resources, Delta Coal will acquire a 100% interest in the Kinney Project.

#### **Asset Purchase Agreement**

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 Kinney 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"> <li>• completion of a bankable feasibility study with New Horizon's Board making a positive decision to mine; or</li> <li>• 1 December 2014.</li> </ul>

### 14.4 Overview of Kinney Project

The Kinney 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.

The Kinney Project consists of a "fee coal" lease with the main "Kinney Parcel" (3,840 acres; 1554 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 successful completion of the Transaction. 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 for New Horizon.

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 Kinney Project and the adjacent open Federal Land, the coal deposit on the Kinney 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 Kinney 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 mining blocks.

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

Five of the ten active coal mines in Utah are located within 50 km of the Kinney Project. Two of the coal producers are located in close proximity (8.5 km) to the Kinney 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.

## **14.5 Previous Exploration**

Several companies, including Carbon Resources, have previously drilled the Kinney Project. Over seventy drill holes have been completed on the combined Kinney Project and the adjacent Federal Land of which thirteen were cored and analysed 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, the Company'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 Kinney 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.

## 14.6 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.

## 14.7 Cash Position Post Capital Raising and Expected Delta Coal Exploration Expenditure in 2011/2012

New Horizon's current cash balance	\$2.1m
Cash raised from Capital Raising	\$16.5m
Cost of the Transaction	(\$1.4m)
Initial consideration at settlement of the Asset Purchase Agreement	(\$7.0m)
First deferred consideration	(\$3.0m)
Kinney Project exploration and bankable feasibility study	(\$2.6m)
<b>Available working capital</b>	<b>\$4.6m<sup>1</sup></b>

<sup>1</sup> The working capital will also be utilised to repay a loan to Delta Coal of approximately \$700,000. The Kinney Project permit requires a performance bond of USD\$2,120,000 to be lodged with the Department of Natural Resources, Division of Oil, Gas and Mining, in the State of Utah. The Company will endeavour to provide a financial performance guarantee but may be required to lodge a cash backed bond.

## 14.8 Delta Coal Acquisition Terms

The Company and the Vendors have entered into the Agreement under which the Company has agreed to make a conditional offer to acquire all of the issued share capital of Delta Coal. The material terms of the Agreement are as follows:

- (a) **(Conditions Precedent)**: the Agreement is conditional upon the following conditions precedent being satisfied:
- (i) confirmation that all of the conditions precedent in the Asset Purchase Agreement have been met;

- (ii) completion of the Asset Purchase Agreement between Delta Coal and Carbon Resources to give effect to Delta Coal's option to acquire the Kinney Project, to the sole satisfaction of the Company;
- (iii) completion of due diligence by the Company on Delta Coal, its assets and operations and Asset Purchase Agreement, to the sole satisfaction of the Company;
- (iv) 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;
- (v) following completion of the Asset Purchase Agreement, confirmation of Delta Coal's unencumbered title to, and the tenure of, the Kinney Project and completion of due diligence in relation to the Kinney Project, to the Company's satisfaction;
- (vi) completion by the Company of a placement of between 37 million and 46 million Shares at an issue price of \$0.22 each, together with a free attaching option to acquire a Share on the basis of 1 Free Attaching Option for every 1 Share subscribed for under the placement and exercisable at \$0.20 each on or before 31 December 2014 (**Free Attaching Option**), to raise at least \$8,140,000 and up to \$10,120,000 (**Capital Raising Condition**); and
- (vii) the Company obtaining all necessary Shareholder and regulatory approvals for the Transaction and the capital raising required pursuant to the Capital Raising Condition,

by no later than 31 December 2011.

(b) (**Consideration**): the consideration payable by the Company for Delta Coal is:

- (i) 10 million Shares (**Consideration Shares**);
- (ii) 10 million Class A performance shares in the Company (**Class A Performance Shares**);
- (iii) 10 million Class B performance shares in the Company (**Class B Performance Shares**); and
- (iv) 10 million Class C performance shares in the Company (**Class C Performance Shares**),

(collectively, **Consideration Securities**) which will all be voluntarily escrowed until that date which is 12 months from the date of their individual issue, or such time as determined by the ASX.

The payment of the Class A, B and C Performance Shares (together, **Performance Shares**) to the Vendors is subject to the satisfaction of the milestones contained in Schedule 2 of this Notice (**Milestones**).

The full terms and conditions of the Performance Shares, which are contained in Schedule 3 of this Notice, have not yet been approved by ASX and may not be approved.

## 14.9 New Directors and Senior Management

The Directors of the Company recognise that to manage the new activities associated with the Kinney 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 New Horizon:

### (a) **Michael Placha – Proposed Chief Executive Officer**

Mr Placha has worked on various international projects throughout his 35-year career in the 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 Kinney Project for the past 10 years and as such has a detailed knowledge of all aspects of the Kinney 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.

**14.10 Pro-Forma Balance Sheet**

An unaudited pro-forma balance sheet of the Company following completion of the Transaction, the Capital Raising and other matters is set out at Annexure A to this Notice of Meeting.

**14.11 Pro-Forma Capital Structure**

The capital structure of the Company following completion of the Transaction, the Capital Raising and other matters is set out below:

<b>SHARES<sup>1</sup></b>	
Shares currently on issue <sup>2</sup>	20.5 million
Shares to be issued pursuant to Capital Raising (Resolution 6) (up to)	75 million <sup>1</sup>
Shares to be issued to Vendors (Resolution 4) <sup>3</sup>	10 million
<b>TOTAL SHARES</b>	<b>105.5 million</b>

**Notes:**

<sup>1</sup> Assumes no further securities are issued prior to settlement of the Transaction.

<sup>2</sup> 6,050,000 Shares will be escrow restricted to 17 October 2012.

<sup>3</sup> These will be escrow restricted until that date which is 12 months from the date of their individual issue, or such time as determined by the ASX.

<b>OPTIONS</b>	
Listed Options currently on issue	20.5 million
Unlisted Incentive Options to be issued to executives of the Company (subject to vesting and performance conditions (Resolutions 12 & 13)	10 million
Free Attaching Options (Resolution 6) (up to) <sup>1</sup>	75 million
<b>TOTAL OPTIONS</b>	<b>105.5 million</b>

**Notes:**

<sup>1</sup> Free Attaching Options (on the basis of 1 Free Attaching Option for every 1 Share issued) issued on the terms set out in Schedule 4.

<b>PERFORMANCE SHARES</b>	
Performance Shares currently on issue	Nil
Class A performance shares to be issued to Vendors upon satisfaction of Milestone A (Resolution 4) <sup>1</sup>	10 million
Class B performance shares to be issued to Vendors upon satisfaction of Milestone B (Resolution 4) <sup>1</sup>	10 million
Class C performance shares to be issued to Vendors upon satisfaction of Milestone C (Resolution 4) <sup>1</sup>	10 million
<b>TOTAL PERFORMANCE SHARES</b>	<b>30 million</b>

**Notes:**

<sup>1</sup> These will be escrow restricted until that date which is 12 months from the date of their individual issue, or such time as determined by the ASX.

#### **14.12 Advantages of the Transaction**

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on the proposed Resolutions:

- (a) the coal exploration activities represent a significant opportunity for the Company;
- (b) through the acquisition of Delta Coal, a larger market capitalisation and enhanced Shareholder base should provide a more liquid;
- (c) the Board of Directors will provide an experienced set of skills to guide the growth of the Company;
- (d) the continuing viability of the Company as a going concern depends on identifying suitable opportunities which will sustain a viable business. The Transaction presents an opportunity to explore for minerals on the Kinney Project;
- (e) Shareholders will have an opportunity to participate in the potential growth of the Delta Coal business; and
- (f) Delta Coal will, on completion of the Transaction, become a wholly-owned subsidiary of the Company.

#### **14.13 Disadvantages of the Transaction**

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on the proposed Resolutions:

- (a) the Company will be changing the nature of its activities to become a company which will, in addition to its current business, focus on coal exploration and production activities, which may not be consistent with the objectives of all Shareholders;

- (b) a significant future outlay of funds may be required which will increase funding pressure on the Company in order to continue exploration of the Kinney Project;
- (c) the Transaction and issue of the 10 million Consideration Shares and the 30 million Performance Shares to the Vendors, if completed, will dilute existing Shareholder's interests in the Company; and
- (d) there are many risk factors associated with the change of nature of the Company's activities, or rather associated with the Kinney Project's business and operations. Some of these risks are set out in Section 14.14 below.

#### **14.14 Risk Factors**

Shareholders should be aware that if the Resolutions are approved, the Company will be changing the nature of its activities to include coal exploration and production activities which are subject to various risk factors. Based on the information available, a non-exhaustive list of risk factors are as follows:

##### ***Risks relating to the Change in Nature and Scale of Activities***

###### **Re-Quotation of Shares on ASX**

As the Company has no prior involvement in the coal industry, the acquisition of Delta Coal constitutes a significant change in the nature and scale of the Company's activities and the Company needs to comply with Chapters 1 and 2 of the ASX Listing Rules as if it were seeking admission to the official list of ASX. There is a risk that the Company may not be able to meet the requirements of the ASX for re-quotation of its Shares on the ASX. Should this occur, the Shares will not be able to be traded on the ASX until such time as those requirements can be met, if at all.

###### ***Risks relating to the Kinney Project***

The Kinney Project is located in Utah, in the US. The Company will be subject to the risks associated with operating in Utah. Such risks can include economic instability, currency non-convertibility or instability and changes of law affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing, export duties, repatriation of income or return of capital, environmental protection, mine safety, labour relations as well as government control over mineral properties or government regulations.

Changes to Utah's mining or investment policies and legislation or a shift in political attitude may adversely affect the Company's operations and profitability.

## **Conditions to the Agreement**

Pursuant to the Agreement (summarised in section 14.8) the Company has agreed to acquire 100% of the issued share capital in Delta Coal, subject to the fulfilment of certain conditions including Carbon Resources obtaining the approval of the bankruptcy court (**Bankruptcy Court**) for either:

- (a) the dismissal of the case a case in the District of New Mexico NO. 10-16104-j11 (**New Mexico Case**); or
- (b) the approval of the Asset Purchase Agreement,

by 31 December 2011. The Company is entitled to waive this condition pursuant to the terms of the Agreement.

The Company is assisting Carbon Resources in the Bankruptcy Court proceedings and believes that there is a strong case for Bankruptcy Court to approve the Asset Purchase Agreement as this provides for all creditors (both secured and unsecured) to be paid, in full.

There is a risk that the Bankruptcy Court may not dismiss the New Mexico Case or approve the Asset Purchase Agreement. If this is the case, the Company may choose not to proceed to completion of the Agreement and the Company will not have the opportunity to benefit from the incorporation of the Delta Coal business.

## **Exploration and Production Risks**

The business of coal exploration, project development and production involves inherent risks. Success depends on the successful exploration appraisal, design and construction of efficient recovery and processing facilities, competent operational and managerial performance, and efficient distribution and marketing services. Exploration is a speculative endeavour and production operations can be hampered by engineering difficulties, cost overruns, inconsistent recovery rates and other unforeseen events.

The outcome of the Company's proposed exploration, project development and production programs will affect the future performance of the Company and the price of its Shares.

If and when the Company commences production, the production may be curtailed or shut down for considerable periods of time owing to a range of factors such as disruptions to transport infrastructure, lack of market demand, government regulation, production allocations or force majeure events. If these curtailments continue for a considerable period of time, they are likely to have a materially adverse effect on the operations and/or financial position of the Company.

## **General Economic and Political Risks**

Changes in the general economic and political climate in Utah, US and on a global basis that could impact on economic growth, the coal prices, interest rates, the rate of inflation, taxation and tariff laws, domestic security which may affect the value and viability of any coal activity that may be conducted by the Company.

## **Coal Price Volatility and Exchange Rate Risks**

Substantially all of the Company's revenues and cash flows (should the Company enter production) will be derived from the sale of coal. Therefore, the financial performance of the Company would be exposed to fluctuations in the coal price.

Historically, the coal price has fluctuated widely and has experienced periods of significant decline. Coal prices are affected by numerous factors and events that are beyond the control of the Company. These factors and events include general economic activity, world demand, forward selling activity as well as general global economic conditions and political trends.

If coal prices should fall below or remain below the Company's costs of production for any sustained period due to these or other factors and events, the Company's exploration and proposed production could be delayed or even abandoned. A delay in exploration or production or the abandonment of one or more of the Company's projects may require the Company to write-down its coal resources and may have a material adverse effect on the Company's production, earnings and financial position.

Furthermore, the Kinney Project is located in the United States, whereas the income and expenditure of the Company are and will be taken into account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

### **Technology Risks**

Both domestically and internationally, governments and organisations are expending large amounts of money on developing new technology aimed at replacing, in whole or in part, fossil fuels as an energy source. If these new technologies are successful at developing new energy sources that prove to be economic to utilise, this may impact on the demand for coal both domestically and internationally.

### **Coal Marketing and Coal Prices**

If the Company is successful in developing its mining operations, the marketability of its coal production will depend on the quality and tonnage demand from international and domestic markets. If the Company fails to secure contracts to sell its coal or the Company does not satisfy conditions in any off-take agreements, this may adversely affect the financial conditions and performance of the Company. The prices the Company may receive for its coal are subject to market forces that are beyond the control of the Company. While the Company will monitor the stability and trends of market prices closely and, where possible, will endeavour to negotiate agreements to reflect the movements in market prices and maintain underlying profit margins, if the market prices for coal fall to uneconomical levels, the financial performance of the Company will be materially adversely affected.

Customers may default on their contractual obligations with the Company. Potential contractual defaults may include non-payment for coal or failure to take delivery of contracted volumes. If defaults occur, the Company may experience difficulties accessing other customers.

To manage the exposure of the Company to price risks, the Company may enter into coal price and or foreign currency hedging arrangements with respect to its production. While intended to reduce the effects of volatile coal prices, these arrangements may limit potential gains if coal prices were to rise substantially over the price established by the hedge. In addition, such transactions may expose the Company to the risk of financial loss.

## **Environmental Risks**

The Company will be subject to environmental laws and regulations in connection with operations it may pursue in the coal industry, which operations are currently in Utah. The Company intends to conduct its activities in an environmentally responsible manner and in accordance with all applicable laws. However, the Company may be the subject of accidents or unforeseen circumstances that could subject the Company to extensive liability.

Further, the Company may require approval from the relevant authorities before it can undertake activities that are likely to impact the environment. Failure to obtain such approvals will prevent the Company from undertaking its desired activities. The Company is unable to predict the effect of additional environmental laws and regulations that may be adopted in the future, including whether any such laws or regulations would materially increase the Company's cost of doing business or affect its operations in any area.

## **Competition**

The Company will compete with other companies, including major coal companies. Some of these companies have greater financial and other resources than the Company and, as a result, may be in a better position to compete for future business opportunities. There can be no assurance that the Company can compete effectively with these companies.

## **Regulatory**

Changes in relevant taxes, legal and administration regimes, accounting practice and government policies may adversely affect the financial performance of the Company.

## **Insurance**

Insurance against all risks associated with coal production is not always available or affordable. The Company will maintain insurance where it is considered appropriate for its needs however it will not be insured against all risks either because appropriate cover is not available or because the Directors consider the required premiums to be excessive having regard to the benefits that would accrue.

## **Operating Risks**

The operations of the Company may be affected by various factors, including failure to locate or identify coal reserves, failure to achieve predicted well production flow rates, operational and technical difficulties encountered in production, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

## **General Risks**

### **Additional Requirements for Capital**

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing in the future. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programmes as the case may be.

### **Exploration**

Mining exploration is inherently associated with risk. Notwithstanding the experience, knowledge and careful evaluation a company brings to an exploration project there is no assurance that recoverable mineral resources will be identified. Even if identified, other factors such as technical difficulties, geological conditions, adverse changes in government policy or legislation or lack of access to sufficient funding may mean that the resource is not economically recoverable or may otherwise preclude the Company from successfully exploiting the resource.

### **Future Capital Requirements**

The Company's future activities will require substantial expenditures. If the Company is unable to procure funding by debt or equity to fund expansion, there can be no assurances that the Company will have sufficient capital resources for that purpose, or other purposes, or that it will be able to obtain additional fundraising on terms acceptable to the Company or at all. Any additional equity financing may be dilutive to shareholders and any debt financing if available may involve restrictive covenants, which may limit the Company's operations and business strategy.

The Company's failure to raise capital if and when needed could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities.

### **Potential Acquisitions**

As part of its business strategy, the Company may make acquisitions of, or significant investments in, complementary companies or prospects although no such acquisitions or investments are currently planned. Any such transactions will be accompanied by risks commonly encountered in making such acquisitions.

### **Economic Risks**

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

## **Market Conditions**

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as: general economic outlook; interest rates and inflation rates; currency fluctuations; changes in investor sentiment toward particular market sectors; the demand for, and supply of, capital; and terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

## **Reliance on Key Management**

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

## **Investment Speculative**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above may, in the future, materially affect the financial performance of the Company and the value of the Company's securities.

### **14.15 Directors' Recommendation**

The Directors of New Horizon unanimously recommend the Transaction. It is the view of New Horizon's Directors that the Transaction will give the Company's Shareholders the opportunity to participate in a potentially significant exploration, development and production programme in respect of a thermal coal project.

### **14.16 Competent Person**

The information in this Notice which relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Allen J Maynard, who is Member or Fellow 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 the inclusion in the Notice of the matters based on this information in the form and context in which it appears.

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## 15. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Annual General Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2011 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at [www.newhorizonminerals.com.au](http://www.newhorizonminerals.com.au).

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## 16. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

### 16.1 General

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the Remuneration Report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the Directors or the Company.

Under recent changes to the Corporations Act, which came into effect on 1 July 2011, if at least 25% of the votes cast on the Resolution are voted against adoption of the Remuneration Report at the Annual General Meeting, and then again at the Company's 2012 annual general meeting, the Company will be required to put to Shareholders a resolution proposing the calling of an extraordinary general meeting to consider the appointment of directors of the Company (**Spill Resolution**).

If more than 50% of Shareholders vote in favour of the Spill Resolution, the Company must convene the extraordinary general meeting (**Spill Meeting**) within 90 days of the Company's 2012 annual general meeting. All of the Directors who were in office when the Company's 2012 directors' report was approved, other than the managing director of the Company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting. Following the Spill Meeting those persons whose election or re-election as Directors is approved will be the Directors of the Company.

The Remuneration Report sets out the Company's remuneration arrangements for the Directors and senior management of the Company. The Remuneration Report is part of the directors' report contained in the annual financial report of the Company for the financial year ending 30 June 2011.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the Annual General Meeting.

### 16.2 Proxy Restrictions

Pursuant to the Corporations Act, if you elect to appoint the Chair, or another member of Key Management Personnel whose remuneration details are included in the Remuneration Report or any Closely Related Party of that member as your proxy to vote on this Resolution 1, you must direct the proxy how they are to vote. Where you do not direct the Chair, or another member of Key Management Personnel whose remuneration details are included in the Remuneration Report or Closely Related Party of that member on how to vote on this Resolution 1, the proxy is prevented by the Corporations Act from exercising your vote and your vote will not be counted in relation to this Resolution 1.

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**17. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – MR ROBERT HODBY**

Clause 13.2 of the Constitution requires that at the Company's annual general meeting in every year, one-third of the Directors for the time being, or, if their number is not a multiple of 3, then the number nearest one-third (rounded downwards in case of doubt), shall retire from office.

The Directors to retire at an annual general meeting are those who have been longest in office since their last election, but, as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by drawing lots.

The Company currently has 3 Directors and accordingly 1 must retire. A Director who retires by rotation under clause 13.2 of the Constitution is eligible for re-election.

Mr Robert Hodby, the Director longest in office, retires by rotation and seeks re-election.

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**18. RESOLUTION 3 – CHANGE IN NATURE AND SCALE OF ACTIVITIES****18.1 General**

Resolution 3 seeks approval from Shareholders for a change to the nature and scale of the activities of the Company to include coal exploration and production.

As outlined in Section 14 of this Explanatory Statement, the Company has entered into the Agreement under which the Company has agreed to acquire Delta Coal.

The Agreement is subject to the conditions precedent set out in Section 14.8(a) above, including the requirement to obtain Shareholder approval.

A detailed description of the proposed Transaction and Delta Coal's asset, the Kinney Project, is outlined in Sections 14.3 and 14.8 above.

**18.2 Legal requirements**

ASX Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature and scale of its activities, it must provide full details to ASX as soon as practicable and comply with the following:

- (a) provide to ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;
- (b) if ASX requires, obtains the approval of holders of its shares and any requirements of ASX in relation to the Notice of Meeting; and
- (c) if ASX requires, meet the requirements of Chapters 1 and 2 of the ASX Listing Rules as if the Company were applying for admission to the official list of ASX.

ASX has indicated to the Company that the change in the nature and scale of the Company's activities requires the Company to (in accordance with ASX Listing Rule 11.1.3):

- (a) obtain Shareholder approval; and
- (b) re-comply with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules.

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## **19. RESOLUTION 4 – ACQUISITION OF DELTA COAL FUND PTY LTD**

### **19.1 General**

As outlined in Section 1 of this Explanatory Statement, the Company and the Vendors have entered into the Agreement under which the Company has agreed to acquire and the Vendors agreed to sell all of their shares in the capital of Delta Coal.

The consideration to be paid to the Vendors will be satisfied through the issue of the securities the subject of this Resolution 4.

Thus, Resolution 4 seeks Shareholder approval for the allotment and issue of the Consideration Securities.

One of the Vendors, Mr Coward, is a related party of the Company by virtue of his being a proposed director of the Company. As set out in Schedule 1, Mr Coward owns 20% of the shares on issue in Delta Coal (**Coward Delta Coal Shares**). In consideration for the Coward Delta Coal Shares, Mr Coward will receive 2 million Consideration Securities at settlement of the Agreement. Mr Coward may also receive up to a further:

- (a) 2 million Class A Performance Shares;
- (b) 2 million Class B Performance Shares; and
- (c) 2 million Class C Performance Shares,

subject to the satisfaction of the Milestones contained in Schedule 2 of the Notice.

It is the view of the Board that the issue of the 2 million Consideration Securities to Mr Coward pursuant to the Agreement is on arm's length terms in accordance with Section 210 of the Corporations Act as the issue of the 2 million Consideration Securities to Mr Coward will be made to the non-related Vendors on exactly the same terms. Accordingly, Shareholder approval is not sought for the grant of the 2 million Director Securities to Mr Coward under Chapter 2E of the Corporations Act.

As none of the other Vendors are related parties of the Company, Shareholder approval is not required under the related party provisions of the Corporations Act or the ASX Listing Rules for the issue of the Consideration Securities to the Vendors.

### **19.2 ASX Listing Rule 7.1**

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 4 will be to allow the Directors to issue to the Vendors the Consideration Securities during the period of 3 months after the General Meeting (or a longer period, if allowed by ASX) pursuant to the Transaction without using the Company's 15% annual placement capacity.

### **19.3 Technical information required by ASX Listing Rule 7.1**

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Consideration Securities:

- (a) the maximum number of Shares to be issued is:
  - (i) 10 million Shares;
  - (ii) 10 million Class A Performance Shares;
  - (iii) 10 million Class B Performance Shares; and
  - (iv) 10 million Class C Performance Shares;
- (b) the Consideration Securities will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment will occur on the same date;
- (c) the Consideration Securities will be issued for nil cash consideration as they are being issued in consideration for the acquisition of 100% of Delta Coal. Accordingly, no funds will be raised from the issue of the Consideration Securities;
- (d) the Consideration Securities will be allotted and issued to the Vendors in accordance with the table set out in Schedule 1. None of the other Vendors are related parties of the Company;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) the Performance Shares will be issued on the terms and conditions set out in Schedule 3 of this Notice.

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## **2. RESOLUTION 5 – CHANGE OF NAME**

The new name proposed to be adopted under Resolution 5 is "New Horizon Coal Ltd". The Directors believe that this new name more accurately reflects the proposed future operations of the Company.

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## **20. RESOLUTION 6 – ISSUE FOR PROSPECTUS CAPITAL RAISING**

### **20.1 General**

Resolution 6 seeks Shareholder approval for the allotment and issue of up to 75 million Shares at an issue price of \$0.22 per Share, and in any event, not less than \$0.20 per Share as required by the ASX Listing Rules, to raise up to a total of \$16.5 million, together with up to 75 million Free Attaching Options (on the basis of 1 Free Attaching Option for every 1 Share subscribed for).

The Company intends to conduct the Capital Raising through the issue of a prospectus as part of its re-compliance with Chapters 1 and 2 of the ASX Listing Rules.

Patersons Securities Limited (ACN 008 896 311) (**Patersons**), Delta Capital Pty Ltd (ACN 109 059 181) (**Delta Capital**) and Cunningham Peterson Sharbanee Securities Pty Ltd (ACN 088 055 636) (**CPS**) are joint lead managers of the Capital Raising.

Several related parties of the Company intend to participate in the Capital Raising. Approval is being sought in relation to the participation of these related parties under Resolutions 7 to 11 of this Notice. The Shares and Free Attaching Options (**Securities**) for which approval is sought under Resolutions 7 to 11 are included in the 75 million Shares and 75 million Free Attaching Options for which approval is sought under this Resolution. None of the other subscribers to the Capital Raising will be related parties of the Company.

A summary of ASX Listing Rule 7.1 is set out in Section 19.2 of this Explanatory Statement.

The effect of Resolution 6 will be to allow the Directors to issue the Securities pursuant to the Capital Raising during the period of 3 months after the Meeting (or a longer period, if allowed by ASX) in relation to those Securities to be issued to unrelated parties, without using the Company's 15% annual placement capacity.

Separate approval pursuant to ASX Listing Rule 10.11 is being sought under Resolutions 7 to 11 for the issue of up to 5,499,996 Shares and up to 5,499,996 Free Attaching Options (of the total 75 million Shares and 75 million Free Attaching Options) to related parties of the Company during the period of 1 month after the Meeting (or a longer period, if allowed by ASX).

## **20.2 Technical information required by ASX Listing Rule 7.1**

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Capital Raising:

- (a) the maximum number of Shares to be issued is 75 million;
- (b) the maximum number of Free Attaching Options to be granted is 75 million;
- (c) except for those Securities taken up by the Related Parties pursuant to Resolutions 7 to 11, the Securities will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment will occur on the same date;
- (d) the issue price will be not less than \$0.20 per Share and the Free Attaching Options will be issued for nil consideration;
- (e) the Securities will be allotted and issued pursuant to a prospectus to sophisticated and professional investors, who are clients of Patersons, Delta Capital and CPS, none of whom will be related parties of the Company other than those related parties who approval is being sought for under Resolutions 7 to 11;
- (f) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (g) the Free Attaching Options will be issued on the terms and conditions set out in Schedule 4 of this Notice; and

- (h) funds raised pursuant to the Capital Raising will be used for the costs of the Transaction and working capital purposes.

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## **21. RESOLUTIONS 7 TO 11 – PARTICIPATION OF DIRECTOR IN CAPITAL RAISING – MESSRS PLACHA, COWARD, STEINEPREIS, HODBY AND BURKE**

### **21.1 General**

As outlined in Section 20.1 of this Explanatory Statement, the Company has entered into the Agreement under which the Company has agreed to the Capital Raising Condition.

As stated in Resolution 6 above, the Company has entered into the Agreement under which the Company has agreed to the Capital Raising Condition. Pursuant to the Capital Raising Condition, the Company intends to issue up to 75 million Shares at an issue price of \$0.22 per Share (and in any event, not less than \$0.20 per Share as required by the ASX Listing Rules) together with one Free Attaching Option for each Share subscribed for to raise up to \$16.5 million. Messrs Placha, Coward, Steinepreis, Hodby and Burke (**Related Parties**) intend to subscribe for up to 5,499,996 Shares and 5,499,996 Free Attaching Options collectively, pursuant to the Capital Raising (**Director Securities**).

### **21.2 Listing Rule 10.11 Authorisation**

ASX Listing Rule 10.11 requires a listed company to obtain Shareholder approval by ordinary resolution prior to the issue of securities (including an option) to a related party. Messrs Placha and Coward are considered to be related parties of the Company by virtue of the fact that upon completion of the Transaction (and subject to Shareholders' approval) they will become Directors of the Company. Messrs Steinepreis, Hodby and Burke are related parties by virtue of being directors of the Company.

Approval pursuant to Listing Rule 7.1 is not required in order to issue the Director Securities to the Related Parties as approval is being obtained under ASX Listing Rule 10.11. Therefore, the issue of the Securities will not be included in the 15% calculation for the purposes of ASX Listing Rule 7.1.

### **21.3 Chapter 2E OF THE CORPORATIONS ACT**

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

Section 210 of the Corporations Act states that Shareholder approval is not needed to give a financial benefit on terms that:

- (a) would be reasonable in the circumstances if the public company or entity were dealing at arm's length; or

- (b) are less favourable to the related party than the terms referred to in paragraph (a).

It is the view of the Board that the issue of the Director Securities to the Related Parties is on arm's length terms in accordance with Section 210 of the Corporations Act as the issue of the Director Securities to the Related Parties will be made to non-related subscribers to the Capital Raising on exactly the same terms. Accordingly, Shareholder approval is not sought for the grant of the Director Securities to the Related Parties under Chapter 2E. However, the Board believes that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought pursuant to ASX Listing Rule 10.11 only.

#### **21.4 Prescribed Information under ASX Listing Rule 10.13**

Pursuant to ASX Listing Rule 10.13, the Company provides the following information to Shareholders in respect of the proposed issue of the Director Securities to Messrs Placha, Coward, Steinepreis, Hodby and Burke under the Capital Raising:

- (a) the related parties are Messrs Placha, Coward, Steinepreis, Hodby and Burke. Messrs Placha and Coward are related parties by virtue of being proposed Directors of the Company and Messrs Steinepreis, Hodby and Burke are related parties by virtue of being Directors of the Company;
- (a) the maximum number of Director Securities (being the nature of the financial benefit being provided) to be issued to the Related Parties is:
  - (i) up to 681,818 Shares and up to 681,818 Free Attaching Options to Mike Placha, or his nominee;
  - (ii) up to 2,272,727 Shares and up to 2,272,727 Free Attaching Options to Carl Coward, or his nominee;
  - (iii) up to 2,272,727 Shares and up to 2,272,727 Free Attaching Options to Gary Steinepreis, or his nominee;
  - (iv) up to 45,454 Shares and up to 45,454 Free Attaching Options to Rob Hodby, or his nominee; and
  - (v) up to 227,270 Shares and up to 227,270 Free Attaching Options to Patrick Burke, or his nominee;
- (b) the Director Securities will be issued to Messrs Placha, Coward, Steinepreis, Hodby and Burke no later than one month after the Annual General Meeting (or such later date as permitted by any ASX waiver or ASIC relief) and it is intended that allotment will occur on the same date;
- (c) the issue price will be \$0.22 per Share and the Free Attaching Options will be issued for nil consideration, in order to raise up to approximately \$1,210,000;
- (d) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (e) the Free Attaching Options will be issued on the terms and conditions set out in Schedule 4 of this Notice; and

- (f) funds raised pursuant to the Capital Raising will be used for the costs of the Transaction and working capital purposes.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Director Securities to Messrs Placha, Coward, Steinepreis, Hodby and Burke as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of the Director Securities to Messrs Placha, Coward, Steinepreis, Hodby and Burke will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

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## **22. RESOLUTION 12 – ISSUE OF INCENTIVE OPTIONS – GREG HUNT**

### **22.1 General**

Subject to obtaining Shareholder approval, the Company has agreed to allot and issue a total of 5 million Incentive Options to Mr Greg Hunt pursuant to an executive services agreement between the Company and Mr Hunt. Mr Hunt will be appointed as the Chief Operating Officer of the Company and is not a related party of the Company.

A summary of ASX Listing Rule 7.1 is set out in Section 19.2 above.

The effect of Resolution 12 will be to allow the Directors to issue 5 million Incentive Options to Mr Hunt during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

### **22.2 Technical information required by ASX Listing Rule 7.1**

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Incentive Option Placement:

- (a) the maximum number of Incentive Options that are to be issued to Mr Hunt is 5 million Incentive Options;
- (b) the Incentive Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment will occur on the same date;
- (c) the Incentive Options will be granted for nil cash consideration, accordingly no funds will be raised;
- (d) the Incentive Options will be allotted and issued to Mr Hunt, in accordance with the terms of his executive service agreements with the Company;
- (e) the Incentive Options will be issued on the terms and conditions set out in Schedule 5.

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**23. RESOLUTION 13 – ISSUE OF INCENTIVE OPTIONS – MR MIKE PLACHA****23.1 General**

Subject to obtaining Shareholder approval, the Company has agreed to allot and issue a total of 5 million Incentive Options to Mr Mike Placha pursuant to an executive services agreement between Mr Placha and Wasatch Natural Resources, LLC, which will be a subsidiary of the Company following the settlement of the Asset Purchase Agreement.

A summary of ASX Listing Rule 10.11 is set out in Section 21.2 above and a summary of Chapter 2E of the Corporations Act is set out in Section 21.3 above.

The issue of the Incentive Options constitutes giving a financial benefit.

Mr Placha is a related party of the Company by virtue of being a proposed director of the Company.

It is the view of the Board that the issue of the Incentive Options constitutes reasonable remuneration in accordance with Section 211 of the Corporations Act. Accordingly, Shareholder approval is not sought for the grant of the Incentive Options to Mr Placha under Chapter 2E. However, the Board believes that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought pursuant to ASX Listing Rule 10.11 only.

**23.2 Technical information required by ASX Listing Rule 10.11**

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to the issue of the Incentive Options to Mr Placha:

- (a) the related party to whom the Incentive Options will be issued is Mr Placha, who is a related party by virtue of being a director of the Company;
- (b) the maximum number of Incentive Options that are to be issued to Mr Placha is 5 million Incentive Options;
- (c) the Incentive Options will be issued no later than 1 month after the General Meeting (or such later date as permitted by any ASX waiver or ASIC relief) and it is intended that allotment will occur on the same date;
- (d) the Incentive Options will be granted for nil cash consideration, accordingly no funds will be raised;
- (e) the Incentive Options will be allotted and issued to Mr Hunt, in accordance with the terms of his executive service agreements with the Company; and
- (f) the Incentive Options issued will be issued on the terms and conditions set out in Schedule 5.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Incentive Options to Mr Placha as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of the Incentive Options to Mr Placha will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

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**24. ENQUIRIES**

Shareholders are requested to contact Gary Steinepreis on (+ 61 8) 9420 9300 if they have any queries in respect of the matters set out in these documents.

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## GLOSSARY

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\$ means Australian dollars.

**Annual General Meeting** or **Meeting** means the meeting convened by the Notice.

**Transaction** means the acquisition by the Company of all of the shares in Delta Coal.

**Agreement** means the conditional agreement between the Company and Vendors, pursuant to which the Company agreed to purchase all of the issued share capital of Delta Coal from the Vendors in exchange for the Consideration Securities.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited.

**ASX Listing Rules** means the Listing Rules of ASX.

**Bankable Feasibility Study** means an extensive and detailed evaluation to be recorded in a report on the commercial and technical feasibility of the mining and production of coal in commercial quantities. The study shall include, in reasonable detail, an estimate with regards to the coal reserves, a description of the suggested methods of breakage, haulage and extraction, a description of proposed methods for processing and waste disposal, an economic evaluation that shall include an estimate of capital expenditure requirements and operating and taxation costs, an estimate of the operating levels, environmental costs, shutdown and reclamation costs related to the Kinney Project and a study on the size of the market for the coal to be mined and estimated sales prices. In addition, the study must be prepared in accordance with the requirements of the Australasian Code for the Reporting of Exploration Results, Minerals Resources and Ore Reserves, 2004 Edition and be Bankable. "Bankable" in this context shall mean that it must be credible and detailed enough, and to be prepared in such a manner and with all information that an independent financial institution reasonably requires to provide project finance for the Kinney Project.

**Board** means the current board of directors of the Company.

**Business Day** means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

**Capital Raising** means the issue of Securities pursuant to Resolution 6.

**Class A Performance Shares** means the Class A performance shares that the Company will issue to the Vendors subject to the satisfaction of Milestone A.

**Class B Performance Shares** means the Class B performance shares that the Company will issue to the Vendors subject to the satisfaction of Milestone B.

**Class C Performance Shares** means the Class C performance shares that the Company will issue to the Vendors subject to the satisfaction of Milestone B.

**Closely Related Party** of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;

- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the *Corporations Regulations 2001* (Cth).

**Company** means New Horizon Minerals Ltd (ACN 143 932 110).

**Consideration Securities** means the Consideration Shares and the Performance Shares, which are payable to the Vendors by the Company, subject to completion of the Transaction and satisfaction of the Milestones.

**Consideration Shares** means 10 million Shares, which are payable to the Vendors by the Company, subject to completion of the Transaction.

**Constitution** means the Company's constitution.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Decision to Mine** means a decision made by the Board to proceed to mining in respect of the Kinney Project.

**Delta Capital** means Delta Capital Pty Ltd (ACN 109 059 181).

**Delta Coal** means Delta Coal Fund Pty Ltd (ACN 149 580 085).

**Directors** means the current directors of the Company.

**Director Securities** means up to 5,499,996 Shares and up to 5,499,996 Free Attaching Options, which the Company intends to issue and allot to Messrs Placha, Coward, Steinepreis, Hodby and Burke, and which comprise part of the 75 million Shares and 75 million Free Attaching Options under the Capital Raising.

**Explanatory Statement** means the explanatory statement accompanying the Notice of Meeting.

**Free Attaching Option** means an option to acquire a Share pursuant to the Capital Raising, on the terms and conditions set out in Schedule 4 of this Notice.

**Incentive Options** means the 10 million incentive options to be issued to Mr Mike Placha and Mr Greg Hunt in equal portions, pursuant to their respective executive services agreements with the Company.

**JORC Code** means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

**Key Management Personnel** has the same meaning as in the accounting standards and broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

**Kinney Project** means the leasehold and sub-leasehold land known as the Kinney #2 mine near Scofield, Utah, Utah Division of Oil, Gas and Mining Permit number C0070047.

**Kinney Project Acquisition Date** means the date that is on or before 1 December 2011.

**Milestones** means the conversion milestones of the Performance Shares, as contained in Schedule 2 of this Notice.

**Notice** or **Notice of Meeting** or **Notice of General Meeting** means this notice of annual general meeting including the Explanatory Statement and the Proxy Form.

**Performance Shares** means the 10 million Class A Performance Shares, 10 million Class B Performance Shares and 10 million Class C Performance Shares, to be issued to the Vendors pursuant to the Transaction.

**Securities** means the Shares and Free Attaching Options to be issued pursuant to the Capital Raising, and includes the Director Securities.

**Proxy Form** means the proxy form accompanying the Notice.

**Remuneration Report** means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 30 June 2011.

**Resolutions** means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a holder of a Share.

**Vendors** means the shareholders of Delta Coal, as set out in Schedule 1 of this Notice.

**WST** means Western Standard Time as observed in Perth, Western Australia.

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**SCHEDULE 1 – VENDORS**


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Vendor name	Delta Coal Shares		Shares in the Company			
	Number	Percentage Interest	Shares	Class A Performance Shares	Class B Performance Shares	Class C Performance Shares
Anastasios Arima	167,000	20%	2,000,000	2,000,000	2,000,000	2,000,000
Carl Philip Coward	167,000	20%	2,000,000	2,000,000	2,000,000	2,000,000
Wall Street Nominees Pty Ltd  <Brennan Superannuation Fund A/C>	125,250	15%	1,500,000	1,500,000	1,500,000	1,500,000
Julie Brennan	41,750	5%	500,000	500,000	500,000	500,000
Jogchum Brinksma	167,000	20%	2,000,000	2,000,000	2,000,000	2,000,000
EDF Trading Limited	167,000	20%	2,000,000	2,000,000	2,000,000	2,000,000
<b>Total</b>	<b>835,000</b>	<b>100%</b>	<b>10,000,000</b>	<b>10,000,000</b>	<b>10,000,000</b>	<b>10,000,000</b>

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**SCHEDULE 2 – CONVERSION MILESTONES OF PERFORMANCE SHARES**

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<b>Class of Performance Share</b>	<b>Number of Performance Shares</b>	<b>Conversion Milestone</b>
Class A	10 million	If New Horizon publicly announces that an indicated JORC Code compliant resource (as this term is defined in the JORC Code) of at least 20 million tonnes has been discovered on the Kinney Project ( <b>Mineral Product</b> ) within 12 months of the Kinney Project Acquisition Date.
Class B	10 million	If New Horizon completes a Bankable Feasibility Study with a positive Decision to Mine in relation to the Kinney Project within 36 months the Kinney Project Acquisition Date.
Class C	10 million	If New Horizon undertakes development and commercial production of the Mineral Product within 48 months of the Kinney Project Acquisition Date or a change in control event occurs.

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### SCHEDULE 3 – TERMS AND CONDITIONS OF PERFORMANCE SHARES

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The terms of the Class A Performance Shares, Class B Performance Shares and Class C Performance Shares (collectively the **Performance Shares**) are subject to ASX approval and the Vendors agree and acknowledge that these terms may change to ensure compliance with the ASX Listing Rules.

- (a) **(Performance Shares)** Each Performance Share is a share in the capital of the Company.
- (b) **(General Meetings)** The Performance Shares shall confer on the holder (**Holder**) the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to shareholders of the Company (**Shareholders**). The Holder has the right to attend general meetings of Shareholders.
- (c) **(No Voting Rights)** The Performance Shares do not entitle the Holder to vote on any resolutions proposed at a general meeting of Shareholders.
- (d) **(No Dividend Rights)** The Performance Shares do not entitle the Holder to any dividends.
- (e) **(Rights on Winding Up)** The Performance Shares participate in the surplus profits or assets of the Company upon winding up of the Company only to the extent of \$0.000001 per Performance Share.
- (f) **(Not Transferable)** The Performance Shares are not transferable.
- (g) **(Reorganisation of Capital)** If at any time the issued capital of the Company is reconstructed, all rights of the Holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules at the time of reorganisation.
- (h) **(Application to ASX)** The Performance Shares will not be quoted on ASX. However, upon conversion of the Performance Shares into fully paid ordinary shares (**Ordinary Shares**) the Company must within 7 days after the conversion, apply for the official quotation of the Ordinary Shares arising from the conversion on ASX.
- (i) **(No Other Rights)** The Performance Shares give the Holder no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.
- (j) **(Participation in Entitlements and Bonus Issues)** Holders of Performance Shares will not be entitled to participate in new issues of capital offered to holders of the Ordinary Shares such as bonus issues and entitlement issues.
- (k) **(Reconstruction)**
  - (i) If there is a reconstruction (including, consolidation, subdivision, reduction or return) of the issued capital of the Company, the basis for adjustment of the conversion of Performance Shares into Ordinary Shares will be reconstructed in the same proportion as the issued capital of the Company is reconstructed and in a manner which will not result in any additional benefits being conferred on the Holder which are not conferred on the Shareholders, (subject to the same provisions with respect to rounding of entitlements as sanctioned by the meeting of shareholders approving the reconstruction of capital) but in all other respects the terms for conversion of the Performance Shares will remain unchanged.

- (ii) The adjustments of this term will, subject to the ASX Listing Rules, be determined by the Company.
- (l) **(Redemption if Milestones not Achieved)** If:
- (i) the Milestone in relation to the Class A Performance Shares, as set out in Schedule 2, is not achieved within a 12 month period commencing on the date of issue of the Class A Performance Shares (**Class A Milestone Determination Date**), then the 10 million Class A Performance Shares held by the Vendors will automatically be redeemed by the Company for the sum of \$0.000001 per Class A Performance Share within 10 Business Days of the Class A Milestone Determination Date;
  - (ii) the Milestone in relation to the Class B Performance Shares, as set out in Schedule 2, is not achieved within a 24 month period commencing on the date of issue of the Class B Performance Shares (**Class B Milestone Determination Date**), then the 10 million Class B Performance Shares held by the Vendors will automatically be redeemed by the Company for the sum of \$0.000001 per Class B Performance Share within 10 Business Days of the Class B Milestone Determination Date; and
  - (iii) the Milestone in relation to the Class C Performance Shares, as set out in Schedule 2, is not achieved within a 36 month period commencing on the date of issue of the Class C Performance Shares (**Class C Milestone Determination Date**), then the 10 million Class C Performance Shares held by the Vendors will automatically be redeemed by the Company for the sum of \$0.000001 per Class C Performance Share within 10 Business Days of the Class C Milestone Determination Date.
  - (iv) **(Conversion Procedure)** the Company will issue Delta Coal with a new holding statement for the Ordinary Shares as soon as practicable following the conversion of the Performance Shares into Ordinary Shares in accordance with Schedule 2.
  - (v) **(Ranking of Shares)** The Ordinary Shares into which the Performance Shares will convert will rank *pari passu* in all respects with existing Ordinary Shares.
  - (vi) **(Conversion on Change in Control)** Subject to clause (l)(vii) below, if prior to a the Milestone C Determination Date a change in control event occurs, then each Class C Performance Share will convert into 1 Ordinary Share. This clause does not apply to the Class A or Class B Performance Shares.
  - (vii) **(Takeover Provisions)**
    - (i) If the conversion of Performance Shares (or part thereof) would result in any person being in contravention of Section 606(1) of the *Corporations Act 2001* (Cth) (**Act**) then the conversion of each Performance Share that would cause the contravention shall be deferred until such time or times thereafter that the conversion would not result in a contravention of Section 606(1) of the Act.
    - (ii) The Holders shall give notification to the Company in writing if they consider that the conversion of Performance Shares (or part thereof) may result in the contravention of Section 606(1) of the Act failing which the Company shall assume that the conversion of Performance Shares (or part thereof) will not result in any person being in contravention of Section 606(1) of the Act.

- (iii) The Company shall (but is not obliged to) by written notice request the Holders to give notification to the Company in writing within 7 days if they consider that the conversion of Performance Shares (or part thereof) may result in the contravention of Section 606(1) of the Act. If the Holders do not give notification to the Company within 7 days that they consider the conversion of Performance Shares (or part thereof) may result in the contravention of Section 606(1) of the Act then the Company shall assume that the conversion of Performance Shares (or part thereof) will not result in any person being in contravention of Section 606(1) of the Act.

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## **SCHEDULE 4 – TERMS AND CONDITIONS OF FREE ATTACHING OPTIONS**

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The Free Attaching Options entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each Free Attaching Option gives the holder (**Optionholder**) the right to subscribe for one Share.
- (b) The Free Attaching Options will expire at 5.00pm (WST) on 31 December 2014 (**Expiry Date**). Any Free Attaching Options not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) The amount payable upon exercise of each Free Attaching Option will be \$0.20 (**Exercise Price**).
- (d) The Free Attaching Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (e) An Optionholder may exercise their Free Attaching Options by lodging with the Company, before the Expiry Date:
  - (i) a written notice of exercise of Free Attaching Options specifying the number of Options being exercised; and
  - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Free Attaching Options being exercised;(collectively, **Exercise Notice**).
- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (g) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Free Attaching Options specified in the Exercise Notice.
- (h) The Free Attaching Options are not transferable.
- (i) All Shares allotted upon the exercise of Free Attaching Options will upon allotment rank pari passu in all respects with other Shares.
- (j) The Company will not apply for quotation of the Free Attaching Options on ASX. However, The Company will apply for quotation of all Shares allotted pursuant to the exercise of Free Attaching Options on ASX within 10 Business Days after the date of allotment of those Shares.
- (k) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

- (l) There are no participating rights or entitlements inherent in the Free Attaching Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Free Attaching Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Free Attaching Options prior to the date for determining entitlements to participate in any such issue.
  
- (m) A Free Attaching Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Free Attaching Option can be exercised.

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## SCHEDULE 5 – TERMS AND CONDITIONS OF INCENTIVE OPTIONS

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The Incentive Options entitle the holder (**Incentive Optionholder**) to subscribe for Shares on the following terms and conditions:

- (a) Each Incentive Option gives the Incentive Optionholder the right to subscribe for one fully paid ordinary share in New Horizon (**Share**).
- (b) The Incentive Options will vest on the date (**Vesting Date**) on which the last of the following conditions are satisfied:
  - (i) completes a Bankable Feasibility Study that results in Buyer's board of directors making a positive decision to mine to enable production to commence in relation to the Kinney Project; and
  - (ii) this occurs within 36 months of the Kinney Project Acquisition Date,(together, the **Vesting Conditions**). The Vesting Conditions must be satisfied within 36 months of the Kinney Project Acquisition Date. If the Vesting Conditions are satisfied, the Incentive Options will immediately vest.
- (c) If the Executive ceases to be engaged by the Company pursuant to the terms of this Agreement prior to the expiration of the Vesting Date and without any of the Vesting Conditions being satisfied, all of the Incentive Options will be cancelled for nil consideration and the Executive agrees to execute any documentation to give effect to this.
- (d) Prior to the Vesting Date, the Incentive Options may not be exercised, transferred or otherwise dealt with.
- (e) The Incentive Options will expire at 5.00pm (WST) on the date which is 5 years after the Incentive Options are issued (**Expiry Date**). Any Incentive Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (f) The amount payable upon exercise of each Incentive Option will be AUD\$0.50 (**Exercise Price**).
- (g) The Incentive Options held by each Incentive Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (h) An Incentive Optionholder may exercise their Incentive Options by lodging with the Company, before the Expiry Date:
  - (i) a written notice of exercise of Incentive Options specifying the number of Incentive Options being exercised; and
  - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Incentive Options being exercised,(collectively, **Exercise Notice**).
- (i) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.

- (j) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Incentive Options specified in the Exercise Notice.
- (k) If a Change in Control Event occurs the Incentive Options will immediately vest upon the parties to the Change in Control Event entering into a binding contract to sell, merge, transfer, swap or otherwise modify New Horizon's interest in the Kinney Project. For the purposes of this clause (k), a Change in Control Event means:
  - (i) the occurrence of:
    - (A) the offeror under a takeover offer in respect of all Shares announcing that it has achieved acceptances in respect of 50.1% or more of the Shares and that takeover bid has become unconditional (except any condition in relation to the cancellation or exercise of the Incentive Options); or
    - (B) a completed sale agreement between New Horizon or a successor in interest and another party (**Third Party**) under which 100% of the Shares will be purchased by the Third Party; or
  - (ii) the announcement by the Company that shareholders of New Horizon have at a court convened meeting of shareholders voted in favour, by the necessary majority, of a proposed scheme of arrangement under which all Shares are to be either:
    - (A) cancelled; or
    - (B) transferred to a Third Party,and the court, by order, approves the proposed scheme of arrangement; or
  - (iii) any other transaction in which New Horizon's interest in the Kinney Project is modified;
- (l) The Incentive Options are not transferable.
- (m) All Shares allotted upon the exercise of Incentive Options will upon allotment rank pari passu in all respects with other Shares.
- (n) The Company will not apply for quotation of the Incentive Options on ASX. However, The Company will apply for quotation of all Shares allotted pursuant to the exercise of Incentive Options on ASX within 10 Business Days after the date of allotment of those Shares.
- (o) If at any time the issued capital of the Company is reconstructed, all rights of an Incentive Optionholder are to be changed in a manner consistent with the *Corporations Act 2001* (Cth) and the ASX Listing Rules at the time of the reconstruction.

- (p) There are no participating rights or entitlements inherent in the Incentive Options and Incentive Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Incentive Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 6 Business Days after the issue is announced. This will give Incentive Optionholders the opportunity to exercise their Incentive Options prior to the date for determining entitlements to participate in any such issue.
- (q) An Incentive Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Incentive Option can be exercised.
- (r) Subject to the discretion of the Board of the Company, if:
  - (i) the Executive terminates the Employment: or
  - (ii) the Executive's Employment is terminated with cause by the Company,any outstanding Incentive Options which have not been exercised will immediately lapse and have no further force or effect.

## ANNEXURE A – PRO-FORMA FINANCIAL STATEMENT

Pro-forma statement of financial position for New Horizon as at 30 June 2011 is set out below:

	Audited 30 June 2011 \$	Pro forma – minimum \$10m raising 30 June 2011 \$	Pro forma – maximum \$16.5m raising 30 June 2011 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	2,369,292	4,369,292	10,469,292
Trade and other receivables	6,039	6,039	6,039
<b>Total current assets</b>	<b>2,375,331</b>	<b>4,375,331</b>	<b>10,475,331</b>
<b>Non-current assets</b>			
Project	-	10,000,000	10,000,000
Other assets	10,000	10,000	10,000
<b>Total non-current assets</b>	<b>10,000</b>	<b>10,010,000</b>	<b>10,010,000</b>
<b>Total assets</b>	<b>2,385,331</b>	<b>14,385,331</b>	<b>20,485,331</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Project commitment	-	3,000,000	3,000,000
Trade and other payables	41,751	41,751	41,751
<b>Total current liabilities</b>	<b>41,751</b>	<b>3,041,751</b>	<b>3,041,751</b>
<b>Total liabilities</b>	<b>41,751</b>	<b>3,041,751</b>	<b>3,041,751</b>
<b>NET ASSETS</b>	<b>2,343,580</b>	<b>11,343,580</b>	<b>17,443,580</b>
<b>EQUITY</b>			
Contributed equity	2,245,440	11,245,440	17,345,440
Option premium reserve	183,812	183,812	183,812
Accumulated losses	(85,672)	(85,672)	(85,672)
<b>TOTAL EQUITY</b>	<b>2,343,580</b>	<b>11,343,580</b>	<b>17,443,580</b>

### Notes:

1. The pro forma statement of financial position takes into account the capital raising less the US\$7million to be paid on 1 December 2011 and a commitment of US\$3million to be paid on or before 1 June 2012. The A\$:US\$ rate has been assumed at 1:1.
2. Subject to satisfaction of Milestones A, B and C, the performance shares to be issued and allotted pursuant to the Agreement will be valued based upon the share price on the date of issue discounted by a number of potential risk factors, escrow discount and market conditions. This will increase the acquisition cost of the Kinney Project with the corresponding increase in a reserve account.



## PROXY FORM

**APPOINTMENT OF PROXY  
NEW HORIZON MINERALS LTD  
ACN 143 932 110**

### ANNUAL GENERAL MEETING

I/We

of

being a member of New Horizon Minerals Ltd entitled to attend and vote at the Annual General Meeting, hereby

Appoint

Name of proxy

OR

the Chair of the Annual General Meeting as your proxy

or failing the person so named or, if no person is named, the Chair of the Annual General Meeting, or the or failing the person so named or, if no person is named, the Chair of the Annual General Meeting, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, as the proxy sees fit, at the Annual General Meeting to be held at 10.00 am (WST), on 9 November 2011 at Level 1, 33 Ord Street, West Perth, Western Australia, and at any adjournment thereof.

If no directions are given in relation to Resolutions 3 to 4, 6 to 8 and 10 to 13, the Chair intends to vote in favour of these Resolutions.

**Important for Resolution 1:** If the Chair of the Meeting or any member of the Key Management Personnel of the Company whose remuneration details are included in the Remuneration Report or a Closely Related Party of that member is your proxy and you have not directed the proxy to vote on Resolution 1, the proxy will be prevented from casting your votes on Resolution 1. If the Chair, another member of the Key Management Personnel of the Company whose remuneration details are included in the Remuneration Report or Closely Related Party of that member is your proxy, in order for your votes to be counted on Resolution 1, you must direct your proxy how to vote on Resolution 1.

If the Chair of the Annual General Meeting is appointed as your proxy, or may be appointed by default, and you do **not** wish to direct your proxy how to vote as your proxy in respect of **Resolutions 3 to 4, 6 to 8 and 10 to 13** please place a mark in this box.

By marking this box, you acknowledge that the Chair of the Annual General Meeting may exercise your proxy even if he has an interest in the outcome of Resolutions 3 to 4, 6 to 8 and 10 to 13 and that votes cast by the Chair of the Annual General Meeting for Resolutions 3 to 4, 6 to 8 and 10 to 13 other than as proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on Resolutions 3 to 4, 6 to 8 and 10 to 13 and your votes will not be counted in calculating the required majority if a poll is called on Resolutions 3 to 4, 6 to 8 and 10 to 13.

**OR**

#### Voting on Business of the Annual General Meeting

	FOR	AGAINST	ABSTAIN
Resolution 1 – Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 – Re-election of director – Mr Robert Hodby	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 – Change in Nature and Scale of Activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 – Acquisition of Delta Coal Fund Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 – Change of Name	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 – Issue for Prospectus Capital Raising	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7 – Participation of Director in Capital Raising – Mike Placha	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8 – Participation of Director in Capital Raising – Carl Coward	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9 – Participation of Director in Capital Raising – Gary Steinepreis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 10 – Participation of Director in Capital Raising – Rob Hodby	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 11 – Participation of Director in Capital Raising – Patrick Burke	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 12 – Issue of Incentive Options – Greg Hunt	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Please note:** If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not to be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is

**Signature of Member(s):**

**Date:** \_\_\_\_\_

**Individual or Member 1**

**Member 2**

**Member 3**

**Sole Director/Company Secretary**

**Director**

**Director/Company Secretary**

**Contact Name:** \_\_\_\_\_ **Contact Ph (daytime):** \_\_\_\_\_

## NEW HORIZON MINERALS LTD

ACN 143 932 110

### Instructions for Completing 'Appointment of Proxy' Form

1. **(Appointing a Proxy):** A member entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote on a poll on their behalf. The appointment of a second proxy must be done on a separate copy of the Proxy Form. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If a member appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes. A duly appointed proxy need not be a member of the Company.
2. **(Direction to Vote):** A member may direct a proxy how to vote by marking one of the boxes opposite each item of business. Subject to the comments below, where a box is not marked the proxy may vote as they choose. Where more than one box is marked on an item the vote will be invalid on that item.

New sections 250BB and 250BC of the Corporations Act came into effect on 1 August 2011 and apply to voting by proxy on or after that date. Shareholders and their proxies should be aware of these changes to the Corporations Act, as they will apply to this Annual General Meeting. Broadly, the changes mean that:

- (a) if proxy holders vote, they must cast all directed proxies as directed; and
- (b) any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes are set out below.

#### **Proxy vote if appointment specifies way to vote**

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, if it does:

- (a) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and
- (b) if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands; and
- (c) if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- (d) if the proxy is not the Chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

#### **Transfer of non-chair proxy to chair in certain circumstances**

Section 250BC of the Corporations Act provides that, if:

- (a) an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and

- (b) the appointed proxy is not the Chair of the meeting; and
- (c) at the meeting, a poll is duly demanded on the resolution; and
- (d) either of the following applies:
  - (i) the proxy is not recorded as attending the meeting;
  - (ii) the proxy does not vote on the resolution,

the Chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

3. **(Signing Instructions):**

- **(Individual):** Where the holding is in one name, the member must sign.
- **(Joint Holding):** Where the holding is in more than one name, all of the members should sign.
- **(Power of Attorney):** If you have not already provided the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.
- **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held.

4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual members from attending the Annual General Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the Annual General Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the member is present at the Annual General Meeting.

5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:

- (a) post to the Company at PO Box 637, West Perth, Western Australia, 6872; or
- (b) facsimile to the Company on facsimile number +61 8 9420 9399; or
- (c) email to the Company at [admin@newhorizonminerals.com.au](mailto:admin@newhorizonminerals.com.au),

so that it is received not less than 48 hours prior to commencement of the Meeting.

**Proxy forms received later than this time will be invalid.**







