

**NEW HORIZON COAL LTD
(FORMERLY NEW HORIZON MINERALS LTD)**

ABN 61 143 932 110

Interim Financial Report

31 December 2011

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These interim financial statements do not include all the notes of the type normally included in the annual financial statements. Accordingly, these interim financial statements are to be read in conjunction with the annual financial statements dated 30 June 2011 and any public announcements made by the Company during the period from 1 July 2011 to the date of this report in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Corporate Directory

Directors

Gary Steinepreis
Chairman

Michael Placha
Executive

Carl Coward
Non-Executive

Company Secretary

Gary Steinepreis

Registered Office

Level 1, 33 Ord Street
West Perth WA 6005
Telephone: 08 9420 9300
Facsimile: 08 9420 9399

Share Register

Computershare Investor Services Pty Ltd
Reserve Bank Building
Level 2
45 St George's Terrace
Perth WA 6000
Investor enquiries: 1300 557 010
Telephone: 08 9323 2000
Facsimile: 08 9323 2033

Auditor

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008
Telephone: 08 6382 4600
Facsimile: 08 6382 4601

Stock Exchange Listing

New Horizon Coal Limited shares and options
are listed on the Australian Securities Exchange
(ASX), home branch, Perth.
Code: Shares – NHO
Code: Options - NHOO

Website

www.newhorizoncoal.com.au

DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of New Horizon Coal Ltd, (formerly New Horizon Minerals Ltd), and the entities it controlled at the end of, or during, the half year ended 31 December 2011 (New Horizon Coal or the Company or Group).

DIRECTORS

The names of each person who has been a director during the interim reporting period and to the date of this report are:

Gary Steinepreis appointed 4 June 2010

Michael Placha appointed 2 December 2011

Carl Coward appointed 2 December 2011

Robert Hodby appointed 4 June 2010 resigned 2 December 2011

Patrick Burke appointed 4 June 2010 resigned 2 December 2011

COMPANY SECRETARY

The company secretary is Gary Steinepreis who was appointed 4 June 2010.

PRINCIPAL ACTIVITIES

The principal continuing activity of the Company is exploration for coal and other minerals.

REVIEW OF OPERATIONS

The Company operates in the gold and base metal exploration industries in New South Wales via its 20% interest in the Mount Drysdale gold and base metal project and 20% interest in the Hora Bore base metal project, with farmin rights to earn an 80% interest in the projects by expending \$1 million over 3 years.

During the half year the Company entered into a share sale agreement to acquire Delta Coal Fund Pty Ltd (Delta Coal). The successful acquisition of Delta Coal saw a change to the nature and scale of the Company's activities which was approved by shareholders at the annual general meeting held on 9 November 2011. The change in the nature and scale of activities required that the Company re-comply with Chapters 1 and 2 of the ASX Listing Rules. A prospectus was issued to assist the Company to re-comply with these requirements. Re-compliance was satisfied on 6 December 2011 and the Company's securities were reinstated to trading on that date.

The Company changed its name to New Horizon Coal Ltd on 9 November 2011.

Delta Coal Fund Pty Ltd

Delta Coal Fund Pty Ltd, pursuant to an option agreement between Delta Coal and Carbon Resources, dated 17 March 2011, held an exclusive right to purchase a 100% interest in the Kinney Project, a thermal coal project located near Scofield in Utah in the USA.

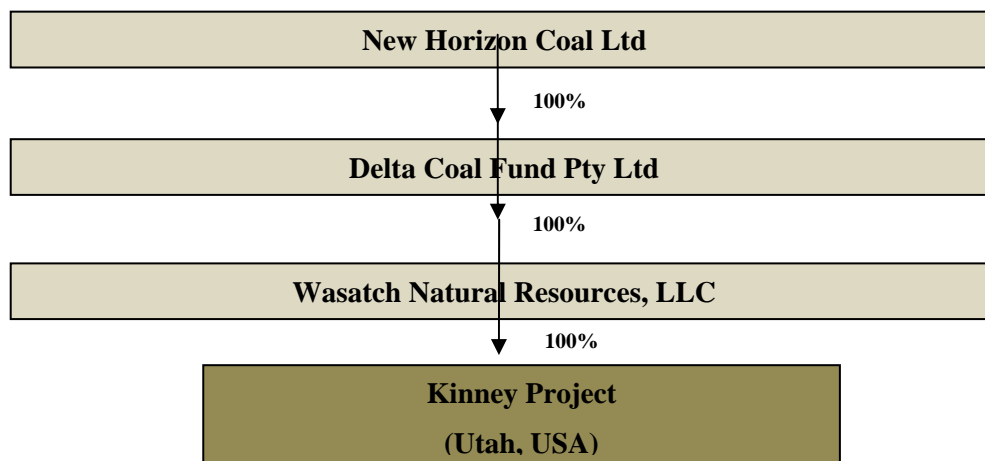
Delta Coal exercised its right to acquire the Kinney Project from Carbon Resources via an asset purchase agreement.

In accordance with the asset purchase agreement Delta Coal acquired 100% of the Kinney Project and assigned its interest in the Kinney Project to its wholly owned subsidiary, Wasatch Natural Resources LLC.

REVIEW OF OPERATIONS (continued)

Delta Coal Fund Pty Ltd (continued)

Company Structure on completion of the Acquisition of Delta Coal Fund



The strategic objective of the Company is to increase shareholder value by advancing the Kinney Project toward possible commercial production and growing the project area through acquisition or lease of further land or projects as and when they become available.

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 acquisition of the Kinney Project includes the following:

- (a) land from Carbon Resources known as the Kinney #2 thermal coal project with mining permit number C0070047, located in Utah in the United States of America;
- (b) the Carbon Resources Sublease;
- (c) the Telonis Lease; and
- (d) all of the Surface Fee Land.

The consideration payable for the acquisition is as follows:

Initial consideration at settlement of the asset purchase agreement	US\$7 million (Paid)
First deferred consideration	US\$3 million, which is payable on or before 1 June 2012 (first deferred consideration).
Second deferred consideration – non recourse If the bankable feasibility study is not completed and the positive decision to mine is not made within 36 months of closing of the asset purchase agreement, then the Kinney Project will be returned to Carbon Resources in accordance with the asset purchase agreement and the Company will retain no interest in the Kinney Project.	US\$15 million, which is payable upon the first to occur of: <ul style="list-style-type: none"> • completion of a bankable feasibility study with New Horizon’s Board making a positive decision to mine; or • 1 December 2014. (second deferred consideration).

Following settlement of the acquisition, the Company acquired a 100% interest in the Kinney Project in Utah. Accordingly, the Company has changed its focus to include coal exploration and development.

REVIEW OF OPERATIONS (continued)

Delta Coal Fund Pty Ltd (continued)

Company Structure on completion of the Acquisition of Delta Coal Fund (continued)

Subsequent to the successful completion of the offer under the prospectus, whereby the Company raised \$11,550,000 via the issue of 52,500,000 shares at an issue price of 22 cents, and following the completion of the acquisition, Mike Placha and Carl Coward were appointed as Directors of the Company and Greg Hunt was appointed as Chief Operating Officer (2 December 2011). The Kinney Project will be managed by Mike Placha and Greg Hunt, who are USA based and have over 60 years of collective experience in the USA coal industry.

New Directors and Senior Management

Michael Placha - Executive Director / Chief Executive Officer

Mr Placha has worked on various international projects throughout his 35-year career in the USA, 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 long-wall mine, rail and surface facilities in Montana. He led the design and construction of a 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.

Carl Coward - 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 acquisition.

Greg Hunt - 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 recognised 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, 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 at 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 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.

REVIEW OF OPERATIONS (continued)

Overview of “Kinney Project”

The Kinney Project consists of the Carbon County Sublease with the main “Kinney Parcel” (3,620 acres; 1,465 hectares) positioned adjacent to open Federal Land 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 Acquisition. 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.

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 an average 3.5 degrees north-east. Several N-S normal faults partition the deposit into multiple mining blocks.

Work is scheduled to commence immediately upon settlement of the Acquisition on:

- (a) converting the exploration target to a JORC Code compliant resource before the end of the first quarter of 2012, which was announced to ASX on 2 February 2012; and
- (b) commencing a Bankable Feasibility Study in relation to the Kinney Project.

Mount Drysdale and Hora Bore Gold and Base Metal Projects

The Company reviewed the existing data for both the Hora Bore and the Mount Drysdale gold and base metal projects. Based on this review it was decided to undertake a high-resolution ground-based magnetic survey with the assistance of consultant geophysicists.

The Company completed the high-resolution ground-based magnetic survey of the Hora Bore project in July and August 2011. The Hora Bore magnetic survey comprised approximately 15 lines at 200m wide spacings for 67.5km and has provided detailed resolution with respect to the dominant magnetic anomaly in the area, plus added some additional control for modeling. Ground access issues meant that the planned Mt. Drysdale magnetic survey has been deferred.

The Company and Drysdale Resources are undertaking a further review of the Mount Drysdale and Hora Bore gold and base metal projects to determine the immediate future exploration work required and an estimate of the cost to undertake that work.

The intention of the Company is to complete the review and withdraw from the farm-in arrangement with Drysdale Resources by disposing of its 20% interest in the projects. No material commitments have been made on the next phase of the exploration programme for these projects.

REVIEW OF OPERATIONS (continued)

Operating Result

The loss from operations for the half year ended 31 December 2011 after providing for income tax was \$165,912 (2010:\$28,770). The total comprehensive loss for the half year ended 31 December 2011 after providing for income tax was \$238,268 (2010:\$28,770).

Additional information on the operations and financial position of the Company and its business strategies and prospects is set out in this directors' report and the interim financial report.

After Reporting Date Events

The acquisition of Delta Coal Fund required that New Horizon Coal undertake to repay the shareholders loans contained in the books of Delta Coal Fund.

Subsequent to 31 December 2011 the Company negotiated with the Delta Coal Fund Shareholders whereby the Company agreed to pay a lesser amount in full settlement of the outstanding loans.

Shareholder loan balance as at 30 November 2011	\$834,165
Amount repaid to shareholders 20 January 2012	<u>\$593,581</u>
Amount of loans owed forgiven by Delta Coal Fund Shareholders	<u>\$240,584</u>

On 2 February 2012 The Company announced a maiden JORC resource at the Kinney Coal Project in Utah, USA.

The JORC resource of 26.1 million tonnes is in excess of the milestone (20 million tonnes) required to trigger the conversion of the Class A performance shares into ordinary shares.

As a result of reaching the performance milestone 20 million Class A performance shares have been converted into 20 million ordinary shares.

The announcement of the JORC code compliant resource in excess of 20 million tonnes also triggers the initial milestone and bonus payment to Michael Placha (USD\$50,000) and Greg Hunt (USD\$50,000) under the terms and conditions of their executive service agreements.

Other than as detailed above, there has been no matter or circumstance that has arisen that has significantly affected, or may significantly affect:

1. the Group's operations in future financial years, or
2. the results of those operations in future financial years, or
3. the Group's state of affairs in future financial years.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8 of this interim report.

COMPARATIVE FINANCIAL INFORMATION

The comparative financial information covers the period from the date of incorporation on 4 June 2010 to 31 December 2010.

Signed in accordance with a resolution of the board of directors

A handwritten signature in black ink that reads "G Steinepreis". The signature is written in a cursive style with a large initial "G" and a vertical line extending downwards from the end of the name.

Gary Steinepreis
Director
8 February 2012

8 February 2012

To The Directors
New Horizon Coal Limited
Level 1, 33 Ord Street
WEST PERTH WA 6005

Dear Sirs,

DECLARATION OF INDEPENDENCE BY PETER TOLL TO THE DIRECTORS OF NEW HORIZON COAL LTD

As lead auditor for the review of New Horizon Coal Ltd for the half-year ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of New Horizon Coal Ltd and the entities it controlled during the period.



Peter Toll
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia

New Horizon Coal Ltd (formerly New Horizon Minerals Ltd)
Consolidated Statement of Comprehensive Income
31 December 2011

	Note	Consolidated 2011 \$	Company 2010 \$
Revenue from operations	3	77,886	33,757
Expenses from operations			
Administration		(13,124)	(6,322)
Corporate compliance		(24,942)	(7,368)
Corporate management		(68,000)	(9,000)
Audit & non-audit services		(11,486)	(9,000)
Occupancy		(35,363)	(30,237)
Salaries and superannuation		(3,000)	-
Exploration expense		(27,167)	(600)
Share based payments		(60,716)	-
Total expenses from operations		(243,798)	(62,527)
Loss before income tax		(165,912)	(28,770)
Income tax expense		-	-
Loss for the half-year		(165,912)	(28,770)
Other comprehensive loss for the half-year net of tax		(72,356)	-
Total comprehensive loss for the period attributable to the members of New Horizon Minerals Limited		(238,268)	(28,770)
		Cents	Cents
Loss per share for loss from operations attributable to the ordinary equity holders of the Company:			
Basic loss per share		(0.50)	(0.21)
Diluted loss per share		n/a	n/a

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

New Horizon Coal Ltd (formerly New Horizon Minerals Ltd)
Consolidated Statement of Financial Position
31 December 2011

	Note	Consolidated 31 Dec 2011 \$	Company 30 June 2011 \$
ASSETS			
Current assets			
Cash and cash equivalents		5,747,968	2,369,292
Trade and other receivables		70,201	6,039
Total current assets		5,818,169	2,375,331
Non-current assets			
Exploration and evaluation expenditure	4	18,657,947	10,000
Property, plant and equipment	5	4,172	-
Total non-current assets		18,662,119	10,000
Total assets		24,480,288	2,385,331
LIABILITIES			
Current liabilities			
Trade and other payables	6	3,864,561	41,751
Total current liabilities		3,864,561	41,751
Total liabilities		3,864,561	41,751
NET ASSETS		20,615,727	2,343,580
EQUITY			
Contributed equity	7(a)	15,195,139	2,245,440
Option premium reserve	7(c)	183,812	183,812
Performance share reserve	7(i)	5,500,000	-
Share based payment reserve	7(f)	60,716	-
Foreign currency translation reserve		(72,356)	-
Accumulated losses		(251,584)	(85,672)
TOTAL EQUITY		20,615,727	2,343,580

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

New Horizon Coal Ltd (formerly New Horizon Minerals Ltd)
Consolidated Statement of Changes in Equity
31 December 2011

2011	Contributed equity	Option premium reserve	Performance share reserve	Share based payment reserve	Foreign currency translation reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$	\$	\$
Balance 1 July	2,245,440	183,812	-	-	-	(85,672)	2,343,580
Loss for the half-year	-	-	-	-	-	(165,912)	(165,912)
Exchange difference on foreign operations	-	-	-	-	(72,356)	-	(72,356)
Total comprehensive loss for the half year	-	-	-	-	(72,356)	(165,912)	(238,268)
Transactions with owners in their capacity as owners:							
Shares issued placement	11,550,000	-	-	-	-	-	11,550,000
Shares issued acquisition	2,200,000	-	5,500,000	-	-	-	7,700,000
Options issued	-	-	-	60,716	-	-	60,716
Transaction costs	(800,301)	-	-	-	-	-	(800,301)
Balance 31 December	15,195,139	183,812	5,500,000	60,716	(72,356)	(251,584)	20,615,727

2010	Contributed equity	Accumulated losses	Total
	\$	\$	\$
Balance 4 June 2010	-	-	-
Loss for the period	-	(28,770)	(28,770)
Total comprehensive loss for the half year	-	(28,770)	(28,770)
Transactions with owners in their capacity as owners:			
Shares issued	2,456,000	-	2,456,000
Transaction costs	(202,348)	-	(202,348)
Balance 31 December 2010	2,253,652	(28,770)	2,224,882

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

New Horizon Coal Ltd (formerly New Horizon Minerals Ltd)
Consolidated Statement of Cash Flows
31 December 2011

	Consolidated 2011 \$	Company 2010 \$
Cash flow from operating activities		
Interest received	77,886	15,840
Withholding tax on interest earned	(150)	-
BAS refund	13,424	11
Other	(5,000)	-
Payments to suppliers and employees	(253,621)	(62,181)
Net cash outflow from operations	(167,461)	(46,330)
Cash flows from investing activities		
Payments for plant and equipment	(4,228)	-
Payments for interests in mining leases net of cash acquired	(7,184,866)	(10,000)
Net cash outflow from investing activities	(7,189,094)	(10,000)
Cash flows from financing activities		
Proceeds from the issue of shares	11,550,000	2,456,000
Costs associated with capital raising	(814,769)	(202,348)
Net cash inflow from financing activities	10,735,231	2,253,652
Net increase in cash and cash equivalents	3,378,676	2,197,322
Cash and cash equivalents at the beginning of the period	2,369,292	-
Cash and cash equivalents at the end of the period	5,747,968	2,197,322

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1 Summary of significant accounting policies

This general purpose interim financial report includes the financial statements and notes of New Horizon Coal Ltd (formerly New Horizon Minerals Ltd), a public limited entity, and its controlled entities for the half-year ended 31 December 2011.

(a) Basis of preparation

The consolidated interim financial statements have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001. They do not include all of the information required for full annual financial statements and should be read in conjunction with annual report dated 30 June 2011 any public announcements made by the Company during the period from 1 July 2011 to the date of this report in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and the corresponding interim reporting period, except as those noted below:

(i) Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated using the straight line method to write off the net cost of each item of plant and equipment over its expected useful life, being 1 to 5 years.

(ii) Principles of Consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of New Horizon Coal Ltd as at 31 December 2011 and the results of all subsidiaries for the period then ended. New Horizon Coal Ltd and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction proves evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Subsidiaries are accounted for in the parent entity financial statements at cost.

(iii) Asset Acquisition

The acquisition method of accounting is used to account for all business combinations. Consideration is measured at the fair value of the assets transferred, liabilities incurred and equity interests issued by the group on acquisition date. Consideration also includes the acquisition date fair values of any contingent consideration arrangements, any pre-existing equity interests in the acquiree and share-based payment awards of the acquiree that are required to be replaced in a business combination. The acquisition date is the date on which the group obtains control of the acquiree.

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(iii) Asset Acquisition (continued)

Where equity instruments are issued as part of the consideration, the value of the equity instruments is their published market price at the acquisition date unless, in rare circumstances it can be demonstrated that the published price at acquisition date is not fair value and that other evidence and valuation methods provide a more reasonable measure of fair value.

Identifiable assets acquired and liabilities and contingent liabilities assumed in business combinations are, with limited exceptions, initially measured at their fair values at acquisition date. Goodwill represents the excess of the consideration transferred and the amount of the non-controlling interest in the acquiree over fair value of the identifiable net assets acquired. If the consideration and non-controlling interest of the acquiree is less than the fair value of the net identifiable assets acquired, the difference is recognised in profit or loss as a bargain purchase price, but only after a reassessment of the identification and measurement of the net assets acquired.

For each business combination, the group measures non-controlling interests at either fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed when incurred. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Where the group obtains control of a subsidiary that was previously accounted for as an equity accounted investment in associate or jointly controlled entity, the group remeasures its previously held equity interest in the acquiree at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss. Where the group obtains control of a subsidiary that was previously accounted for as an available-for-sale investment, any balance on the available-for-sale reserve related to that investment is recognised in profit or loss as if the group had disposed directly of the previously held interest.

Where settlement of any part of the cash consideration is deferred, the amounts payable in future are discounted to present value at the date of exchange using the entity's incremental borrowing rate as the discount rate.

Assets and liabilities from business combinations involving entities or businesses under common control are accounted for at the carrying amounts recognised in the group's controlling shareholder's consolidated financial statements.

When an asset acquisition does not constitute a business combination, the assets and liabilities are assigned a carrying amount based on their relative fair values in an asset purchase transaction and no deferred tax will arise in relation to the acquired assets and assumed liabilities as the initial recognition exemption for deferred tax under AASB 112 applies. No goodwill will arise on the acquisition and transaction costs of the acquisition will be included in the capitalised cost of the asset.

(iv) Impairment of Assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired.

If such an indication exists, the recoverable amount of the asset being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(iv) Impairment of Assets (continued)

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

(v) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on a discounted basis. Any changes in the estimates for the costs are accounted for on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(vi) Share Based Payment Transactions

The Group may provide benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted.

The fair value of these payments is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option. The fair value of the options granted is adjusted to reflect market conditions, but excludes the impact of any non-market vesting conditions. Non-market vesting conditions, if any, are included in assumptions about the number of options likely to be exercisable.

The grant date fair value of performance shares granted under asset acquisition agreements is recognised as an increase in the cost of the investment with a corresponding increase in equity. The Company has issued performance shares as part of the acquisition of Delta Coal Fund as outlined in note 7(i). The Company follows the guidelines of AASB 2 'Share based payments' and takes into account the probability of achieving these performance conditions.

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(vii) Accounting Estimates and Judgements

In the process of applying the accounting policies, management makes certain judgements or estimations which have an effect on the amounts recognised in the financial statements.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimate and assumptions that may have a significant risk causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period is:

Exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the company decides to exploit the related lease itself, or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, costs of drilling and production, production rates, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

(b) Comparative Financial Information

The comparative financial information covers the period from the date of incorporation on 4 June 2010 to 31 December 2010.

(c) Going Concern Basis of Accounting

The consolidated financial statements have been prepared on the basis of a going concern.

The Directors are of the opinion that the Company has sufficient funds to adequately meet the Company's planned exploration budget and short term working capital requirements.

However, the Company will require further financing in order to meet its obligations under the asset purchase agreement.

The initial consideration of USD\$7,000,000 has been paid however the first deferred consideration of USD\$3,000,000, payable on or before 1 June 2012, and the second deferred consideration, a non-recourse consideration amount of USD\$15,000,000, which is payable upon the first to occur of:

- 1) Wasatch Natural Resources completing a bankable feasibility study on the Kinney Project that results in a positive decision to mine the Kinney Project; or
- 2) 36 months after the asset purchase agreement completion date, and in the event that the bankable feasibility study does not result in a positive decision to mine and 36 months has expired then the Kinney Project will be transferred back to Carbon Resources in accordance with the asset purchase agreement and the Company will retain no interest in the Kinney Project, forfeit the consideration paid to Carbon Resources as at that date and any funds expended on the project to that date will be lost;

The non-recourse consideration has not been paid as at the date of this report.

New Horizon Coal Ltd (formerly New Horizon Minerals Ltd)

Notes to the Interim Financial Statements

31 December 2011

1 Summary of significant accounting policies (continued)

(c) Going Concern Basis of Accounting

The Directors are aware that the Company will need to obtain additional financing as needed and if unable to do so may be required to reduce the scope of its operations and scale back its exploration programmes, which may adversely affect the business and financial condition of the Company and its performance and further, may need to extinguish their liabilities and recognise their assets at amounts other than those stated in the interim financial report should they fail to raise the required funding to meet the ongoing needs of the Company.

Funding requirements will be met by way of equity or debt funding or a combination of both.

At 31 December 2011, the Company has cash funds available of \$5,747,968. It incurred an operating loss of \$165,912 for the 6 months to 31 December 2011 and had current liabilities of \$3,864,561.

2 Segment Information

The Company has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Company currently operates in one operating segment being the mining and exploration sector and two geographic locations, those being, Australia and the United States of America.

The chief operating decision makers look at areas of interest when reviewing exploration activities and the allocation of resources. The areas of interest are contained within separate operating entities and geographic locations and are reported on accordingly.

The directors are of the opinion that the current financial position and performance of the Group is equivalent to the operating segments identified and the following disclosure is provided.

31 December 2011	New Horizon Coal - Australia	Kinney Coal Project – USA	Inter Segment Adjustments	Consolidated
	\$	\$	\$	\$
Income	77,886	-		77,886
Expenses	(243,798)	(68,267)	68,267	(243,798)
Operating profit / (loss)	(165,912)	(68,267)	68,267	(165,912)
Assets				
Cash & cash equivalents	5,747,968	-	-	5,747,968
Other receivables	70,201	-	-	70,201
Property, plant and equipment	-	4,172	-	4,172
Other assets	10,000	-	-	10,000
Capitalised exploration	-	18,647,947	-	18,647,947
	5,828,169	18,652,119		24,480,288
Liabilities				
Other payables	75,668	834,974	-	910,642
Deferred settlement payable	-	2,953,919	-	2,953,919
	75,668	3,788,893	-	3,864,561
Net Assets	5,752,501	14,863,226	-	20,615,727

New Horizon Coal Ltd (formerly New Horizon Minerals Ltd)
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2 Segment Information (continued)

31 December 2010	New Horizon Coal - Australia	Kinney Coal Project – USA	Company
	\$	\$	\$
Income	33,757	-	33,757
Expenses	(62,527)	-	(62,527)
Operating loss	(28,770)	-	(28,770)
Assets			
Cash & cash equivalents	2,197,322	-	2,197,322
Other receivables	32,465	-	32,465
Other assets	10,000	-	10,000
	2,239,787	-	2,239,787
Liabilities			
Other payables	14,905	-	14,905
	14,905	-	14,905
Net Assets	2,224,882	-	2,224,882

3 Revenue from operations	Consolidated Dec 2011	Company Dec 2010
	\$	\$
Interest received	77,886	33,757
	77,886	33,757

4 Exploration and evaluation expenditure	Consolidated 31 Dec 2011	Company 30 June 2011
	\$	\$
Opening net book amount – Kinney project	-	-
Acquisition of Kinney Coal project	18,243,345	-
Exploration additions - cash	404,602	-
Closing net book amount – Kinney project	18,647,947	-
Opening net book amount – Mt Drysdale and Hora Bore projects	10,000	10,000
Closing net book amount – Mt Drysdale and Hora Bore projects	10,000	10,000
Total exploration and evaluation expenditure	18,657,947	10,000

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

New Horizon Coal Ltd (formerly New Horizon Minerals Ltd)
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5	Property, Plant and Equipment	Consolidated	Company
		31 Dec 2011	30 June 2011
		\$	\$
	Office Equipment		
	Opening net book value	-	-
	Plus acquisitions during the period	4,172	-
		<u>4,172</u>	<u>-</u>
	Less depreciation expense during the period	-	-
	Closing net book amount	4,172	-

6	Trade and Other Payables	Consolidated	Company
		31 Dec 2011	30 June 2011
		\$	\$
	Shareholder loans	834,165	-
	Other loans	809	-
	Deferred acquisition settlement	2,953,919	-
	Accruals and provisions	75,668	41,751
		<u>3,864,561</u>	<u>41,751</u>

7 Contributed Equity

(a)	Share Capital	31 Dec 2011	31 Dec 2011	30 June 2011	30 June 2011
		Shares	\$	Shares	\$
	Ordinary shares fully paid	<u>83,000,000</u>	<u>15,195,139</u>	20,500,000	2,245,440

(b) Movement in Ordinary Share Capital

2011		Number of	Issue	Amount
Date	Details	shares	price	\$
01/07/2011	Opening balance	20,500,000		2,245,440
23/11/2011	Issue of shares	52,500,000	\$0.22	11,550,000
23/11/2011	Issue of shares	10,000,000	\$0.22	2,200,000
	Cost of share issue	-		(800,301)
31/12/2011	Balance	<u>83,000,000</u>		<u>15,195,139</u>
2010		Number of	Issue	Amount
Date	Details	shares	price	\$
04/06/2010	Opening balance	-		-
04/06/2010	Issue of shares	6,000,000	\$0.001	6,000
30/06/2010	Issue of shares	4,500,000	\$0.100	450,000
13/10/2010	Issue of shares	10,000,000	\$0.200	2,000,000
	Cost of share issue	-		(202,348)
31/12/2010	Balance	<u>20,500,000</u>		<u>2,253,652</u>

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

New Horizon Coal Ltd (formerly New Horizon Minerals Ltd)
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7 Contributed Equity (continued)

(c) Options	31 December 2011 Number	31 December 2011 \$	30 June 2011 Number	30 June 2011 \$
	83,000,000	183,812	20,500,000	183,812

(d) Movement in Options

2011		Number of	Amount
Date	Details	options	\$
01/07/2011	Opening balance	20,500,000	183,812
23/11/2011	Issue of options - placement listed	52,500,000	-
23/11/2011	Issue of options - incentive unlisted	10,000,000	-
31/12/2011	Balance	83,000,000	183,812

2010		Number of	Amount
Date	Details	options	\$
04/06/2010	Opening balance	-	-
31/12/2010	Balance	-	-

(e) Terms and Conditions of listed Options

The options entitle the holder to subscribe for shares on the following terms and conditions:

- (a) Each option gives the holder the right to subscribe for one share.
- (b) The options will expire at 5.00pm (WST) on 31 December 2014. Any options not exercised before the expiry date will automatically lapse on the expiry date.
- (c) The amount payable upon exercise of each option will be \$0.20.
- (d) The options held by each option-holder 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 option-holder may exercise their options by lodging with the Company, before the expiry date:
 - (i) a written notice of exercise of options specifying the number of options being exercised; and
 - (ii) a cheque or electronic funds transfer for the exercise price for the number of options being exercised;
- (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 options specified in the exercise notice.
- (h) The options are not transferable.
- (i) All shares allotted upon the exercise of options will upon allotment rank pari passu in all respects with other shares.
- (j) The Company will apply for quotation of the options on ASX.
- (k) If at any time the issued capital of the Company is reconstructed, all rights of an option-holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

New Horizon Coal Ltd (formerly New Horizon Minerals Ltd)

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7 Contributed Equity (continued)

(e) Terms and Conditions of listed Options (continued)

(l) There are no participating rights or entitlements inherent in the options and option-holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the 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 option-holders the opportunity to exercise their 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.

(f) Share Based Payments	31 Dec 2011	30 June 2011
	\$	\$
	60,716	-

During the period the Company issued 10,000,000 incentive options to executives. As at the date of this report the options have been issued but have not yet vested. The calculated value for the options will be being written off over the vesting period. In calculating the value of the options issued the following inputs were used:

Underlying stock price	22 cents	Expiry date	9 Nov 2016
Exercise price	50 cents	Dividend yield	0%
Risk free rate	4.25%	Number of options	10,000,000
Volatility	90%	Calculated value	\$1,285,753
Approval date	9 Nov 2011	Vesting period	36 months

(g) Movement in Share Based Payments

2011		Number of	Amount
Date	Details	options	\$
01/07/2011	Opening balance	-	-
23/11/2011	Issue options incentive unlisted	10,000,000	60,716
31/12/2011	Balance	10,000,000	60,716

2010		Number of	Amount
Date	Details	options	\$
04/06/2010	Opening balance	-	-
31/12/2010	Balance	-	-

(h) Terms and Conditions of Unlisted Incentive Options

The incentive options entitle the holder to subscribe for shares on the following terms and conditions:

(a) Each incentive option gives the incentive option-holder the right to subscribe for one fully paid ordinary share in New Horizon Coal Ltd.

7 Contributed Equity (continued)

(h) Terms and Conditions of Unlisted Incentive Options (continued)

- (b) The incentive options will vest on the date on which the last of the following conditions are satisfied:
- (i) Completion of a bankable feasibility study that results in 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.
- 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. 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.
- (g) The incentive options held by each incentive option-holder 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 option-holder 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.
- (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) completed sale agreement between New Horizon or a successor in interest and another party under which 100% of the shares will be purchased by a 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:

7 Contributed Equity (continued)

(h) Terms and Conditions of Unlisted Incentive Options (continued)

- (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 option-holder 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 option-holders 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 option-holders 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.

(i) Performance Shares

	31 Dec 2011	31 Dec 2011	30 June 2011	30 June 2011
	Shares	\$	Shares	\$
Class A	10,000,000	2,200,000	-	-
Class B	10,000,000	1,650,000	-	-
Class C	10,000,000	1,650,000	-	-
Performance shares	30,000,000	5,500,000	-	-

In calculating the value of the performance shares issued the following inputs were used:

	Class A	Class B	Class C
Number of shares	10,000,000	10,000,000	10,000,000
Underlying share price	22 cents	22 cents	22 cents
Probability of achieving milestone	100%	75%	75%
Value of performance share	22 cents	17 cents	17 cents
Calculated value	\$2,200,000	\$1,650,000	\$1,650,000

New Horizon Coal Ltd (formerly New Horizon Minerals Ltd)
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7 Contributed Equity (continued)

(j) Movement in Performance Shares

2011		Number of	Issue	Amount
Date	Details	shares	price	\$
01/07/2011	Opening balance	-		-
23/11/2011	Issue of shares – Class A	10,000,000	\$0.220	2,200,000
23/11/2011	Issue of shares – Class B	10,000,000	\$0.165	1,650,000
23/11/2011	Issue of shares – Class C	10,000,000	\$0.165	1,650,000
31/12/2011	Balance	<u>30,000,000</u>		<u>5,500,000</u>

2010		Number of	Issue	Amount
Date	Details	shares	price	\$
04/06/2010	Opening balance	-		-
31/12/2010	Balance	<u>-</u>		<u>-</u>

(k) Terms and Conditions of Performance Shares

The terms of the class A, B and C performance shares are as follows:

- (a) Each performance share is a share in the capital of the Company.
- (b) The performance shares shall confer on the 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. The holder has the right to attend general meetings of shareholders.
- (c) The performance shares do not entitle the holder to vote on any resolutions proposed at a general meeting of shareholders.
- (d) The performance shares do not entitle the holder to any dividends.
- (e) The performance shares participate in the surplus profits or assets of the Company upon winding up only to the extent of \$0.000001 per performance share.
- (f) The performance shares are not transferable.
- (g) 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) The performance shares will not be quoted on ASX. However, upon conversion of the performance shares into fully paid 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) 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) Holders of performance shares will not be entitled to participate in new issues of capital offered to holders of ordinary shares such as bonus 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.

7 Contributed Equity (continued)

(k) Terms and Conditions of Performance Shares (continued)

(ii) The adjustments of this term will, subject to the ASX Listing Rules, be determined by the Company.

(l) Redemption if Milestones not Achieved

(i) If 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 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) If 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 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) If 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 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) The Company will issue Delta Coal Fund Pty Ltd 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) The ordinary shares into which the performance shares will convert will rank pari passu in all respects with existing ordinary shares.

(vi) 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

7 Contributed Equity (continued)

(k) Terms and Conditions of Performance Shares (continued)

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.

(8) Acquisition of Delta Coal Fund Pty Ltd

(a) Summary of Acquisition

Delta Coal Fund Pty Ltd, pursuant to an option agreement between Delta Coal and Carbon Resources, dated 17 March 2011, held an exclusive right to purchase a 100% interest in the Kinney Project, a thermal coal project located near Scofield in Utah in the USA.

Delta Coal exercised its right to acquire the Kinney Project from Carbon Resources via an asset purchase agreement.

In accordance with the asset purchase agreement Delta Coal acquired 100% of the Kinney Project and assigned its interest in the Kinney Project to its wholly owned subsidiary, Wasatch Natural Resources LLC.

The date on which New Horizon Coal Limited acquired 100% interest in Delta Coal Fund Pty Ltd, Wasatch Natural Resources and the Kinney Coal Project was 30 November 2011.

Details of the fair value of the assets and liabilities acquired as at 30 November 2011 are as follows:

Details	Number	Price	\$
Purchase consideration comprises:			
Ordinary shares	10,000,000	\$0.220	2,200,000
Performance shares	30,000,000	\$0.183	5,500,000
			<u>7,700,000</u>
Net assets acquired:			
Cash			126,808
Other receivables			2,768
Exploration expenditure			18,731,191
Trade and other payables			(10,325,793)
Shareholder loans			(834,165)
Other loans			(809)
Net identifiable assets			<u>7,700,000</u>

9 Related Party Transactions

i) **Michael Placha** was appointed a director of New Horizon Coal on 2 December 2011.

Upon completion of the acquisition of the Kinney Coal Project, Wasatch Natural Resources became a subsidiary of New Horizon Coal.

Mr Placha has an executive services agreement with Wasatch as its chief executive officer. The material terms of the agreement are as follows:

(a) the agreement has a term of 1 year commencing on 1 August 2011 and at the election of Wasatch, the term may be extended for a further period of 1 year;

9 Related Party Transactions (continued)

i) **Michael Placha** (continued)

- (b) Wasatch will pay Mr Placha a salary of \$197,600 (or US\$200,000 at a foreign exchange rate of A\$/US\$1.012) (exclusive of superannuation and GST) (Salary), which is payable in equal monthly instalments and which will be reviewed annually;
- (c) subject to proof, Wasatch will reimburse Mr Placha for all reasonable expenses incurred in the performance of his duties;
- (d) Mr Placha will be eligible for the following performance based bonuses:
 - (i) a bonus of \$49,400 (or US\$50,000 at a foreign exchange rate of A\$/US\$1.012) if Wasatch publicly announces that a measured JORC Code compliant resource of at least 20,000,000 tonnes has been discovered within 12 months of the Kinney Project Acquisition Date;
 - (ii) a bonus of \$247,000 (or US\$250,000 at a foreign exchange rate of A\$/US\$1.012) if Wasatch completes the Bankable Feasibility Study that results in the board of Wasatch making a decision to mine within 36 months of the Kinney Project Acquisition Date; and
 - (iii) a bonus of \$988,000 (or US\$1 million at a foreign exchange rate of A\$/US\$1.012) for every 50,000,000 tonnes of indicated JORC Code compliant resource that is discovered or acquired through exploration on a project that is introduced by Mr Placha;
- (e) Mr Placha has received 5 million Options exercisable at \$0.50 per Option within 5 years of the Options being issued. The Options will only vest on the date on which the Bankable Feasibility Study on the Kinney Project results in a Positive Decision to Mine the Kinney Project, provided that date is within 36 months after the Kinney Project Acquisition Date; and
- (f) the agreement contains termination provisions that are customary for an agreement of this type.

ii) **Carl Coward** was appointed a director of New Horizon Coal on 2 December 2011. The Company has entered into an executive services agreement with Mr Coward pursuant to which he will serve as a non-executive director. The material terms of the agreement are as follows:

- (a) the agreement has a term of 3 years from the date of re-election;
- (b) the Company will pay Mr Coward a salary of \$36,000 (including superannuation) from the pool of Non-Executive Director fees which may be varied by the Board from time to time. Additional fees are paid for participation on Board Committees and any special duties;
- (c) work undertaken on additional executive duties will be paid a commercial rate and will not form part of the Non-Executive Director fees;
- (d) Mr Coward is entitled to enter into a Deed of Indemnity and Access, covering the subjects of indemnity of Directors, Directors' and Officers' insurance and access to Company documentation; and
- (e) Mr Coward may resign at any time upon giving 1 month's written notice.

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9 Related Party Transactions (continued)

iii) **Gary Steinepreis** was appointed a director of the Company on 4 June 2010. Mr Steinepreis is the sole director and a potential beneficiary of Leisurewest Consulting Pty Ltd as trustee for the Leisurewest Trust (Leisurewest). Leisurewest provided the services of Gary Steinepreis on a month to month basis and was paid fees for service in the amount of \$1,000 per month. Upon the conclusion of the transaction to acquire the Kinney Coal Project on 30 November 2011 the Company entered into an executive services agreement with Mr Steinepreis pursuant to which he will serve as a non-executive director. The material terms of the agreement are as follows:

- (a) the agreement has a term of 3 years from the date of re-election;
- (b) the Company will pay Mr Steinepreis \$36,000 (including superannuation) from the pool of Non-Executive Director fees which may be varied by the Board from time to time. Additional fees are paid for participation on Board Committees and any special duties;
- (c) work undertaken on additional executive duties will be paid a commercial rate and will not form part of the Non-Executive Director fees;
- (d) Mr Steinepreis is entitled to enter into a Deed of Indemnity and Access, covering the subjects of indemnity of Directors, Directors' and Officers' insurance and access to Company documentation;
- (e) Mr Steinepreis may resign at any time upon giving 1 month's written notice.

Ascent Capital Holdings Pty Ltd (Ascent Capital) is a company owned 50% by Oakhurst Enterprises Pty Ltd of which Gary Steinepreis is the sole director and 50% shareholder. Ascent Capital is paid fees for the provision of office accommodation including all outgoings.

iv) The amount of remuneration paid to related parties during the half year is set out below:

31 Dec 2011	Short term employee benefits		Post-employment benefits	Share based payments	Services	Total
	Salary	Consulting fees	Superannuation	Options	Rent and outgoings	
Name	\$	\$	\$	\$	\$	\$
Gary Steinepreis	-	58,000	-	-	-	58,000
Ascent Capital	-	-	-	-	35,363	35,363
Carl Coward	2,752	-	248	-	-	3,000
Michael Placha	-	16,606	-	30,358	-	46,964
TOTAL	2,752	74,606	248	30,358	35,363	143,327

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9 Related Party Transactions (continued)

- v) The following table set out interests in securities held by related parties and / or entities associated with those related parties as at 31 December 2011:

Name	Ordinary shares	Class A performance shares	Class B performance shares	Class C performance shares	Options
Gary Steinepreis	5,012,186	-	-	-	4,912,186
Carl Coward	4,872,777	2,000,000	2,000,000	2,000,000	1,136,364
Michael Placha	454,546	-	-	-	5,454,546

Delta Coal Fund was issued 30,000,000 performance shares as part of the acquisition of the Kinney Coal project. Mr Coward is a 20% shareholder of Delta Coal Fund and as such is entitled to 20% (6,000,000) of the issued performance shares.

10 Key Management Personnel

Wasatch Natural Resources entered into an Executive Services Agreement with **Greg Hunt** pursuant to which Mr Hunt will serve as Chief Operating Officer of Wasatch. Upon the conclusion of the acquisition of the Kinney Coal Project New Horizon Coal became the 100% owner of Wasatch. The material terms of the agreement are as follows:

- (a) the agreement has a term of 2 year commencing on the Kinney Project Acquisition Date and at the election of Wasatch, the term may be extended for a further period of 1 year;
- (b) Wasatch will pay Mr Hunt a salary of \$128,440 (or US\$130,000 at a foreign exchange rate of A\$/US\$1.012) (exclusive of superannuation and GST) (Salary), which is payable in equal monthly instalments and which will be reviewed annually;
- (c) subject to proof, Wasatch will reimburse Mr Hunt for all reasonable expenses incurred in the performance of his duties;
- (d) Mr Hunt will be eligible for the following performance based bonuses:
 - (i) a bonus of \$49,400 (or US\$50,000 at a foreign exchange rate of A\$/US\$1.012) if Wasatch publicly announces that a measured JORC Code compliant resource of at least 20,000,000 tonnes has been discovered within 12 months of the Kinney Project Acquisition Date;
 - (ii) a bonus of \$247,000 (or US\$250,000 at a foreign exchange rate of A\$/US\$1.012) if Wasatch completes the Bankable Feasibility Study that results in the board of Wasatch making a decision to mine within 36 months of the Kinney Project Acquisition Date; and
 - (iii) a bonus of \$988,000 (or US\$1 million at a foreign exchange rate of A\$/US\$1.012) for every 50,000,000 tonnes of indicated JORC Code compliant resource that is discovered or acquired through exploration on a project that is introduced by Mr Hunt;
- (e) Mr Hunt has received 5 million Options exercisable at \$0.50 per Option within 5 years of the Options being issued. The Options will only vest on the date on which the Bankable Feasibility Study on the Kinney Project results in a Positive Decision to Mine the Kinney Project, provided that date is within 36 months after the Kinney Project Acquisition Date; and

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31 December 2011

10 Key Management Personnel (continued)

- (f) the agreement contains termination provisions that are customary for an agreement of this type.

The amount of remuneration paid to key management personnel during the half year is set out below:

31 Dec 2011	Short term employee benefits		Post-employment benefits	Share based payments	Total
	Salary	Consulting fees	Superannuation	Options	
Name	\$	\$	\$	\$	\$
Greg Hunt	-	10,616	-	30,358	40,974
TOTAL	-	10,616	-	30,358	40,974

11 After Reporting Date Events

The acquisition of Delta Coal Fund required that New Horizon Coal undertake to repay the shareholders loans contained in the books of Delta Coal Fund.

Subsequent to 31 December 2011 the Company negotiated with the Delta Coal Fund Shareholders whereby the Company agreed to pay a lesser amount in full settlement of the outstanding loans.

Shareholder loan balance as at 30 November 2011	\$834,165
Amount repaid to shareholders 20 January 2012	<u>(\$593,581)</u>
Amount of loans owed forgiven by Delta Coal Fund Shareholders	<u>\$240,584</u>

On 2 February 2012 The Company announced a maiden JORC resource at the Kinney Coal Project in Utah, USA.

The JORC resource of 26.1 million tonnes is in excess of the milestone (20 million tonnes) required to trigger the conversion of the Class A performance shares into ordinary shares.

As a result of reaching the performance milestone 20 million Class A performance shares have been converted into 20 million ordinary shares.

The announcement of the JORC code compliant resource in excess of 20 million tonnes also triggers the initial milestone and bonus payment to Michael Placha (USD\$50,000) and Greg Hunt (USD\$50,000) under the terms and conditions of their executive service agreements.

Other than as detailed above, there has been no matter or circumstance that has arisen that has significantly affected, or may significantly affect:

1. the Group's operations in future financial years, or
2. the results of those operations in future financial years, or
3. the Group's state of affairs in future financial years.

13 Contingent Liabilities

There are no contingent liabilities for the half year.

14 Commitments

Mount Drysdale and Hora Bore Projects

The Company has acquired from Drysdale Resources a 20% interest in EL6751, Mount Drysdale gold and base metal project and a 20% interest in EL6869, Hora Bore base metal project.

The Company is entitled to earn a further 60% (for a total of 80%) interest in each of the tenements by expending \$1,000,000 on the tenements on or before 29 July 2013.

The Company is obliged to expend not less than \$250,000 on the tenements on or before the second anniversary of admission of the Company's shares to the official list of the ASX. At any time thereafter the Company may withdraw from the agreement and upon withdrawal the agreement shall terminate. In the event the Company withdraws from the agreement it shall immediately transfer the 20% interest back to Drysdale Resources.

Kinney Coal Project

Under the asset purchase agreement to acquire the Kinney Coal Project a further deferred settlement (second deferred settlement) of USD\$15,000,000 is payable via a non-recourse promissory note, to be delivered to Carbon Resources upon the first to occur of:

- (1) Wasatch Natural Resources completing a bankable feasibility study on the Kinney Project that results in a positive decision to mine the Kinney Project; or
- (2) 36 months after the asset purchase agreement completion date, and in the event that the bankable feasibility study does not result in a positive decision to mine and 36 months has expired then the Kinney Project will be transferred back to Carbon Resources in accordance with the asset purchase agreement and the Company will retain no interest in the Kinney Project, forfeit the consideration paid to Carbon Resources as at that date and any funds expended on the project to that date will be lost.

New Horizon Coal Ltd (formerly New Horizon Minerals Ltd)
Directors' Declaration
31 December 2011

The Directors' of the Group declare that:

- 1 The interim financial statements and notes as set out on pages 9 to 31 are in accordance with the *Corporations Act 2001*, and
 - (i) comply with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
 - (ii) give a true and fair view of the financial position of the Group as at 31 December 2011 and of its performance to the half-year ended on that date.
- 2 In the opinion of the directors' there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Gary Steinepreis
Director
West Perth
8 February 2012

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF NEW HORIZON COAL LTD

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of New Horizon Coal Ltd, which comprises the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of New Horizon Coal Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of New Horizon Coal Ltd, would be in the same terms if given to the directors as at the time of this auditor's report.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of New Horizon Coal Ltd is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 1(c) in the half-year financial report which indicates that New Horizon Coal Ltd incurred a net loss of \$165,912 during the half-year ended 31 December 2011. This condition, along with other matters as set forth in Note 1(c), indicate the existence of a material uncertainty which may cast significant doubt about the disclosing entity's ability to continue as a going concern and therefore, the disclosing entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'Peter Toll', with the letters 'BDO' written above it.

Peter Toll
Director

Perth, Western Australia
Dated this 8th day of February 2012