



## ACTIVITIES REPORT FOR THE QUARTER ENDED 30 JUNE 2012

The Board of New Horizon Coal Ltd (**NHO** or **Company**) is pleased to present its report for the three months ending 30 June 2012:

### Company Highlights for the Quarter

- Commenced a drilling program at the Company's Kinney Project. Seven (7) holes will be drilled, cored and logged, with expected drilling completion in August 2012. The drilling campaign will supplement existing coal quality data and be used in marketing discussions and in the Company's ongoing Pre-Feasibility Study.
- John T. Boyd Company (JT Boyd) completed the detailed geologic model as part of their work for the Pre-Feasibility Study (PFS).
- Continued to advance discussions regarding an export facility site location. The Company is currently in discussions to acquire an initial port allocation of 3 Mtpa.
- Received approval from the U.S. Bureau of Land Management (BLM) to initiate an Environmental Assessment (EA) on the adjacent tract containing Federal coal for which the Company has made lease application. Completion of the EA is expected in the March 2013 quarter.
- Held initial marketing discussions with a regional, domestic electric utility.
- Submitted a Lease-by-Application (LBA) for additional Federal coal lease rights within the same mining district as the Kinney Project. The LBA, submitted in April 2012, encompasses approximately 1,750 hectares of coal lease rights for two minable seams.

### Targets for next quarter

During the next quarter, NHO will complete work on the Kinney Project PFS and will continue to evaluate strategic acquisitions. Other highlights include:

- Complete the 2012 drilling program at the Kinney Project site.
- Initiate Environmental Assessment work specific to the Federal coal LBA adjacent to the Kinney Project site.
- Continue export related off-take discussions with key port facilities and rail carriers.
- Evaluate additional thermal coal mining opportunities in the United States as they arise.

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## Kinney Coal Project

NHO is focused on becoming a producer of high quality thermal coal with a target of becoming a mid-tier North American coal mining company. The Kinney Coal Project was acquired in late 2011 through its US subsidiary, Wasatch Natural Resources LLC (WNR). The Kinney Coal Project plan involves underground mining of two major coal seams using conventional, continuous miner sections. Entry will be via an exposed coal seam outcrop within the already permitted mine site area.

The Kinney Coal Project lies in a mature mining region that has historically produced over 30 million tonnes of coal annually from underground mines. The Kinney Coal Project benefits from world-class infrastructure including three class 1 rail carriers within 30km of the proposed portal, paved roads and state highway maintenance facility directly adjacent to the mine and an experienced local workforce. The Kinney Coal Project is well positioned to meet demand for coal in the domestic and export markets with a high calorific, low sulphur product.

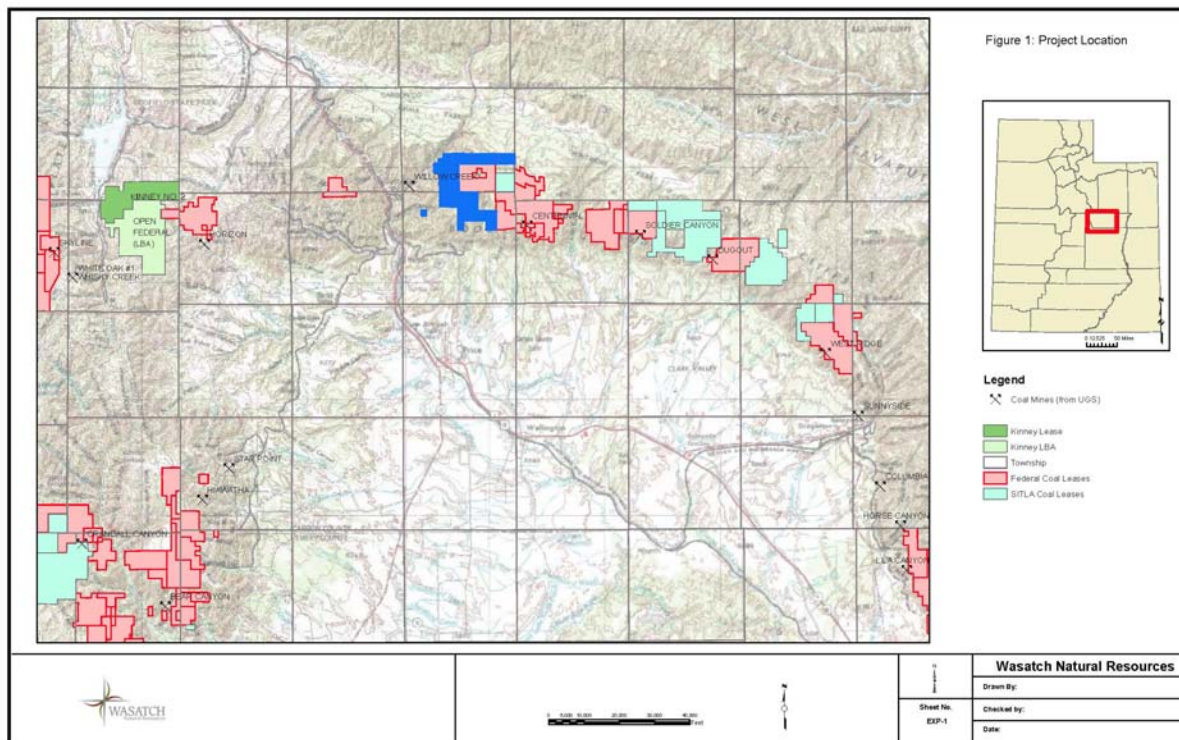


Figure 1: Kinney Coal Project Location

## Kinney Project Drilling Program

During the current quarter, NHO received agency approval for and commenced a drilling program at the Kinney Coal Project. The drilling program is intended to supplement the 129 drill holes of historical data currently available for the site. A total of 1,880 metres in seven (7) holes will be drilled using rotary/air foam methods, with 246 metres to be cored conventionally. Results will supplement existing quality data for the Hiawatha and UP Seams and will be used in the ongoing PFS and BFS. The drilling program completion will be completed in the September quarter.

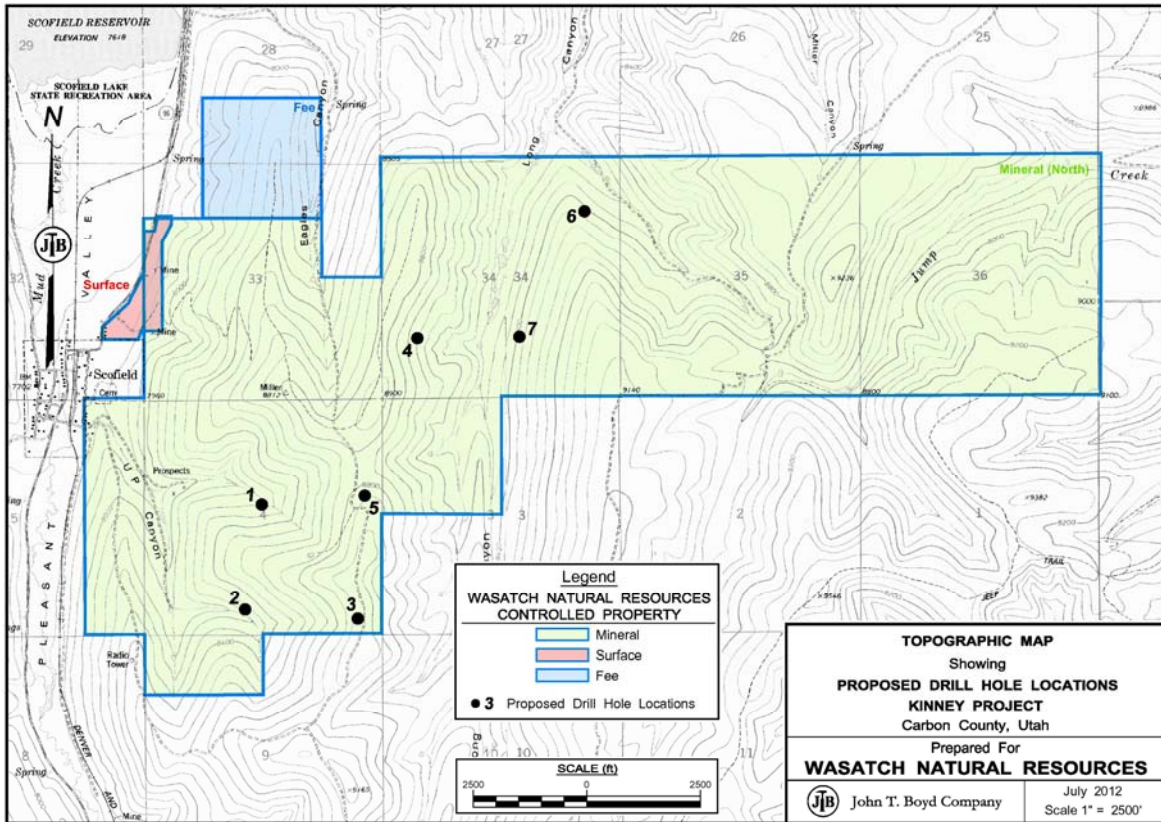


Figure 2: Kinney Project Drilling Program

## Pre-Feasibility Study

The Pre-Feasibility Study for the Kinney Coal Project, as part of the Bankable Feasibility Study (BFS), commenced in the March quarter and has continued evaluations. The study is being conducted by John T. Boyd company (JT Boyd), an internationally recognized mining consulting firm. During the quarter, JT Boyd confirmed an earlier resource estimate prepared by Behre Dolbear in a JORC Resource Report. With their detailed geological modeling approach, JT Boyd has expanded the resource coverage to include additional portions of the property controlled by NHO and extended seam thickness range for the resource to include a minimum coal height of 1.2 metres. This expansion of the resource extent is expected to add additional tonnage to the Kinney resource. JT Boyd will issue an updated JORC Resource report in conjunction with its issuance of the PFS report. It is expected that both reports will be released in the September quarter.

## Export Facilities and Logistics

NHO has continued detailed discussions with port facilities located on the west coast and Gulf of Mexico. NHO is in discussions to secure annual port allocation of 3 million tons (2.7 million tonnes) at a key deep-water port facility. This facility provides ready access to proven markets for a high calorific value thermal coal to Europe, Mexico and Latin America and Asia. The Company has received positive feedback and discussions are ongoing.

## **Long Canyon LBA**

Following the successful submission of NHO's Lease-by-Application (LBA) for Federal coal tracts adjacent to the Kinney Project, the U.S. Bureau of Land Management (BLM) has approved the Company to move forward with an Environmental Assessment (EA), required under the Federal leasing process. The Company expected to make its selection of an environmental contractor in September quarter to perform the EA work. The EA is expected to be complete by the March 2013 quarter. The tract, known as the Long Canyon LBA, contains over 2,100 hectares of mineral rights and would greatly expand the Kinney Coal Project's coal resource.

## **Market Discussions**

During the quarter NHO held preliminary discussions with a major electric utility in the region of the Kinney Coal Project. Initial feedback was positive, and NHO and the utility will continue to hold informal discussions.