



## ACTIVITIES REPORT FOR THE QUARTER ENDED 30 JUNE 2013

The Board of New Horizon Coal Ltd (ASX: NHO, “the Company”) is pleased to present its quarterly report for the three months ending 30 June 2013:

### Highlights for the June Quarter

- **Capital Reduction Study for Kinney Coal Project, Utah, USA.** Positive results from study cuts CAPEX needed to achieve first production at Kinney Coal Project by 63% to US\$23 million, a proposed saving of US\$40 million.
- **Long Canyon Tract Federal Coal Lease-by-Application (LBA) Environmental Assessment (EA) report completed.** With completion of the EA, 3,116 hectares of Federal administered coal mineral rights now advances to a fair market value assessment hearing
- **Engagement of leading investment bank Headwaters MB for project financing for Kinney Coal Project.** Headwaters will add valuable advisory experience to the Project and will create a detailed plan to secure project financing.
- **Placement and Issue and Allotment of Shares and Options to raise \$570,000 completed.** A placement of 7,125,000 shares at an issue price of 8 cents per share to raise \$570,000, 5,500,000 listed options exercisable at 20 cents on or before 31 December 2014 and 5,500,000 unlisted options exercisable at 30 cents on or before 26 April 2016 was completed. These shares and options were issued to Directors of NHO or entities associated with Directors in accordance with shareholder approval received at the General Meeting held on 28 March 2013.

### September Quarter Targets

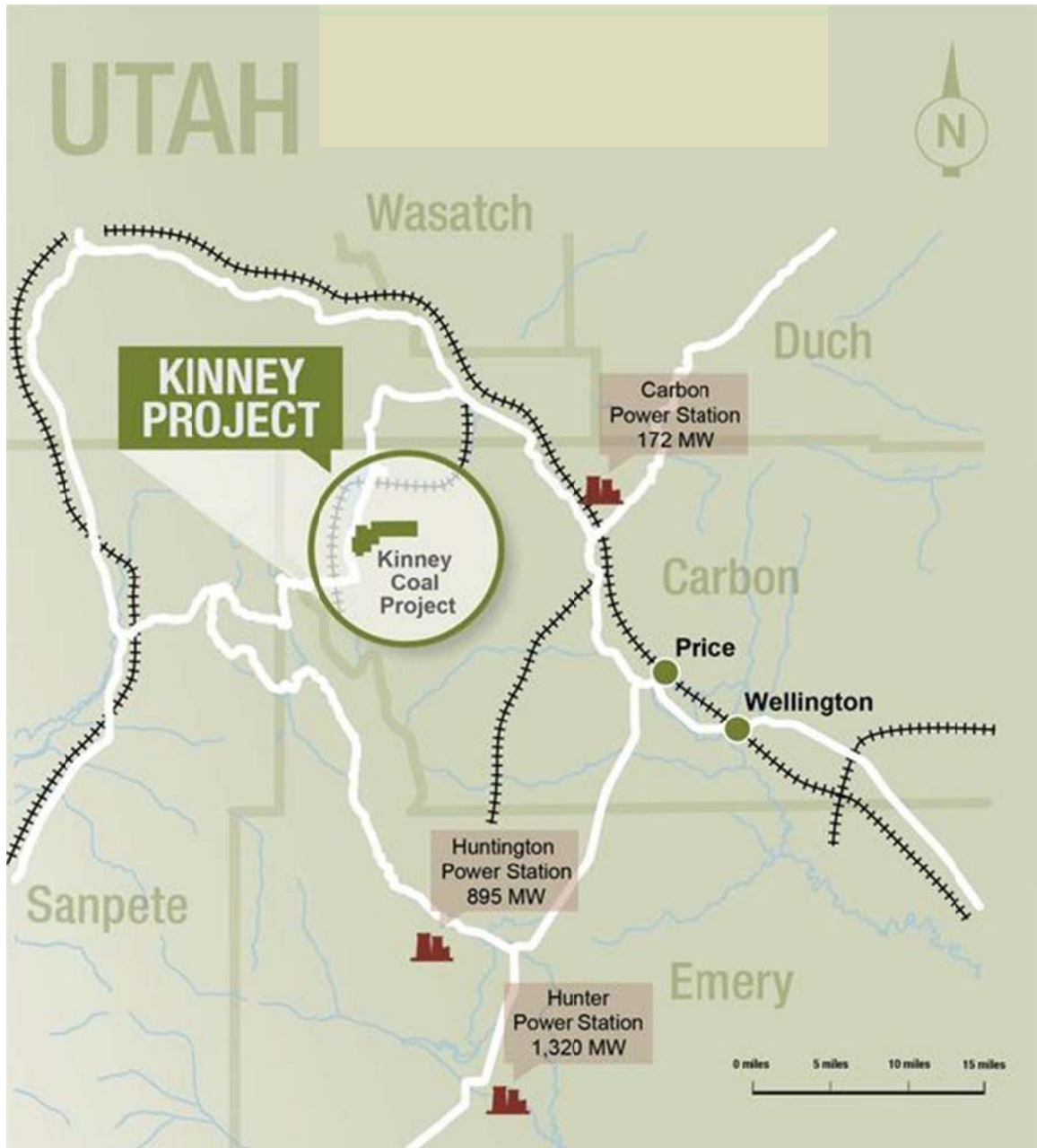
During the upcoming quarter, NHO will:

- Continue to advance our negotiations for coal sales off-take supply agreements
- Continue to advance the NHO’s Long Canyon LBA to acquire by auction the coal mineral rights administered by the federal government
- Continue work on the Kinney Coal Project Bankable Feasibility Study
- Assess financing options and structures available for the Kinney Coal Project
- Approach select financial group of investors with a stated interest in the mining/coal energy sector

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*Figure 1: Kinney Coal Project Location*

### **Kinney Coal Project Capital Reduction Study**

In April, NHO announced a comprehensive review of all capital expenditures (CAPEX) proposed in its Pre-Feasibility Study (PFS) for the Kinney Coal Project.

NHO identified three areas of interest for potential CAPEX reductions: surface facilities, unit train rail loading facilities and mining equipment. The PFS, completed late last year, provided the most conservative measure for capital expenditures, assuming all new and wholly-owned equipment and facilities at the Kinney Coal Project. As part of the Bankable Feasibility Study

(BFS), NHO decided to evaluate more aggressive capital acquisition strategies aimed at reducing overall project CAPEX.

NHO engaged John T Boyd Company (JT Boyd) to undertake a review of expenditures proposed in the PFS. The review suggested a phased development of the Project and other cost-savings would reduce start-up CAPEX by US\$40 million (refer to ASX Announcement 19 June 2013).

To reduce initial capital outlay, this modified operations scenario assumes mining equipment is purchased on the used (surplus) equipment market and construction projects are reduced in scale in order to defer capital spending on the Project. This alternative path to production will generate cash flows sooner than originally forecast. The lower initial production allows NHO to develop markets for the Kinney Coal Project's high calorific, low sulphur product and to increase production as market demand allows. The alternative path to production will not hinder NHO's ability to reach full production of 2 million tonnes per annum as envisioned in the Prefeasibility Study (PFS). The results of this capital reduction study will be incorporated into the economic model of the Bankable Feasibility Study (BFS) which will be completed by JT Boyd and is scheduled for release in late 2013.

### **Engagement of Headwaters MB**

NHO has engaged Headwaters MB ("Headwaters") of Denver, Colorado, USA to serve as corporate advisory firm for the financing of the Kinney Coal Project. The engagement of Headwaters will advance NHO's efforts in securing project finance for the Kinney Coal Project.

Headwaters will explore debt and equity financing options for the project. Headwaters will also explore possible joint venture, merger & acquisition activities that would enhance the value of NHO and the Kinney Coal Project.

### **Enquiries**

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### **About the 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. Through its US subsidiary, Wasatch Natural Resources (WNR), the Kinney Coal Project was acquired in late 2011. 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 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 25km 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 heat, low sulphur product.