



## 2ND QUARTER ACTIVITIES REPORT FOR THE QUARTER ENDED 31 DECEMBER 2012

The Board of New Horizon Coal Ltd (NHO or the Company) is pleased to present its quarterly report for the three months ending 31 December 2012:

### Company Highlights for the Second Quarter

- **Completed the Pre-Feasibility Study (PFS) for the Kinney Coal Project.** Results confirmed the project's technical and economic viability to produce a high-calorific, low sulphur product suitable for domestic and export thermal coal markets. Strengths highlighted by the study include:
  - Competitive operating and cash costs
  - Strong cash flows and rapid capital repayment
  - Low capital investment per tonne of productive capacity
  - Exceptional, high quality JORC Resource and Reserve characteristics
  - 2.3 Mtpa annual ROM production capacity
  - Rapid production development schedule
  - World class infrastructure access
  - Favourable transportation options and secure export access
- **Secured port access.** NHO signed a letter of intent (LOI) with the Texas Deepwater Industrial Port (TDIP). The LOI defines an initial allocation of 1.5 Mtpa throughput, expandable to 3 Mtpa commensurate with the growth of the Kinney Coal Project.
- **Continued work on acquiring Federal coal lease(s).** Work progressed on the preparation of an Environmental Assessment (EA) required for the Long Canyon LBA Tract adjacent to the Kinney Reserves. The Company also progressed on the Dry Canyon LBA Tract, which lies within 45 km of the Kinney portal. The Company anticipates acquisition of both bonus lease bids in mid- CY2013.
- **Strengthened company Board of Directors.** The Company appointed Mark Sanders to its Board. Mr Sanders brings to bear over 25 years of experience in the global mining industry.

### Third Quarter Targets

During the upcoming quarter, NHO will transition into the Bankable Feasibility Study (BFS) for the Kinney Coal Project and will continue to evaluate strategic acquisitions. Anticipated milestones for the quarter include:

- Initiate work on the Bankable Feasibility Study (BFS), including finalisation of a drilling program to further assess coal quality within the Long Canyon LBA
- Complete the Long Canyon LBA Environmental Assessment Study and prepare for the BLM lease sale bid of this Tract expected in mid-2013.
- Finalize the export allocation agreement with TDIP.

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#### New Horizon Coal Ltd

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- Prepare and submit a bonus bid for the Dry Canyon LBA tract.
- Continue discussions and exploration targets for new resource opportunity located in the Powder River Basin.
- Evaluating additional mining opportunities in the United States as they arise.

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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.

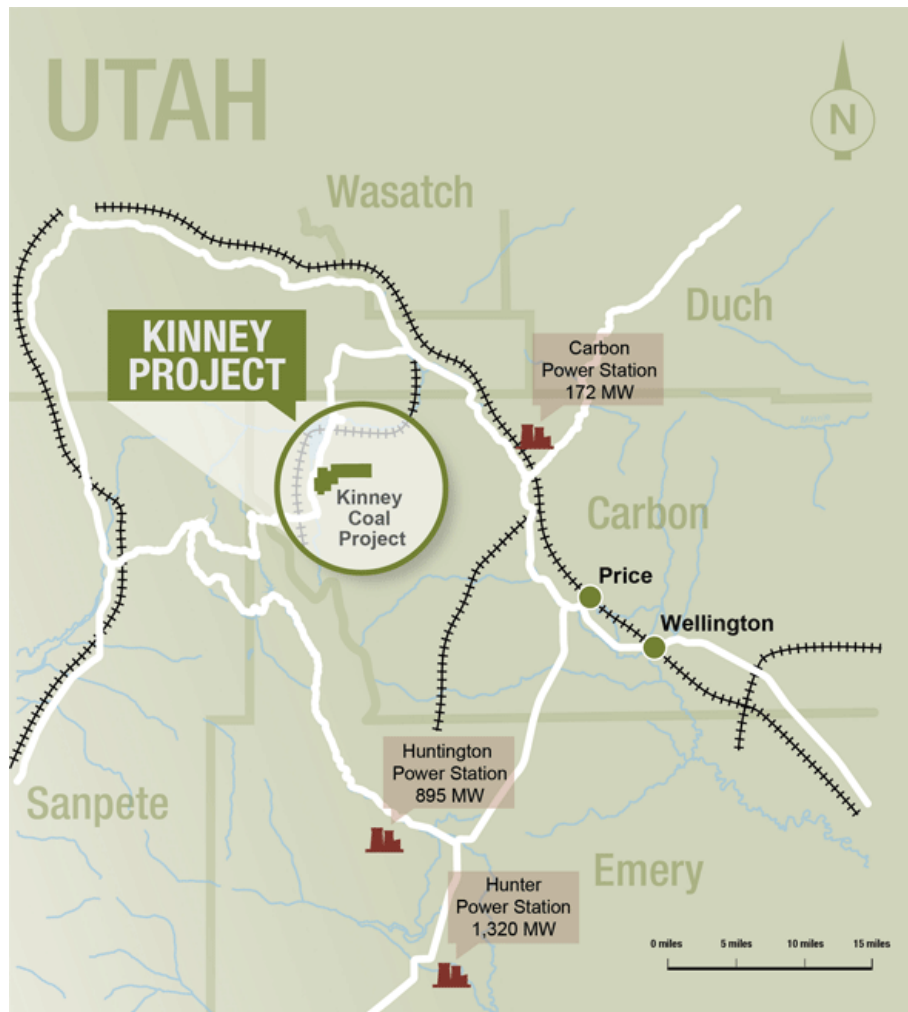


Figure 1: Kinney Coal Project Location

## Pre-Feasibility Study

In November, NHO announced the completion of the Pre-Feasibility Study (PFS) for the Kinney Coal Project. The pre feasibility study was performed by John T Boyd Company (JT Boyd), a worldwide leader in technical and economic feasibility studies for the mining and investment community. JT Boyd's study confirmed the technical and economic viability of the Kinney Coal Project and defined a JORC-compliant 16 year life of mine at 2.3 million tonnes per annum run of mine (ROM) production. The PFS highlighted project strengths, including:

### Low Capital Expenditures

- Low capital investment per tonne of productive capacity
  - USD \$63 million to reach initial production
  - Additional USD \$53 million to reach full production (2.3 Mtpa)
- Drift access to seam minimises development costs and reduces the production development schedule

Table 1: Capital Expenditures (in thousands USD)

	Phase I Initial Production	Phase II Development	Phase III Full Production
<b>Underground</b>	31,220	27,720	17,547
<b>Surface</b>	31,863	8,387	100
<b>Total</b>	<b>63,083</b>	<b>36,107</b>	<b>17,647</b>

### Competitive Operating Costs

- Mine cash costs of USD \$32/tonne
- Competitive transportation and port costs: under \$42/tonne
- Low royalty rates on mineral leases

Table 2: Operating Cash Costs per Saleable Tonne (2012 USD/tonne)

	Years 1-2 Development	Years 3-9 Peak Production	Years 1-16 Total
<b>Mine Operating Cash Costs</b>	36.34	30.49	32.39
<b>Labour</b>	15.63	11.23	12.49
<b>Materials &amp; Supplies</b>	17.32	13.05	13.66
<b>Preparation &amp; Handling</b>	3.80	3.24	3.34
<b>General &amp; Administrative</b>	3.62	2.97	3.24
<b>Capitalised Development</b>	(3.73)	---	(0.31)
<b>Transportation and Port</b>	41.94	41.94	41.94
<b>Total Cash Cost, FOB Vessel</b>	<b>78.28</b>	<b>72.43</b>	<b>74.33</b>

### Strong Cash Flows

- Strong cash flows from mixture of domestic and export sales
  - \$20.3 million average annual pre-tax net cash flows over first 10 years
  - \$45.9 million average annual EBITDA over life of mine

### World-Class Rail and Port Logistics

- Secure export allocation with letter of intent signed
- Export options on Pacific and Gulf of Mexico coasts
  - Access to markets in Europe, Latin America, and Asia
- Multiple Class I rail carriers located within 30 km of the project site

### High Quality Resource and Reserve Base

- 110.5 million tonne JORC Resource
  - 75.2 Mt Measured and Indicated Resource

Table 3: JORC Resource (thousand tonnes)

	Measured	Indicated	Inferred	Total
<b>Controlled Mineral</b>	10,382	37,170	7,193	54,745
<b>Under Application</b>	1,548	26,156	28,113	55,817
<b>Total</b>	<b>11,930</b>	<b>63,326</b>	<b>35,306</b>	<b>110,562</b>

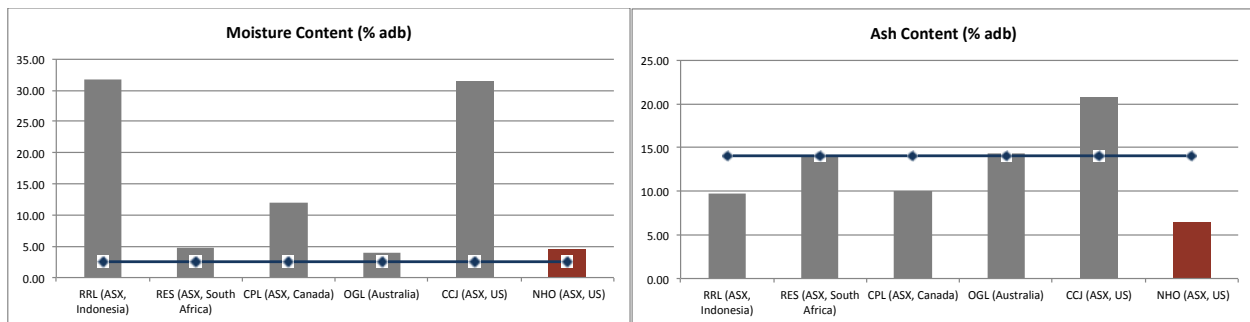
- 20.7 million tonne Saleable JORC Reserve
  - Excludes portions of JORC Resource located on mineral rights under application
  - 2013 drilling program will allow additional Resource to be included in Reserve
    - Expected to expand life of mine to 20+ years

Table 4: JORC Reserve (thousand tonnes)

	Production Tonnes (ROM)			Saleable Tonnes		
	Proved	Probable	Total	Proved	Probable	Total
<b>Controlled Mineral</b>	4,218	12,640	16,858	3,077	9,620	12,697
<b>Under Application</b>	619	10,329	10,978	425	7,574	7,999
<b>Total</b>	<b>4,867</b>	<b>22,969</b>	<b>27,836</b>	<b>3,502</b>	<b>17,194</b>	<b>20,696</b>

### Coal Quality

- High calorific, low sulphur product confirmed
  - 6,865 kcal/kg (12,350 btu/lb) as received calorific value
  - Calorific value, sulphur, and ash outperform Newcastle benchmarks



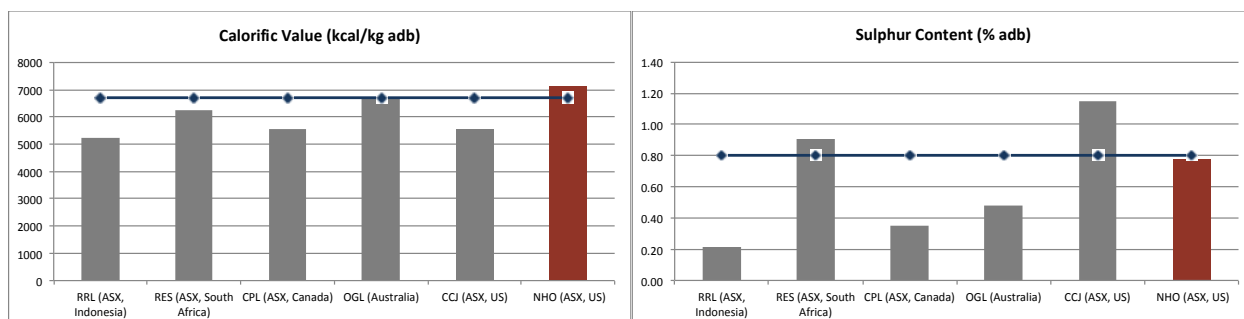


Figure 2: Peer Comparisons with Newcastle Benchmark (in blue)

## Secure Port Allocation

A letter of intent (LOI) has been signed with the Texas Deepwater Industrial Port (TDIP) to secure an export allocation for the Kinney Coal Project. TDIP is a new, fully permitted export facility located on the Houston Ship Channel in the Gulf of Mexico. Completion of the LOI demonstrates market outlets for the Company's premium quality thermal coal product and provides access to thermal coal markets in Europe, Latin America, and Asia. The agreement will allow NHO to grow into its allocation as the Kinney Coal Project is developed.

Phase I development of the port will commence in 2013, with first coal being loaded by the end of 2014. NHO will control 1.5 million tonnes of the port's 7 million tonne per annum Phase I throughput capacity. The allocation is expandable to 3 Mtpa, commensurate with growth at the Kinney Coal Project and TDIP's ultimate capacity expansion to 15 Mtpa. TDIP is equipped to handle vessel draughts of +/- 12.8 metres (42 feet), allowing NHO to load Panamax and small Cape Size vessels.

NHO is continuing discussions with TDIP and expects to have a detailed agreement completed within the upcoming quarter (1<sup>st</sup> Quarter of CY 2013).

## Long Canyon LBA

NHO has continued its progress on the Environmental Assessment (EA) of the Long Canyon LBA Tract (the Tract). The Tract contains over 2,100 hectares of Federally owned mineral rights, with JT Boyd estimating a JORC Resource of 55.8 million tonnes. Completion of the EA, anticipated in early-to-mid 2013, will allow the Tract to be offered in a competitive lease sale by mid-2013. Based on the Tract's contiguous borders with the Kinney Coal Project to its North and West, and complex geology which precludes economic points of access from areas not controlled by NHO, the Company remains confident of acquiring the Tract via competitive auction.

Addition of the Long Canyon Tract will allow significant portions of inferred Resource to be reclassified and included in the Kinney Coal Project's Reserve figures. Management and JT Boyd anticipate that the inclusion of the Long Canyon Tract will extend life of mine from 16 years to over 20, thereby increasing the project's NPV and rate of return.

## Dry Canyon LBA

NHO continued due diligence on the Dry Canyon LBA submitted in February 2012. The Dry Canyon Tract covers approximately 2,200 hectares and contains thermal coal that meets or

exceeds Newcastle benchmarks. The property is favourably situated, with an existing rail siding accessible to three different rail carriers.

Under Federal leasing guidelines, Dry Canyon will be offered in a competitive lease sale on 6 March 2013. NHO is actively preparing for a bid and completing additional due diligence on the property. If acquired, it would represent significant increase in the resource base and a complementary asset to the Kinney Coal Project, enlarging and enhancing production of high calorific, low sulphur coal for the domestic and export markets.

### **Mark Sanders Appointed to NHO Board**

NHO added significant experience in the global coal industry with the appointment of Mark Sanders to the Board of Directors. Mr Sanders is currently the President & CEO of Strata Proximity Systems, an affiliate of Strata Worldwide, a global leader in mining safety solutions. Prior to his tenure at Strata, Mr Sanders was an executive at Joy Mining Machinery and its parent, Joy Global, where he oversaw the firm's growth in China and led its North American business unit.

With over 25 years of experience in the global mining industry, Mr Sanders will be an invaluable asset to the Board of Directors as NHO develops the Kinney Coal Project. The Company expects his addition to provide a wealth of experience critical to optimising equipment selections and minimising capital and operating expenditures.

### **Competent Person's Statement**

The information in this report that relates to Exploration Targets and Exploration Results is based on information reviewed by Paul D. Anderson and Ronald L. Lewis who are Registered Members of the Society of Mining, Metallurgy and Exploration Inc. (SME) and full time employees of John T. Boyd & Company. Messrs. Anderson and Lewis have 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". Messrs. Anderson and Lewis consent to the inclusion in the presentation of this information in the form and context in which it appears.