

ASX:NHO

19 June 2013

Directors & Management

Gary Steinepreis
Non Executive Chairman

Michael Placha
Managing Director

Carl Coward
Non Executive Director

Mark Sanders
Non Executive Director

Investment Highlights

High quality fully permitted thermal coal project

Experienced and proven management team

20 year mine life | 2 Mtpa | High margin project

Existing logistics with spare capacity

Port allocation secured

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Kinney Coal Project Study Cuts CAPEX to Achieve First Production by 63%

Highlights:

- Independent evaluation of PFS capital expenditures completed
- Phased development allows production and market development with reduced up-front capital
- Developmental CAPEX reduced to \$23 million from \$63 million for a single CM, raw coal screened product operation

New Horizon Coal Ltd (ASX: **NHO**, the **Company**) is pleased to announce positive results from its comprehensive review of capital expenditures (**CAPEX**) proposed in its Pre-Feasibility Study (**PFS**) for the Kinney Coal Project, Utah, USA (the **Project**). The study suggests a phased development of the Project and other cost-savings would reduce start-up CAPEX by US \$40 million.

The study was completed by John T Boyd Company (**JT Boyd**), an internationally recognised evaluator of mining project economics and author of the Kinney Coal Project PFS. JT Boyd analysed potential up-front CAPEX savings through a phased development schedule, which reduces start up capital to commence coal production at the Project. The review identified three areas for potential CAPEX reductions: defer surface infrastructure and coal wash plant construction, defer unit train rail loading facility construction and evaluate mining equipment sourcing.

The PFS, released in November 2012, assumed new and wholly-owned equipment for all capital expenditures and facilities related to the Kinney Coal Project. To minimize initial capital, this reduced operations scenario assumes mining equipment is purchased on the used (surplus) equipment market and build/acquisition projects are reduced in scale in order to defer capital spending on the Project. The results of this 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.

Phased Development

The PFS proposed developing the project from a single continuous miner (**CM**) section to a full build of four (4) CM sections within a rapid development period of three (3) years. The capital expenditures outlined in the PFS were US \$63 million to reach initial development, including all surface, coal preparation plant and loadout facilities, and US \$117 million total CAPEX to reach full production of 2 million tonnes per annum (**Mtpa**).

Under the alternative scenario developed by JT Boyd, the Project would commence with a single CM section utilising surplus equipment, which would allow NHO to develop markets for the product with significantly less initial capital. The phased scenario would allow the Project to begin production with minimal surface infrastructure and would defer construction of an NHO-owned unit train loadout in favour of existing facilities located within approximately 70km of the mine. The total CAPEX required to commence production under this scenario would be US \$23 million. Additional savings of up to \$3 million could be realised by leasing key equipment during this start-up phase.

**Managing Director's Comments**

Commenting on the impact of the study, NHO Managing Director Michael Placha stated, "We are very pleased with the results of JT Boyd's study. This alternative path to production will allow NHO to significantly reduce the capital expenditure required to commence production at the Kinney Coal Project. The phased development schedule will allow us to develop markets for the Kinney Coal Project's high calorific, low sulphur product and to increase production in later phases."

Surface Infrastructure

During the developmental phase, virtually all surface facility construction would be deferred. Simple office and warehouse facilities would be placed on site and a basic conveyor and truck loadout would be constructed. Coal would be sold on raw screened basis with the option of toll washing at a nearby facility.

Unit Train Rail Loadout

NHO has commenced discussions with the owner of a rail loadout facility located within 60km of the Kinney Coal Project as an alternative to NHO constructing a new loadout facility as proposed in the PFS. The facility, which has no currently operating customers, would allow NHO to load coal onto a choice of three rail carriers from its existing stockpile area. A second existing potential loadout facility is located within 80km of the Project.

Equipment

The emergence of a robust secondary equipment market in the United States, due in part to the idling of mines in the Central Appalachian Basin, allowed JT Boyd to include used equipment as a CAPEX reduction strategy. Additionally, JT Boyd identified significant opportunities to utilise rental equipment for coal handling and surface operations, resulting in additional reductions in capital spending.

Enquiries**New Horizon Coal Ltd**

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About New Horizon Coal Ltd

New Horizon Coal (“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 multiple, continuous miner sections in a room and pillar mining operation. Entry will be via an exposed coal seam outcrop within the already permitted area.

The Kinney Coal Project is a fully permitted thermal coal project located in Utah, USA. The Project is located in a mature mining region which has historically produced more than 30 million tonnes of coal annually. 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. Its location provides access to the domestic utility market, with six power stations located in the vicinity of the mine, and to export markets. NHO has also secured a 3 Mtpa port allocation with Texas Deepwater Industrial Port in Houston, Texas and is currently engaged in offtake discussions with multiple traders and end users for domestic and export supply agreements.

With a JORC Resource of over 110 million tonnes and average coal quality of over 6,800 kcal/kg and under 0.8% sulphur, the Kinney Coal Project is well positioned to meet demand for coal in the US domestic and export markets with a high heat, low sulphur product. The Prefeasibility Study, confirming the Project’s technical and economic viability, was completed by John T Boyd Company (“JT Boyd”) in November 2012. NHO has engaged JT Boyd to complete the Bankable Feasibility Study, with completion expected by the end of 2013.

JORC Resource (thousands)

	Measured	Indicated	Inferred	Total
Kinney Coal Project	10,382	37,170	7,193	54,745
Under Application	1,548	26,156	28,113	55,817
Total	11,930	63,326	35,306	110,562

Coal Quality (air dried basis)

Average In Situ Coal Quality	Hiawatha Seam	UP Seam
Moisture	4.02%	4.19%
Ash Content	10.20%	8.12%
Fixed Carbon	44.63%	46.51%
Volatile Matter	41.15%	41.18%
Total Sulphur	0.84%	0.75%
Calorific Value	6,765 kcal/kg	6,856 kcal/kg

Competent Person’s Statement

The information in this report that relates to coal resource estimate and underground mine plans was prepared in conjunction with the JT Boyd PFS. Results were developed by a core team of JT Boyd professionals, including Messrs. John L. Weiss, Paul D. Anderson, and Ronald L. Lewis. Each of these individuals is a Registered Member of the Society of Mining, Metallurgical and Exploration (SME), and has sufficient experience to qualify as a Competent Person as defined in the 2004 Edition of the “Australian Code of Reporting of Exploration results, Mineral Resource and Ore Reserves”. JT Boyd consents to the inclusion of information prepared by JT Boyd in this report.

NEW HORIZON
Coal Ltd



Utah

**The Kinney Coal Project
is located in Utah USA.**

UTAH

