



NEW HORIZON COAL LTD

ABN 61 143 932 110

Interim Financial Report

31 December 2013

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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 2013 and any public announcements made by the Company during the period from 1 July 2013 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

Mark Sanders
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 – NHO0

Website

www.newhorizoncoal.com.au

DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of New Horizon Coal Ltd and the entities it controlled at the end of, or during, the half year ended 31 December 2013 (**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

Michael Placha

Carl Coward

Mark Sanders

COMPANY SECRETARY

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

PRINCIPAL ACTIVITIES

The principal continuing activity of the Group is exploration, evaluation and development of coal projects.

The Group's exploration work programme is to review, evaluate and develop the Kinney Coal Project located in Utah, USA and as part of the working capital budget, pursue new projects in the minerals sector by way of acquisition or investment.

REVIEW OF OPERATIONS

The Kinney Coal Project lies in the Eastern Wasatch Plateau which is within the Uinta Basin Coal Field in Utah, USA, a mature coal producing region.

The Kinney Coal Project includes the following:

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

The Kinney Coal 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.

During the half year the Company:

- (a) continued its discussions with several prospective investors to sell both equity and off-take/marketing rights interests in the Kinney Coal Project. This near-term financing will both provide necessary capital to complete the Bankable Feasibility Study (BFS) and provide a partner for project finance. The Company is engaging with value-added partners who can supply capital as well as expertise in marketing and logistics. Completion of the financing will allow NHO to complete the BFS as well as achieve several crucial milestones for the Kinney Coal Project.
- (b) 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 Coal Project.

REVIEW OF OPERATIONS (continued)

- (c) Continued to advance discussions on rail logistics with multiple Class 1 rail carriers.
- (d) Continued discussions for the purpose of acquiring interest in a new surface mine and new projects.

OPERATING RESULT

The loss from operations for the half year ended 31 December 2013 after providing for income tax was \$378,057 (2012:\$ 504,814). The total comprehensive gain for the half year ended 31 December 2013 after providing for income tax was \$56,619 (2012: Loss\$ 734,519).

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

AFTER REPORTING DATE EVENTS

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 4 of this interim report.

Signed in accordance with a resolution of the board of directors



Gary Steinepreis
Director
13 March 2014

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 2013, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. 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
Partner

Perth, 13 March 2014

New Horizon Coal Ltd
Consolidated Statement of Profit or Loss and Other Comprehensive Income
Half Year Ended 31 December 2013

	Note	Consolidated 2013 \$	Consolidated 2012 \$
Revenue from operations	3	6,706	9,676
Expenses from operations			
Administration		(109,137)	(75,744)
Corporate compliance		(33,145)	(46,875)
Corporate management		(55,541)	(36,000)
Corporate Advisory		(1,946)	-
Audit & non-audit services		(18,900)	(15,712)
Occupancy		(36,059)	(54,454)
Salaries and superannuation		(15,000)	(17,999)
Employment on-costs		(7,889)	(1,586)
Project generation		-	(51,828)
Share based payments		(107,146)	(214,292)
Total expenses from operations		(384,763)	(514,490)
Loss before income tax		(378,057)	(504,814)
Income tax expense		-	-
Loss after income tax for the half-year		(378,057)	(504,814)
Other Comprehensive Income/ (Loss)			
Items that will be reclassified to profit or loss			
Foreign currency translation difference		434,676	(229,705)
Total comprehensive income/(loss) for the period attributable to the members of New Horizon Coal Ltd		56,619	(734,519)
		Cents	Cents
Loss per share for loss from operations attributable to the ordinary equity holders of the Company:			
Basic loss per share		(0.32)	(0.79)
Diluted loss per share		n/a	n/a

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

New Horizon Coal Ltd
Consolidated Statement of Financial Position
As At 31 December 2013

	Note	Consolidated 31 Dec 2013 \$	Consolidated 30 June 2013 \$
ASSETS			
Current assets			
Cash and cash equivalents		297,000	876,951
Trade and other receivables		7,018	11,547
Total current assets		304,018	888,498
Non-current assets			
Exploration and evaluation expenditure	4	22,850,758	22,173,241
Property, plant and equipment	5	7,269	7,057
Total non-current assets		22,858,027	22,180,298
Total assets		23,162,045	23,068,796
LIABILITIES			
Current liabilities			
Trade and other payables	6	40,914	111,430
Total current liabilities		40,914	111,430
Total liabilities		40,914	111,430
NET ASSETS		23,121,131	22,957,366
EQUITY			
Contributed equity	8(a)	19,285,525	19,285,525
Option premium reserve	8(c)	183,812	183,812
Performance share reserve	8(i)	3,300,000	3,300,000
Share based payment reserve	8(f)	551,151	444,005
Foreign currency translation reserve		2,544,232	2,109,556
Accumulated losses		(2,743,589)	(2,365,532)
TOTAL EQUITY		23,121,131	22,957,366

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

New Horizon Coal Ltd
Consolidated Statement of Changes in Equity
Half Year Ended 31 December 2013

2013	Contributed equity \$	Option premium reserve \$	Share reserve \$	Foreign currency translation reserve \$	Accumulated losses \$	Total \$
Balance 1 July	19,285,525	183,812	3,744,005	2,109,556	(2,365,532)	22,957,366
Loss for the half-year	-	-	-	-	(378,057)	(378,057)
Exchange difference on foreign operations	-	-	-	434,676	-	434,676
Total comprehensive gain (loss) for the half year	-	-	-	434,676	(378,057)	56,619
Transactions with owners in their capacity as owners:						
Share based payments	-	-	107,146	-	-	107,146
Balance 31 December	19,285,525	183,812	3,851,151	2,544,232	(2,743,589)	23,121,131
2012	Contributed equity \$	Option premium reserve \$	Share reserve \$	Foreign currency translation reserve \$	Accumulated losses \$	Total \$
Balance 1 July	17,395,140	183,812	3,575,008	12,717	(503,572)	20,663,105
Loss for the half-year	-	-	-	-	(504,814)	(504,814)
Exchange difference on foreign operations	-	-	-	(229,705)	-	(229,705)
Total comprehensive loss for the half year	-	-	-	(229,705)	(504,814)	(734,519)
Transactions with owners in their capacity as owners:						
Share based payments	-	-	214,292	-	-	214,292
Balance 31 December	17,395,140	183,812	3,789,300	(216,988)	(1,008,386)	20,142,878

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

New Horizon Coal Ltd
Consolidated Statement of Cash Flows
Half Year Ended 31 December 2013

	Consolidated 2013 \$	Consolidated 2012 \$
Cash flow from operating activities		
Interest received	6,706	9,676
Payments to suppliers and employees	(296,308)	(263,608)
Net cash outflow from operations	(289,602)	(253,932)
Cash flows from investing activities		
Payments for plant and equipment	-	(8,157)
Exploration and evaluation	(286,005)	(1,124,315)
Net cash outflow from investing activities	(286,005)	(1,132,472)
Cash flows from financing activities		
Proceeds from short term loans	21,854	200,000
Repayment of borrowings	(21,854)	-
Net cash inflow from financing activities	-	200,000
Net decrease in cash and cash equivalents	(575,607)	(1,186,404)
Cash and cash equivalents at the beginning of the period	876,951	1,415,820
Effect of exchange rate changes on cash and cash equivalents	(4,344)	(8,130)
Cash and cash equivalents at the end of the period	297,000	221,286

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, a public limited entity, and its controlled entities for the half-year ended 31 December 2013.

(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 2013 any public announcements made by the Company during the period from 1 July 2013 to the date of this report in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies have been consistently applied by the Group and are consistent with those applied in the previous financial year and those of the corresponding interim reporting period, except the following:

- AASB 10 Consolidated Financial Statements
- AASB 11 Joint Arrangements
- AASB 13 Fair Value Measurement
- AASB 119 Employee benefits
- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle

In the half year ended 31 December 2013, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2013. It has been determined by the Group that there is no impact, material or otherwise, of the new and revised standards and interpretations on its business and therefore no change is necessary to accounting policies.

No retrospective change in accounting policy or material reclassification has occurred requiring the inclusion of a third Statement of Financial Position as at the beginning of the comparative financial period, as required under AASB 101.

(b) 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 Group has the capacity to raise additional funding as required to adequately meet the Group's planned exploration budget and short term working capital requirements. However, the Group will require further financing in order to meet its obligations under the asset purchase agreement. For the purchase agreement to be finalised, deferred consideration in the amount of USD\$15,000,000 is payable. Refer to Note 11 for further detail on the deferred settlement.

The Directors are aware that the Group 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 Group 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 Group.

New Horizon Coal Ltd
Notes to the Consolidated Interim Financial Statements
For the Half Year Ended 31 December 2013

1 Summary of Significant Accounting Policies (continued)

(b) Going Concern Basis of Accounting (continued)

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

At 31 December 2013, the Group has cash funds available of \$297,000. It incurred an operating loss of \$378,057 for the 6 months to 31 December 2013 (2012:\$ 504,814) and had current liabilities of \$40,914 (2012:\$ 415,365).

2 Segment Information

The Group 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 Group 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 2013	New Horizon Coal - Australia	Kinney Coal Project – USA	Consolidated
	\$	\$	\$
Income	6,706	-	6,706
Expenses	(278,399)	(106,364)	(384,763)
Operating profit / (loss)	(271,693)	(106,364)	(378,057)
Assets			
Cash & cash equivalents	274,096	22,904	297,000
Other receivables	7,018	-	7,018
Property, plant and equipment	-	7,269	7,269
Capitalised exploration	-	22,850,758	22,850,758
	281,114	22,880,931	23,162,045
Liabilities			
Other payables	33,845	7,069	40,914
Short term loans	-	-	-
	33,845	7,069	40,914
Net Assets	247,269	22,873,862	23,121,131

New Horizon Coal Ltd
Notes to the Consolidated Interim Financial Statements
For the Half Year Ended 31 December 2013

2 Segment Information (continued)

31 December 2012	New Horizon Coal - Australia	Kinney Coal Project – USA	Consolidated
	\$	\$	\$
Income	9,676	-	9,676
Expenses	(117,721)	(396,769)	(514,490)
Operating profit / (loss)	(108,045)	(396,769)	(504,814)

	New Horizon Coal - Australia	Kinney Coal Project – USA	Consolidated
	\$	\$	\$
Assets			
Cash & cash equivalents	92,734	128,552	221,286
Other receivables	13,071	-	13,071
Property, plant and equipment	-	7,575	7,575
Capitalised exploration	-	20,316,311	20,316,311
	105,805	20,452,438	20,558,243
Liabilities			
Other payables	39,751	175,614	215,365
Short term loans	200,000	-	200,000
	239,751	175,614	415,365
Net Assets	(133,946)	20,276,824	20,142,878

3 Revenue from operations	Consolidated Dec 2013	Consolidated Dec 2012
	\$	\$
Interest received	6,706	9,676
	6,706	9,676

4 Exploration and evaluation expenditure	Consolidated 31 Dec 2013	Consolidated 30 June 2013
	\$	\$
Opening net book amount – Kinney project	22,173,241	19,406,980
Acquisition of Kinney Coal project	-	-
Exploration additions	219,507	1,814,838
Impairment of exploration costs	-	(301,700)
Foreign currency translation movement	458,010	1,253,123
Closing net book amount – Kinney project	22,850,758	22,173,241
Total exploration and evaluation expenditure	22,850,758	22,173,241

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. Refer to Note 11 for further detail on the deferred settlement.

New Horizon Coal Ltd
Notes to the Consolidated Interim Financial Statements
For the Half Year Ended 31 December 2013

4 Exploration and evaluation expenditure (continued)

There is uncertainty then as to the recoverability of the carrying amount of the exploration and evaluation expenditure assets of New Horizon Coal Limited. The recoverability of the exploration expenditure assets is dependent upon making the second deferred settlement payment or reaching alternative terms with the vendor in order to allow for the successful development and commercialisation of the underlying asset or its sale. This material uncertainty may cast doubt about the consolidated entity's ability to realise the asset at the values stated in the statement of financial position.

5 Property, Plant and Equipment	Consolidated 31 Dec 2013 \$	Consolidated 30 June 2013 \$
Office Equipment		
Opening net book value	7,057	-
Plus acquisitions during the period	-	8,995
	<u>7,057</u>	<u>8,995</u>
Less depreciation expense during the period	-	(1,938)
Foreign currency translation movement	212	-
Closing net book amount	<u>7,269</u>	<u>7,057</u>

6 Trade and Other Payables	Consolidated 31 Dec 2013 \$	Consolidated 30 June 2013 \$
Current and unsecured	40,914	111,430
	<u>40,914</u>	<u>111,430</u>

7 Short Term Loans	Consolidated 31 Dec 2013 \$	Consolidated 30 June 2013 \$
Current, unsecured and interest free	-	-
	<u>-</u>	<u>-</u>

Short term loans were provided to the Company by related party entities for ongoing working capital, they are unsecured and interest free, \$21,854 by Michael Placha, a director of the Company. The loan funds were made available on 30 September 2013 and were repaid in full on 1 October 2013.

New Horizon Coal Ltd
Notes to the Consolidated Interim Financial Statements
For the Half Year Ended 31 December 2013

8 Contributed Equity

(a) Share Capital	31 Dec 2013 Shares	31 Dec 2013 \$	30 June 2013 Shares	30 June 2013 \$
Ordinary shares fully paid	118,000,000	19,285,525	118,000,000	19,285,525

(b) Movement in Ordinary Share Capital

2013 Date	Details	Number of shares	Issue price	Amount \$
01/07/2013	Opening balance	118,000,000		19,285,525
31/12/2013	Balance	118,000,000		19,285,525

2012 Date	Details	Number of shares	Issue price	Amount \$
01/07/2012	Opening balance	93,000,000		17,395,140
31/12/2012	Balance	93,000,000		17,395,140

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.

(c) Options	31 Dec 2013 Number	31 Dec 2013 \$	30 June 2013 Number	30 June 2013 \$
	89,000,000	183,812	89,000,000	183,812

(d) Movement in Options

2013 Date	Details	Number of options	Amount \$
01/07/2013	Opening balance	89,000,000	183,812
31/12/2013	Balance	89,000,000	183,812

2012 Date	Details	Number of options	Amount \$
01/07/2012	Opening balance	83,000,000	183,812
31/12/2012	Balance	83,000,000	183,812

(e) Major Terms and Conditions of listed Options

- (1) Each option gives the holder the right to subscribe for one share.
- (2) 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.
- (3) The amount payable upon exercise of each option will be \$0.20.
- (4) The options are not transferable.

New Horizon Coal Ltd
Notes to the Consolidated Interim Financial Statements
For the Half Year Ended 31 December 2013

8 Contributed Equity (continued)

(f)	Share Based Payments	31 Dec 2013 Number 16,000,000	31 Dec 2013 \$ 551,151	30 June 2013 Number 16,000,000	30 June 2013 \$ 444,005
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As at the date of this report 5,000,000 options have been issued but have not yet vested. The calculated value for the options will be 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	5,000,000
Volatility	90%	Calculated value	\$642,876
Approval date	9 Nov 2011	Vesting period	36 months

(g) Movement in Share Based Payments

2013		Number of	Amount
Date	Details	options	\$
01/07/2013	Opening balance	16,000,000	444,005
31/12/2013	Amortise unvested incentive options	-	107,146
31/12/2013	Balance	16,000,000	551,151

2012		Number of	Amount
Date	Details	options	\$
01/07/2012	Opening balance	10,000,000	275,008
31/12/2012	Amortise unvested incentive options	-	214,292
31/12/2012	Balance	10,000,000	489,300

8 Contributed Equity (continued)

(h) Major Terms and Conditions of Unlisted Incentive Options - unvested

- (1) Each incentive option gives the incentive option-holder the right to subscribe for one fully paid ordinary share in New Horizon Coal Ltd.
- (2) 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.

- (3) 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.
- (4) Prior to the vesting date, the incentive options may not be exercised, transferred or otherwise dealt with.
- (5) 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.
- (6) The amount payable upon exercise of each incentive option will be AUD\$0.50.
- (7) The incentive options are not transferable.
- (8) 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.
- (9) 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.

New Horizon Coal Ltd
Notes to the Consolidated Interim Financial Statements
For the Half Year Ended 31 December 2013

8 Contributed Equity (continued)

(i) Performance Shares

	31 Dec 2013	31 Dec 2013	30 June 2013	30 June 2013
	Shares	\$	Shares	\$
Class B	10,000,000	1,650,000	10,000,000	1,650,000
Class C	10,000,000	1,650,000	10,000,000	1,650,000
Performance shares	20,000,000	3,300,000	20,000,000	3,300,000

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

	Class B	Class C
Number of shares	10,000,000	10,000,000
Underlying share price	22 cents	22 cents
Probability of achieving milestone	75%	75%
Value of performance share	16.5 cents	16.5 cents
Calculated value	\$1,650,000	\$1,650,000

(j) Movement in Performance Shares

2013		Number of	Issue	Amount
Date	Details	shares	price	\$
01/07/2013	Opening balance	20,000,000	16.5 cents	3,300,000
31/12/2013	Balance	20,000,000		3,300,000

2012		Number of	Issue	Amount
Date	Details	shares	price	\$
01/07/2012	Opening balance	20,000,000	16.5 cents	3,300,000
31/12/2012	Balance	20,000,000		3,300,000

(k) Major Terms and Conditions of Performance Shares

- (1) Each performance share is a share in the capital of the Company.
- (2) The performance shares are not transferable.
- (3) 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 conversion, apply for the official quotation of the ordinary shares arising from the conversion on ASX.
- (4) Redemption if milestones not achieved
 - (a) If the milestone in relation to the Class B performance shares is not achieved within a 36 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
 - (b) If the milestone in relation to the Class C performance shares is not achieved within a 48 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.

9 After Reporting Date Events

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.

10 Contingent Liabilities

There are no contingent liabilities for the half year.

11 Commitments

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.

Further to the above the Surface Mining Control and Reclamation Act of 1977 of the USA provides that, as a prerequisite for obtaining a coal mining permit, a person must post a reclamation bond to ensure that the regulatory authority will have sufficient funds to reclaim the site if the permittee fails to complete the reclamation plan approved in the permit. The amount of the reclamation to be lodged is USD \$2.2 million. The development of the Kinney Coal Project depends amongst other things, upon the Group being granted a permit to mine the coal resource.

12 Related Party Transactions

Short term loans were provided to the Company by related party entities for ongoing working capital; they are unsecured and interest free, \$21,854 by Michael Placha, a director of the Company. The loan funds were made available on 30 September 2013 and were repaid in full on 1 October 2013.

13 Fair Value of Financial Instruments

The Company does not have any financial instruments that are subject to recurring fair value measurements.

Due to its short-term nature, the carrying amount of current trade and other receivables is assumed to approximate its fair value.

New Horizon Coal Ltd
Directors' Declaration
31 December 2013

The Directors' of the Group declare that:

- 1 The interim financial statements and notes as set out on pages 5 to 17 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 other mandatory professional reporting requirements; and
 - (ii) give a true and fair view of the financial position of the Group as at 31 December 2013 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
13 March 2014

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 consolidated statement of financial position as at 31 December 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company 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 company 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 2013 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 review 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 2013 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 modifying our conclusion, we draw attention to Note 1(b) in the half-year financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding through equity, successful exploration and subsequent exploitation of the consolidated entity's tenements, and/or sale of non-core assets. These conditions, along with other matters as set out in Note 1(b), indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Emphasis of Matter

Without modifying our conclusion, we draw attention to the matter disclosed in Note 4. There is uncertainty as to the recoverability of the carrying amount of the exploration and evaluation expenditure assets of New Horizon Coal Ltd. The recoverability of the exploration expenditure assets is dependent upon making the second deferred settlement payment or reaching alternative terms with the vendor in order to allow for the successful development and commercialisation of the underlying asset or its sale. This material uncertainty may cast significant doubt about the consolidated entity's ability to realise the asset at the values stated in the statement of financial position.

BDO Audit (WA) Pty Ltd



Peter Toll
Partner

Perth, 13 March 2014