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Capital Reduction Study at Kinney Coal Project

Highlights:

- Independent experts to evaluate potential CAPEX savings
- Discussions commenced with owner of existing rail loadout facilities
- Evaluation of used equipment alternatives
- Investigating equipment financing options
- Potential reductions up to 25% of project CAPEX

The Board of New Horizon Coal Ltd (ASX: **NHO**) has commenced a comprehensive review of capital expenditures (**CAPEX**) proposed in its Pre-Feasibility Study (**PFS**) for the Kinney Coal Project, Utah, USA.

NHO has 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 will now evaluate more aggressive capital acquisition strategies aimed at reducing overall project CAPEX.

Surface Facilities

NHO has engaged Taggart Global (**Taggart**) to evaluate alternative financing arrangements for surface facilities at the Kinney Coal Project. Taggart is a leading global provider of coal preparation design, construction, and operation services and currently operates facilities throughout the US. This approach of construct, finance, and operation of the surface facilities for a fee based on throughput tonnage will be evaluated for the potential of saving NHO the percentage of the CAPEX required for construction.

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 the new loadout facility 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. The loadout will be evaluated as both a short-term option, reducing development CAPEX, and as a long-term loading solution.

Additionally, NHO will evaluate the use of a second existing loadout facility, located within 80km of the Kinney Coal Project.

Equipment

The PFS assumed all equipment used at the Kinney Coal Project would be new and owned by NHO. NHO has embarked on several evaluations that would reduce CAPEX through the purchase of used equipment, alternative financing, or contract mining.

Discussions with equipment manufacturers and independent consultants have indicated favourable terms in the US secondary equipment market, due in large part to the idling of mines in the Central Appalachian Basin. With excess supply providing downward pressure on equipment prices, NHO is actively engaging with suppliers to determine availability and pricing.

NHO has also commenced preliminary discussions regarding equipment financing. Over the next several months, NHO will explore and evaluate equipment financing with Joy Global and other equipment manufacturers. The CAPEX review will also evaluate the cost implications of utilising contract mining operations in lieu of owning and operating mining equipment.

Implications

The alternative strategies under review have the potential to significantly reduce total project CAPEX of US\$117 million envisioned in the PFS, with the greatest savings on the development phases (US\$63 million). NHO, in concert with BFS contractor John T. Boyd Company, will evaluate all possibilities for both CAPEX and operational implications. The CAPEX review is anticipated to be complete by mid-2013 and will be used in the BFS, scheduled for release in late 2013.

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About New Horizon Coal Ltd

New Horizon Coal Ltd 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 in Utah, USA 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 lies in a mature mining region which has historically produced more than 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 US domestic and export markets with a high heat, low sulphur product.