

29 November 2012

POSITIVE PRE-FEASIBILITY STUDY FOR KINNEY COAL PROJECT

Highlights and Key Results:

- **Competitive production operating cash costs.** Mine cash costs of USD \$32/tonne of saleable product for the initial, life of mine reserve base (exclusive of royalties).
- **Strong cash flows and rapid repayment.** Estimated annual EBITDA of USD \$45.9 million once production commences with rapid repayment of capital.
- **Low capital investment per tonne of annual production capacity.** USD \$63 million capital investment required to achieve initial production, with an additional USD \$53 million to reach full production of 2.3 million tonnes ROM.
- **Exceptional, High Quality JORC Resource and Reserve Characteristics.** JORC Resource of 110.5 million tonnes with 75.2 Mt defined as Measured or Indicated with 20.7 Mt saleable at 6,865 kcal/kg (12,350 Btu/lb) quality specification.
- **2.3 million tonnes per annum of ROM production.** Initial life of mine defined at 16 years, with a planned drilling program expected to increase mine life to over 20 years.
- **Technical and economic viability.** Pre-Feasibility Study results confirm the Kinney Coal Project's viability as a producer of high calorific, low sulphur coal.
- **Rapid production development schedule.** Full production achieved within 3 years of initial drift access and Hiawatha seam development.
- **World class infrastructure access.** Utilities, paved roads, and multiple rail carriers provide access to key domestic and international markets.
- **Favourable Transportation Routes and Optionality Defined, Secure Export Outlets.** NHO is finalizing a LOI with a new, permitted port facility to secure a multi-year export allocation.

New Horizon Coal Limited (ASX: NHO or Company) is pleased to announce the completion of a positive Pre-Feasibility Study (**PFS**) for the Kinney Coal Project. The PFS confirms the project's technical and economic viability to produce a high-calorific, low sulphur coal. The study, conducted by John T. Boyd Company (**JT Boyd**), a global leader in technical and economic evaluations for the coal sector, defined a JORC compliant 16-year life of mine for the Kinney Coal Project at a ROM annual production level of 2.3 million tonnes per annum. The project features low capital development costs and rapid development timetable, as well as attractive cash operating costs providing delivery into both the domestic and export markets.

According to Michael Placha, Managing Director of NHO, "*Completion of the PFS provides the first comprehensive evaluation of the Kinney Project Area. Annual production at 2.3 million*

tonnes for the initial 16-year mine plan has met expectations and confirms that Kinney is important for both export and domestic thermal coal markets. Located in an established mining region of Utah, the Kinney Project will be able to access well developed infrastructure and underutilized rail network. Based on the favourable economic results of this PFS study NHO, through its subsidiary Wasatch Natural Resources, will continue to build on this study with a Bankable Feasibility Study commencing in CY 2013.”

Competitive Economics

Capital Expenditures

The Kinney Coal Project offers attractive terms for payback due to relatively low capital development costs per tonne of production capacity. With drift access directly into the Hiawatha seam, production of saleable coal commences quickly, eliminating the time and expense of either a rock slope or shaft to access the coal seam. The underground mine plan utilizes conventional room and pillar methods with multiple continuous miner sections, further reducing capital cost whilst allowing the Company to pursue a more agile approach to production.

Development costs for the Kinney Coal Project are separated into three phases. Phase I encompasses the initial development of the mine, including surface facilities and a continuous miner section required to commence production. Capital development in this phase includes the construction of shop, office-bathhouse and warehouse facilities and the bulk of material handling, coal preparation, waste handling and storage, and truck loadout facilities sized for full production at 2.3 Mtpa; much of the development is included as capitalised development costs. Phase II and Phase III capital development are related primarily to the addition of continuous miner sections to reach full production, and to the completion of surface facilities. Upon completion of Phase III, the Kinney Coal Project will reach its intended annual ROM production of 2.3 million tonnes.

Table 1: Capital Expenditures (in thousands USD)

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

Operating Expenditures

Operational cash costs per saleable, clean coal tonne for the project are also projected to make the Kinney Coal Project a cost-effective producer of high calorific, low sulphur coal. Cash costs per tonne are projected to be higher in the first two years of the mine due to lower production during the development period, with operating costs falling as the Kinney Coal Project reaches the 2.3 Mt ROM annual production level. Average, estimated operational expenditures are projected at USD \$36.34/tonne during the initial production period, falling to USD \$30.49/tonne during peak production years. A comprehensive estimate of cash costs (excluding royalties) is shown below in Table 2 for selected production periods. The PFS assumes that product from the Kinney Coal Project will be sold at premium prices, based on the superior product quality and access to both domestic and seaborne coal markets.

Table 2: Operating Cash Costs per Saleable Tonne (2012 USD \$/tonne)¹

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

¹Transportation and port charges applied to export tonnage only. Domestic coal sales are priced at the loadout. Royalty expense is not included.

The Kinney Coal Project benefits from lower royalty rates on mineral rights sub-leased from Carbon County: a 6% royalty on the sales price of every tonne produced is payable to Carbon County and other third parties. This lowers initial operating costs; since the Carbon County mineral lease contains the first coal to be mined per the PFS mine plan. Federal coal in the Long Canyon LBA tract, currently under lease application, is assessed at a royalty rate of 8% plus an annual fee of \$US 7.41/hectare (\$US 3/acre). NHO also has identified additional areas of fee coal for exploration and possible addition to the resource base.

NHO has identified multiple rail loading options available to the Kinney Coal Project: use of two existing facilities, which are located at intermediate distances from the project and are accessible via truck haul; or construction of a new, NHO-owned loadout facility, which would lie closer to the mine and therefore reduce the truck haul operating costs. The Company will continue to evaluate the economic trade-offs of each option as it moves through the Bankable Feasibility Study (**BFS**).

Cash Flows

Based on the forecasted cash costs and coal market price forecasts from Wood Mackenzie, the project is expected to realize strong cash flows utilizing a mixture of domestic and export sales. The PFS forecasts average net pre-tax annual cash flows of USD \$20.3 million over the first 10 years of the project and average annual EBITDA of USD \$45.9 million over life of mine.

Access to World-Class Rail and Port Facilities

The Kinney Coal Project benefits from its proximity to three Class 1 rail carriers located within 30 km of the project site. This access provides for a more cost-effective single-carrier haul capability to domestic customers and port facilities across the United States. The PFS has accounted for NHO's option to utilize two existing rail loadout facilities on a fee basis or to construct a new loadout on the main line, approximately 18 km from the project. NHO has engaged with several rail carriers to secure preferred pricing from the Kinney Coal Project to the Gulf of Mexico.

To facilitate exports, NHO is expected to sign a letter of intent in CY 2012 with a new, fully permitted deep-water port facility located on the US Gulf of Mexico coast. Under the terms of the framework agreement, NHO has secured a port allocation commensurate with near- and long-term export needs. Construction on the new port facility is expected to commence in 2013, with first coal exported in 2014. With a strategic location on the Gulf of Mexico, this new port facility is well positioned to provide cost effective seaborne access to crucial thermal coal markets in Europe, Latin America, and Asia. A market assessment prepared for NHO by Wood Mackenzie indicates that FOB vessel pricing from the Gulf of Mexico for high calorific, low sulphur coal is expected to rise significantly as market demand for high quality thermal coal rises in both Europe and Asia.

Access to multiple Class 1 rail carriers and their broader North American network provides the Kinney Coal Project with single-haul reach to numerous Gulf and West Coast port facilities. NHO will continue its evaluation of West Coast port options that would allow more direct shipments into Pacific Rim, Asia markets.

High Quality Reserve Base

The Kinney Coal Project consists of two prospective production areas: the existing Carbon County lease, and Federal mineral rights, which lie adjacent to the Kinney Coal Project. NHO is in advanced stages of acquiring the Federal mineral rights, known as the Long Canyon LBA. The PFS has been predicated on the acquisition of the Long Canyon tract given the advanced status of the application and the technical and economic uncertainty of entering the Tract from points of entry not controlled by NHO.

Resource and Reserve

The Kinney Coal Project has been extensively explored since the 1970s, with earlier drilling results confirmed by drilling programs completed by NHO and its predecessor. The Resource and Reserve figures have been compiled in accordance with the criteria set forth in JORC Code (2004) and certified by JT Boyd.

Table 3: JORC Resource (thousand tonnes)

	Measured	Indicated	Inferred	Total
Controlled Mineral	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

A revision of the coal block boundaries has resulted in JT Boyd upgrading its JORC Resource for the Kinney Coal Project portion (Controlled Mineral in Table 3) from 51.6 Mt (October 2012) to 54.7 Mt. The Federal, or Under Application, JORC Resource was determined using existing data on the Long Canyon LBA that meets JORC standards. Additional drilling in CY 2013 is expected to yield a significant portion of the Inferred Resource to be re-classified as Measured and/or Indicated.

The Kinney Coal Project contains a Recoverable Reserve of 27.8 million tonnes and a Marketable Reserve of 20.7 million tonnes. The Recoverable and Marketable Reserve figures

have been determined using the extensive historical drill data and coal quality obtained from recent (2006 and 2012) drilling programs. As noted, a considerable amount of coal located on the Long Canyon Tract has been defined but lacks sufficient data corroboration to meet JORC measurement standards for a Reserve. The 2013 drilling program will provide the necessary data to allow a substantial amount of JORC Resource to be included in the Reserve, thereby extending life of mine to over 20 years.

Drilling Program

As noted, drill data, showing presence and thickness of coal but lacking quality information, show a considerable amount of coal located within the Long Canyon Tract that is not included in Table 4. A drilling program is planned for 2013 to complete a minimum of 12 core holes from which quality data will be retrieved. These holes are located to fill-in the necessary quality data to satisfy the JORC requirements and bring a substantial amount of the resource presently classified as inferred into the measured and indicated categories (Figure 1) and extend mine life as noted above.

Figure 1: Hiawatha Seam Resources Map

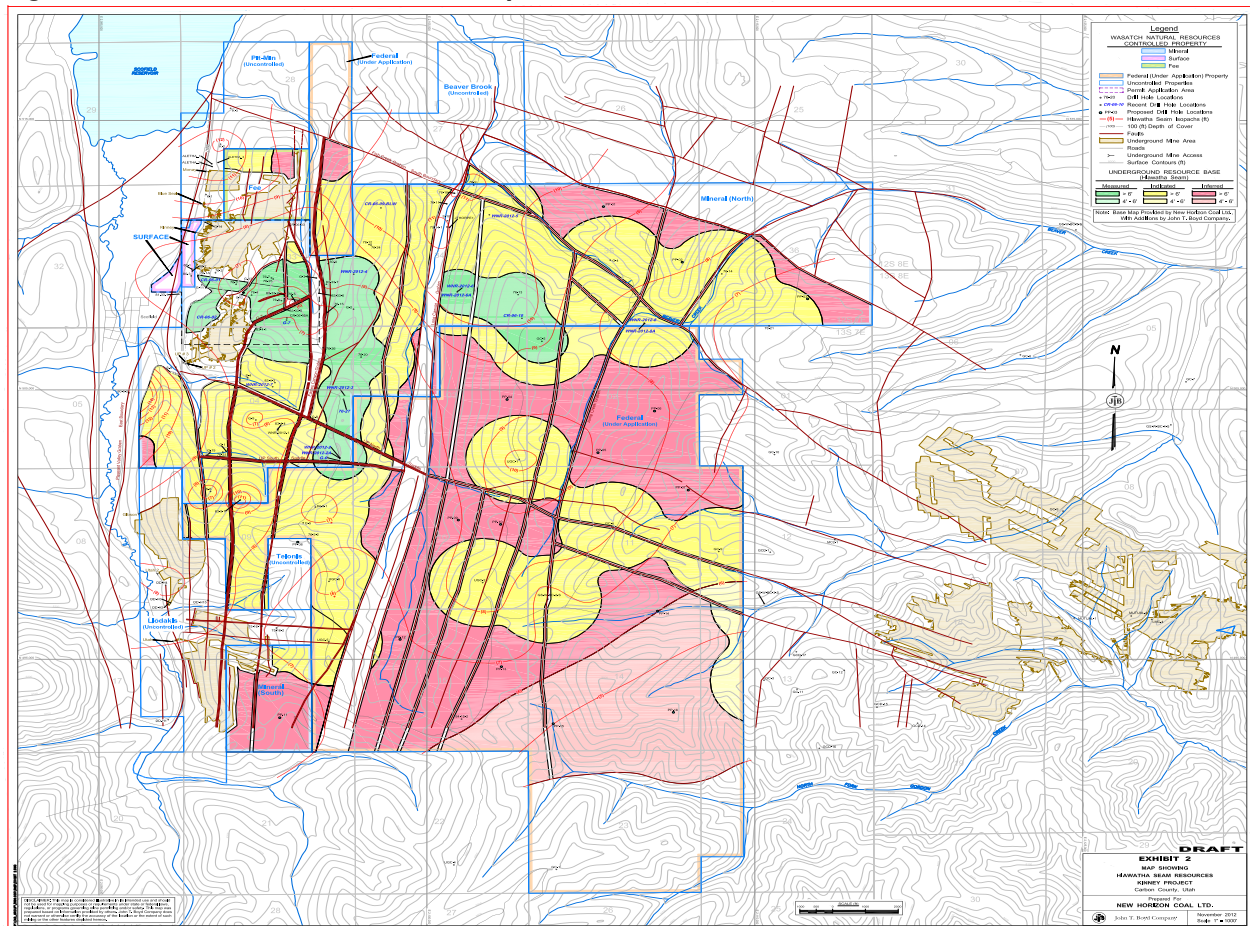


Table 4: JORC Reserves (thousand tonnes)

	Production Tonnes (ROM)			Saleable Tonnes ¹		
	Proved	Probable	Total	Proved	Probable	Total
Controlled Mineral	4,218	12,640	16,858	3,077	9,620	12,697
Under Application	619	10,329	10,978	425	7,574	7,999
Total	4,867	22,969	27,836	3,502	17,194	20,696

¹ Saleable production calculated for a 6,865 kcal/kg (12,350 Btu/lb) product coal quality

Coal Quality

Drilling of the Kinney Coal Project, including the 8-hole program completed in August 2012, has confirmed a reserve that is both uniform and high thermal quality. The Kinney Coal Project currently contains a Marketable Reserve of 20.7 million tonnes of high calorific, low sulphur coal, comparable in quality to typical Newcastle specifications.

Table 5: Average in-place, coal quality of the Hiawatha and UP Seams

	As Received		Air Dried Basis		Dry Basis	
	Hiawatha	UP	Hiawatha	UP	Hiawatha	UP
Calorific Value (kcal/kg)	6,508	6,700	6,765	6,856	7,048	7,156
Moisture (%)	7.63	7.25	4.02	4.19	-----	-----
Ash (%)	9.82	7.88	10.20	8.12	10.63	8.47
Volatile Matter (%)	39.60	39.86	41.15	41.18	42.87	42.98
Fixed Carbon (%)	42.95	45.02	44.63	46.51	46.50	48.55
Sulphur (%)	0.81	0.73	0.84	0.75	0.87	0.78

Average calorific value for clean saleable coal, as defined by Taggart Global, will be 6,865 kcal/kg (12,350 Btu/lb) on an as received basis, with average sulphur values well under 1%. The PFS assumes washing of 100% of coal production.. The facilities designed will have the capability to wash or bypass on variable basis to meet specific market needs.

Mining Methods and Sequence

Mine Plan and Design

The Kinney Coal Project is defined by high quality blocks of coal bounded by a series of defined faults. Its complex geology has been studied extensively and significantly refined by recent drilling programs in 2006 and 2012. JT Boyd has developed a mine plan at a relatively low capital investment per tonne of production capacity maximizing economic extraction and providing a balanced stable out-put production for life of mine. The mine plan developed does not reflect extraction of the inferred resource tonnage areas within controlled lease and the under application (federal) tracts. While it is reasonable to assume that future exploration will

confirm quality and mineability of these areas, the mine plans and financial projections do not incorporate these inferred areas. It is reasonable to conclude that planned drilling will result in upgrading the inferred areas, further enhancing the value of the Kinney Coal Project.

At the full 2.3Mtpa ROM production rate, mine operations employment (hourly & salaried) to operate the four (4) continuous miner sections plus all surface facilities is estimated at 175 employees. A core of experienced miners will be recruited from the local area, as it is an established mining region less than one-hour drive to the mine. With drift access directly into the Hiawatha seam, production of saleable coal commences quickly, eliminating the time and expense of either a rock slope or shaft to access the coal seam.

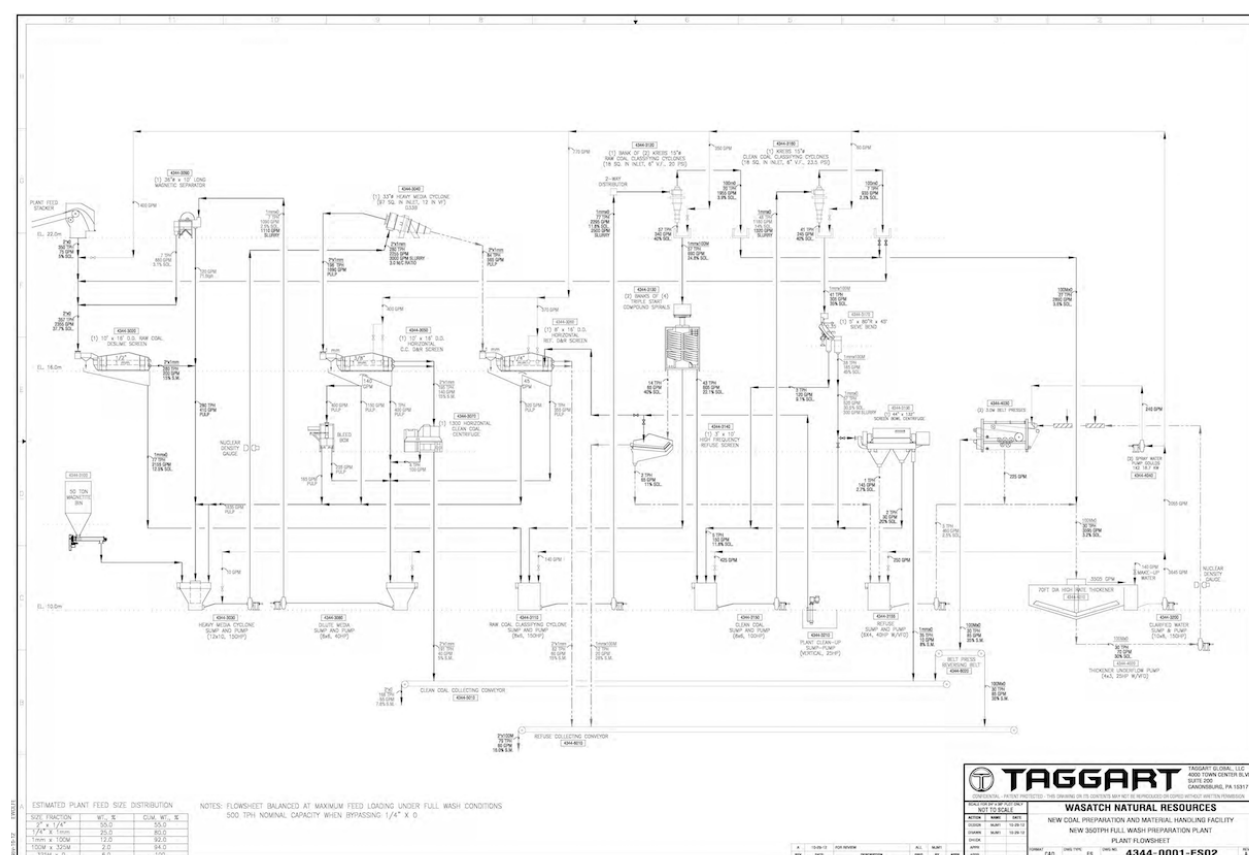
The proposed mine plan is designed to recover coal based on underground, room and pillar mining practices from both the Hiawatha and UP Seams. The mine layout is considered prudent with main entries centred on areas where mining conditions are expected to be best. Productivity figures assigned to the model are considered both reasonable and achievable based on performance at comparable mines.

Coal Handling, Processing and Train Loadout

Coal handling, processing and loadout facilities designed by Taggart Global for the Kinney Project are flexible to allow for maximizing sales revenue for a range of ROM and product quality specifications. The process plant facility will have the capability of fully washing, partially washing and bypassing the ROM production dependent upon input and output quality requirements. Coal handling facilities include raw and clean coal product storage and product loadout into unit train or truck. NHO will be further evaluating rail carrier and trucking options and costs as part of the Bankable Feasibility Study. Further evaluation and selection of a preferred train loadout site is underway and will be finalized in the BFS. Current unit train loadout options include the new construction of a new facility in close proximity to the mine site or use of existing loadout facilities located a further distance from the mine.

Figure 2 provides a detailed process flowsheet for the proposed preparation plant facility. Process simulations conducted on washability data collected from the 2012 drilling program indicate a premium 6,865 kcal/kg (12,350 Btu/lb) product quality. Capital costs provided include raw coal, clean coal handling, process plant, truck loadout at the mine and unit train loadout.

Figure 2: Flowsheet of Proposed Preparation Plant



Marketing and Logistics

Kinney Coal Project's quality compares favourably to competing domestic and seaborne suppliers due to its high energy and low sulphur characteristics. Kinney Coal Project will have a natural marketing advantage over lower quality competition, which will enable penetration into new markets. With thermal coal prices stabilizing as excess capacity is eliminated, a significant upside potential exists for the seaborne market as Kinney Coal Project production is brought online over the next 2-5 years.

NHO commissioned Wood Mackenzie to forecast thermal coal pricing through 2030. For domestic supply there are nine (9) power plants with a combined capacity of 5,470 MW reported Utah coal burn in 2011. Beginning in 2016, eight (8) major mines within the region are expected to deplete their reserves. Replacement mines for this capacity face capital and permit hurdles that will enable Kinney Coal Project to capture key domestic markets.

In addition to the domestic market opportunities, Kinney Coal Project's coal can be exported from several ports on the Gulf of Mexico and the Pacific Coast. This flexibility will allow NHO to select a variety of port and route combinations depending upon the customer to maximize margins. For export thermal markets, there is the option of blending Kinney Coal Project coal with lower rank domestic coal and shipping into Asian, Latin American, and European markets.

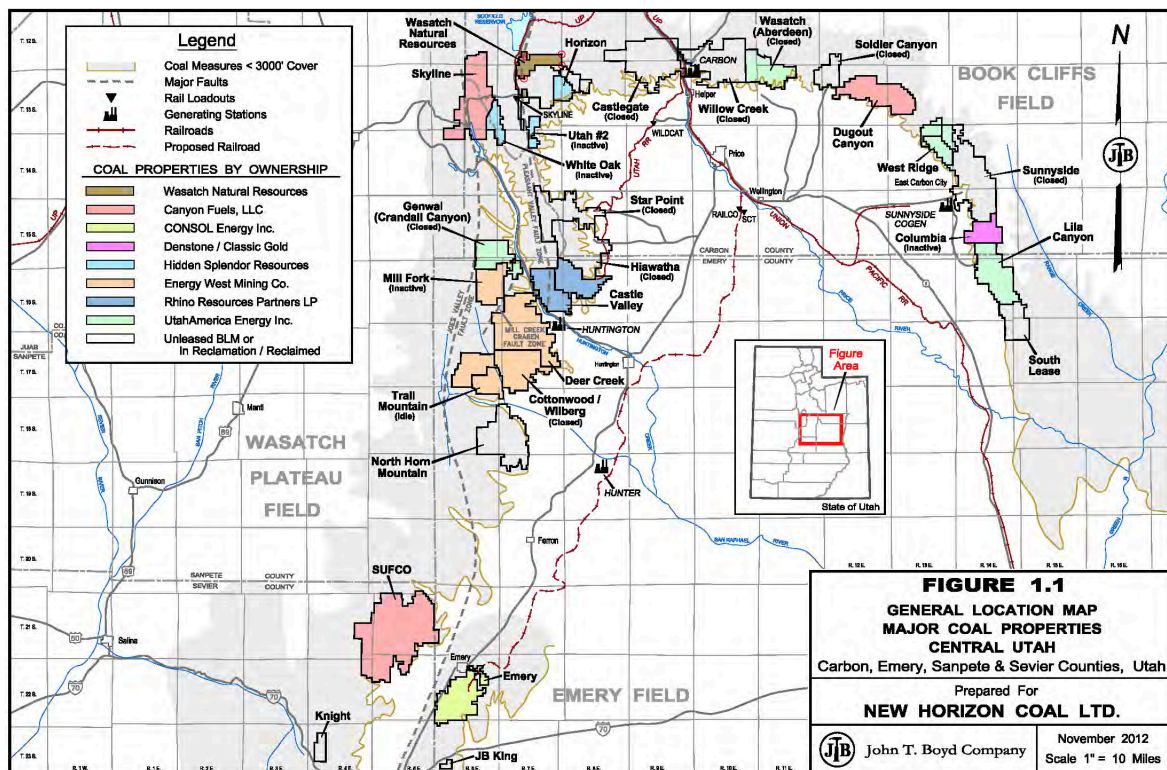
Wood Mackenzie has forecast a base thermal coal export price growing from US \$101/tonne once Kinney Coal Project reaches full production to US \$115/tonne by mid-life in the initial 16-year mine plan.

NHO has designed facilities with market flexibility in mind: the Kinney Coal Project will be equally able to deliver coal into either domestic or export markets, depending upon margin strength.

Project Overview

The Kinney Coal Project is an underground thermal coal project located in central Utah, USA; adjacent to the town of Scofield. The site is located approximately 160 km from Salt Lake City in a mature mining district with well-developed infrastructure including utilities, rail, paved roads and an experienced workforce. The mine stockpile area is less than 1 km from a major rail spur and within 30 km of mainline rail served by multiple rail carriers, all of which provide access to key domestic customers and seaborne markets via the Pacific Coast and the Gulf of Mexico. NHO is well positioned to leverage these strengths and the region's reputation for high quality, low sulphur coal to gain access to domestic and foreign markets.

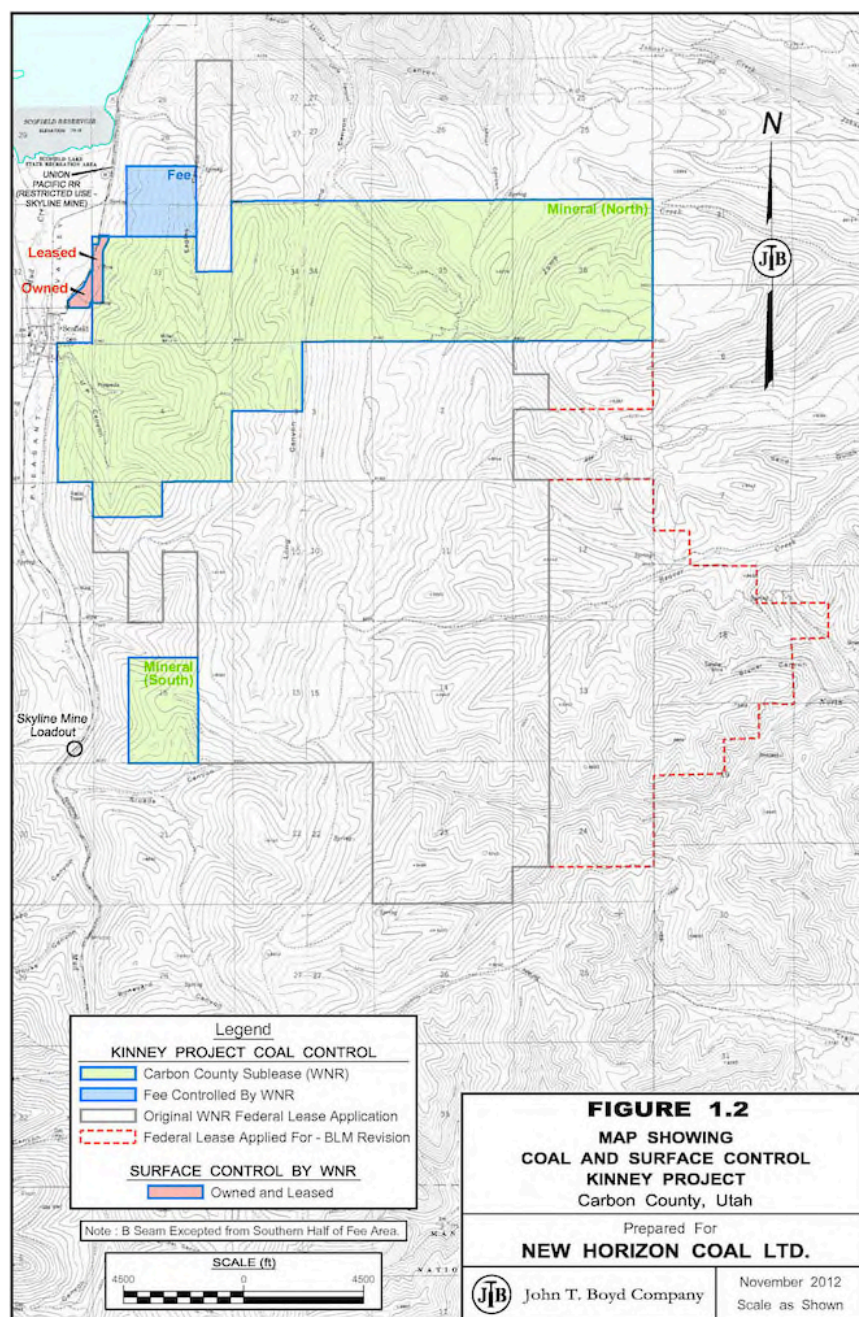
Figure 3: Location of the Kinney Coal Project



The PFS has reported a 110.6Mt JORC resource (11.9Mt Measured, 63.4Mt Indicated and 35.3Mt Inferred) for the two underground, mineable seams. This represents a combined JORC Resource for the Carbon County lease, which is fully controlled by NHO, and the Long Canyon LBA (the **Tract**). The Tract contains mineral lease rights controlled by the US Bureau of Land Management (BLM) for which NHO has made application to lease. Given the advanced status of NHO'S application and the technical and economic uncertainty of entering the Tract from

points of entry not controlled by NHO, JT Boyd has included the Long Canyon LBA application mineral rights under the JORC Resource and Reserve of the Kinney Coal Project.

Figure 4: Kinney Coal Project and Long Canyon LBA Boundaries



Risk Factors

The viability of the Kinney Coal Project as determined by JT Boyd is contingent upon the successful lease of the Long Canyon Tract (the **Tract**) as an integral element of the Kinney Coal Project. JT Boyd has evaluated the Tract and determined it to be an acceptable inclusion as an

integral element of the Kinney Coal Project on the following basis: (1) NHO's advanced application with the US Bureau of Land Management to acquire the Tract via competitive auction; (2) the synergistic benefits of the Tract, in which it is bordered on the West and North by NHO's Carbon County lease; and (3) the lack of logical mining access points of entry from land not currently controlled by NHO. On the basis of these evaluations, JT Boyd has included the Long Canyon Tract as a logical extension of the Kinney No. 2 Mine. Given the advanced nature of discussions with the BLM and the advantages noted above, the Board of NHO is confident that the acquisition will be completed on time but cannot provide any assurances that the acquisition will occur at all or within the timeframes envisioned. A portion of its Reserve, insofar as it has been defined to JORC standards, has been included in the production and cost schedules below as part of the Kinney Coal Project. Resource areas that have been defined but do not meet JORC standards for Reserve measurement (inferred areas) have not been included. Additional drilling planned for the 3rd quarter CY 2013 to prove these Reserves to JORC standards. The drilling is expected to increase the Proved and Probable Reserves of the Kinney Coal Project and extend the life of mine beyond the timeframe envisioned in the PFS. Both extensions will be detailed further in the Bankable Feasibility Study.

The PFS has been undertaken using best practices. The purpose is to determine the economic viability of a project. Many factors are involved in the determination of the economic viability of a project, including the achievement of satisfactory mineral reserve estimates, the level of estimated recoveries, capital and operating cost estimates and the estimate of future commodity prices. Capital and operating cost estimates are based upon many factors. Each of these factors involves uncertainties and as a result, the Company cannot give any assurance that its development or exploration projects will become operating mines. If a mine is developed, actual operating results may differ from those anticipated in a feasibility study.

Enquiries

Michael Placha
Managing Director

Telephone: +1 412 296 1473
Email: mplacha@wasatchnr.com

Carl Coward
Non-Executive Director

Telephone: +61 8 9322 5944
+61 422 209 162
Email: ccoward@wasatchnr.com

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 pending 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 presentation.