



## 1ST QUARTER ACTIVITIES REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2012

The Board of New Horizon Coal Ltd (NHO or the Company) is pleased to present its quarterly report for the three months ending 30 September 2012:

### Company Highlights for the First Quarter

- Completed a drilling program at the Company's Kinney Coal Project in Utah, USA. A total of eight (8) drill holes were completed and cored using rotary/air foam and conventional coring methods. Drilling results will be used to complete the Pre-Feasibility Study (PFS) and to issue a revised, upgraded JORC Resource.
- Continued to progress with a Pre-Feasibility Study being conducted by John T. Boyd Company (JT Boyd). Completion of work and announcement on the PFS is expected in Q2.
- Entered detailed discussions with a new, fully permitted coal export facility located on the Gulf of Mexico. Under discussion is an initial allocation of 3 Mtpa at this facility.
- Continued to advance discussions on rail logistics with multiple Class 1 rail carriers.
- Selected and awarded a contract for and commenced an Environmental Assessment (EA) for the Federal coal mineral lease parcel adjacent to the Kinney Coal Project. Following completion of the EA, NHO will submit a bid to acquire this lease. This lease sale is envisaged in the second quarter of CY 2013.
- Continued discussions for the purpose of acquiring interest in a new surface mine.

### FY 2013 2<sup>nd</sup> Quarter Targets

During the 2<sup>nd</sup> Quarter of FY 2013, NHO will continue its work on the Kinney Project PFS and will continue to evaluate strategic acquisitions. Other highlights include:

- Complete and release the Kinney Coal Project Pre-Feasibility Study.
- Continue the Long Canyon LBA Environmental Assessment and prepare for the lease sale of the Tract in CY 2013.
- Engage in detailed discussions with the new surface mine opportunity in the northern US.
- Continue off-take discussions with port facilities and rail carriers.
- Evaluate additional mining opportunities in the United States as they arise.

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## 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 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 domestic and export markets with a high heat, low sulphur product.

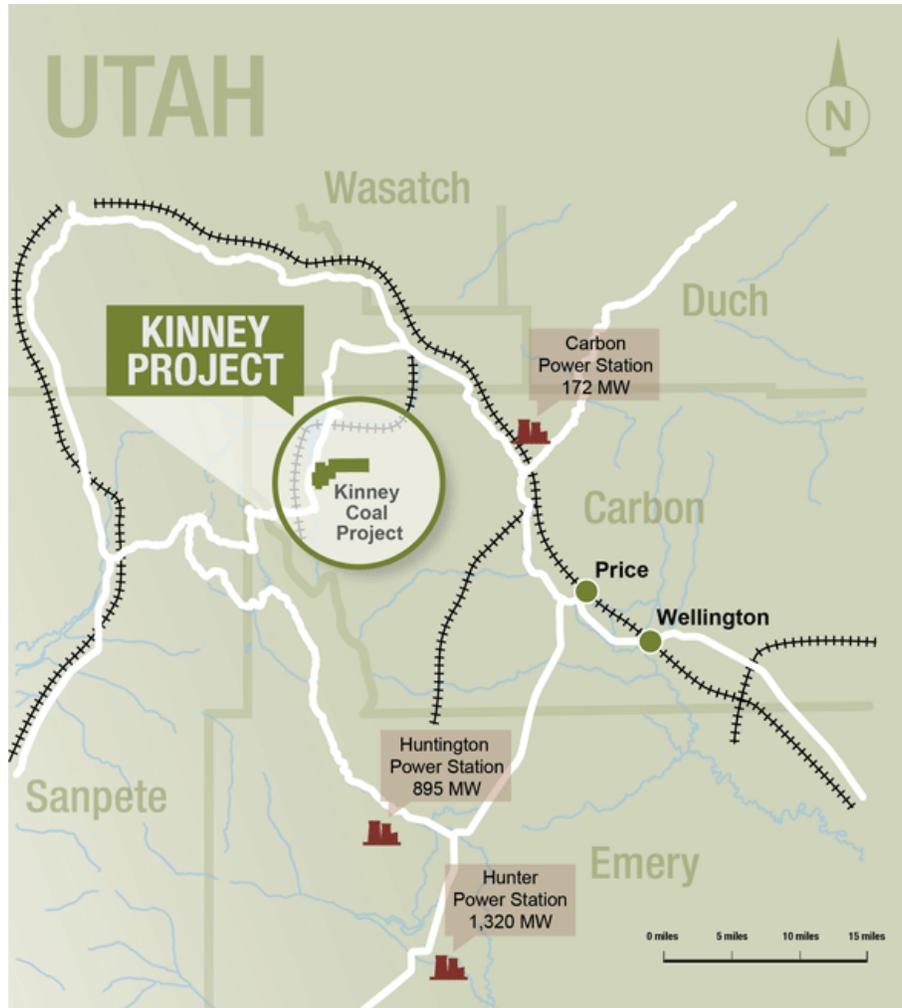


Figure 1: Kinney Coal Project Location

### Kinney Project Drilling Program

During the 1<sup>st</sup> Quarter, NHO completed a drilling program at the Kinney Coal Project. The program was intended to supplement existing drill hole information from historical drill holes and further refine understanding of the site in order to develop a mine plan. Seven (7) drill holes were originally scheduled for the drilling season; however, due to the pace of the drilling teams an additional hole was completed, resulting in a total of eight (8) holes being drilled, logged, and cored. Over 2,000 metres of drilling were completed using rotary/air foam methods, with over 250 metres of core retrieved using conventional coring methods.

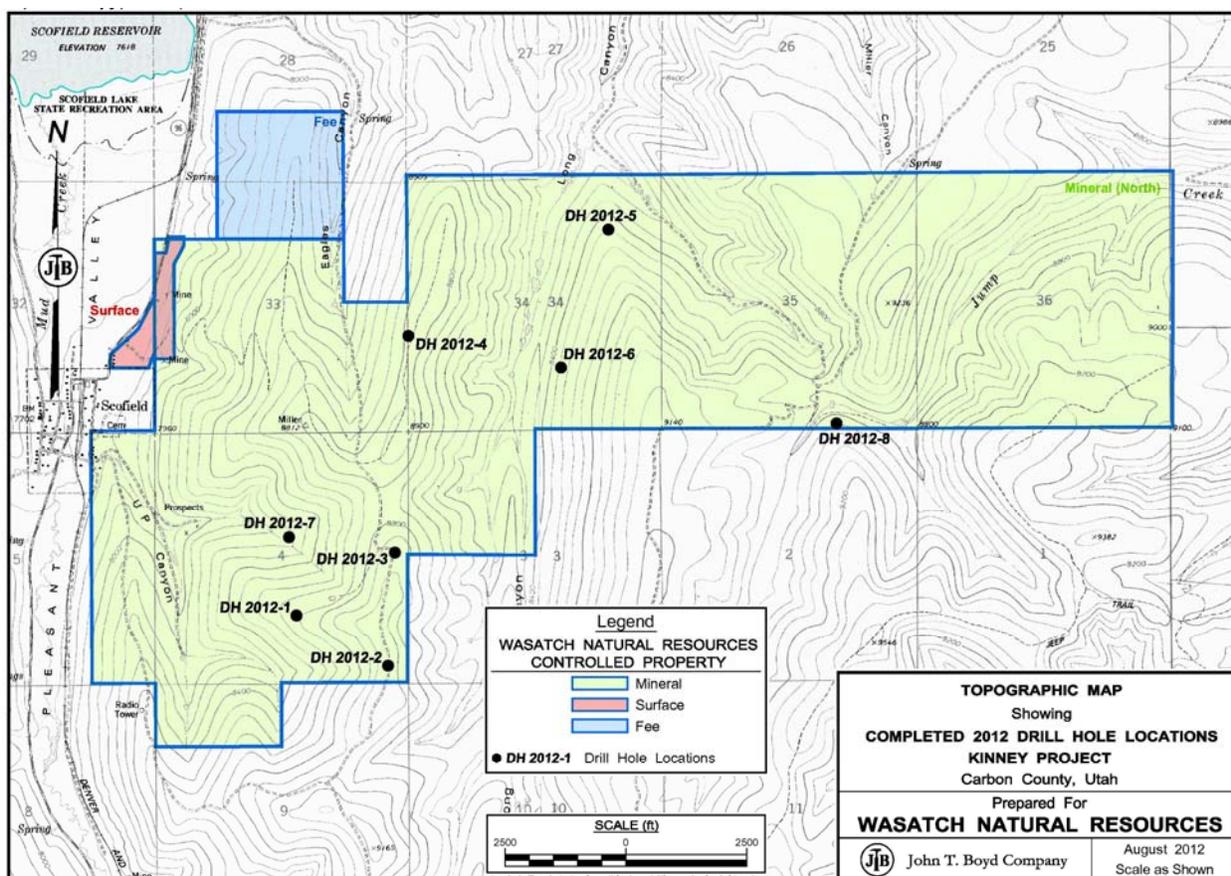


Figure 2: Final Drill Hole Locations for Kinney Coal Project Drilling Program

Preliminary laboratory analysis of the drilling logs and cores has confirmed the high quality of the two seams of economic interest at the Kinney Coal Project, the Hiawatha and UP. Laboratory analysis of the cores has confirmed a high calorific, low ash, and low sulphur product that is comparable to typical Newcastle quality specifications and therefore suited to both domestic utility markets and seaborne trade. Both the Hiawatha and UP seams also display consistent coal quality across the Kinney Coal Project. Drill cores for both the seams demonstrated limited in-seam variation in calorific value, ash, or sulphur values at distances of over 3km.

*Average Raw Coal Quality by Seam (Preliminary)*

As Received Basis	Hiawatha Seam		UP Seam	
	Average	Range	Average	Range
Calorific Value	6,607 kcal/kg	6,147-6,978 kcal/kg	6,700 kcal/kg	6,551-6,930 kcal/kg
Moisture	7.13%	6.15-7.86%	7.25%	6.23-8.2%
Ash	9.32%	4.76-14.38%	7.88%	4.66-10.98%
Sulphur	0.86%	0.53-1.33%	0.73%	0.56-1.12%

Figure 3: Average qualities for the Hiawatha and UP seams

Final compilation of the laboratory figures is underway by JT Boyd and will be released prior to the PFS.

## Kinney Coal Project JORC Resource Upgrade

The JORC Resource upgrade to 51.6 million tonnes is the result of independent evaluation of the Kinney Coal Project by John T Boyd Company (**JT Boyd**). The recent coal resource determination is part of the pending Prefeasibility Study (**PFS**) being prepared by JT Boyd for release in November. All Coal Resources identified and confirmed by JT Boyd lies on mineral rights controlled exclusively by NHO.

**Kinney Coal Project Revised JORC Resource**  
(million tonnes)

	<b>Initial JORC Resource</b>	<b>Revised JORC Resource</b>	<b>Change</b>
<b>Measured</b>	12.3	11.3	- 1.0
<b>Indicated</b>	11.6	33.5	+ 21.9
<b>Inferred</b>	2.2	6.8	+ 4.6
<b>Total</b>	26.1	51.6	+ 25.5

*Figure 4: Revised JORC Resource*

The increase in the reported Coal Resource is the result of: use of the full thickness of the UP Seam, incorporation of the recently completed 2012 exploration program results, and the expansion of the coal resource area which allowed several major coal blocks controlled by NHO to be included in the revised Resource. The Resource has been evaluated in accordance with the criteria set forth in the JORC Code (2004).

## Pre-Feasibility Study

The Pre-Feasibility Study for the Kinney Project, commenced in Q3 of FY 2012, continued in Q1 of FY 2013. John T Boyd Company (JT Boyd), an internationally recognized mining consulting firm, is conducting the study work. During the quarter, JT Boyd completed review of all geological data and presented their geological model. With the completion of the 2012 drilling program data review and model, JT Boyd has commenced mine planning and economic assessment; JT Boyd will issue the Project Reserve tables by seam for the Kinney Coal Project as part of the final PFS. As noted above, JT Boyd will also apply new drilling data and an expanded view of the mineral reserves controlled by NHO to issue an updated JORC Resource in conjunction with its issuance of the PFS. It is expected that both will be released in the 2<sup>nd</sup> Quarter of FY 2013.

## Export Facilities and Logistics

NHO has commenced detailed discussions with a new port facility located on the Gulf of Mexico. The fully permitted, privately owned facility would accommodate an initial annual capacity allocation of 3 million tons (2.7 million tonnes). The Gulf of Mexico provides ready access to proven markets for high-heat coal such as that found at Kinney, including Europe, Mexico and Latin America, as well as Asia via the widened Panama Canal. The large allocation would also allow for future export expansion by NHO, including the surface mine opportunity discussed below. The Company has received positive feedback from the port, and discussions are ongoing.

During the Quarter NHO engaged in follow-up meetings with rail carriers located within 30km of the Kinney Coal Project. NHO has received positive feedback from railroads with respect to rail rates to export facilities as well as loading options at or near the Kinney Coal Project.

### **Long Canyon LBA Environmental Assessment**

NHO has engaged with an environmental contractor to complete an Environmental Assessment (EA) of the Long Canyon LBA Tract (the Tract). The Tract contains over 2,100 hectares of mineral rights owned and controlled by the US Bureau of Land Management (BLM) and would greatly expand the Kinney Project's coal resource. NHO selected SWCA Environmental Consultants (SWCA) of Phoenix, Arizona to complete the EA as required by Federal statutes. SWCA has a well-established track record of evaluating major coal projects in the state of Utah and completing EAs in a compressed time frame. Upon completion of the EA, NHO will enter into a competitive bid process to acquire the Tract and integrate it with the Kinney Coal Project. Mine plans under consideration for the PFS will consider options with the Tract in order to more rapidly integrate the additional reserve following a successful bid.

### **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.

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

NEW HORIZON COAL LTD

ABN

61 143 932 110

Quarter ended ("current quarter")

30 SEPTEMBER 2012

### Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter	Year to date (3 months)
		\$A'000	\$A'000
1.1	Receipts from product sales and related debtors		
1.2	Payments for		
	(a) exploration & evaluation	(9)	(9)
	(b) administration	(16)	(16)
	(c) occupancy	(24)	(24)
	(d) corporate compliance	(24)	(24)
	(e) management services	(26)	(26)
	(f) audit services	(18)	(18)
	(g) employment on-costs	(51)	(51)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	8	8
1.5	Interest and other costs of finance paid		
1.6	Other (net GST activity - BAS)	(3)	(3)
1.7	Other		
	<b>Net Operating Cash Flows</b>	<b>(163)</b>	<b>(163)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of:		
	(a) prospects		
	(b) exploration & evaluation capitalised	(765)	(765)
	(c) other fixed assets		
	(d) due diligence & transaction expenses		
1.9	Proceeds from sale of:		
	(a) prospects		
	(b) equity investments		
	(c) other fixed assets		
1.10	Loans to other entities		
1.11	Loans repaid to other entities		
1.12	Other (provide details if material)		
	<b>Net investing cash flows</b>	<b>(765)</b>	<b>(765)</b>
1.13	Total operating and investing cash flows (carried forward)	(928)	(928)

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(928)	(928)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.		
1.15	Cost of shares & options issued		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other		
	<b>Net financing cash flows</b>	-	-
	<b>Net increase (decrease) in cash held</b>	<b>(928)</b>	<b>(928)</b>
1.20a	Cash at beginning of quarter/year to date	1,414	1,414
1-20b	Cash acquired due to acquisition of prospect		
1.21	Exchange rate adjustments to item 1.20a		
1.22	<b>Cash at end of quarter</b>	<b>486</b>	<b>486</b>

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	82
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Salary, Super (Net after PAYG) and Fees paid to directors and/or director related entities	-	58
Office Rent and Outgoings paid to a director related entity	-	24
Payment are net of any applicable GST		

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

+ See chapter 19 for defined terms.

### Financing facilities available

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	70
4.2 Development	100
4.3 Production	-
4.4 Administration	120
<b>Total</b>	<b>290</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	330	1,414
5.2 Deposits at call	-	-
5.3 Term deposit (USD account)	156	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>486</b>	<b>1,414</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	-	-	-
6.2	Interests in mining tenements acquired or increased	-	-	-

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Class B 10,000,000	-	-	-
	Class C 10,000,000	-	-	-
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions			
7.3	<b>*Ordinary securities</b>	<b>93,000,000</b>	<b>66,950,000</b>	
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs			
7.5	<b>*Convertible debt securities</b>			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted			
7.7	<b>Options</b> <i>(description and conversion factor)</i>	<b>73,000,000</b>	<i>Exercise price</i> <b>\$0.20</b>	<i>Expiry date</i> <b>31/12/2014</b>
		<b>10,000,000</b>	<b>\$0.50</b>	<b>30/11/2016</b>
7.8	Issued during quarter			
7.9	Exercised during quarter			
7.10	Expired during quarter			
7.11	<b>Debentures</b> <i>(totals only)</i>			
7.12	<b>Unsecured notes</b> <i>(totals only)</i>			

+ See chapter 19 for defined terms.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Gary Steinepreis  
Director  
October 2012

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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