NEW HORIZON Coal Ltd
ABN 61 143 932 110

Annual Report

30 June 2014

CONTENTS

Corporate Directory

Directors	Anthony Brennan (appointed 2 July 2014) Non-Executive Chairman Michael Placha Executive Carl Coward Non-Executive Gary Steinepreis Non-Executive
Company Secretary	Gary Steinepreis
Registered Office	Level 1, 33 Ord Street West Perth Western Australia 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 Western Australia 6000 Investor enquiries: 1300 557 010 Telephone: 08 9323 2000 Facsimile: 08 9323 2033
Auditor	BDO Audit (WA) Pty Ltd 38 Station Street Subiaco Western Australia 6008 Telephone: 08 6382 4600 Facsimile: 08 6382 4601
Bankers	Westpac Banking Corporation 109 St Georges Terrace Perth WA 6000
Stock Exchange Listing	New Horizon Coal Ltd's shares and options are listed on the Australian Securities Exchange (ASX), home branch, Perth. Code: NHO Shares – NHOO Options
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 financial year ended 30 June 2014 (New Horizon Coal or the Company or the Group).

Directors

The name of each person who has been a director during the reporting period and to the date of this report are:

Anthony Brennan appointed 2 July 2014

Gary Steinepreis

Michael Placha

Carl Coward

Mark Sanders (resigned 7 August 2014)

Company Secretary

The company secretary is Gary Steinepreis.

Principal Activity

The principal continuing activity of the Group is exploration and development for coal.

The Group's has continued 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 Company has continued working on the Kinney Coal Project to seek financing of the project with debt and equity providers. This has included negotiations to seek investors to participate in the development and/or acquire a debt or equity stage. As part of this process the Company re-negotiated the terms of the Asset Purchase Agreement (APA) with Carbon Resources and announced these on 31 March 2014.

Pursuant to the terms of the revised APA for the Kinney Coal Project, the Company must meet various payment obligations through a series of promissory notes with US$1 million is due on 30 November 2014, US$1 million on 31 March 2015, and then an annual minimum payment of US$1 million is payable from 30 November 2015 until the promissory notes are repaid in full.

There is a risk that, if the Company cannot meet its obligations under the APA or successfully renegotiate the APA, the Company may lose its rights to the Kinney Coal Project. If the promissory notes are not redeemed, the APA provides for the project to be transferred back to the vendor in full satisfaction of any obligations under the APA. The Company is using its best endeavours to meet and satisfy its obligations pursuant to the acquisition of the Kinney Coal Project as it continues its efforts to secure a partner for investment in the Kinney Project.

On 2 July 2014, the Company announced the appointment of Tony Brennan and a strategic review in relation to its investment in the Kinney Coal Project. The strategic review will review the status of the financing negotiations and also consider a sale of part or all of its interest in the Project. The Board will investigate all possible options for the Project in order to maximise value to shareholders and consider new projects. The Company will consider new projects in all business sectors, including those outside the mining sector.

Review of Operations (continued)

As an exploration entity, the Group has no operating revenue or earnings and consequently the Group's performance cannot be gauged by reference to those measures. Instead, the Directors' consider the Group's performance based on the success of exploration activity, acquisition of additional prospective mineral interests and, in general, the value added to the Group's asset portfolio during the course of the financial year.

Whilst performance can be gauged by reference to market capitalisation, that measure is also subject to numerous external factors. These external factors can be specific to the Group, generic to the mining industry and generic to the stock market as a whole and the Board and management would only be able to control a small number of these factors.

The Group's activities are also subject to numerous risks, mostly outside the Board's and management's control. These risks can be specific to the Group, generic to the mining industry and generic to the stock market as a whole. The key risks, expressed in summary form, affecting the Group and its future performance include but are not limited to:

- geological and technical risk posed to exploration and commercial exploitation success;
- security of tenure including licence renewal (no assurance can be given that the licence renewals and licence applications that have been submitted will be successful), and inability to obtain regulatory or landowner consents;
- change in commodity prices and market conditions;
- environmental and occupational health and safety risks;
- government policy changes;
- retention of key staff; and
- capital requirement and lack of future funding.

This is not an exhaustive list of risks faced by the Group or an investment in it. There are other risks generic to the stock market and the world economy as whole and other risks generic to the mining industry, all of which can impact on the Group.

Operating Result

The loss from operations as at the 30 June 2014 after providing for income tax was \$22,431,381 (2013: \$1,861,960). Additional information on the operations and financial position of the Group and its business strategies and prospects are set out in this directors' report and the annual financial report.

Dividends

No dividends were paid or are proposed to be paid to members during the financial year.

Future Developments, Prospects and Business Strategies

Information on likely developments in the operations of the Group and the expected results of operations have not been included in the annual report because the directors believe it would be likely to result in unreasonable prejudice to the Group. Therefore, this information has not been presented in this report.

Environmental Issues

The Group's operations are subject to the environmental regulation under the laws of the state of Utah, USA. The Board is of the view that all requirements have been met.

After Reporting Date Events

On 2 July 2014, the Company announced the appointment of Anthony Brennan and a strategic review in relation to its investment in the Kinney Coal Project. The strategic review will review the status of the financing negotiations and also consider a sale of part of all of its interest in the Project. The Board will investigate all possible options for the Project in order to maximise value to shareholders and consider new projects. The Company will consider new projects in all business sectors.

On 7 August 2014, Mr Mark Sanders resigned as a Director.

On 8 August 2014, the Company lodged a fully underwritten entitlement issue on the basis of one new share for each share held being 118,000,000 shares to raise $1,180,000 before costs. Included in this capital raising is the repayment of a loan of up to $100,000 to Oakhurst Enterprises Pty Ltd, an entity associated with Gary Steinepreis. This issue was closed on 19 September 2014 and the shares were issued and allotted on this date.

Other than as mentioned above, 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.

Information on Current Directors

Anthony Brennan (Non-executive Chairman, age 57)

Experience and Expertise

Mr Brennan is a Chartered Accountant with a career of 30 years. He was previously a partner in an Australian national accounting firm, and has extensive hands on experience in financial management. Since leaving the accounting profession in 1990 he has played a leading role in a number of Australian resource companies, including the role of Managing Director and Chairman of a number of ASX or London Stock Exchange (LSE) listed companies.

In 2004 he founded Delta Capital Pty Limited to provide boutique investment banking and corporate advisory service principally to the natural resources sector with a special focus on conventional and alternative energy companies.

Other Current Directorships

Acorn Minerals Plc

Former Directorships in the Last Three Years

Nil

Special Responsibilities

Chairman

Gary Steinepreis (Non-executive Director, age 48)

Experience and Expertise

Mr Steinepreis holds a Bachelor of Commerce degree from the University of Western Australia and is a Chartered Accountant. He provides corporate, management and accounting advice to a number of companies involved in the resource, technology and leisure industries.

Information on Current Directors (continued)

Other Current Directorships

Monto Minerals Ltd since 16 June 2009;

Norseman Gold Plc since 3 December 2007;

AVZ Minerals Limited since 30 November 2012; and

Intercept Minerals Ltd since 8 April 2014.

Former Directorships in the Last Three Years

Minerals Corporation Limited 17 February 2011 to 14 October 2011;

Agri Energy Limited 22 June 2009 to 11 June 2012; and

WAG Limited 2 November 2006 to 23 May 2013.

Special Responsibilities

Company Secretary

Carl Coward (Non-Executive director, age 32)

Experience and Expertise

Mr Coward's qualifications include a Bachelor of Commerce from Curtin University of Technology in Perth, Western Australia. Mr Coward has several years' experience in investment banking with a particular focus on the natural resources sector. He has recently been involved in thermal coal projects in Indonesia, South Africa and North America. He is currently an Associate Director of corporate advisor Delta Capital and was instrumental in identifying and managing the acquisition of the Kinney Coal project.

Other Current Directorships

None

Former Directorships in the Last Three Years

None

Special Responsibilities

None

Michael Placha (Executive director, age 59)

Experience and Expertise

Mr Placha has worked on various international projects throughout his 35-year career in the USA, Australia, Canada, Indonesia, China, Russia, Germany and Italy. Mr Placha earned his Bachelor of Science degree in extractive metallurgy from The Pennsylvania State University.
Mr Placha was Senior Vice President of Signal Peak Energy/Global Rail Group from 2006 through 2010 responsible for the financing and development of a $350 million underground long-wall mine, rail and surface facilities in Montana. He led the design and construction of a 58 Km rail spur and 15MTPY coal handling, processing and loadout facilities.

From 2004 until 2006 as President of Sedgman, Canada, Mr Placha was responsible for design and construction of two metallurgical facilities in British Columbia. Prior to this, Mr Placha spent 16 years with Cyprus Coal and its successor companies working in operations, engineering and sales and marketing.

Other Current Directorships

None

Information on Current Directors (continued)

Former Directorships in the Last Three Years

None

Special Responsibilities

Managing Director and Chief Executive Officer

Former director:

Mark Sanders (Non-Executive director, age 50)

Experience and Expertise

Mr Sanders is President and CEO of Strata Proximity Systems, an affiliate of Strata Worldwide, a leading producer of safety solutions for the global mining industry. Before joining Strata, he served for 15 years as an executive with Joy Mining Machinery and its parent, Joy Global.

Meetings of Directors

The number of meetings of the Company's Board of Directors held during the financial year up to and including 30 June 2014 and the numbers of meetings attended by each director were:

Name of Director	Number of Meetings - A	Number of Meetings - B
Gary Steinepreis	10	10
Carl Coward	10	10
Michael Placha	10	10
Mark Sanders	10	9

A = Number of meetings attended

B = Number of meetings held during the time the Director held office during the year

Remuneration Report (Audited)

The principles adopted by the Board are set out under the following main headings:

(1) Principles used to determine the nature and amount of remuneration
(2) Details of remuneration
(3) Employment contracts of Directors and Senior Executives
(4) Performance based remuneration

The information provided under headings 1 to 4 above includes remuneration disclosures that are required under section 300A of the Corporations Act 2001.

1 Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered.

The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms to market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

(i) competitiveness and reasonableness;
(ii) acceptability to shareholders;
(iii) performance linkage / alignment of executive compensation;

Remuneration Report (Audited) (continued)

1 Principles used to determine the nature and amount of remuneration (continued)

(iv) transparency; and

(v) capital management.

The Group has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation.

Alignment to shareholders' and program participants' interests:

(i) focuses on sustained growth in shareholder wealth;
(ii) attracts and retains high calibre executives;
(iii) rewards capability and experience; and
(iv) provides a clear structure for earning rewards.

Remuneration Governance

Fees and payments to directors and key management personnel reflect the demands and responsibilities of the positions and are in line with the general market and the financial condition of the Group. There are no minimum or maximum amounts. There is no remuneration committee. The entire board which comprises four directors are responsible for remuneration packages.

Use of Remuneration Consultants

Remuneration consultants were not used in the establishment of remuneration packages in 2014.

Comments and Voting at Annual General Meeting

There were no comments or questions arising at the 2013 annual general meeting regarding remuneration.

Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration

No relationship exists between the Company performance, earnings, shareholder wealth and Directors' and Executive Remuneration for this financial period and the previous 4 financial periods. As at the date of the report, the Company is currently undergoing a strategic review. Given the review, no remuneration is currently performance related.

2 Details of Remuneration

The key management personnel of the Group, during the year, were:

Directors:	**Position:**	**Date Appointed**	**Date Resigned**
Gary Steinepreis	Director / Secretary	4 June 2010	-
Michael Placha	Managing Director	2 December 2011	-
Carl Coward	Director	2 December 2011	-
Mark Sanders	Director	1 November 2012	7 August 2014
Executives:		**Date Commenced**	
Greg Hunt	Chief Operating Officer	1 December 2011	30 November 2013

Remuneration Report (Audited) (continued)

2 Details of Remuneration (continued)

The amount of remuneration of the key management personnel is set out below:

2014 Name	**Salary**	**Fees**	**Super**	**Bonus**	**Medical**	**Share Based**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Directors:							
G Steinepreis	-	36,000	-	-	-	-	**36,000**
M Placha	211,091	-	-	-	9,368	-	**220,459**
C Coward	32,952	36,000	2,540	-	-	-	**71,492**
M Sanders	-	32,685	-	-	-	-	**32,685**
Executives:							
G Hunt	3,805	-	-	-	4,145	(351,796)[2]	**(343,846)**
TOTAL	**247,848**	**104,685**	**2,540**	**-**	**13,513**	**(351,796)**	**16,790**

2013 Name	**Salary**	**Fees**	**Super**	**Bonus**	**Medical**	**Share Based**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Directors:							
G Steinepreis	-	36,000	-	-	-	-	**36,000**
M Placha	246,195	-	-	-	13,417	589,199 [1]	**848,811**
C Coward	33,028	36,000	2,970	-	-	-	**71,998**
M Sanders	22,978	-	-	-	-	8,383	**31,361**
Executives:							
G Hunt	142,246	-	-	-	7,885	214,292	**364,423**
TOTAL	**444,447**	**72,000**	**2,970**	**-**	**21,302**	**811,874**	**1,352,593**

[1] The share based payment to Mr Placha includes an amount of $398,227 which represents the accelerated amortisation of 5,000,000 options held by Mr Placha that were cancelled during the period. At no time did Mr Placha received any benefit of any nature from the owning of these options which are now cancelled.

[2] The share based payment reversal to Mr Hunt relating to unvested options has been reversed as the Directors have re-assessed the likelihood of meeting the vesting conditions of the performance options at this stage to be nil.

3 Employment Contracts of Directors and Senior Executives

(i) **Michael Placha** has an executive services agreement with Wasatch as its Chief Executive Officer.

(a) the agreement had a term of 1 year commencing on 1 January 2013 and has been continued on a monthly basis since the completion of the term;

(b) a salary of US$250,000, has been paid in equal monthly instalments annually on a total employment cost basis. Due to the financial condition of the Group, the salary has been reduced voluntarily by Mr Placha to US$125,000 to conserve the capital of the Group.

(ii) **Carl Coward** entered into an executive services agreement pursuant to which he serves as a non-executive director.

(a) the Company pays Mr Coward a salary of $36,000 (including superannuation) from the pool of Non-Executive Director fees; and

(b) Mr Coward invoices on a fee for service basis for approved additional consulting work undertaken on behalf of the Company.

(c) Mr Coward may resign at any time upon giving 1 month's written notice.

Remuneration Report (Audited) (continued)

3 Employment Contracts of Directors and Senior Executives (continued)

(iii) **Gary Steinepreis** entered into an executive services agreement pursuant to which he serves as the non-executive director.

(a) the Company pays Mr Steinepreis $36,000 as a consultant from the pool of Non-Executive Director fees; and

(b) Mr Steinepreis may resign at any time upon giving 1 month's written notice.

(iv) **Mark Sanders** entered into an executive services agreement pursuant to which he will serve as a non-executive director.

(a) the Company paid Mr Sanders a fee of US$36,000 (including all required taxes and contributions whether federal, local or state) from the pool of Non-Executive Director fees; and

(b) Mr Sanders resigned on 7 August 2014.

(v) **Greg Hunt** entered into an Executive Services Agreement with Wasatch Natural Resources pursuant to which Mr Hunt will serve as Chief Operating Officer of Wasatch. New Horizon Coal owns 100% of Wasatch.

(a) the agreement had a term of 2 years commencing on the Kinney Coal Project Acquisition Date being 30 November 2011 and at the election of Wasatch, the term may be extended for a further period of 1 year; and

(b) Wasatch paid Mr Hunt a salary of US$130,000 which was payable in equal monthly instalments and was reviewed annually;

(c) the contract was not extended on its anniversary date of 30 November 2013.

(vi) **Anthony Brennan** entered into an executive services agreement pursuant to which he serves as the non-executive chairman.

(a) the Company pays Mr Brennan $40,000 plus superannuation from the pool of Non-Executive Director fees; and

(b) Mr Brennan may resign at any time upon giving 1 month's written notice.

There were no termination payments of termination period in respect to the cessation of the employment of Mr Hunt or resignation of Mr Sanders.

4 Performance-based Remuneration

The amount of performance based remuneration paid to directors and key management personnel is set out below:

2014 Name	**Bonus ***		**Share Based ***		**Total Performance Based**		**Total Remuneration**
	$	**%**	**$**	**%**	**$**	**%**	**$**
Directors:							
G Steinepreis	-	-	-	-	**-**	**-**	**36,000**
M Placha	-	-	-	-	-	-	**220,459**
C Coward	-	-	-	-	-	-	**71,492**
M Sanders	-	-	-	-	-	-	**32,685**
Executives:							
G Hunt	-	-	(351,796)	-	-	-	**(343,846)**
TOTAL	**-**	**-**	**(351,796)**	**-**	**-**	**-**	**16,790**

Remuneration Report (Audited) (continued)

4 Performance-based Remuneration (continued)

2013 Name	**Bonus ***		**Share Based ***		**Total Performance Based**		**Total Remuneration**
	$	**%**	**$**	**%**	**$**	**%**	**$**
Directors:							
G Steinepreis	-	-	-	-	-	-	**36,000**
M Placha	-	-	589,199	69.4	589,199	69.4	**848,811**
C Coward	-	-	-	-	-	-	**71,998**
M Sanders	-	-	8,383	26.7	8,383	26.7	**31,361**
Executives:							
G Hunt	-	-	214,292	58.8	214,292	58.8	**364,423**
TOTAL	**-**	**-**	**811,874**	**60.0**	**811,874**	**60.0**	**1,352,593**

The value of total performance based remuneration as a percentage of total remuneration.

Directors' Interests in Shares and Options

At 30 June 2014, Directors, in office, held a relevant interest in the following securities of the Company:

2014 Name	**Ordinary Shares**	**Performance Shares Class B & C**	**Options Listed**	**Options Unlisted**
Gary Steinepreis	6,812,186	-	4,912,186	-
Michael Placha	654,546	-	5,454,546	5,000,000
Mark Sanders	625,000	-	500,000	500,000
Carl Coward	15,966,727	4,000,000	1,336,364	-

Gary Steinepreis holds his interests in shares and options directly in his own name and indirectly through: Jacqueline Steinepreis his spouse; LeisureWest Consulting Pty Ltd as trustee of the LeisureWest Trust of which he is sole director and potential beneficiary; Oakhurst Enterprises Pty Ltd of which he is sole director and 50% shareholder; Ascent Capital Holdings Pty Ltd (ACH), of which, he is sole director and Oakhurst Enterprises Pty Ltd is a 50% shareholder; Ascent Capital Pty Ltd, of which, he is sole director and is a subsidiary of ACH; and Ascent Minerals Pty Ltd, of which, he is sole director and is a subsidiary of ACH.

Carl Coward holds his interests in shares and options directly in his own name and indirectly through Budo HO A/C.

Michael Placha holds his interests in shares and options directly in his own name.

Mark Sanders holds his interests in shares and options directly in his own name.

Remuneration Report (Audited) (continued)

4 Directors' Interests in Shares and Options (continued)

(a) Options holdings

Details of options held directly, indirectly or beneficially by directors and key management personnel and their related parties at 30 June 2014 are as follows:

2014 Name	Held at 1/7/2013	Options acquired	Other movements	Held at 30/6/2014	Vested and exercisable at 30/6/2014
Directors:					
Gary Steinepreis	4,912,186	-	-	4,912,186	4,912,186
Michael Placha	10,454,546	-	-	10,454,546	10,454,546
Carl Coward	1,336,364	-	-	1,336,364	1,336,364
Mark Sanders	1,000,000	-	-	1,000,000	1,000,000
Key Management:					
Greg Hunt	5,000,000	-	(5,000,000)	-	-
Total	**22,703,096**	**-**	**(5,000,000)**	**17,703,096**	**17,703,096**

(b) Ordinary shareholdings

Details of equity instruments (other than options and performance shares) held directly, indirectly, or beneficially by directors and key management personnel and their related parties are as follows:

2014 Name	Held at 1/7/2013	Shares acquired	Other changes	Balance 30/6/2014
Directors:				
Gary Steinepreis	6,812,186	-	-	6,812,186
Michael Placha	654,546	-	-	654,546
Carl Coward	15,966,727	-	-	15,966,727
Mark Sanders	625,000	-	-	625,000
Total	**24,058,459**	**-**	**-**	**24,058,459**

(c) Performance Shareholdings

Details of equity instruments (other than ordinary shares and options) held directly, indirectly, or beneficially by directors and key management personnel and their related parties are as follows:

2014 Name	Held at 1/7/2013	Performance Shares allotted	Conversion performance shares	Balance 30/6/2014
Directors:				
Gary Steinepreis	-	-	-	-
Michael Placha	-	-	-	-
Carl Coward (1)	4,000,000	-	-	4,000,000
Mark Sander	-	-	-	-
Total	**4,000,000**	**-**	**-**	**4,000,000**

Remuneration Report (Audited) (continued)

4 Directors' Interests in Shares and Options (continued)

(c) Performance Shareholdings (continued)

Performance shares were issued to the shareholders of Delta Coal Fund Pty Ltd as part of the purchase price of the Kinney Coal Project. Mr Coward is a shareholder of Delta Coal Fund and the performance shares issued to him do not form part of his remuneration.

(1) Mr Coward has an interest in 2,000,000 class B and 2,000,000 class C performance shares. The details, terms and conditions of the performance shares on issue are located in note 14(h) and (i).

The class B performance shares will convert to ordinary shares if the Company completes a bankable feasibility study and the board makes a positive decision to mine within 36 months of the project acquisition date (Milestone B).

The class C performance shares will convert to ordinary shares if the Company undertakes the development and commercial production of coal within 48 months of the project acquisition date (Milestone C).

Other Transactions with Directors and Key Management Personnel

Office accommodation – Provided by Ascent Capital Holdings Pty Ltd, an entity owned by interests associated with Gary Steinepreis, on commercial terms and conditions.

Services provided by directors and key management personnel and recognised as an expense	**2014 $**	**2013 $**
Short term benefits – Office accommodation	26,250	45,000
	26,250	**45,000**

Borrowings from directors and key management	**2014 $**	**2013 $**
Unsecured Loan – Director	30,000	-
	30,000	**-**

During the 2014 financial year the Group borrowed funds from a director to meet working capital requirements. No interest is payable in respect of this unsecured loan. The $30,000 loan was from Oakhurst Enterprises Pty Ltd, a related party of Gary Steinepreis. Subsequent to the end of the financial period the loan was increased to $100,000 and then it was repaid out of the proceeds of the fully underwritten entitlement offer.

End of the audited remuneration report.

Options

At the date of this report, share options on issue to take up fully paid Ordinary Shares in the capital of the Company are as follows:

2014 Listed Options Date of Issue	No. of Options Outstanding	Expiry Date	Exercise Price
8/6/2011	20,500,000	31/12/2014	$0.20
23/11/2011	52,500,000	31/12/2014	$0.20
26/4/2013	5,500,000	31/12/2014	$0.20
TOTAL	**78,500,000**		

2014 Unlisted Options Date of Issue	No. of Options Outstanding	Expiry Date	Exercise Price
9/11/2011	5,000,000	9/11/2016	$0.50
26/4/2013	5,500,000	26/4/2016	$0.30
TOTAL	**10,500,000**		

2013 Listed Options Date of Issue	No. of Options Outstanding	Expiry Date	Exercise Price
8/6/2011	20,500,000	31/12/2014	$0.20
23/11/2011	52,500,000	31/12/2014	$0.20
26/4/2013	5,500,000	31/12/2014	$0.20
TOTAL	**78,500,000**		

2013 Unlisted Options Date of Issue	No. of Options Outstanding	Expiry Date	Exercise Price
9/11/2011	5,000,000	9/11/2016	$0.50
26/4/2013	5,500,000	26/4/2016	$0.30
TOTAL	**10,500,000**		

The names of persons who currently hold options are entered in a register kept by the Company pursuant to Section 170 of the Corporations Act 2001, which may be inspected free of charge. No person entitled to exercise any option has or had, by virtue of the option, a right to participate in any share issue of the Company or any other corporation. Subsequent to year end no options have been exercised. The listed options are quoted on ASX.

Indemnifying of Officers or Auditor

The Company does not have directors and officers insurance. The Company does not have auditor insurance.

Proceedings on Behalf of the Company

No person has applied to the court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. No proceedings have been brought or intervened in on behalf of the Company with leave of the court under section 237 of the *Corporations Act 2001*.

Corporate Governance

The directors of the Company support and adhere to the principles of corporate governance, recognising the need for the highest standard of corporate behaviour and accountability. Please refer to the corporate governance statement included with this report.

Auditor

BDO Audit (WA) Pty Ltd continues in office in accordance with section 327 of the *Corporations Act 2001.*

Non-Audit Services

During the reporting period $Nil (2013:$Nil) was paid or is payable for non-audit services provided by BDO.

The Board of Directors are satisfied that the provision of any non-audit services during the current or future periods is / will be compatible with the general standard of independence for auditors imposed by APES 110 code of ethics for professional accountants.

Audit Services

During the reporting period $42,068 (2013:$ 37,460) was paid or is payable for audit services provided by the auditor.

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 15 of this financial report.

Signed in accordance with a resolution of the board of directors

Gary Steinepreis
Director
30 September 2014

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Australia

DECLARATION OF INDEPENDENCE BY PETER TOLL TO THE DIRECTORS OF NEW HORIZON COAL LIMITED

As lead auditor of New Horizon Coal Limited for the year ended 30 June 2014, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of New Horizon Coal Limited and the entities it controlled during the period.

Peter Toll

Director

BDO Audit (WA) Pty Ltd

Perth, 30 September 2014

	Note	2014 $	2013 $
Revenue from operations	5	8,730	23,838
Other expenses		(1,946)	(55,650)
Administration costs	6	(165,849)	(365,887)
Corporate compliance costs		(39,074)	(59,620)
Corporate management fees		(104,685)	(92,467)
Salaries and superannuation paid		(32,952)	(35,998)
Audit and non-audit service fees		(42,068)	(37,460)
Occupancy costs		(57,059)	(125,142)
Impairment of exploration costs	10	(22,348,274)	(301,700)
Reversal of share based payments expense	14(f)	351,796	(811,874)
Loss before income tax		**(22,431,381)**	**(1,861,960)**
Income tax expense	7	-	-
Loss after tax from operations		**(22,431,381)**	**(1,861,960)**
Items that may be reclassified to profit or loss			
Other comprehensive income		(237,395)	2,096,839
Total comprehensive income / (loss) for the period attributable to the members of New Horizon Coal Ltd		**(22,668,776)**	**234,879**
		Cents	**Cents**
Loss per share for loss from continuing operations attributable to the ordinary equity holders of the Company:			
Basic loss per share	20	(19.0)	(1.84)
Diluted loss per share	20	(19.0)	(1.84)

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

ASSETS	Note	30 June 2014 $	30 June 2013 $
Current assets			
Cash and cash equivalents	8	40,872	876,951
Trade and other receivables	9	4,408	11,547
Total current assets		**45,280**	**888,498**
Non-current assets			
Exploration and evaluation expenditure	10	-	22,173,241
Property, plant and equipment	11	3,853	7,057
Total non-current assets		**3,853**	**22,180,298**
Total assets		**49,133**	**23,068,796**
LIABILITIES			
Current liabilities			
Trade and other payables	12	82,339	111,430
Borrowings	13	30,000	-
Total current liabilities		**112,339**	**111,430**
Total liabilities		**112,339**	**111,430**
NET ASSETS/(LIABILITIES)		**(63,206)**	**22,957,366**
EQUITY			
Contributed equity	14(a)(b)(c)	19,285,525	19,285,525
Option premium reserve	14(d)(e)	183,812	183,812
Performance share reserve	14(h)(i)	3,300,000	3,300,000
Share based payment reserve	14(f)(g)	92,209	444,005
Foreign currency translation reserve		1,872,161	2,109,556
Accumulated losses	15	(24,796,913)	(2,365,532)
TOTAL EQUITY/(DEFICIENCY IN EQUITY)		**(63,206)**	**22,957,366**

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

2014	**Equity** $	**Option reserve** $	**Share reserve** $	**FCTR** $	**Total losses** $	**Total** $
Balance 1 July 2013	**19,285,525**	**183,812**	**3,744,005**	**2,109,556**	**(2,365,532)**	**22,957,366**
Loss for the year	-	-	-	-	(22,431,381)	**(22,431,381)**
Comprehensive income for year	-	-	-	(237,395)	-	(237,395)
Total comprehensive loss for year	-	-	-	(237,395)	(22,431,381)	**(22,668,776)**
Transactions with owners in their capacity as owners:						
Shares issued placement	-	-	-	-	-	**-**
Reversal of share based payments	-	-	(351,796)	-	-	**(351,796)**
Transaction costs	-	-	-	-	-	**-**
Balance 30 June 2014	**19,285,525**	**183,812**	**3,392,209**	**1,872,161**	**(24,796,913)**	**(63,206)**

2013	**Equity** $	**Option reserve** $	**Share reserve** $	**FCTR** $	**Total losses** $	**Total** $
Balance 1 July 2012	**17,395,140**	**183,812**	**3,575,008**	**12,717**	**(503,572)**	**20,663,105**
Loss for the year	-	-	-	-	(1,861,960)	**(1,861,960)**
Comprehensive income for year	-	-	-	2,096,839	-	**2,096,839**
Total comprehensive (loss)/income for year	-	-	-	2,096,839	(1,861,960)	**234,879**
Transactions with owners in their capacity as owners						
Shares issued placement	1,430,000	-	-	-	-	**1,430,000**
Shares issued placement	570,000	-	-	-	-	**570,000**
Shares issued placement	-	-	168,997	-	-	**168,997**
Transaction costs	(109,615)	-	-	-	-	**(109,615)**
Balance 30 June 2013	**19,285,525**	**183,812**	**3,744,005**	**2,109,556**	**(2,365,532)**	**22,957,366**

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

	Note	2014 $	2013 $
Cash flow from operating activities			
Interest received		8,718	21,886
Tax refund		1,529	1,952
Payments to suppliers and employees		(437,351)	(772,507)
Net cash outflow from operations	19	**(427,104)**	**(748,669)**
Cash flows from investing activities			
Payments for computer equipment		-	(8,124)
Payments for exploration and development		(438,975)	(1,674,780)
Net cash outflow from investing activities		**(438,975)**	**(1,682,904)**
Cash flows from financing activities			
Loan repayments		(21,854)	-
Proceeds from the issue of shares		-	2,000,000
Proceeds from borrowings		51,854	-
Costs associated with capital raising		-	(109,614)
Net cash inflow from financing activities		**30,000**	**1,890,386**
Net decrease in cash and cash equivalents		**(836,079)**	**(541,187)**
Foreign currency movement		-	2,318
Cash and cash equivalents at the beginning of the period		876,951	1,415,820
Cash and cash equivalents at the end of the period	8	**40,872**	**876,951**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1 Summary of significant accounting policies

(a) Basis of preparation

The financial statements include the financial statements and notes of New Horizon Coal Ltd (formerly New Horizon Minerals Ltd), a public limited entity, and its controlled entities for the year ended 30 June 2014. The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. New Horizon Coal Limited is a for profit entity for the purposes of preparing the financial statements. The financial statements have been approved for issue by the Board of Directors on 26 September 2014

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in the financial statements containing relevant and reliable information about transactions, events and conditions to which they apply. The financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of the financial statements are presented below. They have been consistently applied unless otherwise stated. The financial statements have been prepared on an accruals basis and are based on historical costs.

(b) New and Amended Standards Adopted by the Group

The accounting policies have been consistently applied by the Consolidated 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

Adoption of new and revised accounting standards
In the year ended 30 June 2014, the Company 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 Company 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 Company 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.
Main changes include AASB 119 Employee benefits

- Elimination of the ‘corridor’ approach for deferring gains/losses for defined benefit plans.
- Actuarial gains/losses on remeasuring the defined benefit plan obligation/asset to be recognised in OCI rather than in profit or loss, and cannot be reclassified in subsequent periods.
- Subtle amendments to timing for recognition of liabilities for termination benefits.
- Employee benefits expected to be settled (as opposed to due to settled under current standard) within 12 months after the end of the reporting period are short-term benefits, and therefore not discounted when calculating leave liabilities. Annual leave not expected to be used within 12 months of end of reporting period will in future be discounted when calculating leave liability.

1 Summary of significant accounting policies (continued)

(b) New and Amended Standards Adopted by the Group (continued)

The company currently calculates its liability for annual leave employee benefits on the basis that it is due to be settled within 12 months of the end of the reporting period because employees are entitled to use this leave at any time. The amendments to IAS 19 require that such liabilities be calculated on the basis of when the leave is expected to be taken, i.e. expected settlement. When this standard is first adopted for 30 June 2014 year end, annual leave liabilities will be recalculated on 1 July 2012. Leave liabilities for any employees with significant balances of leave outstanding who are not expected to take their leave within 12 months will be discounted, which may result in a reduction of the annual leave liabilities recognised on 1 July 2012, and a corresponding increase in retained earnings at that date.

(c) Principles of Consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of New Horizon Coal Ltd as at 30 June 2014 and the results of all subsidiaries for the period then ended. New Horizon Coal Ltd and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity. Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction proves evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Subsidiaries are accounted for in the parent entity financial statements at cost.

(d) Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated using the straight line method to write off the net cost of each item of plant and equipment over its expected useful life, being 1 to 5 years.

(e) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Interest income is recognised on a time proportion basis using the effective interest method.

(f) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

1 Summary of significant accounting policies (continued)

(f) Income Tax (continued)

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction.

The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability.

No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(g) Asset Acquisition

The acquisition method of accounting is used to account for all business combinations. Consideration is measured at the fair value of the assets transferred, liabilities incurred and equity interests issued by the group on acquisition date.

Consideration also includes the acquisition date fair values of any contingent consideration arrangements, any pre-existing equity interests in the acquiree and share-based payment awards of the acquiree that are required to be replaced in a business combination.

The acquisition date is the date on which the group obtains control of the acquiree.

Where equity instruments are issued as part of the consideration, the value of the equity instruments is their published market price at the acquisition date unless, in rare circumstances it can be demonstrated that the published price at acquisition date is not fair value and that other evidence and valuation methods provide a more reasonable measure of fair value.

Identifiable assets acquired and liabilities and contingent liabilities assumed in business combinations are, with limited exceptions, initially measured at their fair values at acquisition date. Goodwill represents the excess of the consideration transferred and the amount of the non-controlling interest in the acquiree over fair value of the identifiable net assets acquired. If the consideration and non-controlling interest of the acquiree is less than the fair value of the net identifiable assets acquired, the difference is recognised in profit or loss as a bargain purchase price, but only after a reassessment of the identification and measurement of the net assets acquired.

1 Summary of significant accounting policies (continued)

(g) Asset Acquisition (continued)

For each business combination, the group measures non-controlling interests at either fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed when incurred. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Where the Group obtains control of a subsidiary that was previously accounted for as an equity accounted investment in associate or jointly controlled entity, the group remeasures its previously held equity interest in the acquiree at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss. Where the Group obtains control of a subsidiary that was previously accounted for as an available-for-sale investment, any balance on the available-for-sale reserve related to that investment is recognised in profit or loss as if the group had disposed directly of the previously held interest.

Where settlement of any part of the cash consideration is deferred, the amounts payable in future are discounted to present value at the date of exchange using the entity's incremental borrowing rate as the discount rate.

Assets and liabilities from business combinations involving entities or businesses under common control are accounted for at the carrying amounts recognised in the Group's controlling shareholder's consolidated financial statements.

When an asset acquisition does not constitute a business combination, the assets and liabilities are assigned a carrying amount based on their relative fair values in an asset purchase transaction and no deferred tax will arise in relation to the acquired assets and assumed liabilities as the initial recognition exemption for deferred tax under AASB 112 applies. No goodwill will arise on the acquisition and transaction costs of the acquisition will be included in the capitalised cost of the asset.

(h) Impairment of Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired.

If such an indication exists, the recoverable amount of the asset being the higher of the asset’s fair value less costs to sell and value in use, is compared to the asset’s carrying value. Any excess of the asset’s carrying value over its recoverable amount is expensed to the profit and loss statement.

(i) Cash and Cash Equivalents

For statement of cash flow presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(j) Trade and Other Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Trade receivables are due for settlement within 30 days from the date of recognition. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off.

1 Summary of significant accounting policies (continued)

(j) Trade and Other Receivables (continued)

An allowance account for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to receivables are not discounted if the effect of discounting is immaterial.

The amount of the provision is recognised in the statement of profit or loss and other comprehensive income. When a trade receivable for which an impairment allowance has been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(k) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the period which are unpaid. They are recognised initially at fair value and subsequently at amortised cost. The amounts are unsecured and are usually paid within 30 days of recognition.

(l) Contributed Equity

Ordinary shares are classified as equity. Costs associated with capital raisings (exclusive of GST) directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds. If the entity reacquires its own equity instruments, eg as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable costs associated with capital raisings (net of income taxes) is recognised directly in equity.

(m) Earnings Per Share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit / (loss) attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(n) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated exclusive of the amount of GST receivable or payable.

1 Summary of significant accounting policies (continued)

(n) Goods and Services Tax (continued)

The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(o) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on a discounted basis. Any changes in the estimates for the costs are accounted for on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(p) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to the reporting date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, are measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Other employee benefits payable later than one year are measured at the present value of the estimated future cash outflows to be made for those benefits.

(q) Share Based Payment Transactions

The Group may provide benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'). The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted.

1 Summary of significant accounting policies (continued)

(q) Share Based Payment Transactions (continued)

The fair value of these payments is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option. The fair value of the options granted is adjusted to reflect market conditions, but excludes the impact of any non-market vesting conditions. Non-market vesting conditions, if any, are included in assumptions about the number of options likely to be exercisable.

The grant date fair value of performance shares granted under asset acquisition agreements is recognised as an increase in the cost of the investment with a corresponding increase in equity. The Group issued performance shares as part of the acquisition of Delta Coal Fund as outlined in note 15(h). The Group follows the guidelines of AASB 2 'Share based payments' and takes into account the probability of achieving these performance conditions.

(r) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(s) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in profit and loss.

(t) Jointly Controlled Interest

The proportionate interest in, assets, liabilities and expenses, of any joint interest activity, have been incorporated in the annual financial statements under the appropriate headings.

(u) Foreign Currency Translation

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each statement of financial position are translated at the closing rate at the date of the statement of financial position;

(ii) Income and expenses for each Statement of Profit or Loss and Other Comprehensive Income are translated at the average exchange rate for the period being reported on; and

1 Summary of significant accounting policies (continued)

(u) Foreign Currency Translation (continued)

(iii) All resulting exchange differences are recognised in the forging currency translation reserve in equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in the foreign currency translation reserve. When a foreign operation is sold the associated exchange differences are reclassified to the Statement of Profit or Loss and Other Comprehensive Income as part of the gain or loss on sale.

(v) New Accounting Standards and Australian Accounting Interpretations

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for financial years ended 30 June 2014. They have not been adopted in preparing the financial statements for the year ended 30 June 2014 and are expected to impact the entity in the period of initial application.

In all cases the entity intends to apply these standards from application date as indicated in the table below.

(v) New Accounting Standards and Australian Accounting Interpretations (continued)

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB 9 (issued December 2009 and amended December 2010)	Financial Instruments	Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated. Under AASB 9, there are three categories of financial assets: • Amortised cost • Fair value through profit or loss • Fair value through other comprehensive income. The following requirements have generally been carried forward unchanged from AASB 139 *Financial Instruments: Recognition and Measurement* into AASB 9: • Classification and measurement of financial liabilities; and • Derecognition requirements for financial assets and liabilities. However, AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.	Annual reporting periods beginning on or after 1 January 2018[1]	Adoption of AASB 9 is only mandatory for the year ending 30 June 2019. The entity does not currently have any financial instruments.

[1] The application date of AASB 9 has been deferred from annual periods beginning on or after 1 January 2015 to annual periods beginning on or after 1 January 2018 by AASB 2013-9 *Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments.*

1 Summary of significant accounting policies (continued)

(v) New Accounting Standards and Australian Accounting Interpretations (continued)

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB 2013-9 (issued December 2013)	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	Makes three amendments to AASB 9: • Adding the new hedge accounting requirements into AASB 9 • Deferring the effective date of AASB 9 from 1 January 2015 to 1 January 2018, and • Making available for early adoption the presentation of changes in 'own credit' in other comprehensive income (OCI) for financial liabilities under the fair value option without early applying the other AASB 9 requirements. Under the new hedge accounting requirements: • The 80-125% highly effective threshold has been removed • Risk components of non-financial items can qualify for hedge accounting provided that the risk component is separately identifiable and reliably measurable • An aggregated position (i.e. combination of a derivative and a non-derivative) can qualify for hedge accounting provided that it is managed as one risk exposure • When entities designate the intrinsic value of options, the initial time value is deferred in OCI and subsequent changes in time value are recognised in OCI	Annual reporting periods beginning on or after 1 January 2018	The application date of AASB 9 has been deferred to 1 January 2018. The entity has not yet made an assessment of the impact of these amendments. The entity does not currently have any hedging arrangements in place.

2 Financial Risk Management

The Group's financial instruments consist mainly of deposits with banks and accounts receivable and payable. The Group's activities expose it to a variety of financial risks; market risk (including fair value and interest rate risk), credit risk, liquidity risk, foreign exchange fluctuations, cash flow and interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Risk management is carried out by the board of directors under policies approved by the Board. The board identifies and evaluates financial risks for overall risk management.

Interest Rate Risk

As the Group has no significant interest-bearing assets other than cash at bank, the Group's income and operating cash flows are not materially exposed to changes in market interest rates.

The risk arises due to changes in interest rates offered by the bank. The risk is managed by seeking alternative quotes from competing banks.

2014 **Financial Instruments**	**Floating interest rate**	**Non-interest bearing**	**Total**	**Weighted average effective interest rate**
	$	**$**	**$**	**%**
(i) Financial assets				
Cash assets	9,767	31,105	40,872	2.60
Trade and other receivables		4,408	4,408	
Total financial assets	**9,767**	**35,513**	**45,280**	
(ii) Financial liabilities				
Trade and other payables	-	82,339	82,339	
Borrowings	-	30,000	30,000	
Total financial liabilities	**-**	**112,339**	**112,339**	

2013 **Financial Instruments**	**Floating interest rate**	**Non-interest bearing**	**Total**	**Weighted average effective interest rate**
	$	**$**	**$**	**%**
(i) Financial assets				
Cash assets	853,962	22,989	876,951	2.75
Trade and other receivables		11,547	11,547	
Total financial assets	**853,962**	**34,536**	**888,498**	
(ii) Financial liabilities				
Trade and other payables	-	111,430	111,430	
Borrowings	-	-	-	
Total financial liabilities	**-**	**111,430**	**111,430**	

The net fair value of financial assets and liabilities are materially in line with their carrying values.

2 Financial Risk Management (continued)

Sensitivity Analysis – Interest Rate Risk

The Group has performed a sensitivity analysis relating to its exposure to interest rate risk at the reporting date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result in a change in interest rates.

	2014	2013
Change in loss:	**$**	**$**
Increase by 1%	4,589	8,540
Decrease by 1%	(4,589)	(8,540)
Change in equity:		
Increase by 1%	4,589	8,540
Decrease by 1%	(4,589)	(8,540)

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash to meet commitments as and when they fall due. The Group has no long term or short term debt and its risk with regard to liquidity relates to its ability to maintain its current operations prior to the generation of future income streams. The Group's ability to raise equity funding in the market is paramount in this regard. The Group manages liquidity by ensuring that it has at least sufficient cash to meet its budgeted commitments for at least 12 months.

As at 30 June 2014	Less than 6 months	6-12 months	1-5 years	Over 5 years	Total contractual	Carrying amount
	$				$	$
Trade and other payables	82,339	-	-	-	82,339	82,339
Borrowings	30,000	-	-	-	30,000	30,000

As at 30 June 2013	Less than 6 months	6-12 months	1-5 years	Over 5 years	Total contractual	Carrying amount
	$				$	$
Trade and other payables	111,430	-	-	-	111,430	111,430
Borrowings	-	-	-	-	-	-

Credit Risk

The Group has no significant concentrations of credit risk. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings.

Cash at bank and short term bank deposits	2014
	$
Westpac Banking Corporation - AA	9,767
Washington Financial Bank (not rated)	31,105
	40,872

Cash at bank and short term bank deposits	2013
	$
Westpac Banking Corporation - AA	853,962
Washington Financial Bank (not rated)	22,989
	876,951

2 Financial Risk Management (continued)

Price Risk

The Group is not exposed to commodity price risk.

Foreign Currency Risk

The group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars, was as follows:

	2014 $	2013 $
Cash and cash equivalents	31,105	22,989
Other payables	(27,417)	(76,021)

Foreign currency risk can only arise on financial instruments that are denominated in a currency other than the functional currency in which they are measured. Translation related risks are therefore not included in the assessment of the entity's exposure to currency risks.

Translation exposures arise from financial and non-financial items held by an entity (for example a subsidiary) with a functional currency different from the group's presentation currency. However, foreign currency denominated inter-company receivables and payables which do not form part of a net investment in a foreign operation would be included in the sensitivity analysis for foreign currency risks, because even though the balances eliminate in the consolidated Statement of Financial Position, the effect on profit or loss of their revaluation under AASB 121 is not fully eliminated.

For the purposes of AASB 7, currency risk does not arise from financial instruments that are non-monetary items. The foreign currency exposure arising from investing in non-monetary financial instruments is reflected in the other prise risk disclosures as part of fair value gains and losses.

Fair Value Measurement

(a) Net fair value

The carrying value and net fair values of financial assets and liabilities at balance date are:

Consolidated	2014		2013	
	Carrying Amount $	Net fair Value $	Carrying Amount $	Net fair Value $
Financial assets				
Cash and cash equivalents	40,872	40,872	876,951	876,951
Trade & other receivables - current	4,408	4,408	11,547	11,547
Trade & other receivables - non-current	-	-	-	-
	45,280	45,280	888,498	888,498
Financial Liabilities				
Trade and other payables - current	82,339	82,339	111,430	111,430
Borrowings	30,000	30,000	-	-
	112,339	112,339	111,430	111,430

2 Financial Risk Management (continued)

(b) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

i) Quoted prices in active markets for identical assets or liabilities (level 1)
ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (level 2); and
iii) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

Due to their short term nature, the carrying amount of the financial assets and liabilities at balance date is assumed to approximate their fair value.

3 Critical Accounting Estimates, Judgements and Assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

No critical accounting estimates and/or assumptions have been made during the preparation of the financial statements other than as disclosed elsewhere in this financial report.

Exploration and evaluation assets

The Group's accounting policy for exploration and evaluation expenditure is set out at Note 1(o). The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under the policy, it is concluded that the expenditures are unlikely to be recovered by future exploitation or sale, then the relevant capitalised amount will be written off to the statement of profit or loss and other comprehensive income.

Share-based payment transactions

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black-Scholes model. Should the assumptions used in these calculations differ, the amounts recognised could significantly change.

The Group issued performance based options and performance shares during the previous year based upon conditions outlined in note 14(g)(h). The Group follows the guidelines of AASB2 '*Share Based Payments'* and takes into account vesting and non-vesting conditions and estimates the probability and expected timing of achieving the performance conditions.

No critical accounting estimates and/or assumptions have been made during the preparation of the financial statements other than as disclosed elsewhere in this financial report.

Deferred tax assets

The Group expects to have carried forward tax losses which have not been recognised as deferred tax assets as it is not considered sufficiently probable that these losses will be recouped by means of future profits taxable in the relevant jurisdictions.

4 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. The segment information provided to the board of directors for reportable segments for the year ended 30 June 2014 is as follows:

30 June 2014	New Horizon Coal - Australia	Kinney Coal Project – USA	Total
	$	$	$
Income	7,979	751	8,730
Expenses	(294,859)	(148,774)	(443,633)
Income tax expense	-	-	-
Operating loss	**(286,880)**	**(148,023)**	**(434,903)**
Other significant items:			
Impairment of exploration costs	(7,700,000)	(14,648,274)	**(22,348,274)**
Reversal - share based payments expense	351,796	-	**351,796**

Assets	New Horizon Coal - Australia	Kinney Coal Project – USA	Total
	$	$	$
Cash & cash equivalents	9,767	31,105	40,872
Other receivables	4,408	-	4,408
Other assets	-	3,853	3,853
Capitalised exploration	-	-	-
	14,175	**34,958**	**49,133**
Liabilities			
Other payables	84,922	27,417	112,339
	84,922	**27,417**	**112,339**

4 Segment Information (continued)

30 June 2013	New Horizon Coal - Australia	Kinney Coal Project – USA	Total
	$	$	$
Income	23,838	0	23,838
Expenses	(496,709)	(275,515)	(772,224)
Income tax expense	-	-	-
Operating loss	**(472,871)**	**(275,515)**	**(748,386)**
Other significant items:			
Impairment of exploration costs	(222,611)	(79,089)	**(301,700)**
Share based payments expense	(811,874)	-	**(811,874)**

Assets	New Horizon Coal - Australia	Kinney Coal Project – USA	Total
	$	$	$
Cash & cash equivalents	853,962	22,989	876,951
Other receivables	11,547	-	11,547
Other assets	-	7,057	7,057
Capitalised exploration	-	22,173,241	22,173,241
	865,509	**22,203,287**	**23,068,796**
Liabilities			
Other payables	35,409	76,021	111,430
	35,409	**76,021**	**111,430**

5 Revenue from operations

	2014	**2013**
	$	**$**
Interest received	8,730	21,886
Other income	-	1,952
	8,730	**23,838**

6 Administration Costs

	2014	**2013**
	$	**$**
Administration & accounting consultancy fees	(28,464)	(44,634)
General legal fees	(12,960)	(19,749)
Advertising & marketing costs	(16,200)	(13,931)
Corporate and financial advisory services	(22,742)	(53,603)
Information technology costs	(2,108)	(3,429)
Employment on-costs	(19,629)	(21,702)
Telecommunication costs	(2,149)	(2,745)
Tax consulting and payroll	(7,082)	(12,377)
Travel costs	(31,209)	(167,892)
Meetings & conferences	(71)	(6,251)
Depreciation expense	(3,064)	(1,938)
General insurance costs	(19,592)	(17,430)
Other	(579)	(206)
Administration Costs	**(165,849)**	**(365,887)**

		2014	2013
7	**Income Tax Expense**	**$**	**$**
a.	**The components of tax expense comprise:**		
	Current tax	-	-
	Deferred tax	-	-
	Under provision from prior year	-	-
		-	-
b.	**The prima facie tax benefit on loss from ordinary activities before income tax is reconciled to income tax as follows:**		
	Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2013:30%)	(6,729,414)	(558,588)
	Add tax effect of:		
	- Revenue losses not recognised	92,612	125,159
	- Share based payments	(105,538)	243,562
	- Other non-allowable items	6,748,889	173,164
	- Under provision from prior year	-	-
		6,549	68,753
	Less tax effect of:		
	- Other deferred tax balances not recognised	(6,549)	(68,179)
	- Non-assessable items	-	(574)
	Income tax	-	-
c.	**Unrecognised deferred tax assets:**		
	Carry forward revenue losses	253,562	297,504
	Carry forward capital losses	1,141	1,141
	Capital raising costs	16,820	213,962
	Provisions and accruals	6,000	4,650
	Other	439	1,423
	Net deferred tax	**277,962**	**518,680**

The tax benefits of the above deferred tax assets will only be obtained if:

(a) the company derives future assessable income of a nature and amount sufficient to enable the benefits to be utilised;

(b) the company continues to comply with the conditions for deductibility imposed by law; and

(c) no changes in income tax legislation which adversely affect utilising benefits.

8 Current assets – Cash and cash equivalents	**2014**	**2013**
	$	**$**
Cash at bank and in hand	40,872	876,951
Closing balance cash at bank and in hand	**40,872**	**876,951**

The Group's exposure to interest rate risk is discussed in note 2. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of cash at bank and in hand. The Group does not have any restrictions on its bank accounts recognised as cash.

9 Trade and other receivables - current	**2014**	**2013**
	$	**$**
Trade and other receivables	4,409	11,547
	4,409	**11,547**

Refer to note 2 for the risk management policy of the Group. As at 30 June 2014, no trade receivables were past due or impaired.

10 Exploration and evaluation expenditure	**2014**	**2013**
	$	**$**
Opening net book amount – Kinney project	22,173,241	19,406,980
Acquisition of Kinney Coal project	-	-
Foreign currency translation movement	(218,726)	1,253,123
Impairment of exploration costs	(22,348,274)	(301,700)
Exploration additions	393,759	1,814,838
Closing net book amount – Kinney project	**-**	**22,173,241**
Total exploration and evaluation expenditure	**-**	**22,173,241**

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest. Following the presence of impairment indicators, the board has elected to fully impair the carrying value of exploration and evaluation assets in the year due to material uncertainty regarding the recoverability of such expenditure.

11 Property, Plant and Equipment	**2014**	**2013**
	$	**$**
Office Equipment		
Opening net book value	7,057	-
Plus acquisitions during the period	-	8,995
	7,057	8,995
Less depreciation expense during the period	(3,064)	(1,938)
Foreign currency translation movement	(140)	-
Closing net book amount	**3,853**	**7,057**

The group has reviewed assets and do not consider there to be any impairment.

12 Trade and other payables	**2014**	**2013**
	$	**$**
Trade and other payables – current and unsecured	82,339	111,430
	82,339	**111,430**

Refer to note 2 for the risk management policy of the Group.

13 Borrowings	**2014**	**2013**
	$	**$**
Loan – Director	30,000	-
	30,000	**-**

During the 2014 financial year the Group borrowed funds from a director to meet working capital requirements. No interest is payable in respect of this loan. Further details of the loan are disclosed in the audited Remuneration Report in the Directors' Report.

14 Contributed Equity

(a) Share Capital

	2014 Shares	2014 $	2013 Shares	2013 $
Ordinary shares fully paid	118,000,000	19,285,525	118,000,000	19,285,525

(b) Movement in Ordinary Share Capital

2014 Date	Details	Number of shares	Issue price	Amount $
01/07/2013	Opening balance	118,000,000	-	19,285,525
30/06/2014	**Balance**	**118,000,000**		**19,285,525**

2013 Date	Details	Number of shares	Issue price	Amount $
01/07/2012	Opening balance	93,000,000		17,395,140
11/2/2013	Issue of shares placement	17,875,000	$0.08	1,430,000
26/4/2013	Issue of shares placement	7,125,000	$0.08	570,000
01/07/2012	Cost of share issues	-	-	(109,615)
30/06/2013	**Balance**	**118,000,000**		**19,285,525**

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Group 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) Option Premium Reserve

	2014 Number	2014 $	2013 Number	2013 $
	89,000,000	**183,812**	89,000,000	183,812

(d) Movement in Option Premium Reserve

2014 Date	Details	Number of options	Issue price	Amount $
01/07/2013	Opening balance	89,000,000	-	183,812
30/06/2014	**Balance**	**89,000,000**		**183,812**

14 Contributed Equity (contributed)

(d) Movement in Option Premium Reserve (continued)

2013 Date	Details	Number of options	Issue price	Amount $
01/07/2012	Opening balance	83,000,000	-	183,812
26/4/2013	Issue of options - Listed	5,500,000	$0.00	-
26/4/2013	Issue of options - Unlisted	5,500,000	$0.00	-
26/4/2013	Cancellation of options	(5,000,000)	$0.00	-
30/06/2013	**Balance**	**89,000,000**		**183,812**

Major Terms and Conditions of Options

	Number of options	Issue date	Conversion factor	Vesting condition / date	Expiry date	Exercise price
Unlisted	5,000,000	09/11/11	1:1	Completion of BFS and decision to mine 09/11/14	09/11/16	$0.50
Listed	5,500,000	26/04/13	1:1	26/04/13	31/12/14	$0.20
Unlisted	5,500,000	26/04/13	1:1	26/04/13	26/04/16	$0.30
Listed	20,500,000	08/06/11	1:1	08/06/11	31/12/14	$0.20
Listed	52,500,000	23/11/12	1:1	23/11/13	31/12/14	$0.20

(e) Share Based Payment Reserve

	2014 Number	**2014 $**	2013 Number	2013 $
Incentive options	**16,000,000**	**92,209**	16,000,000	444,005

(f) Movement in Share Based Payment Reserve

2014 Date	Details	Number of options	Amount $
01/07/2013	Opening balance	16,000,000	444,005
31/12/2013	Amortise unvested incentive options	-	107,146
30/06/2014	Amortise unvested incentive options	-	107,146
30/06/2014	Write back value to profit and loss	-	(566,088)[1]
30/06/2014	**Balance**	**16,000,000**	**92,209**

2013 Date	Details	Number of options	Amount $
01/07/2012	Opening balance	10,000,000	275,008
	Cancellation unlisted incentive options	(5,000,000)	398,227
26/4/2013	Issue options incentive unlisted	5,500,000	50,058
26/4/2013	Issue options incentive listed	5,500,000	42,151
31/12/2012	Amortise unvested incentive options	-	214,292
30/6/2013	Amortise unvested incentive options	-	107,146
30/4/2013	Write back value to accumulated losses	-	(642,877)
30/06/2013	**Balance**	**16,000,000**	**444,005**

14 Contributed Equity (continued)

[1] The share based payment reversal relating to unvested options has been reversed as the Directors have re-assessed the likelihood of meeting the vesting conditions of the performance options at this stage to be nil.

(g) Options

At the date of this report, share options on issue to take up fully paid Ordinary Shares in the capital of the Company are as follows:

2014 Listed Options Date of Issue	**No. of Options Outstanding**	**Expiry Date**	**Exercise Price**
8/6/2011	20,500,000	31/12/2014	$0.20
23/11/2011	52,500,000	31/12/2014	$0.20
26/4/2013	5,500,000	31/12/2014	$0.20
TOTAL	**78,500,000**		

2014 Unlisted Options Date of Issue	**No. of Options Outstanding**	**Expiry Date**	**Exercise Price**
9/11/2011	5,000,000	9/11/2016	$0.50
26/4/2013	5,500,000	26/4/2016	$0.30
TOTAL	**10,500,000**		

2013 Listed Options Date of Issue	**No. of Options Outstanding**	**Expiry Date**	**Exercise Price**
8/6/2011	20,500,000	31/12/2014	$0.20
23/11/2011	52,500,000	31/12/2014	$0.20
26/4/2013	5,500,000	31/12/2014	$0.20
TOTAL	**78,500,000**		

2013 Unlisted Options Date of Issue	**No. of Options Outstanding**	**Expiry Date**	**Exercise Price**
9/11/2011	5,000,000	9/11/2016	$0.50
26/4/2013	5,500,000	26/4/2016	$0.30
TOTAL	**10,500,000**		

(h) Performance Share Reserve

Performance shares were issued as part of the purchase price of the Kinney Coal Project.

	2014 Shares	**2014 $**	**2013 Shares**	**2013 $**
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**

14 Contributed Equity (continued)

(h) Performance Share Reserve (continued)

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

The class B performance shares will convert to ordinary shares if the Company completes a bankable feasibility study and the board makes a positive decision to mine within 36 months of the project acquisition date (Milestone B). The class C performance shares will convert to ordinary shares if the Company undertakes the development and commercial production of coal within 48 months of the project acquisition date (Milestone C).

(i) Movement in Performance Share Reserve

2014 **Date**	**Details**	**Number of shares**	**Issue price**	**Amount $**
01/07/2013	Opening balance	20,000,000		3,300,000
30/06/2014	**Balance**	**20,000,000**		**3,300,000**

2013 **Date**	**Details**	**Number of shares**	**Issue price**	**Amount $**
01/07/2012	Opening balance	20,000,000		3,300,000
30/06/2013	**Balance**	**20,000,000**		**3,300,000**

(j) Nature and Purpose of Reserves

Option Reserve

The option reserve is used to recognise funds received from options issued to shareholders. The reserve is recognised in contributed equity when the options are exercised and converted to ordinary share capital.

Share Based Payment Reserve

The share based payment reserve is used to recognise the fair value of unlisted options issued to employees but not converted into ordinary shares. The reserve is recognised in contributed equity when and if the relevant milestone is attained within the specified period and as a result the unlisted options concerned convert to ordinary shares.

Performance Share Reserve

The performance share reserve is used to recognise the fair value of performance shares issued to the vendors of the Kinney Project but not converted into ordinary shares. The reserve is recognised in contributed equity when and if the relevant milestone is attained within the specified period and as a result the performance shares concerned convert to ordinary shares.

Foreign Currency Translation Reserve

The foreign currency translation reserve is used to record exchange differences arising on consolidation of subsidiaries with different functional currencies from that of the parent entity.

14 Contributed Equity (continued)

(k) Capital Risk Management

The Group's objective when managing capital is to safeguard the ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the return of capital to shareholders, issue new shares or sell assets to reduce debt. The Group defines capital as cash and cash equivalents plus equity.

The board of directors monitors capital on an ad-hoc basis. No formal targets are in place for return on capital. There are no gearing ratios as the Group has not derived any income from their mineral exploration and currently has no debt facilities in place.

15 Accumulated Losses

	2014	2013
	$	$
Movements in accumulated losses:		
Balance at the beginning of the period	(2,365,532)	(503,572)
Net loss from continuing operations	(22,431,381)	(1,861,960)
Balance at the end of the year	**(24,796,913)**	**(2,365,532)**

16 Dividends

There were no dividends recommended or paid during the financial year.

17 Related Party Transactions

Ascent Capital Holdings Pty Ltd (Ascent Capital) is a company owned 50% by Oakhurst Enterprises Pty Ltd of which Gary Steinepreis is the sole director and 50% shareholder. Ascent Capital was paid fees for the provision of office accommodation including all outgoings.

The amount of remuneration paid to related parties during the financial year is set out below and in the *Audited Remuneration* section of the *Directors' Report*.

There are no outstanding loans to or from related parties, with the exception of a $30,000 loan payable to Oakhurst Enterprises Pty Ltd, a related party of Gary Steinepreis. Details of the loan are disclosed in the audited Remuneration Report in the Directors' Report. There are no outstanding balances arising from sales / purchases of goods and services to or from related parties.

Wasatch Natural Resources LLC and Delta Coal Fund Pty Ltd are wholly owned subsidiaries (100%) of New Horizon Coal Limited. Transactions between the entities are eliminated upon consolidation.

(a) The total payments made to directors and key management personnel during the year are set out below:

Services provided by directors and key management personnel and recognised as an expense	**2014** **$**	**2013** **$**
Short term employee benefits	366,046	537,749
Post-employment benefits	2,540	2,970
Share based payments	(351,796)	811,874
	16,790	**1,352,593**

Detailed remuneration disclosures with regard to amounts paid to directors are provided in the audited remuneration report in the directors' report.

17 Related Party Transactions (continued)

(b) Other Transactions with Directors and Key Management Personnel

Office accommodation – Provided by Ascent Capital Holdings Pty Ltd, an entity owned by interests associated with Gary Steinepreis, on commercial terms and conditions.

Services provided by directors and key management personnel and recognised as an expense	**2014** **$**	**2013** **$**
Short term benefits – Office accommodation	26,250	45,000
	26,250	**45,000**

18 Remuneration of Auditors

Assurance Services	**2014**	**2013**
Audit Services	**$**	**$**
Amounts paid/payable to BDO Audit (WA) Pty Ltd (BDO) for audit and review of the financial reports	42,068	37,460

It is the Company's policy to employ BDO on assignments additional to their statutory audit duties where BDO's expertise and experience with the Company are important. These assignments are principally tax advice and due diligence reporting on acquisitions, or where BDO are awarded assignments on a competitive basis. It is the Company's policy to seek competitive tenders for all major material consulting projects.

19 Reconciliation of Loss After Income Tax to Net Cash Outflow from Operating Activities	**2014** **$**	**2013** **$**
Loss for the year	(22,431,381)	(1,861,960)
Non-cash operating items		
Impairment expense	22,348,274	301,700
Share based payments	(351,796)	811,874
Depreciation	3,064	1,938
Foreign currency movement	(3,313)	61,091
Changes in operating assets and liabilities:		
Net movement in trade receivables and payables		
(Increase) / decrease in trade and other receivables	7,139	(439)
Increase / (decrease) in trade and other payables	909	(62,873)
Net cash outflow from operating activities	**(427,104)**	**(748,669)**

20 Loss Per Share

(a) Basic and Diluted Loss Per Share	**2014 Cents**	**2013 Cents**
Loss from operations attributable to the ordinary equity holders of the Company	(19.0)	(1.84)
Total loss attributable to the ordinary equity holders of the Company	**(19.0)**	**(1.84)**

(b) Reconciliation of Loss used in Calculating Loss Per Share	**2014 $**	**2013 $**
Loss attributable to the ordinary equity holders of the Company used in calculating basic and diluted loss per share	**(22,431,381)**	**(1,861,960)**

(c) Weighted Average Number of Shares Used as the Denominator	**2014 Number**	**2013 Number**
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	**118,000,000**	**101,076,027**

(d) Information Concerning the Classification of Securities

Options and Performance Shares

Options and performance shares are considered to be potential ordinary shares. The options and performance shares have not been included in the determination of basic earnings per share or diluted earnings per share as the company is in a position of loss.

21 Contingent Liabilities

There are no contingent liabilities (2013:Nil)

22 Commitments

Kinney Coal Project

The Company has continued working on the Kinney Coal Project to seek financing of the project with debt and equity providers. This has included negotiations to seek investors to participate in the development and/or acquire a debt or equity stage. As part of this process the Company re-negotiated the terms of the Asset Purchase Agreement (APA) with Carbon Resources and announced these on 31 March 2014.

Pursuant to the terms of the revised APA for the Kinney Coal Project, the Company must meet various payment obligations through a series of promissory notes with US$1 million is due on 30 November 2014, US$1 million on 31 March 2015, and then an annual minimum payment of US$1 million is payable from 30 November 2015 until the promissory notes are repaid in full.

There is a risk that, if the Company cannot meet its obligations under the APA or successfully renegotiate the APA, the Company may lose its rights to the Kinney Coal Project. If the promissory notes are not redeemed, the APA provides for the project to be transferred back to the vendor in full satisfaction of any obligations under the APA. The Company is using its best endeavours to meet and satisfy its obligations pursuant to the acquisition of the Kinney Coal Project as it continues its efforts to secure a partner for investment in the Kinney Project.

23 Events Occurring After Reporting Date

On 2 July 2014, the Company announced the appointment of Tony Brennan and a strategic review in relation to its investment in the Kinney Coal Project. The strategic review will review the status of the financing negotiations and also consider a sale of part of all of its interest in the Project. The Board will investigate all possible options for the Project in order to maximize value to shareholders and consider new projects. The Company will consider new projects in all business sectors.

On 7 August 2014, Mr Mark Sanders resigned as a Director.

On 8 August 2014, the Company lodged a fully underwritten entitlement issue on the basis of one new share for each share held being 118,000,000 shares to raise $1,180,000 before costs. Included in this capital raising is the repayment of a loan of up to $100,000 to Oakhurst Enterprises Pty Ltd, an entity associated with Gary Steinepreis. This issue was closed on 19 September 2014 and the shares issued and allotted on this date.

Other than as disclosed in these Financial Statements, there has been no matter or circumstance that has arisen that has significantly affected, or may significantly affect:

1. the Company's operations in future financial years, or
2. the results of those operations in future financial years, or
3. the Company's state of affairs in future financial years.

24 New Horizon Coal Ltd Parent Company Information

Financial Position	**2014** **$**	**2013** **$**
Current assets		
Cash and cash equivalents	9,766	853,962
Prepayments	-	-
Trade and other receivables	4,408	11,547
Total current assets	**14,174**	**865,509**
Non-current assets		
Loans to subsidiaries	-	13,417,322
Investment in subsidiary	-	7,700,000
Total non-current assets	**-**	**21,117,322**
Total assets	**14,174**	**21,982,831**
Current liabilities		
Provisions	20,000	15,500
Short Term Loans	30,000	-
Trade and other payables	34,922	19,909
Total liabilities	**84,922**	**35,409**
Net Assets/(Liabilities)	**(70,748)**	**21,947,422**
Equity		
Contributed equity	19,285,525	19,285,525
Option premium reserve	183,812	183,812
Performance share reserve	3,300,000	3,300,000
Share based payment reserve	92,209	444,005
Accumulated losses	(22,932,294)	(1,265,920)
Total Equity/(Deficiency in Equity)	**(70,748)**	**21,947,422**

24 New Horizon Coal Ltd Parent Company Information (continued)

Financial Performance	**2014**	**2013**
	$	**$**
Revenue from operations	7,979	22,372
Expenses from operations	(7,643,062)	(1,306,567)
Loss before income tax	**(7,635,083)**	**(1,284,195)**
Income tax expense	-	-
Loss for the year	**(7,635,083)**	**(1,284,195)**
Other comprehensive income net of tax	-	-
Total comprehensive loss attributable to the members of New Horizon Coal Ltd	**(7,635,083)**	**(1,284,195)**

In the directors' opinion:

(a) the financial statements and notes set out on pages 16 to 46 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

  (ii) giving a true and fair view of the group's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and

(b) the audited remuneration disclosures set out on pages 6 to 12 of the directors' report comply with section 300A of the Corporations Act 2001; and

(c) at the date of this declaration, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(d) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Board of Directors.

G. Steinepreis

Gary Steinepreis
Director
West Perth
30 September 2014

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INDEPENDENT AUDITOR'S REPORT

To the members of New Horizon Coal Limited

Report on the Financial Report

We have audited the accompanying financial report of New Horizon Coal Limited, which comprises the consolidated statement of financial position as at 30 June 2014, 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 year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, 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 Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of New Horizon Coal Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of New Horizon Coal Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO

Peter Toll

Director

Perth, 30 September 2014

Corporate Governance Statement

New Horizon Coal Ltd and its wholly owned subsidiaries (the Group) and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The Board continues to review the framework and practices to ensure they meet the interests of shareholders.

The disclosure of corporate governance practices can be viewed on the Company website at www.newhorizoncoal.com.au.

The directors are responsible to the shareholders for the performance of the Group in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are undertaken by the Board.

Corporate Governance Compliance

A description of the Group's main corporate governance practices are set out below. The Group has considered the ASX Corporate Governance Principles and the corresponding Recommendations to determine an appropriate system of control and accountability to best fit its business and operations commensurate with these guidelines.

Disclosure of Corporate Governance Practices
Summary Statement

	ASX Principles and Recommendations	"If not, why not"
Recommendation 1.1	✓	
Recommendation 1.2	✓	
Recommendation 2.1		✓
Recommendation 2.2		✓
Recommendation 2.3	✓	
Recommendation 2.4		✓
Recommendation 2.5	✓	
Recommendation 2.6	✓	
Recommendation 3.1	✓	
Recommendation 3.2		✓
Recommendation 3.3		✓
Recommendation 3.4		✓
Recommendation 4.1		✓
Recommendation 4.2		✓
Recommendation 4.3	✓	
Recommendation 4.4		✓
Recommendation 5.1	✓	
Recommendation 6.1	✓	
Recommendation 7.1	✓	
Recommendation 7.2	✓	
Recommendation 8.1		✓
Recommendation 8.1	✓	

Disclosure – Principles & Recommendations – period ended 30 June 2014

Principle 1 – Lay solid foundations for management and oversight

Recommendation 1.1:

Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

Disclosure:

The Directors are responsible to the shareholders for the performance of the Group in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are undertaken by the Board and the Managing Director who acts in the capacity as CEO.

The matters that the Board has specifically reserved for its decision are:

- the appointment and management of the CEO;
- approval of the overall strategy and annual budgets of the business; and
- compliance with constitutional documents.

The CEO is delegated the authority to ensure the effective day-to-day management of the business and the Board monitors the exercise of these powers. The CEO is required to report regularly to the Board on the performance of the Business.

Some Board functions are handled through Board Committees. These committees are appointed when the size and scale of operations requires. However, the Board as a whole is responsible for determining the extent of powers residing in each Committee and is ultimately responsible for accepting, modifying or rejecting Committee recommendations.

Recommendation 1.2:

Companies should disclose the process for evaluating the performance of senior executives.

Disclosure:
The Board is responsible for evaluating the senior executives. Induction procedures are in place and senior executives have formal job descriptions which includes the process for evaluating their performance.

There was no formal performance evaluation of the senior executives during the financial year.

Principle 2 – Structure the board to add value

Recommendation 2.1:

A majority of the Board should be independent directors.
Disclosure:

The Group does not have a majority of independent directors.

Principle 2 – Structure the board to add value (continued)

Recommendation 2.1: (continued)

Disclosure: (continued)

Consistent with the size of the Group and its activities, the Board is comprised of four (4) directors, one of whom is considered to be independent.

The Board's policy is that the majority of directors shall be independent, non-executive directors. The composition of the Board does not currently conform to its policy. It is the Board's intention to comply with its policy at a time when the size of the Group and its activities warrants such a structure.

Recommendation 2.2:

The Chair should be an independent director.

Disclosure:

Anthony Brennan acts as Chair of the Board, he is not independent. It is the Board's intention to comply with its policy at a time when the size of the Group and its activities warrants such a structure.

Recommendation 2.3:

The roles of the Chair and CEO should not be exercised by the same individual.

Disclosure:

The role of the Chairman and the CEO are exercised by the same person.

The division of responsibilities between the Chairman and the CEO is set out in the Board Charter. It is the Board's intention to comply with its policy at a time when the size of the Group and its activities warrants such a structure.

Recommendation 2.4:

The Board should establish a Nomination Committee.

Disclosure:

A nomination committee has not been established.

The role of the Nomination Committee has been assumed by the full Board operating under the Nomination Committee Charter adopted by the Board.

Recommendation 2.5:

Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.

Disclosure:

The Chairman is responsible for evaluation of the CEO, the Board and the committees.

The review is currently informal but is based on a review of goals for the Board and individual Directors.

Principle 2 – Structure the board to add value (continued)

Recommendation 2.5: (continued)

Disclosure: (continued)

The goals are based on corporate requirements and any areas for improvement that may be identified. The Chairman will provide each Director with confidential feedback on his or her performance.

Induction procedures are in place for all directors and senior executives report to the Board as to their area of responsibility at each Board meeting, if required.

Recommendation 2.6:

Companies should provide the information indicated in the *Guide to reporting on Principle 2*.

Disclosure:

Skills, Experience, Expertise and term of office of each Director and re-election procedure

A profile of each director containing their skills, experience and expertise is set out in the Directors' Report.

In accordance with the Constitution, one third of the directors retire by rotation each year and may offer themselves for re-election.

In determining candidates for the Board the Nomination Committee considers the procedure as detailed in the Board Charter and the skills and qualifications of potential candidates that will best enhance the Board's effectiveness taking into consideration the current composition of the Board.

Identification of Independent Directors

There are no independent directors of the Group. Independence is measured having regard to the relationships listed in Box 2.1 of the Principles & Recommendations.

Statement concerning availability of Independent Professional Advice

To assist directors with independent judgement, it is the Board's policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval for incurring such expense from the Chairman, the Group will pay the reasonable expenses associated with obtaining such advice.

Principle 3 – Promote ethical and responsible decision-making

Recommendation 3.1:

Companies should establish a Code of Conduct and disclose the code or a summary of the code as to:

- the practices necessary to maintain confidence in the Group's integrity;
- the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and
- the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Principle 3 – Promote ethical and responsible decision-making (continued)

Disclosure:

The Group has a Code of Conduct that applies to all Directors, senior executives, employees and contractors.

Recommendation 3.2:

Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them.

Disclosure:

The Board supports diversity but the Group has not yet developed a policy. It is the Board's intention to develop a policy at a time when the size of the Group and its activities warrants such a structure.

Recommendation 3.3:

Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

Disclosure:

The Board supports diversity but the Group has not yet developed a policy.

Recommendation 3.4:

Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.

Disclosure:

There are no women employees in the organization or in senior executive positions or on the Board.

Principle 4 – Safeguard integrity in financial reporting

Recommendation 4.1

The Board should establish an Audit Committee.

Disclosure:

An audit committee has not been established.

The role of the Audit Committee has been assumed by the full Board operating under the Audit Committee Charter adopted by the Board.

Recommendation 4.2:

The Audit Committee should be structured so that it:

- consists only of non-executive directors;
- consists of a majority of independent directors;
- is chaired by an independent Chair, who is not Chair of the Board; and
- has at least three members.

Principle 4 – Safeguard integrity in financial reporting (continued)

Recommendation 4.2: (continued)

Disclosure:

There is no audit committee. However, if one was established the Board policy is that it would have two (2) members who are non-executive directors. This structure would comply with the structure set out in the Board Charter adopted by the Group but not with the ASX Corporate Governance Principles and the corresponding Recommendations.

Recommendation 4.3:

The Audit Committee should have a formal charter.

Disclosure:

The Group has an Audit Committee Charter although this is currently administered by the Board.

Recommendation 4.4:

Companies should provide the information indicated in the *Guide to reporting on Principle 4.*

Disclosure:

There is no Audit Committee and the whole Board acts in this capacity in accordance with the Board Charter.

When established, the Audit Committee plans to hold a minimum of 3 meetings per year. It is intended that the Group's auditor will be invited to attend all Audit Committee meetings held during the financial year.

The Group has established procedures for the selection, appointment and rotation of its external auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit Committee. Candidates for the position of external auditor must demonstrate independence from the Group through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Group's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Board.

Principle 5 – Make timely and balanced disclosure

Recommendation 5.1:

Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

Disclosure:

The Board Charter contains the policies designed to ensure compliance with ASX Listing Rule disclosure and accountability at a senior executive level for that compliance.

Principle 6 – Respect the rights of shareholders

Recommendation 6.1:

Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

Disclosure:

The Group has a Shareholder Communications Policy contained within the Policy on Continuous Disclosure and a website for making information available to shareholders. Shareholders are encouraged to attend and participate in general meetings.

Principle 7 – Recognise and manage risk

Recommendation 7.1:

Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

Disclosure:

The Board has adopted a Risk Management Policy. As detailed in 7.2 no risk management committee has been formed and this role is undertaken by the Board, however, the overall basis for risk management is to provide recommendations about:

1. Assessing the internal processes for determining and managing key risk areas, particularly:
   - non-compliance with laws, regulations, standards and best practice guidelines, including environmental and industrial relations laws;
   - litigation and claims; and
   - relevant business risks other than those that are dealt with by other specific Board Committees.
2. Ensuring that the Group has an effective risk management system and that major risks to the Group are reported at least annually to the Board.
3. Receiving from management reports on all suspected and actual frauds, thefts and breaches of laws.
4. Evaluating the process the Group has in place for assessing and continuously improving internal controls, particularly those related to areas of significant risk.
5. Assessing whether management has controls in place for unusual types of transactions and/or any potential transactions that may carry more than an acceptable degree of risk.
6. Meeting periodically with key management, internal and external auditors and compliance staff to understand and discuss the Group’s control environment.

Recommendation 7.2:

The Board should require management to design and implement the risk management and internal control system to manage the Group's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Group's management of its material business risks.

Principle 7 – Recognise and manage risk (continued)

Recommendation 7.2: (continued)

Disclosure:

Management designs, implements and maintains risk management and internal control systems to manage the Group's material business risks. As part of the monthly reporting procedure, management report to the Board confirming that those risks are being managed effectively.

The Group policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Group's business objectives.

A Risk Management Committee has not been formed and no internal audit function exists. All functions, roles and responsibilities with regard to risk oversight and management and internal control are undertaken by Management as at the date of this report.

Recommendation 7.3:

The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Disclosure:

Due to the size of the Group, the Board signed the declaration in accordance with section 295A of the Corporations Act. The declaration is made and is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial risk.

Principle 8 – Remunerate fairly and responsibly

Recommendation 8.1:

The Board should establish a Remuneration Committee.

Disclosure:

A Remuneration Committee has not been established.

The role of the Remuneration Committee has been assumed by the full Board operating under the Remuneration Committee Charter adopted by the Board.

Recommendation 8.2:

Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

Principle 8 – Remunerate fairly and responsibly (continued)

Recommendation 8.2: (continued)

Disclosure:

Non-executive directors are remunerated at a fixed fee for time, commitment and responsibilities. Remuneration for non-executive directors is not linked to the performance of the Group. There are no documented agreements providing for termination or retirement benefits to non-executive directors (other than for superannuation). There are currently no options issued to non-executive directors.

Executive directors and senior executives are offered a competitive level of base pay at market rates and are reviewed annually to ensure market competitiveness. Long term performance incentives may include performance and production bonus payments, shares / options granted at the discretion of the Board and subject to obtaining the relevant approvals.

The shareholder information set out below was applicable as at the dates specified.

1 Distribution of Equity Securities (Current as at 26 September 2014)

Analysis of numbers of security holders by size of holding:

			Number of Shareholders	Number of Optionholders
1	-	1,000	9	1
1,001	-	5,000	9	1
5,001	-	10,000	110	78
10,001	-	100,000	178	128
100,001	-	and over	135	95
			441	303

There were 232 holders of less than a marketable parcel of ordinary shares.

2 Substantial Holders (Current as at 26 September 2014)

Substantial holders of equity securities, ordinary shares, in the Company are set out below:

Ordinary Shares (Holders with 5% or more)

Name	Number held	Percentage of issued shares
Brennan Super (WA) Pty Ltd <A T Brennan Superfund A/C>	26,451,500	11.20
Oakhurst Enterprises Pty Ltd and Gary Steinepreis	20,081,996	8.51
Jason Peterson	17,311,413	7.34
Carl Coward and Carl Coward <BUDO HO A/C>	15,966,727	6.77

3 Unlisted Option Holders (Current as at 26 September 2014)

Unlisted option holders are set out below:

Unlisted Options (Holders with 5% or more)

Name	Number held	Percentage of unlisted options
Michael Placha	5,000,000	91%
Mark Sanders	500,000	9%
	5,500,000	100%
Greg Hunt	5,000,000	100%

4 Voting Rights

The voting rights attaching to each class of equity securities are set out below:

1 Ordinary Shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

2 Options

These securities have no voting rights.

5 Equity Security Holders (Current as at 26 September 2014)

The names of the twenty largest holders of ordinary shares are listed below:

Ordinary Shares

		Number of shares	%
1	BRENNAN SUPER (WA) PTY LTD <A T BRENNAN SUPERFUND A/C>	18,301,520	7.75
2	CELTIC CAPITAL PTY LTD <THE CELTIC CAPITAL A/C>	15,000,000	6.36
3	JDK NOMINEES PTY LTD <KENNY CAPITAL A/C>	10,000,000	4.24
4	LUJETA PTY LTD <THE MARGARET ACCOUNT>	10,000,000	4.24
5	OAKHURST ENTERPRISES PTY LTD	8,841,996	3.75
6	VIENNA HOLDINGS PTY LTD <RONJEN SUPERFUND A/C>	8,420,000	3.57
7	PHILLIP JOHN COULSON	8,397,546	3.56
8	WALL STREET NOMINEES PTY LTD <BRENNAN SUPERANNUATION FUND A/C>	6,000,000	2.54
9	ASCENT CAPITAL HOLDINGS PTY LTD	5,660,000	2.40
10	CARL COWARD <BUDO HO A/C>	5,584,413	2.37
11	AGENS PTY LIMITED <THE MARK COLLINS FAMILY A/C>	5,500,000	2.33
12	CARL COWARD	5,250,000	2.22
13	ROSEMAN (SA) PTY LTD <G&A A/C>	5,250,000	2.22
14	JEFF M MCCARTHY	5,000,000	2.12
15	ANASTASIOS ARIMA	4,000,000	1.69
16	JOGCHUM BRINKSMA	4,000,000	1.69
17	CARL PHILIP COWARD	4,000,000	1.69
18	EDF TRADING LIMITED	4,000,000	1.69
19	OAKHURST ENTERPRISES PTY LTD	3,800,000	1.61
20	TAYCOL NOMINEES PTY LTD	3,500,000	1.48
	TOTAL FOR TOP 20	**140,505,475**	**59.54**

5 Equity Security Holders (Current as at 26 September 2014)

The names of the twenty largest holders of quoted options are listed below:

Options

		Number of options	%
1	BRENNAN SUPER (WA) PTY LTD <A T BRENNAN SUPERFUND A/C>	9,250,000	11.78
2	LUJETA PTY LTD <THE MARGARET ACCOUNT>	6,850,000	8.73
3	MR MICHAEL PLACHA	5,454,546	6.95
4	PHILLIP JOHN COULSON	4,268,182	5.44
5	ASCENT CAPITAL HOLDINGS PTY LTD	2,830,000	3.61
6	MR PETER NORMAN NEESON	2,737,023	3.49
7	MR TIMOTHY JAMES FLAVEL <THE FLAVEL INVESTMENT A/C>	1,660,000	2.11
8	MR JASON PETERSON + MS LISA PETERSON <J & L PETERSON S/F A/C>	1,650,000	2.10
9	ANDREW WILLIAM SPENCER <SPENCER SUPER FUND A/C>	1,650,000	2.10
10	TOPSFIELD PTY LTD	1,363,636	1.74
11	MATTHEW DAVID GILLETT	1,273,561	1.62
12	OAKHURST ENTERPRISES PTY LTD	1,192,186	1.52
13	CARL COWARD	1,136,364	1.45
14	INVIA CUSTODIAN PTY LIMITED <PACIFIC ROAD PROVIDENT A/C>	1,136,364	1.45
15	MOSHOS FAMILY INVESTMENTS PTY LTD <MOSHOS FAMILY A/C>	1,136,364	1.45
16	CELTIC CAPITAL PTY LTD <THE CELTIC CAPITAL A/C>	1,087,541	1.39
17	GLENNDON PTY LTD <PROBERT INVESTMENT A/C>	1,052,714	1.34
18	SECURE INVESTMENTS (WA) PTY LTD <NEST EGG SUPER FUND A/C>	1,021,416	1.30
19	TM CONSULTING PTY LTD <TM CONSULTING SUPER FUND A/C>	975,000	1.24
20	GOLDSHORE INVESTMENTS PTY LTD <THE GOLDSHORE A/C>	909,091	1.16
	TOTAL FOR TOP 20:	**48,633,988**	**61.95**

6 On-Market Buy-Back

There is no current on-market buy-back.

7 Tenement Schedule

Kinney Coal Project – Permit number C0070047
Utah, USA