NEW HORIZON COAL LTD

ABN 61 143 932 110

Interim Financial Report

31 December 2012

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These interim financial statements do not include all the notes of the type normally included in the annual financial statements. Accordingly, these interim financial statements are to be read in conjunction with the annual financial statements dated 30 June 2012 and any public announcements made by the Company during the period from 1 July 2012 to the date of this report in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Corporate Directory

Directors	Gary Steinepreis Chairman Michael Placha Executive Carl Coward Non-Executive Mark Sanders Non-Executive
Company Secretary	Gary Steinepreis
Registered Office	Level 1, 33 Ord Street West Perth WA 6005 Telephone: 08 9420 9300 Facsimile: 08 9420 9399
Share Register	Computershare Investor Services Pty Ltd Reserve Bank Building Level 2 45 St George's Terrace Perth WA 6000 Investor enquiries: 1300 557 010 Telephone: 08 9323 2000 Facsimile: 08 9323 2033
Auditor	BDO Audit (WA) Pty Ltd 38 Station Street Subiaco WA 6008 Telephone: 08 6382 4600 Facsimile: 08 6382 4601
Stock Exchange Listing	New Horizon Coal Limited shares and options are listed on the Australian Securities Exchange (ASX), home branch, Perth. Code: Shares – NHO Code: Options – NHOO
Website	www.newhorizoncoal.com.au

DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of New Horizon Coal Ltd and the entities it controlled at the end of, or during, the half year ended 31 December 2012 (**New Horizon Coal** or **the Company** or **Group**).

DIRECTORS

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

Gary Steinepreis appointed 4 June 2010

Michael Placha appointed 2 December 2011

Carl Coward appointed 2 December 2011

Mark Sanders appointed 7 November 2012

COMPANY SECRETARY

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

PRINCIPAL ACTIVITIES

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

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

REVIEW OF OPERATIONS

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

The Kinney Coal Project includes the following:

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

The Kinney Coal Project consists of the Carbon County Sublease with the main "Kinney Parcel" (3,620 acres; 1,465 hectares) positioned adjacent to open Federal Land that together form a logical mining unit accessible only through the planned Kinney portals.

A summary of the work during the half year included:

(a) completed a drilling program at the Company's Kinney Coal Project in Utah, USA. A total of eight (8) drill holes were completed and cored using rotary/air foam and conventional coring methods.
(b) completed the Pre-Feasibility Study (PFS) for the Kinney Coal Project. Results confirmed the project's technical and economic viability to produce a high-calorific, low sulphur product suitable for domestic and export thermal coal markets. Strengths highlighted by the study include:

- Competitive operating and cash costs
- Strong cash flows and rapid capital repayment

- Low capital investment per tonne of productive capacity
- Exceptional, high quality JORC Resource and Reserve characteristics
- 2.3 Mtpa annual ROM production capacity
- Rapid production development schedule
- World class infrastructure access
- Favourable transportation options and secure export access

(c) New Horizon Coal signed a letter of intent (LOI) with the Texas Deepwater Industrial Port (TDIP). The LOI defines an initial allocation of 1.5 Mtpa throughput, expandable to 3 Mtpa commensurate with the growth of the Kinney Coal Project.

(d) Continued work on acquiring Federal coal lease(s). Work progressed on the preparation of an Environmental Assessment (EA) required for the Long Canyon LBA Tract adjacent to the Kinney Reserves. The Company also progressed on the Dry Canyon LBA Tract, which lies within 45 km of the Kinney portal.

(e) Continued to advance discussions on rail logistics with multiple Class 1 rail carriers.

(f) Continued discussions for the purpose of acquiring interest in a new surface mine and new projects.

(g) Strengthened company Board of Directors. The Company appointed Mark Sanders to its Board. Mr Sanders brings to bear over 25 years of experience in the global mining industry.

Operating Result

The loss from operations for the half year ended 31 December 2012 after providing for income tax was $504,814 (2011:$165,912). The total comprehensive loss for the half year ended 31 December 2012 after providing for income tax was $734,519 (2011:$238,268).

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

After Reporting Date Events

On 11 February 2013 the Company completed a placement and issued and allotted 17,875,000 shares at an issue price of 8 cents per share to raise $1,430,000. There will be a further placement 7,125,000 shares at an issue price of 8 cents per share to raise $570,000, subject to shareholder approval at a meeting to be held on 28 March 2013.

Other than as detailed 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.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4 of this interim report.

Signed in accordance with a resolution of the board of directors

Gary Steinepreis
Director
14 March 2013

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38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

14 March 2013

The Board of Directors
New Horizon Coal Limited
Level 1, 33 Ord Street
West Perth, WA 6005

Dear Sirs,

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

As lead auditor for the review of New Horizon Coal Limited for the half-year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

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, Western Australia

	Note	Consolidated 2012 $	Consolidated 2011 $
Revenue from operations	3	9,676	77,886
Expenses from operations			
Administration		(75,744)	(13,124)
Corporate compliance		(46,875)	(24,942)
Corporate management		(36,000)	(68,000)
Audit & non-audit services		(15,712)	(11,486)
Occupancy		(54,454)	(35,363)
Salaries and superannuation		(17,999)	(3,000)
Employment on-costs		(1,586)	-
Exploration expense		-	(27,167)
Project generation		(51,828)	-
Share based payments		(214,292)	(60,716)
Total expenses from operations		(514,490)	(243,798)
Loss before income tax		**(504,814)**	**(165,912)**
Income tax expense		-	-
Loss for the half-year		**(504,814)**	**(165,912)**
Other Comprehensive Income/ (Loss)			
Items that will be reclassified to profit or loss			
Foreign currency translation difference		(229,705)	(72,356)
Total comprehensive loss for the period attributable to the members of New Horizon Coal Ltd		**(734,519)**	**(238,268)**
		Cents	**Cents**
Loss per share for loss from operations attributable to the ordinary equity holders of the Company:			
Basic loss per share		(0.79)	(0.50)
Diluted loss per share		n/a	n/a

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

	Note	Consolidated 31 Dec 2012 $	Consolidated 30 June 2012 $
ASSETS			
Current assets			
Cash and cash equivalents		221,286	1,415,820
Trade and other receivables		13,071	11,108
Prepayments		-	3,500
Total current assets		**234,357**	**1,430,428**
Non-current assets			
Exploration and evaluation expenditure	4	20,316,311	19,406,980
Property, plant and equipment	5	7,575	-
Total non-current assets		**20,323,886**	**19,406,980**
Total assets		**20,558,243**	**20,837,408**
LIABILITIES			
Current liabilities			
Trade and other payables	6	215,365	174,303
Short term loans	7	200,000	-
Total current liabilities		**415,365**	**174,303**
Total liabilities		**415,365**	**174,303**
NET ASSETS		**20,142,878**	**20,663,105**
EQUITY			
Contributed equity	8(a)	17,395,140	17,395,140
Option premium reserve	8(c)	183,812	183,812
Performance share reserve	8(i)	3,300,000	3,300,000
Share based payment reserve	8(f)	489,300	275,008
Foreign currency translation reserve		(216,988)	12,717
Accumulated losses		(1,008,386)	(503,572)
TOTAL EQUITY		**20,142,878**	**20,663,105**

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

2012	**Contributed equity $**	**Option premium reserve $**	**Share reserve $**	**Foreign currency translation reserve $**	**Accumulated losses $**	**Total $**
Balance 1 July	17,395,140	183,812	3,575,008	12,717	(503,572)	**20,663,105**
Loss for the half-year	-	-	-	-	(504,814)	**(504,814)**
Exchange difference on foreign operations	-	-	-	(229,705)	-	**(229,705)**
Total comprehensive loss for the half year	-	-	-	(229,705)	(504,814)	**(734,519)**
Transactions with owners in their capacity as owners:						
Share based payments	-	-	214,292	-	-	**214,292**
Balance 31 December	**17,395,140**	**183,812**	**3,789,300**	**(216,988)**	**(1,008,386)**	**20,142,878**

2011	**Contributed equity $**	**Option premium reserve $**	**Share reserve $**	**Foreign currency translation reserve $**	**Accumulated losses $**	**Total $**
Balance 1 July	2,245,440	183,812	-	-	(85,672)	**2,343,580**
Loss for the half-year	-	-	-	-	(165,912)	**(165,912)**
Exchange difference on foreign operations	-	-	-	(72,356)	-	**(72,356)**
Total comprehensive loss for the half year	-	-	-	(72,356)	(165,912)	**(238,268)**
Transactions with owners in their capacity as owners:						
Shares issued placement	11,550,000	-	-	-	-	**11,550,000**
Shares issued acquisition	2,200,000	-	5,500,000	-	-	**7,700,000**
Options Issued	-	-	60,716	-	-	**60,716**
Transaction costs	(800,301)	-	-	-	-	**(800,301)**
Balance 31 December	**15,195,139**	**183,812**	**5,560,716**	**(72,356)**	**(251,584)**	**20,615,727**

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

	Consolidated 2012 $	Consolidated 2011 $
Cash flow from operating activities		
Interest received	9,676	77,886
Withholding tax on interest earned	-	(150)
BAS refund	-	13,424
Other	-	(5,000)
Payments to suppliers and employees	(263,608)	(253,621)
Net cash outflow from operations	**(253,932)**	**(167,461)**
Cash flows from investing activities		
Payments for plant and equipment	(8,157)	(4,228)
Exploration and evaluation	(1,124,315)	-
Payments for interests in mining leases net of cash acquired	-	(7,184,866)
Net cash outflow from investing activities	**(1,132,472)**	**(7,189,094)**
Cash flows from financing activities		
Proceeds from the issue of shares	-	11,550,000
Proceeds from short term loans	200,000	-
Costs associated with capital raising	-	(814,769)
Net cash inflow from financing activities	**200,000**	**10,735,231**
Net increase in cash and cash equivalents	**(1,186,404)**	**3,378,676**
Cash and cash equivalents at the beginning of the period	1,415,820	2,369,292
Effect of exchange rate changes on cash and cash equivalents	(8,130)	-
Cash and cash equivalents at the end of the period	**221,286**	**5,747,968**

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

1 Summary of significant accounting policies

This general purpose interim financial report includes the financial statements and notes of New Horizon Coal Ltd, a public limited entity, and its controlled entities for the half-year ended 31 December 2012.

(a) Basis of preparation

The consolidated interim financial statements have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001. They do not include all of the information required for full annual financial statements and should be read in conjunction with annual report dated 30 June 2012 any public announcements made by the Company during the period from 1 July 2012 to the date of this report in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

The accounting policies adopted are consistent with those of the previous financial year and the corresponding interim reporting period, except as those noted below:

(b) Going Concern Basis of Accounting

The consolidated financial statements have been prepared on the basis of a going concern.
The Directors are of the opinion that the Group has sufficient funds and / or the capacity to raise additional funding as required to adequately meet the Group's planned exploration budget and short term working capital requirements. In support of this belief the Company completed a placement of 17,875,000 ordinary shares raising $1,430,000 on 11 February 2013 and further placement of 7,125,000 to raise $570,000 subject to shareholder approval on 28 March 2013.

However, the Group will require further financing in order to meet its obligations under the asset purchase agreement.

For the purchase agreement to be finalised deferred consideration in the amount of USD$15,000,000 is payable upon the first to occur of:

1) Wasatch Natural Resources completing a bankable feasibility study on the Kinney Project that results in a positive decision to mine the Kinney Project; or
2) 36 months after the asset purchase agreement completion date, and in the event that the bankable feasibility study does not result in a positive decision to mine and 36 months has expired then the Kinney Project will be transferred back to Carbon Resources in accordance with the asset purchase agreement and the Company will retain no interest in the Kinney Project, forfeit the consideration paid to Carbon Resources as at that date and any funds expended on the project to that date will be lost.

The non-recourse consideration has not been paid as at the date of this report.

The Directors are aware that the Group will need to obtain additional financing as needed and if unable to do so may be required to reduce the scope of its operations and scale back its exploration programmes, which may adversely affect the business and financial condition of the Group and its performance and further, may need to extinguish their liabilities and recognise their assets at amounts other than those stated in the interim financial report should they fail to raise the required funding to meet the ongoing needs of the Group.
Funding requirements will be met by way of equity or debt funding or a combination of both.

At 31 December 2012, the Group has cash funds available of $221,286. It incurred an operating loss of $504,814 for the 6 months to 31 December 2012 (2011:$165,912) and had current liabilities of $415,365 (2011:$3,864,561). On 11 February 2013 the Company raised $1,430,000 via a placement of 17,875,000 ordinary shares.

2 Segment Information

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group currently operates in one operating segment being the mining and exploration sector and two geographic locations, those being, Australia and the United States of America.

The chief operating decision makers look at areas of interest when reviewing exploration activities and the allocation of resources. The areas of interest are contained within separate operating entities and geographic locations and are reported on accordingly.

The directors are of the opinion that the current financial position and performance of the Group is equivalent to the operating segments identified and the following disclosure is provided.

31 December 2012	New Horizon Coal - Australia	Kinney Coal Project – USA	Inter Segment Adjustments	Consolidated
	$	$	$	$
Income	9,676	-	-	9,676
Expenses	(117,721)	(396,769)	-	(514,490)
Operating profit / (loss)	**(108,045)**	**(396,769)**	**-**	**(504,814)**
Assets				
Cash & cash equivalents	92,734	128,552	-	221,286
Other receivables	13,071	-	-	13,071
Property, plant and equipment	-	7,575	-	7,575
Capitalised exploration	-	20,316,311	-	20,316,311
	105,805	**20,452,438**	**-**	**20,558,243**
Liabilities				
Other payables	39,751	175,614	-	215,365
Short term loans	200,000	-	-	200,000
	239,751	**175,614**	**-**	**415,365**
Net Assets	**(133,946)**	**20,276,824**	**-**	**20,142,878**

31 December 2011	New Horizon Coal - Australia	Kinney Coal Project – USA	Inter Segment Adjustments	Consolidated
	$	$	$	$
Income	77,886	-		77,886
Expenses	(243,798)	(68,267)	68,267	(243,798)
Operating profit / (loss)	**(165,912)**	**(68,267)**	**68,267**	**(165,912)**

30 June 2012	New Horizon Coal - Australia	Kinney Coal Project – USA	Inter Segment Adjustments	Consolidated
	$	$	$	$
Assets				
Cash & cash equivalents	1,329,652	86,168	-	1,415,820
Other receivables	11,108	-	-	11,108
Prepayments	3,500	-	-	3,500
Capitalised exploration	-	19,406,980	-	19,406,980
	1,344,260	**19,493,148**		**20,837,408**
Liabilities				
Other payables	29,122	145,181	-	174,303
	29,122	**145,181**	**-**	**174,303**
Net Assets	**1,315,138**	**19,347,967**	**-**	**20,663,105**

3 Revenue from operations

	Consolidated Dec 2012	**Consolidated Dec 2011**
	$	**$**
Interest received	9,676	77,886
	9,676	**77,886**

4 Exploration and evaluation expenditure

	Consolidated 31 Dec 2012	**Consolidated 30 June 2012**
	$	**$**
Opening net book amount – Kinney project	19,406,980	-
Acquisition of Kinney Coal project	-	18,731,191
Exploration additions	909,331	675,789
Closing net book amount – Kinney project	**20,316,311**	**19,406,980**
Opening net book amount – Mt Drysdale and Hora Bore projects	-	10,000
Impairment expense	-	(10,000)
Closing net book amount – Mt Drysdale and Hora Bore projects	**-**	**-**
Total exploration and evaluation expenditure	**20,316,311**	**19,406,980**

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.

5 Property, Plant and Equipment

	Consolidated 31 Dec 2012	**Consolidated 30 June 2012**
	$	**$**
Office Equipment		
Opening net book value	-	-
Plus acquisitions during the period	8,136	4,104
	8,136	4,104
Less depreciation expense during the period	(561)	(4,104)
Closing net book amount	**7,575**	**-**

6 Trade and Other Payables	**Consolidated 31 Dec 2012 $**	**Consolidated 30 June 2012 $**
Current and unsecured	215,365	174,303
	215,365	**174,303**

7 Short Term Loans	**Consolidated 31 Dec 2012 $**	**Consolidated 30 June 2012 $**
Current, unsecured and interest free	200,000	-
	200,000	**-**

Short term loans were provided to the Company by related party entities for ongoing working capital, they are unsecured and interest free, $100,000 by Carl Coward, a director of the Company and $100,000 by Oakhurst Enterprises an entity associated with Gary Steinepreis, a director of the Company. The loan funds were made available on 17 December 2012 and are to be repaid on or before 31 March 2013. The lenders have the right in any circumstances to offset the amounts owed to them against any amounts they owe to the Company, for whatever reason.

8 Contributed Equity

(a) Share Capital	**31 Dec 2012 Shares**	**31 Dec 2012 $**	**30 June 2012 Shares**	**30 June 2012 $**
Ordinary shares fully paid	**93,000,000**	**17,395,140**	93,000,000	17,395,140

(b) Movement in Ordinary Share Capital

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

2011 Date	**Details**	**Number of shares**	**Issue price**	**Amount $**
01/07/2011	Opening balance	20,500,000		2,245,440
23/11/2011	Issue of shares	52,500,000	$0.22	11,550,000
23/11/2011	Issue of shares	10,000,000	$0.22	2,200,000
	Cost of share issue	-		(800,301)
31/12/2011	**Balance**	**83,000,000**		**15,195,139**

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

8 Contributed Equity (continued)

(c) Options

	31 Dec 2012 Number	31 Dec 2012 $	30 June 2012 Number	30 June 2012 $
	83,000,000	**183,812**	83,000,000	183,812

(d) Movement in Options

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

2011 Date	Details	Number of options	Amount $
01/07/2011	Opening balance	20,500,000	183,812
23/11/2011	Issue of options - placement listed	52,500,000	-
23/11/2011	Issue of options - incentive unlisted	10,000,000	-
31/12/2011	**Balance**	**83,000,000**	**183,812**

(e) Major Terms and Conditions of listed Options

(1) Each option gives the holder the right to subscribe for one share.

(2) The options will expire at 5.00pm (WST) on 31 December 2014. Any options not exercised before the expiry date will automatically lapse on the expiry date.

(3) The amount payable upon exercise of each option will be $0.20.

(4) The options are not transferable.

(f) Share Based Payments

	31 Dec 2012 Number	31 Dec 2012 $	30 June 2012 Number	30 June 2012 $
	10,000,000	**489,300**	10,000,000	275,008

As at the date of this report the options have been issued but have not yet vested. The calculated value for the options will be being written off over the vesting period. In calculating the value of the options issued the following inputs were used:

Underlying stock price	22 cents	Expiry date	9 Nov 2016
Exercise price	50 cents	Dividend yield	0%
Risk free rate	4.25%	Number of options	10,000,000
Volatility	90%	Calculated value	$1,285,753
Approval date	9 Nov 2011	Vesting period	36 months

8 Contributed Equity (continued)

(g) Movement in Share Based Payments

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

2011		**Number of**	**Amount**
Date	**Details**	**options**	**$**
01/07/2011	Opening balance	-	-
23/11/2011	Issue options incentive unlisted	10,000,000	60,716
31/12/2011	**Balance**	**10,000,000**	**60,716**

(h) Major Terms and Conditions of Unlisted Incentive Options

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

(2) The incentive options will vest on the date on which the last of the following conditions are satisfied:
  (i) Completion of a bankable feasibility study that results in a positive decision to mine to enable production to commence in relation to the Kinney Project; and
  (ii) this occurs within 36 months of the Kinney Project acquisition date.

  The vesting conditions must be satisfied within 36 months of the Kinney Project acquisition date. If the vesting conditions are satisfied, the incentive options will immediately vest.

(3) If the executive ceases to be engaged by the Company pursuant to the terms of this agreement prior to the expiration of the vesting date and without any of the vesting conditions being satisfied, all of the incentive options will be cancelled for nil consideration and the executive agrees to execute any documentation to give effect to this.

(4) Prior to the vesting date, the incentive options may not be exercised, transferred or otherwise dealt with.

(5) The incentive options will expire at 5.00pm (WST) on the date which is 5 years after the incentive options are issued. Any incentive option not exercised before the expiry date will automatically lapse on the expiry date.

(6) The amount payable upon exercise of each incentive option will be AUD$0.50.

(7) The incentive options are not transferable.

(8) The Company will not apply for quotation of the incentive options on ASX. However, the Company will apply for quotation of all shares allotted pursuant to the exercise of incentive options on ASX within 10 business days after the date of allotment of those shares.

(9) Subject to the discretion of the Board of the Company, if:
  (i) the executive terminates the employment: or
  (ii) the executive's employment is terminated with cause by the Company,
  any outstanding incentive options which have not been exercised will immediately lapse and have no further force or effect.

8 Contributed Equity (continued)

(i) Performance Shares

	31 Dec 2012 Shares	31 Dec 2012 $	30 June 2012 Shares	30 June 2012 $
Class B	10,000,000	1,650,000	10,000,000	1,650,000
Class C	10,000,000	1,650,000	10,000,000	1,650,000
Performance shares	**20,000,000**	**3,300,000**	20,000,000	3,300,000

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

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

(j) Movement in Performance Shares

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

2011 Date	Details	Number of shares	Issue price	Amount $
01/07/2011	Opening balance	-		-
23/11/2011	Issue of shares – Class A	10,000,000	$0.220	2,200,000
23/11/2011	Issue of shares – Class B	10,000,000	$0.165	1,650,000
23/11/2011	Issue of shares – Class C	10,000,000	$0.165	1,650,000
31/12/2011	**Balance**	**30,000,000**		**5,500,000**

(k) Major Terms and Conditions of Performance Shares

(1) Each performance share is a share in the capital of the Company.

(2) The performance shares are not transferable.

(3) The performance shares will not be quoted on ASX. However, upon conversion of the performance shares into fully paid ordinary shares the Company must within 7 days after conversion, apply for the official quotation of the ordinary shares arising from the conversion on ASX.

(4) Redemption if milestones not achieved

(a) If the milestone in relation to the Class B performance shares is not achieved within a 24 month period commencing on the date of issue of the Class B Performance Shares then the 10 million Class B performance shares held by the Vendors will automatically be redeemed by the Company for the sum of $0.000001 per Class B performance share within 10 business days of the Class B milestone determination date; and

(b) If the milestone in relation to the Class C performance shares is not achieved within a 36 month period commencing on the date of issue of the Class C performance shares then the 10 million Class C performance shares held by the Vendors will automatically be redeemed by the Company for the sum of $0.000001 per Class C performance share within 10 business days of the Class C milestone determination date.

9 After Reporting Date Events

On 11 February 2013 the Company completed a placement and issued and allotted 17,875,000 shares at an issue price of 8 cents per share to raise $1,430,000. There will be a further placement 7,125,000 shares at an issue price of 8 cents per share to raise $570,000, subject to shareholder approval at a meeting to be held on 28 March 2013.

Other than as detailed above, there has been no matter or circumstance that has arisen that has significantly affected, or may significantly affect:

4. the Group's operations in future financial years, or
5. the results of those operations in future financial years, or
6. the Group's state of affairs in future financial years.

10 Contingent Liabilities

There are no contingent liabilities for the half year.

11 Commitments

Kinney Coal Project

Under the asset purchase agreement to acquire the Kinney Coal Project a further deferred settlement (second deferred settlement) of USD$15,000,000 is payable via a non-recourse promissory note, to be delivered to Carbon Resources upon the first to occur of:

(1) Wasatch Natural Resources completing a bankable feasibility study on the Kinney Project that results in a positive decision to mine the Kinney Project; or

(2) 36 months after the asset purchase agreement completion date, and in the event that the bankable feasibility study does not result in a positive decision to mine and 36 months has expired then the Kinney Project will be transferred back to Carbon Resources in accordance with the asset purchase agreement and the Company will retain no interest in the Kinney Project, forfeit the consideration paid to Carbon Resources as at that date and any funds expended on the project to that date will be lost.

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

12 Related Party Transactions

Short term loans were provided to the Company by related party entities for ongoing working capital, they are unsecured and interest free, $100,000 by Carl Coward, a director of the Company and $100,000 by Oakhurst Enterprises an entity associated with Gary Steinepreis, a director of the Company. The loan funds were made available on 17 December 2012 and are to be repaid on or before 31 March 2013. The lenders have the right in any circumstances to offset the amounts owed to them against any amounts they owe to the Company, for whatever reason.

Mark Sanders was appointed as a Non-Executive Director of the Company on 7 November 2012. Mr Sanders has no relevant interest in any of the Company’s securities. He will be paid a fee of USD$36,000 per annum inclusive of all taxes and contributions to any federal and / or local authority as required under US laws. Any additional work undertaken outside of the role as a director will be paid at commercial rates.

The Directors' of the Group declare that:

1 The interim financial statements and notes as set out on pages 5 to 17 are in accordance with the *Corporations Act 2001*, and

(i) comply with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) give a true and fair view of the financial position of the Group as at 31 December 2012 and of its performance to the half-year ended on that date.

2 In the opinion of the directors' there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

G Steinepreis

Gary Steinepreis
Director
West Perth
14 March 2013

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INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF NEW HORIZON COAL LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of New Horizon Coal Limited, which comprises the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of New Horizon Coal Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of New Horizon Coal Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of New Horizon Coal Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 1 in the half-year financial report which indicates that the consolidated entity incurred a net loss of $504,814 during the half-year ended 31 December 2012. This condition, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities at the amounts stated in the financial statements in the normal course of business.

BDO Audit (WA) Pty Ltd

BDO

Peter Toll
Director

Perth, Western Australia
Dated this 14th day of March 2013