

New Horizon Energy Ltd
ABN 41 062 284 084

Financial Report for the Half-Year to
31 December 2005

NEW HORIZON ENERGY LTD
CORPORATE DIRECTORY

DIRECTORS: Robert Nichevich (Chairman)
Roger Whyte (Chief Executive Officer)
Paul Garner

COMPANY SECRETARY: Jack Hugh Toby FCA AACS

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AUDITORS: **Ernst & Young**
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**NEW HORIZON ENERGY LTD
DIRECTORS' REPORT**

The directors present the financial report of New Horizon Energy Ltd A.C.N. 062 284 084 ("Company") for the half-year ended 31 December 2005.

DIRECTORS

The names of the directors of the Company who held office during or since the end of the half-year are:-

Robert Nichevich (Chairman)
Paul Garner
Roger Whyte (Chief Executive Officer)



Paul Garner
Director

10 February 2006
Perth, Western Australia

OPERATING RESULTS

The operating loss for the Company, after income tax amounted to \$700,987.

SIGNIFICANT CHANGES AND REVIEW OF OPERATIONS

The following significant changes in the state of affairs of the Company occurred during the financial half-year:

On 23 August 2005, the Company allotted and issued 4,098,000 fully paid ordinary shares in the Company for 5 cents per share, pursuant to the exercise of 4,098,000 options expiring on 29 June 2006.

On 6 October 2005, the Company allotted and issued 2,288,395 fully paid ordinary shares in the Company for 5 cents per share, pursuant to the exercise of 2,288,395 options expiring on 29 June 2006.

**AUDITORS INDEPENDENCE
DECLARATION**

In accordance with the Corporations Act 2001 section 307C the auditors of the Company, Ernst & Young have provided a signed auditors independence declaration to the directors in relation to the half-year ended 31 December 2005. This declaration has been attached to the independent review report to the members of the Company.

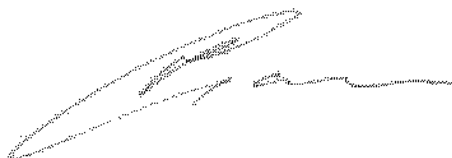
Signed in accordance with a resolution of the directors.

**NEW HORIZON ENERGY LTD
DIRECTORS' DECLARATION**

The directors of New Horizon Energy Ltd A.C.N. 055 719 394 ("Company") declare that:

- a) in their opinion the accompanying financial statements and notes of the Company;
 - i) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - ii) give a true and fair view of the Company's financial position as at 31 December 2005 and its performance for the half-year ended on that date; and
- b) In their opinion 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 and is signed for and on behalf of the directors by:



Paul Garner
Director

10 February 2006
Perth, Western Australia

NEW HORIZON ENERGY LTD
CONDENSED INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

| | Note | 2005 \$ | 2004 \$ |
|------------------------------------------------------------|------|------------|------------|
| CONTINUING OPERATIONS | | | |
| Other income | 2 | 26,132 | 42,109 |
| Other expenses | 2 | (727,119) | (353,116) |
| | | (700,987) | (311,007) |
| LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAX | | | |
| Income tax expense | | — | — |
| | | (700,987) | (311,007) |
| LOSS FROM CONTINUING OPERATIONS AFTER INCOME TAX | | | |
| | | (700,987) | (311,007) |
| NET LOSS ATTRIBUTABLE TO MEMBERS | | (700,987) | (311,007) |
| | | | |
| BASIC EARNINGS/(LOSS) PER SHARE (CENTS PER SHARE) | | (1.27) | (0.71) |
| DILUTED EARNINGS/(LOSS) PER SHARE (CENTS PER SHARE) | | (1.27) | (0.71) |

The accompanying notes form part of this financial report

**NEW HORIZON ENERGY LTD
CONDENSED BALANCE SHEET
AS AT 31 DECEMBER 2005**

| | Note | 31 December 2005 \$ | 30 June 2005 \$ |
|----------------------------------|------|---------------------------|-----------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | 698,484 | 911,055 |
| Trade and other receivables | | 13,480 | 84,850 |
| Other financial assets | | — | 84,000 |
| TOTAL CURRENT ASSETS | | <u>711,964</u> | <u>1,079,905</u> |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 35,033 | — |
| TOTAL NON-CURRENT ASSETS | | <u>35,033</u> | <u>—</u> |
| TOTAL ASSETS | | <u>746,997</u> | <u>1,079,905</u> |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 109,126 | 60,366 |
| TOTAL CURRENT LIABILITIES | | <u>109,126</u> | <u>60,366</u> |
| TOTAL LIABILITIES | | <u>109,126</u> | <u>60,366</u> |
| NET ASSETS | | <u>637,871</u> | <u>1,019,539</u> |
| EQUITY | | | |
| Issued capital | 3 | 8,234,239 | 7,914,920 |
| Reserves | | 1,057,133 | 1,057,133 |
| Accumulated losses | | (8,653,501) | (7,952,514) |
| TOTAL EQUITY | | <u>637,871</u> | <u>1,019,539</u> |

The accompanying notes form part of this financial report

NEW HORIZON ENERGY LTD
CONDENSED CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

| | Note | 2005 \$ | 2004 \$ |
|-------------------------------------------------------------|------|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Payments to suppliers & employees | | (669,180) | (296,842) |
| Interest received | | 21,132 | 28,913 |
| Other | | 5,000 | 13,196 |
| NET CASH FROM/(USED IN) OPERATING ACTIVITIES | | (643,048) | (254,733) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property, plant & equipment | | (37,482) | — |
| Proceeds from disposal of property, plant & equipment | | — | 25,000 |
| Proceeds from disposal of investments | | 148,640 | — |
| NET CASH FROM/(USED IN) INVESTING ACTIVITIES | | 111,158 | 25,000 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from equity issues | | 319,319 | — |
| NET CASH FROM/(USED IN) FINANCING ACTIVITIES | | 319,319 | — |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | | |
| Cash and cash equivalents at beginning of period | | 911,055 | 1,190,586 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 4 | 698,484 | 960,853 |

The accompanying notes form part of this financial report

NEW HORIZON ENERGY LTD
CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

| <u><i>Attributable to Members of the Company</i></u> | Issued Capital \$ | Option Premium Reserve \$ | Accumulated Losses \$ | Total Equity \$ |
|------------------------------------------------------|----------------------|------------------------------------|-----------------------------|--------------------|
| <i>At 1 July 2004</i> | 7,614,958 | 823,770 | (7,157,543) | 1,281,185 |
| Loss for period | — | — | (311,007) | (311,007) |
| TOTAL LOSS FOR THE PERIOD | — | — | (311,007) | (311,007) |
| AT 31 DECEMBER 2004 | 7,614,958 | 823,770 | (7,468,550) | 970,178 |

| <u><i>Attributable to Members of the Company</i></u> | Issued Capital \$ | Option Premium Reserve \$ | Accumulated Losses \$ | Total Equity \$ |
|------------------------------------------------------|----------------------|------------------------------------|-----------------------------|--------------------|
| <i>At 1 July 2005</i> | 7,914,920 | 1,057,133 | (7,952,514) | 1,019,539 |
| Loss for period | — | — | (700,987) | (700,987) |
| TOTAL LOSS FOR THE PERIOD | — | — | (700,987) | (700,987) |
| Shares issued | 319,319 | — | — | 319,319 |
| AT 31 DECEMBER 2005 | 8,234,239 | 1,057,133 | (8,653,501) | 637,871 |

The accompanying notes form part of this financial report

NEW HORIZON ENERGY LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

NOTE 1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. The half-year financial report should be read in conjunction with the annual Financial Report of New Horizon Energy Ltd as at 30 June 2005, which was prepared based on Australian Accounting Standards applicable for financial years beginning before 1 January 2005 ('AGAAP'). It is also recommended that the half year financial report be considered together with any public announcements made by New Horizon Energy Ltd during the half year ended 31 December 2005 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

Basis of accounting

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements.

The half-year financial report has been prepared on a historical cost basis, except for available-for-sale financial assets that have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged with fair value hedges are adjusted to record changes in the fair values attributable to the risks that are being hedged. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

Statement of compliance

The half-year financial report complies with the Corporations Act 2001 and AASB 134 "Interim Financial Reporting". Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting".

This is the first half-year financial report prepared based on AIFRS and comparatives for the half-year ended 31 December 2004 and full-year ended 30 June 2005 have been restated accordingly. A summary of the significant accounting policies of the Group under AIFRS are disclosed below.

Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies adopted by New Horizon Energy Ltd A.C.N. 062 284 084 ("Company") in the preparation of these financial statements. The Company is a listed public company limited by shares, incorporated and domiciled in Australia.

a) **Taxes**

Income Tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences:

except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NEW HORIZON ENERGY LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Other Taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

b) Employee Benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, sick leave and long service leave. Employee benefits, expenses and revenues arising in respect of wages and salaries; non monetary benefits; annual leave; long service leave; sick leave and other leave and other employee entitlements are charged against profits on a net basis.

Contributions are made by the Company to employee superannuation funds and are charged as expenses when incurred. The Company has no legal obligation to cover any shortfall in any superannuation fund's obligation to provide benefits to employees on retirement.

c) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with a maturity of three months or less. For the purpose of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts and investments in money market instruments with less than 14 days to maturity.

d) Revenue recognition

Revenue from services rendered is recognised upon the delivery of goods or services to customers. Interest revenue is recognised when control of the right to receive interest has been obtained.

NEW HORIZON ENERGY LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

e) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except: where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority. Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from the investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

f) Recoverable amount

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash generating unit to which the asset belongs. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

g) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership. The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis. Contingent rentals are recognised as an expense in the financial year in which they are incurred.

h) Issued capital

Issued and paid up capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

i) Property, Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Land and buildings are measured at fair value less accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Buildings – over 20 years
Plant and equipment – over 3 to 15 years

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any indication of impairment exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

NEW HORIZON ENERGY LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

j) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred. Receivables from related parties are recognised and carried at the nominal amount due. Interest is taken up as income on an accrual basis. Bills of exchange, promissory notes and deposits are measured at the lower of cost and net realisable value. Terms of payment are 30 to 60 days.

k) Trade and other payables

Liabilities for trade creditors and other amounts are carried at mortised cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company. Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis. Deferred cash settlements are recognised at the present value of the outstanding consideration payable on the acquisition of an asset discounted at prevailing commercial borrowing rates. Terms of payment are 30 to 60 days.

l) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the income statement. Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process. For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment. Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date i.e. the date that the Group commits to purchase the asset.

NEW HORIZON ENERGY LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

m) Share-based payment transactions

The Group provides 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'). There is currently a Employee Share Option Plan (ESOP) in place to provide these benefits, which provides benefits to directors and executives. 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. The fair value is determined by using a binomial model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ('market conditions'). The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition. Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share. Shares in the Group held by the ESLP are classified and disclosed as Treasury shares and deducted from equity.

n) AASB 1 Transitional exemptions

The Company has made its election in relation to the transitional exemptions allowed by AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' as follows:

Exemption from the requirement to restate comparative information for AASB 132 and AASB 139

The Group has elected to adopt this exemption and has not applied AASB 132 'Financial Instruments: Presentation and Disclosure' and AASB 139 'Financial Instruments: Recognition and Measurement' to its comparative information. The impacts of adopting AIFRS on the total equity and profit after tax as reported under Australian Accounting Standards applicable before 1 January 2005 ('AGAAP') are illustrated below.

Share-based payment transactions

AASB 2 'Share-Based Payments' is applied only to equity instruments granted after 7 November 2002 that had not vested on or before 1 January 2005.

o) Impact of adoption of AIFRS

The impacts of adopting AIFRS on total equity and profit after tax as reported under Australian Accounting Standards applicable before 1 January 2005 ("AGAAP") are illustrated below:

NEW HORIZON ENERGY LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

Reconciliation of total equity as presented under AGAAP to that under AIFRS

| | Issued Capital \$ | Option Premium Reserve \$ | Accumulated Losses \$ | Total Equity \$ |
|------------------------------------|----------------------|------------------------------------|-----------------------------|--------------------|
| <i>Under AGAAP at 30 June 2005</i> | 7,914,920 | 823,770 | (7,719,151) | 1,019,539 |
| Cost of share based payment | — | 233,363 | (233,363) | — |
| UNDER AIFRS AT 30 JUNE 2005 | 7,914,920 | 1,057,133 | (7,952,514) | 1,019,539 |

There were no impacts to equity from adopting AIFRS for the 6 months ended 31 December 2004. There were no impacts to the income statement from adopting AIFRS for the 6 months ended 31 December 2004 and for the year ended 30 June 2004.

| | 2005 \$ | 2004 \$ |
|--|------------|------------|
|--|------------|------------|

NOTE 2. REVENUE AND EXPENSES

The profit before income tax expense includes the following revenues and expenses where disclosure is relevant in explaining the performance of the Company:

REVENUE

| | | |
|--------------------------------------|---------------|---------------|
| Interest received from other persons | 21,132 | 28,913 |
| Other | 5,000 | — |
| Rent received | — | 13,196 |
| TOTAL REVENUE | 26,132 | 42,109 |

CHARGING AS EXPENSES

| | | |
|--------------------------------------------|----------------|----------------|
| Staff and consultants | 260,900 | 157,320 |
| Investigating oil and gas project expenses | 238,636 | — |
| Travel expenses | 38,854 | 40,682 |
| Rental expenses | 60,106 | 54,081 |
| Depreciation of plant and equipment | 2,449 | 4,330 |
| Loss on disposal of plant and equipment | — | 42,044 |
| Loss on disposal of investments | 6,455 | — |
| Other | 119,719 | 54,659 |
| | 727,119 | 353,116 |

NEW HORIZON ENERGY LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

| | 2005 \$ | 2004 \$ |
|-------------------------------------------|------------------|------------------|
| NOTE 3. ISSUED CAPITAL | | |
| ORDINARY SHARES | | |
| 57,765,427 fully paid ordinary shares | 8,234,239 | — |
| 45,242,637 fully paid ordinary shares | — | 7,614,958 |
| | 8,234,239 | 7,614,958 |
| MOVEMENTS IN ORDINARY SHARES | | |
| At the beginning of the period | 7,914,920 | 7,614,958 |
| 4,098,000 shares issued on 23 August 2005 | 204,900 | — |
| 2,288,395 shares issued on 6 October 2005 | 114,419 | — |
| | 8,234,239 | 7,614,958 |
| AT THE END OF THE FINANCIAL YEAR | 8,234,239 | 7,614,958 |

NOTE 4. RECONCILIATION OF CASH

For the purposes of the Condensed Cash Flow Statement, cash and cash equivalents comprise cash at bank at 31 December 2005 and 31 December 2004.

NOTE 5. SEGMENT INFORMATION

During the half-year ended 31 December 2005 and 31 December 2004, the Company was engaged in the energy sector and operated entirely in Australia.

NOTE 6. CONTINGENT LIABILITIES

There has been no significant change in contingent liabilities since the last annual reporting date.

NOTE 7. EVENTS SUBSEQUENT TO BALANCE DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

Independent review report to the members of New Horizon Energy Ltd

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for New Horizon Energy Ltd (the Company), for the half-year ended 31 December 2005.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standard AASB 134 "Interim Financial Reporting", in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the Australian Stock Exchange and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, so as to present a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

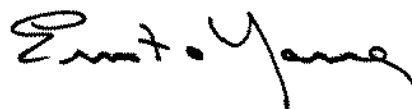
Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is attached below.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of New Horizon Energy Limited is not in accordance with:

- a) the *Corporations Act 2001*, including:
 - i) giving a true and fair view of the financial position of New Horizon Energy Limited at 31 December 2005 and of its performance for the half-year ended on that date; and
 - ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the *Corporations Regulations 2001*; and
- b) other mandatory financial reporting requirements in Australia.



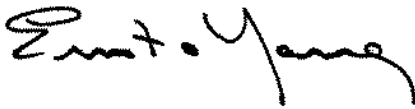
Ernst & Young



Rudolf Brunovs
Partner
Perth
10 February 2006

Auditor's Independence Declaration to the Directors of New Horizon Energy Limited

In relation to our review of the financial report of New Horizon Energy Ltd for the half-year ended 31 December 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001, or any applicable code of professional conduct.



Ernst & Young



Rudolf Brunovs
Partner
Perth
10 February 2006