



Suite C1, 1 Honeysuckle Drive, 'The Boardwalk' Newcastle NSW 2300

PO Box 509, Newcastle NSW 2300

Telephone: 02 4914 5910

Facsimile: 02 4925 3505

www.guildfordcoal.com.au

GUILDFORD COAL

Company Announcements Platform
Australian Stock Exchange
10th Floor, 20 Bond Street
Sydney,
NSW 2000

24 August 2011

Guildford Coal engages UBS to investigate a separate ASX listing for Terra Energy

Guildford Coal Limited (ASX: GUF) is pleased to announce that it has retained UBS AG, Australia branch to investigate and advise on the Initial Public Offering of Terra Energy. Upon listing, Guildford would expect to remain a significant shareholder in Terra Energy.

During 2011, Guildford has acquired a portfolio of high quality tenements in Mongolia through its 70% owned subsidiary, Terra Energy. First coal from Terra Energy's South Gobi Project is targeted for the first half of 2012.

As Terra Energy makes this rapid transition from coal explorer to potential coal producer, the Board of Guildford and the other shareholders in Terra Energy have decided to consider a separate listing for Terra Energy to potentially:

- enable investors to invest directly in this high quality portfolio of Mongolian Projects with low forecast development costs, access to infrastructure and near term production
- provide Terra Energy with a separate management team and greater flexibility to pursue its own funding and growth strategies
- allow Guildford to focus on the commercialisation of its Queensland Projects supported by its equity share of the strong cashflow expected from Terra Energy

Guildford Chairman, Craig Ransley, said that "the Guildford Board believes that the potential Terra Energy IPO on the ASX will provide investors with an excellent opportunity to invest in a portfolio of quality Mongolian Projects with near term production potential." Mr Ransley went on to say that "this near term production could potentially deliver in excess of US\$50m per annum of operating cash flow to Terra Energy. Guildford intends to invest its share of distributable cash flow into the development of its Queensland Projects."

Further details regarding the potential IPO will be released over coming months.

Update on Guildford's Mongolian Projects

Since acquiring Terra Energy in April 2011, Guildford has drilled in excess of 10,000 metres within the South Gobi and Middle Gobi tenements where Terra Energy holds six exploration licences. Over this period, Guildford has also increased its ownership of Terra Energy from 20% to 70%.

In early July 2011, Guildford announced that it had entered into separate heads of agreement for the acquisition of (i) Khuld Coal LLC, a Mongolian company holding the Javkhlant Project (with a near-term producing coal resource in northern Mongolia) and other exploration licenses within Mongolia; and (ii) the Deliin Shand Licence, which adjoins the existing Terra Energy South Gobi Project.



GUILDFORD COAL

To further strengthen its portfolio in the South Gobi basin, Terra Energy recently completed the acquisition of Alag Tevsh LLC in early August 2011. The US\$3.5 million acquisition provides Terra Energy with another strategic exploration licence adjacent to its current South Gobi Project.

Terra Energy's existing Mongolian Projects have an **Exploration Target[#] of 29 to 731Mt** (0 to 582Mt attributable to the South Gobi Project) of potentially high quality coking and thermal coal. Terra Energy expects to define resources at its South and Middle Gobi Projects to JORC compliant standard by the 4th Quarter of 2011 and to secure a Mining Licence on the South Gobi Project by the end of 2011.

Upon the granting of a mining licence, the South Gobi Project has the potential to be developed quickly into a 2 to 3 Mtpa open-cut coal mine. Guildford plans to finalise agreements for contract mining and product offtake to enable the rapid and low capital cost development of the South Gobi Project with first coal targeted in first half of 2012.

The Guildford South Gobi Project is located approximately 50 km east of two operating mines and one large coal project which have a total coal resource estimated to be approximately 750 million tonnes:

- The Nariin Sukait Mine is owned and operated by MAK-Qin Hua (a Mongolian and Chinese Joint Venture) and is otherwise known as MAK Mine
- The Ovoot Tolgoi mine is located adjacent to the south of the MAK Mine and is owned and operated by SouthGobi Energy Resources (SGS) which is listed on the Hong Kong Stock Exchange
- SGS is also developing a new deposit called Soumber which is approximately 20 km east of its current operation and 30km west of the South Gobi Project

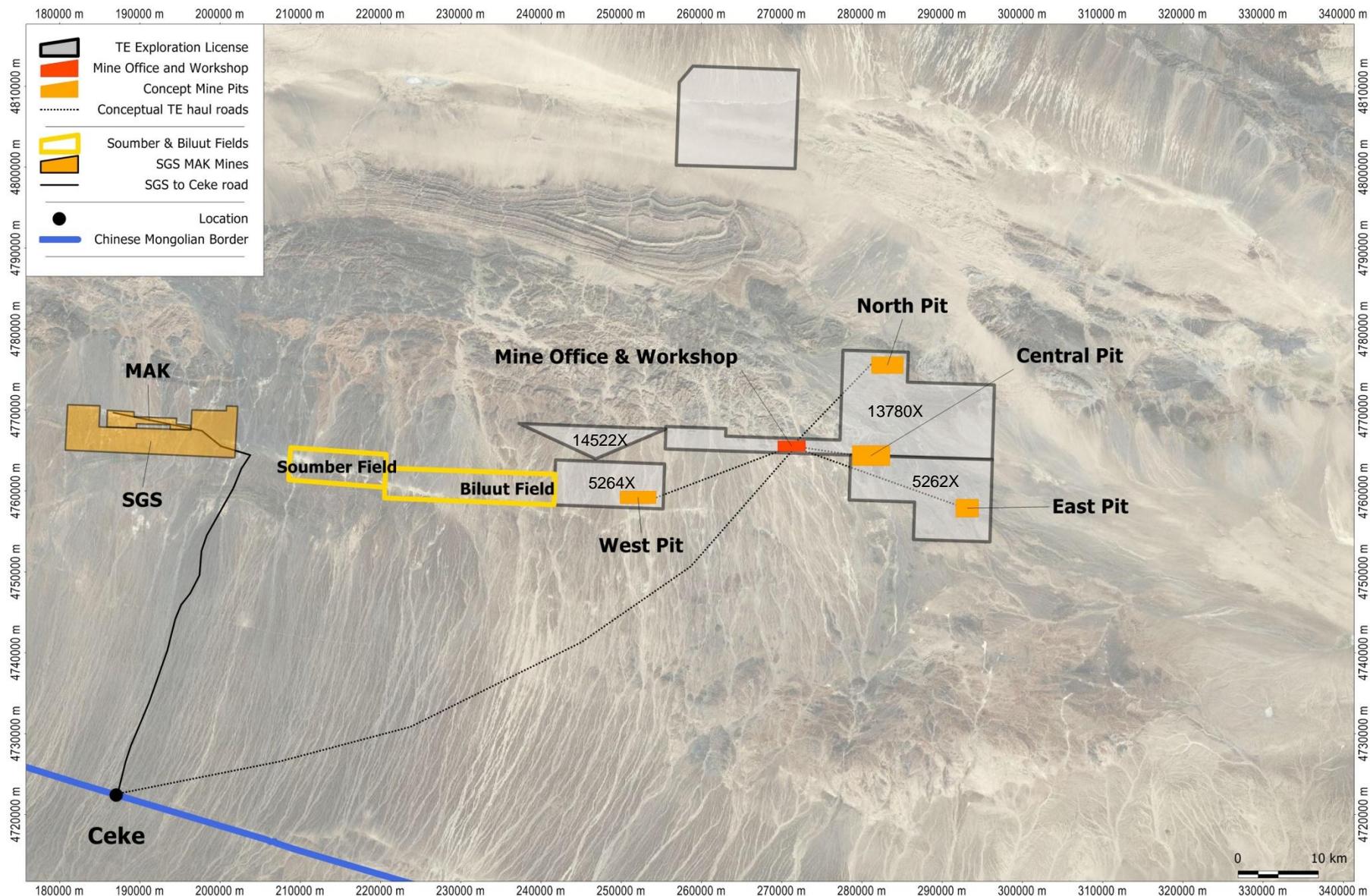
These current mines produce approximately 5 Mtpa of high volatile bituminous coals which are marketed as separate thermal coal and coking coal products. The coal is currently sold ROM (unwashed) at the mine gate to Chinese traders who transport the coal by truck approximately 40km to a Chinese border coal stockpile at Ceke where it is then transferred by rail to Chinese power stations and steel mills. The target customers are the growing Chinese markets in Gansu province, Inner Mongolia and Shanxi province.

The geology of the South Gobi region and competitive labour rates allow for low-cost production, with average ROM cash costs estimated at around US\$20/t. Selling prices for (unwashed) ROM coal are estimated at between US\$40/t and US\$50/t purchased at mine gate.

A plan showing the potential conceptual mine layout for the Guildford/Terra Energy South Gobi Project is shown on the following page.

For and on behalf of Guildford Coal Limited

Mr Michael Avery
Managing Director
02 4914 5910





GUILDFORD

COAL

Exploration Target

References to Exploration Targets in this document are in accordance with the guidelines of the JORC Code (2004). As such it is important to note that in relation to reported Exploration Targets any references to quality and quantity are conceptual in nature. Exploration carried out to date is insufficient to be able to estimate and report coal resources in accordance with the JORC Code (2004). It is uncertain if further exploration will result in the determination of a Coal Resource.

Competent Persons Statement

The information in this report is based on information compiled by Brendan Lloyd, who is a Member of the Australasian Institute of Mining and Metallurgy (208658) and has had sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activities which are being undertaken to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. Lloyd is Exploration Manager for Guildford Coal Limited engaged under secondment from Palaris Mining Pty Ltd and consents to the inclusion of the matters based on his information in the form and context in which it appears. Mr Lloyd has over 10 years experience in exploration and mining of coal deposits.

Forward Looking Statements

This Announcement contains certain "forward-looking statements". The words "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "plan", "consider", "foresee", "aim", "will" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future production, resources, reserves, sales, capital expenditure, earnings and financial position and performance are also forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of Guildford.