

UBS Investment Research

Guildford Coal

Guildford clears hurdles in Mongolia

■ Mobilising towards first production, following North Pit mining approval

Guildford Coal has announced that the pre mining agreement has been granted over the North Pit at its South Gobi project. This represents federal approval for the North Pit mining licence, to be followed by local government ratification. Guildford is targeting a swift path to mining, anticipating first coal by late Nov. We retain our high conviction Buy call, trading at 0.3x our risked NPV.

■ Key contracts provide for a low-cost operation & diverse customer base

Guildford has hired Grand Power Mining as mining contractor, to be supervised by the team that managed the ramp-up of Tavan Tolgoi by Macmahon Holdings. GUF is confident the project will be in the lowest cost quartile. A Heads of Agreement for offtake with Sojitz Corp / Inner Mongolia Zhongmeng Coal, and a marketing agency agreement with Noble Group, provides for a diversified selling platform.

■ Confidence on volumes & pricing delivers large EPS & value upgrades

GUF is targeting design North Pit output of 3.6mtpa by Mar qtr 2013 & first coal from the second pit by end 2012. We assume North Pit design from Sep qtr 2013, with East Pit commissioning in Dec qtr 2013 & design 3.6mtpa rate from Jun qtr 2014. The North Pit will produce a dual Fat & Gas coking coal stream; we assume (real) pricing of US\$80/t & US\$65/t respectively. Our revised assumptions have increased EPS substantially & our unrisked asset NPV from A\$678m to A\$1.7bn.

■ Valuation: NPV \$3.02 (unrisked) / \$1.38 (risked)

We have risk-weighted our South Gobi asset valuation by 50% to A\$857m, pending first cashflow from the North Pit & a specific mine plan from the East Pit. Our \$1.40 price target is set broadly in-line with NPV.

Highlights (A\$m)	-	06/11	06/12E	06/13E	06/14E
Revenues	-	0	0	52	272
EBIT (UBS)	-	(5)	(25)	17	146
Net Income (UBS)	-	(4)	(24)	12	122
EPS (UBS, A\$)	-	(0.01)	(0.05)	0.02	0.23
Net DPS (UBS, A\$)	-	0.00	0.00	0.00	0.04

Profitability & Valuation	5-yr hist av.	06/11	06/12E	06/13E	06/14E
EBIT margin %	-	<-500	<-500	32.9	53.7
ROIC (EBIT) %	-	-	(27.3)	12.9	82.3
EV/EBITDA (core) x	-	-16.8	-5.6	10.4	0.5
PE (UBS) x	-	NM	NM	16.1	1.6
Net dividend yield %	-	0.0	0.0	0.0	9.6

Source: Company accounts, Thomson Reuters, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Valuations: based on an average share price that year, (E): based on a share price of A\$0.39 on 11 Sep 2012 19:41 EST

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Mining

12-month rating **Buy**
Unchanged

12m price target A\$1.40/US\$1.45
Prior: A\$1.00/US\$1.03

Price A\$0.39/US\$0.40

RIC: GUF.AX BBG: GUF AU

11 September 2012

Trading data (local/US\$)

52-wk range	A\$1.15-0.31/US\$1.18-0.32
Market cap.	A\$0.17bn/US\$0.18bn
Shares o/s	440m (ORD)
Free float	54%
Avg. daily volume ('000)	1,186
Avg. daily value (m)	A\$0.6

Balance sheet data 06/12E

Shareholders' equity	A\$0.11bn
P/BV (UBS)	1.7x
Net Cash (debt)	A\$0.01bn

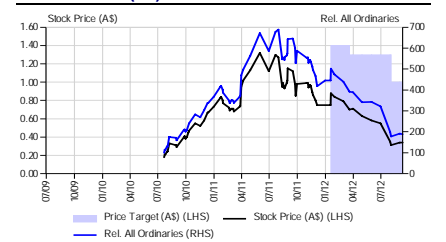
Forecast returns

Forecast price appreciation	+263.6%
Forecast dividend yield	0.0%
Forecast stock return	+263.6%
Market return assumption	8.1%
Forecast excess return	+255.5%

EPS (UBS, A\$)

	06/12E		06/11	06/11
	From	To	Cons.	Actual
H1	(0.04)	(0.04)	-	(.00)
H2E	(0.01)	(0.01)	-	(0.01)
06/12E	(0.05)	(0.05)	(0.04)	
06/13E	0.00	0.02	0.01	

Performance (A\$)



Source: UBS

www.ubs.com/investmentresearch

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ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 11.

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Mobilising towards first production

Guildford Coal has announced that the pre mining agreement has been granted over the North Pit at its South Gobi project in southern Mongolia. This represents federal government approval for the mining licence for the North Pit, which must now be ratified by local government. This is a significant event for the company, allowing it to commence production at the project.

Guildford is targeting a swift path to mining, with establishment of critical infrastructure & mobilisation of equipment through September, pre-stripping & upgrading of the coal transport road through October-November, to enable first coal production by late November (Figure 1).

Figure 1: Path to mining

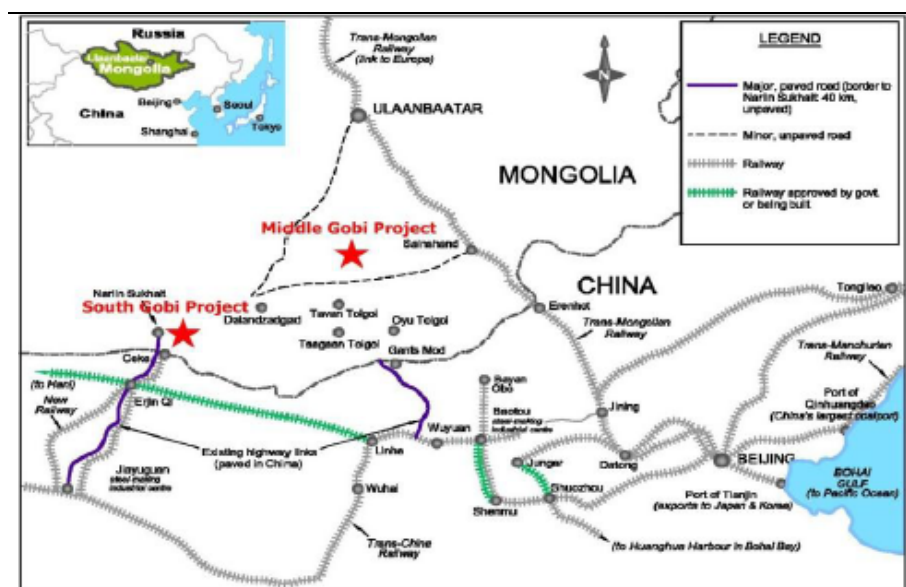
Mine Start Up Schedule	2012																
	September				October				November				December				
	Wk 1	Wk 2	Wk 3	Wk 4	Wk 1	Wk 2	Wk 3	Wk 4	Wk 1	Wk 2	Wk 3	Wk 4	Wk 5	Wk 1	Wk 2	Wk 3	Wk 4
Contractor Engagement	█																
Establishment of Critical Infrastructure	█	█	█														
Mobilisation of Equipment		█	█	█													
Mining					█	█	█	█	█	█	█	█	█	█	█	█	█
Finalise Offtake Agreement(s)	█	█	█	█	█	█	█	█									
Upgrade Coal Transport Road					█	█	█	█	█	█	█	█					
Coal Production													█	█	█	█	█

Source: Guildford Coal

South Gobi project background

Guildford, through subsidiary Terra Energy, owns the South Gobi project, which is located 60km from the China border in the South Gobi province of Mongolia.

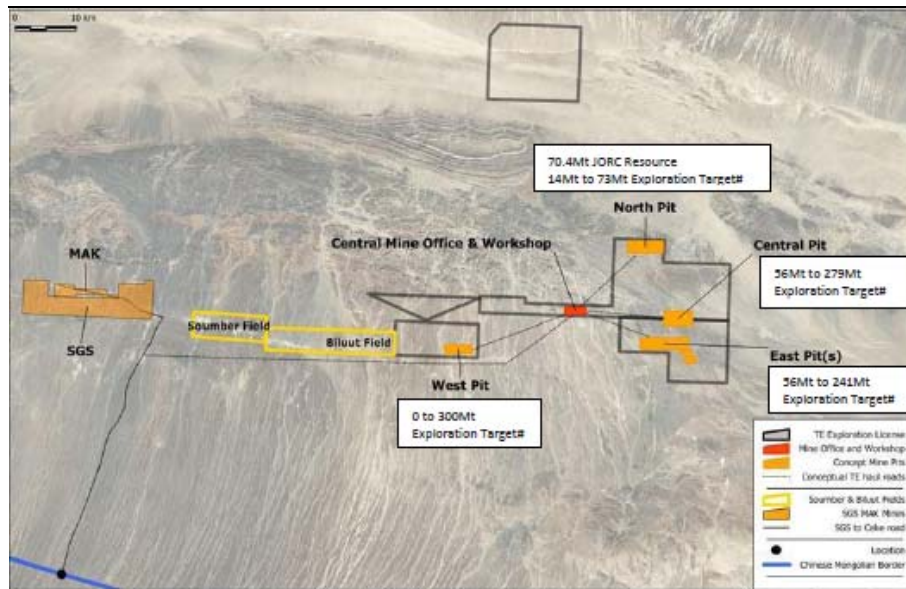
Figure 2: Proximity of South Gobi project to China border



Source: Guildford Coal

The project consists of 5 tenements, containing 4 conceptual open pit coal mining operations (Figure 3). Guildford’s effective ownership of these tenements currently ranges between 70% and 74.8%, with the balance held by a consortium of Mongolian nationals. Och-Ziff holds an option to acquire a 25% interest in the tenements containing the North Pit and West Pit.

Figure 3: South Gobi project – conceptual pit locations

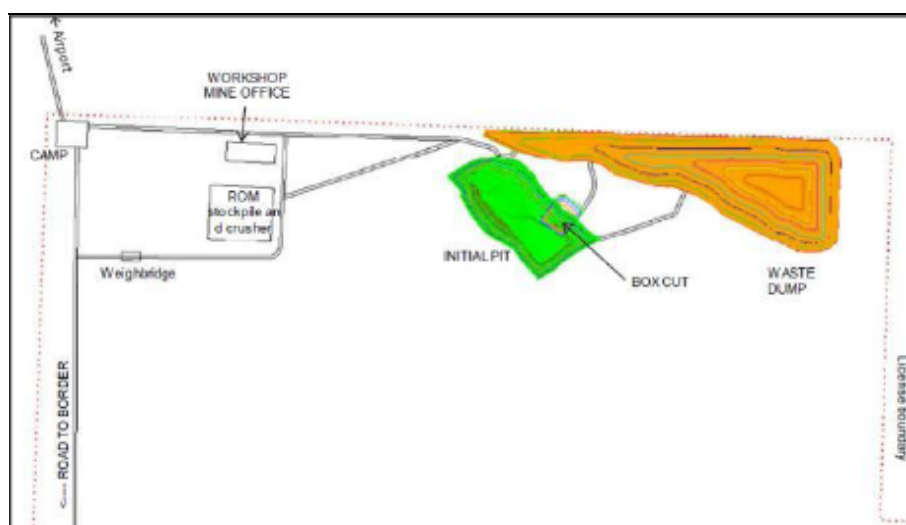


Source: Guildford Coal

Mine plan & production

Guildford will employ a mining contractor to operate a conventional open cut strip mine, utilising a simple excavator and truck fleet. Coal is to be crushed and screened to sub-250mm size and delivered raw to a ROM stockpile for sale to offtake partners.

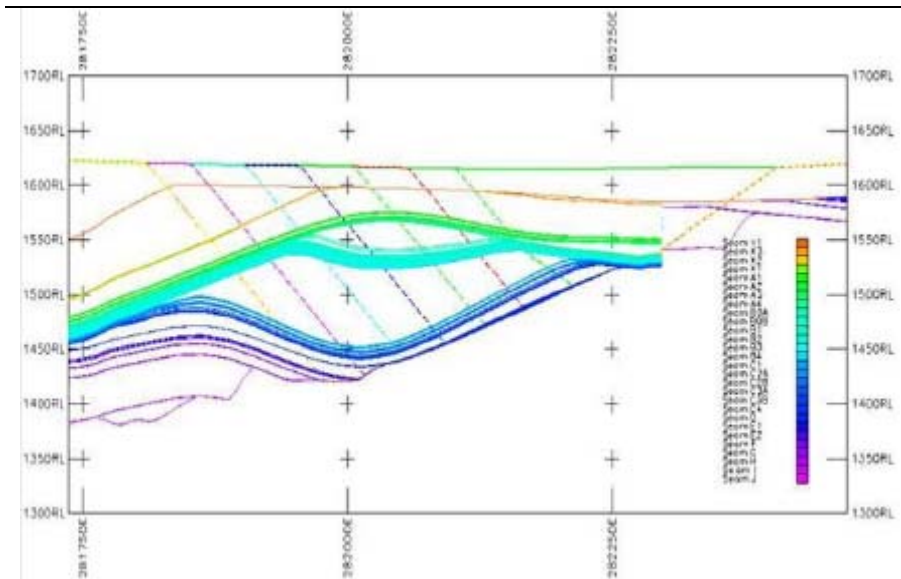
Figure 4: Conceptual North pit & infrastructure layout



Source: Guildford Coal

The design of the initial pit has an approximate strike length of 1.3km and width from lowwall crest to highwall crest of approximately 700m. The nominal strip design is for 60m wide strips.

Figure 5: Cross-section of initial box cut (rhs) & strip progression



Source: Guildford Coal

Production rates

The mine will operate year round on a 24 hour per day, 7 day per week basis. Guildford is targeting a ramp up to peak fleet capacity of 1.5m bank cubic metres (bcm) per month (total fleet movements), producing >300kt/mth of coal.

Figure 6: GUF forecast initial North Pit production rates

Year	2012		2013			2014	
Quarter	Qtr4	Qtr1	Qtr2	Qtr3	Qtr4	Qtr1	Qtr2
Overburden (MBCM)	3.5	4.4	4.5	4.5	4.5	4.5	4.5
Coal ('000 Tonnes)	400	900	900	900	900	1,250	1,250

Source: Guildford Coal

Guildford’s planned total waste movements and ROM coal product across the initial part of the North Pit are as follows:

Figure 7: Planned initial North Pit coal & waste movements

Strip	Coal (ROM Mt)	Waste (M bcm)	Stripping Ratio (bcm/ROM t)
Box Cut	3.70	18.30	4.9
2	1.81	6.60	3.6
3	1.67	7.60	4.5
4	1.64	8.29	5.0
5	1.63	8.80	5.4
6	1.25	6.90	5.5
7	0.54	2.70	5.0
Total	13.28	63.00	4.7

Source: Guildford Coal

Mining contractor

Guildford has engaged Grand Power Mining, a subsidiary of Grand Power LLC, as the mining contractor for the North Pit. Grand Power is experienced in the Mongolian energy and mining sectors. In addition, the mining operations will be headed by a leadership team comprising individuals who managed the start up of the Erdenes Tavan Tolgoi project by Macmahon Holdings Ltd.

The leadership team, employed through Terra Energy, will consist of a Project Director, 2 mining managers and 2 maintenance managers, to cover the continuous roster. The most senior Grand Power employee on site will be the General Manager Mining, who will report to the Terra Energy Project Director.

The Grand Power workforce will be comprised of skilled Mongolian nationals. Guildford estimates the total workforce will ramp up to 251, comprising truck & excavator operators, maintenance, supervisory and other staff.

Guildford has stated that the contract delivers total costs in line with Terra Energy's previous expectations, and within the lowest cost quartile globally. We continue to expect total cash costs between US\$20-25/t (real). See "UBS assumptions" for more detail regarding our operating cost estimates.

We view the structure of the mining contractor engagement positively. We believe the combination of utilising a proven talented local workforce with oversight from the internationally-experienced leadership team will lead to operational effectiveness and a superior outcome for shareholders.

Offtake & marketing

Offtake with Sojitz/Zhongmeng

Terra Energy has reached a non-binding Heads of Agreement (HoA) with the joint venture between Sojitz Corp and Inner Mongolia Zhongmeng Coal Co. (Zhongmeng), a unit of the diversified Inner Mongolia Erdos Group. Guildford expects to complete long-form offtake agreements by the end of September.

Sojitz Corp is a major diversified Japanese conglomerate, whose activities include trading in a number of commodities including coal. It acquired a 10% interest in Zhongmeng in June 2012. Zhongmeng is active in the trade of Mongolian coal to China and owns logistics facilities at the major coal border crossing areas, including an underutilised coal wash plant with 3-5mtpa capacity at the Ceke border point, located ~60km from the South Gobi project.

The HoA provides for two areas:

- Direct sales of ROM coal at the mine-gate (up to 1mtpa); &
- Transportation and toll washing of coal at Zhongmeng's wash plant.

We believe the HoA is an attractive deal for Guildford for the following reasons:

- The company may achieve part of the mark-up in price through toll treatment of its coal into a washed product; &
- The trade routes through which Sojitz/Zhongmeng operate may enable pricing structures more closely linked to the seaborne price (as previously indicated by the company).

Marketing agency agreement with Noble

Terra Energy has also signed a marketing agency agreement with Noble Group, a major global trader of commodities. The agreement will complement coal sales via the Sojitz/Erdos JV, and is structured such that Guildford will retain direct contact with end customers.

In addition, Noble will extend a loan facility to support construction and development of the North Pit mine and infrastructure.

Coal quality & pricing

Guildford has confirmed that it is targeting a dual-coking coal product stream, including the Chinese classification Fat coal and Gas coal products.

Fat coal has medium-to-high volatility and strong caking power. It is generally used as a blending agent, however, as coke produced by fat coal is of low crucibility. Gas coal has higher volatility and weak-to-medium caking power. It is also generally usually as a blending agent with fat coal / prime coking coal.

The outcome of washed coal test work is set out in Figure 8, at densities of F1.40 and F1.60. The results demonstrate the high quality of the North Pit coal. See “UBS assumptions” for more detail regarding our pricing estimates.

Figure 8: North Pit washed coal quality analysis

Fat Coal Product	Yield	Ash %	CSN	Yield %	Ash %	CSN
	F 1.40	F 1.40	F 1.40	F 1.60	F 1.60	F 1.60
Mean	73.77	4.77	8.5	83.34	5.92	8.2
Minimum	66.81	3.37	8.0	72.00	4.09	8.0
Maximum	83.35	5.65	9.0	92.42	6.78	8.5

Gas Coal Product	Yield	Ash %	CSN	Yield %	Ash %	CSN
	F 1.40	F 1.40	F 1.40	F 1.60	F 1.60	F 1.60
Mean	72.82	5.56	7.5	73.26	8.82	6.5
Minimum	57.43	3.86	4.5	61.12	6.14	4.0
Maximum	75.92	9.97	8.5	78.44	14.14	8.0

Source: Guildford Coal

Subsequent mine delivery

Guildford is fast-tracking work on the East Pit, its preferred second pit into development at the South Gobi project. Utilising historic exploration work together with recent field mapping, the company is progressing the following parallel work streams:

- Exploration programme consisting of infill drill holes & a seismic survey;
- Mine design work; &
- Negotiations with a mining contractor.

Guildford is indicatively targeting first production from the East Pit by end 2012.

UBS assumptions

We have set out our revised operational and financial assumptions for the South Gobi project in Table 1 below.

Table 1: South Gobi project – UBS operational & financial assumptions

		DQ12	MQ13	JQ13	SQ13	DQ13	MQ14	JQ14	FY13	FY14	FY15	FY16	FY17
Fat coal price (nominal)	US\$/t	80.5	81.0	81.5	82.0	82.5	83.0	83.5	80.7	82.8	84.8	87.0	89.1
Gas coal price (nominal)	US\$/t	65.4	65.8	66.2	66.6	67.0	67.5	67.9	65.6	67.2	68.9	70.7	72.4
Exchange rate (AUD:USD)		1.01	1.01	1.01	1.01	1.01	0.99	0.98	1.01	1.00	0.94	0.88	0.81
North Pit (100%)													
Waste movement	bcm(m)	0.0	2.8	4.1	3.6	3.6	3.6	3.6	6.9	14.4	15.1	15.8	16.6
Strip ratio		5.5	5.5	5.5	4.0	4.0	4.0	4.0	5.5	4.0	4.2	4.4	4.6
Fat coal product	mt	0.0	0.3	0.5	0.5	0.5	0.5	0.5	0.8	2.2	2.2	2.2	2.2
Gas coal product	mt	0.0	0.2	0.3	0.4	0.4	0.4	0.4	0.5	1.4	1.4	1.4	1.4
East Pit (100%)													
Waste movement	bcm(m)	0.0	0.0	0.0	0.0	2.8	4.1	5.0	0.0	11.8	14.4	15.1	15.8
Strip ratio		n/a	n/a	n/a	5.5	5.5	5.5	5.5	n/a	5.5	4.0	4.2	4.4
Fat coal product	mt	0.0	0.0	0.0	0.0	0.3	0.5	0.5	0.0	1.3	2.2	2.2	2.2
Gas coal product	mt	0.0	0.0	0.0	0.0	0.2	0.3	0.4	0.0	0.9	1.4	1.4	1.4
Total production (attrib.)													
Fat coal	mt	0.0	0.2	0.3	0.3	0.5	0.6	0.7	0.4	2.1	2.7	2.7	2.7
Gas coal	mt	0.0	0.1	0.2	0.2	0.3	0.4	0.5	0.3	1.4	1.8	1.8	1.8
Mining costs (real)	US\$/bcm	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
G&A costs (real)	US\$/bcm	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Total cash costs (real)	US\$/t	n/a	27.8	27.8	21.0	23.4	24.1	24.4	27.8	23.2	21.5	22.4	23.3
Growth capex	US\$m	15	15	10	10	10	10	10	40	40	40	0	0
Sustaining capex	US\$m	0.0	1.0	1.5	1.8	1.8	1.8	1.8	2.5	7.2	7.2	7.2	7.2
Sales revenue	A\$m	0.0	20.8	31.4	37.9	64.6	79.6	89.7	52	272	380	414	461
Operating costs	A\$m	0.0	7.8	11.8	10.8	20.9	26.4	30.2	20	88	111	126	146
Royalties	A\$m	0.0	1.8	2.7	3.3	5.6	6.9	7.8	5	24	33	36	40
EBITDA	A\$m	0.0	11.1	16.8	23.8	38.1	46.2	51.7	28	160	236	252	275
EBITDA margin	%	0%	54%	54%	63%	59%	58%	58%	54%	59%	62%	61%	60%
Asset free cash flow	A\$m	(14.9)	(6.4)	2.9	8.6	20.8	27.5	32.0	(18)	89	152	207	226
Asset NPV (risked)	A\$m	857											
Asset NPV (risked)	A\$/sh	1.65											

Source: UBS estimates

Valuation

Our group NPV breakdown is set out in Table 2 below. We have risk-weighted our South Gobi asset valuation by 50%, pending first cashflow from the North Pit and a specific mine plan from the East Pit.

Table 2: Guildford NPV breakdown (UBSe)

	Unrisked		Risked	
	A\$m	A\$/sh	A\$m	A\$/sh
South Gobi	1,714	3.29	857	1.65
Corporate / exploration	(126)	(0.24)	(126)	(0.24)
Exploration upside	0	0.00	0	0.00
Net (debt) / cash	(13)	(0.03)	(13)	(0.03)
Total	1,575	3.02	718	1.38
Discount rate	10%			

Source: UBS estimates

Guildford Coal (GUF.AX)

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 11-Sep-12

MARKET INFORMATION

Rating:	Buy
Price (as of 11-Sep-12):	0.39
Price Target (12 months):	1.40
Issued Capital:	521.0
Market Capitalisation:	200.6
Avg. daily turnover (US\$m)	0.6
Year end:	Jun 2012
Website:	http://www.guildfordcoal.com.au/
Major Shareholders:	The Chairmen1 Pty Ltd

INVESTMENT SUMMARY

(A\$m)	2013E	2014E	2015E	2016E
Net profit [reported] (\$m)	12.4	122.4	191.1	200.9
Net profit [adjusted] (\$m)	12.4	122.4	191.1	200.9
EPS [reported] (\$)	0.02	0.23	0.37	0.39
EPS [adjusted, diluted] (\$)	0.02	0.23	0.37	0.39
EPS Growth (%)	NM	883.1	56.2	5.1
PER [adjusted] (x)	16.1	1.6	1.0	1.0
Dividend (\$)	0.0	0.0	0.1	0.1
Payout ratio (%)	0.0	15.7	25.0	25.0
Dividend Yield (%)	0.0	9.6	23.8	25.0
FCF Yield (%)	(12.6)	48.5	78.7	101.0
Franking (%)	0.0	0.0	0.0	0.0
Shares [period-average, diluted] (m)	521.0	521.0	521.0	521.0

VALUATION

Valuation per share [NAV @ 10%] (\$)	\$1.38
Share Price Target [12 months] (\$)	\$1.40
Price/NAV (x)	0.28

Assets	A\$m	A\$/sh
South Gobi	857	1.65
Corporate / exploration	-126	-0.24
Exploration upside	0	0.00
Net (debt) / cash	-13	-0.03
Total	718	\$1.38

ENTERPRISE VALUE

(A\$m)	2013E	2014E	2015E	2016E
Enterprise Value	386	274	163	9
EV/EBITDA (x)	22.1	1.8	0.7	0.0
EV/Operating Free Cash Flow (x)	<0	4.7	1.3	0.0

EPS SENSITIVITIES

Commodity	Base Change	2014E	2015E	2016E
		EPS Change		

CASH FLOW

(A\$m)	2013E	2014E	2015E	2016E
Operating income [EBIT, UBS]	17	146	219	233
Depreciation & Amortisation	0	3	6	8
Net change in working capital	(4)	(19)	(11)	(2)
Other (operating)	4	19	11	2
Pre-tax op cash flow	17	149	225	241
Interest (paid) / received	(1)	(0)	6	4
Tax paid	(0)	(4)	(24)	(35)
Other	0	0	0	0
Operating cash flow	17	145	208	211
Capital expenditure	(42)	(47)	(50)	(8)
Free cash flow	(25)	97	158	203
Net (acquisitions) / disposals	0	0	0	0
Dividends paid (Common)	0	0	(42)	(48)
Shares issued/(repurchased)	0	0	0	0

Source: UBS estimates

COMPANY DESCRIPTION

Guildford Coal has near-term semi-soft coking coal production from its South Gobi project in Mongolia, supported by a 70mt resource with meaningful exploration upside. The company plans first coal by end-2012. Guildford plans to use a simple model for the project, located only 60km from the China border, by employing contract miners and utilising mine-gate sales to offtake providers for ultimate sale in China. The company also has longer-term production options from the Middle Gobi project in Mongolia and the Hughenden & White Mountain projects in Queensland.

OPERATIONAL ASSUMPTIONS

	2013E	2014E	2015E	2016E	2017E	2018E
Commodity Prices						
Semi soft (UBS forecast)	116.3	118.0	115.0	113.5	112.4	114.9
Semi soft (applied 'China price')	80.7	82.8	84.8	87.0	89.1	91.4
Exchange rate (AUD:USD)	1.01	1.00	0.94	0.88	0.81	0.80
Production						
Semi soft [Mt]	0.8	2.2	2.2	2.2	2.2	2.2
Higher ash [Mt]	0.5	1.4	1.4	1.4	1.4	1.4
Operating Costs						
Total FOB cash costs [US\$/t]	4.5	4.5	4.5	4.5	4.5	4.5

DIVISIONAL BREAKDOWN (EBIT)

(A\$m)	2013E	2014E	2015E	2016E	2017E	2018E
South Gobi	27.6	156.9	230.4	244.3	265.7	270.3

PROFIT & LOSS

(A\$m)	2013E	2014E	2015E	2016E	2017E	2018E
Sales Revenue	52	272	380	414	461	479
Operating Cash Profit	32	183	270	288	315	322
Depn & Amortisation	(0)	(3)	(6)	(8)	(9)	(10)
Operating Profit	32	181	263	281	306	312
Others	(5)	(24)	(33)	(36)	(40)	(42)
SGA	(11)	(11)	(11)	(11)	(11)	(11)
EBIT	17	146	219	233	255	259
Net interest	(1)	(0)	6	4	9	13
Profit before tax	17	146	226	238	263	273
Tax expense	(4)	(24)	(35)	(37)	(40)	(41)
Equity Associated NPAT	0	0	0	0	0	0
Minority Interests	0	0	0	0	0	0
Dividends [preferred]	0	0	0	0	0	0
Net Profit [reported]	12	122	191	201	224	232
Abnormal Gain/(Loss) after Tax	0	0	0	0	0	0
Net Profit [adjusted]	12	122	191	201	224	232
EBITDA margin (%)	33.4	54.7	59.3	58.2	57.2	56.1
Net Interest Cover [EBIT] (x)	NM	NM	35.0	56.1	29.0	19.6
Tax Rate (%)	0.2	0.2	15%	15%	15%	15%
EBIT/Total Assets (%)	8.7	40.2	45.9	36.9	31.5	26.3
NPAT/Equity (%)	9.3	43.6	44.5	34.5	29.6	24.9

BALANCE SHEET [Selected Items]

(A\$m)	2013E	2014E	2015E	2016E	2017E	2018E
Net Working capital	(17)	(36)	(47)	(49)	(53)	(53)
Fixed Assets	43	87	132	132	132	131
Net Other	134	144	149	149	149	149
Capital Employed	160	195	233	231	228	227
Net Cash / (Debt)	(26)	86	196	351	528	705
Total Equity [incl. minorities]	133	281	429	583	756	932
Minorities	14	14	14	14	14	14
Net Debt / Equity (%)	19.8	(30.6)	(45.7)	(60.3)	(69.8)	(75.7)
Book Value per Share(\$)	0.3	0.54	0.82	1.12	1.45	1.79

■ Guildford Coal

Guildford Coal has near-term semi-soft coking coal production from its South Gobi project in Mongolia, supported by a 70mt resource with meaningful exploration upside. The company plans first coal by end-2012. Guildford plans to use a simple model for the project, located only 60km from the China border, by employing contract miners and utilising mine-gate sales to offtake providers for ultimate sale in China. The company also has longer-term production options from the Middle Gobi project in Mongolia and the Hughenden & White Mountain projects in Queensland.

■ Statement of Risk

Investment risk inherent in the resource sector includes, but is not limited to, movement of commodity prices and currency, which may differ materially from the assumptions used in this report. Furthermore, the sector is subject to political, financial and operational risks, each of which has the potential to significantly impact industry performance.

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UBS Investment Research: Global Equity Rating Allocations

UBS 12-Month Rating	Rating Category	Coverage ¹	IB Services ²
Buy	Buy	55%	33%
Neutral	Hold/Neutral	37%	31%
Sell	Sell	8%	16%
UBS Short-Term Rating	Rating Category	Coverage ³	IB Services ⁴
Buy	Buy	less than 1%	0%
Sell	Sell	less than 1%	0%

1:Percentage of companies under coverage globally within the 12-month rating category.

2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3:Percentage of companies under coverage globally within the Short-Term rating category.

4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS. Rating allocations are as of 30 June 2012.

UBS Investment Research: Global Equity Rating Definitions

UBS 12-Month Rating	Definition
Buy	FSR is > 6% above the MRA.
Neutral	FSR is between -6% and 6% of the MRA.
Sell	FSR is > 6% below the MRA.
UBS Short-Term Rating	Definition
Buy	Buy: Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.
Sell	Sell: Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.

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Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.

Market Return Assumption (MRA) is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium).

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Equity Price Targets have an investment horizon of 12 months.

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UBS Securities Australia Ltd: Ben Wilson; Glyn Lawcock.

Company Disclosures

Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
Guildford Coal ^{4, 5, 13}	GUF.AX	Buy	N/A	A\$0.34	10 Sep 2012

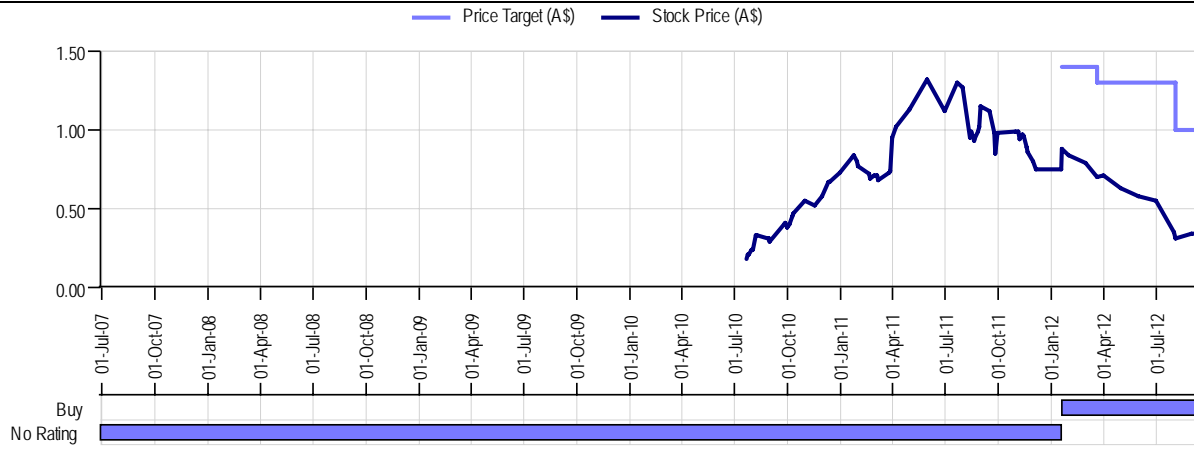
Source: UBS. All prices as of local market close.

Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

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Guildford Coal (A\$)



Source: UBS; as of 10 Sep 2012

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