

22 October 2012

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

Second Pit Brownfield Expansion – South Gobi Coal Project East Pit¹

The Board of Guildford Coal Limited (Guildford Coal) (ASX: GUF) is pleased to announce that due to positive progress made by majority owned subsidiary Terra Energy Ltd on the evaluation of the South Gobi Project – East Pit¹, a decision has been made to expand the South Gobi Coal Project with the development of the East Pit¹ in addition to the North Pit. The East Pit¹ is covered by an existing Mining Licence.

As announced on the 15th October 2012, the establishment of the North Pit of the South Gobi Project has commenced following the granting of the Mining Licence and is fully funded.

To support the progression of the East Pit¹ towards mining before the onset of the Mongolian winter, terms have been agreed for a convertible bond arrangement with Gleneagle Securities (Aust) Pty Limited for the provision of a \$10m convertible bond with the key terms being:

- 12 month convertible bond with a conversion price of \$0.50 cents per share
- Warrants exercisable for up to 12 million listed shares in Guildford Coal at an exercise price of \$0.55 cents per share for a 18 month period

For and on behalf of Guildford Coal.



Mick Avery

Managing Director

T: +61(2) 4914 5910

Note 1 – East Pit

As previously disclosed, Och Ziff has a \$25m convertible note over Terra Energy LLC which converts to a 25% equity in the Mongolian subsidiary. The Mining Licence which contains the conceptual East Pit in the South Gobi Project was acquired subsequent to the Och Ziff convertible note and is held by Guildford Coal (Mongolia) Pty Ltd via a Mongolian subsidiary and hence is not subject to the Och-Ziff convertible note. Guildford Coal (Mongolia) Pty Ltd is 70% owned by Guildford Coal Ltd and 30% owned by Terra Holding LLC.



GUILDFORD
COAL

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

ABOUT TERRA ENERGY

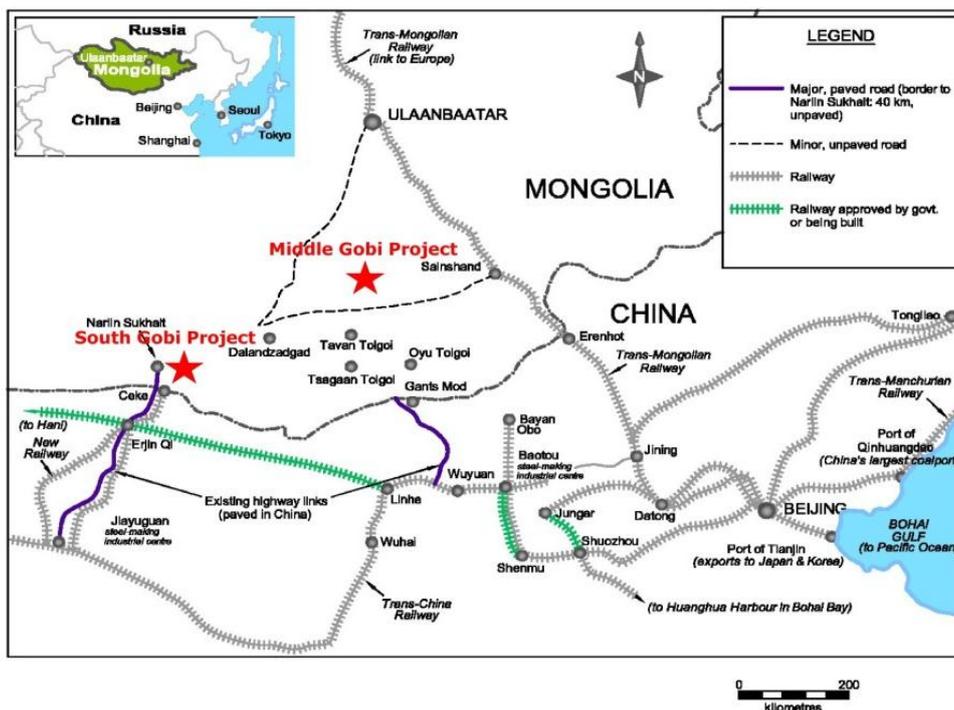
Terra Energy Ltd, its sister company Guildford Coal (Mongolia) Pty Ltd and their Mongolian subsidiaries control a number of tenements contained in two coal projects in Mongolia. The coal projects are located in the coal bearing basins of the South Gobi and Mid Gobi which contain coking and thermal coals respectively.

The South Gobi Project consists of five (5) tenements located in the South Gobi Province (Umnigovi Aimag) of Mongolia. These licences are situated approximately 1,000km south-west of the Mongolian capital of Ulaanbaatar and approximately 60km from the Chinese border coal station of Ceke, where coal produced in nearby Mongolian mines is currently transported by road through to China.

The South Gobi Project has a JORC coal resource of 70.4Mt of coking coal consisting of an Indicated Resource of 39.7Mt and an Inferred Resource of 30.7Mt. A further Exploration Target[#] for the South Gobi Project of 70Mt to 892Mt of coal has also been estimated by Independent Geologists.

The Mid Gobi Project consists of two (2) tenements located in the Dundgovi Province which is approximately 200km south of Ulaanbaatar and just over 200km west of the Mongolian railway grid with a logistic route to China via the Erlianhaote border crossing. The Mid Gobi Project has a total JORC coal resource of 221.4Mt consisting of an Indicated Resource of 32.3Mt and an Inferred Resource of 189.1Mt. A further Exploration Target[#] for the Mid Gobi Project of 165Mt to 830Mt of coal has also been estimated by Independent Geologists.

The South Gobi Project – North Pit is forecast to ramp up to produce in excess of 3 Mtpa from an open-cut coking coal operation. Terra Energy is expecting first coal in late November 2012. The aim is to then progressively expand operations by developing additional pits conceptually identified on the project that would be supported by the centrally established infrastructure. The most likely second development being the East Pit, which has the potential to deliver an additional 2 Mtpa from an open cut coking coal operation.





GUILDFORD
COAL

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

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

JORC Resource Competent Persons Statement

Technical information in this report in relation to the exploration targets and JORC Resources for South Gobi, Middle Gobi Projects has been compiled by Mr Mark Biggs, Principal Geologist of Moultrie Database and Modelling. Mr Biggs is a member of the Australasian Institute of Mining and Metallurgy (Member #107188) and has over 25 years of experience relevant to the style and type of coal deposit under consideration and to the activity which is being undertaken to qualify as a Competent Person as defined by the Australasian Code for Reporting of Minerals Resources and Reserves (JORC) 2004. The resource information in this report is being released to the Australian Securities Exchange. Mark Biggs consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

The estimates of the Coal Resources presented in this Report are considered to be a true reflection of the Coal Resources as at 30st June 2012 and have been carried out in accordance with the principles and guidelines of the Australian Code for Reporting of Coal Resources and Coal Reserves published in September 2004 (JORC Code).

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/Terra.