



# GUILDFORD

COAL

29 November 2012

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

## **Restructuring of Mongolian Subsidiary – Terra Energy**

Guildford Coal Limited (Guildford) (ASX: GUF) is pleased to announce that it has entered into an agreement with Mongolian partners' Terra Holdings Limited to restructure ownership in Mongolian subsidiary Terra Energy Limited and valuing Terra Holdings 25% Shareholding at A\$50m.

Under the agreement, Guildford will acquire all of the share capital in Terra Energy Limited currently held by Terra Holdings Limited. The effect of this acquisition is that Terra Energy Limited will become a wholly-owned subsidiary of Guildford.

As consideration for this acquisition, Guildford will provide the following to Terra Holdings Limited:

- a deposit payment of AU\$3,000,000 (already paid);
- a cash payment of AU\$2,000,000, to be paid on completion of the transaction;
- 40,000,000 fully-paid ordinary shares in Guildford valued at \$0.75 per share, to be issued on completion of the transaction. Half of these shares will be held in voluntary escrow for a period of six months from completion; and
- AU\$15,000,000, which may be met either through a cash payment or through the issue of fully-paid ordinary shares in GUF, at GUF's Option, to be paid or issued one year after completion of the transaction.

Terra Holdings Limited will also have a right to appoint a nominee director to the Board of Guildford (subject to the standard processes under Guildford's Constitution and the Corporations Act 2001.)

The key benefits of this restructure to Guildford shareholders are as follows:

- Increases Guildford's attributable coal production and cash flow generation
- Enhances Guildford's dividend distribution capability
- Increases Guildford's attributable share of JORC resources
- Operating and administrative efficiencies
- Further strengthens the relationship with Guildford's Mongolian partners and Guildford's commitment to Mongolia
- Simplifies the Terra Energy Ltd / North Pit ownership structure



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Completion is unconditional, other than obtaining relief by modifying section 609 of the Corporations Act granted by the Australian Securities and Investments Commission in respect of the Escrowed Shares.

Managing Director Mick Avery stated that *"This is a very positive outcome for Guildford Coal leading into the commencement of coking coal production from the South Gobi Project in this quarter. The partnership between Guildford and our Mongolian Partners' Terra Holdings Ltd is further cemented through this transaction and we look forward to working together to continue to develop our relationship with Mongolia and its people."*

### About Terra Energy Limited

Terra Energy Limited, 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.

Four (4) of the five (5) tenements forming part of the South Gobi Project are controlled by Terra Energy Limited and its Mongolian subsidiaries. This consists of three (3) exploration licences and one (1) mining licence. The mining licence relates to the North Pit of the South Gobi Project. The East Pit is covered by a mining licence which is held by Guildford's Mongolian subsidiary, Guildford Coal (Mongolia) Pty Ltd.

The South Gobi Project has total JORC coal resources of 110.9Mt of coking coal consisting of:

- North Pit Indicated Resource of 39.7Mt and an Inferred Resource of 30.7Mt; and
- East Pit Inferred Resource of 40.5Mt.

An Exploration Target<sup>#</sup> 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. Both of these tenements are controlled by the Mongolian subsidiaries of Terra Energy Limited. 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<sup>#</sup> for the Mid Gobi Project of 165Mt to 830Mt of coal has also been estimated by Independent Geologists.



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](http://www.guildfordcoal.com.au)

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*Note: 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 Limited.*

For and on behalf of Guildford Coal Limited

**Mr Louis Chait**

Finance Director and Joint Company Secretary

T: +61(2) 4914 5910



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### **# 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 technical information in this report in relation to the JORC Resource on the South Gobi Project East Pit and any other information provided by Salva Resources in this report to which this statement is attached that relates to Exploration Results is based on information compiled by Dr Aldo Van Heeswijck, who is a Member of The Australasian Institute of Mining and Metallurgy. Dr Van Heeswijck is employed by Salva Resources and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking 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'. Dr Aldo Van Heeswijck consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. Dr Van Heeswijck takes no responsibility for information derived from Moultrie Database and Modelling Pty Ltd or SGS Mongolia.*

### **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 30<sup>st</sup> 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.*