



GUILDFORD

COAL

22 January 2013

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

Proposal to Vary Management Agreement

Guildford Coal Limited (the **Company**) wishes to advise that it has agreed with its major shareholder, TheChairmen1 Pty Ltd (**Chairmen**), to vary the terms of the Management Agreement between the Company and Chairmen (**Management Agreement**) subject to various shareholder approvals. Independent Expert PriceWaterhouseCoopers Securities Limited has determined that the proposal to vary the terms of the Management Agreement is fair and reasonable for the Company's shareholders who are not excluded from voting on this proposal.

Management Agreement - Success Fee

As previously announced, the Management Agreement dated 26 May 2010 (as amended on 20 July 2010) provides that the Company will pay Chairmen a success fee of \$20,000,000 (excluding GST) for each 100,000,000 tonnes of indicated resource of coal in connection with one or more of the projects acquired by the Company prior to it being listed on the ASX (**Projects**) up to a maximum of \$100,000,000 (**Success Fee**).

As announced to the ASX, the first installment of the Success Fee was paid to Chairmen by Guildford on 3 August 2012 by way of the issue of 44,179,369 fully paid ordinary shares.

The Company may pay each instalment of the Success Fee either in cash or by the issue of fully paid ordinary shares (**Shares**), or by a combination of cash and Shares at the election of the Company's independent directors (or if there are no independent directors on the Board, an independent valuer).

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Under the terms of the proposal, the Company and Chairmen have agreed to finalise the remaining potential Success Fee instalments due to Chairmen under the terms of the Management Agreement.

In consideration for being relieved of any further obligation to pay the Success Fee to Chairmen, the Company will issue 74,000,000 Shares (**Consideration Shares**) to Chairmen.



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Following the issue of the Consideration Shares no further instalments of the Success Fee will be payable to Chairmen.

The proposal to vary the Management Agreement and issue the Consideration Shares is conditional upon the approval of the Company's shareholders being obtained at an Extraordinary General Meeting to be held at 11:00 am (AEDT) on 27 February 2013 at the offices of K&L Gates, Level 31, 1 O'Connell Street, Sydney NSW 2000.

Notice of Extraordinary General Meeting

A Notice of Extraordinary General Meeting to consider the proposal to vary the Management Agreement and issue the Consideration Shares set out above (**Notice**) and an accompanying Explanatory Memorandum will be sent to all shareholders of the Company shortly.

The Notice includes a report from PriceWaterhouseCoopers Securities Limited who, as independent expert, has concluded that the proposal to vary the terms of the Management Agreement and issue the Consideration Shares is fair and reasonable for the Company's shareholders who are not excluded from voting on the proposal.

Shareholders with any queries on this announcement or the proposal to vary the terms of the Management Agreement should contact Mr. Louis Chait, Company Secretary, on (02) 4914 5914.

Yours faithfully

Mr Louis Chait
Finance Director and Company Secretary
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