



GUILDFORD
COAL

Guildford Coal Limited
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27 November 2013

ASX ANNOUNCEMENT

Notice of Extraordinary General Meeting

Further to the announcement on the 11 November 2013 with regard to the new financing arrangements with OCP Asia, Guildford Coal Limited (ASX:GUF) is pleased to present the Notice of Extraordinary General Meeting (EGM).

The business to be considered at the EGM is:

- the approval for Listing Rule 7.1 purposes of convertible notes and detachable warrants; and
- the approval for all other purposes of convertible notes and convertible note warrants, amortising notes and detachable warrants,

each to be issued by the Company to OCP Asia.

The Notice and the accompanying Explanatory Memorandum will be sent to all shareholders of the Company shortly.

For further information please contact Peter Kane, Chief Executive Officer, 07 3005 1533.

Kon Tsiakis
Company Secretary

Guildford Coal Limited

ACN 143 533 537

**Notice of Extraordinary General Meeting
to be held on Monday, 30 December 2013
Explanatory Memorandum
for the Notice of
Extraordinary General Meeting**

and

Proxy Form

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

TO BE HELD AT THE OFFICES OF K&L GATES, LEVEL 31, 1 O'CONNELL STREET, SYDNEY

AT 11.00 A.M. (AEDT) ON MONDAY, 30 DECEMBER 2013

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT ABOUT THE ACTION YOU SHOULD TAKE PLEASE CONSULT YOUR STOCKBROKER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER.

TO BE VALID, FORMS OF PROXY FOR USE AT THE EXTRAORDINARY GENERAL MEETING MUST BE COMPLETED AND RETURNED TO THE COMPANY NO LATER THAN 11.00 A.M. (AEDT) ON SATURDAY, 28 DECEMBER 2013

Table of Contents

Section A – Chairman's Letter	2
Section B – Glossary	3
Section C – Notice of Extraordinary General Meeting	5
Section D – Explanatory Memorandum	8

Section A – Chairman’s Letter

25 November 2013

Dear Shareholder,

On behalf of the Board, I would like to invite you to an Extraordinary General Meeting (**EGM**) of the shareholders of Guildford Coal Limited ACN 143 533 537 (**Company**) which will be held at the offices of K&L Gates, Level 31, 1 O’Connell Street, Sydney on Monday, 30 December 2013 at 11.00 A.M (AEDT).

The Notice of Meeting and Explanatory Memorandum is enclosed. Please read these documents carefully.

Business of the EGM

The business to be considered at the EGM is:


- the approval for Listing Rule 7.1 purposes of convertible notes and detachable warrants; and
- the approval for all other purposes of convertible notes and convertible note warrants, amortising notes and detachable warrants,

each to be issued by the Company to OCP Asia. The key terms of these notes and warrants are set out in the Explanatory Memorandum. The detailed terms are subject to further negotiation between the parties. The issue of such facilities will repay the existing indebtedness to OCP Asia, and be used for working capital purposes in relation to the Company’s Mongolian assets.

Shareholders are encouraged to read the enclosed Explanatory Memorandum in its entirety, and to attend the EGM and vote on the Resolutions. A proxy form is enclosed to enable any shareholder who is unable to attend the EGM to vote at the meeting.

Should you wish to discuss the Notice of Meeting you can contact the Company Secretary, Mr Kon Tsiakis, on (07) 3005 1533.

Yours faithfully,



The Hon Alan Griffiths
Acting Non-Executive Chairman

Section B – Glossary

1. Definitions

The following definitions are used in the Notice of Meeting and the Explanatory Memorandum:

Adjustment Events means the adjustment events set out in paragraph 3(m) (*Conversion*) of Section D of this document.

AEDT means Australian Eastern Daylight Saving Time.

Associate has the meaning given to that term in the Corporations Act.

ASX means ASX Limited ACN 008 624 691.

ASX Listing Rules means the Listing Rules of the ASX as amended from time to time.

Board means the board of Directors of the Company.

Business Day means a day which is not a Saturday, Sunday or public holiday in New South Wales.

Company means Guildford Coal Limited ACN 143 533 537.

Constitution means the constitution of the Company, as amended from time to time.

Corporations Act or Act means the *Corporations Act 2001* (Cth).

Director means a director of the Company.

Explanatory Memorandum means the explanatory memorandum set out in Section D of this document.

Extraordinary General Meeting means the extraordinary general meeting of the Company to be held on Monday, 30 December 2013 pursuant to the Notice of Meeting.

Issue Date means the date on which a Convertible Note, Convertible Note Warrant, Note or Detachable Warrant, as applicable, is issued by the Company.

Notice of Meeting or **Notice** means the notice of extraordinary general meeting set out in Section C of this document.

OCP Asia means OCP Asia (Hong Kong) Limited, any associated body corporate and any fund managed or advised by any of them.

Resolution means a resolution referred to in the Notice of Meeting.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

2. Interpretation

For the purposes of interpreting the Explanatory Memorandum and the Notice of Meeting:

- (a) the singular includes the plural and vice versa;

- (b) words importing any gender include the other genders;
- (c) reference to any statute, ordinance, regulation, rule or other law includes all regulations and other instruments and all considerations, amendments, re-enactments or replacements for the time being in force;
- (d) all headings, bold typing and italics (if any) have been inserted for convenience of reference only and do not define, limit or affect the meaning or interpretation of the Explanatory Memorandum and the Notice of Meeting;
- (e) reference to persons includes bodies corporate and government authorities and in each and every case, includes a reference to the person's executors, administrators, successors and substitutes (including without limitation persons taking by novation and assignment);
- (f) reference to **\$, A\$, Australian Dollars** or **dollars** is a reference to the lawful tender for the time being and from time to time of the Commonwealth of Australia; and
- (g) reference to **US\$** or **USD** is a reference to the lawful tender for the time being and from time to time of the United States of America.

Section C – Notice of Extraordinary General Meeting

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Shareholders of Guildford Coal Limited ACN 143 533 537 will be held at the offices of K&L Gates, Level 31, 1 O'Connell Street, Sydney on Monday, 30 December 2013 at 11.00 A.M (AEDT).

BUSINESS

1. Resolution 1: Approval of the issue of Convertible Notes and Detachable Warrants

Shareholders are asked to consider, and if thought fit, to pass the following ordinary resolution:

“That for the purposes of ASX Listing Rule 7.1, and conditional on the passing of Resolution 2, Shareholders approve the issue and allotment of Convertible Notes with a face value of US\$10,000,000 and the issue and allotment of Detachable Warrants for up to 18.5% of the face value of a US\$55,000,000 issuance of Amortising Notes, each to OCP Asia on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting”.

2. Resolution 2: Approval of the issue of Convertible Notes and Convertible Note Warrants, Amortising Notes and Detachable Warrants

Shareholders are asked to consider, and if thought fit, to pass the following ordinary resolution:

“That for all other purposes, and conditional on the passing of Resolution 1, Shareholders approve the issue and allotment of Convertible Notes with a face value of US\$10,000,000 and associated Convertible Note Warrants, Amortising Notes with a face value of US\$55,000,000 and associated Detachable Warrants for up to 18.5% of the face value of the Amortising Notes, each to OCP Asia on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting”.

By order of the Board



Kon Tsiakis
Company Secretary

Dated: 25 November 2013

NOTES

1. Determination of membership and voting entitlement

For the purpose of determining a person's entitlement to vote at the Extraordinary Meeting, a person will be recognised as a member of the Company and the holder of Shares if that person is registered as a holder of those Shares at 7.00pm (AEDT) on Saturday 28 December 2013.

2. Votes of members

On a show of hands, each member present in person or by proxy or, in the case of a body corporate, by a corporate representative at the meeting shall have one vote.

On a poll, every member present in person or by attorney or by proxy or, in the case of a body corporate, by a representative shall have one vote for each Share held by him, her or it provided that all Shares are fully paid.

3. Proxies

Please note that:

- (a) a member entitled to attend and vote at the meeting is entitled to appoint no more than two proxies;
- (b) an instrument appointing a proxy must be in the form of the proxy form attached to this Notice of Meeting;
- (c) where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the member's voting rights. If a member appoints two proxies, and the appointment does not specify the proportion of the member's voting rights, each proxy may exercise one-half of the voting rights;
- (d) a proxy need not be a member of the Company;
- (e) a proxy form may specify the manner in which the proxy is to vote in respect of a particular Resolution and, where the proxy form so provides, the proxy is not entitled to vote on the Resolution except as specified in the proxy form;
- (f) a proxy has the authority to vote on the member's behalf as he or she thinks fit, on any motion to adjourn the meeting, or any other procedural motion, unless the member gives a direction to the contrary;
- (g) a valid proxy form will be deemed to confer authority to demand or join in demanding a poll;
- (h) to be valid, a proxy form must be signed by the member or the member's attorney or, if the member is a corporation, executed in accordance with the corporation's constitution and the Corporations Act (and may be signed on behalf of the corporation by its attorney); and
- (i) to be valid, a proxy form and the power of attorney or other authority (if any) under which it is signed (or an attested copy of it) must be received by no later than 11.00 A.M. (AEDT) on Saturday, 28 December 2013:

by the Company:

- in person: Guildford Coal Limited
C/- Link Market Services Limited
Level 12
680 George Street
SYDNEY NSW 2000
Australia

- by mail: Guildford Coal Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia

- by facsimile: + 61 2 9287 0309

A form of proxy accompanies this Notice of Meeting.

Section D - Explanatory Memorandum

1. Introduction

This Explanatory Memorandum has been prepared to assist Shareholders of the Company in understanding the business to be put to Shareholders for their consideration at the forthcoming Extraordinary General Meeting on Monday, 30 December 2013.

The following section of this Explanatory Memorandum sets out the background to the Resolutions.

2. Background to the Resolutions

Resolution 1 and Resolution 2 are inter-conditional. This means that neither Resolution will take effect unless both Resolutions are passed by Shareholders as ordinary resolutions at the Extraordinary General Meeting.

Resolution 1: Approval of the issue of Convertible Notes and Detachable Warrants

Listing Rule 7.1 provides that a listed company may not issue equity securities in any 12 month period which exceeds 15% of the number of issued securities of the company held at the beginning of the 12 month period, except with the prior approval of shareholders of the company in general meeting, unless another exception to Listing Rule 7.1 applies.

This resolution seeks shareholder approval for the purposes of ASX Listing Rule 7.1 to issue:

- (a) Convertible Notes (convertible into Shares at an initial conversion price of A\$0.30 per Share) with a face value of US\$10,000,000 (**Convertible Notes**) (key terms of the Convertible Notes are set out in section 3 below); and
- (b) Detachable Warrants for up to 18.5% of the face value of a US\$55,000,000 issuance of Amortising Notes (convertible into Shares at a strike price of A\$0.17 per Share) (**Detachable Warrants**) (key terms of the Detachable Warrants are set out in section 6 below),

in each case, to OCP Asia. This explanatory memorandum sets out only the key terms of the instruments. Additional terms and conditions are being negotiated between the Company and OCP Asia and will also apply.

The proceeds of the issue of such instruments will repay existing indebtedness to OCP Asia, and be used for working capital purposes in relation to the Company's Mongolian assets.

The effect of Resolution 1, if passed (and conditional on Resolution 2 also being passed), will be that the issue of the Convertible Notes and the Detachable Warrants will be exempt from the 15% limit under Listing Rule 7.1. It will enable the Company to issue the Shares and provide flexibility over the next 12 months to issue further equity securities to raise capital if required.

For the purposes of Listing Rule 7.3, the Company provides the following information to Shareholders.

The maximum number of Shares that could potentially be issued by the Company to holders of all of the Convertible Notes and Detachable Warrants will be determined based on the AUD/USD exchange rate on the date the Shares are issued. At the date of this Explanatory Memorandum, assuming AUD/USD an exchange rate of 1.00/0.94, the

maximum number of Shares that could be issued by the Company to OCP Asia under the above described instruments would be 99,134,335. If issued, the shares would have the same terms as the Company's existing fully paid ordinary shares, ranking equally with the Company's existing Shares, and the Company would apply for the Shares to be quoted on the ASX.

Subject to Shareholders approving Resolution 1 and Resolution 2, the issue date of the Convertible Notes and Detachable Warrants will be no later than 3 months after the date of the Extraordinary General Meeting.

Subject to Shareholders approving Resolution 1 and Resolution 2, the issue date of the Shares under the Convertible Notes and Detachable Warrants will be no later than:

- in respect of the Convertible Notes, 18 months after the date on which the Convertible Notes are issued, being approximately June 2015; and
- in respect the Detachable Warrants, 5 years after the date the Detachable Warrants are issued, being approximately December 2018, or such other date as agreed between the Company and holders of the Detachable Warrants.

Resolution 2: Approval of the issue of Convertible Notes and Convertible Note Warrants, Amortising Notes and Detachable Warrants

This resolution seeks shareholder approval for all other the purposes to issue:

- (a) Convertible Notes (convertible into Shares at an initial conversion price of A\$0.30 per Share) with a face value of US\$10,000,000 (**Convertible Notes**) and associated warrants (**Convertible Note Warrants**) (key terms of the Convertible Notes and Convertible Note Warrants are set out in sections 3 and 4 below);
- (b) Amortising Notes with a face value of US\$55,000,000 (**Notes**) (key terms of the Notes are set out in section 5 below); and
- (c) Detachable Warrants for up to 18.5% of the face value of the Notes (convertible into Shares at a strike price of A\$0.17 per Share) (**Detachable Warrants**) (key terms of the Detachable Warrants are set out in section 6 below),

in each case, to OCP Asia. This explanatory memorandum sets out only the key terms of the instruments. Additional terms and conditions are being negotiated between the Company and OCP Asia and will also apply.

If Resolution 2 is passed (and conditional on Resolution 1 also being passed), the proceeds of the issue of such instruments will repay existing indebtedness to OCP Asia, and be used for working capital purposes in relation to the Company's Mongolian assets.

3. Terms of the Convertible Notes

Terms of the Convertible Notes will include customary terms for convertible notes and include the following key terms:

- (a) **Status:** unlisted and convertible into Shares.
- (b) **Face value:** US\$10,000,000.
- (c) **Transfer:** the Convertible Notes are fully transferable (either in whole or in part) to another sophisticated or professional investor (as those terms are defined in the Corporations Act).

- (d) **Maturity:** 18 months from their Issue Date.
- (e) **Coupon:** 12% per annum payable on a semi-annual basis.
- (f) **Security:** security from the Company and certain wholly owned subsidiaries of the Company over all of their assets and undertaking (the **Security**), limited to the amounts outstanding under the Convertible Notes and the Notes. The Security is to be released once all amounts outstanding under both the Convertible Notes and the Notes are redeemed or converted.
- (g) **Events of Default:** customary events of default (including, but not limited to, insolvency of the Company, the ASX suspending trading in the Company's Shares for 10 consecutive trading days, and material breaches of the law, the ASX Listing Rules, or the terms and conditions of the Convertible Notes). The holders of the Convertible Notes may accelerate and redeem the Convertible Notes at any time while an Event of Default is continuing, following which the Convertible Notes Redemption Amount will be immediately due and payable and the Security may be enforced.
- (h) **Convertible Notes Redemption Amount:** an amount equal to a 15% internal rate of return (including coupons already paid at the point of redemption) on the outstanding principal amount of the Convertible Notes up to the date on which the Convertible Notes are redeemed (**Redemption Date**), provided that, if the Redemption Date falls during the 6 month period immediately following the Issue Date, the Convertible Notes Redemption Amount will be calculated as if the Redemption Date occurred on the date falling 6 months after the Issue Date.
- (i) **Early Redemption of the Convertible Notes:** subject to no Event of Default subsisting, the Company can elect to redeem the outstanding Convertible Notes, in whole only, on any date that falls 30 days after their Issue Date by:
 - (i) paying the Convertible Notes Redemption Amount; and
 - (ii) issuing the Convertible Note Warrants (see section 4 for the terms of the Convertible Note Warrants).
- (j) **Redemption on Change of Control:** holders of outstanding Convertible Notes may elect to redeem their outstanding Convertible Notes (in whole but not in part) following a change of control of the Company, following which the Company will redeem the Convertible Notes by:
 - (i) paying the Convertible Notes Redemption Amount; and
 - (ii) issuing the Convertible Note Warrants (see section 4 for the terms of the Convertible Note Warrants).
- (k) **Delisting Put Right:** holders of outstanding Convertible Notes may elect to redeem their outstanding Convertible Notes (in whole but not in part) if the Company's Shares cease to be listed or are suspended for a period of 20 consecutive trading days, following which the Company will redeem the Convertible Notes by:
 - (i) paying the Convertible Notes Redemption Amount; and
 - (ii) issuing the Convertible Note Warrants (see section 4 for the terms of the Convertible Note Warrants).

- (l) **Mandatory Redemption:** all outstanding Convertible Notes will be redeemed by the Company on the Maturity Date by paying the Convertible Notes Redemption Amount.
- (m) **Conversion:** convertible into Shares at the holder's option at any time up to 7 business days before the maturity date, for an initial conversion price of A\$0.30 per Share (the **Initial Note Conversion Price**). The Initial Conversion Price may be adjusted to take into consideration the following adjustments events (once adjusted, if applicable, this is the **Conversion Price**):
- (i) any consolidation, reclassification, reorganisation or subdivision of the Shares;
 - (ii) any Shares issued and credited as fully paid to Shareholders by way of capitalisation of profits or reserves;
 - (iii) any capital distribution made by the Company to the Shareholders;
 - (iv) any:
 - (A) Shares; or
 - (B) options, warrants or rights to subscribe for Shares,
 which are issued to the Shareholders at any price other than the market price for Shares as at the date of issuance;
 - (v) any:
 - (A) marketable securities (other than Shares or options, warrants or rights to subscribe for Shares) (**Non Share Marketable Securities**); or
 - (B) any options, warrants or rights to subscribe for Non Share Marketable Securities,
 which are issued to the Shareholders;
 - (vi) any Shares issued at a price less than the market price for the Shares immediately prior to the first public announcement of the terms of such issuance;
 - (vii) any marketable securities issued which contain rights of conversion into, or exchange or subscription for, Shares at any price which is less than the market price for the Shares immediately prior to the first public announcement of the terms of such issuance;
 - (viii) any modification to the terms of any marketable securities (which contain rights of conversion into, or exchange or subscription for, Shares) which results in the conversion, exchange or subscription price for the Shares being less than the market price for Shares immediately prior to the first public announcement of the proposals for such modification;
 - (ix) any offers made for marketable securities by any person or entity, including the Company, which the Shareholders are entitled to participate in;
 - (x) any:
 - (A) Shares; or

- (B) marketable securities which contain rights of conversion into, or exchange or subscription for, Shares,

which are issued at a price which is less than the Initial Note Conversion Price (as calculated at the date of the first public announcement of the terms of such issuance); or

- (xi) any modification to the terms of marketable securities (which contain rights of conversion into, or exchange or subscription for, Shares) which results in the conversion, exchange or subscription price for the Shares being less than the Initial Note Conversion Price (as calculated at the date of the first public announcement of the proposals for such modification),

(together, the **Adjustment Events**).

- (n) **Number of Shares on conversion:** The number of Shares issued upon conversion of each Convertible Note will be calculated by dividing the Outstanding Amount by the Conversion Price of the Convertible Note. The Conversion Price is currently set at A\$0.30 per Share but is subject to a number of adjustment events (which are set out above). Accordingly, the Conversion Price applied at the time of conversion may in fact be lower than A\$0.30. The **Outstanding Amount** is the amount owing by the Company under the Convertible Note and any capitalised or accrued but uncapitalised interest and calculated in AUD based on the USD/AUD exchange rate on the Convertible Notes Issue Date.

4. Terms of the Convertible Note Warrants

Terms of the Convertible Note Warrants will include customary terms for warrants and include the following key terms:

- (a) **Status:** unlisted and convertible into Shares.
- (b) **Transfer:** the Convertible Note Warrants are fully transferable (either in whole or in part) to another sophisticated or professional investor (as those terms are defined in the Corporations Act).
- (c) **Expiry Date:** 18 months from their Issue Date.
- (d) **Exercise:** exercisable at the holder's option in exchange for Shares in the Company.
- (e) **Exercise Price:** an initial exercise price of A\$0.30 per Share (the **Initial Convertible Warrant Conversion Price**). The Initial Convertible Warrant Conversion Price or the number of Shares over which the warrants then outstanding are exercisable may be adjusted to take into account the following:
- (i) any of the Adjustment Events which occurred prior to the Issue Date of the Convertible Note Warrants;
- (ii) any pro-rata or bonus issue to the Shareholders during the period from the Issue Date of the Convertible Note Warrants until the Expiry Date (the **Convertible Warrant Exercise Period**); or
- (iii) any reorganisation (including a consolidation, sub-division, reduction or return) of the Company's issued capital during the Convertible Warrant Exercise Period.

5. Terms of the Notes

Terms of the Notes will include customary terms for notes and include the following key terms:

- (a) **Status of the Notes:** unlisted and non-convertible.
- (b) **Face value of the Notes:** US\$55,000,000
- (c) **Transfer of the Notes:** the Notes are fully transferable (either in whole or in part) to another sophisticated or professional investor (as those terms are defined in the Corporations Act).
- (d) **Maturity Date of the Notes:** 36 months from their Issue Date.
- (e) **Coupon rate for the Notes:** 12% per annum payable on a semi-annual basis.
- (f) **Notes Redemption Amount:** an amount equal to a 15% internal rate of return (including coupons already paid at the point of redemption and any scheduled amortisation) on the outstanding principal amount of the Notes up to the date on which the Notes are redeemed (**Notes Redemption Date**), provided that, if the Notes Redemption Date falls during the 6 month period immediately following the Issue Date, the Notes Redemption Amount will be calculated as if the Notes Redemption Date occurred on the date falling 6 months after their Issue Date.
- (g) **Amortisation Schedule for the Notes:**
 - (i) 20% of the Face Value of the Notes to be repaid on the date falling 18 months after their Issue Date;
 - (ii) 20% of the Face Value of the Notes to be repaid on the date falling 24 months after their Issue Date;
 - (iii) 20% of the Face Value of the Notes to be repaid on the date falling 30 months after their Issue Date; and
 - (iv) 40% of the Face Value of the Notes to be repaid on the Maturity Date.

On each of the repayment dates set out above, the Company will also additionally pay a pro rata amount of the Notes Redemption Amount.
- (h) **Redemption on Change of Control:** holders of outstanding Notes may elect to redeem their outstanding Notes (in whole but not in part) following a change of control of the Company, following which the Company will redeem the Convertible Notes by paying the Notes Redemption Amount.
- (i) **Delisting Put Right:** holders of outstanding Notes may elect to redeem their outstanding Notes (in whole but not in part) if the Company's Shares cease to be listed or are suspended for a period of 20 consecutive trading days, following which the Company will redeem the Convertible Notes by paying the Notes Redemption Amount issuing the Convertible Note Warrants (see section 4 for the terms of the Convertible Note Warrants).
- (j) **Security for the Notes:** security from the Company and certain wholly owned subsidiaries of the Company over all of their assets and undertaking, (the **Security**), limited to the amounts outstanding under the Convertible Notes and the Notes. The Security is to be released once all amounts outstanding under both the Convertible Notes and the Notes are redeemed or converted.

- (k) **Events of Default for the Notes:** customary events of default (including, but not limited to, insolvency of the Company, the ASX suspending trading in the Company's Shares for 10 consecutive trading days, and material breaches of the law, the ASX Listing Rules, or the terms and conditions of the Notes). The holders of the Notes may accelerate and redeem the Notes at any time while an Event of Default is continuing, following which the Notes Redemption Amount will be immediately due and payable and the Security may be enforced.
- (l) **Early Redemption of the Notes:** subject to no Event of Default subsisting, the Company can elect to redeem the outstanding Notes, in whole only, on any date that falls 30 days after the Issue Date by paying the Notes Redemption Amount. The Detachable Warrants will remain in place unaffected by the early redemption of any Notes.

6. Terms of the Detachable Warrants

Terms of the Detachable Warrants will include customary terms for detachable warrants and will include the following key terms:

- (a) **Status:** unlisted and convertible into Shares.
- (b) **Detachable Warrants:** The Company will issue detachable and freely tradeable warrants to OCP Asia for an amount equal to 18.5% of the Face Value of the Notes as calculated in Australian Dollars at the average USD/AUD exchange rate quoted on Bloomberg on the Notes Issue Date. Each Detachable Warrant will entitle the holder to 1 Share.
- (c) **Transfer:** the Detachable Warrants are fully transferable (either in whole or in part) to another sophisticated or professional investor (as those terms are defined in the Corporations Act).
- (d) **Detachable Warrant Maturity Date:** 5 years from the Issue Date of the Notes.
- (e) **Exercise:** exercisable at holder's option in exchange for Shares in the Company.
- (f) **Detachable Warrant Strike Price:** A\$ 0.17 per Share (the **Initial Detachable Warrant Strike Price**). The Initial Detachable Warrant Strike Price may be adjusted to take into account the following:
 - (i) any pro-rata or bonus issue to the Shareholders during the period from the Issue Date of the Detachable Warrants until the Detachable Warrant Maturity Date (the **Detachable Warrant Exercise Period**);
 - (ii) any reorganisation (including a consolidation, sub-division, reduction or return) of the Company's issued capital during the Detachable Warrant Exercise Period; and
 - (iii) subject to the conditions set out in paragraph (g) below, the Adjustment Events.
- (g) **ASX Waiver:** the Company will seek a waiver from the ASX which would allow the Adjustment Events to be taken into consideration when adjusting the Initial Detachable Warrant Strike Price (the **ASX Waiver**).
 - (i) If the ASX does grant the ASX Waiver:
 - (A) the Adjustment Events will be taken into consideration when adjusting the Initial Detachable Warrant Strike Price from the date on which the

ASX grants the ASX Waiver (the **ASX Waiver Date**) until the date falling 18 months after the Issue Date of the Detachable Warrants; and

- (B) the Restrictions will cease to apply to the Company with effect from the ASX Waiver Date.
- (ii) If the ASX does not grant the ASX Waiver, the Restrictions will continue to apply until the Restrictions Termination Date. For the avoidance of doubt, if the ASX does not grant the ASX Waiver, the Adjustment Events will not be taken into consideration when adjusting the Initial Detachable Warrant Strike Price.
- (h) **Restrictions:** the Company will be subject to the following restrictions:
 - (i) if the Company wants to issue new Shares at a price which is discounted by more than 10% of the volume weighted average price for Shares for the 1 month immediately preceding the proposed date of issuance, then the Company must obtain prior consent from the holders of the Detachable Warrants. This restriction does not apply to any new Shares issued under the following existing arrangements (both of which have already been disclosed to the market):
 - (A) the Restructure Agreement between the Company and Terra Holdings Limited dated 2 November 2012 (the **Terra Restructure Agreement**); and
 - (B) the Springsure Share Sale Agreement between the Company and Resco Projects Pty Limited dated 2 April 2012 (the **Springsure Share Sale Agreement**);
 - (ii) the Company is only permitted to grant convertible securities (including options) in an aggregate amount up to 10% of the fully diluted capital of the Company which is on issue immediately following the Issue Date for the Detachable Warrants and the Convertible Notes. For the avoidance of doubt, any Shares issued under the Terra Restructure Agreement and the Springsure Share Sale Agreement will be deemed to form part of the Company's fully diluted capital for the purposes of this calculation; and
 - (iii) if the Company wants to pay dividends or make distributions, the Company must give the holders of the Detachable Warrants reasonable sufficient prior notice so that they can exercise the Detachable Warrants and participate in any such dividend or distribution should they wish to do so,

(together, the **Restrictions**).
- (i) **Restrictions Commencement Date:** the Restrictions will apply from the Issue Date of the Detachable Warrants.
- (j) **Restrictions Termination Date:** the Restrictions will cease to apply on the earlier of:
 - (i) the date on which the ASX Waiver is granted; and
 - (ii) the date which falls 18 months after the Restrictions Commencement Date.
- (k) **Cash Settlement:** if the Company is subject to the Restrictions and takes any action which does not comply with the Restrictions, upon receipt of an exercise notice from the holders of the Detachable Warrants, the Company must:

- (i) determine the number of Shares to which the warrant holders are entitled to on the proposed exercise date based on the Initial Detachable Warrant Strike Price;
 - (ii) determine the number of additional Shares to which the warrant holders would have been entitled on the proposed exercise date if the Initial Detachable Warrant Strike Price was adjusted to take into account the Adjustment Events from the Detachable Warrants Issue Date to the exercise date (**Additional Shares**); and
 - (iii) if the warrant holders would have been entitled to any Additional Shares, the Company must at its sole election either issue such Additional Shares or, if the Company is restricted from issuing such Additional Shares, then the Company must make a cash settlement payment to the warrant holders. The cash settlement payment is determined by multiplying the number of Additional Shares by the Initial Detachable Warrant Strike Price as adjusted (a **Cash Settlement Payment**). If the Company elects to make a Cash Settlement Payment, the amount of the Cash Settlement Payment will be set off against the Detachable Warrant Strike Price payable by the warrant holders at the time that the Detachable Warrants are exercised. For the avoidance of doubt, the Company will in no circumstances be required to make an actual cash payment to a warrant holder to satisfy the Cash Settlement Payment obligation.
- (l) **Payment of Detachable Warrant Strike Price:** the warrant holder can elect to pay the Detachable Warrant Strike Price either:
- (i) by paying the Detachable Warrant Strike Price multiplied by the number of Detachable Warrants being exercised in cash to the Company; or
 - (ii) if there are any Notes outstanding issued in favour of the warrant holder, the warrant holder can elect to 'pay' the Detachable Warrant Strike Price by surrendering to the Company the amount of outstanding Notes whose value is equal to the Detachable Warrant Strike Price multiplied by the number of Detachable Warrants being exercised. The amount of Notes to be surrendered will be calculated on the average USD/AUD exchange rate quoted on Bloomberg on the date that the Detachable Warrants are exercised.

7. The use of the funds raised

The funds raised by the issue of the Convertible Notes and the Notes are to be used for:

- a) repayment of the existing indebtedness to OCP Asia; and
- b) working capital purposes in relation to the Company's Mongolian assets.

None of the funds will be used to fund acquisitions by the Company other than in the ordinary course of business

No funds are raised by the issue of the Convertible Note Warrants or the Detachable Warrants. However, if either of the Convertible Note Warrants or the Detachable Warrants are exercised, any funds received will be used for general corporate purposes.

8. Recommendation of the Board

The Board recommends that Shareholders vote in favour of Resolutions 1 and 2.

9. Voting Exclusion

Pursuant to ASX Listing Rule 7.3.8 the Company will disregard any votes cast on Resolution 1 by:

- (a) OCP Asia; and
- (b) any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed; and
- (c) an Associate of OCP Asia or any person described in (b) above.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.



GUILDFORD
COAL

GUILDFORD COAL LIMITED

ABN: 35 143 533 537
Level 7, 490 Upper Edward Street
Spring Hill, QLD 4000 Australia
guildfordcoal.com.au

LODGE YOUR VOTE



ONLINE

www.linkmarketservices.com.au



By mail:
Guildford Coal Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia



By fax: +61 2 9287 0309



All enquiries to: Telephone: +61 1300 554 474



X99999999999

SHAREHOLDER PROXY FORM

I/We being a member(s) of Guildford Coal Limited and entitled to attend and vote hereby appoint:

STEP 1

APPOINT A PROXY

the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy

or failing the person/body corporate named, or if no person/body corporate is named, the Chairman of the Meeting, as my/our proxy and to vote for me/us on my/our behalf at the Extraordinary General Meeting of the Company to be held at **11:00am (AEDT) on Monday, 30 December 2013, at The Offices of K&L Gates, Level 31, 1 O'Connell Street, Sydney, NSW** and at any adjournment or postponement of the meeting.

The Chairman of the Meeting intends to vote undirected proxies in favour of all items of business.

Proxies will only be valid and accepted by the Company if they are signed and received no later than **48 hours** before the meeting, being **11:00am (AEDT) on Saturday, 28 December 2013.**

Please read the voting instructions overleaf before marking any boxes with an

STEP 2

VOTING DIRECTIONS

Resolution 1

Approval of the issue of Convertible Notes and Detachable Warrants

For	Against	Abstain*
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Resolution 2

Approval of the issue of Convertible Notes and Convertible Note Warrants, Amortising Notes and Detachable Warrants

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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i * If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3

SIGNATURE OF SHAREHOLDERS - THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Sole Director and Sole Company Secretary

Joint Shareholder 2 (Individual)

Director/Company Secretary (Delete one)

Joint Shareholder 3 (Individual)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

GUF PRX301



HOW TO COMPLETE THIS PROXY FORM

Your Name and Address

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person in Step 1. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a shareholder of the Company. A proxy may be an individual or a body corporate.

Votes on Items of Business - Proxy Appointment

You may direct your proxy how to vote by placing a mark in one of the boxes opposite the item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the item of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) return both forms together.

Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

Corporate Representatives

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry.

Lodgement of a Proxy Form

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **11:00am (AEDT) on Saturday, 28 December 2013**, being not later than 48 hours before the commencement of the meeting. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the proxy form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the proxy form).



by mail:

Guildford Coal Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



by fax:

+61 2 9287 0309



by hand:

delivering it to Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138 or Level 12, 680 George Street, Sydney NSW 2000.

**If you would like to attend and vote at the Extraordinary General Meeting, please bring this form with you.
This will assist in registering your attendance.**