



GUILDFORD
COAL

CONSOLIDATED FINANCIAL REPORT HALF-YEAR ENDED 31 DECEMBER 2013

ASX: GUF

SHARE INFORMATION Issued shares: 655.0m

BOARD OF DIRECTORS Acting Non-Exec Chairman:
A. Griffiths
Group MD: P. Kane
Non-Exec: T. Tsogt
Non-Exec: K. Tsiakis
Non-Exec: C. Wallace

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Directors

The Hon Alan Griffiths	Acting Non-Executive Chairman
Mr Peter Kane	Group Managing Director
Mr Tsgot Togoo	Executive Director
Mr Kon Tsiakis	Non-Executive Director
The Hon Craig Wallace	Non-Executive Director

Company Secretary

Mr Kon Tsiakis

Registered office and principal place of business

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Phone: +61 7 3005 1533

Share registry

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Sydney, NSW 2000
Australia

Guildford Coal Limited shares are listed on the Australian Securities Exchange (ASX code: GUF).

Solicitors

Herbert Smith Freehills
101 Collins Street
Melbourne, Victoria 3000
Australia

Bankers

Australia and New Zealand Banking Group Limited
242 Pitt Street
Sydney, NSW 2000
Australia

Auditors

EY
680 George Street
Sydney, NSW 2000
Australia

The directors present their report, together with the interim financial statements of The Group, being Guildford Coal Limited (the Company) and its controlled entities, for the half year ended 31 December 2013.

Directors

The names of the directors in office at any time during, or since the end of, the half year are:

Names	Position	Appointed/Resigned
The Hon Alan Griffiths	Acting Non-Executive Chairman	
Mr Peter Kane	Group Managing Director	Appointed 23/10/2013
Mr Tsogt Togoo	Executive Director	
Mr Kon Tsiakis	Non-Executive Director	
The Hon Craig Wallace	Non-Executive Director	Appointed 20/01/2014
Mr Peter Kane	Non-Executive Director	Appointed 9/10/2013 Resigned 23/10/2013
The Hon Peter Lindsay	Non-Executive Chairman	Resigned 30/08/2013
Mr Michael Chester	Non-Executive Director	Resigned 24/09/2013
Mr Peter Westerhuis	Managing Director	Resigned 23/10/2013
Mr Gary Humphrys	Alternate Non-Executive Director	Resigned 28/11/2013

Directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

Results of operations

The consolidated loss of the Group for the financial period after providing for income tax was \$12.1 million (2012: \$5.6 million)

Review of operations

The Company has advanced the development of the Baruun Noyon Uul (BNU) mine of the South Gobi project in Mongolia, as it continues the process of moving from explorer to operator. A new senior management team has evolved to manage this transition, emphasising the skills required by the Company.

Mongolia

The BNU mine project underwent the formal process of commissioning the mine project and the Company announced on 7 February 2014 that the mine had been successfully and formally commissioned for operations and sales by the Mongolian Government.

During the period Terra Energy LLC received Mongolian government approval to construct a 98km haulage road connecting the BNU mine to the Nariin Sukhait transport hub. On the 23 December 2013 the Company announced the completion of the first phase of the haul road.

Pre-mining activities at South-Gobi continued during the half year with a focus on the BNU mine development. This included:

- Completion of a comprehensive core hole drilling program across the BNU resource, including preparation for upgrading the current MRAM resource.
- The removal of overburden, extraction and stockpiling of coal.
- Progressive excavation of the boxcut to expose coal.
- Customer visits were conducted along with coal sales marketing activities and sales agreement negotiations.
- Infrastructure required for the initial phase of mining was established including ROM, weighbridge infrastructure, foundations and building structures for the heavy equipment workshop. The onsite coal testing laboratory was also commissioned.

Queensland

A maiden JORC indicated resource of 43Mt was achieved at Springsure after the completion of the first 3 drill holes in the current program. The Springsure Indicated JORC resource triggered an \$8.8 million payment under the share sale agreement for the project. Management agreed a settlement in shares that saves the company \$2.2 million in future payments under the agreement.

At Springsure, follow-up landowner engagement was undertaken and all outstanding rehabilitation commitments were completed by the end of 2013.

In the Northern Galilee, there was ongoing stakeholder engagement and a number of community support initiatives undertaken across Hughenden, Pentland and Charters Towers, including a meeting of the company's North Galilee Community Consultative Committee held in Charters Towers in December.

Financial Position

During the six months to 31 December 2013, the company entered into additional financing facilities with Noble. Gross cash proceeds from the financing arrangements totalled US\$22.0 million. Cash at bank at the end of the reporting period was \$12.9 million (June 2013 \$25.6million).

Dividends Paid or Recommended

No dividends were paid or declared for future payment during the financial period.

After Balance Date Events

The management of the Company announced to the ASX on 30 December 2013 that due to a prior announcement of a maiden JORC Indicated Resource for EPC 1674 (the Springsure Project) of 43Mt a payment would be made to TheChairmen1 Pty Ltd (C1) in the form of 106,810,121 fully paid ordinary shares (Consideration shares). The management of the Company negotiated with C1 to assign its right to receive 98,000,000 of the Consideration shares to the shareholders in C1 (or their assignees/nominees). These assignments were to be made in proportion to their existing shareholdings in C1. As a consequence of the assignment, the overall impact of the issue of the consideration Shares would cause C1's shareholding in the Company to be diluted. The Company advised on 21 February 2014 that it had issued 89,547,433 fully paid ordinary shares (Initial Consideration Shares) in partial settlement of the Consideration shares. The Initial Consideration Shares were issued to those shareholders of C1 (or their assignees/nominees) who are not related parties of the Company. The Initial Consideration Shares were issued in accordance with the Company's capacity under listing rule 7.1.

On 10 January 2014, the Company announced the completion of new financing arrangements with OCP Asia and confirmed receipt of funding by the Company of US\$10,000,000 in exchange for the issuance of Convertible Notes, the receipt by the Company of US\$55,000,000 in exchange for the issuance of Amortising Notes, and the issuance by the Company of Detachable Warrants for an amount equal to 18.5% of the Amortising Notes. The Convertible Notes bear an interest rate of 12% p.a. and mature on the 8 July 2015. The Amortising Notes bear an interest rate of 12% p.a. and matures on 8 January 2017. As announced to the market on 2 January 2014 the proceeds from the issue of the Convertible Notes and Amortising Notes were used to repay existing indebtedness of the Company to OCP Asia which included a principle repayment of AUD\$39,400,000 and are being used for working capital purposes in relation to the Company's Mongolian assets.

The Hon Craig Wallace was appointed Non-Executive Director on 20 January 2014.

The Company announced on 7 February 2014 that the Company's Baruun Noyon Uul (BNU) mine had been successfully and formally commissioned for operations and sales by the Mongolian Government.

The final requirement to enable the company to deliver first coal shipments to customers in China is the granting of a haul road permit to the coal transport company. During this interim period, the BNU mine activities are being appropriately maintained to a level that will minimise expenditure and maintain cash reserves.

The Company announced on 27 February 2014 the appointment of Mr Michael Majendie to the position of Chief Financial Officer.

Except for the above, no other matters or circumstances have arisen since the end of the financial period which significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Auditor's Independence Declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the half year ended 31 December 2013 has been received and can be found on page 24 of the interim financial report.

This director's report is signed in accordance with a resolution of the Board of Directors



Director:

The Hon Alan Griffiths

Dated: 14 March 2014

	Note	2013 \$	2012 \$
Other income	2	2,451,367	1,193,968
Employee benefits expense	3	(1,330,065)	(1,048,803)
Depreciation and amortisation expense		(40,129)	(70,880)
Legal and professional fees	3	(1,116,106)	(1,066,469)
Management fees		(1,250,000)	(1,250,000)
Rent expense		(503,783)	(475,638)
Consulting fees		(239,843)	(205,790)
Travel expense		(247,677)	(205,047)
Other expenses		(4,291,355)	(1,518,682)
Finance costs	3	(5,543,304)	(1,045,170)
Loss before income tax		(12,110,895)	(5,692,511)
Income tax benefit		10,491	25,243
Loss from continuing operations		(12,100,404)	(5,667,268)
Loss for the period		(12,100,404)	(5,667,268)
Other comprehensive income/(loss), net of income tax			
Items that will be reclassified to profit or loss when specific conditions are met			
Exchange differences on translating foreign controlled entities		1,129,705	(161,244)
Total comprehensive loss for the period		(10,970,699)	(5,828,512)
Loss attributable to:			
Members of the parent entity		(11,542,157)	(4,726,968)
Non-controlling interest		(558,247)	(940,300)
Total Loss		(12,100,404)	(5,667,268)
Total comprehensive income / (loss) attributable to:			
Members of the parent entity		(10,352,868)	(4,847,617)
Non-controlling interest		(617,831)	(980,895)
Total comprehensive loss		(10,970,699)	(5,828,512)
Earnings per share			
Basic earnings/(loss) per share (cents)		(1.81)	(0.92)
Diluted earnings/(loss) per share (cents)		(1.81)	(0.92)

The accompany notes form part of these financial statements.

Consolidated Statement of Financial Position

For the Half-Year Ended 31 December 2013

	Note	31 December 2013 \$	30 June 2013 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		12,932,976	25,681,908
Other receivables		2,238,997	2,456,401
Other assets		4,374,195	3,093,956
TOTAL CURRENT ASSETS		19,546,168	31,232,265
NON-CURRENT ASSETS			
Other receivables		230,150	227,428
Property, plant and equipment	5	69,018,245	41,406,251
Intangible assets		223,006	43,552
Exploration and evaluation expenditure	6	112,277,997	110,217,355
TOTAL NON-CURRENT ASSETS		181,749,398	151,894,586
TOTAL ASSETS		201,295,566	183,126,851
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		9,355,053	9,473,729
Short-term provisions		83,450	48,999
Borrowings	7	46,135,737	10,781,671
Other liabilities	9	36,984	-
TOTAL CURRENT LIABILITIES		55,611,224	20,304,399
NON-CURRENT LIABILITIES			
Borrowings	7	35,389,659	43,825,951
Long-term provisions		873,671	-
Other liabilities		-	751,176
TOTAL NON-CURRENT LIABILITIES		36,263,330	44,577,127
TOTAL LIABILITIES		91,874,554	64,881,526
NET ASSETS		109,421,012	118,245,325
EQUITY			
Issued capital	8	170,466,514	168,806,514
Reserves		(24,593,143)	(25,790,471)
Retained earnings		(38,565,953)	(27,023,796)
Total equity attributable to equity holders of the Company		107,307,418	115,992,247
Non-controlling interest		2,113,594	2,253,078
TOTAL EQUITY		109,421,012	118,245,325

The accompany notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the Half-Year Ended 31 December 2013

	Note	Issued Capital \$	Accumulated Losses \$	Acquisition Reserve \$	Foreign Currency Translation Reserve \$	Option Reserve \$	Owners of the Parent \$	Non- controlling Interests \$	Total \$
Balance at 1 July 2013		168,806,514	(27,023,796)	(29,683,414)	(851,084)	4,744,027	115,992,247	2,253,078	118,245,325
Loss attributable to members of the parent entity		-	(11,542,157)	-	-	-	(11,542,157)	-	(11,542,157)
Loss attributable to non-controlling interests		-	-	-	-	-	-	(558,247)	(558,247)
Total other comprehensive income/(loss) for the period		-	-	-	1,189,289	-	1,189,289	(59,584)	1,129,705
Transactions with owners in their capacity as owners									
Shares issued during the year	8	1,660,000	-	-	-	-	1,660,000	-	1,660,000
Additional share capital in non-controlling interest		-	-	-	-	-	-	486,386	486,386
Recognition of non-controlling interest		-	-	8,039	-	-	8,039	(8,039)	-
Balance at 31 December 2013		170,466,514	(38,565,953)	(29,675,375)	338,205	4,744,027	107,307,418	2,113,594	109,421,012
Balance at 1 July 2012		147,206,514	(26,707,727)	3,387,074	(496,335)	-	123,389,526	11,005,833	134,395,359
Loss attributable to members of the parent entity		-	(4,726,968)	-	-	-	(4,726,968)	-	(4,726,968)
Loss attributable to non-controlling interests		-	-	-	-	-	-	(940,300)	(940,300)
Total other comprehensive loss for the period		-	-	-	(120,649)	-	(120,649)	(40,595)	(161,244)
Transactions with owners in their capacity as owners									
Shares issued during the year		21,600,000	-	-	-	-	21,600,000	-	21,600,000
Issue of options and warrants		-	-	-	-	4,744,027	4,744,027	-	4,744,027
Additional share capital in non-controlling interest		-	-	-	-	-	-	996,373	996,373
Recognition of non-controlling interest		-	-	(33,070,488)	-	-	(33,070,488)	(8,529,515)	(41,600,003)
Balance at 31 December 2012		168,806,514	(31,434,695)	(29,683,414)	(616,984)	4,744,027	111,815,448	2,491,796	114,307,244

The accompany notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the Half-Year Ended 31 December 2013

	31 December 2013 \$	31 December 2012 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(5,817,754)	(6,239,763)
Interest received	72,628	386,887
Interest paid	(3,012,667)	(245,886)
R&D tax concessions received	-	628,258
Net cash provided used in operating activities	(8,757,793)	(5,470,504)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(27,831,577)	(614,458)
Payments for exploration and evaluation expenditure	(2,060,642)	(18,734,033)
Payments for acquisition of non-controlling interest	-	(5,000,000)
Net cash provided used in investing activities	(29,892,219)	(24,348,491)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from non-controlling interest share contribution	486,386	996,373
Proceeds from borrowings	24,284,989	23,741,490
Net cash provided by financing activities	24,771,375	24,737,863
Net decrease in cash and cash equivalents held	(13,878,637)	(5,081,132)
Cash and cash equivalents at beginning of period	25,681,908	14,488,137
Net foreign exchange difference	1,129,705	(161,247)
Cash and cash equivalents at end of period	12,932,976	9,245,758

The accompany notes form part of these financial statements.

Note 1 Summary of Significant Accounting Policies

(a) Basis of Preparation

These general purpose interim financial statements for the half year reporting period ended 31 December 2013 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: Interim Financial Reporting. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Guildford Coal Limited and its controlled entities (referred to as the "consolidated group" or "group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2013, together with any public announcements made during the following half year.

The significant accounting policies used in the preparation and presentation of these interim financial statements are provided below and are consistent with prior reporting periods unless otherwise stated.

The interim financial statements have been prepared on an accrual basis and are based on historical costs, except for the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(b) Going concern

Given the Group's current liabilities exceed the current assets as at 31 December 2013 by \$36,065,056, its minimum exploration and other expenditure commitments and estimated minimum corporate administration costs, the Group will require additional funding over the next twelve months. In order for the Group to continue operating as a going concern and provide the necessary funding until sufficient cash flows are generated at the Baruun Noyon Uul (BNU) mine, additional capital will be required. On 10 January 2014, the Company announced the completion of new financing arrangements with OCP Asia and confirmed receipt of funding by the Company of US\$10,000,000 in exchange for the issuance of Convertible Notes, the receipt by the Company of US\$55,000,000 in exchange for the issuance of Amortising Notes, and the issuance by the Company of Detachable Warrants for an amount equal to 18.5% of the Amortising Notes. The proceeds from the issue of the Convertible Notes and Amortising Notes were used to repay existing indebtedness of the Company to OCP Asia which included a principle repayment of AUD\$39,400,000 and are being used for working capital purposes in relation to the Company's Mongolian assets. The directors and management continually review the liquidity of the Group to provide the optimal capital structure to support the Group's strategy. While there is some uncertainty as to whether additional capital will be secured, and therefore that the Group may be able to realise its assets and discharge its liabilities, the accounts have been prepared on a going concern basis as the directors believe there are reasonable grounds that additional funding required will be obtained.

(c) Adoption of new and revised accounting standards

During the current half year, The Group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these Standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these Standards and Interpretations has had on the interim financial statements of Guildford Coal Limited.

(i) Consolidated financial statements, joint arrangements and disclosure of interests in other entities

The Group has adopted the following new and revised Australian Accounting Standards from 1 July 2013 together with consequential amendments to other Standards:

- AASB 10: Consolidated Financial Statements;
- AASB 11: Joint Arrangements;
- AASB 12: Disclosure of Interests in Other Entities;
- AASB 13: Fair Value Measurement;
- AASB Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine

- AASB 2011–7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards; and
- AASB 2012–10: Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments.

These Standards became mandatorily applicable from 1 January 2013 and became applicable to the Group for the first time in the current half-year reporting period 1 July 2013 to 31 December 2013.

The Group has applied these Accounting Standards retrospectively in accordance with AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors and the specific transition requirements in AASB 10 and AASB 11. The effects of initial application of these Standards in the current half-year reporting period are as follows:

Upon the initial application of AASB 10, retrospective restatement of financial statement amounts of the year that immediately precedes the date of initial application (ie 2012–2013) is necessary. When control is considered to have been obtained earlier than the beginning of the immediately preceding year (ie pre-1 July 2012), any difference between the amount of assets, liabilities and non-controlling interests recognised and the previous carrying amount of the investment in that investee is recognised as an adjustment to equity as at 1 July 2012.

Although the first-time application of AASB 10 (together with the associated Standards) caused certain changes to the Group's accounting policy for consolidation and determining control, it did not result in any changes to the amounts reported in the Group's financial statements as the "controlled" status of the existing subsidiaries did not change, nor did it result in any new subsidiaries being included in the Group as a consequence of the revised definition. However, the revised wording of accounting policy for consolidation is set out in Note 1(c).

Joint arrangements:

AASB 11 requires joint arrangements to be classified as either "joint operations" (where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or "joint ventures" (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). Revised AASB 128 facilitates the application of AASB 11 and incorporates guidance relating to the equity method of accounting. Joint ventures will generally be required to be accounted for using the equity method under AASB 11. The proportionate consolidation method is no longer permitted. However, this will not have any impact on the Group's financial statements as the Group currently has no joint arrangement.

Disclosure of interest in other entities:

AASB 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of AASB 12 has resulted in more extensive disclosures in the consolidated financial statements. However this did not result in any changes to the half year report.

(ii) Fair value measurements and disclosures

The Group has adopted AASB 13: Fair Value Measurement and AASB 2011–8: Amendments to Australian Accounting Standards arising from AASB 13 from 1 July 2013 together with consequential amendments to other Standards. These Standards became mandatorily applicable from 1 January 2013 and became applicable to the Group for the first time in the current half-year reporting period 1 July 2013 to 31 December 2013. AASB 13 sets out a comprehensive framework for measuring the fair value of assets and liabilities and prescribes enhanced disclosures regarding all assets and liabilities measured at fair value. New disclosures prescribed by AASB 13 that are material to this interim financial report have been provided in the notes to this interim financial report. Although these Standards do not significantly impact the fair value amounts reported in the Group's financial statements, the directors have determined that additional accounting policies providing a general description of fair value measurement and each level of the fair value hierarchy, as set out in Note 1(d), should be incorporated in these financial statements.

(iii) Stripping costs

The Group has adopted AASB Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine and AASB 2011–12: Amendments to Australian Accounting Standards arising from Interpretation 20 from 1 July 2013. The Interpretation and the Amending Standard became mandatorily applicable from

1 January 2013 and became applicable to the Group for the first time in the current half-year reporting period 1 July 2013 to 31 December 2013.

Interpretation 20 addresses waste removal costs that are incurred in surface mining activity ("stripping costs") during the production phase of the mine and prescribes accounting requirements for recognition and measurement of such costs. On transition, existing production phase stripping costs need to be written off to retained earnings unless they can be attributed to an identifiable component of an ore body.

The directors have determined that the Interpretation did not result in any significant changes to the amounts reported in the Group's financial statements, as the Group does not have any previously recognised asset balances that resulted from stripping activity undertaken during the production phase of a mine, either at the beginning of the current half-year reporting period or as at the beginning of the earliest period presented (ie as at 1 July 2012).

(iv) Other

Other new and amending Standards that became applicable to the Group for the first time during this half-year reporting period are as follows:

- AASB 2012-2: Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities and AASB 2012-5: Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle.

These Standards make changes to presentation and disclosure requirements, but did not affect the Group's accounting policies or the amounts reported in the financial statements.

- AASB 119: Employee Benefits (September 2011) and AASB 2011-10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011).

These Standards did not affect the Group's accounting policies or the amounts reported in the financial statements, mainly because the Group does not have defined benefit plan assets or obligations.

(d) Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Guildford Coal Limited) and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

(e) Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the

specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

(i) Valuation techniques

In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

(ii) Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

- Level 1: Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

- i. if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or
- ii. if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (i.e. transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

Note 2 Other Income

	31 December 2013	31 December 2012
Note	\$	\$
- Interest received	75,752	382,772
- Gain on foreign currency exchange	721,423	182,938
- Mark to market valuation on conversion option	7(c) 714,192	-
- Gain on Terra Energy Limited acquisition deferred consideration	8(a) 940,000	-
- R&D concessions	-	628,258
	2,451,367	1,193,968

Note 3 Expenses

The following expense items are relevant in explaining the financial performance for the interim period:

	31 December 2013	31 December 2012
Note	\$	\$
Interest expense on financial liabilities at amortised cost:		
- Working capital facility (refer to Note 7(a))	422,323	264,401
- Interest bearing loans (refer to Note 7(b))	671,113	324,801
- Convertible bonds (refer to Note 7(c))	4,279,776	452,311
- Other interest	170,092	3,657
	5,543,304	1,045,170
Legal and professional fees:		
- Legal fees	966,405	894,776
- Accounting fees	110,294	148,941
- Other professional fees	39,407	22,752
	1,116,106	1,066,469
Employee benefits expense:		
- Salaries and wages	1,032,064	731,164
- Bonuses	20,000	-
- Directors' fees	119,205	138,212
- Payroll tax	24,084	43,533
- Other employee expenses	134,712	135,894
	1,330,065	1,048,803

Note 4 Operating Segments

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings as the diversification of The Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- the products sold and/or services provided by the segment;
- the geographical location of the segment; and
- any external regulatory requirements.

Performance is measured based on segment profit before income tax as included in the internal financial reports.

Types of products and services by reportable segment

The principal products and services of each of these operating segments are as follows:

Segment	Activities
Australia	Coal exploration and extraction activities within Australia.
Mongolia	Coal exploration and extraction activities within Mongolia.

Basis of accounting for purposes of reporting by operating segments

(a) Accounting policies adopted

All amounts reported to the Board of Directors, being the chief operating decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

A number of inter segment transactions, receivables, payables or loans occurred during the period or existed at balance date.

(b) Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

(c) Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Segment liabilities include trade and other payables and certain direct borrowings.

(d) Segment performance

	Australia		Mongolia		Unallocated		Total	
	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December
	2013	2012	2013	2012	2013	2012	2013	2012
	\$	\$	\$	\$	\$	\$	\$	\$
Reconciliation of segment net loss to consolidated net loss after tax:								
Exploration Permits for Coal Rent	(405,179)	(407,055)	-	-	-	-	(405,179)	(407,055)
Administration and operating costs	-	-	(2,772,609)	(900,544)	-	-	(2,772,609)	(900,544)
Interest Revenue	-	-	-	-	72,628	382,772	72,628	382,772
Other Revenue	-	-	-	-	2,378,739	811,196	2,378,739	811,196
Employee Costs	-	-	-	-	(1,330,065)	(1,048,803)	(1,330,065)	(1,048,803)
Other Operating Expenses	-	-	-	-	(10,033,427)	(4,530,077)	(10,033,427)	(4,530,077)
Income taxes	-	-	-	-	(10,491)	25,243	(10,491)	25,243
Net loss after tax per Statement of Profit or Loss and Other Comprehensive Income	(405,179)	(407,055)	(2,772,609)	(900,544)	(8,922,616)	(4,359,669)	(12,100,404)	(5,667,268)

(e) Segment assets and liabilities

	Australia		Mongolia		Unallocated		Total	
	31 December	30 June	31 December	30 June	31 December	30 June	31 December	30 June
	2013	2013	2013	2013	2013	2013	2013	2013
	\$	\$	\$	\$	\$	\$	\$	\$
Exploration and evaluation assets	93,416,346	91,900,648	18,861,651	18,316,707	-	-	112,277,997	110,217,355
Receivables and Other Assets	315,134	274,746	2,154,013	2,409,083	-	-	2,469,147	2,683,829
Property, Plant and Equipment	227,491	238,927	68,790,754	41,167,324	-	-	69,018,245	41,406,251
Cash and cash equivalents	-	-	-	-	12,932,976	25,681,908	12,932,976	25,681,908
Intangible assets	37,763	43,552	185,243	-	-	-	223,006	43,552
Other assets	-	-	-	-	4,374,195	3,093,956	4,374,195	3,093,956
Total assets per Statement of Financial Position	93,996,734	92,457,873	89,991,661	61,893,114	17,307,171	28,775,864	201,295,566	183,126,851
Segment Liabilities								
Trade payables	2,539,240	4,845,049	6,815,813	4,628,680	-	-	9,355,053	9,473,729
Borrowings	-	-	81,562,380	55,358,798	-	-	81,562,380	55,358,798
Long term provisions	-	-	873,671	-	-	-	873,671	-
Short term provisions	-	-	-	-	83,450	48,999	83,450	48,999
Total liabilities per Statement of Financial Position	2,539,240	4,845,049	89,251,864	59,987,478	83,450	48,999	91,874,554	64,881,526

(f) Segment Cash flow information

	Australia		Mongolia		Total	
	31 December	31 December	31 December	31 December	31 December	31 December
	2013	2012	2013	2012	2013	2012
	\$	\$	\$	\$	\$	\$
Payments for acquisition of exploration, evaluation and development expenditure	1,356,170	13,803,328	28,536,049	4,930,705	29,892,219	18,734,033

Note 5 Property, plant and equipment

	31 December	30 June
	2013	2013
	\$	\$
LAND AND BUILDINGS		
At cost	164,710	164,710
Accumulated depreciation	(65,091)	(51,413)
	99,619	113,297
CAPITAL WORKS IN PROGRESS		
At cost	-	1,273
PLANT AND EQUIPMENT		
At cost	12,444,091	836,324
Accumulated depreciation	(259,955)	(236,482)
	12,184,136	599,842
MINE DEVELOPMENT		
At cost	56,734,490	40,691,839
Total	69,018,245	41,406,251

(a) Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current half year:

	Capital Works in Progress	Buildings	Plant and Equipment	Mine Development	Total
	\$	\$	\$	\$	\$
Consolidated					
Balance at 1 July 2013	1,273	113,297	599,842	40,691,839	41,406,251
Additions	-	-	11,606,494	16,042,651	27,649,145
Transfers	(1,273)	-	1,273	-	-
Depreciation expense	-	(13,678)	(23,473)	-	(37,151)
Balance at 31 December 2013	-	99,619	12,184,136	56,734,490	69,018,245
Balance at 1 July 2012	-	135,069	448,116	-	583,185
Additions	1,273	9,416	234,205	654,453	899,347
Transfers	-	-	-	40,037,386	40,037,386
Depreciation expense	-	(31,188)	(82,479)	-	(113,667)
Balance at 30 June 2013	1,273	113,297	599,842	40,691,839	41,406,251

Note 6 Exploration and evaluation assets

	31 December 2013	30 June 2013
	\$	\$
Exploration and evaluation assets - at cost	112,277,997	110,217,355

(a) Movements in carrying amounts of exploration and evaluation assets

During the period ended 31 December 2013, the Group capitalised \$2,060,642 (30 June 2013: \$30,689,971) worth of expenditure as exploration expenditure. These costs relate to the acquisition and evaluation of mining tenements, including drilling, consulting and rent. A summary of movements for capitalised exploration and valuation expenditure is as follows:

Balance at 1 July 2013	\$	110,217,355
Exploration expenditure		2,060,642
Balance at 31 December 2013		112,277,997

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

(b) Interest in mining tenements

Tenure Number	Location	Percentage Interest	
		31 December 2013	30 June 2013
1250	Charters Towers, Queensland Australia	64.40%	64.40%
1260	Charters Towers, Queensland Australia	64.40%	64.40%
1300	Charters Towers, Queensland Australia	100%	100%
1394	Charters Towers, Queensland Australia	100%	100%
1477	Charters Towers, Queensland Australia	100%	100%
1478	Charters Towers, Queensland Australia	100%	100%
1479	Charters Towers, Queensland Australia	100%	100%
1480	Mount Isa, Queensland Australia	100%	100%
1573	Mount Isa, Queensland Australia	100%	100%
1574	Charters Towers, Queensland Australia	100%	100%
1576	Mount Isa, Queensland Australia	100%	100%
1674	Emerald, Queensland Australia	50.78%	50.78%
1822	Rockhampton, Queensland Australia	100%	100%
1870	Rockhampton, Queensland Australia	100%	100%
1872	Rockhampton, Queensland Australia	100%	100%
1890	Charters Towers, Queensland Australia	100%	100%
1892	Charters Towers, Queensland Australia	100%	100%
1893	Charters Towers, Queensland Australia	100%	100%
1962	Charters Towers, Queensland Australia	100%	100%
1963	Charters Towers, Queensland Australia	100%	100%
1964	Charters Towers, Queensland Australia	100%	100%
2003	Rockhampton, Queensland Australia	100%	100%
2046	Mount Isa, Queensland Australia	100%	100%
2047	Mount Isa, Queensland Australia	100%	100%
2048	Charters Towers, Queensland Australia	100%	100%
2049	Charters Towers, Queensland Australia	100%	100%
2057	Dalby, Queensland Australia	100%	100%
2058	Dalby, Queensland Australia	100%	100%
2105	Charters Towers, Queensland Australia	100%	100%
2503	Charters Towers, Queensland Australia	100%	100%
2504	Charters Towers, Queensland Australia	100%	100%
12929X	Mid Gobi, Mongolia	100%	100%
13352X	South Gobi, Mongolia	100%	100%
13780X	South Gobi, Mongolia	100%	100%
14522X	South Gobi, Mongolia	100%	100%
15466X	Mid Gobi, Mongolia	100%	100%
5262X	South Gobi, Mongolia	70%	70%
5264X	South Gobi, Mongolia	100%	100%

Note 7 Borrowings

		31 December 2013	30 June 2013
	Note	\$	\$
CURRENT			
Working capital facility	(a)	11,175,682	10,781,671
Other financial liabilities	(c)	34,960,055	-
Total		<u>46,135,737</u>	<u>10,781,671</u>
NON-CURRENT			
Interest bearing loans	(b)	35,389,659	10,781,672
Convertible bonds	(c)	-	33,044,279
Total		<u>35,389,659</u>	<u>43,825,951</u>

(a) Working Capital Facility

On 24 September 2012, the company entered into a working capital facility agreement with Noble Resources International Pte. Ltd (the Lender) for US\$10,000,000. The facility bears an annual interest rate of London Interbank Offered Rate (LIBOR) plus a margin of 7.25%. The maturity date of this working capital facility agreement is 30 June 2014. As at 31 December 2013, the entire US\$10,000,000 facility had been drawn down, with AUD \$394,011 in unrealised foreign exchange losses.

(b) Interest Bearing Loans

On 31 October 2012, the company entered into a long-term debt facility agreement with Noble International Pte. Ltd (the Lender) for US\$10,000,000. The facility bears an annual interest rate of London Interbank Offered Rate (LIBOR) plus a margin of 7.25% and matures on 30 April 2016. As at 31 December 2013, the entire US\$10,000,000 facility had been drawn down, with AUD \$394,011 in unrealised foreign exchange losses.

On 14 November 2013, the company entered into an Exclusivity agreement with Noble International Pte. Ltd (the Lender) for US\$8,000,000. The facility bears an implied annual interest rate of 9.7% and matures on 11 November 2015. As at 31 December 2013, the entire US\$8,000,000 facility had been drawn down, with AUD \$378,956 in unrealised foreign exchange losses.

On 18 December 2013, the company entered into a long-term additional debt facility agreement with Noble International Pte. Ltd (the Lender) for US\$14,000,000. The facility bears an annual interest rate of London Interbank Offered Rate (LIBOR) plus a margin of 7.25% and matures on 4 March 2016. As at 31 December 2013, the entire US\$14,000,000 facility had been drawn down, with AUD \$77,446 in unrealised foreign exchange gains.

(c) Convertible Loans

On 30 April 2013, the Company entered into a convertible non-revolving term bonds agreement ("the convertible loan") with entities related to OCP Asia Limited ("OCP Asia") for proceeds of AUD \$39,400,000. The Company paid OCP Asia a bond structuring fee of \$1,900,000. The convertible loan bears interest at an annual rate of 12% p.a. and matures at the end of October 2014. At the option of the lender, the convertible loan can be converted into ordinary shares of the Company at a conversion per share of \$0.45 and a maximum conversion price of \$0.75 per share. Should the Company elect to repay the loan before the maturity date, warrants with a life of 18 months from the early repayment date will be issued in the place of any unexercised conversion rights.

In accordance with AASB132 - Financial Instruments: Presentation, the conversion option has been classified as a derivative financial liability as it can be settled with equity instruments with a different exercise period than the underlying option. The fair value of the conversion option as at the grant date was \$5,028,413 and was determined by applying the Black Scholes option pricing model with the following assumptions:

Dividend yield	nil
Stock price volatility	78.76%
Risk-free interest rate	2.41%
Expected life of options	1.5 years

At 30 June 2013 the conversion option was fair valued at \$751,176. As at 31 December 2013 the conversion option was valued at \$36,984 with the movement of \$714,192 being recognised directly in the Statement of Profit or Loss and Other Comprehensive Income. The fair value of the option was determined by applying the Black Scholes option pricing model with the following assumptions:

Dividend yield	nil
Stock price volatility	80.21%
Risk-free interest rate	2.41%
Expected life of options	0.83 years

Note 8 Issued Capital

There are no externally imposed capital requirements.

	31 December 2013	30 June 2013
	\$	\$
655,046,899 (June 2013: 635,046,899) Ordinary Shares	170,466,514	168,806,514

(a) Ordinary shares

	31 December 2013	31 December 2013
	No.	\$
At the beginning of the reporting period	635,046,899	168,806,514
Shares issued during the period		
Shares issued for acquisition of 25% ownership in Terra Energy Ltd	20,000,000	1,660,000
At the end of the reporting period	655,046,899	170,466,514

The following transaction took place during the period:

Up to \$15,000,000 of deferred consideration relating to the acquisition of Terra Energy Limited was due on or before 21 December 2013. Under the terms of the purchase agreement, at the election of the Company, the deferred consideration could take the form of cash or shares. In accordance with the deferred consideration share calculation in the purchase agreement 20,000,000 Guildford Coal shares were issued to Terra Holdings to meet this deferred consideration liability. At the 30 June 2013, 20,000,000 shares at a value of \$2,600,000 had been recorded as a liability. Therefore a gain of \$940,000 on settlement of deferred consideration was realised, which was recognised directly in the Statement of Profit or Loss and Other Comprehensive Income for the period ended 31 December 2013.

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

The above shares have no par value with all shares being fully paid.

(b) Capital Management

Management controls the capital of the Group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

Note 9 Fair Value Measurement

Fair value hierarchy

AASB 13 *Fair Value Measurement* requires all assets and liabilities measured at fair value to be assigned to a level in the fair value hierarchy as follows:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3	Unobservable inputs for the asset or liability.

The table below shows the assigned level for each asset and liability held at fair value by The Group:

	Level 1	Level 2	Level 3	Total
31 December 2013	\$	\$	\$	\$
Recurring fair value measurements				
Conversion option on convertible debt	-	(36,984)	-	(36,984)

There were no non-recurring fair value measurements for the half year ended 31 December 2013.

There were no transfers between fair value hierarchy categories during the period.

Level 2 measurements

Convertible bonds are valued using the face value of the instrument and adjusted for the fair value of the options attached to the instrument. The fair value of the options is determined using the Black Scholes option pricing model which uses observable market data. The details of the data used Black Scholes model is contained in note 7.

There were no changes during the period in the valuation techniques used by the Group to determine Level 2 fair values.

The carrying values of financial assets and financial liabilities recorded in the financial statements approximates their respective net fair values, adjusted for capitalised transaction costs, if any, determined in accordance with the accounting policies disclosed in note 1 to the financial statements.

Note 10 Contingencies

Contingent Liabilities

There has been no change in contingent liabilities since the last annual reporting period.

Note 11 Events after the end of the Interim Period

The management of the Company announced to the ASX on 30 December 2013 that due to a prior announcement of a maiden JORC Indicated Resource for EPC 1674 (the Springsure Project) of 43Mt a payment would be made to TheChairmen1 Pty Ltd (C1) in the form of 106,810,121 fully paid ordinary shares (Consideration shares). The management of the Company negotiated with C1 to assign its right to receive 98,000,000 of the Consideration Shares to the shareholders in C1 (or their assignees/nominees). These assignments were to be made in proportion to their existing shareholdings in C1. As a consequence of the assignment, the overall impact of the issue of the consideration Shares would cause C1's shareholding in the Company to be diluted. The Company advised on 21 February 2014 that it had issued 89,547,433 fully paid ordinary shares (Initial Consideration Shares) in partial settlement of the Consideration shares. The Initial Consideration Shares were issued to those shareholders of C1 (or their assignees/nominees) who are not related parties of the Company. The Initial Consideration Shares were issued in accordance with the Company's capacity under listing rule 7.1.

On 10 January 2014, the Company announced the completion of new financing arrangements with OCP Asia and confirmed receipt of funding by the Company of US\$10,000,000 in exchange for the issuance of Convertible Notes, the receipt by the Company of US\$55,000,000 in exchange for the issuance of Amortising Notes, and the issuance by the Company of Detachable Warrants for an amount equal to 18.5% of the Amortising Notes. The Convertible Notes bear an interest rate of 12% p.a. and mature on the 8 July 2015. The Amortising Notes bear an interest rate of 12% p.a. and matures on 8 January 2017. As announced to the market on 2 January 2014 the proceeds from the issue of the Convertible Notes and Amortising Notes were used to repay existing indebtedness of the Company to OCP Asia which included a principle repayment of AUD\$39,400,000 and are being used for working capital purposes in relation to the Company's Mongolian assets.

The Hon Craig Wallace was appointed Non-Executive Director on 20 January 2014.

The Company announced on 7 February 2014 that the Company's Baruun Noyon Uul (BNU) mine had been successfully and formally commissioned for operations and sales by the Mongolian Government.

The final requirement to enable the company to deliver first coal shipments to customers in China is the granting of a haul road permit to the coal transport company. During this interim period, the BNU mine activities are being appropriately maintained to a level that will minimise expenditure and maintain cash reserves.

The Company announced on 27 February 2014 the appointment of Mr Michael Majendie to the position of Chief Financial Officer.

No other matters or circumstances have arisen since the end of the half year which significantly affected or could significantly affect the operations of The Group, the results of those operations, or the state of affairs of The Group in future financial years.

The directors of the Company declare that:

1. The interim financial statements and notes, as set out on pages 6 to 22 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - (b) give a true and fair view of the consolidated group's financial position as at 31 December 2013 and of its performance for the half-year ended on that date.
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Director
The Hon Alan Griffiths

Dated: 14 March 2014



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Auditor's Independence Declaration to the Directors of Guildford Coal Limited

In relation to our review of the financial report of Guildford Coal Limited for the half year ended 31 December 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Anton Ivanyi
Partner
Sydney
14 March 2014



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To the members of Guildford Coal Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Guildford Coal Limited, which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Guildford Coal Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

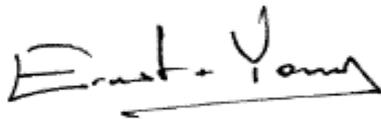
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Guildford Coal Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1(b) in the financial report which describes the principal conditions that raise doubt about the entity's ability to continue as a going concern. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

The logo for Ernst & Young, featuring the company name in a stylized, handwritten font with a horizontal line underneath.

Ernst & Young

A handwritten signature in cursive script, appearing to read 'A. Ivanyi'.

Anton Ivanyi
Partner
Sydney
14 March 2014