



**GUILDFORD**  
COAL

Guildford Coal Limited  
Level 7, 490 Upper Edward Street  
Spring Hill QLD 4000  
Telephone: 07 3005 1533  
[www.guildfordcoal.com.au](http://www.guildfordcoal.com.au)

3 March 2014

Australian Securities Exchange Limited  
Company Announcements Office

### **Notice of Extraordinary General Meeting**

Guildford Coal Ltd (ASX: GUF) is pleased to attach a Notice of Extraordinary General Meeting and Proxy Form for a meeting of shareholders to be held on Thursday 3 April 2014 at the offices of K&L Gates, Level 16, 66 Eagle Street, Brisbane, Queensland, commencing at 11:00am (Brisbane time).

The Notice of Meeting and Proxy Form are being sent to shareholders today and are available on the Company's website at [www.guildfordcoal.com.au](http://www.guildfordcoal.com.au).

For further information please contact Mr. Peter Kane, Group Managing Director, 07 3005 1533.

Yours faithfully

**Kon Tsiakis**  
**Company Secretary**

# **Guildford Coal Limited**

**ACN 143 533 537**

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## **Notice of Extraordinary General Meeting to be held on 3 April 2014**

### **Explanatory Memorandum for the Notice of Extraordinary General Meeting**

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**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.**

**NOTICE OF THE EXTRAORDINARY GENERAL MEETING TO BE HELD AT  
THE OFFICES OF K&L GATES, LEVEL 16, 66 EAGLE STREET BRISBANE QLD 4000  
AT 11.00 AM (BRISBANE TIME) ON 3 APRIL 2014**

**TO BE VALID, FORMS OF PROXY FOR USE AT THE EXTRAORDINARY GENERAL MEETING  
MUST BE COMPLETED AND RETURNED TO THE COMPANY NO LATER THAN 11.00AM  
(BRISBANE TIME) ON 1 APRIL 2014**

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## Section A – Chairman’s Letter

27 February 2014

Dear Shareholder,

On behalf of the Board, I have the pleasure of inviting you to an Extraordinary General Meeting of the members of Guildford Coal Limited (**Guildford** or **Company**) which will be held at the offices of K&L Gates, Level 16, 66 Eagle Street Brisbane QLD 4000 on 3 April 2014 at 11.00 am (Brisbane Time).

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

### **Springsure Agreement**

As previously announced, Guildford acquired 3,691,740 ordinary shares in Springsure Mining Pty Ltd ACN 134 554 662 (**Springsure**) (**Springsure Shares**) under a share sale agreement dated on or around 2 April 2012 (**Sale Agreement**) from Resco Projects Pty Limited ACN 138 362 884 (**Resco**). Under the terms of the Sale Agreement the consideration payable to Resco for the Springsure Shares is as follows:

- (a) \$400,000 paid in kind by Guildford contributing certain management expertise and intellectual property in relation to Springsure and EPC 1674 following completion of the acquisition, as well as cost synergies with other tenements managed by Guildford; and
- (b) up to \$20,000,000 by way of additional consideration for the acquisition of the Springsure Shares (**Additional Consideration**).

The Additional Consideration is due to be paid as follows:

- (a) \$2,200,000 for each of the first 5 JORC indicated mineral resources of 10,000,000 tonnes in respect of EPC 1674 (confirmed in a JORC report prepared by a competent person under the JORC Code) (each being a **Milestone**) achieved following completion of the acquisition of the Shares (up to a maximum of \$11,000,000) (collectively the **Initial Additional Consideration**); and
- (b) \$1,800,000 for each of the next 5 Milestones achieved thereafter (up to a maximum of \$9,000,000) (collectively the **Final Additional Consideration**),

Each instalment of the Additional Consideration is payable either:

- in cash - within 10 Business Days of Guildford being notified of the relevant Milestone being achieved; or
- in shares – within 10 Business Days of Guildford being notified of the relevant Milestone being achieved, or such later date as required by Guildford in order to comply with any law or the Listing Rules.

Resco requested Guildford's consent to the assignment of the right to receive the Initial Additional Consideration (but not the Final Additional Consideration) to TheChairmen1 Pty Limited ACN 137 271 642 (**Chairmen**).

As previously announced, Guildford consented to the assignment discussed above under the terms of an assignment deed dated 29 November 2013 (**Assignment Deed**).

In addition, Bluestone Global Limited announced on 24 December 2012 that Resco had sold its contingent receivable in relation to the Final Additional Consideration to Gleneagle Securities Nominees Pty Limited in its capacity as trustee for the Gleneagle Investment Unit Trust A.

### **Payment of Initial Additional Consideration**

Guildford announced to the ASX on 29 November 2013 that the first 4 Milestones in relation to the Initial Additional Consideration had been achieved. As a result \$8,800,000 of the Initial Additional Consideration is now due to Chairmen under the terms of the Assignment Deed.

Guildford also announced on 30 December 2013 that Chairmen had accepted an offer to settle the payment of the Initial Additional Consideration on the following terms:

- (a) the payment due in relation to the first 4 Milestones (being \$8,800,000) will be in full and final settlement of the Initial Additional Consideration due under the Sale Agreement and the Assignment Deed;
- (b) Chairmen to release Guildford from any obligation to pay the remaining instalment of the Initial Additional Consideration (being \$2,200,000) due on satisfaction of the relevant Milestone; and
- (c) the payment due under (a) above will be made by Guildford issuing 106,810,121 fully paid ordinary shares (**Consideration Shares**) to Chairmen.

The announcement also noted that the offer was conditional on the relevant approvals being obtained from Guildford's shareholders.

Chairmen subsequently requested Guildford's consent to the assignment of its right to receive 98,000,000 of the Consideration Shares to the shareholders in Chairmen (or their assignees/nominees). These assignments were to be made in proportion to their existing shareholdings in Chairmen.

As previously announced, Guildford consented to the assignment discussed above under the various Additional Assignment Deeds dated on or around 20 February 2014.

### **Details of the Transaction**

As announced to the ASX on 21 February 2014, Guildford has issued 89,547,433 fully paid ordinary shares (**Initial Consideration Shares**) in partial settlement of the Initial Additional Consideration. The Initial Consideration Shares were issued to certain shareholders of Chairmen (or their assignees/nominees) under the terms of the Additional Assignment Deeds. The recipients of the Initial Consideration Shares are not related parties of Guildford.

Guildford now wishes to issue a total of 17,262,688 fully paid ordinary shares (**Final Consideration Shares**) to Chairmen, Nooava Pty Ltd as trustee for the Tsiakis Family Trust and Mr. Craig Ransley in final satisfaction of the Initial Additional Consideration as discussed above. Nooava and Mr. Craig Ransley are shareholders in Chairmen to whom some of the Initial Consideration Shares were assigned by Chairmen. The issue price of the Final Consideration Shares will be \$0.082389196 per share (being the volume weighted average price of Guildford's shares on the Australian Securities Exchange for 7 Business Days up to the close of business on the date on which Guildford received the JORC report confirming satisfaction of the first 4 Milestones applicable to the Initial Additional Consideration).

## **Shareholder approvals**

The Company is required by the Listing Rules to obtain shareholder approval in order to issue the Final Consideration Shares. The relevant approvals are identified in full in the Notice of Meeting and the Explanatory Memorandum.

## **Rationale for and benefits of the Transaction**

The Transaction provides for the final settlement of Guildford's obligations under the Sale Agreement to pay the Initial Additional Consideration due in relation to the acquisition of the Springsure Shares. No further instalments of the Initial Additional Consideration will be payable by Guildford following completion of the Transaction.

**Shareholders should note that the Final Additional Consideration (being up to \$9,000,000) will still be payable by Guildford (either in cash or shares) under the terms of the Sale Agreement (subject to the relevant Milestones being achieved) even if the Transaction is approved and the Final Consideration Shares are issued.**

## **Completion of the Transaction**

Completion of the Transaction (and the issue of the Final Consideration Shares) is conditional on the passing of Resolutions 1, 2 and 3 set out in the attached Notice of Meeting.

The terms of the Transaction are summarized in the Explanatory Memorandum.

**Shareholders should note that if any or all of Resolutions 1, 2 and 3 are not approved at the Extraordinary General Meeting Guildford will be required to pay the some or all of the balance of the Initial Additional Consideration (being a maximum of \$3,622,259) to Chairmen (subject to the relevant Milestones being achieved). An amount of up to \$1,422,259 will be payable to Chairmen by Guildford in cash immediately following the Extraordinary General Meeting in accordance with the terms of the Sale Agreement and the Assignment Deed. The balance of \$2,200,000 will become payable to Chairmen (either in cash or Guildford shares) once the relevant Milestone is achieved.**

## **Recommendation of the Directors in relation to the Transaction**

Mr. Alan Griffiths, Mr. Tsogt Togoo, Mr. Peter Kane, Mr. Craig Wallace and Mr. Kon Tsiakis are the directors of Guildford.

**The Directors other than Mr. Tsiakis unanimously recommend that shareholders vote in favour of Resolutions 1 and 2 in relation to the Transaction set out in the enclosed Notice of Meeting. Mr. Tsiakis makes no recommendation with respect to Resolutions 1 and 2.**

Given Mr. Tsiakis' relationship with Nooava and Chairmen, Mr. Tsiakis has agreed with Guildford that he will not vote on Resolutions 1 and 2 and will not made a recommendation in relation to Resolutions 1 and 2. As at the date of this notice of meeting, Mr. Tsiakis does not hold any Guildford Shares.

**The Directors unanimously recommend that shareholders vote in favour of Resolution 3 in relation to the Transaction set out in the enclosed Notice of Meeting.**

### **Approval and ratification of issue of shares**

Resolution 4 seeks approval and ratification under Listing Rule 7.4 of the issue of 89,547,433 Shares agreed to be issued by the Company since the Extraordinary General Meeting held in December 2013 as set out in the Explanatory Memorandum. Resolution 4, if passed, will enable the Company to retain the flexibility to issue equity securities within the next 12 months up to the 15% threshold specified in the Listing Rules without the requirement to obtain prior Shareholder approval.

### **Issue of Performance Rights to Mr. Peter Kane, Group Managing Director**

Resolution 5 seeks shareholder approval to the grant of 4,758,444 Performance Rights to Mr. Peter Kane, Group Managing Director for the purposes of Listing Rule 10.11.

Shareholders are encouraged to read the enclosed Explanatory Memorandum in its entirety, and to attend the Extraordinary General Meeting and vote on the Resolution. A proxy form is enclosed to enable any Shareholder who is unable to attend the Extraordinary General Meeting to vote at the meeting.

Should you wish to discuss this notice of meeting you can contact Mr. Mark Reynolds, Acting Chief Financial Officer on (07) 3005 1533.

Once again, on behalf of the Board I would like to thank you for your continued support.

Yours faithfully



**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:

**Additional Assignment Deeds** means the various assignment deeds titled Assignment Deed: Springsure Indicated Resource between Guildford, Chairmen and each of the Assignees in relation to the Consideration Shares.

**Additional Consideration** means up to \$20,000,000 payable under the Sale Agreement for the acquisition of the Springsure Shares (being the sum of the Initial Additional Consideration and the Final Additional Consideration).

**AEDT** means Australian Eastern Daylight Saving Time.

**ASIC** means the Australian Securities and Investments Commission.

**Assignees** means the shareholders of Chairmen (or their assignees/nominees) who will receive some of the Consideration Shares under the terms of the Additional Assignment Deeds.

**Assignment Deed** means the Assignment deed: Springsure Share Sale Agreement between Guildford, Chairmen and Resco dated 29 November 2013.

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

**ASX** means ASX Limited ACN 008 624 691.

**Board** or **Board of Directors** means the board of directors of Guildford.

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

**Chairmen** means TheChairmen1 Pty Limited ACN 137 271 642.

**Company** or **Guildford** means Guildford Coal Limited ACN 143 533 537.

**Competent Person** has the meaning given to that term in the JORC Code.

**Consideration Shares** means 106,810,121 Shares in Guildford to be issued at the Issue Price (made up of the Initial Consideration Shares and the Final Consideration Shares).

**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.

**EPC** means Exploration Permit for Coal.

**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 1 April 2014 pursuant to the Notice of Meeting.

**Final Additional Consideration** means \$1,800,000 for each of the second 5 Milestones achieved after completion of the Sale Agreement (up to a maximum of \$9,000,000).

**Final Consideration Shares** means 17,262,688 Shares to be issued at the Issue Price (subject to Resolutions 1, 2 and 3 being approved).

**Group** means the Company and its controlled entities.

**Indicated Resource** means an indicated mineral resource status as described in the JORC Code.

**Initial Additional Consideration** means \$2,200,000 for each of the first 5 Milestones achieved after completion of the Sale Agreement (up to a maximum of \$11,000,000).

**Initial Consideration Shares** means 89,547,433 Shares issued at the Issue Price.

**Issue Price** means the deemed issue price of the Consideration Shares, being \$0.082389196 per Consideration Share.

**JORC** means the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.

**JORC Code** means the Australian Code for Reporting of Mineral Resources and Ore Reserves published by JORC.

**JORC Report** means a written report which complies with the JORC Code.

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

**Milestone** means Indicated Resources of 10,000,000 tonnes in respect of EPC 1674 confirmed in a JORC Report prepared by a competent person under the JORC Code.

**Non Associated Shareholders** means the Shareholders of the Company who are not excluded from voting on the Resolutions.

**Nooava** means Nooava Pty Ltd ACN 126 885 032 as trustee for the Tsiakis Family Trust.

**Notice of Meeting or Notice** means the notice of Extraordinary General Meeting set out in Section C of this document.

**Performance Right** means a conditional right to acquire a Share on the terms and conditions set out in section 5.4 of the Explanatory Memorandum.

**Resco** means Resco Projects Pty Limited ACN 138 362 884.

**Resolutions** means the resolutions set out in the Notice of Meeting to be considered by Shareholders at the Extraordinary General Meeting, being resolutions to be passed by the requisite majority of members of the Company on a show of hands or by the requisite majority of votes given on a poll.

**Sale Agreement** means the Springsure Share Sale Agreement between Guildford and Resco in relation to the Springsure Shares dated on or around 2 April 2012.

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

**Shareholder** means a holder of a Share.

**Springsure** means Springsure Mining Pty Limited ACN 134 554 662.

**Springsure Shares** means 3,691,740 ordinary shares in Springsure.

**Transaction** means the final settlement of the Initial Additional Consideration Amount by way of Guildford issuing the Final Consideration Shares.

## 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 Chairman's Letter, 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); and
- (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.

### **3. Date of this document**

This Explanatory Memorandum has been prepared as at 26 February 2014 (the **Preparation Date**) based upon the information available and the facts and circumstances known at the Preparation Date by Guildford.

Subject to the continuing obligations of Guildford under the Listing Rules, the Corporations Act and other laws, no person undertakes to review the financial condition or affairs of Guildford or at any time or to keep a recipient of this document or any Shareholder informed of changes in, or matters arising or coming to their attention which may affect, anything referred to in this document.

Subject to the continuing obligations of Guildford under the Listing Rules, the Corporations Act and other laws, neither Guildford nor any other person accepts any responsibility to Shareholders to update this document after the Preparation Date with regard to information or circumstances which come to its attention after the Preparation Date.

### **4. Independent investment decisions**

This Explanatory Memorandum does not take into account the investment objectives, financial position and particular needs of any particular person. Before making any decision on the basis of this document you should consider, after consulting with an investment adviser, whether that decision is appropriate in light of the information contained in this document.

## 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 16, 66 Eagle Street Brisbane QLD 4000 on 3 April 2014 at 11:00 am (Brisbane time).

Defined terms used in this Notice of Meeting have the meanings given to them in the Glossary accompanying this Notice of Meeting.

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### BUSINESS

#### 1. Resolution 1: Approval of issue of 8,365,921 Shares

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

*"That for the purposes of Listing Rule 10.11 and all other purposes, approval is given for the issue of 8,365,921 fully paid ordinary shares in the Company to Nooava Pty Ltd as trustee for the Tsiakis Family Trust on the terms set out in the Explanatory Memorandum accompanying the Notice of Meeting."*

#### 2. Resolution 2: Approval of issue of 8,810,121 Shares

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

*"That for the purposes of Listing Rule 10.11 and all other purposes, approval is given for the issue of 8,810,121 fully paid ordinary shares in the Company to TheChairmen1 Pty Ltd on the terms set out in the Explanatory Memorandum accompanying the Notice of Meeting."*

#### 3. Resolution 3: Approval of issue of 86,646 Shares

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

*"That for the purposes of Listing Rule 10.11 and all other purposes, approval is given for the issue of 86,646 fully paid ordinary shares in the Company to Mr. Craig Ransley on the terms set out in the Explanatory Memorandum accompanying the Notice of Meeting."*

#### 4. Resolution 4: Ratification of the issue of 89,547,433 Shares

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

*"That for the purposes of ASX Listing Rule 7.4 and for all other purposes, the Shareholders approve and ratify the issue and allotment of 89,547,433 Shares in the Company on the terms and conditions set out in the Explanatory Memorandum accompanying the Notice of Meeting."*

**5. Resolution 5: Approval of grant of Performance Rights to Mr. Peter Kane, Group Managing Director**

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

*"That, for the purposes of ASX Listing Rule 10.11 and all other purposes, approval is given for the Company to grant 4,758,444 Performance Rights to the Group Managing Director, Mr Peter Kane on the terms and conditions set out in the Explanatory Memorandum."*

**6. Voting exclusion statements**

**Resolution 1**

In accordance with the notice requirements of Listing Rule 10.13.6 for approval under Listing Rule 10.11 and Listing Rule 14.11.1, the Company will disregard any votes cast on Resolution 1 by:

- (a) Nooava Pty Ltd;
- (b) any Associate of the party set out in (a) above; and
- (c) a person who might obtain a benefit, except a benefit solely in the capacity as a Shareholder of the Company, if the Resolution 1 is passed, and an Associate of any such person.

While as at the date of this notice Mr. Tsiakis does not hold any Guildford Shares, he has agreed with Guildford that he will not vote on Resolution 1 given his relationship with Nooava.

**Resolution 2**

In accordance with the notice requirements of Listing Rule 10.13.6 for approval under Listing Rule 10.11 and Listing Rule 14.11.1, the Company will disregard any votes cast on Resolution 2 by:

- (a) Chairmen;
- (b) any Associate of the party set out in (a) above; and
- (c) a person who might obtain a benefit, except a benefit solely in the capacity as a Shareholder of the Company, if the Resolution 2 is passed, and an Associate of any such person.

While as at the date of this notice neither Mr. Kon Tsiakis nor Mr. Craig Ransley hold any Guildford Shares, both Mr. Tsiakis and Mr. Ransley have agreed with Guildford that they will not vote on Resolution 2 given their relationship with Chairmen.

**Resolution 3**

In accordance with the notice requirements of Listing Rule 10.13.6 for approval under Listing Rule 10.11 and Listing Rule 14.11.1, the Company will disregard any votes cast on Resolution 2 by:

- (a) Mr. Craig Ransley;
- (b) any Associate of the party set out in (a) above; and

- (c) a person who might obtain a benefit, except a benefit solely in the capacity as a Shareholder of the Company, if the Resolution 3 is passed, and an Associate of any such person.

#### **Resolution 4**

In accordance with the notice requirements of Listing Rule 7.5.6 the Company will disregard any votes cast on Resolution 4 by:

- (a) any person who received any Initial Consideration Shares; and
- (b) an Associate of the parties specified in (a) above.

#### **Resolution 5**

In accordance with the notice requirements of Listing Rule 10.13.6 for approval under Listing Rule 10.11 and Listing Rule 14.11.1, the Company will disregard any votes cast on Resolution 5 by:

- (a) Mr. Peter Kane; and
- (b) any Associate of Mr. Peter Kane.

### **7. Votes not to be disregarded in certain circumstances**

Notwithstanding the voting exclusion statements set out in paragraph 6 above, the Company will not disregard a vote on the Resolutions if it is cast by:

- (a) a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) 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.

### **8. Determination of membership and voting entitlement**

For the purpose of determining a person's entitlement to vote at the Extraordinary General 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 7:00 pm (Brisbane time) (being 8:00 pm AEDT) on 1 April 2014, being the second Business Day prior to the date of the Extraordinary General Meeting.

### **9. 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 Extraordinary General 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.

### **10. Proxies**

Please note that:

- (a) a member entitled to attend and vote at the Extraordinary General 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 Extraordinary General 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 am (Brisbane time) (being 12 noon AEDT) on 1 April 2014:**

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.

**By order of the Board**



**Kon Tsiakis**  
Company Secretary  
**Dated: 27 February 2014**

## Section D - Explanatory Memorandum

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### 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 3 April 2014.

Sections 2, 3 and 4 of this Explanatory Memorandum set out the background to the Resolutions. Section 5 sets out further information in relation to the Resolutions.

All capitalised terms are defined in the Glossary in Section B of this Explanatory Memorandum.

### 2. Background to Resolutions 1, 2 and 3

#### 2.1 Acquisition of Springsure Shares

As previously announced to the ASX, Guildford acquired the Springsure Shares (being 3,691,740 ordinary shares in Springsure) from Resco under the Sale Agreement dated on or around 2 April 2012.

The relevant terms of the Sale Agreement are summarised below.

#### Sale Agreement

Under the terms of the Sale Agreement the consideration payable to Resco for the Springsure Shares is as follows:

- (a) \$400,000 paid in kind by Guildford contributing certain management expertise and intellectual property in relation to Springsure and EPC 1674 following completion of the acquisition, as well as cost synergies with other tenements managed by Guildford; and
- (b) up to \$20,000,000 by way of additional consideration for the acquisition of the Springsure Shares (**Additional Consideration**).

The Additional Consideration is to be paid as follows:

- (a) the Initial Additional Consideration (up to a maximum of \$11,000,000) – being \$2,200,000 for each of the first 5 Milestones (being a JORC indicated mineral resources of 10,000,000 tonnes in respect of EPC 1674 (confirmed in a JORC report prepared by a competent person under the JORC Code)) achieved following completion of the acquisition of the Springsure Shares; and
- (b) the Final Additional Consideration (up to a maximum of \$9,000,000) – being \$1,800,000 for the next 5 Milestones achieved thereafter.

Each instalment of the Additional Consideration is payable either:

- in cash - within 10 Business Days of Guildford being notified of the relevant Milestone being achieved; or
- in shares – within 10 Business Days of Guildford being notified of the relevant Milestone being achieved, or such later date as required by Guildford in order to comply with any law or the Listing Rules.

Bluestone Global Limited announced on 24 December 2012 that Resco sold its contingent receivable in relation to the Final Additional Consideration to Gleneagle Securities Nominees Pty Limited in its capacity as trustee for the Gleneagle Investment Unit Trust A.

### **Assignment Deed**

Resco requested Guildford's consent to the assignment of the right to receive the Initial Additional Consideration to Chairmen.

As previously announced, Guildford consented to the assignment discussed above under the Assignment Deed dated 29 November 2013.

## **2.2 The Transaction**

### **Payment of Initial Additional Consideration**

Guildford announced to the ASX on 29 November 2013 that it had received a JORC Report confirming a JORC indicated resource of 43,481,120 tonnes in relation to EPC 1674, and that the first 4 Milestones in relation to the Initial Consideration had been achieved. As a result \$8,800,000 of the Initial Additional Consideration is now due to Chairmen under the terms of the Assignment Deed.

The coal resource statement in relation to EPC 1674 is available as part of the Company's announcement on 29 November 2013 (**Coal Resource Statement**). This announcement is available on the ASX website ([www.asx.com.au](http://www.asx.com.au)). It was prepared by Moultrie Database & Modelling and Ms. Kim Maloney (a Competent Person for coal). The Directors confirm that:

- (a) they are not aware of any new information or data that materially affects the information included in the Coal Resource Statement;
- (b) that all material assumptions and technical underpinning the estimates in the Coal Resource Statement continue to apply and have not materially changed; and
- (c) the form and context in which Ms Maloney's findings are presented have not been materially altered.

Guildford also announced on 30 December 2013 that Chairmen had accepted an offer to settle the payment of the Initial Additional Consideration on the following terms:

- (a) the payment due in relation to the first 4 Milestones (being \$8,800,000) will be in full and final settlement of the Initial Additional Consideration due under the Sale Agreement;
- (b) Chairmen agreeing to release Guildford from any obligation to pay the remaining instalment of the Initial Additional Consideration (being \$2,200,000) due on satisfaction of the relevant Milestone; and
- (c) the payment of the amount due under (a) above will be made by issuing the Consideration Shares to Chairmen.

The announcement also noted that the offer was conditional on the relevant approvals being obtained from Shareholders.

## **Additional Assignment Deeds**

Chairmen subsequently requested Guildford's consent to the assignment of the right to receive some of the Consideration Shares to Chairmen's shareholders (or their assignees/nominees).

As previously announced, Guildford consented to the assignments discussed above under the Additional Assignment Deeds.

## **Issue of Final Consideration Shares**

As announced to the ASX on 21 February 2014, Guildford has issued 89,547,433 fully paid ordinary shares (**Initial Consideration Shares**) in partial settlement of the Initial Additional Consideration. The Initial Consideration Shares were issued to certain shareholders of Chairmen (or their assignees/nominees) under the terms of the Additional Assignment Deeds. The recipients of the Initial Consideration Shares are not related parties of Guildford.

Guildford now wishes to issue the Final Consideration Shares (being a total of 17,262,688 Shares) to Chairmen, Nooava and Mr. Craig Ransley (Nooava and Mr. Ransley being shareholders of Chairmen to whom Chairmen assigned the right to receive some of the Consideration Shares) in final satisfaction of the Initial Additional Consideration as discussed above. The Final Consideration Shares will be issued at the Issue Price (being \$0.082389196 per share - the volume weighted average price of Guildford's shares on the Australian Securities Exchange for 7 Business Days up to the close of business on the date on which Guildford received the JORC report confirming satisfaction of the first 4 Milestones applicable to the Initial Additional Consideration).

### **2.3 Final Consideration Shares**

The Final Consideration Shares will be fully paid ordinary shares in Guildford. They will have the same terms as, and rank equally with, all of other Shares issued by the Company.

The Company will also apply for the Final Consideration Shares to be quoted on the ASX.

### **2.4 Rationale for the Transaction**

The Transaction provides for the final settlement of Guildford's obligations under the Sale Agreement, the Assignment Deed and the relevant Additional Assignment Deeds to pay the Initial Additional Consideration. No further instalments of the Initial Additional Consideration will be payable by Guildford following completion of the Transaction.

As a result, there will be no requirement for Guildford to have to make future issues of Shares in relation to the Initial Additional Consideration (and for the interests of other Shareholders to be diluted as a result of such issues).

If the Transaction is not approved by Shareholders (i.e. some or all of Resolutions 1, 2 and 3 are not approved) or does not go ahead for any other reason:

- (a) the balance of the Initial Additional Consideration (up to a maximum of approximately \$3,622,259) will still be payable by Guildford;
- (b) the balance of the first 4 instalments of the Initial Additional Consideration (up to approximately \$1,422,259) will be payable by Guildford in cash immediately

following the Extraordinary General Meeting in accordance with the terms of the Sale Agreement and the Assignment Deed.

- (c) the final instalment of the Initial Additional Consideration (being \$2,200,000) will still be payable to Chairmen once the relevant Milestone is achieved; and
- (d) Guildford may need to issue Shares to cover some or all of the remaining Initial Additional Consideration instalment if it does not have sufficient cash resources to meet the remaining Initial Additional Consideration instalment which becomes due and payable in the future. Any such issues of Shares may (depending on the number of Shares which need to be issued to Chairmen in payment of the remaining instalment of the Initial Additional Consideration) lead to further significant dilution of the interests of Non Associated Shareholders.

**Shareholders also should note that the Final Additional Consideration (being up to \$9,000,000) will still be payable by Guildford (either in cash or Shares) under the terms of the Sale Agreement (subject to the relevant Milestones being achieved) even if the Transaction is approved and the Final Consideration Shares are issued.**

## **2.5 Relationship between Chairmen and Guildford**

Chairmen is a private company which was incorporated in June 2009.

Chairmen's current business is investment in various entities and projects (including Guildford). Chairmen also provides the Management Services to Guildford under the terms of a management agreement dated 26 May 2010 (as varied on 20 July 2010 and 27 February 2013).

Chairmen is Guildford's largest shareholder. Chairmen currently holds 219,935,578 Shares in Guildford. This equates to a voting power of approximately 33.576% of Guildford's total issued capital.

Immediately following the initial public listing of Guildford, Chairmen held 55.56% of Guildford's total issued capital. Since that time, Chairmen's interest in Guildford has been decreasing, and following the issue of the Final Consideration Shares (if Resolutions 1, 2 and 3 are approved) Chairmen will hold 228,745,699 Shares in Guildford, equating to a voting power of approximately 30.02% of Guildford's total issued capital.

Mr. Kon Tsiakis is a Director of Guildford and is one of three directors of Chairmen. In addition, Mr. Tsiakis is also one of two directors of Nooava and a shareholder. Nooava is a trustee company for the Tsiakis Family Trust and holds approximately 8.54% of the issued shares of Chairmen, in its capacity as a trustee. Mr. Tsiakis is one of the beneficiaries of the Tsiakis Family Trust.

While as at the date of this notice Mr. Tsiakis does not hold any Guildford Shares, he has agreed with Guildford that he will not vote on Resolutions 1 and 2 given his relationship with Nooava and Chairmen.

Mr. Craig Ransley, a former Director of Guildford, is a director and shareholder of Chairmen. While as at the date of this notice Mr. Ransley does not hold any Guildford Shares, he has agreed with Guildford that he will not vote on Resolution 2 given his relationship with Chairmen.

## **2.6 Recommendations of the Directors**

In relation to Resolutions 1 and 2, the Directors other than Mr. Kon Tsiakis recommend that Non Associated Shareholders vote in favour of Resolutions 1 and 2 as set out in the enclosed Notice of Meeting.

Mr. Tsiakis makes no recommendation with respect to Resolutions 1 and 2.

In relation to Resolution 3, the Directors recommend that Non Associated Shareholders vote in favour of Resolution 3 as set out in the enclosed Notice of Meeting.

## **3. Background to Resolution 4**

Resolution 4 seeks to ratify, in accordance with ASX Listing Rule 7.4, the issue of the Initial Consideration Shares as announced to the ASX on 21 February 2014.

Under Listing Rule 7.1, a company may issue up to 15% of its ordinary share capital in any 12-month rolling period without shareholder approval.

Listing Rule 7.4 permits a company to obtain ratification from its shareholders in relation to a prior share issue (and thereby refresh the company's ability in the future to issue up to 15% of its share capital without obtaining prior shareholder approval).

### **Effect of passing of resolution 4**

Resolution 4, if passed, will enable Guildford to retain the flexibility to issue equity securities within the next 12 months up to the 15% threshold without the requirement to obtain prior Shareholder approval.

### **Recommendation of Directors**

The Board recommends that Shareholders vote in favour of Resolution 4.

## **4. Background to Resolution 5**

The Board (excluding Mr Kane) has agreed, subject to obtaining Shareholder approval, to grant 4,758,444 Performance Rights to Mr Peter Kane, Group Managing Director on the terms and conditions set out below in section 5.4.

Mr Kane was appointed a director of the Company on 16 October 2013. As announced to the market on 28 November 2013, Mr Kane accepted the role of Group Managing Director. The proposed grant of Performance Rights to Mr Kane is in accordance with the terms of Mr Kane's employment agreement and forms part of the long term incentive component of Mr Kane's executive remuneration package.

Further information regarding Resolution 5 is set out in section 5.4 below.

### **Recommendation of Directors**

In relation to Resolution 5, the Directors other than Mr. Peter Kane recommend that Non Associated Shareholders vote in favour of Resolution 5 as set out in the enclosed Notice of Meeting.

Mr. Kane makes no recommendation with respect to Resolution 5 due to his material personal interest in Resolution 5.

## **5. Further Information relating to each of the Resolutions**

### **5.1 Chapter 2E of the Corporations Act**

The Corporations Act regulates the giving of a "financial benefit" to a "related party" of a public company. In general terms, a related party means a director of the public company and his or her relatives or associated companies. Under section 228(1) of the Corporations Act, an entity may also be a related party of a public company if the entity controls the public company and a director of the controlling entity will also be a related party of the public company.

Details of the relationship between Chairmen, Nooava, Mr. Kon Tsiakis, Mr. Craig Ransley and the Company are set out in section 2.5 above.

For the purpose of the Transaction, Guildford has determined that Chairmen, Nooava and Mr. Craig Ransley should be treated as related parties of Guildford and that Mr. Kon Tsiakis (as a director of Guildford) is a related party of Guildford.

Section 208 of the Corporations Act sets out the circumstances in which shareholder approval is required for a public company to give a financial benefit to a related party. However section 210 of the Corporations Act provides that a public company does not require shareholder approval to give a financial benefit on terms that:

- (a) would be reasonable in the circumstances if the public company and the related party were dealing at arm's length; or
- (b) are less favourable to the related party than the terms referred to in paragraph (a) above.

The Directors (other than Mr. Tsiakis in relation to Resolutions 1 and 2) have determined that approval under Chapter 2E of the Corporations Act is not required in relation to Resolutions 1, 2 and 3 as the Final Consideration Shares are being issued on arm's length terms. The Directors (other than Mr. Tsiakis in relation to Resolutions 1 and 2) have based their decision on the following reasons:

- (a) the Sale Agreement in relation to the acquisition of the Springsure Shares was originally between Guildford and Resco (an independent 3rd party vendor);
- (b) the terms of the acquisition of the Springsure Shares under the Sale Agreement were negotiated between unrelated parties receiving independent advice;
- (c) the subsequent assignments by Resco and Chairmen under the Assignment Deed and the Additional Assignment Deeds (respectively) required the Consideration Shares (including the Final Consideration Shares) to be issued in accordance with the terms set out in the Sale Agreement as originally independently negotiated (subject to any Shareholder approvals required under the Listing Rules and the Corporations Act being obtained);
- (d) the settlement agreed between Chairmen and Guildford in relation to the payment of the Initial Additional Consideration are on terms which are less favourable to Chairmen than those originally agreed with ResCo; and
- (e) the subsequent assignment by Chairmen to its shareholders requires the relevant Shares to be issued on the same terms as those agreed with Chairmen.

## 5.2 Resolution 1 – Issue of 8,365,921 Shares

Resolution 1 seeks approval for the Company to issue the 8,365,921 Shares to Nooava.

### Listing Rule 10.11

The Company seeks Shareholder approval for the proposed issue of 8,365,921 Shares to Nooava. These Shares form part of the consideration for the proposed Transaction.

The Shares will be issued to Nooava 1 Business Day after the Extraordinary General Meeting in accordance with the terms of the Sale Agreement, the Assignment Deed and the relevant Additional Assignment Deed.

The issue of the Shares to Nooava will result in Nooava and its Associates holding approximately 1.099% of the total issued Share capital in Guildford.

ASX Listing Rule 10.11 requires shareholder approval for the issue of securities by a company to a related party or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained.

Details of the relationship between Nooava and the Company, and the reasons for seeking Shareholder approval under ASX Listing Rule 10.11, are set out in section 2 above.

The information required to be given to Shareholders for the purposes of approval of the proposed issue of Shares to Nooava under Listing Rule 10.11 is set out below.

<b>Name of person:</b>	Nooava Pty Ltd ACN 126 885 032 as trustee for the Tsiakis Family Trust
<b>Maximum number of securities to be issued:</b>	The maximum number of securities to be issued is 8,365,921 Shares.
<b>Issue Date:</b>	If Resolution 1 is passed at the Extraordinary General Meeting, the Shares will be issued to Nooava 1 Business Day after the date of the Extraordinary General Meeting, but in any event the Shares will be issued no later than 1 month after the date of the Extraordinary General Meeting.
<b>Relationship between Nooava and Guildford</b>	Mr. Kon Tsiakis (a director of Guildford) is a director and shareholder of Nooava.
<b>Issue Price:</b>	The deemed issue price is \$0.082389196 per Share.
<b>Terms of Securities:</b>	The Shares issued to Nooava will be fully paid ordinary shares in the capital of the Company and will rank equally with the existing Shares on issue.

**The use of the funds raised:** No funds will be raised by the issue of the Shares to Nooava. The Shares are being issued to Nooava as part of the settlement of the Initial Additional Consideration payable in relation to the acquisition of the Springsure Shares under the terms of the Sale Agreement, the Assignment Deed and the relevant Additional Assignment Deed.

Shareholder approval is not required under Listing Rule 7.1 for the issue of the Consideration Shares to Nooava, in accordance with Exception 14 of Listing Rule 7.2. That is, approval is not required under Listing Rule 7.1 if approval is given under Listing Rule 10.11.

### **5.3 Resolution 2 – Issue of 8,810,121 Shares**

Resolution 2 seeks approval for the Company to issue 8,810,121 Shares to Chairmen.

#### **Listing Rule 10.11**

The Company seeks Shareholder approval for the proposed issue of 8,810,121 Shares to Chairmen. These Shares form part of the consideration for the proposed Transaction.

The Shares will be issued to Chairmen 1 Business Day after the Extraordinary General Meeting in accordance with the terms of the Sale Agreement and the Assignment Deed.

The issue of these Shares to Chairmen (and the remaining Consideration Shares to the other Assignees under the terms of the Additional Assignment Deeds) will result in Chairmen and its Associates holding approximately 30.02% of the total issued Share capital in Guildford.

ASX Listing Rule 10.11 requires shareholder approval for the issue of securities by a company to a related party or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained.

Details of the relationship between the Chairmen and the Company, and the reasons for seeking Shareholder approval under ASX Listing Rule 10.11, are set out in section 2 above.

The information required to be given to Shareholders for the purposes of approval of the proposed issue of Shares to Chairmen under Listing Rule 10.11 is set out below.

**Name of person:** TheChairmen1 Pty Limited ACN 137 271 642

**Maximum number of securities to be issued:** The maximum number of securities to be issued is 8,810,121 Shares.

<b>Issue Date:</b>	If Resolution 2 is passed at the Extraordinary General Meeting, the Shares will be issued to Chairmen 1 Business Day after the date of the Extraordinary General Meeting, but in any event the Shares will be issued no later than 1 month after the date of the Extraordinary General Meeting.
<b>Relationship between Chairmen and Guildford</b>	Chairmen currently owns approximately 33.576% of the Company's issued Shares.  Further details of the relationship between Chairmen and Guildford is set out in section 2.5 above.
<b>Issue Price:</b>	The deemed issue price is \$0.082389196 per Share.
<b>Terms of Securities:</b>	The Shares issued to Chairmen will be fully paid ordinary shares in the capital of the Company and will rank equally with the existing Shares on issue.
<b>The use of the funds raised:</b>	No funds will be raised by the issue of the Shares to Chairmen. The Shares are being issued to Chairmen in settlement of the Initial Additional Consideration payable in relation to the acquisition of the Springsure Shares under the terms of the Sale Agreement and the Assignment Deed.

Shareholder approval is not required under Listing Rule 7.1 for the issue of the Consideration Shares to Chairmen, in accordance with Exception 14 of Listing Rule 7.2. That is, approval is not required under Listing Rule 7.1 if approval is given under Listing Rule 10.11.

#### **5.4 Resolution 3 – Issue of 86,646 Shares**

Resolution 3 seeks approval for the Company to issue the 86,646 Shares to Mr. Craig Ransley.

##### **Listing Rule 10.11**

The Company seeks Shareholder approval for the proposed issue of 86,646 Shares to Mr. Ransley. These Shares form part of the consideration for the proposed Transaction.

The Shares will be issued to Mr. Ransley 1 Business Day after the Extraordinary General Meeting in accordance with the terms of the Sale Agreement, the Assignment Deed and the relevant Additional Assignment Deed.

The issue of the Shares to Mr. Ransley will result in Mr. Ransley and his Associates holding approximately 0.011% of the total issued Share capital in Guildford.

ASX Listing Rule 10.11 requires shareholder approval for the issue of securities by a company to a related party or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained.

Details of the relationship between Mr. Ransley and the Company, and the reasons for seeking Shareholder approval under ASX Listing Rule 10.11, are set out in section 2 above.

The information required to be given to Shareholders for the purposes of approval of the proposed issue of Shares to Mr. Ransley under Listing Rule 10.11 is set out below.

<b>Name of person:</b>	Mr. Craig Ransley
<b>Maximum number of securities to be issued:</b>	The maximum number of securities to be issued is 86,646 Shares.
<b>Issue Date:</b>	If Resolution 3 is passed at the Extraordinary General Meeting, the Shares will be issued to Mr. Ransley 1 Business Day after the date of the Extraordinary General Meeting, but in any event the Shares will be issued no later than 1 month after the date of the Extraordinary General Meeting.
<b>Relationship between Mr. Ransley and Guildford</b>	Mr. Ransley is a director and shareholder of Chairmen.  Mr. Ransley is also a former director of Guildford (resigned 7 May 2013).
<b>Issue Price:</b>	The deemed issue price is \$0.082389196 per Share.
<b>Terms of Securities:</b>	The Shares issued to Mr. Ransley will be fully paid ordinary shares in the capital of the Company and will rank equally with the existing Shares on issue.
<b>The use of the funds raised:</b>	No funds will be raised by the issue of the Shares to Mr. Ransley. The Shares are being issued to Mr. Ransley as part of the settlement of the Initial Additional Consideration payable in relation to the acquisition of the Springsure Shares under the terms of the Sale Agreement, the Assignment Deed and the relevant Additional Assignment Deed.

Shareholder approval is not required under Listing Rule 7.1 for the issue of the Consideration Shares to Mr. Ransley, in accordance with Exception 14 of Listing Rule 7.2. That is, approval is not required under Listing Rule 7.1 if approval is given under Listing Rule 10.11.

## **5.5 Resolution 4: Ratification of issue of 89,547,433 Shares**

Resolution 4 seeks to ratify, in accordance with ASX Listing Rule 7.4, the issue of the Initial Consideration Shares as announced to the ASX on 21 February 2014.

The Initial Consideration Shares:

- raised no funds for the Company as they were issued as partial settlement of the Initial Additional Consideration payable by the Company under the terms of the Sale Agreement, the Assignment Deed and the Additional Assignment Deed;
- consisted of 89,547,433 Shares in the Company;
- were issued at the Issue Price (being the volume weighted average price of Guildford's shares on the Australian Securities Exchange for 7 Business Days up to the close of business on the date on which Guildford received the JORC report confirming satisfaction of the first 4 Milestones applicable to the Initial Additional Consideration); and
- have the same terms as the Company's existing Shares, and are quoted on the ASX.

## **5.6 Resolution 5 – Grant of Performance Rights to Peter Kane, Group Managing Director**

Resolution 5 seeks Shareholder approval for the grant of the Performance Rights to Mr. Kane.

### **Chapter 2E of the Corporations Act**

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The grant of Performance Rights constitutes giving a financial benefit and Mr. Kane is a related party of the Company by virtue of being a Director.

The Directors (other than Mr. Kane who has a material personal interest in Resolution 5) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the grant of Performance Rights because the agreement to grant the Performance Rights is considered reasonable remuneration in the circumstances. The Directors (other than Mr. Kane) reviewed the long term incentive packages granted by other ASX listed entities engaged in mineral exploration or who are close to commencing production. The Directors (other than Mr. Kane) determined that the Performance Rights to be granted to Mr.

Kane by the Company were in line with the remuneration strategies used by ASX listed entities similar to Guildford for their managing directors.

However, the following information is provided to assist Shareholders in their consideration of Resolution 5.

The Directors (other than Mr. Kane) have valued the Performance Rights based on the following assumptions:

- (a) The underlying share price for Guildford's Shares as at 22 January 2014, the date of the valuation, was \$0.09 per Share.
- (b) That both the Employment Condition and the Production Condition (both defined below) will be satisfied on the Test Date (defined below) and that all of the Performance Rights will vest on that date.

The estimated value of the Performance Rights based on the above is \$428,260. The Directors may in the future seek Shareholder approval for the grant of additional performance rights to Mr. Kane which may contain different terms and conditions to those attached to the Performance Rights.

The Board believes the proposed grant of Performance Rights to Mr. Kane is an effective and appropriate means of incentivising him during the imminent period of evolution of the Company from explorer of mines to mine operator and duly rewarding him in his role as Group Managing Director of the Company on the basis of achieving certain milestones.

The Remuneration Committee has reviewed the proposed grant of Performance Rights and resolved that it be put before the shareholders for approval.

In accordance with the terms of his employment contract and subject to Shareholder approval, Mr. Kane will be granted 4,758,444 Performance Rights for the financial year ending 30 June 2014 as a long term incentive.

On 22 November 2013 the Company entered into an ongoing employment agreement with Mr. Kane as Group Managing Director. The total remuneration package payable to Mr. Kane is comprised of an annual base salary of \$490,000 plus 9.25% superannuation. The terms of the agreement also permit the Company to review Mr. Kane's annual base salary and/or award short and/or long term incentives at its absolute discretion. As result, Mr. Kane's remuneration package may increase over the term of the Performance Rights

Pursuant to his employment agreement, Mr Kane will be entitled to future grants of Performance Rights for a relevant financial year subject to all necessary shareholder approvals being obtained by the Company.

Future grants of Performance Rights to Mr. Kane will be calculated by reference to Mr. Kane's total remuneration package for the relevant financial year and the closing price of the Company's Shares at 22 January 2014 (being \$0.090 per Share). The Company's remuneration report will set out full details of Mr. Kane's total remuneration package for the relevant financial year.

#### **Listing Rule 10.11**

Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose

relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in Listing Rule 10.12 applies.

As the grant of the Performance Rights involves the issue of securities to a related party of the Company, Shareholder approval pursuant to Listing Rule 10.11 is required unless an exception applies. None of the exceptions set out in Listing Rule 10.12 apply in the current circumstances.

### **Technical Information required by Listing Rule 10.13**

Pursuant to and in accordance with Listing Rule 10.13, the following information is provided in relation to Resolution 5:

- (a) the Performance Rights will be granted to Mr. Kane;
- (b) the maximum number of Performance Rights to be issued is 4,758,444 and has been calculated by reference to the following formula:

$$PR = TR \times 80\% / MP$$

Where:

PR is the number of Performance Rights;

TR is Mr. Kane's total remuneration annual package being \$535,325.

MP is the closing market price of the Company's Shares as at 22 January 2014, being \$0.090 per Share

- (a) the Performance Rights will be granted no later than 1 month after the date of the Extraordinary General Meeting;
- (b) the Performance Rights will be issued for nil cash consideration, accordingly no funds will be raised; and
- (c) the terms and conditions of the Performance Rights are set out below.

Approval pursuant to ASX Listing Rule 7.1 is not required for the grant of the Performance Rights as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the grant of Performance Rights to Mr. Kane will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

### **Terms and Conditions of Performance Rights**

A Performance Right is a conditional right to acquire one fully paid ordinary share in the Company. Until a Performance Right vests and a Share is issued or transferred to Mr. Kane, Mr. Kane in his capacity as a holder of a Performance Right does not have a legal or beneficial interest in the underlying Shares the subject of the Performance Rights and Mr. Kane is not entitled to receive dividends or other shareholder benefits, such as voting and shareholder information rights, in respect of the underlying Shares.

No consideration is payable in respect of the grant of the Performance Rights, nor is any amount payable by Mr. Kane on the vesting of the Performance Rights or the subsequent issue or acquisition of the underlying Share.

The Performance Conditions which attach to the Performance Rights the subject of Resolution 5 are that:

- (a) Mr. Kane remains continually employed with the Company from October 2013 until 31 October 2016 (**Employment Condition**); and
- (b) the Company achieves at least 120,000 tonnes per month of coal production from the Baruun Noyon Uul 1 Coal Mine in Mongolia before or during the month of October 2014 (**Production Condition**).

The Board will at the end of October 2016 (**Test Date**) determine the extent to which the Performance Conditions have been satisfied and the number of Performance Rights that are capable of vesting and the resultant Shares to be issued or transferred as the long term incentive bonus.

If at the Test Date Mr. Kane has satisfied the Employment Condition, 50% of the Performance Rights will vest. The remaining 50% of the Performance Rights will vest if the Production Condition has been satisfied.

The Company will, subject to its 15% capacity under Listing Rule 7.1 and obtaining any other necessary shareholder approvals, either acquire the relevant number of Shares on market or issue the relevant number of Shares to satisfy the Company's obligations on vesting of the Performance Rights. As stated above, no funds will be raised from the grant of the Performance Rights. If Shares will be transferred rather than issued upon vesting, the issue of the Performance Rights will not have a diluting effect on the percentage interest of other Shareholders. However, funds will be expended by the Company to acquire Shares on market.

If Shares are issued by the Company pursuant to the Performance Rights, the effect will be to dilute the shareholding of existing Shareholders. As of the date of this Notice, the issued capital of the Company is 655,046,899 Shares. If all the Shares are issued pursuant to the Performance Rights, the issued capital of the Company will increase by 4,758,444 Shares which would represent some 0.72% of the Company's expanded capital. Mr Kane holds 100,000 Shares in the Company as at the date of this Notice.

If the Performance Conditions have not been satisfied at the Test Date then the Performance Rights will lapse.

The Board (excluding Mr. Kane) has discretion to determine whether all or some of the Performance Rights will vest earlier than the Test Date if Mr. Kane dies or becomes permanently disabled, or there is a change in control of the Company, such as a takeover or scheme of arrangement.

The Performance Rights are not transferable except by force of law upon death or bankruptcy.

Any future grants of performance rights will be subject to performance conditions which will be determined by the Board (excluding Mr. Kane) and will be based on performance metrics such as total shareholder return. Details of the performance conditions for any future grants will be set out in the Company's relevant remuneration report and notice of meeting convened to seek relevant shareholder approvals. Details of the performance rights granted will be published in each annual report of the Company relating to the period in which the performance rights have been granted.

It is not considered that from an economic and commercial point of view there are any costs or detriment's, including opportunity costs or taxation consequences, for the Company or benefits forgone by Company resulting from the issue of the Performance Rights, other than that the Australian International Financial Reporting Standards require the performance rights to be expensed in accordance with AASB 2 – Share Based Payments in the Company's profit or loss in the year in which the transaction occurs. Expensing performance rights will have the effect of increasing both the expenses and equity of the Company. It is estimated that the costs to be reflected in the Company's profit and loss as a consequence of issue of these Performance Rights will be \$428,260.

## **6. Additional information**

The Explanatory Statement contains all information that is known by the Company or any of its Directors which is reasonably required by Shareholders to decide whether it is in the Company's interests to pass the Resolutions (in particular Resolutions 1, 2 and 3).

If a poll is demanded in relation to a Resolution which is then duly passed, the Company must, for each member voting in person, record the name and the number of votes cast for and against the Resolution, and for each proxy, record the name and the number, by member represented, of votes cast as proxy for and against the relevant Resolution.



**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](http://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 (Brisbane time) on Thursday, 3 April 2014, at The offices of K&L Gates, Level 16, 66 Eagle Street, Brisbane QLD 4000** 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. Please read the voting instructions overleaf before marking any boxes with an

**STEP 2**

**VOTING DIRECTIONS**

	For	Against	Abstain*		For	Against	Abstain*
<b>Resolution 1</b> Approval of issue of 8,365,921 Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<b>Resolution 4</b> Ratification of the issue of 89,547,433 Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 2</b> Approval of issue of 8,810,121 Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<b>Resolution 5</b> Approval of grant of Performance Rights to Mr. Peter Kane, Group Managing Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 3</b> Approval of issue of 86,646 Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

\* 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**

**IMPORTANT - VOTING EXCLUSIONS**

If the Chairman of the Meeting is appointed as your proxy, or may be appointed by default and you do not wish to direct your proxy how to vote as your proxy in respect of Items 1, 2, 3, 4 and 5 above, please place a mark in this box. By marking this box, you acknowledge that the Chairman of the Meeting may exercise your proxy even though he/she has an interest in the outcome of those Items and that votes cast by him/her for those Items, other than as proxyholder, would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Items 1, 2, 3, 4 and 5 and your votes will not be counted in calculating the required majority if a poll is called on these Items. The Chairman of the Meeting intends to vote undirected proxies in favour of Items 1, 2, 3, 4 and 5.

**STEP 4**

**SIGNATURE OF SHAREHOLDERS - THIS MUST BE COMPLETED**

Shareholder 1 (Individual) <input type="text"/>	Joint Shareholder 2 (Individual) <input type="text"/>	Joint Shareholder 3 (Individual) <input type="text"/>
Sole Director and Sole Company Secretary	Director/Company Secretary (Delete one)	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 PRX402**



## 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 each 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 items 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 (Brisbane time) on Tuesday, 1 April 2014**, 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](http://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.**