



Quarterly Report

June 2014 Quarterly Report



HIGHLIGHTS

- Haulage Permit issued 2 July 2014
- Revised JORC12 tonnages with higher levels of geological confidence
- Stockpiles of coal ready for transport are in place
- Rights issue announced
- Offer to buy Australian assets announced

MONGOLIA

During the quarter, significant work was undertaken on meeting the stringent requirements of the Mongolia Government's Ministry of Roads and Transport including formal inspections and working committee briefings, thus allowing the approval of the haulage permit on 2 July 2014. This important milestone removed the final hurdle in allowing our coal to be exported to China, the largest coal market in the world.

The BNU North Pit Operations commenced the Quarter in a "reduced operations" phase whereby only limited development work was undertaken whilst waiting for the approval of the Haul Road to the Shivee Khuren border crossing into China.

Due to the delays in the approval process, operations were further scaled back to a "care and maintenance" basis in early May 2014. This step was considered necessary as the operation has sufficient coal on stockpiles and exposed within the mining operations to commence trial shipments at short notice.

This being the case, the preservation of cash became the primary focus. However key personnel and equipment remain available to allow the operation to quickly recommence to full production.

Work also continued on refining the geological models and forecasts. A revised JORC Code (2012)-compliant resource was issued. This has resulted in an increased confidence level in the deposit, as a Measured Resource has now been ascertained.

In addition to this, significant work was undertaken on the environmental front,

- The EMP for coal haulage was approved by the Ministry of Environment and Green Development
- Mine Water Plan was approved
- 2014 Exploration plans including environmental assessments were submitted to MRAM and SSIA for approval.

Terra Energy completed the revised BNU reserve estimate to MRAM standards and submitted the same to MRAM for approval after being reviewed and signed off by registered technical critics. The reserve estimate was approved by the MRAM committee on the 9th of July. The revised feasibility study focused on increasing the approved annual production rate of the BNU project is well underway and will be submitted in the third calendar quarter of 2014 for approval.

Now that the Haulage permit is in place, work now focusses on preparing for the export of a trial shipment to the Shivee Khuren / Ceke border port for processing and sale. This pivotal event, "first coal on road", is expected to take place in mid August. Great interest in BNU coal has been generated by sampling conducted for customers throughout this year. Unfortunately the linear nature of the approvals first, then



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logistics preparation, followed by the mine cycle third, has prevented any sizeable coal tonnage being allowed to the customer to date, so the trial shipments are being organized post-haste. In mid August, coal is expected at the border in commercial quantities for batch trial testing, including function through a Coal Handling and Preparation Plant.

At the conclusion of these trial batches, completed ramp up plans for production will commence.

QUEENSLAND

During June, the renewal of Springsure Project EPC 1674 was approved by the DNRM for a further 5 years until June 2019. A Mineral Development License application covering part of the Springsure project area is being drafted and will be lodged subject to Springsure Mining and Guildford Coal board approval. Landowner engagement has been undertaken as part of this process with positive feedback in all cases.

A number of post exploration rehabilitation commitments were successfully completed on properties in the Hughenden and Clyde Park areas. Landowner endorsement was received. There was no other activity on the North Galilee Projects during this period. During the quarter the DNRM approved the renewal of Clyde Park Project EPC 1250 for a further 2 years until January 2016 and the renewal of Hughenden Project EPC 1574 for a further 4 years until May 2018.

The Guildford-initiated, federally funded report which studied the feasibility of a coal fired base load power station in the Townsville / Pentland region was recently released. It has provided strong momentum for the push for this new generation proposal to proceed with State and Commonwealth backing.

The Queensland Government's new Regional Interests Planning legislation was passed by the Queensland Parliament. It is not expected to have a major impact on the Company's operations in the state.

CORPORATE

Cash & Investments

As at 30 June 2014, Guildford Coal had cash of \$9.1m (March 2013: \$18.0m). The principal movements in cash and investments for the quarter were attributable to:

Operating Cash Flows

- Payments for exploration and evaluation expenditure of \$0.6m
- Payments for development expenditure of \$4.8m
- Cash outflows for operational support costs, insurance and overheads of \$2.3m
- Net outflow of interest expense/income of \$0.7m

Investing and Financing Cash Flows

- Payments for fixed assets \$0.1m
- Repayments of borrowings \$0.4m

Total financing facilities available and drawn at the end of the quarter totaled \$109m.

Certain payments pursuant to existing Guildford debt facilities (Working Capital Facility, Debt Facility, and Additional Debt Facility) and an Exclusivity Agreement for fuel supply provided by the Noble Group continue to be extended and the company is in current negotiations to have these payments further extend to December 2014.

Guildford have also sought to raise \$10million with the Entitlement Offer announced 2 July 2014 further details noted below.

Board, Personnel and Office Changes

The Chief Financial Officer has recently resigned, for personal reasons, but will serve out his notice period and a potential new Chief Financial Officer is due to commence in the next week or two, which will provide a smooth transition of duties.

EVENTS SUBSEQUENT TO 30 JUNE 2014

- On 2 July 2014, the Mongolian Ministry of Roads and Transport granted a haulage permit which allows transport of coal from the Baruun Noyon Uul (BNU) Mine to Shivee Khuren
- As announced on 7 July 2014, Guildford advised it has entered into an underwriting agreement with Maiora Asset Management Pte. Ltd to fully underwrite a non-renounceable pro rata entitlement offer to Guildford's shareholders.

The entitlement offer will be on the basis of 1 new share for every 18.248 shares held at \$0.06 to raise \$2.5 million with a closing date of 30 July 2014. Those shareholders who participate in the offer will also receive 1 free attaching option for each share subscribed for in the offer, exercisable at \$0.06 within 3 months of Entitlement Offer grant. If all options are exercised the Entitlement Offer will raise a further \$2.5 million.

In addition to the underwritten amount of \$2.5 million, the Underwriter has agreed to subscribe for \$2.5 million worth of Guildford shares at the conclusion of the Entitlement Offer period, and will also be issued with 1 free attaching option for each share subscribed for, exercisable at \$0.06 within 3 months of the Entitlement Offer grant. If the Underwriter exercises all of its options it will subscribe for shares to the value of a further \$2.5 million.

Guildford seeks to raise up to \$10 million with the Entitlement Offer and the underwriting agreement.

- On 7 July 2014 Guildford made interest payments to OCP Asia of US\$3.9m relating to the company's debt facilities.
- The company advised that they have received a confidential, unsolicited offer to acquire all of Guildford's Australian coal assets from a Singaporean company listed on the Main Board of the SGX. The board is considering and evaluating this offer and will update shareholders in due course.



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COMPANY GOALS

The Company's immediate priority and goal is to achieve commercial coal sales in Mongolia.

We are also committed to conservatively progress select projects from our large tenement holding in Queensland

Guildford Coal is committed to:

- Working cooperatively within the communities where it operates;
- Creating jobs for local people;
- Supporting local businesses and contractors;
- Helping to improve local services and infrastructure wherever possible; and
- Generating a return for its shareholders as it transitions from explorer/developer into producer

Peter Kane
Group Managing Director