



GUILDFORD
COAL

Quarterly Report

December 2014 Quarterly Report

HIGHLIGHTS

- Production at Guildford Coal Limited (**Guildford**) BNU coking coal mine successfully and safely recommenced in mid-December 2014 with all major equipment recommissioned and the following material movements reported year to date at the end of December 2014:
 - Total waste movement of 324,000 bcm and ROM coal mined of 2,765 tonnes
 - Estimated 16,000 tonne of coal on stockpiles at the BNU mine
 - Total coal trucked from the BNU Mine to the Ceke border port station of 24,900 tonne
- The BNU coking coal mine ramp up is progressing well having no Lost Time Injuries since commencement of development and is on track to produce 1.15Mt for the calendar year of 2015.
- The Mineral Resources Progression Committee from the Mineral Resource Authority of Mongolia (MRAM) formally approved an increase in the allowable mining capacity to 1.5Mt in 2015 and 2.0Mt in 2016.
- Strategic supporters and debt providers the Noble Group (**Noble**) and Orchard Capital Partners (**OCP**) agreed to continue to support the company by providing additional working capital and delaying the date for further principal and interest payments on their facilities to allow Guildford to ramp up production at BNU coking coal mine.
- Preliminary results from the washing and laboratory testing confirmed the target specification of the primary product from BNU coking coal mine is for a low ash premium quality hard coking coal with low sulphur and the following key parameters; Ash 8%, VM25%, G 80, Y17, CSR 50+, S <0.7, TM 8% which is highly desirable amongst Chinese steel makers.

MONGOLIA

- During the quarter, Guildford via its wholly owned subsidiary Terra Energy LLC, exported its second and commenced its third shipment of Hard Coking Coal and PCI coal from the BNU coking coal mine. The majority of the coal was sent for trial washing, although some ROM coal by-passed the wash plant process as it met final product specification without any processing.
- The Company further demonstrated the effectiveness of the supply chain and market opportunities for the coal shipped from BNU coking coal mine.
- A sample of ROM coal was shipped to a potential end user customer for coal quality testing in their state of the art facility. The customer demonstrated that the BNU coal can be washed to a very low ash with acceptable yield. Offtake negotiations are ongoing, the outcomes of which should recognize the value for a very low ash product.
- Recognition for the achievements of the mine throughout 2014 have been received from the Ministry for Labor (Mongolian Health and Safe Workplace Award for 2014) and the Ministry of Mining (Excellent miner award) as well as recognition from the local government authority for our contribution to the community.



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QUEENSLAND

- Drilling and site rehabilitation work on the Springsure Project (EPC 1674) exploration program were completed in November 2014. The program of work was completed without any safety or environmental incidents. Springsure exploration activities on site were suspended for the wet season and will resume in 2015.
- Discussions were held with the Queensland Department of Natural Resources and Mines (DNRM) on the Mining Development Lease (MDL) application covering part of the Springsure Project area.
- During the quarter Guildford relinquished all sub-blocks on EPCs 1870 (Monto Project), 2057 and 2058 (Sunrise Projects) as part of a strategic portfolio review.
- The Company continues to conserve operational costs on the Queensland Portfolio to ensure focus and priority is maintained on the development of the BNU Coking Coal Mine.
- The Strategic Cropping Land Act 2011 was repealed by the Regional Planning Interests Act 2014 (RPI Act). The strategic cropping area (SCA) is now an area of regional interest under the RPI Act. EPCs 1822 (Sierra Project), 1674 (Springsure Project), 1872 and 2003 (Kolan Project) all would have had some exposure to SCA requirements and which has now been cleared.

CORPORATE

Sino Takeover Offer

- On 25 September 2014, Sino Construction Limited (Sino) announced an unsolicited off-market takeover bid for all of the shares in Guildford (Sino Takeover Offer). As set out in Guildford's Target's Statement (announced 24 December 2014), the Directors unanimously recommend that the Sino Takeover Offer be REJECTED.

Cash & Investments

- During the quarter Maiora Asset Management Pte Ltd exercised 72,407,087 unlisted options resulting in Guildford Coal receiving \$4.3 million as announced 28 November 2014.
- As at 31 December 2014, Guildford Coal had cash of \$2.2m (September 2014: \$5.3m). The principal movements in cash and investments for the quarter were attributable to:
 - Operating Cash Flows
 - Payments for exploration and evaluation expenditure of \$0.4m
 - Payments for development expenditure of \$4.0m
 - Cash outflows for operational support costs, insurance and overheads of \$1.9m
 - Net outflow of interest expense/income of \$1.0m
 - Investing and Financing Cash Flows
 - Proceeds from issues of shares \$4.3m
- Total financing facilities available and drawn at the end of the quarter totaled \$125m.

Board, Personnel and Office Changes

- Mr Craig Ransley rejoined the Guildford Board as Acting Chairman replacing the Hon. Alan Griffiths who left due to other business commitments.



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- Mr Michael Avery was appointed as Acting Group Managing Director replacing Mr Peter Kane effective 15 December. Mr Kane assumed a role as CEO working out his notice period and assisting with the strategic review of the operations both in Mongolia and Australia.
- The Hon. Craig Wallace was welcomed back to the Guildford Board as a Non-Executive Director replacing Mr Kon Tsiakis who left due to other business commitments.
- Mr Tony Mooney was appointed Company Secretary replacing Ms Aimee Hyde who did not extend her 3 month contract with the company due to personal reasons.
- Mr Chris Munday's tenure as CFO was extended during the period.

EVENTS SUBSEQUENT TO 31 DECEMBER 2014

- On 9 January 2015 the loading of the first train as part of the trial shipment of 3,000t of low ash hard coking coal from Ceke Border Station to Jiuquan Iron & Steel (Group) Co Ltd (JISCO) commenced and completed over the weekend. JISCO is a large Chinese coking coal end user and potential offtake partner. Based in Jiayuguan, Gansu province and established in 1958, JISCO is a producer of carbon steel, stainless & special steels and steelmaking raw materials products.
- On 22 January 2015, the Company announced that negotiations with Noble Resources International Pte. Ltd. (Noble) regarding an additional US\$7 million working capital facility had concluded, long form documents had been executed and Guildford had issued a draw down notice in respect of the entire US\$7 million facility. Guildford also advised that OCP Asia (Hong Kong) Limited (OCP) had formally agreed to defer interest payments totaling approximately US\$3.9 million, which were due on 8 January 2015 pursuant to the Note Trust Deed, to 8 July 2015.
- On 27 January 2015, Guildford made a Renounceable Entitlement Offer to existing shareholders, on the basis of 1 new share for every 4.85 shares, at an issue price of \$0.037. The company intends to raise up to an additional A\$7 million to support the current ramp up of coal production at the BNU Mining operation and for working capital purposes.

Michael Avery
Group Managing Director