



27 February 2015

ASX ANNOUNCEMENT

STRATEGIC REVIEW PRELIMINARY FINDINGS

Guildford Coal Limited (**Guildford** or the **Company**) (ASX: GUF) is pleased to provide an update of the strategic review announced on 19 December 2014 which was commissioned to evaluate corporate structure, operations, assets and management to ensure that full potential is realised for shareholders in the short, medium and long term and to build on the platform that has already been created with milestones achieved over previous months.

MILESTONES IN PREVIOUS MONTHS

In recent months Guildford has made significant progress in a number of critical areas as summarised below:

- **Strategic supporters and financiers the Noble Group (Noble) and Orchard Capital Partners (OCP)** agreed to continue to support the company by providing additional working capital, extending the maturity date and delaying the date for certain principal and interest payments on their facilities to allow Guildford to ramp up production at BNU Coking Coal Mine.
- **Production at the BNU Mine successfully and safely recommenced** with all major equipment recommissioned in December 2014 and with 44,519 tonnes of coal mined YTD (as at end January 2015) and 35,850 tonnes shipped to the Ceke Border.
- 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**.
- Development of **BNU Coking Coal Brand** with high level benchmarking study concluding, based on analytical testing and small scale pilot oven testing, that the BNU coal is within a small global group of coking coals that are **highly sought after as a blend coals for coke oven feeds**.
- Preliminary results from the washing and laboratory testing confirmed the target specification of the primary product from BNU Coking Coal Mine is **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**.
- The Company **secured inaugural offtake agreements with two (2) end-users** in China under the marketing guidance of Noble Resources International Pte. Ltd. (**Noble**).
- The Company successfully **raised approximately A\$6.6 million** under the recent Entitlement Offer.

STRATEGIC REVIEW FRAMEWORK

The framework for the high level findings of the strategic review are summarised as follows:

Corporate

The Company will restructure the business to achieve / realise the following outcomes:

- **Focus on mining developments** in stable economies with supportive taxation and regulatory frameworks for mining companies. The primary focus will be on countries with inherently low cost bases that have ready access to Asian markets.
- Investigate the merits and mechanisms for a potential **listing (dual and/or sole) on the Singapore Stock Exchange** to be closer to operational activities and the majority shareholder base of the Company, with Asian shareholders now representing over half of the Company's investor base.
- Relocate **corporate office to Singapore** for closer proximity to majority of shareholders, financiers, existing mining operations and customers.
- **Streamlined regional offices** maintained in Queensland and Mongolia to manage projects in country.
- Sourcing of an **Equity Joint Venture Partner for Australian Assets** so as to continue their development whilst allowing the Company to focus current investment on revenue producing assets in countries with streamlined regulatory environments that allow for the progression of projects to market to be expedited.
- Progress current well advanced discussions on **restructuring finance** to reduce debt burden.
- Implement a **zero based cost reduction program** to minimise corporate expenditure and maximise investment into project advancement and ultimately return to shareholders targeting A\$3m to A\$5m in annual savings.

Mongolia

- Achieve the planned **1 Mt coal output for 2015** from BNU Mine and **establish the BNU hard coking coal brand** as a leading value in use coal in Asian markets.
- **Expand production profile** from the South Gobi Project through increasing output from BNU mine and by opening additional satellite pits in close proximity to existing infrastructure with plans to be developed to **achieve 2Mt in 2016 and 3Mt in 2017 and targeting a sustainable 5Mt pa by 2020**.
- **Extend the life of the South Gobi Project to +12 years** through further exploration and detailed mine planning to increase the status of resources and to bring more of the measured and indicated resources into the mine plans.
- Investigate **strategic acquisitions** that complement the existing portfolio, are accretive to shareholders and build on these goals.

Queensland

- **Focus on development** on two priority projects in Queensland being the **large thermal coal Northern Galilee Project** and the **PCI/thermal coal Springsure Project**.
- Discussions are already underway with **potential joint venture / offtake partners** to provide self-sustaining funding for the development of these projects into operating mines and reducing reliance on Guildford for funding their advancement.
- Both projects have **large proven resources with access to existing coal logistics infrastructure** that could connect them to the market.
 - Northern Galilee Project with a large thermal coal resource that is crossed by **existing underutilised rail line** which connects to **Port of Townsville** and is also strategically located to supply the potential **base load coal fired power station** discussed as part of the government **funded North Queensland Sustainable Resource Feasibility Study**.
 - Springsure Project with a PCI/thermal coal resource that is located adjacent to the **Sojitz Minerva Mine and associated infrastructure**. **Washability studies** are currently being completed on Springsure coal which shows some ULV PCI potential. A **Mineral Development Licence** application has been lodged for Springsure Project.

Action Plan

Detailed cost – benefit analysis and **action plans** are being developed to **implement** this strategy during the **first half of 2015** and the market will be progressively updated as these are finalised.

For further information please contact MD - Mick Avery or Chairman - Craig Ransley on +61 7 3005 1533.



Mick Avery

Acting Group MD