



**GUILDFORD**  
COAL

May 29, 2015

## **ASX ANNOUNCEMENT**

### **Guildford Coal Attains New Mongolian Licence South Gobi XV-018111 Exploration Licence**

**Guildford Coal Limited (Guildford or the Company) (ASX: GUF)** is pleased to announce that on May 27, 2015, its subsidiary Terra Energy LLC (Terra Energy) has been granted a new exploration licence by the Mineral Resources Authority of Mongolia (MRAM). The new exploration licence XV-018111 greatly complements Terra Energy's current coking coal assets portfolio in Mongolia. The licenced area is located in the South Gobi coal basin, in close proximity to the Zag Suuj deposit of South Gobi Resources Ltd, and 60 km east of Guildford's producing Baruun Noyon Uul (BNU) coking coal mine.

The 21.05 km<sup>2</sup> licence has been granted for a term of 3 years. Following the 3-year term, a further 3 years can be granted in stages, up to 12 years, following approval by MRAM.

#### **Location**

The South Gobi licence XV-018111 is located in the Bayandalai province, in the southwestern corner of the Umnogovi Aimag region of southern Mongolia, approximately 130 km west of the Provincial capital Dalanzadgad. The city is accessible by a sealed road and a regular aircraft service from the Mongolian capital Ulaanbaatar.

The exploration licence is accessible by unsealed roads, which also connect the area to the BNU mine infrastructure. The licence land is 140 km away from the border crossing Shivee Khuren/Ceke in China, which is the main distribution centre for BNU coal.

The exploration licence will be part of the Company's South Gobi Project. The Project comprises of 9 licences, 7 of which are exploration and 2 are mining licences.

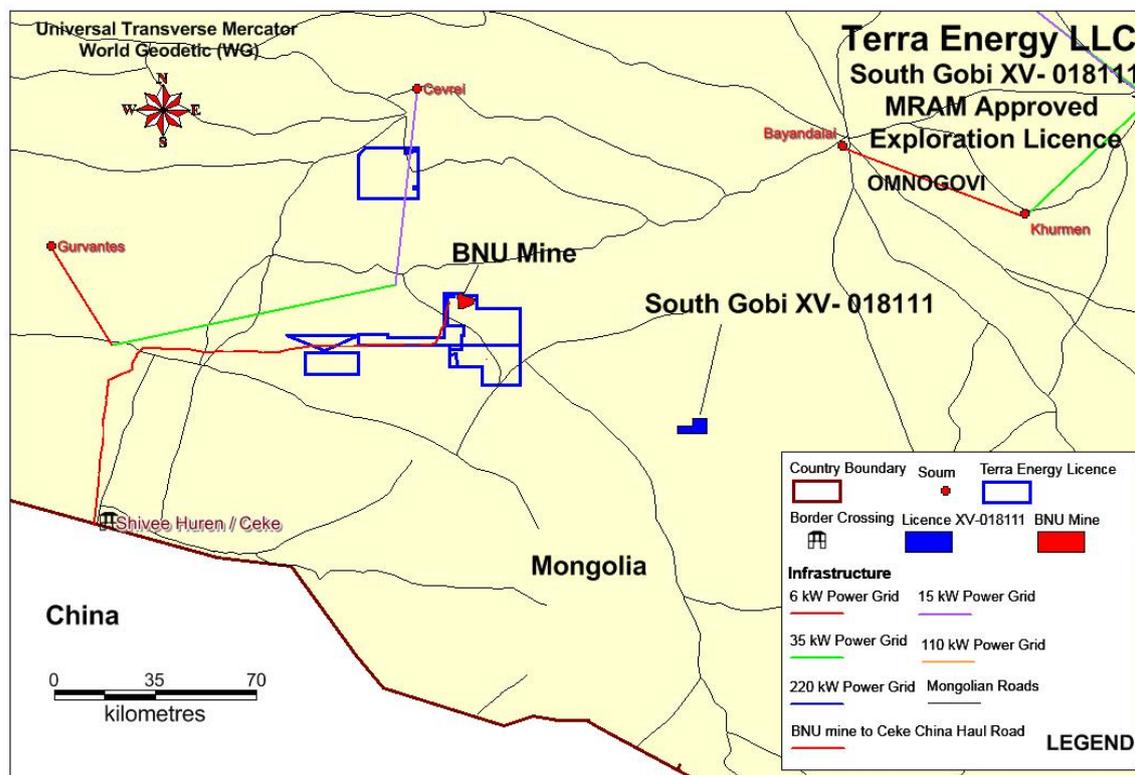
#### **Infrastructure**

The licence is strategically located approximately 60 km east of the Company's BNU mine, and 140 km east of the Nariin Sukhait area, which includes South Gobi Resources' Ltd Ovoot Tolgoi mine and the MAK mine, both producing and exporting



coking and thermal coal to customers in China. The licence will share the current BNU and other South Gobi Project infrastructure.

A rail line currently used by the Company is located to the south of the new licence, and has been constructed from the border crossing of Shivee Khuren/Ceke to the Chinese industrial centres.



## Physiography

The Omnogovi Aimag is within the physiographic region of the Gobi Desert. The topography of the deposit varies from flat, gravel-covered plains to moderately hilly terrain. Surface elevation ranges from approximately 1,600 to 1,700 meters above sea level.

Vegetation is sparse, consisting primarily of small shrubs and grasses. The area currently supports a traditional subsistence economy focused on raising sheep, goats and camels.

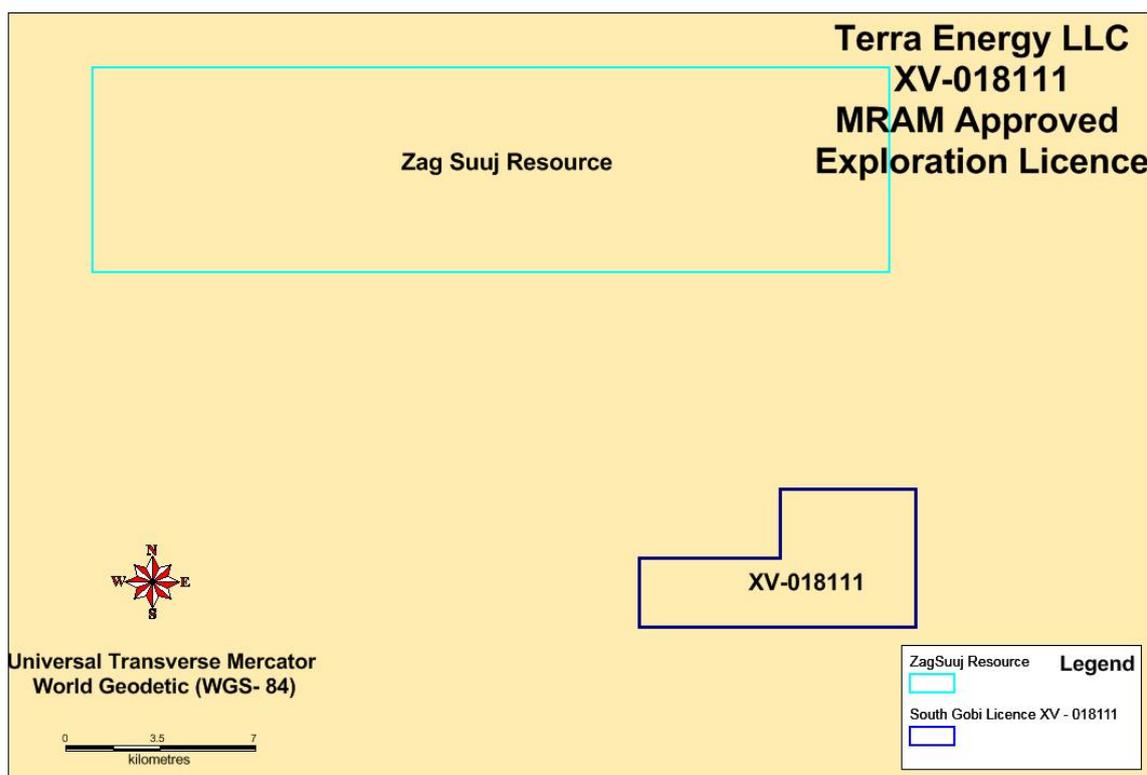
## Resource / Geology

The geology of the area comprises an exhumed volcanic arc system that was active during the Carboniferous period. In the Permian period thermal subsidence and thin skin tectonics developed an extensive South Gobi Basin in a series of micro-basins. The licence lies in one of these thermal subsidence regions, where extensive coal deposits developed. This basin development continued until the Early Jurassic period.



The target coal resource is within the Dellin Shand suite, which is estimated to be over 1000 km thick in the basin. Outcropping target formation exists in close vicinity to the licence. The Dellin Shand suite is described as claystones, siltstones, sandstones, conglomerates and coal.

The South Gobi Resources Ltd Zag Suuj coal resource is located 5 km to the north of the licence. On March 25, 2013 an independent report by Minarco-MineConsult estimated a NI 43-101 compliant 21.5 million tonnes indicated coal resource and 84 million tonnes inferred resource. The coal rank ranges between low to medium volatile bituminous coal and it is anticipated the coal will wash to produce a coking coal product.



## Next Steps

By Mongolian law, the exploration licence holders are required to provide an exploration plan within 30 days of receipt of a licence. The strategy for the South Gobi licence is to quickly develop a potential resource to JORC and MRAM standards. Initial works will include scaled mapping and ground geophysical survey to define and confirm priority targets, followed by trenching and initial non-cored drill holes to determine resource structure and potential size. Finalisation of the resource definition will include cored drill holes and full coal quality assessment for JORC and MRAM resource standards. The staged exploration strategy gives an overall cost reduction, targeting cored exploration holes where the resource is located, saving on high cost prospective drilling.



**ABOUT GUILDFORD COAL [www.guildfordcoal.com.au](http://www.guildfordcoal.com.au)**

Guildford Coal has recently transitioned from being an explorer to miner. Production at the Baruun Noyon Uul (BNU) coking coal mine in the South Gobi Mongolia successfully restarted in late 2014. Guildford has recently secured offtake agreements with 2 end-users in China. The Company's goal is to become one of the largest and highest quality coking coal producers in Mongolia, providing exceptional value for its steel-producing customers. Guildford Coal is also focused on developing two priority projects in Queensland, Australia: the large thermal coal Northern Galilee Project and the PCI/thermal coal Springsure Project.

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