



**GUILDFORD**  
COAL

# Quarterly Report

## June 2015 Quarterly Report

### HIGHLIGHTS

**Guildford Coal Limited (Guildford or the Company) (ASX: GUF)** is pleased to advise that since the restructuring of the Board and Management team in late 2014 the Company remains focused and on track to deliver all aspects of the 2015 strategic review, both on a corporate level and on an operational level in Queensland and Mongolia, and in particular, on restructuring of its finances to reduce debt burden and through exploring other alternative fund raising options as part of the strategic review. The Company continues to maintain a strong working relationship with existing financial backers.

The new Board and Management team have transformed the Company during the first half of 2015 setting the platform for a strong second half when the benefits of the implementation of the strategic review should be realised for the Company and for shareholders.

One of the key achievements has been the commissioning of the Mongolian Baruun Noyon Uul (BNU) coking coal mine successfully and safely, enabling the Company to transition from explorer to miner status.

The continued development and ramp up of the BNU mine to commercial production levels saw the following material movements since commencement and as at June 30, 2015:

- Total waste movement of 4,535,359 bcm and ROM coal mined of 187,679 tonnes
- Total coal trucked from the BNU Mine to the Ceke border port station of 188,588 tonnes

Guildford has successfully sold and been paid for all coking coal mined since commissioning.

During the quarter, the Ceke border station wash plant that has been contracted to process BNU ROM coal produced an output providing an overall product yield of 92% for the quarter.

The initial commissioning pit (BNU Pit 1) has been successful in confirming the BNU coking coal product quality and the value in use proposition it presents to the Chinese steel makers. Commercial production for accounting purposes is expected to be achieved in Q3, 2015.

The Company was recognised by the Mongolian Government for achieving a record of 1 million man-hours and 2 years worked lost time incident (LTI) free at the mine.

Guildford secured offtake agreements with 2 separate end-users in China: Jiuquan Iron & Steel (Group) Co Ltd (JISCO) and Jiuquan Haohai Coal Chemical Co Ltd (Haohai), to sell coking coal produced at BNU.

As part of the cost reduction and expansion plan in South Gobi, the Company uncovered a shallow coking coal 'micro basin' east of the producing BNU Mine. Excavation of this micro basin has commenced as BNU Pit 2.

Further reinforcing Guildford's strong 'social licence' in Mongolia, the Company was granted 4 new exploration licenses.



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## MONGOLIA

### Safety Award

Guildford's subsidiary Terra Energy LLC hosted a celebration for achieving an impressive record of 1 million man-hours and 2 years worked lost time incident (LTI) free at its BNU mine. The milestone is a result of strong safety strategies, processes and systems, established at the mine site in Mongolia.



**Photo of MRAM Officials Presenting Safety Award**

### Mongolian South Gobi Noyon Basin Increase in Resource

Guildford increased its stake in its subsidiary, Guildford Coal (Mongolia) Pty Ltd from 70% to 83.87%. This occurred through the conversion of an inter-company loan facility into shares. The subsidiary holds the Hovguun Project which has a 41Mt Inferred Resource and has a Mining Licence over it.

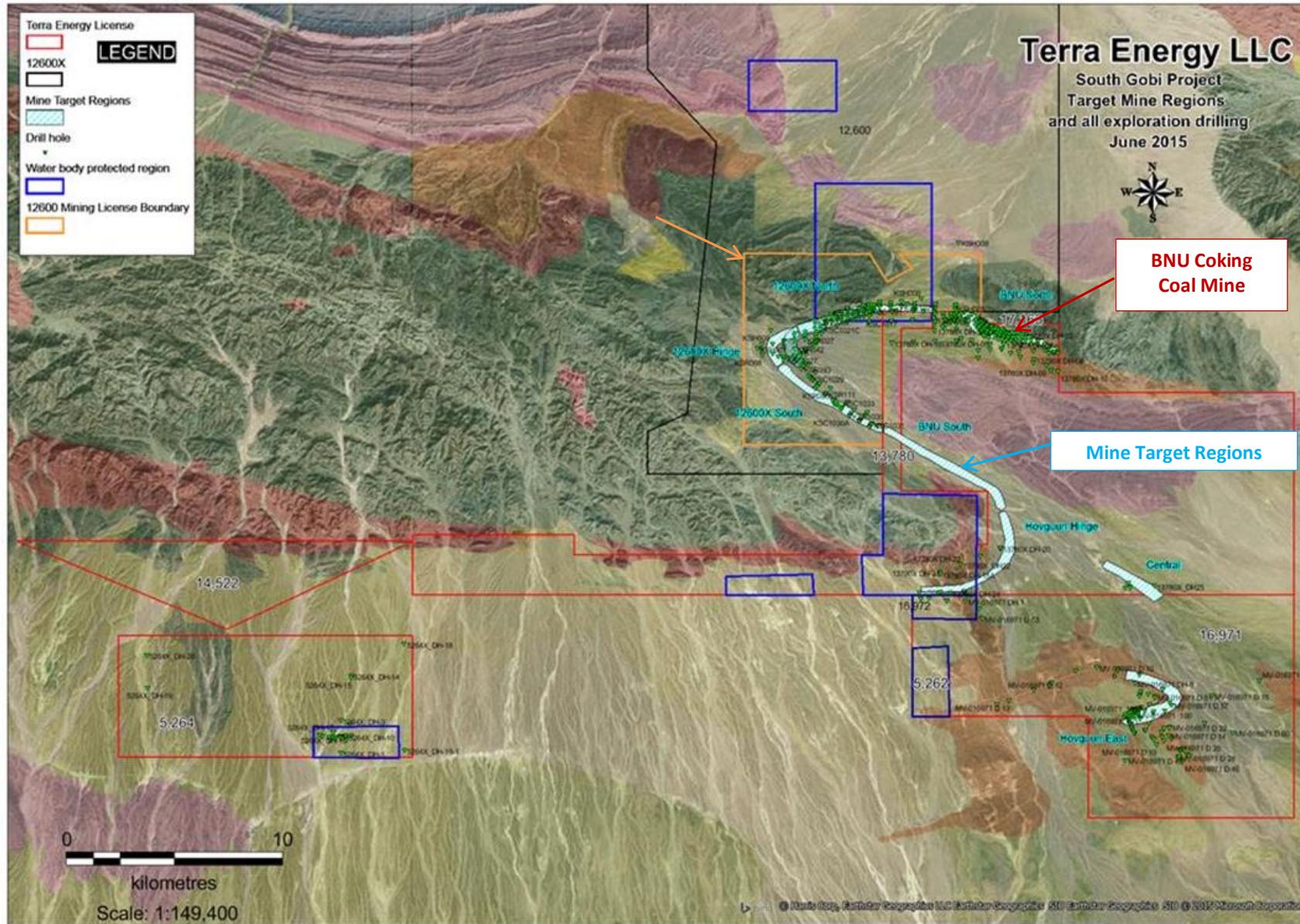
The Company also announced a combined updated resource table for its Mongolian Projects in the ASX Announcement on the 25th June 2015 as follows:



Guildford Coal Assets	JORC Resources (Mt)				Exploration Target (Mt)		Coal Type	JORC Classification	Competent Person	Report Date
	Measured	Indicated	Inferred	Total	Lower	Upper				
South Gobi – North (BNU North)	15	9	3	27			Coking	2012	Craig Williams	Apr-14
EL 12600X	-	-	15	15	26	45		2012	Troy Turner	Apr-15
South Gobi – East (Hovguun)	-	-	41	41			Coking/Thermal	2004	Van Heeswick	Nov-12
<b>South Gobi Total</b>	<b>15</b>	<b>9</b>	<b>59</b>	<b>83</b>						
<b>Mid Gobi Total</b>	<b>-</b>	<b>32</b>	<b>189</b>	<b>221</b>			Thermal	2004	Mark Biggs	Dec-12
<b>Total</b>	<b>15</b>	<b>41</b>	<b>248</b>	<b>304</b>	<b>26</b>	<b>45</b>				

An expanded geological model has been constructed on the Guildford Noyon Basin exploration data. The Guildford South Gobi Project consists of tenements which cover most of north western extent of the Noyon coal basin and contains an estimated 50km of basin edge which contains near surface coal bearing stratigraphy broken up into the following areas:

- BNU North Mine – current mining operation which is located on the north limb extension to the Noyon syncline and has approximately 5 km of coal bearing stratigraphy
- Noyon Syncline North – which is an extension of the seams currently being mined in the BNU North mining operation and has approximately 5 km of coal bearing stratigraphy
- Noyon Syncline Hinge – which contains approximately 5 km of coal bearing stratigraphy
- Noyon Syncline South – which is located on the south limb extension of the Noyon Syncline and contains approximately 5 km of coal bearing stratigraphy
- BNU South – which is located on the south limb extension of the Noyon syncline and has approximately 9 km of coal bearing stratigraphy
- BNU South Hinge – which is a fault displaced south western extension of BNU South and this area has approximately 9 km of coal bearing stratigraphy
- Central – which contains approximately 4 km of coal bearing stratigraphy
- Hovguun – previous known as the East Pit and containing approximately 8km of coal bearing stratigraphy



Plan Showing the Guildford Tenements in Noyon Coal Basin and Target Subcrop Zones



### **BNU Pit 2 – Shallow Micro Basin along the Noyon Basin Sub Crop**

In June 2015, an exploration program uncovered a shallow coking coal 'micro basin' located to the east of the current pit and along the sub crop of the Noyon Basin. Guildford has commenced mining the BNU Pit 2 in order to expose the low strip ratio coking coal as quickly as possible.

The Company is focussed on defining and proving a number of these potential micro basins along the estimated 50km sub crop held under licence in the South Gobi Noyon Basin which will form the foundation for the expansion of the production output from the region during 2016.

Operational guidance was recently provided to the market for the BNU Pit 2 mine which should enable the Company to ramp up and achieve the goal of 125,000 tonne per month production rate, during H2 2015 which upon reaching steady state operations will be equivalent to a 1.5Mtpa annualised rate.

The following sequence of photos shows the development of the BNU Pit 2 uncovering thick coking coal seams contained in the micro basin.





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## QUEENSLAND, AUSTRALIA

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.

Mining Development Lease (MDL) application (MDL 3002) covering part of the Springsure Project area was assessed by the Department of Natural Resources and Mines (DNRM).

Approval was obtained from DNRM to consolidate the Hughenden and Pentland projects into the Northern Galilee Project.

Discussions are progressing 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 the Northern Galilee Project and the Springsure Project have large proven resources with access to existing coal logistics infrastructure that could connect them to the market.

## CORPORATE

Guildford continues to investigate the merits and mechanisms for a potential listing (dual and/or sole) on an Asian stock exchange. This was a crucial recommendation flowing from the strategic review of the Company which was completed in early 2015. Shareholders are advised that there is no certainty or assurance as at the date of this announcement that the Potential Listing will proceed or be completed. The Company will make the necessary announcements when there are further developments in relation to the Potential Listing.

Guildford has established a regional office in Singapore, a strategic move towards being closer to operations, customers, financiers and the majority of shareholders. To rationalise the Corporate structure and reduce overheads the Brisbane Office was closed and the Guildford Corporate Headquarters is now located in Townsville.

### Board, Personnel and Office Changes

- The Honourable Craig Wallace was appointed as Chairman
- David Stone was appointed Executive Director as well as to the Board of Directors
- Mark Reynolds was appointed as Chief Financial Officer

### Cash & Investments

As at June 30, 2015, Guildford Coal had cash of A\$0.69M (March 2015: A\$6.1m). The principal movements in cash and investments for the quarter were attributable to:

#### Operating Cash Flows:

- Receipts from product sales in the Quarter were A\$5.3m.
- Payments for exploration and evaluation expenditure of A\$0.9m
- Payments for development expenditure of A\$6.8.



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- Cash outflows for operational support costs, insurance and overheads of A\$2.9m

The Company continues to maintain a strong working relationship with financial backers.

Investing and Financing Cash Flows were nil during the quarter with ongoing funding requirements to be realised in the next quarter from existing finance facilities and proceeds from sales.

### **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. 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.

Please contact Jenya Mesh, +85 264 666 218 or Tony Mooney, +61 423 841 259 for further information.

**Michael Avery**

**Group Managing Director**

### **Coal resources and Competent Person Statements**

The estimates of the Coal Resources presented in this announcement are considered to be a true reflection of the Coal Resources as at 31<sup>st</sup> July 2015 and are available to view on [www.guildfordcoal.com.au](http://www.guildfordcoal.com.au). The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

### **BNU North**

Technical information in this presentation that relates coal resource estimates for the BNU North Deposit is based on information compiled and reviewed by Mr Craig Williams, who is a member of the Australasian Institute of Mining & Metallurgy. Mr Williams, Principal Consultant – Geology and a fulltime employee of HDR|Salva, has sufficient experience that is relevant to the style of mineralisation under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC Code (2012). Craig Williams consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

### **South Gobi North**

Technical information in this report in relation to coal quality and washability analysis of South Gobi Project and fluorite mineralisation on Mid Gobi Project has been compiled by Mr Peter Goodman, who is a Member of the Australasian Institute of Mining and Metallurgy (Member #307830) and has had sufficient experience which is relevant to the style of mineralisation under consideration and to the activities which are being undertaken to qualify as a Competent Person as defined in the 2012 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. Goodman is employed by Terra Energy LLC (Guildford Coal Ltd subsidiary) and consents to the inclusion of the matters based on his information in the form and context in which it appears. Mr Goodman has over 10 years' experience in the processing of fluorite type deposits and over 20 years' experience in the design and construction of coal processing facilities.

The information provided by Salva Resources in this report to which this statement is attached that relates to Exploration Results is based on information compiled by Dr Aldo Van Heeswijck, who is a Member of The Australasian Institute of Mining and Metallurgy. Dr Van Heeswijck is employed by Salva Resources and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

Dr Aldo Van Heeswijck consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

#### **South Gobi and Middle Gobi**

Technical information in this presentation in relation to the exploration targets and JORC Resources for South Gobi and Middle Gobi Projects has been compiled by Mr. Mark Biggs, previously Principal Geologist of Moultrie Database and Modelling. Mr Biggs now works for ROM Resources Pty Ltd, Mr. Biggs is a member of the Australasian Institute of Mining and Metallurgy and has over 25 years of experience relevant to the style and type of coal deposit under consideration and to the activity which is being undertaken to qualify as a Competent Person as defined by the Australasian Code for Reporting of Minerals Resources and Reserves (JORC) 2012. The resource information in this report is being released to the Australian Securities Exchange. Mark Biggs consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

#### **12600X**

Technical information in this presentation in relation to the exploration target tonnage range and coal resources of 12600X is based on information reviewed by Mr Troy Turner who is a member of the Australian Institute of Mining and Metallurgy and is a full time employee of Xenith Consulting Pty Ltd. Mr Turner is a qualified geologist and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Turner consents to the inclusion in the report of the matters based on the information, in the form and context in which it appears.

## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

Guildford Coal Limited

ABN

35 143 533 537

Quarter ended ("current quarter")

30 June 2015

#### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors <sup>(1)</sup>	5,304	9,068
1.2 Payments for (a) exploration & evaluation	(936)	(1,236)
(b) development	(6,788)	(20,724)
(c) production	-	-
(d) administration	(2,945)	(8,008)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	0	22
1.5 Interest and other costs of finance paid <sup>(2)</sup>	-	(7,376)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>(5,365)</b>	<b>(28,254)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>-</b>	<b>-</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(5,365)</b>	<b>(28,254)</b>

Notes:

(1) Guildford's previous quarter Appendix 5B offset receipts from sales in that quarter against development payments, to the value of A\$3,764,000. These have been adjusted in the year to date in this report with no impact on cash.

**Guildford has been paid for all coal mined and shipments made year to date**

(2) Guildford's strategic partners and financiers continue to support the Company

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity and oil and gas exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(5,365)	(28,254)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	15,942
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	8,748
1.17	Repayment of borrowings	-	(4,890)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	<b>Net financing cash flows</b>	-	19,800
	<b>Net increase (decrease) in cash held</b>	(5,365)	(8,454)
1.20	Cash at beginning of quarter/year to date	6,052	9,141
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	687	687

**Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	(301)
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Item 1.23 includes fees and salary paid to directors

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

During the last quarter of the year, the Company has increased its ownership of its subsidiary, Guildford Coal (Mongolia) Pty Ltd from 70% to 83.87% through the conversion of an inter-company loan facility into shares. For more details in relation to the transaction, please refer to the announcement dated 17 April 2015.

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

+ See chapter 19 for defined terms.

## Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities <sup>(1)</sup>	148,426	138,020
3.2 Credit standby arrangements	-	-

Note:

(1) Item 3.1 consists of the following financing facilities:

- Noble Debt Facility US\$8.9m (A\$11.6m equivalent) of original facility of US\$10.0m (A\$13.0m equivalent)
- Noble Working Capital Facility US\$10m (A\$13.0m equivalent)
- Noble Fuel Exclusivity Agreement US\$2.6m of (A\$3.5m equivalent) of the original facility of US\$8.0m (A\$10.4m equivalent)
- Noble Additional Debt Facility US\$12.4m (A\$16.2m equivalent) of original facility of US\$14.0m (A\$18.2m equivalent)
- Noble Additional Working Capital Facility US\$7.0m (A\$9.1m equivalent)
- OCP Amortising Notes US\$55m (A\$71.6m equivalent)
- OCP Convertible Notes US\$10m (A\$13.0m equivalent)

## Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	(696)
4.2 Development	(7,767)
4.3 Production <sup>(2)</sup>	(5,726)
4.4 Administration	(3,310)
<b>Total<sup>(3)</sup></b>	<b>(17,657)</b>

Notes:

- (2) Guildford Coal expects its BNU mine to achieve commercial production for accounting purposes during Q3 2015.  
(3) Estimated cash inflows for next quarter from product sales is A\$8,879,000.

### **Ongoing Funding Requirements:**

As announced by the Company's ASX releases dated 27 February 2015 and released on the ASX Market Announcement Market Platform on 2 March 2015 and 28 April 2015 respectively in connection with the strategic review of the Group, Guildford remains focused and on track to deliver all aspects of the review, both on the regional level in Singapore, and on an operational level in Queensland and Mongolia, in particular, on restructuring of its finances to reduce debt burden and exploring other alternative fund raising options as part of the strategic review.

Guildford's strategic partners and financiers are continuing to support the Company and the Company is operating within the limits of existing facilities.

Guildford is funding the ramp up in production at the BNU Mine from revenues received from coal sales utilising a "pre-pay" (funding) facility with Sojitz (Hong Kong) Limited.

Investing and Financing Cash Flows were nil during the current quarter

**Ongoing funding requirements will be realised in the next quarter from existing finance facilities and proceeds from sales**

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity and oil and gas exploration entity quarterly report**

(4) Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	687	6,052
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>687</b>	<b>6,052</b>

**Changes in interests in mining tenements and petroleum tenements**

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	EPC1870	100%	_(1)
		EPC2057 and 2058	100%	_(2)
6.2	Interests in mining tenements and petroleum tenements acquired or increased	NE-025374 (Baruun Termes, Mongolia)	-	100%
		XV-018111 (South Gobi, Mongolia)	-	100%

Notes:

- (1) EPC1870 in relation to the Monto project has been 100% relinquished and approved by DNRM during the quarter.
- (2) EPC2057 and 2058 in relation to the Sunrise project has been 100% relinquished and approved by DNRM during the quarter.
- (3) The Company has increased its ownership interest in one of its subsidiaries, Guildford Coal (Mongolia) Pty Ltd (Guildford Coal Mongolia) from 70% to 83.87%. Guildford Coal Mongolia controls 1 mining lease and 1 pre-mining lease which are part of Guildford's greater South Gobi project and are contiguous to Guildford's Baruun Noyon Uul producing project and accordingly, the interests in mining tenements of this project has increased from 70% to 83.87%.

+ See chapter 19 for defined terms.

### Issued and quoted securities at end of current quarter

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference +securities</b> <i>(description)</i>	-	-	-	-
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3 <b>+Ordinary securities</b>	1,095,928,523	1,095,928,523	Fully Paid	Fully Paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	-	-	-	-
7.5 <b>+Convertible debt securities</b> OCP Asia Convertible Notes	1,000	Nil	\$10,000	Refer Appendix 3b lodged 9 January 2014 for terms and conditions
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-	-	-	-
7.7 <b>Options</b> OCP Asia Detachable Warrants	66,762,962	Nil	\$0.17	8 January 2019
7.8 Issued during quarter	-	-	-	-
7.9 Exercised during quarter	-	-	-	-
7.10 Expired during quarter	-	-	-	-

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity and oil and gas exploration entity quarterly report**

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7.11	<b>Debentures</b> <i>(totals only)</i>	-	-
7.12	<b>Unsecured notes</b> <i>(totals only)</i>	-	-

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+ See chapter 19 for defined terms.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



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Group Managing Director

Date: 31 July 2015

Print name: Michael Avery

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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