



Guildford Coal Limited
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ASX Announcement

Company Update

Guildford Coal Limited (**Guildford or the Company**) (**ASX: GUF**) is pleased to advise that the Company remains focused and on track to deliver all aspects of the 2015 strategic review, on both corporate and operational levels in Mongolia and Queensland. Critical aspects toward delivery of the strategy to deliver superior returns to shareholders has been the focus on:

- 1) Actions that restructure the balance sheet to reduce the Company's funding burden;
- 2) Operational and project delivery; and
- 3) Options to grow through the acquisition of cash generating assets into the business.

Financial Update

Noble and OCP Facilities

The Company continues to maintain a strong and supportive working relationship with its existing financial backers, Noble Group and OCP. The company has secured waivers and extensions until the end of the 2015 calendar year to provide it time to complete its debt restructuring, as follows:

- 1) Noble Group has agreed to further defer all principal and interest payments across all of their debt facilities until the 31st December 2015 which is after the contemplated completion of the balance sheet restructure process; and
- 2) OCP has agreed to defer all of their outstanding debt facility payments which were due at the end of October 2015 until the 31st December 2015 which is after the contemplated completion of the balance sheet restructure process. This deferral is not subject to any additional conditions or requirements from the Company beyond those approved by shareholders at the Extraordinary General Meeting (EGM) held on 30 October 2015.

Debt Restructuring

The company is working on two options in parallel in its efforts to achieve the balance sheet recalibration by the end of the 2015 calendar year. Both options would provide stability and funding security to the company to enable it to successfully deliver its strategic objectives.

Bond Option

One option being considered by the Company involves a US\$115 million five year interest-only bond. In general terms the bond contemplates:

- Semi-annual interest payments paid in arrears;
- A bullet repayment at the end of the term;
- An option to capitalise a pre-agreed portion of the interest payments; and
- A variable component of the interest payments linked to actual coal sales.

The structure contemplated will give the Company significantly greater flexibility to manage its cash flows going forward and enable implementation of the growth strategy.

The book of offers for the bond is currently being finalised and has resulted in a number of proposals which are under consideration by management. Noble and OCP have also indicated their willingness to participate in this process pending the agreement of terms

Traditional Debt Facility

The company is also working on a traditional debt facility and has progressed with in principle support from several institutions.

SPG Strategic Placement

As advised to the ASX on 19 October 2015, an EGM will be scheduled in the near future to enable shareholders to consider the strategic placement of AUD\$7M in the Company by SPG Holdings Ltd (SPG).

The Company has reached agreement with SPG, subject to the satisfaction of certain conditions set out below, to issue 583.3 million placement shares at an issue price of \$0.012. The Placement is conditional on:

- shareholders approving the Placement for all purposes, including (without limitation) for the purposes of item 7 of section 611 of the Corporations Act;
- the issue of shares by the Company to the holders of Convertible Notes following the conversion of the Convertible Notes having occurred;
- the Company successfully completing the refinancing of its current debt on terms which are within specific parameters which have been agreed between the Company and SPG; and
- other customary conditions, including Board approval and regulatory approvals.

Under the terms of the agreement reached with SPG, if all the existing conditions are not satisfied by 31 December 2015, SPG or the Company may terminate the agreement in respect of the Placement.

The Company welcomes this strategic investment by SPG. SPG undertook extensive due diligence, culminating in a physical inspection of the Company's BNU coking coal mine in Mongolia, which showcased the Company's ability to develop and operate a world-class mine in the South Gobi region and to produce a high quality hard coking coal product in close proximity to a large number of steel makers operating in northern China.

Whilst the Placement price of \$0.012 was at a discount to the Company's share price on 19 October 2015, it is the Board's view that this should be seen as a significant and strategic opportunity for the Company to secure a very large and well-connected Chinese group on the share register. This will support the expansion of coking coal operations in Mongolia and in particular, through the expansion of the market for BNU hard coking coal in China and through removing costs from the supply chain to Chinese end users.

SPG is part of a group of companies controlled by Mr David Wang, the Honourable Chairman and board member of Greenland Hong Kong Holdings Limited (Greenland HK) which was formerly known as SPG Land (Holdings) Limited. This entity was listed on the Hong Kong Stock Exchange in October 2006 and was involved in real estate projects over ten cities in China. Mr Wang is the founder of SPG Land and was the chairman of this group, engaging in real estate development, property and hotel investment, and related business in China. SPG Land changed its name to Greenland HK in August 2013.

Mr Wang is also the Chairman of Peninsula Shanghai Hotel, one of the top luxury hotels in Asia. Mr Wang has over 20 years of experience in finance, construction, property development and investment. He graduated from South China University of Technology with a Bachelor degree in Building Materials and University of Technology, Sydney (Australia) with a Bachelor degree in Commerce and now holds an Australian Passport. Mr Wang enjoys a strong reputation and has considerable influence in the commercial, banking and real estate sectors in China and Australia, as well as academic circles.

In recent years, he has devoted his efforts to promote the friendly cooperation between China and Australia in economic, banking and academic areas. Mr. Wang has a deep understanding of real estate investment. Through Mr Wang's extensive business success he has created a strong network in China in the coal and steel sectors with both private and state owned entities.

Convertible Notes

Shareholders approved the issue of the Convertible Notes (CN) to OCP Asia at an Extraordinary General Meeting held on 30 December 2013 (2013 EGM) and they were issued on 8 January 2014. Pursuant to their original terms the CNs would have matured on 8 July 2015, however the CN Conditions were subsequently amended to move the maturity date to 8 December 2015. The Company intends to negotiate a further short extension to the CN maturity date to 31 December 2015 (together with some amendments to the conversion mechanics). This will better align the CNs with the Company's restructuring process

and the intended forthcoming EGM and anticipates that agreement will be reached quickly in respect of these matters.

The Company's current understanding with respect to the CNs is that they remain owned by their original investors, but prior to maturity they will be acquired by parties who subsequently intend to convert them. The Company is not aware of the details of that acquisition including whether formal agreements are currently in place. At this stage the Company has no information that would lead it to believe that any regulatory approvals will be required for the issue of shares pursuant to the conversion of the CNs.

The Company will update shareholders as appropriate in respect of the maturity and conversion of the CNs when it has further information.

The Company notes that it is a condition precedent to the Placement by SPG that all Convertible Notes are converted and the issue of shares by the Company to the holders of Notes in respect of the conversion of the Convertible Notes has occurred. We remind shareholders that there is no certainty that the conditions to the Placement will be satisfied and that the Placement will occur. The Company will provide shareholders with updates in respect of the status of the conditions as appropriate.

Asian Listing

The Company continues to actively 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 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 relevant developments.

Operational Update

BNU

The BNU coking coal mine operating asset in the South Gobi region continues with the implementation of the Life of Mine Plan (LOMP). The operation is continuing to deliver a superior metallurgical coal product to end users in China. As the volumes have increased on a month to month basis the operation has encountered variances to plan in the third party washing capacity and capability. The volume increases have also placed stress on the third party road transport capabilities that has led to variances to plan over the past month. Actions are constantly being implemented to deliver on the development of a 'pit to end user' supply chain.

Business Development

As per the strategic direction of the Company, a number of cash producing operating assets have been identified as potential additions to the Company's portfolio to support the BNU coking coal mine in Mongolia. These opportunities will be carefully considered by management and market announcements will be made where appropriate.

ABOUT GUILDFORD COAL www.guildfordcoal.com.au

Guildford Coal has fully commissioned the Baruun Noyon Uul (BNU) coking coal mine in the South Gobi Mongolia. 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 high energy prime thermal coal Springsure Project.

Please contact Tony Mooney, +61 423 841 259 for further information.



Michael Avery
Group Managing Director