



**GUILDFORD**  
COAL

# QUARTERLY ACTIVITIES REPORT

QUARTERLY REPORT TO 30 JUNE 2011

ASX: GUF

## SHARE INFORMATION

Issued Shares: 413.5m  
Listed Options: N/A  
Unlisted Options: N/A

## BOARD OF DIRECTORS

Chairman: C. Ransley  
Dep. Chairman: T. Bellas  
MD: M. Avery  
Non-Exec: M. Chester  
Director: N. St George  
Non-Exec: A. Griffiths

## WEBSITE

[guildfordcoal.com.au](http://guildfordcoal.com.au)

## REGISTERED OFFICE

Suite C1  
1 Honeysuckle Dr  
Newcastle, NSW, 2300

Phone: +61 (2) 4914 5910  
Fax: +61 (2) 4925 3505  
[info@guildfordcoal.com.au](mailto:info@guildfordcoal.com.au)

## KEY PROJECTS

HUGHENDEN (80%)  
Location:  
Galilee Basin, QLD

SIERRA (100%)  
Location:  
Bowen Basin, QLD

KOLAN (100%)  
Location:  
Maryborough Basin, QLD

SOUTH GOBI (70%)  
Location:  
South Gobi Basin, Mongolia

## HIGHLIGHTS

### MONGOLIA

- Resolved to increase the equity share in Terra Energy LLC (Terra) from 20% to 70%. Terra holds 100% of highly prospective coal exploration areas in Mongolia in the South Gobi and Middle Gobi Projects. Guildford has drilled in excess of 8,500m on these Projects
- South Gobi Project - geologists have mapped approximately 1.5km of coal seam outcrop and initial drilling has returned multiple shallow intersections of thick coal seams. An Exploration Target<sup>#</sup> of 0 to 460 Mt has been calculated for this Project
- Middle Gobi Project - geologists have mapped approximately 4km of coal seam outcrop and initial drilling has returned multiple shallow intersections of thick coal seams. An Exploration Target<sup>#</sup> of 29 to 149 Mt has been calculated for this Project

### QUEENSLAND

- Acquired a 51% stake in EPC1260 tenement which is strategically located adjacent to Guildford's existing EPC1250 facilitating an expanded Hughenden - White Mountains Project. An Exploration Target<sup>#</sup> of 40 to 815 Mt has been calculated for this project
- Signed MOU with the Port of Townsville Limited (POTL) to conduct a Feasibility Study on the logistics of exporting coal from the Hughenden Project through Townsville Port. Commenced Tripartite Meetings with Guildford, POTL and ARG/QR to coordinate this Feasibility Study
- Intersected significant coal seams on central Hughenden Project EPC1477 with an interpreted 11.9m of net coal from the Permian Betts Creek Beds with multiple individual seams up to 5.5m in thickness. This has been followed up with a second intersection which has similar net coal thickness and good correlation with the first intersection
- Intersected overlying Eromanga Basin Blantyre coal sequence on the Hughenden Project with only thin seams reported in drilling to date. However preliminary results of laboratory analysis conducted on core samples indicates this coal has some coking properties

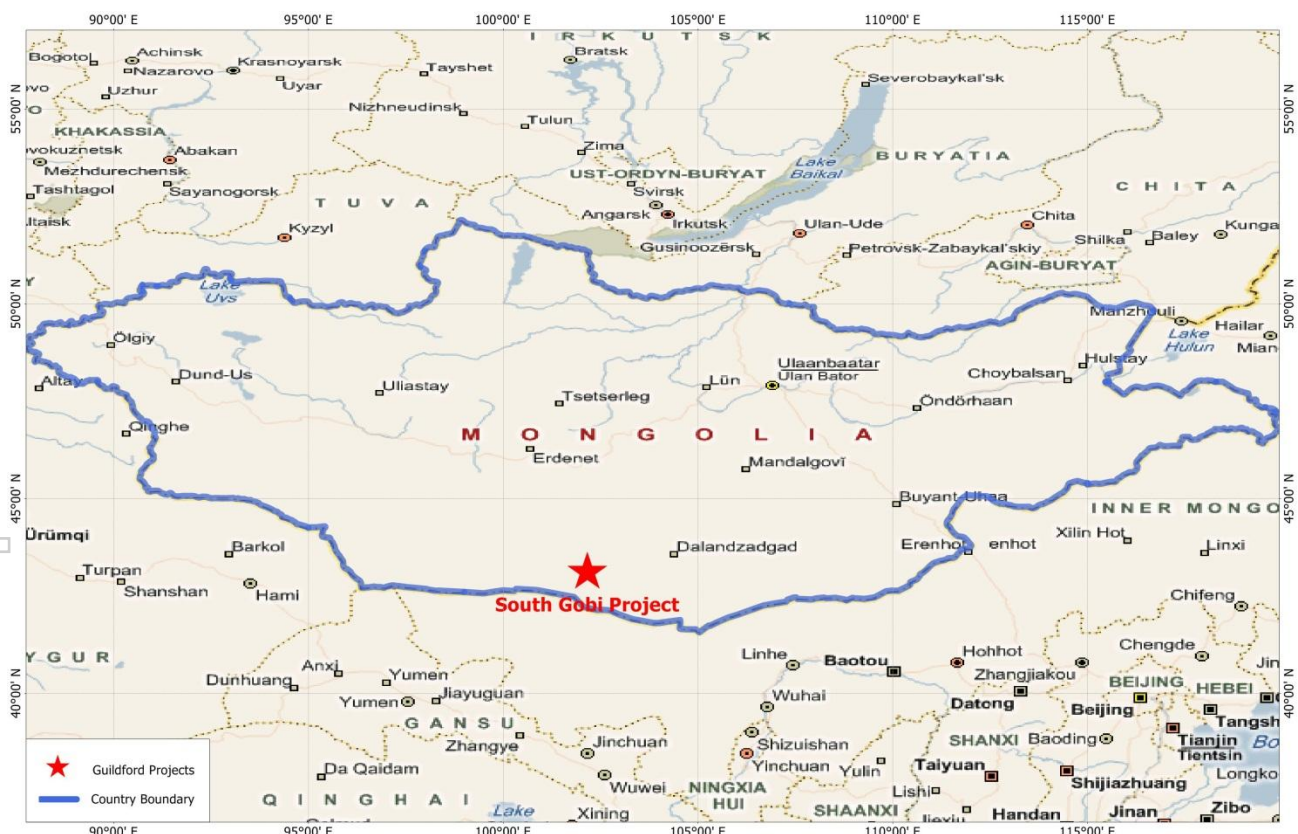
### EXPLORATION TARGET / PLANNED EXPLORATION

- Developed an interim total Exploration Target<sup>#</sup> for all Projects managed by Guildford totaling 69Mt to 1.424Bt
- Progressing to JORC this Quarter on 3 Priority Projects - Hughenden, South Gobi and Middle Gobi with a total of 9 drills operating across Australia and Mongolia



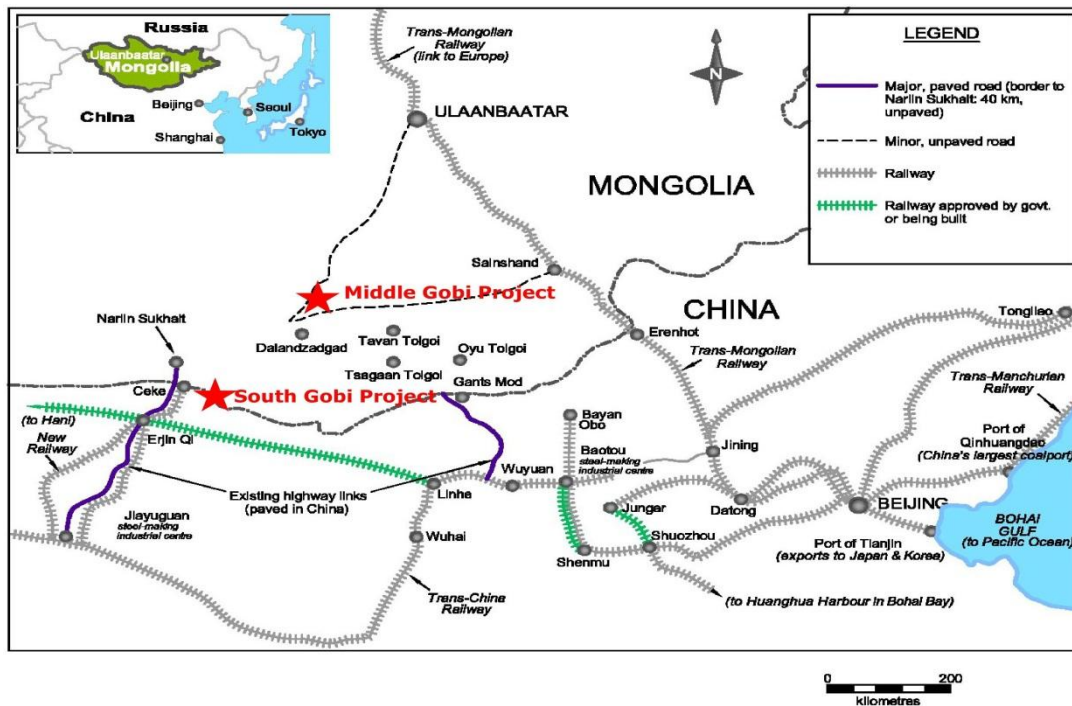
# MONGOLIA - SOUTH GOBI PROJECT OVERVIEW

- The Guildford South Gobi Project is located in the South Gobi Basin which is known to host premium thermal and coking coal deposits of Permian age
- The South Gobi Project is Guildford's priority project which covers large open cut coking coal and thermal coal prospects consisting of 4 exploration licenses
- The South Gobi Project is located in the South Gobi desert approximately 60km to the Chinese border and adjacent to two operating coal mines (operated by SGS and MAK)
  - The SGS and MAK mines produce in excess of 5 mtpa of high volatile bituminous coals which are marketed as a mixture of both thermal and coking coal products
  - Coal is currently sold ROM (unwashed) at mine gate to Chinese traders who transport the coal by truck to a Chinese border coal stockpile at Ceke where it is then transferred by rail to Chinese power stations and steel mills
  - Target customers are the growing Chinese markets in Gansu province, Inner Mongolia and Shanxi province
  - The South Gobi region and geology allows for low-cost production, with average ROM cash costs estimated at below US\$20/t
  - Selling prices for (unwashed) ROM coal are now estimated at up to US\$50/t
- On the South Gobi Project, geologists have mapped approximately 1.5km of coal seam outcrop. Guildford commenced its initial drilling program and returned multiple shallow intersections of thick coal seams
- There are 3 drill rigs operating on the South Gobi Project drilling out a pattern to define a maiden JORC resource
- An Exploration Target<sup>#</sup> of 0 to 460 Mt has been declared for this Project by independent consultants and a Mining License application is being prepared for lodgment in the September Quarter 2011



Guildford Coal - South Gobi Project

Latitude / Longitude  
 Lon: 103°50'13" E  
 Lat: 46°51'39" N  
 Printed at: 30/06/2011



South Gobi Coal Outcrop



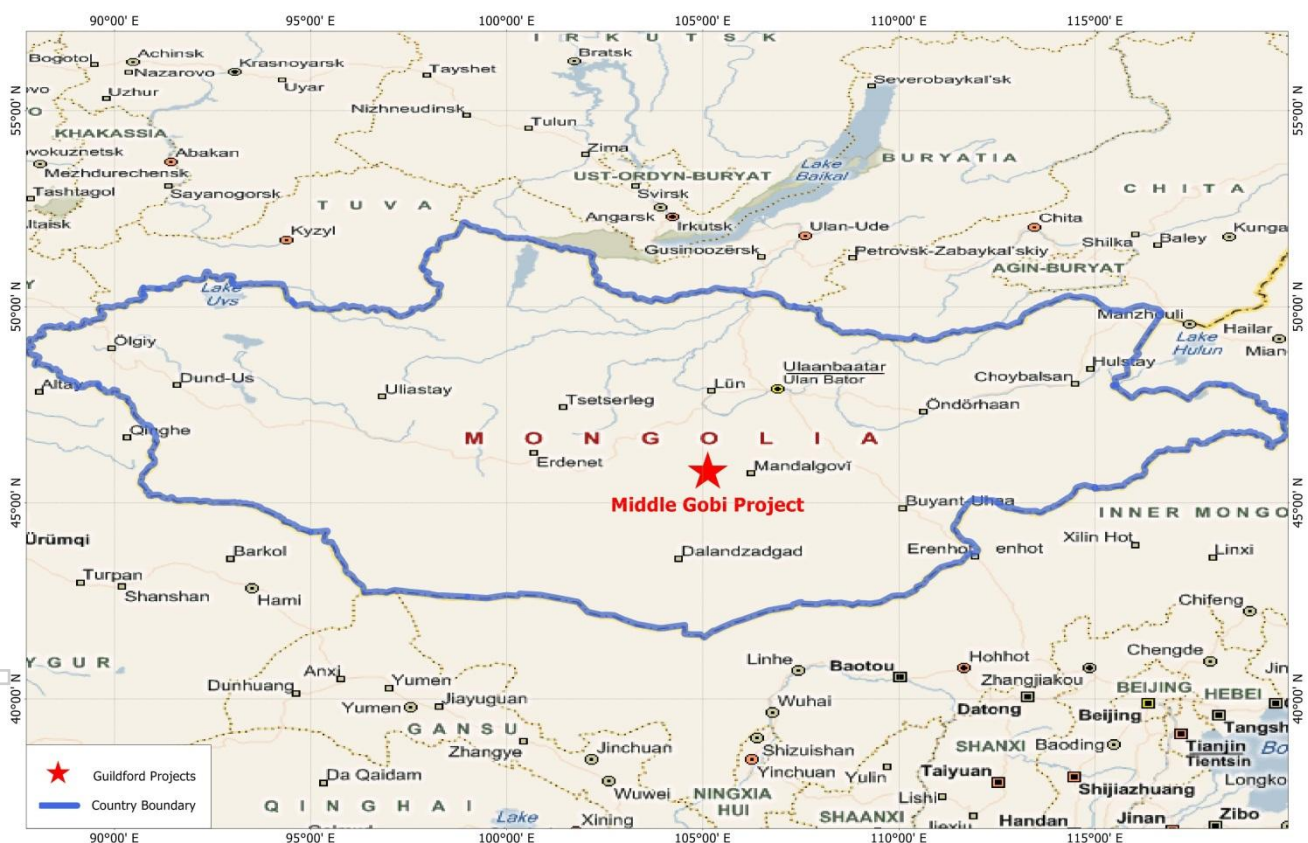
Core Tray from Coal Intersection





## MONGOLIA - MIDDLE GOBI PROJECT OVERVIEW

- The Middle Gobi Project consists of two exploration licences located in the Dundgovi Province which is approximately 200km south of Ulaanbaatar and just over 200km west of the Mongolian railway grid with a logistic route to China via the Erlianhaote border crossing
- The two Middle Gobi Project exploration licences have an approximate area of 36,000 hectares and are located in the coal bearing Ongi Gol Basin
- Potential exists for large shallow thick seam thermal coal deposits suitable for open cut mining
- The regional geology is steeply dipping which potentially provides multiple hard and low rank surface coal targets in close proximity to potential customers including Mongolian and Chinese electricity generators
- There are two potential coal deposits located in the Middle Gobi Project
  - Tsagaan Ovoo Deposit (Licence 15466X)
  - Tsakhiurt Gobi Deposit (Licence 12929X)
- In the Middle Gobi Project, geologists have mapped approximately 4km of coal seam outcrop. Guildford commenced its initial drilling program and returned multiple shallow intersections of thick coal seams
- There is one drill rig operating on the Middle Gobi Project drilling out a pattern to define a maiden JORC resource
- An Exploration Target<sup>#</sup> of 29 to 149 Mt has been declared for this Project by independent consultants



Guildford Coal - Middle Gobi Project

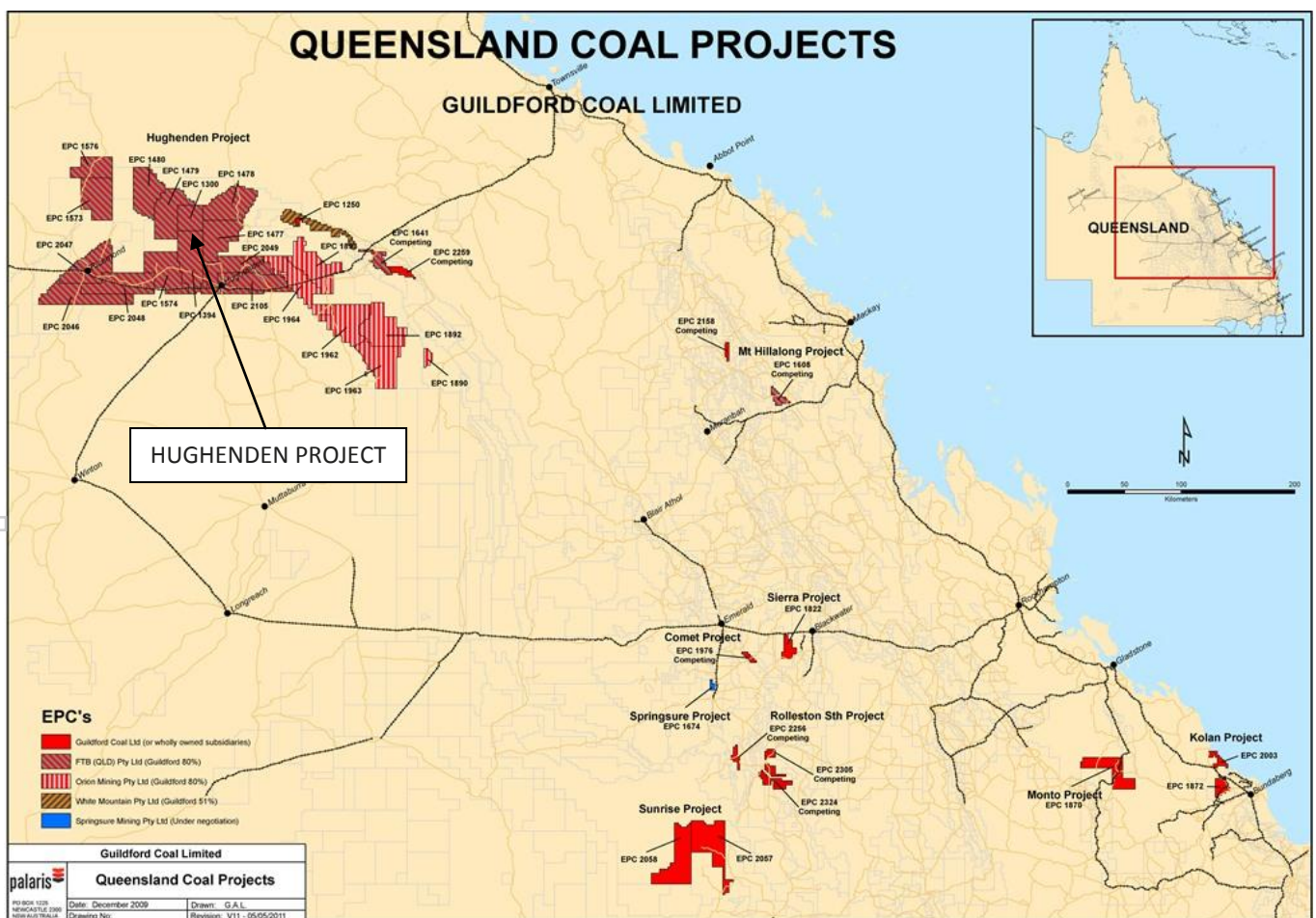
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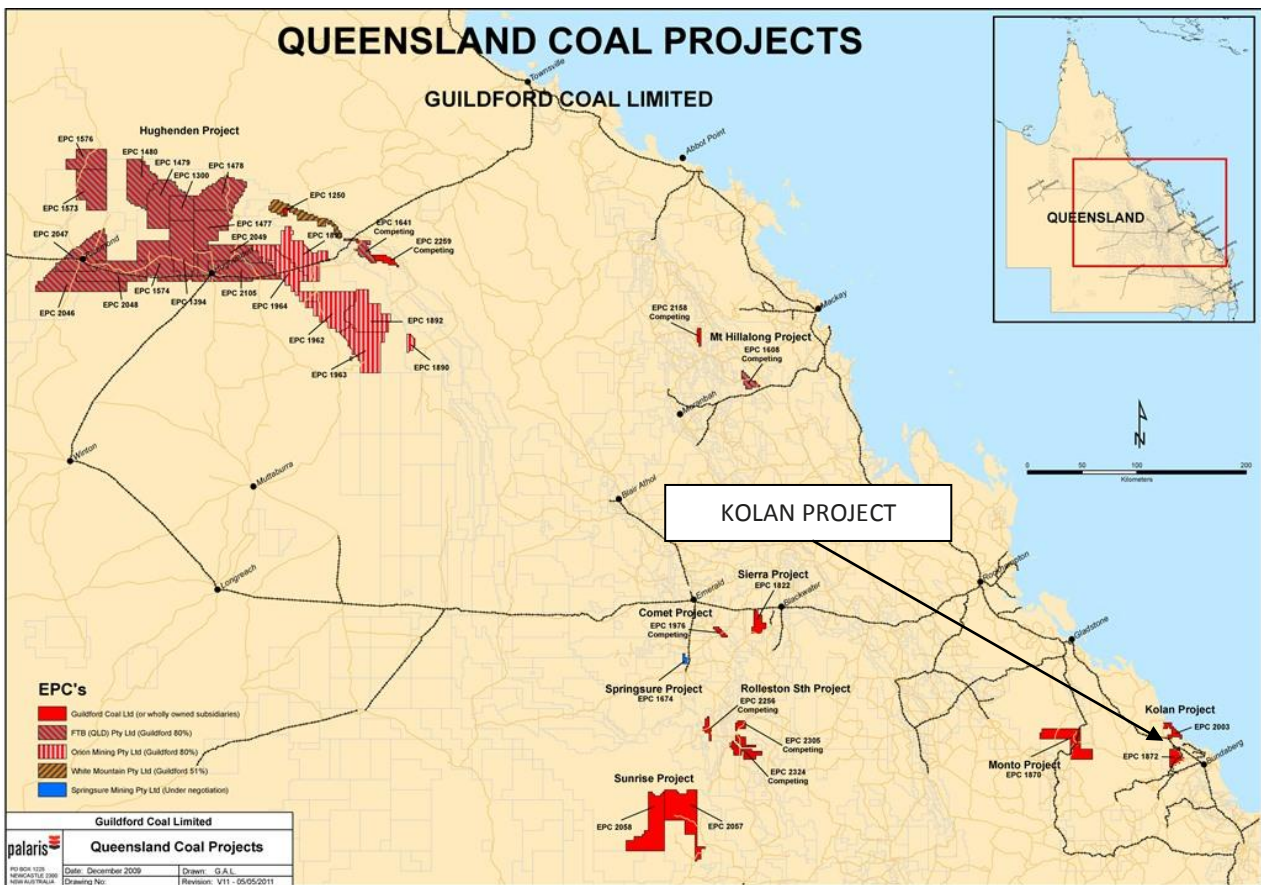
# QUEENSLAND - HUGHENDEN PROJECT OVERVIEW

- Located in the northern end of the coal bearing Galilee Basin in Queensland, Australia
- Covers approximately 16,500 square kilometres of exploration permit applications for coal, of which an estimated 11,500 square kilometres have been granted
- Targeting substantial export thermal coal tonnages with potential for multiple open cut and underground mineral resource opportunities
- Located in close proximity to infrastructure with the Mt Isa to Townsville rail line running across the project area
- Relatively uncomplicated geology of the Galilee Basin allows less intensive drilling to evaluate coal deposits
- An Exploration Target<sup>#</sup> of 40 to 815 Mt has been declared for the Hughenden Project in the White Mountain area on EPC1250 and EPC1260
- Significant coal seams have been intersected by drilling in the central Hughenden Project EPC1477 with an interpreted 11.9m of net coal from the Permian Betts Creek Beds with multiple individual seams up to 5.5m in thickness
- This has been followed up with a second intersection down dip on EPC1477 which has similar interpreted net coal thickness and good correlation with the first intersection
- Guildford currently has 4 drill rigs operating at Hughenden working as follows:
  - 2 drilling rigs completing the final 3 holes on EPC1477 along strike to enable a JORC inferred underground resource to be defined
  - 1 drilling rig on White Mountain (EPC1260) defining open cut targets with a second to follow in the September Quarter 2011
  - 1 drilling rig on EPC1300, EPC1478 and EPC1479 defining open cut targets
- An expanded Exploration Target<sup>#</sup> range for the wider Hughenden Project will be released once the results of further coal intersections are incorporated into the geological model for the Permian Betts Creek Beds coal seams.



## QUEENSLAND - KOLAN PROJECT

- Located in the hard coking coal bearing Maryborough Basin in Queensland, Australia
- Estimated 23,700 hectares of coal exploration permit in two tenements – EPC1872 and EPC2003
- The Burrum Coal measures exploration target is for a high value, modest tonnage, coking product with high CSN, low ash and low moisture
- Connected to the Port of Gladstone via the Maryborough North Coast Rail System which runs adjacent to the Project
- The Kolan Project is a proponent for 1Mtpa of capacity in the WICET Stage 2 expansion at Gladstone
- Drilling on EPC1872 has intersected thin sections of the Burrum Coal measures to date
- Drilling with one drill rig is expected to commence early in the September Quarter 2011 on EPC2003, where thicker sections of the Burrum coal measures are anticipated
- EPC2003 was recently granted and, based upon previous desktop analysis of historical information and field observations, is considered to possess the greatest potential to host thick Burrum Coal measures



➤ Historical drilling located between EPC1872 and EPC2003 showed the following characteristics:

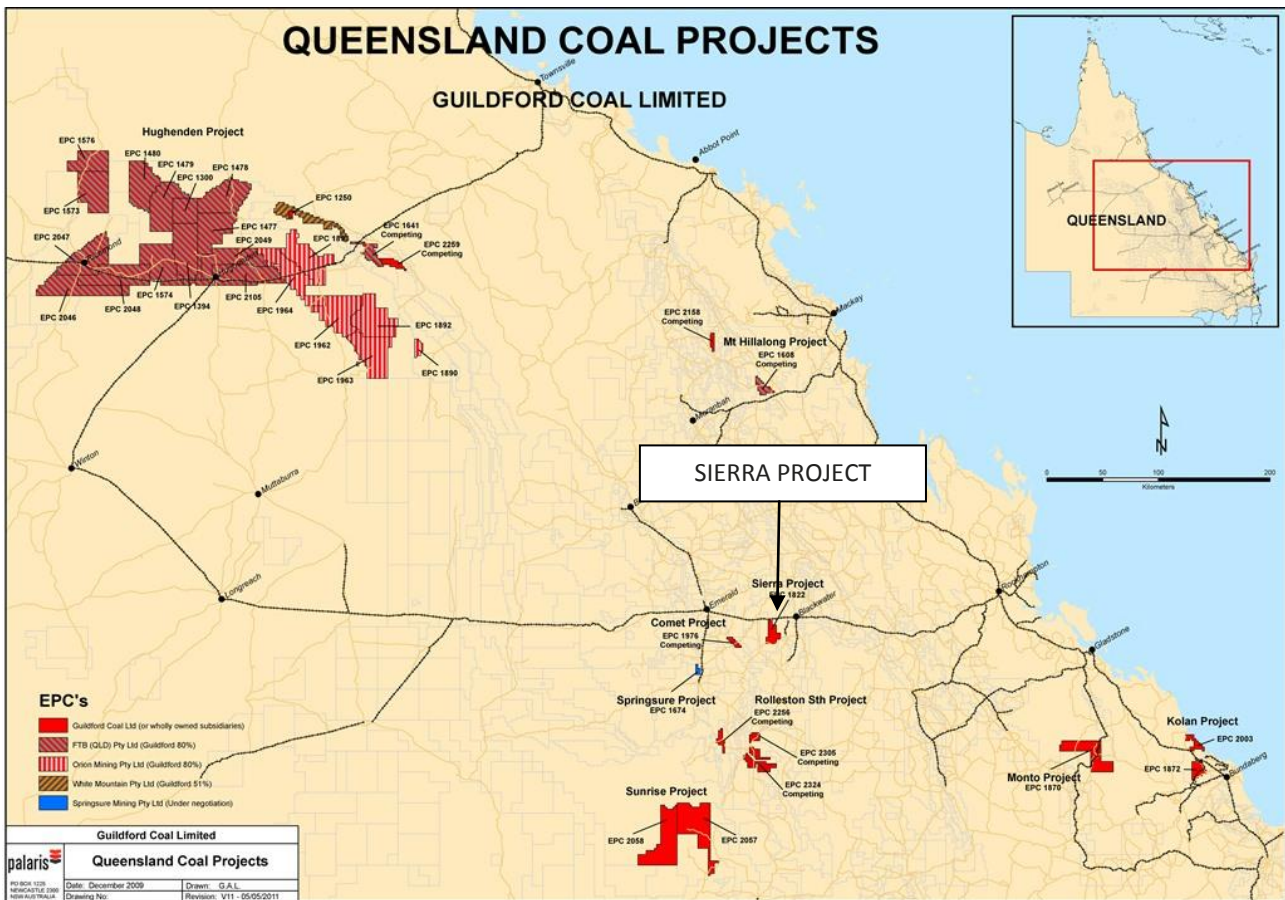
*Washability Results for Floats at Fluid Density of 1.40g/cc in Boreholes B001C (Reported on Air-Dried Basis)*

Depth From (m)	Depth To (m)	Thickness (m)	Yield @ FC 1.40	Ash @ FC 1.40	VM @ FC 1.40	TS @ FC 1.40	CSN @ CF 1.40	Fluidity @ CF 1.40
34.08	34.67	0.59	8.9	7.3	32.2	0.72	9	18,000
36.28	36.78	0.5	47.2	12.3	29.2	0.66	8	2,000
49.82	50.07	0.25	51.4	15	29.6	0.66	7	2,000
50.07	50.5	0.43	45.7	9.1	29	0.65	8	350
50.5	50.85	0.35	23.7	10.6	28.5	0.66	8	500
50.85	51.07	0.22	7.4	8	30.7	0.75	8	4,000
51.07	51.97	0.9	41.8	7.3	28.4	0.61	8	80
51.97	52.18	0.21	79.8	5.3	28.7	0.72	8	150
52.18	52.4	0.22	56.5	5.4	28	0.66	7	100
52.4	53.1	0.7	26.9	11.2	28.4	0.68	8	300
53.1	54.2	1.1	20	6.5	29.2	0.78	8	800

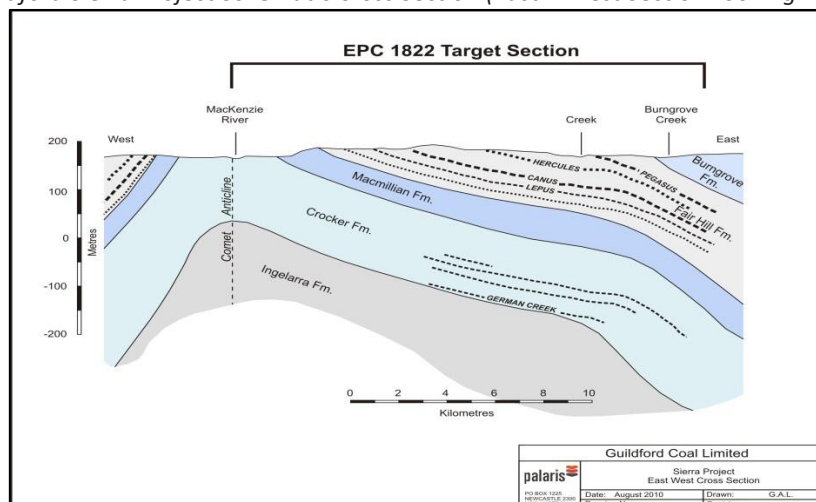


## QUEENSLAND - SIERRA PROJECT

- Hard coking coal target in Fair Hill, Burngrove and Crocker Formations of Bowen Basin Queensland, Australia
- Open cut mineral resource target with an estimated 20km of strike of the Fair Hill Formation sub crop running north-south across the 100%-owned EPC1822
- Close to rail with the Blackwater rail system cutting across the northern edge of the tenement
- Recent drilling to the immediate south by Newlands Resources Limited in their Comet Ridge Project has confirmed the concept for the Sierra Project with multiple thick intersections of up to 14m thickness of the Fair Hill formation near surface. The coal is reported to have raw CSN values of up to 8.5
- Based on this drilling Newlands has reported an exploration target of 200 to 250 million tonnes in its project based on 5km of strike extensions of the Fair Hill formation whilst the Guildford Sierra Project has an interpreted 20km of strike extension of the Fair Hill formation running north-south across the project
- Drilling with one drill rig is scheduled to commence on the Sierra Project to confirm this coking coal target following granting of this tenement which is anticipated in the September Quarter 2011

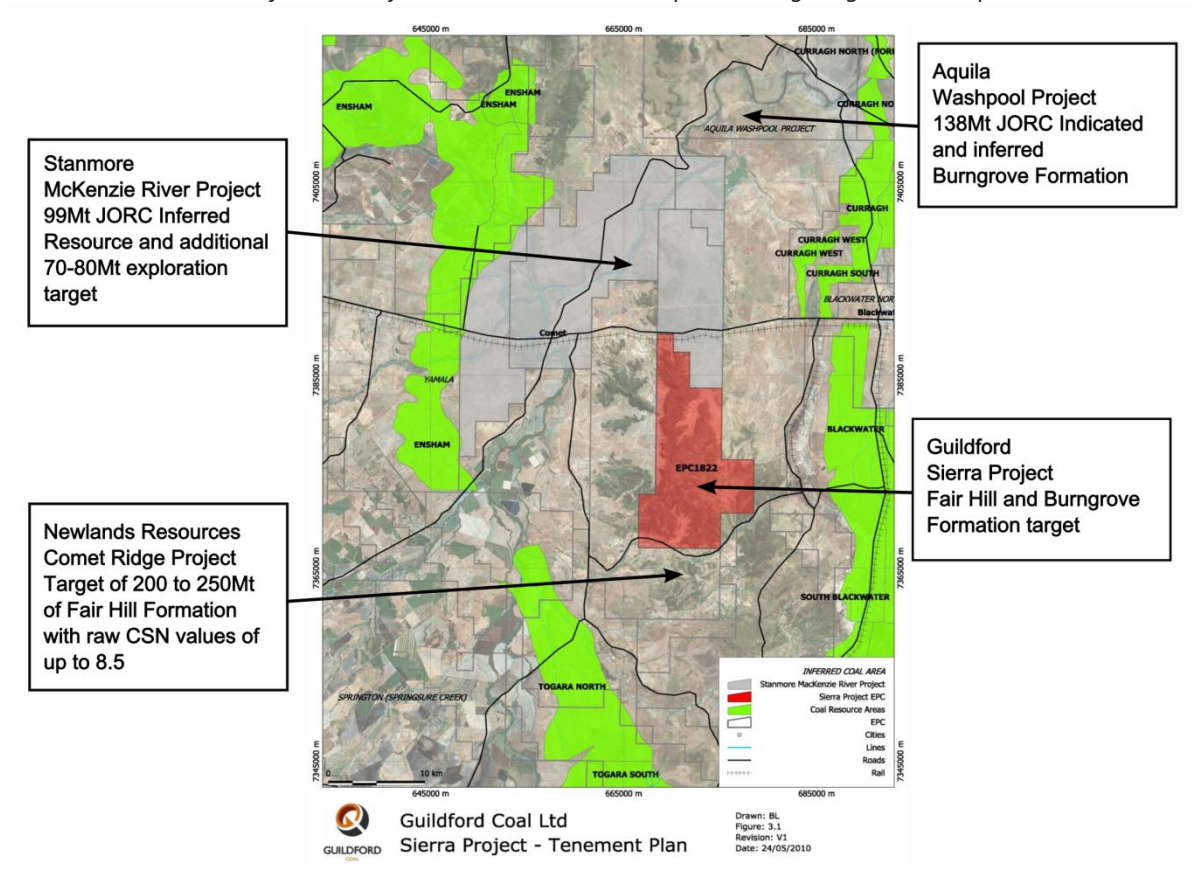


*Guildford Sierra Project Schematic Cross Section (East – West Section Looking North)*





*Location of Sierra Project in Relation to other Explorers Targeting Similar Sequence*



## ABOUT GUILDFORD COAL

Guildford Coal has established a portfolio of coal exploration tenement areas in Queensland, Australia and more recently in Mongolia. Guildford Coal's Queensland tenements cover an estimated area of 20,000 square kilometres and are defined within project areas as follows:

- Hughenden Project (Galilee / Eromanga Basins):
  - FTB (Qld) Pty Ltd (Guildford 80%)
  - Orion Mining Pty Ltd (Guildford 80%)
  - White Mountain Project - EPC1250 (Guildford 100%)  
- EPC1260 (Guildford 51%)
- Kolan Project (Maryborough Basin);
- Sierra Project (Bowen Basin);
- Comet Project (Bowen Basin);
- Sunrise Project (Surat/Bowen Basin);
- Monto Project (Nagoorin Graben).

Guildford Coal through its subsidiary Guildford Coal (Mongolia) Pty Ltd has an equity interest in 6 tenements contained in two projects in Mongolia through its shareholding in Terra Energy LLC which on 20 July 2011 increased from an equity share of 20% to 70%. The coal projects are located in the South Gobi and Middle Gobi coal bearing basins which contain thermal and coking coals.

Guildford Coal's key objective is to create shareholder value through the identification, securing and exploration and potential development of coal deposits. In order to achieve this objective, Guildford Coal intends to:

- Drill and assess existing exploration permits with the aim of establishing coal resources;
- Complement and diversify Guildford Coal's existing portfolio through application for and acquisition of additional coal assets;
- Undertake project development for high priority targets where economic coal deposits are proven; and
- Ultimately produce and sell a variety of coal products into export markets if successful in exploration objectives.



**MICK AVERY**  
*Managing Director*  
T: +61(2) 4914 5910



## **# Exploration Target**

*References to Exploration Targets in this document are in accordance with the guidelines of the JORC Code (2004). As such it is important to note that in relation to reported Exploration Targets any references to quality and quantity are conceptual in nature. Exploration carried out to date is insufficient to be able to estimate and report coal resources in accordance with the JORC Code (2004). It is uncertain if further exploration will result in the determination of a Coal Resource.*

## **Competent Persons Statement**

*The information in this report is based on information compiled by Brendan Lloyd, who is a Member of the Australasian Institute of Mining and Metallurgy (208658) and has had sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activities which are being undertaken to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. Lloyd is Exploration Manager for Guildford Coal Limited engaged under secondment from Palaris Mining Pty Ltd and consents to the inclusion of the matters based on his information in the form and context in which it appears. Mr Lloyd has over 10 years experience in exploration and mining of coal deposits.*

## Appendix 5B

### Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

Guildford Coal Ltd

ABN

35 143 533 537

Quarter ended ("current quarter")

30/06/2011

#### 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		
1.2	Payments for (a) exploration & evaluation @	(2,792)	(12,184)
	(b) development	Nil	Nil
	(c) production	Nil	Nil
	(d) administration #	(1,055)	(2,050)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	434	1,761
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other (provide details if material)		
<b>Net Operating Cash Flows</b>		<b>(3,413)</b>	<b>(12,473)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a) prospects	(30)	(138)
	(b) equity investments	(9,300)	(6,000)
	(c) other fixed assets	(6)	(30)
	(d) formation expenses		(436)
1.9	Proceeds from sale of: (a) prospects		
	(b) equity investments		
	(c) other fixed assets		
1.10	Loans from other entities	145	185
1.11	Loans repaid by other entities	(312)	(312)
1.12	Other (provide details if material)		
<b>Net investing cash flows</b>		<b>(9,503)</b>	<b>(6,731)</b>
1.13	Total operating and investing cash flows (carried forward)	<b>(12,916)</b>	<b>(19,204)</b>

+ See chapter 19 for defined terms.



## Appendix 5B

### Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(12,916)	(19,204)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.		23,900
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
	<b>Net financing cash flows</b>	Nil	23,900
	<b>Net increase (decrease) in cash held</b>	(12,916)	4,696
1.20	Cash at beginning of quarter/year to date	46,763	29,151
1.21	Exchange rate adjustments to item 1.20	n/a	n/a
1.22	<b>Cash at end of quarter</b>	33,847	33,847

@ Item 1.2 (a) Exploration and Evaluation includes an allocation of the Management Fee paid to TheChairmen1 Pty Ltd as set out in the IPO prospectus

# Item 1.2 (d) Administration includes an allocation of the Management Fee paid to TheChairmen1 Pty Ltd as set out in the IPO prospectus

#### Payments to directors of the entity and associates of the directors

#### Payments to related entities of the entity and associates of the related entities

	Current quarter \$A'000
1.2 Aggregate amount of payments to the parties included in item 1.2	709
1.2 Aggregate amount of loans to the parties included in item 1.10	Nil

1.2 Explanation necessary for an understanding of the transactions

Item 1.23 includes directors fees, net wages of directors and includes the Management Fee paid to TheChairmen1 Pty Ltd as set out in the IPO prospectus

#### 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

The consolidated accounts show in relation to Terra Energy LLC an investment of \$17 million (net of the 30% non-controlling interest) of which \$10 million is an outstanding financial liability expected to be settled 50% in cash and 50% in scrip.

- 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

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### 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	Nil	Nil
3.2 Credit standby arrangements	Nil	Nil

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation <sup>@</sup>	5,706
4.2 Development <sup>&amp;</sup>	5,413
4.3 Production	
4.4 Administration <sup>#</sup>	1,777
<b>Total</b>	<b>12,896</b>

*@ Item 4.1 Exploration and Evaluation includes an allocation of the Management Fee paid to TheChairmen1 Pty Ltd as set out in the IPO prospectus*

*& Item 4.2 includes acquisition costs and capital expenditure*

*# Item 4.4 Administration includes an allocation of the Management Fee paid to TheChairmen1 Pty Ltd as set out in the IPO prospectus*

### 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	2,720	9,045
5.2 Deposits at call	31,127	37,717
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>	<b>33,847</b>	<b>46,762</b>

+ See chapter 19 for defined terms.



### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

### 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> (description)	Nil	Nil	Nil	Nil
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	Nil	Nil	Nil	Nil
7.3 <b>*Ordinary securities</b>	413,532,609	213,532,609	Fully paid	Fully paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	Nil	Nil	N/A	N/A
7.5 <b>*Convertible debt securities</b> (description)	N/A	N/A	N/A	N/A

+ See chapter 19 for defined terms.

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	N/A	N/A	N/A	N/A
7.7	<b>Options</b> (description and conversion factor)	Nil	Nil	<i>Exercise price</i>	<i>Expiry date</i>
7.8	Issued during quarter	Nil	Nil	N/A	N/A
7.9	Exercised during quarter	Nil	Nil	N/A	N/A
7.10	Expired during quarter	Nil	Nil	N/A	N/A
7.11	<b>Debentures</b> (totals only)	Nil	Nil		
7.12	<b>Unsecured notes</b> (totals only)	Nil	Nil		

### 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 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:  Date: 28 July 2011  
Managing Director

Print name: Michael Ross 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 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, 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 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting 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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