



**GUILDFORD**  
COAL

## MINING LICENCE GRANTED IN MONGOLIA

### SOUTH GOBI PROJECT MINING LICENCE GRANTED AND COAL RESOURCE UPGRADE

ASX: GUF

#### SHARE INFORMATION

Issued Shares: 439.6m  
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  
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

#### KEY PROJECTS

**HUGHENDEN**  
Location:  
Galilee Basin, QLD

**SIERRA**  
Location:  
Bowen Basin, QLD

**KOLAN**  
Location:  
Maryborough Basin, QLD

**SOUTH GOBI**  
Location:  
South Gobi Basin, Mongolia

**MIDDLE GOBI**  
Location:  
Middle Gobi Basin, Mongolia

## HIGHLIGHTS

- Key milestone with the granting of the first Mining Licence and a Pre-Utilisation Agreement (Mineral Development Licence) to Guildford's Mongolian subsidiary for the South Gobi Coal Project
- Independent Geologists have completed a further review of the South Gobi Project and have upgraded the JORC resource to **70.4Mt** (previously 63.1 Mt) of coking coal consisting of 39.7Mt of Indicated (previously 38.2Mt) and 30.7Mt of Inferred Resource (previously 24.9Mt)
- The Mining Licence and South Gobi Project coal deposits provide the necessary building blocks for the potential start-up of an open cut mining operation in mid 2012
- Further results received on quality from South Gobi Project confirms coking coal capability with the trend from semi soft coking (1/3<sup>rd</sup> Coking Coal classified under Chinese System) in the west to hard coking (Coking Coal classified under Chinese System) in the east of the resource
- Scoping Studies for the start-up operation on the South Gobi Project will be completed in early February 2012 with a 2Mtpa Case and a 4Mtpa Case being developed
- The South Gobi Project is strategically located approximately 60km from the Chinese border station town of Ceke, gateway to end user markets in China. Discussions with potential offtake partners are well advanced.
- Independent geologists have also upgraded the Exploration Targets<sup>#</sup> for the South Gobi Project to **70Mt - 892Mt** of coking coal (previously 0 - 700Mt) and for the Mid Gobi Project to **165Mt - 830Mt** of thermal coal (previously 30Mt - 680Mt).
- Drilling will continue after the Mongolian winter on the key tenements in the South Gobi Project to further define the JORC resource for the conceptual Central, West and East Pits and to expand the Mid Gobi project mineral resource.

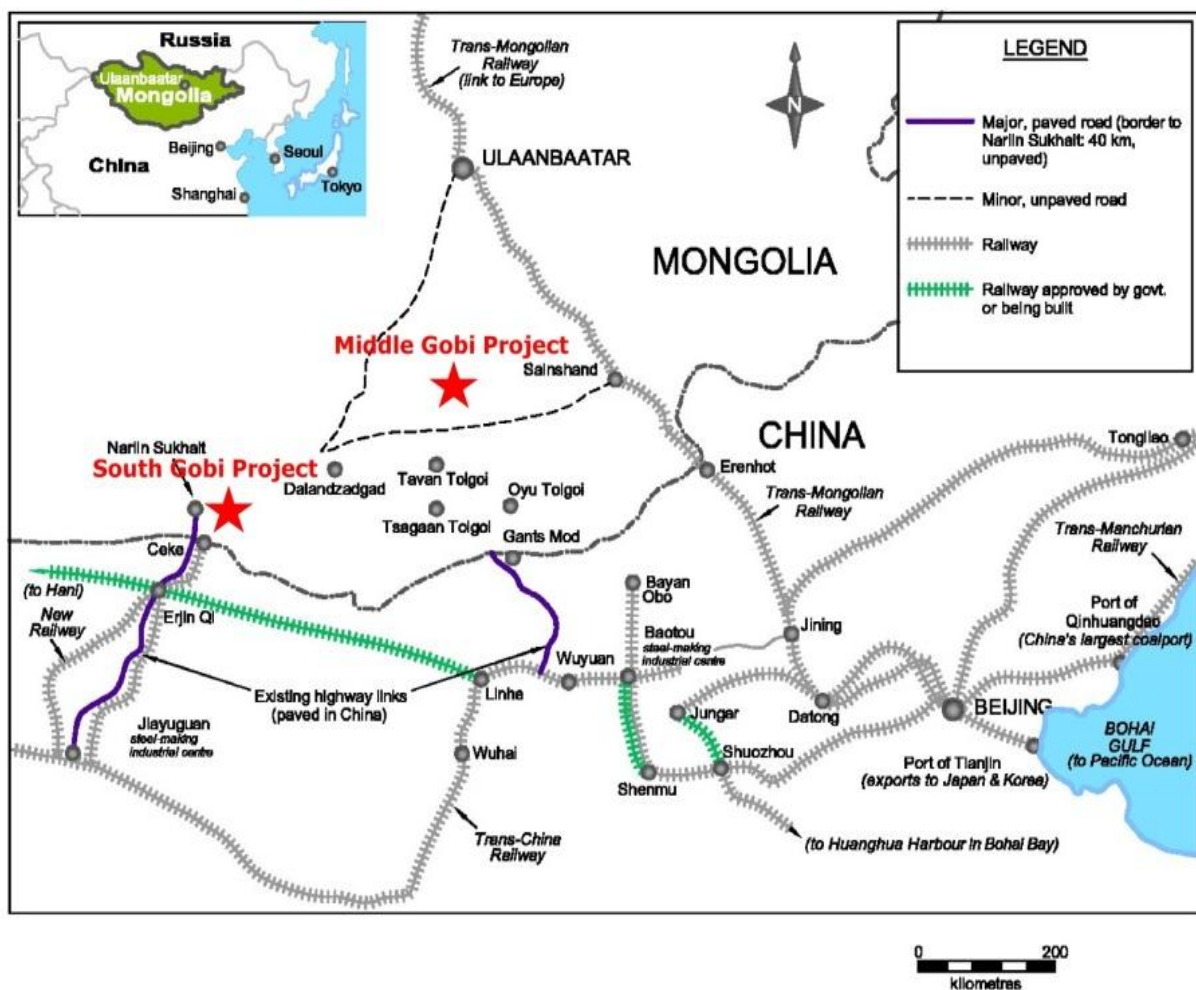
# MONGOLIA PROJECT OVERVIEW

Guildford's interests in Mongolia are held through Guildford's 70% owned subsidiary, Terra Energy.

Terra Energy and its subsidiaries control a number of tenements contained in two coal projects in Mongolia. The coal projects are located in the coal bearing basins of the South Gobi and Mid Gobi which contain both thermal and coking coals.

The South Gobi Project consists of four exploration licences and one mining licence located in the South Gobi Province (Umnigovi Aimag) of Mongolia. These licences are situated approximately 1,000km south-west of the Mongolian capital of Ulaanbaatar and approximately 60km from the Chinese border station of Ceke, where coal produced in nearby Mongolian mines is currently transported through to China.

The Mid 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.



Map Showing Location of Guildford Projects in Mongolia in relation to Infrastructure

## SOUTH GOBI COAL PROJECT

The South Gobi Project area now consists of one mining licence, one mineral development licence and three exploration licences and are located in the South Gobi Province (Umnigovi Aimag) of Mongolia. These licences are situated approximately 1,000km south-west of the Mongolian capital of Ulaanbaatar and approximately 60km from the Chinese border station of Ceke, where coal from Mongolia is currently transported through to China. The project is also strategically located approximately 50km east of Nariin Sukhait which includes SouthGobi Resources' (SGS) Ovoot Tolgoi mine and the MAK mine, which currently produce and export coking and thermal coal to customers in China. The Guildford South Gobi Project is located approximately 50 km east of these mines.

These current mines produce in excess of 5 Mtpa of high volatile bituminous coals which are marketed as separate thermal and coking coal products.

- The coal is currently sold ROM (unwashed) at the mine gate to various Chinese trading houses 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.
- The target customers are the growing Chinese markets in Gansu province, Inner Mongolia and Shanxi province.

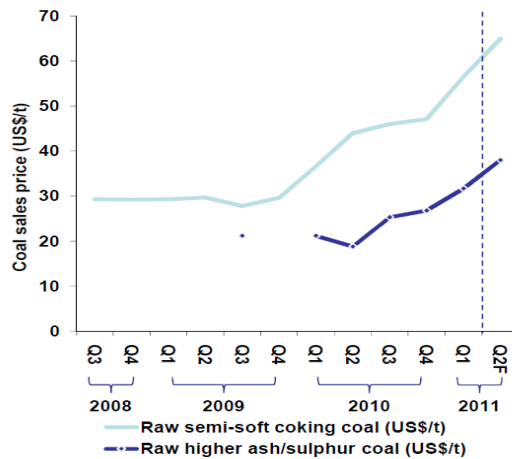


*MAK Open-Cut Operation for illustrative purposes (not an asset of Guildford Coal)*

The near surface coal geology of the South Gobi region and competitive labour rates allow for low-cost production, with average ROM cash costs estimated at around US\$20/t. Selling prices for unwashed ROM coal based on recent information published by SGS are forecast at:

- US\$60 per tonne for raw semi soft coking primary product
- US\$35 per tonne for higher ash/sulphur secondary product coal

### Improved product pricing

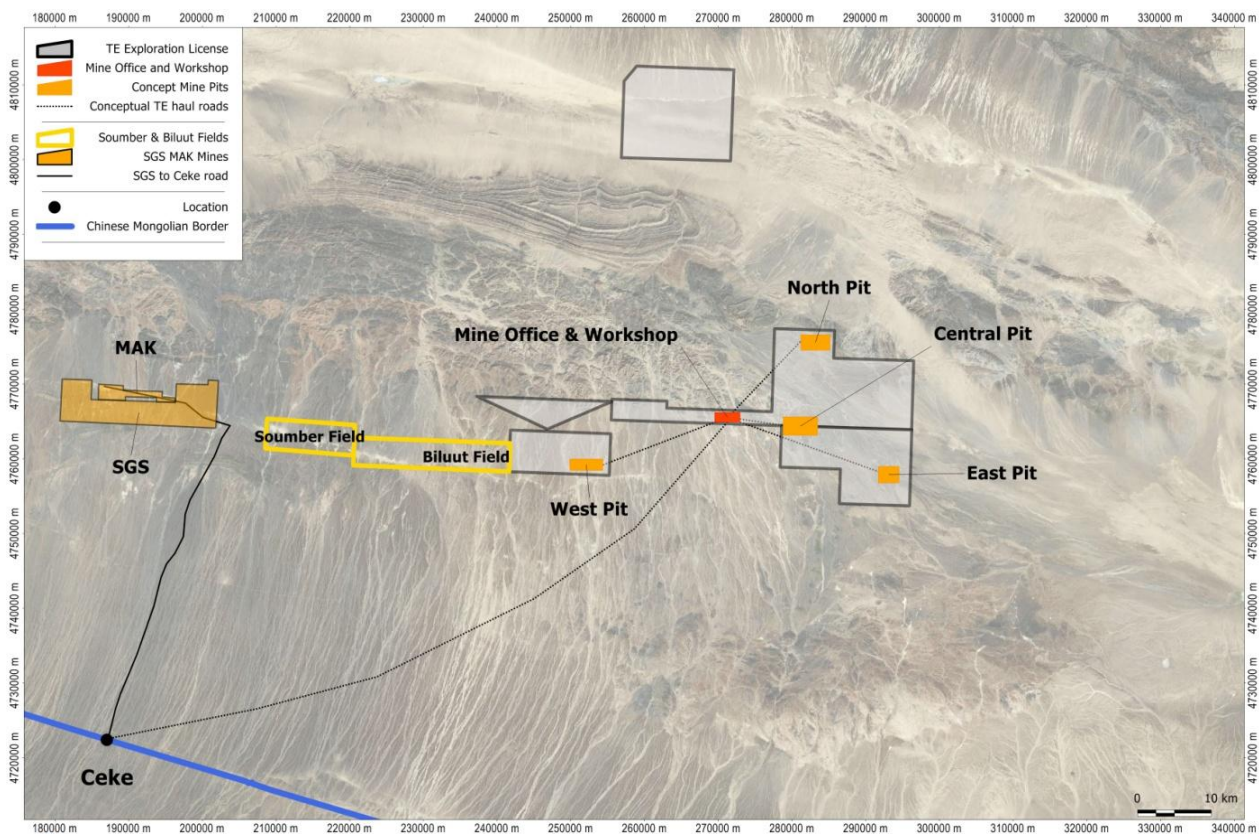


Source: SouthGobi Resources 2011 AGM Presentation

The South Gobi Project now has the necessary building blocks to support near term development with the potential of up to 4 Mtpa as an open-cut coking coal operation. Guildford is currently targeting commencement of mining by the end of the first half of 2012.

## SOUTH GOBI PROJECT – MINING LICENCE

Guildford's Mongolian subsidiary has been granted the mining licence MV-016971 for the South Gobi Coal Project by the Mineral Resource Authority of Mongolia over EL5262X. The licence is for an initial term of 30 years with an option for two twenty year extensions, providing for a total of 70 years of tenure security. A Pre-Utilisation Agreement (Mineral Development Licence) has also been granted over 5264X.



Guildford Coal Limited / Terra Energy – South Gobi Project – Mine Concept

Universal Transverse Mercator - Zone 48 (N)  
Printed at: 22/08/2011

Map Showing Location of Guildford South Gobi Project - Mine Concept

## SOUTH GOBI PROJECT – RESOURCE UPGRADE

Independent geologists Moultrie Database and Modelling Pty Ltd (MDM) have upgraded the JORC coal resource for the proposed North Pit of **70.4Mt** (previously 63.1 Mt) of coking coal consisting of an **Indicated Resource of 39.7Mt** (previously 38.2Mt) and an **Inferred Resource of 30.7Mt** (previously 24.9Mt) based on the data available and reported to the JORC Code 2004 standard.

In addition to this upgraded JORC resource, MDM has estimated a further Exploration Target<sup>#</sup> for the South Gobi Project's proposed North Pit of **14Mt to 73Mt** through interrogating the exploration data available within the project area, comprising both company and public domain data, and calculating in-situ volumes based on conservative cumulative coal seam thickness contours.

Further to these upgrades, MDM has also estimated a further Exploration Target<sup>#</sup> for the South Gobi Project proposed Central Pit of **56Mt to 279Mt** through interrogating the exploration data available within the project area, comprising both company and public domain data, and calculating in-situ volumes based on conservative cumulative coal seam thickness contours.

This generates an overall Exploration Target<sup>#</sup> for the South Gobi Project of **70Mt to 892Mt** (previously 0 to 700Mt) which is in addition to the current mineral resource outlined above.

Further assessment of the South Gobi Project coal quality is to be conducted with analysis of specific mining sections and washabilities. Initial evaluation of coal quality supports the production of two raw (unwashed) products similar to SGS Ovoot Tolgoi Mine with a:

- Primary raw coking product; and a
- Secondary higher ash product

The raw quality for the resource on the North Pit shown in the table below demonstrates the variation in quality from east to west with the coal in the east potentially being classified under the Chinese System as Coking Coal and trending towards 1/3rd Coking Coal classification in the west.

North Pit Resource Raw Quality Trends (adb)							
Sample (East to West)	TM%	ASH%	VM%	FC%	KCAL	FSI	Potential Chinese Coal Classification
1	4.3	15.9	24.7	49.8	6755	4.3	Coking Coal
2	6.4	14.03	24.73	50.69	6844	5.5	Coking Coal
3	4.3	15.9	24.7	49.8	6755	4.3	Coking Coal
4	4.3	15.9	24.7	49.8	6755	4.3	Coking Coal
5	4.6	22.8	31.4	42.9	5830	3.3	1/3rd Coking Coal
6	4.6	22.8	31.4	42.9	5830	3.3	1/3rd Coking Coal

It is anticipated that a mining contractor will be engaged in an Early Contractor Involvement (ECI) style contract and that an offtake agreement for the product coal will be finalised by the end of first quarter 2012.

Further drilling will focus on proving a JORC compliant resource on the conceptual West Pit, conceptual Central Pit and conceptual East Pit after the Mongolian winter.

# MID GOBI COAL PROJECT

The Mid 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.

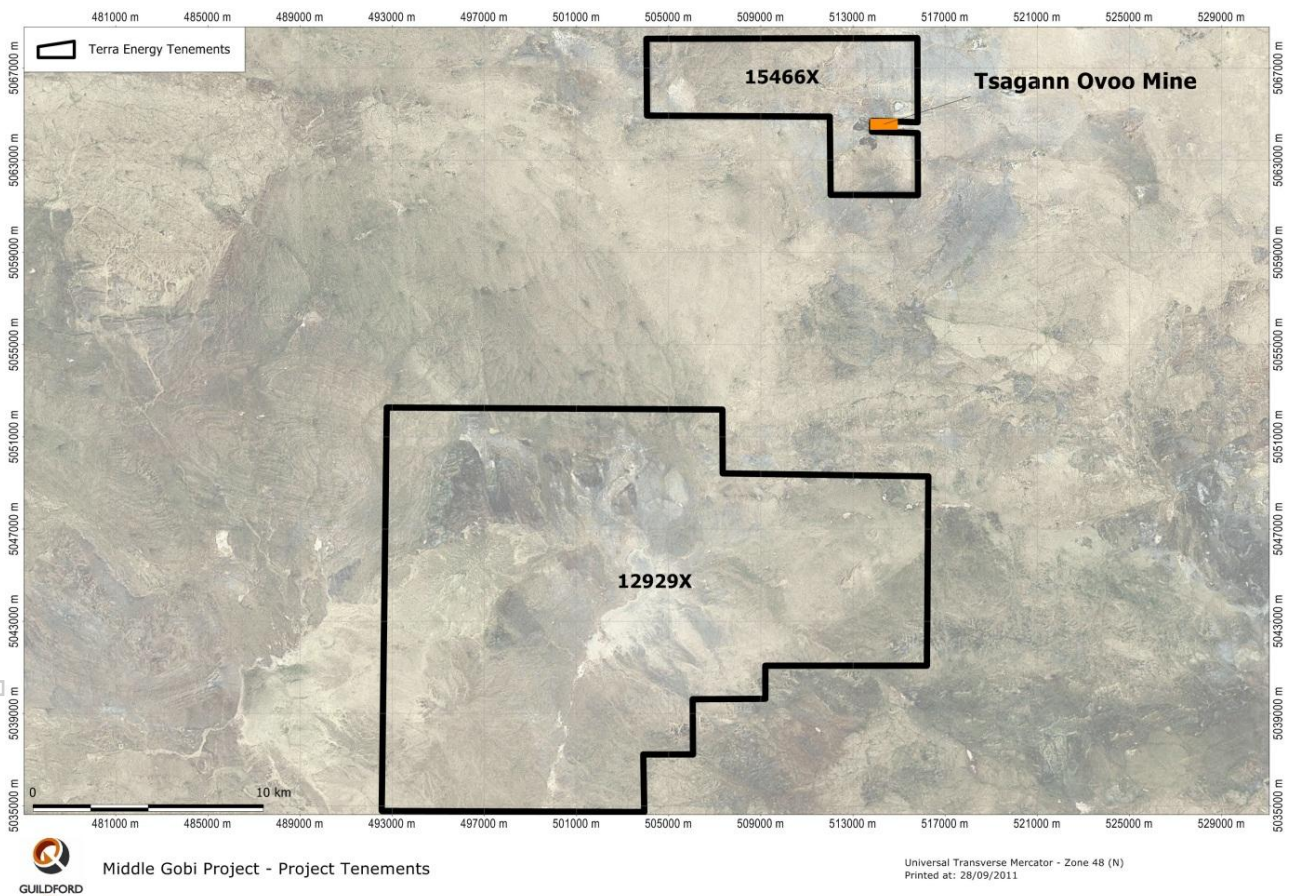
The two Mid Gobi Project exploration licences have an approximate area of 36,000 hectares and are located in the coal bearing Ongi Gol Basin.

The regional geology is moderately dipping which potentially provides multiple hard and low rank surface coal targets, and the project location is within close proximity to potential customers including Mongolian and Chinese electricity generators.

There are two potential coal deposits located in the Mid Gobi Project

- Tsagaan Ovoo Deposit (Exploration Licence 15466X)
- Tsakhiurt Gobi Deposit (Exploration Licence 12929X)

In the Mid Gobi Project, geologists have mapped approximately 4km of coal seam outcrop on Guildford's 12929X tenement and multiple exploration holes have intersected thick coal seams potentially suitable for open cut mining methods. Coal is currently mined from the Tsagann Ovoo Mine, which is located adjacent to Guildford's 15466X tenement, and provides feedstock for the domestic energy market.



Map Showing Location of Guildford Middle Gobi Projects

## MID GOBI PROJECT – EXPLORATION TARGET UPGRADE

MDM has also upgraded the estimated Exploration Target<sup>#</sup> for the Mid Gobi Project to **165Mt to 830Mt** (previously 30Mt to 680Mt) through interrogating the exploration data available within the project area, comprising both company and public domain data, and calculating in-situ volumes based on conservative cumulative coal seam thickness contours.

In addition to the Exploration Target<sup>#</sup> outlined above, a total **JORC Resource of 221.4Mt** consisting of an **Indicated Resource of 32.3Mt** and an **Inferred Resource of 189.1Mt** was previously announced (ASX 7 December 2011) based on the data available and reported to the JORC Code 2004 standard.

Preliminary assessment indicates that the coal from 12929X will be low rank thermal coal and 15466X could contain higher rank sub-bituminous coal. The potential for the Middle Gobi Project is for a large scale open cut operation supplying thermal coal to Mongolian and Chinese electricity generators.

## ABOUT GUILDFORD COAL

Guildford Coal has established a portfolio of coal exploration tenement areas in Queensland, Australia and more recently in Mongolia with a combined JORC resource of **1.328 Bt** (1.256 Bt of Inferred and 72 Mt of Indicated) of thermal and coking coal across the Hughenden Project (Qld), South Gobi Project (Mongolia) and Mid Gobi Project (Mongolia). In addition to these resources, Exploration Targets<sup>#</sup> have been prepared for Projects managed by GUF in Queensland and Mongolia ranging from **0.855 Bt to 8.258 Bt** of thermal and coking coal. A resource table is shown in the following page.

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 100%)
  - Orion Mining Pty Ltd (Guildford 80%)
  - White Mountain Project
    - EPC1250 (Guildford 56%)
    - EPC1260 (Guildford 56%)
- Sierra Project (Bowen Basin);
- Kolan Project (Maryborough Basin);
- Sunrise Project (Surat/Bowen Basin);
- Monto Project (Nagoorin Graben).

Guildford Coal also has an equity share in 7 tenements contained in two projects in **Mongolia** through its 70% shareholding in Terra Energy. 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.

For and on behalf of Guildford Coal Limited.



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

Project	JORC Resources				Exploration Target <sup>#</sup>		Coal Type	Independent Geologist
	Measured	Indicated	Inferred	Total	Lower	Upper		
Hughenden*			1,036	1,036	580	5,720	Thermal	MDM
White Mountain					40	815	Thermal	Palaris/Xstract
<b>AUSTRALIAN TOTAL</b>	<b>0</b>	<b>0</b>	<b>1,036</b>	<b>1,036</b>	<b>620</b>	<b>6,535</b>		
North		39.7	30.7	70.4	14	73	Coking	MDM
Central					56	279	Coking	MDM
East					0	241	Coking	Palaris
West					0	300	Coking	Palaris
<b>South Gobi</b>	<b>0</b>	<b>39.7</b>	<b>30.7</b>	<b>70.4</b>	<b>70</b>	<b>893</b>		
<b>Mid Gobi</b>	<b>0</b>	<b>32.3</b>	<b>189.1</b>	<b>221.4</b>	<b>165</b>	<b>830</b>	<b>Thermal</b>	<b>MDM</b>
<b>MONGOLIAN TOTAL</b>	<b>0</b>	<b>72.0</b>	<b>219.8</b>	<b>291.8</b>	<b>235</b>	<b>1,723</b>		
<b>TOTAL</b>	<b>0</b>	<b>72.0</b>	<b>1,255.8</b>	<b>1,327.8</b>	<b>855</b>	<b>8,258</b>		

\*Note: The Hughenden Project consists of numerous tenements, and the Exploration Target<sup>#</sup> relates to the entire group of tenements. The Inferred Resource relates to EPC1477 and EPC1478 only.

## **# 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**

Technical information in this report has been compiled by Brendan Lloyd, who is a Member of the Australasian Institute of Mining and Metallurgy (Member #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.

### **JORC Resource Competent Persons Statement**

Technical information in this report in relation to specified Exploration targets and the JORC Resources has been compiled by Mr Mark Biggs, Principal Geologist of Moultrie Database and Modelling (MDM). Mr Biggs is a member of the Australasian Institute of Mining and Metallurgy (Member #107188) 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) 2004. 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.

The estimates of the Coal Resources presented in this Report are considered to be a true reflection of the Coal Resources as at 30<sup>th</sup> January 2012 and have been carried out in accordance with the principles and guidelines of the Australian Code for Reporting of Coal Resources and Coal Reserves published in September 2004 (JORC Code).

### **Forward Looking Statements**

This Announcement contains certain "forward-looking statements". The words "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "plan", "consider", "foresee", "aim", "will" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future production, resources, reserves, sales, capital expenditure, earnings and financial position and performance are also forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of Guildford.