Guildford Coal Limited

and its controlled entities

ABN 35 143 533 537

Annual Financial Report

For the year ended 30 June 2013

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Corporate Directory

For the Year Ended 30 June 2013

Directors

The Hon Alan Griffiths	*Acting Non-Executive Chairman*
Mr Peter Westerhuis	*Group Managing Director*
Mr Tsgot Togoo	*Non-Executive Director*
Mr Kon Tsiakis	*Non-Executive Director*
Mr Gary Humphrys	*Non-Executive Director*

Company Secretary

Mr Kon Tsiakis

Registered office and principal place of business

Level 7
490 Upper Edward Street
Spring Hill, QLD 4000
Australia

Phone: +61 7 3005 1533

Share registry

Link Market Services Limited
Level 12
680 George Street
Sydney, NSW 2000
Australia

Guildford Coal Limited shares are listed on the Australian Securities Exchange (ASX code: GUF).

Solicitors

Herbert Smith Freehills
101 Collins Street
Melbourne, Victoria 3000
Australia

Bankers

Australia and New Zealand Banking Group Limited
242 Pitt Street
Sydney, NSW 2000
Australia

Auditors

EY
680 George Street
Sydney, NSW 2000
Australia

Directors' report

For the Year Ended 30 June 2013

The directors present their report, together with the financial statements of the Group, being Guildford Coal Limited (the Company) and its controlled entities, for the financial year ended 30 June 2013.

Directors

The names of the directors in office at any time during, or since the end of, the financial year are:

Names	Position	Appointed/Resigned
The Hon Alan Griffiths	Acting Non-Executive Chairman	
Mr Peter Westerhuis	Group Managing Director	Appointed 27/02/2013
Mr Tsogt Togoo	Non-Executive Director	Appointed 27/02/2013
Mr Kon Tsiakis*	Non-Executive Director	Appointed 14/04/2013
Mr Gary Humphrys*	Non-Executive Director	Appointed 14/04/2013
The Hon Peter Lindsay	Non-Executive Chairman	Resigned 30/08/2013
Mr Craig Ransley	Non-Executive Director	Resigned 7/05/2013
Mr Michael Chester	Non-Executive Director	Resigned 24/09/2013
Mr Michael Avery	Managing Director	Resigned 21/01/2013
Mr Louis Chait	Finance Director	Resigned 12/04/2013

*As announced by the Company on 10 April 2013, Mr Ransley and Mr Chester requested temporary leave of absence from their duties as Non-Executive Directors. Mr Tsiakis and Mr Humphrys were appointed Alternate Non-Executive Directors for the period of Mr Ransley and Mr Chester's absence, and upon their subsequent resignations Mr Tsiakis and Mr Humphrys were appointed as Non-Executive Directors.

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Interests in the shares of the Group

The directors have no relevant interest in debentures, rights or options.

As at the date of this report, the interests of the directors in the shares of Guildford Coal Limited were:

Names	Number of ordinary shares
The Hon Alan Griffiths*	490,056
Mr Peter Westerhuis	725,000
Mr Tsgot Togoo	-
Mr Kon Tsiakis*	-
Mr Gary Humphrys	40,000
The Hon Peter Lindsay	200,000
Mr Craig Ransley*	-
Mr Michael Chester	-
Mr Michael Avery*#	-
Mr Louis Chait	-

* Directors are also shareholders of TheChairmen1 Pty Ltd, which is a major shareholder with 249,639,706 fully paid ordinary shares in the Company Limited at the date of this report. The Hon Alan Griffiths relinquished his interests in TheChairmen1 Pty Ltd on 27 September 2013.

Former director is a shareholder of a private company which holds 7,362,397 fully paid ordinary shares in the Company.

Directors' report

For the Year Ended 30 June 2013

Principal activities and significant changes in nature of activities

The principal activities of the Group during the financial year included the transition from explorer to developer in Mongolia, and the exploration for minerals in a number of mining tenements held across Australia.

There has been a significant change in the nature of the Group's principal activities during the year as a result of the transition from explorer to developer at the Baruun Noyon Uul (BNU) mine of the South Gobi project in Mongolia.

Operating results

The consolidated loss of the Group after income tax for the year was $1,452,390, (2012: consolidated loss of $23,184,416). The loss attributed to the members of the parent entity after non-controlling interest amounted to $316,069, (2012: consolidated loss of $21,945,303).

Further discussion on the Group's operations immediately follows.

Review of operations

The principal activities of the Group during the financial year included the transition from explorer to developer in Mongolia, and the exploration for minerals in a number of mining tenements held across Australia.

Acquisition activities included the Company's increased stake in multiple companies within the Group, including:

- lifting the stake in Terra Energy Ltd from 70% to 74.8% and then eventually to 100%;
- lifting the stake in Springsure Mining Pty Ltd from 50.52% to 50.69%; and
- lifting the stake in Clyde Park Coal Pty Ltd (formerly White Mountain Pty Ltd) from 56% to 59.6%, and then eventually to 64.4%.

With the Company making the transition from explorer to developer at BNU mine, a new senior management team was put in place during the second half of the year to manage the changed emphasis and skills required by the Company.

Mongolia

Pre-coal mining activities at South-Gobi commenced during the year with a significant focus on the BNU mine. This included:

- The removal of overburden by mining contractor Grand Power Mining as well as the introduction of large equipment.
- Excavations on three standard type test pits were completed to validate coal quality specifications.
- The coal quality specification parameters are encouraging and off-take discussions have commenced.
- Negotiations with suppliers and constructors of mine support facilities including accommodation camp, workshops, fuel bay, offices and crushing plant commenced.
- Additional exploration work has continued in parallel to pre-mining activities that the Company anticipates will enable the existing JORC (Joint Ore Reserves Committee) Resource to be converted into a JORC Reserve, which will provide further clarity on coal reserves and quality, and extend the mine life of the BNU mine.

Queensland operations

Updates on key Queensland projects are as follows:

a) Clyde Park Coal Project (formerly White Mountain Project)

The Clyde Park Coal Project is an early stage exploration opportunity located North West of Pentland.

An upgraded Inferred Resource of 623.18 million tonnes (Mt) was announced to the market in September 2012 following the inclusion of additional exploration results. A further upgrade of the Resource was announced in February 2013 with an increased Inferred Resource of 677Mt, and a maiden Indicated Resource of 50.7Mt.

On 19 December 2012, the Company announced that an Application for a Mining Lease (ML10369) had been lodged with the Mining Registrar for the Clyde Park Coal Project.

An Initial Advice Statement (IAS) was also lodged with the Coordinator General at the same time in order to commence the Environmental Impact Statement (EIS) and statutory approval process. However, subsequently a number of options for advancing the mine development were being considered and with the original IAS likely to be varied, the Company withdrew the IAS on 19 July 2013.

Directors' report

For the Year Ended 30 June 2013

No significant additional work has been undertaken on Clyde Park during the financial year.

b) Hughenden Project

On 9 July 2012, the Company announced its maiden JORC Indicated Resource estimate for Hughenden of 123.6Mt at depths suitable for underground mining. A review of the Inferred Resource model was announced at that time, with a basement remodelling exercise underway that was expected to result in a reduction of the Inferred tonnage for the project. On 8 February 2013, the Company announced an upgrade of the Hughenden Indicated Resource to 132.9Mt and a revised Inferred Resource of 1,076Mt.

No significant additional work has been undertaken at Hughenden during the financial year.

c) Springsure Project

Drilling on the Springsure Project commenced in May 2012 and continued until wet weather halted operations in January 2013, with information collected during the exploration program compiled into a geological model for analysis. An independently prepared maiden Inferred Resource of 252.6Mt of thermal/PCI coal was announced on 25 February 2013.

No significant additional work has been undertaken at Springsure during the financial year.

d) Infrastructure

In December 2012, the Company agreed through a Memorandum of Understanding ("MOU") to partner with major logistics company, Asciano Ltd, to develop an integrated 'pit to port' solution for mines in the Northern Galilee Region.

In April 2013, the Company was named as a key proponent, along with Mackay Sugar for a Commonwealth Government funded study worth approximately $2,500,000 for determining base load power and related transmission infrastructure requirements in Pentland, North Queensland.

Financial position

At the end of the financial year, cash at bank of $25,681,908 represented 88.1% of current assets totalling $29,165,398. Exploration and evaluation assets of $112,284,222, and property, plant and equipment of $41,406,251 equate to 72.9% and 26.9% of total non-current assets respectively. Trade and other payables of $9,473,729 and borrowings of $54,607,622 (being $21,563,343 debt and $33,044,279 convertible loan) represent 14.6% and 84.2% of total liabilities respectively.

The total net assets of the company as at 30 June 2013 were $118,245,325, of which $2,253,078 is owned by third parties (i.e. non-controlling interest).

Significant changes in state of affairs

The following significant changes in the state of affairs of the parent entity occurred during the financial year:

Pursuant to the Board's capacity under ASX listing rules to issue share capital of up to 15% of the total share capital and shareholder approvals, the following share issues occurred during the 2013 financial year:

- On 20 July 2012, the Company acquired an additional 5% in Terra Energy Limited and on 21 December 2012, it acquired the remaining 25% interest from Terra Holdings Limited, in consideration for the following:
  - Conversion of a loan from the Company to Terra Energy Limited into share capital of Terra Energy Limited;
  - Issue of 40,000,000 fully paid ordinary shares in the Company (20,000,000 were issued on 21 December 2012 and 20,000,000 were released from restrictions applied under a restricted security agreement on 21 June 2013);
  - $5,000,000 cash payments; and
  - Final $15,000,000 deferred consideration relating to the acquisition of Terra Energy Limited is due on or before 21 December 2013 (one year from the date of completion). Under the terms of the purchase agreement, at the election of the Company, this deferred consideration may take the form of cash or shares. In accordance with the deferred consideration share calculation it is anticipated that 20,000,000 Guildford Coal shares will be issued to Terra Holdings on or before 21 December 2013 to meet this final deferred consideration liability. At the balance sheet date, 20,000,000 shares at a value of $2,600,000 have been recorded as a liability, with a corresponding gain of $12,400,000 recognised in the Consolidated Statement of Comprehensive Income.
- On 22 July 2012, the Company released 200,000,000 ordinary shares from restrictions applied under a restricted security agreement. These shares were issued to TheChairmen1 Pty Ltd at listing as detailed in the IPO Replacement Prospectus dated 4 June 2010 and were subject to restriction for 24 months from the date of official quotation.

Directors' report

For the Year Ended 30 June 2013

- On 3 August 2012, the Company issued 44,179,369 fully paid ordinary shares to TheChairmen1 Pty Ltd. The shares were issued as consideration for the payment of the success fee due to TheChairmen1 Pty Ltd under the terms of the management agreement between the Company and TheChairmen1 Pty Ltd dated 26 May 2010 (as amended on 20 July 2010).
- On 28 February 2013, the Company issued 74,000,000 fully paid ordinary shares to TheChairmen1 Pty Ltd. The shares were issued as consideration for the full and final payment of the success fee obligations under the terms of the management agreement between the Company and TheChairmen1 Pty Ltd dated 26 May 2010 (as amended on 20 July 2010).

On 30 April 2013, the Company established a $39,400,000 convertible loan facility provided by funds managed by OCP Asia Limited (OCP Asia). This facility was fully drawn down on 30 April 2013 and has an 18 month term to maturity with a minimum conversion price of $0.45 and a maximum conversion price of $0.75 per share.

On 2 November 2012, the Company entered into a convertible non-revolving term bond agreement ("the convertible bond") with Gleneagle Securities (Aust) Pty Limited (Gleneagle) for proceeds of $10,000,000 with a maturity date of 31 October 2013. Attached to this convertible bond are "warrants" issued on completion date and "bond conversion warrants" which were issued on the early settlement date. Full early settlement of the convertible bond including principle and interest was completed in April 2013.

On 24 September 2012, the Company entered into a working capital facility agreement with Noble Resources International Pte. Ltd for US$10,000,000. The facility bears an annual interest rate of London Interbank Offered Rate (LIBOR) plus a margin of 7.25%.

On 31 October 2012, the Company entered into a long-term debt facility agreement with Noble Resources International Pte. Ltd for US$10,000,000. The facility bears an annual interest rate of LIBOR plus a margin of 7.25%.

Dividends paid or recommended

No dividends were paid or declared for future payment during the 2013 financial year.

Events after the reporting date

The following significant matters or circumstances have arisen since the end of the 2013 financial year which significantly affected, or could significantly affect, the operations of the Group, the results of operations, or the state of affairs of the Group in future financial years:

- On 2 September 2013, the Company announced the resignation of The Hon Peter Lindsay as Non-Executive Chairman. While a search for the new Chairman is conducted, The Hon Alan Griffiths has been appointed Acting Non-Executive Chairman;
- On 24 September 2013, the Company announced the resignation of Mr Michael Chester as Non-Executive Director, with alternate Director Mr Gary Humphrys subsequently being appointed Non-Executive Director on the same day; and
- The maturity date of the US$10,000,000 working capital facility agreement with Noble Resources International Pte. Ltd, dated 24 September 2012, has been extended to 30 June 2014 by the lender, subject to agreement of long form documentation.

Future developments and results

The Company continues to focus on its strategy to develop a portfolio of tenements which are prospective for coal. Key activities include conducting detailed analysis and drilling programs to develop exploration targets and JORC compliant resource and reserve statements, building relationships (including with infrastructure providers), and fast tracking the profitable projects to coal production. At the same time, the Company is determined to conduct all activities safely and sustainably, with sensitivity towards its stakeholders and communities and with a view to growing shareholder wealth.

Directors' report

For the Year Ended 30 June 2013

Environmental matters

The Group lodges financial assurance bonds with the Queensland Department of Environment and Heritage Protection for its maximum predicted level of disturbance at any one time. That maximum level is based on disturbance of one hectare of pastoral land per tenement on which drilling is occurring with the intensity limited to the rehabilitation of shallow sumps and topsoil disturbance. To date the Group has not exceeded its maximum predicted level of disturbance and as a result the assurance bonds have not been called on by the Department.

Risk factors

The company operates in the coal industry in both Mongolia and Australia. There are a number of factors, both specific to the Company and to the coal industry in general, which may, either individually or in combination, affect the future operating and financial performance of the Group, its prospects and/or the value of Guildford Coal shares. Many of the circumstances giving rise to these risks are beyond the control of the Company's Directors and its management. The major risks believed to be associated with investment in Guildford Coal are as follows:

Development Risks

There is a risk that circumstances (including unforeseen circumstances) may cause a delay to project development, exploration milestones or other operating factors, resulting in receipt of revenue at a later date than expected. Additionally, the construction of new projects/expansion by the Company may exceed the currently envisaged timeframe or cost for a variety of reasons outside of the control of the Company.

In relation to the construction of the BNU mine, the currently envisaged timeframe or cost may be exceeded for a variety of reasons outside of the control of the Company. There are a number of milestones that need to be met in a timely manner for production to commence and there is a risk that circumstances (including unforeseen circumstances) may cause delay, resulting in the receipt of revenue at a later date than expected.

Country risks

There is a risk that circumstances (including unforeseen circumstances) in either Mongolia or Australia may cause a delay to project development, exploration milestones or other operating factors, resulting in receipt of revenue at a later date than expected.

Financing risks

To meet capital expenditure commitments at the BNU mine development, additional funding will be required. The Company believes that there are reasonable grounds that additional funding required will be obtained to meet current and future obligations.

Geology risks

Resource and reserve estimates are stated to the JORC Code and are expressions of judgement based on knowledge, experience and industry practice. There are risks associated with such estimates, including that coal mined may be of a different quality, tonnage or strip ratio from those in the estimates.

Market risks

The Company's future financial performance will be impacted by future coal prices and foreign exchange rates.

The factors which affect coal prices and demand include the outcome of future sales contract negotiations, general economic activity, industrial production levels, changes in foreign exchange rates, changes in energy demand and demand for steel, changes in infrastructure and transportation costs, the cost of other commodities and substitutes for coal, market changes in coal quality requirements and government regulation which restricts the use of coal, imposes taxation on the resources industry or otherwise affects the likely volume of sales or pricing of coal.

Directors' report

For the Year Ended 30 June 2013

Information on directors

The Hon Alan Griffiths	Acting Non-Executive Chairman
Qualifications	Degree in Law, Economics/Politics at Monash University.
Experience	The Hon Alan Griffiths has achieved business success as a Global IT entrepreneur, hotelier, developer and investor. He established and was the principal of Quantm Limited in 2001, a company that achieved global Government and Industry recognition and Awards for innovation in the corridor and alignment optimisation of some of the world's largest road and rail infrastructure projects. His latest venture is the UK based Shopitize, a finalist and winner in its category of big data in the Cisco Big Awards, the UK Government national awards for excellence and innovation. He served five terms in the Australian House of Representatives and held various Ministerial and Cabinet positions including Minister responsible for Resources and Energy, Industry, Science, Technology, Tourism and Regional Development.
Interest in Contracts	The Hon Alan Griffiths was a shareholder in TheChairmen1 Pty Ltd which has a contract to provide management services to the Company for five years for $2,500,000 per year. He has relinquished those interests on 27 September 2013.
Special Responsibilities	Acting Non-Executive Chairman, Chairman of the Remuneration Committee and member of the Audit Committee.
Directorships held in other listed entities during the three years prior to the current year	Nil

Mr Peter Westerhuis	Group Managing Director
Qualifications	Masters of Business Administration from University of Queensland Bachelor of Engineering from University of Western Australia Graduate of The Australian Institute of Company Directors
Experience	Prior to joining the Company, Mr Westerhuis was an Executive Director with Idemitsu Australia Resources and the CEO of its Ensham Joint Venture. In addition to his technical capabilities, Mr Westerhuis has strong experience in the key areas of strategy, business development, customer relations, government and stakeholder relations, risk management, and sustainability.
Interest in Contracts	Mr Westerhuis has no interest in contracts entered into by the Group.
Directorships held in other listed entities during the three years prior to the current year	Nil

Directors' report

For the Year Ended 30 June 2013

Mr Tsogt Togoo	Non-Executive Director
Qualifications	Masters of Business Administration from the Leeds University Business School, United Kingdom Master of Economics and Bachelor of Economics degrees from the Mongolian State University of Agriculture with First Class Honours
Experience	Mr Tsogt has close to two decades of experience in the Mongolian public sector. He worked in the senior management of the Mongolian national oil company and was in charge of the commercial and operational functions of the company, such as petroleum product imports and internal distribution to filling stations. Mr Tsogt also worked as the head of the Privatisation Division of the State Property Committee and has played extensive roles in the privatisation of Mongolia's most valuable state-owned companies. He was in charge of the privatisation of the national oil company, banks and other state-owned enterprises, restructuring power generation and energy distribution enterprises and the deregulation of the energy and oil sectors.
Interest in Contracts	Mr Tsogt is a nominee of Terra Holdings Ltd which is a major shareholder (with 40,000,000 fully paid ordinary shares) in the Company and has rights to receive the final deferred consideration (relating to the divestment of its interest in Terra Energy Limited to the Company as described in the section titled 'Significant changes in state of affairs' above). Terra Holdings Ltd also has a 30% interest in Mongolian subsidiary Guildford Coal (Mongolia) Pty Ltd.
Directorships held in other listed entities during the three years prior to the current year	Nil

Mr Kon Tsiakis	Non-Executive Director
Qualifications	Master of Laws Bachelor of Laws Bachelor of Commerce
Experience	Mr Tsiakis has wide experience advising directors and companies on regulatory compliance and statutory corporate obligations as a commercial litigator. He also spent a number of years as a senior enforcement analyst with the Australian Securities and Investments Commission.
Interest in Contracts	Mr Tsiakis is a shareholder in TheChairmen1 Pty Ltd which has a contract to provide management services to the Company for five years for $2,500,000 per year.
Special Responsibilities	Member of the Audit Committee and Remuneration Committee.
Directorships held in other listed entities during the three years prior to the current year	Nil

Mr Gary Humphrys	Non-Executive Director
Qualifications	Chartered Accountant Graduate of The Australian Institute of Company Directors
Experience	Mr Humphrys brings more than 35 years of experience in the energy and mining industries to the Board. A chartered accountant, he has held senior executive roles in both the private and public sectors across a range of disciplines, including finance and accounting, treasury, taxation, information and technology, procurement, risk management and audit. In recent years, Mr Humphrys has undertaken Board and related committee roles in the water, energy, mining and health industries.
Interest in Contracts	Mr Humphrys has no interest in contracts entered into by the Group.
Special Responsibilities	Chair of the Audit Committee and member of the Remuneration Committee.
Directorships held in other listed entities during the three years prior to the current year	Mr Humphrys is deputy Chair of Ergon Energy, a Director of Electricity Supply Industry Superannuation (QLD) and a Non-Executive Director of St Vincent's Health Australia.

Directors' report

For the Year Ended 30 June 2013

Company Secretary

Mr Kon Tsiakis was appointed to the position of Company Secretary on 28 June 2013. Mr Tsiakis replaced Ms Kristy Bailey who resigned from the company secretarial role and the Company. Ms Bailey replaced Mr Louis Chait who resigned from the company secretarial role and the Company on 12 April 2013.

Mr Tsiakis holds a Master of Laws, a Bachelor of Laws and a Bachelor of Commerce and has wide experience advising directors and companies on regulatory compliance and statutory corporate obligations as a commercial litigator.

Meetings of directors

During the financial year, 17 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Audit Committee		Remuneration Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
The Hon Alan Griffiths	11	11	3	3	3	3
Mr Peter Westerhuis	5	5	-	-	-	-
Mr Tsogt Togoo	5	5	-	-	-	-
Mr Kon Tsiakis	3	3	1	1	2	2
Mr Gary Humphrys	3	3	1	1	2	2
The Hon Peter Lindsay	11	11	-	-	-	-
Mr Craig Ransley	10	8	-	-	1	1
Mr Michael Chester	9	1	2	2	1	1
Mr Michael Avery	7	6	-	-	-	-
Mr Louis Chait	8	8	2	2	-	-

Indemnification and insurance of officers and auditors

The Company has executed Deeds of Access, Indemnity and Insurance with each of its directors and key management personnel which provide an indemnity for specified liabilities, costs or expenses including legal fees which they may become liable for while an officer of the Company or the Group.

The Company has paid premiums to insure each of the directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of director or officer of the Company, excluding conduct involving a wilful breach of duty in relation to the Company. The Company indemnifies the directors to the full extent permitted by law. A condition of the contracts require that the premium payable not be disclosed.

Options

As at the date of this report, the following options were available to acquire shares in the Company or a controlled entity:

- On 30 April 2013, the Company entered into a convertible non-revolving term bond agreement ("the convertible loan") with entities related to OCP Asia for proceeds of $39,400,000. The Company paid OCP Asia a bond structuring fee of $1,900,000. The convertible loan bears interest at an annual rate of 12% p.a. and matures at the end of October 2014. At the option of the lender, the convertible loan can be converted into ordinary shares of the Company at a minimum conversion price of $0.45 and a maximum conversion price of $0.75 per share. Should the Company elect to repay the loan before the maturity date, warrants with a life of 18 months from the early repayment date will be issued in the place of any unexercised conversion rights.

Directors' report

For the Year Ended 30 June 2013

- On 2 November 2012, the Company entered into a convertible non-revolving term bond agreement ("the convertible bond") with Gleneagle Securities (Aust) Pty Limited (Gleneagle) for proceeds of $10,000,000 with a maturity date of 31 October 2013. The Company paid Gleneagle a bond structuring fee of $440,000 and received net proceeds of $9,560,000 on 31 October 2012. Attached to this convertible bond are "warrants" issued on completion date and "bond conversion warrants" which were issued on the early settlement date. Full early settlement of the convertible bond including principle and interest was completed in April 2013. Despite the early settlement, the rights to the attached warrants and bond conversion warrants have not been exercised and remain outstanding. Key terms of the warrants and bond conversion warrants are as follows:
  - 12,000,000 warrants (convertible in up to 12,000,000 fully-paid ordinary shares in the Company) exercisable from 5 November 2012 until 5 May 2014 at an adjustable exercise price of $0.55 per warrant; and
  - 20,000,000 bond conversion warrants (convertible in up to 20,000,000 fully-paid ordinary shares in the Company) exercisable from 2 May 2013 until 14 August 2014 at an adjustable exercise price of $0.50 per warrant.
- On 31 March 2011, OZ Master Fund Limited, OZ Asia Master Fund Limited, OZ Global Special Investments Master Fund LP (Subscribers), Terra Energy Limited and Guildford Coal Limited entered into a Call Option Deed which entitles the Subscribers to subscribe for 25% of the issued capital in Terra Energy Limited for a cash payment of $25,000,000.

Other than as set out above, there have been no unissued shares or interests under option in the Company or a controlled entity during or since the reporting date.

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company, or to intervene in any proceedings, to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Non-audit services

During the year EY, the Company's auditor, has performed certain other services in addition to their statutory duties.

The Board of Directors are satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditors because the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The value of non-audit services provided are summarised as follows:

	2013 $	2012 $
Tax compliance	**222,727**	223,460

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2013 has been received and can be found on page 63 of the financial report.

Directors' report

For the Year Ended 30 June 2013

Remuneration report (audited)

1. Individual directors and key management personnel

Details of directors and key management personnel are set out below:

Names	Position	Appointed/Resigned
Non-Executive Directors		
The Hon Alan Griffiths	Acting Non-Executive Chairman	
Mr Tsogt Togoo	Non-Executive Director	Appointed 27/02/2013
Mr Kon Tsiakis*	Non-Executive Director	Appointed 14/04/2013
Mr Gary Humphrys*	Non-Executive Director	Appointed 14/04/2013
The Hon Peter Lindsay	Non-Executive Chairman	Resigned 30/08/2013
Mr Craig Ransley	Non-Executive Director	Resigned 7/05/2013
Mr Michael Chester	Non-Executive Director	Resigned 24/09/2013

* As announced by the Company on 10 April 2013, Mr Ransley and Mr Chester requested temporary leave of absence from their duties as Non-Executive Directors. Mr Tsiakis and Mr Humphrys were appointed Alternate Non-Executive Directors for the period of Mr Ransley and Mr Chester's absence, and upon their subsequent resignations Mr Tsiakis and Mr Humphrys were appointed as Non-Executive Directors.

Executives		
Mr Peter Westerhuis	Group Managing Director	Joined 8/02/2013 appointed 27/02/2013
Mr Michael Wotherspoon	Chief Financial Officer	Appointed 11/06/2013
Mr Mark Reynolds	Project Director North Queensland	Appointed 1/05/2013
Mr Julien Lawrence	Chief Operating Officer Mongolia	Appointed 1/03/2013
Mr Tony Mooney	General Manager Stakeholder Relations	
Mr Michael Avery	Managing Director	Resigned 21/01/2013
Mr Louis Chait	Finance Director	Resigned 12/04/2013
Mr Mark Turner	Chief Operating Officer	Resigned 11/03/2013

2. Remuneration at a glance

This remuneration report for the year ended 30 June 2013 outlines the remuneration arrangements of the Group in accordance with the requirements of the *Corporations Act 2001* (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report details the remuneration arrangements for key management personnel who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Company.

For the purposes of this report, the term "executive" includes the Group Managing Director, Managing Director, Finance Director, Chief Financial Officer (CFO), Project Director North Queensland, Chief Operations Officer (COO) and General Manager Stakeholder Relations and the term "director" refers to non-executive directors only.

Directors' report

For the Year Ended 30 June 2013

3. Remuneration Committee

Due to the varying size of the Board and staff numbers during the year, the directors from time to time have been responsible for determining remuneration. The Remuneration Committee is responsible for determining and reviewing compensation arrangements for directors, the executives and other key staff. The Remuneration Committee uses its broad economic, business and industry experience to assess the nature and amount of remuneration of all staff including directors and the executives by reference to relevant employment market conditions and will when necessary seek independent expert advice.

The Remuneration Committee met three times during the year.

4. Remuneration policy

The remuneration policy of the Group has been designed to align the remuneration available to directors and executives with shareholders' interests by providing a fixed remuneration component and specific incentive payments triggered by the achievement of JORC compliant resource declaration milestones. The overall objective of that policy is the retention and attraction of a high quality Board and executive. The Board believes the remuneration policy to be appropriate and effective to attract and retain the best key management personnel to manage the Group as well as to create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for key management personnel of the Group is as follows:

- Key management personnel receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits and other performance incentives.
- Performance incentives are generally only paid once predetermined key performance indicators have been met.
- The Remuneration Committee reviews key management personnel packages annually by reference to the Group's performance, individual performance and comparable information from industry sectors.

Key management personnel receive the superannuation guarantee contribution required by law and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

Upon retirement, key management personnel are paid employee benefit entitlements accrued to the date of retirement. All remuneration paid to key management personnel is valued at the cost to the Group and expensed.

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting.

No remuneration recommendations were received from external providers during the financial year.

5. Performance-based remuneration

The Board may also elect from time to time to pay a cash performance bonus to the Executives linked to the successful performance of the individual and the Group based on key performance indicators.

6. Relationship between performance conditions and Company performance

The Board and the Remuneration Committee resolved that there would be no short term incentive for the year ended June 2013.

The Board and the Remuneration Committee has resolved that future executive remuneration outcomes would be based on an appropriate incentive plan for a company moving into production. The terms and conditions of any such incentive plan are under development.

Directors' report

For the Year Ended 30 June 2013

7. Employment details of directors and key management personnel

The following table provides employment details of persons who were, during the financial year, members of key management personnel of the Group. The table also illustrates the proportion of remuneration that was performance- and non-performance-based and the proportion of remuneration received in the form of options.

	Position	Salary, non-cash based incentives %	Non-salary, cash based incentives %	Non salary, non-cash based incentive %	Fixed Salary/fees %	Total %
Non-Executive Directors						
The Hon Alan Griffiths	Acting Non-Executive Chairman	-	-	-	100	100
Mr Tsgot Togoo	Non-Executive Director	-	-	-	100	100
Mr Kon Tsiakis	Non-Executive Director	-	-	-	100	100
Mr Gary Humphrys	Non-Executive Director	-	-	-	100	100
The Hon Peter Lindsay	Non-Executive Chairman	-	-	-	100	100
Mr Craig Ransley	Non-Executive Director	-	-	-	100	100
Mr Michael Chester	Non-Executive Director	-	-	-	100	100
Executives						
Mr Peter Westerhuis	Group Managing Director	-	-	-	100	100
Mr Michael Wotherspoon*	Chief Financial Officer	-	39	-	61	100
Mr Mark Reynolds*	Project Director North Queensland	-	13	-	87	100
Mr Julien Lawrence*	Chief Operating Officer Mongolia	-	11	-	89	100
Mr Tony Mooney	General Manager Stakeholder Relations	-	-	-	100	100
Mr Michael Avery	Managing Director	-	-	-	100	100
Mr Louis Chait	Finance Director	-	-	-	100	100
Mr Mark Tuner	Chief Operating Officer	-	-	-	100	100

* Non-salary cash based incentives paid relate to sign on bonuses provided to new employees.

The employment terms and conditions of key management personnel and group executives are formalised in individual contracts of employment.

Terms of employment generally provide for three months' notice for executives and the Company in normal circumstances, one month's notice from the executive in cases of breach of contract by the Company and immediate termination in certain specified circumstances likely to prevent the discharging of the duties of his or her position.

8. Subsequent changes in Key Management Personnel (other than directors)

Mr Allan Dawson was appointed to the position of General Manager Marketing subsequent to the end of the financial year, joining in July 2013.

Directors' report

For the Year Ended 30 June 2013

9. Remuneration details for the year ended 30 June 2013

The following table of benefits and payment details, in respect to the financial year, the components of remuneration for directors and key management personnel of the Group.

	Short-term				Post-employment	
	Salary, fees and leave $	Salary non-cash based incentives $	Non salary cash based incentives $	Non salary non-cash based incentives $	Pension and superannuation $	Total $
For the year ended 30 June 2013						
Non-Executive Directors						
The Hon Alan Griffiths	32,110	-	-	-	2,890	35,000
Mr Tsgot Togoo (appointed 27/02/2013)	60,472	-	-	-	-	60,472
Mr Kon Tsiakis (appointed 14/04/2013)	9,341	-	-	-	841	10,182
Mr Gary Humphrys (appointed 14/04/2013)	9,341	-	-	-	841	10,182
The Hon Peter Lindsay (resigned 30/08/2013)	91,743	-	-	-	8,257	100,000
Mr Craig Ransley (resigned 7/05/2013)	72,662	-	-	-	6,536	79,198
Mr Michael Chester (resigned 24/09/2013)	36,697	-	-	-	3,303	40,000
	312,366	-	-	-	22,668	335,034
Executives						
Mr Peter Westerhuis (appointed 27/02/2013)	178,000	-	-	-	-	178,000
Mr Michael Wotherspoon* (appointed 11/06/2013)	20,069	-	15,000	-	1,806	36,875
Mr Mark Reynolds* (appointed 1/05/2013)	53,333	-	10,000	-	4,118	67,451
Mr Julien Lawrence* (appointed 1/03/2013)	150,943	-	21,563	-	22,426	194,932
Mr Tony Mooney	226,835	-	-	-	18,165	245,000
Mr Michael Avery (resigned 21/01/2013)	238,897	-	-	-	14,583	253,480
Mr Louis Chait (resigned 12/04/2013)	302,426	-	-	-	20,656	323,082
Mr Mark Turner (resigned 11/03/2013)	365,496	-	-	-	25,000	390,496
	1,535,999	-	46,563	-	106,754	1,689,316
For the year ended 30 June 2012						
Non-Executive Directors						
The Hon Peter Lindsay (appointed 18/04/2012)	18,203	-	-	-	1,638	19,841
Mr Craig Ransley	55,045	-	-	-	4,954	59,999
Mr Anthony Bellas (resigned 27/06/2012)	55,046	-	-	125,000	7,659	187,705
The Hon Alan Griffiths	32,110	-	-	75,000	6,111	113,221
Mr Michael Chester	36,697	-	-	-	3,303	40,000
	197,101	-	-	200,000	23,665	420,766
Executives						
Mr Michael Avery**	378,333	-	-	7,000,000	25,000	7,403,333
Ms Norah St George (resigned 11/05/2012)	257,342	-	2,000,000	-	20,506	2,277,848
Mr Louis Chait (appointed 27/06/2012)	31,250	-	-	-	2,083	33,333
Mr Mark Turner***	375,000	-	-	3,000,000	25,000	3,400,000
Mr Tony Mooney	198,221	25,000	-	-	17,840	241,061
	1,240,146	25,000	2,000,000	10,000,000	90,429	13,355,575

* Non salary cash based incentives paid relate to sign on bonuses provided to new employees. Mark Reynolds received $5,000 on 10 May 2013 and $5,000 on 14 June 2013. Michael Wotherspoon received $15,000 on 15 June 2013 and Julien Lawrence US$18,000 on 25 March 2013.

** Incentive paid in shares of Guildford Coal into a privately owned company.

Directors' report

For the Year Ended 30 June 2013

*** Incentive (excluding withholding taxes which were remitted to the ATO by the Company on behalf of the director/executive) was paid in shares of Guildford Coal to the executive.

10. Securities received that are not performance related

No members of key management personnel are entitled to receive securities which are not performance-based as part of their remuneration package.

End of remuneration report (audited)

This directors' report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.

.....

The Hon Alan Griffiths

Acting Non-Executive Chairman

Dated 30 September 2013

Corporate Governance Statement

30 June 2013

Achieving a high standard of corporate governance is a priority for the Board of Directors.

The Company has reviewed the ASX Corporate Governance Council's principles and best practice recommendations in order to provide a framework for its corporate governance practices with regard to the Company's particular circumstances and, in particular, its size and level of resources.

Principle 1: Lay solid foundations for management and oversight

As the Company has a small Board (currently comprising four non-executive directors and one executive director) and a small management team, roles and functions must necessarily be flexible to deliver the Company's objectives. The statement of Board and management responsibilities is found within the Board Charter on the Company's website.

Principle 2: Structure the Board to add value

The Board currently comprises five directors with four holding their positions in non-executive capacities of which three are considered to be independent. The appointment date of each director is disclosed in the directors' report.

The Hon Alan Griffiths, Mr Kon Tsiakis and Mr Gary Humphrys are considered to be independent directors. No materiality threshold has been applied due to the absence of any relationship affecting their independent status.

The Acting Chairman is an independent non-executive director. The Board considers it appropriate to implement the recommendation that the Chair be independent. The roles of Chairman and Group Managing Director are exercised by different individuals.

The skills, experience and expertise of each director is set out in the directors' report.

Directors are entitled to seek independent professional advice at the Company's expense in the furtherance of their duties.

The Company believes it is not of a size to justify a Nomination Committee. If vacancies arise on the Board, all directors are involved in search and recruitment. The Board seeks to achieve a balance of entrepreneurial, capital markets, technical, operational, commercial and financial skills from mining industry and broader business backgrounds.

No formal evaluation of the performance of the Board was undertaken during the year.

Under the Company's Constitution, no director except the Group Managing Director may hold office for a period in excess of three years or beyond the third annual general meeting following the director's election without being submitted for re-election. At every annual general meeting one third of the Directors or the number nearest to, but not exceeding, one third must retire from office and are eligible for re-election.

Principle 3: Promote ethical and responsible decision-making

Code of Conduct

The Board has adopted a Code of Conduct to promote lawful, ethical and responsible decision-making by directors, management and employees. The Code promotes compliance with laws and regulation and avoidance of conflicts of interest, embraces the values of honesty, integrity, enterprise, excellence, accountability, justice, independence and equality of stakeholder opportunity. The Code of Conduct is located on the Company's website.

The Board has also adopted Policies for Community, Equal Employment Opportunity, Environmental and Occupational Health each of which is directed to ensuring thoughtful and responsible interaction with stakeholders and the communities in which the Company operates as well as compliance with relevant statutory requirements.

Policy for trading in Company securities

In accordance with ASX Listing Rules 12.9, 12.10, 12.11 and 12.10, the Board has adopted a policy on trading in the Company's securities by directors, senior executives and employees, which raises awareness of the law in relation to insider trading, specifies blackouts and provides notification protocols.

Corporate Governance Statement

30 June 2013

Diversity

Guildford Coal Limited values diversity and recognises the benefits it can bring to the Group's ability to achieve its goals. Accordingly the Group has developed a diversity policy. This policy outlines the Groups diversity objectives in relation to gender, age, cultural background and ethnicity. It includes requirements for the Board to establish measurable objectives for achieving diversity, and for the Board to annually assess both the objectives, and the Company's progress in achieving them.

In accordance with this policy and ASX Corporate Governance Principles, the Board has established the following objectives in relation to gender diversity. The aim is to achieve these objectives moving forward, as director and executive positions become vacant and appropriately skilled candidates are available:

Objective	Steps Taken	Outcomes
Facilitate equal employment opportunities based on relative ability, performance or potential.	The Group has an anti-discrimination policy and employment philosophy with a zero tolerance placed on discrimination against any current or potential employees/candidates.	The Group employs a number of female staff members and continues to consider and employ candidates based upon ability, performance and potential.
Help build a safe work environment by taking action against inappropriate workplace and business behaviour that does not value diversity including discrimination, harassment, bullying, victimisation and vilification.	The Group has set a zero tolerance policy against discrimination of employees at all levels. The Group also provides avenues for employees to voice their concerns or report any discrimination.	No cases of discrimination were reported during the year.
Attract and retain a skilled and diverse workforce as an employer of choice.	Whilst the Group places special focus on gender diversity, career development opportunities are equal for all employees.	During the year, remuneration for performance and promotion was based on performance of the employees.
Meet the relevant requirements of legislation, shareholders and the Board.	The Group has a Board of Directors and an Audit Committee who have the responsibility of ensuring relevant requirements of legislation, shareholder and the Board are being fulfilled.	During the year, the Board of Directors and Audit Committee met a total of 20 times, for which compliance with relevant requirements were monitored and addressed.
Engender a workplace culture characterised by inclusion practices and behaviours for the benefit of all staff.	As previously noted, career development opportunities are equal for all employees.	During the year, remuneration and career opportunities were based on performance of employees.
Support the participation and employment opportunities for indigenous people.	The Group has an anti-discrimination policy and employment philosophy, with a zero tolerance placed on any discrimination of any current or potential employees/candidates.	Due to the infancy of the Group, no indigenous individuals are currently employed by the Group. However the Group continues to consider and employ candidates based upon ability, performance and potential.

Responsibility for diversity has been included in the board charter and the Remuneration Committee charter (diversity at all levels of the Company below Board level).

Corporate Governance Statement

30 June 2013

Principle 4: Safeguard integrity in financial reporting

Audit and risk management

The Company has established an Audit Committee.

The Audit Committee currently comprises Mr Gary Humphrys (Committee Chair), The Hon Alan Griffiths, and Mr Kon Tsiakis and has met three times during the reporting year. Mr Kon Tsiakis and Mr Gary Humphrys were appointed to the Audit Committee on 14 April 2013. Mr Louis Chait resigned on 12 April 2013. Mr Louis Chait was an executive director and therefore not considered to be independent. As such the ASX principle 4 of good governance was not met however the Board is of the view that Mr Louis Chait's inclusion in no way impeded the Audit Committee to discharge its mandate effectively. Mr Michael Chester was a member of the audit committee until 10 April 2013 which was the date he took temporary leave of absence from the Board.

The qualifications and experience of the Audit Committee members are set out in the Directors' Report.

A Risk Management Report is included in each set of Board papers to facilitate regular review and discussion of identified risks and controls.

The Group Managing Director and the Chief Financial Officer have declared in writing to the Board that the financial records of the Company have been properly maintained and that the Company's financial statements for the year ended 30 June 2013 comply with accounting standards, and present a true and fair view of the Company's financial condition and operational results. This statement is required annually.

The external auditor is invited to Audit Committee meetings at the discretion of the Committee.

Principle 5: Make timely and balanced disclosure

Disclosure policy

The Board places a strong emphasis on full and appropriate disclosure and has adopted a Continuous Disclosure Policy to ensure timely and accurate disclosure of price sensitive information to shareholders through the lodgement of announcements with ASX. Clear procedures govern the preparation, review and approval of all announcements including technical material.

Principle 6: Respect the rights of shareholders

The Board is committed to open and accessible communication with holders of the Company's shares and other securities.

The Board and the Company Secretary are responsible for the communication strategy to promote effective communication with shareholders and to encourage effective participation at general meetings. Guildford Coal Limited adheres to best practice in its preparation of Notices of Meetings, and through its share registry, offers to members the option of receiving shareholder communications electronically.

In accordance with ASX recommendations, the Company publishes all relevant announcements on its website after ASX has acknowledged that the announcement has been released. The Continuous Disclosure Policy can be found on the Company's website. Subject to ASX disclosure rules, the Company communicates regularly with shareholders, brokers and analysts, and publishes the information provided on its website.

Principle 7: Recognise and manage risk

The Company's risk management policy requires the inclusion in the Board papers of a comprehensive Risk Management Report covering the material business risks in the sectors in which it operates. Operational management regularly reviews the risks, and controls and updates the Report in light of changing circumstances and emergent risk factors and weightings. The Board has approved an Authorities Framework that summarises the delegation of financial and commitment authorities.

The Board currently considers that the Company is not of a size sufficient to warrant the establishment of an internal audit function or a Risk Management Committee.

The Managing Director and the Chief Financial Officer have declared in writing to the Board that the s.295A declaration is founded on a sound system of internal control and that the system is operating effectively in all material respects in relation to financial risks.

Corporate Governance Statement

30 June 2013

Principle 8: Remunerate fairly and responsibly

The Company has established a Remuneration Committee. The Remuneration Committee currently comprises the Hon Alan Griffiths (Committee Chair), Mr Kon Tsiakis and Mr Gary Humphrys and has met three times during the year. The committee charter and remuneration policy have been approved by the Board. Mr Kon Tsiakis and Mr Gary Humphrys were appointed to the Remuneration Committee on 14 April 2013. Mr Craig Ransley and Mr Michael Chester were members of the Remuneration Committee until 10 April 2013 which was the date that they took temporary leave of absence from the Board.

The qualifications and experience of the Remuneration Committee members are set out in the Directors' report.

Consolidated Statement of Comprehensive Income

As At 30 June 2013

	Note	2013 $	2012 $
Other income	2	**18,659,800**	893,929
Employee benefits expense	3	**(2,369,603)**	(16,365,427)
Depreciation and amortisation expense	11	**(113,667)**	(164,923)
Legal and professional fees	3	**(2,113,992)**	(1,115,325)
Management fees	26	**(2,500,000)**	(2,500,000)
Rent expense	3	**(964,279)**	(840,224)
Consulting fees		**(725,429)**	(856,540)
Travel expense	3	**(517,147)**	(351,144)
Other operating expenses	3	**(3,050,223)**	(1,346,220)
Finance costs	3	**(7,772,774)**	(4,776)
Loss before income tax		**(1,467,314)**	(22,650,650)
Income tax benefit/ (expense)	6	**14,924**	(533,766)
Loss from continuing operations		**(1,452,390)**	(23,184,416)
Loss for the year		**(1,452,390)**	(23,184,416)
Other comprehensive income, net of income tax			
Items that will be reclassified to profit or loss when specific conditions are met			
Exchange differences on translating foreign controlled entities		**(397,449)**	(687,048)
Other comprehensive income for the year, net of tax		**(397,449)**	(687,048)
Total comprehensive income for the year		**(1,849,839)**	(23,871,464)
Loss attributable to:			
Members of the parent entity		**(316,069)**	(21,945,303)
Non-controlling interest		**(1,136,321)**	(1,239,113)
Total loss		**(1,452,390)**	(23,184,416)
Total comprehensive income attributable to:			
Members of the parent entity		**(670,818)**	(22,440,502)
Non-controlling interest		**(1,179,021)**	(1,430,962)
Total comprehensive income		**(1,849,839)**	(23,871,464)
Earnings per share			
Basic earnings per share (cents)	5	**(0.06)**	(4.99)
Diluted earnings per share (cents)	5	**(0.06)**	(4.99)

Consolidated Statement of Financial Position

As At 30 June 2013

	Note	2013 $	2012 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	**25,681,908**	14,488,137
Trade and other receivables	9	**1,296,197**	341,036
Other assets	10	**2,187,293**	841,569
TOTAL CURRENT ASSETS		**29,165,398**	15,670,742
NON-CURRENT ASSETS			
Trade and other receivables	9	**227,428**	220,658
Property, plant and equipment	11	**41,406,251**	583,185
Intangible assets	12	**43,552**	48,098
Exploration and evaluation assets	13	**112,284,222**	121,631,637
TOTAL NON-CURRENT ASSETS		**153,961,453**	122,483,578
TOTAL ASSETS		**183,126,851**	138,154,320
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	14	**9,473,729**	3,653,500
Short-term provisions	17	**48,999**	81,333
Borrowings	15	**10,781,671**	-
TOTAL CURRENT LIABILITIES		**20,304,399**	3,734,833
NON-CURRENT LIABILITIES			
Trade and other payables	14	**-**	24,128
Borrowings	15	**43,825,951**	-
Other liabilities	16	**751,176**	-
TOTAL NON-CURRENT LIABILITIES		**44,577,127**	24,128
TOTAL LIABILITIES		**64,881,526**	3,758,961
NET ASSETS		**118,245,325**	134,395,359
EQUITY			
Issued capital	19	168,806,514	147,206,514
Reserves	18	(25,790,471)	2,890,739
Retained earnings		(27,023,796)	(26,707,727)
Total equity attributable to equity holders of the Company		115,992,247	123,389,526
Non-controlling interest		2,253,078	11,005,833
TOTAL EQUITY		**118,245,325**	134,395,359

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2013

	Note	Issued capital $	Accumulated losses $	Acquisition reserve $	Foreign currency translation reserve $	Option reserve $	Owners of the parent $	Non-controlling interests $	Total $
Balance at 1 July 2012		**147,206,514**	**(26,707,727)**	**3,387,074**	**(496,335)**	**-**	**123,389,526**	**11,005,833**	**134,395,359**
Profit attributable to members of the parent entity		**-**	**(316,069)**	**-**	**-**	**-**	**(316,069)**	**-**	**(316,069)**
Profit attributable to non-controlling interests		**-**	**-**	**-**	**-**	**-**	**-**	**(1,136,321)**	**(1,136,321)**
Total other comprehensive income for the year		**-**	**-**	**-**	**(354,749)**	**-**	**(354,749)**	**(42,700)**	**(397,449)**
Transactions with owners in their capacity as owners									
Shares issued during the year	19(a)	**21,600,000**	**-**	**-**	**-**	**-**	**21,600,000**	**-**	**21,600,000**
Issue of options and warrants	15(d)	**-**	**-**	**-**	**-**	**4,744,027**	**4,744,027**	**-**	**4,744,027**
Additional share capital from non-controlling interest	21(b)	**-**	**-**	**-**	**-**	**-**	**-**	**996,373**	**996,373**
Recognition of non-controlling interest	18(b)	**-**	**-**	**(33,070,488)**	**-**	**-**	**(33,070,488)**	**(8,570,107)**	**(41,640,595)**
Balance at 30 June 2013		**168,806,514**	**(27,023,796)**	**(29,683,414)**	**(851,084)**	**4,744,027**	**115,992,247**	**2,253,078**	**118,245,325**
Balance at 1 July 2011		96,206,800	(4,762,424)	-	(1,136)	-	91,443,240	20,534,336	111,977,576
Profit attributable to members of the parent entity		-	(21,945,303)	-	-	-	(21,945,303)	-	(21,945,303)
Profit attributable to non-controlling interests		-	-	-	-	-	-	(1,239,113)	(1,239,113)
Total other comprehensive income for the year		-	-	-	(495,199)	-	(495,199)	(191,849)	(687,048)
Transactions with owners in their capacity as owners									
Shares issued during the year		52,180,001	-	-	-	-	52,180,001	-	52,180,001
Transaction costs		(1,180,287)	-	-	-	-	(1,180,287)	-	(1,180,287)
Additional share capital in non-controlling interest		-	-	-	-	-	-	1,241,981	1,241,981
Recognition of non-controlling interest		-	-	3,387,074	-	-	3,387,074	(9,339,522)	(5,952,448)
Balance at 30 June 2012		147,206,514	(26,707,727)	3,387,074	(496,335)	-	123,389,526	11,005,833	134,395,359

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2013

	Note	2013 $	2012 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Payments to suppliers and employees		**(8,709,281)**	(16,177,318)
Interest received		**242,090**	1,249,902
Finance costs		**(2,076,093)**	(13,610)
R&D tax concessions received		**1,740,473**	-
Net cash provided by (used in) operating activities	**20(b)**	**(8,802,811)**	(14,941,026)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net cash from acquisition		**-**	131,402
Payments for property, plant and equipment		**(899,347)**	(522,756)
Payments for exploration, evaluation and development expenditure		**(31,980,396)**	(35,726,959)
Payments for acquisition of intangible assets		**(5,160)**	(45,628)
Payment for acquisition of non-controlling interest		**(5,000,000)**	(1,502,877)
Net cash provided by (used in) investing activities		**(37,884,903)**	(37,666,818)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issue of shares		**-**	35,000,001
Proceeds from non-controlling interest share contribution		**996,373**	-
Repayment of borrowings		**(9,560,000)**	-
Proceeds from borrowings		**66,225,616**	-
Payment of share issue costs		**-**	(1,686,124)
Net cash provided by (used in) financing activities		**57,661,989**	33,313,877
Net increase (decrease) in cash and cash equivalents held		**10,974,275**	(19,293,967)
Cash and cash equivalents at beginning of year		**14,488,137**	33,768,143
Net foreign exchange difference		**219,496**	13,961
Cash and cash equivalents at end of financial year	**20(a)**	**25,681,908**	14,488,137

Notes to the Financial Statements

For the Year Ended 30 June 2013

This financial report covers the consolidated financial statements and notes of Guildford Coal Limited and controlled entities (the Group).

The separate financial statements and notes of the parent entity, Guildford Coal Limited, have not been presented within this financial report as permitted by amendments made to the *Corporations Act 2001*. The parent entity summary is included in Note 28. Guildford Coal Limited is a for-profit listed entity.

The financial statements were authorised for issue by the Board of Directors on 30 September 2013.

Note 1 Summary of significant accounting policies

a) Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

These financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The significant accounting policies used in the preparation and presentation of these financial statements are provided below and are consistent with prior reporting periods unless otherwise stated.

The financial statements have been prepared on an accrual basis and are based on historical costs, except for the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

b) Going concern

Given the Group's net current asset position as at 30 June 2013 of $8,860,999, its minimum exploration and other expenditure commitments and estimated minimum corporate administration costs, the Group will require additional funding over the next twelve months. In order for the Group to continue operating as a going concern and provide the necessary funding until sufficient cash flows are generated at the Baruun Noyon Uul (BNU) mine, additional capital will be required. The directors and management continually review the liquidity of the Group to provide the optimal capital structure to support the Group's strategy. The directors and management have assessed options to secure additional capital and are in advanced discussions with established financiers and believe that additional capital can be secured in a timely manner. While there is some uncertainty as to whether additional capital will be secured, the accounts have been prepared on a going concern basis as the directors believe there are reasonable grounds that additional funding required will be obtained.

c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Guildford Coal Limited and its controlled entities (the Group) as at, and for the year ended, 30 June 2013.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses, and profit and losses resulting from intra group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries held by Guildford Coal Limited are accounted for at cost in the separate financial statements of the parent entity less any impairment charges. Dividends received from subsidiaries are recorded as a component of other revenues in the separate income statement of the parent entity, and do not impact the recorded cost of the investment. Upon receipt of dividend payments from subsidiaries, the parent will assess whether any indicators of impairment of the carrying value of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities

Notes to the Financial Statements

For the Year Ended 30 June 2013

assumed, and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

A change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction.

Non-controlling interests are allocated their share of net profit after tax in the Statement of Comprehensive Income, and are allocated a value of exploration and evaluation expenditure within partly-owned subsidiaries. Non-controlling interests are presented within equity in the Consolidated Statement of Financial Position, separately from the equity of the owners of the parent.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences, recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

d) Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group’s operating or accounting policies, and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognised in accordance with AASB 139 either in profit or loss, or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

Notes to the Financial Statements

For the Year Ended 30 June 2013

e) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to, the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities, and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- When the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date, and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; or
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Notes to the Financial Statements

For the Year Ended 30 June 2013

f) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. This requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets, and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight line basis over the lease term. Operating lease incentives are recognised as a liability when received, and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

g) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with a maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest bearing loans and borrowings in current liabilities on the Statement of Financial Position.

h) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated, less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

Depreciation

The depreciable amount of all property, plant and equipment, except for freehold land, is depreciated on a reducing balance method from the date that management determine that the asset is available for use.

The depreciation rates used for each class of depreciable asset are shown below:

Fixed asset class	Depreciation rate
Furniture, fixtures and fittings	10%
Office equipment	33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Alternatively, when an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is able to be restated proportionately with the change in the gross carrying amount of the asset so that the net carrying amount of the asset after revaluation equals its revalued amount.

Notes to the Financial Statements

For the Year Ended 30 June 2013

i) Exploration and development expenditure

Direct and indirect costs attributable to finding mineral resources are allocated to the exploration and evaluation assets. General and administrative costs that are not related directly to operational activities in the areas of interest have been expensed as incurred.

Exploration and evaluation assets are reclassified when technical feasibility and commercial viability has been established.

The exploration and evaluation assets are assessed against facts and circumstances to determine whether the carrying amount exceeds the recoverable amount. The facts and circumstances considered include whether the rights to explore are current, whether any area of interest has been removed from plans for substantive exploration, whether a decision has been taken to discontinue activities, and whether data suggests that the carrying amounts are unlikely to be recovered from development or sale.

j) Restoration and rehabilitation

The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas. The obligation generally arises when the asset is installed or the ground/environment is disturbed at the production location. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related mining assets to the extent that it was incurred by the development/construction of the mine. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability.

The periodic unwinding of the discount is recognised in profit or loss as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur.

For closed sites, changes to estimated costs are recognised immediately in profit or loss.

k) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is the equivalent to the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial instruments are subsequently measured at fair value or amortised cost using the effective interest rate method.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

Notes to the Financial Statements

For the Year Ended 30 June 2013

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets).

Financial assets at fair value through profit or loss

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held to maturity investments are included in non-current assets, except for those which are expected to mature within 12 months are the end of the reporting period. (All other investments are classified as current assets).

If during the period the Group sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Financial liabilities

Non derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Impairment of financial assets

Objective evidence that a financial asset is impaired includes default by a debtor, evidence that the debtor is likely to enter bankruptcy or adverse economic conditions in the stock exchange. At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset has been impaired through the occurrence of a loss event. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to indicate that an impairment has arisen.

Where a subsequent event causes the amount of the impairment loss to decrease (e.g. payment received), the reduction in the allowance account (provision for impairment of receivables) is taken through profit and loss.

However, any reversal in the value of an impaired available-for-sale asset is taken through other comprehensive income rather than profit and loss.

Impairment losses are recognised through an allowance account for loans and receivables in the statement of profit or loss and other comprehensive income.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire, or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled, or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Notes to the Financial Statements

For the Year Ended 30 June 2013

l) Impairment of non-financial assets

Non-financial assets other than goodwill and indefinite life intangibles, are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Group conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset’s carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Assets that suffered an impairment are tested for possible reversal of the impairment where events or changes in circumstances indicate an impairment may have reversed.

m) Intangible Assets

Software

Computer software expenses are capitalised at cost of acquisition. Computer software has a finite life and is carried at cost less any accumulated amortisation, and any impairment losses. Computer software is amortised over its useful life ranging from three to five years.

Other intangible assets

Other intangible asset expenses are capitalised at cost. Other intangible assets have a finite life and are carried at cost less any accumulated amortisation, and any impairment losses. Other intangible assets are amortised over their useful life ranging from three to five years.

n) Foreign currency transactions and balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in the statement of comprehensive income.

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period where the average rate approximates the rate at the date of the transaction; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Notes to the Financial Statements

For the Year Ended 30 June 2013

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the Consolidated Statement of Financial Position. These differences are recognised in the Consolidated Statement of Comprehensive Income in the period in which the operation is disposed.

o) Employee benefits

Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave, expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

p) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial period, which are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

q) Revenue and other income

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

All revenue is stated net of the amount of GST.

Interest revenue

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

r) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which it incurs them.

Notes to the Financial Statements

For the Year Ended 30 June 2013

s) Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key judgments – exploration and evaluation expenditure

The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been identified, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at the end of the reporting period.

Key judgments – recognition of asset acquisitions

In determining the recognition of asset and business acquisitions, an assessment of the underlying assets and operations of the acquired entity is completed. Where the Group acquires an entity for tenements only, rather than acquiring an operation with clear distinct processes, the acquisition is deemed to be an asset acquisition, rather than a business combination.

Key estimates – recoverable reserves and resources

Estimated recoverable reserves and resources are used to determine the depreciation of mine production assets, in accounting for deferred stripping costs and in performing impairment testing. Estimates are prepared by appropriately qualified persons, but will be impacted by forecast commodity prices, exchange rates, production costs and recoveries amongst other factors. Changes in assumptions will impact the carrying value of assets and depreciation and impairment charges recorded in the Statement of Comprehensive Income.

Key estimates – environmental rehabilitation costs

The provisions for rehabilitation costs are based on estimated future costs using information available at the balance sheet date. To the extent the actual costs differ from these estimates, adjustments will be recorded and the income statement may be impacted.

Key judgments – Minerals Resource Rent Tax

From 1 July 2012, the Group is subject to the Australian Mineral Resources Rent Tax (MRRT). All of the Group's Australian coal licenses are still in the exploration phase, and therefore no reasonable assessment can be made as to whether any MRRT will ultimately be payable. Nevertheless, AASB 112 Income Taxes requires a deferred tax asset to be recorded where the MRRT tax base as at 30 June 2012, known as the "starting base", exceeds the book value at that date to the extent that it is considered probable that the starting base will be recovered through the generation of sufficient mining profits in the future. Conversely, a deferred tax liability is recorded where the starting base is less than book value. No recognition criteria exist for the booking of a deferred tax liability. That is, a deferred tax liability is required to be recorded regardless of the likelihood of paying MRRT in the future.

Under the MRRT legislation, the starting base can be measured based on either market value or book value as at 2 May, 2010 (being the date the MRRT, or RSPT as it was originally known, was first announced) plus any qualifying exploration expenditure subsequently incurred. However, where an "exploration right" was not granted as at 2 May, 2010, the starting base is limited only to qualifying exploration expenditure incurred on the tenement subsequent to the exploration right being acquired. The majority of the Group's Australian Exploration Permits (or EPCs) were in the application stage as at 2 May 2010.

The determination of whether EPC applications constitute an "exploration right" under the MRRT legislation involves interpretation of the MRRT legislation which is currently unclear.

As at 30 June 2013, no deferred tax liability relating to MRRT has been recorded by the Company on the basis that a) management consider that it is reasonably arguable that the EPC applications are considered "exploration rights" under the MRRT legislation and therefore the starting base is able to be measured with reference to market value, and b) the market value exceeds the book value.

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For the Year Ended 30 June 2013

t) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent Company, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent Company, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

u) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity); whose operating results are regularly reviewed by the entity's chief operating decision-makers to make decisions about resources to be allocated to the segment and assess its performance; and for which discrete financial information is available.

The operating segments have been identified based on the information provided to the chief operating decision-makers, the Board of Directors.

The Group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- nature of the products and services;
- nature of the production processes;
- type or class of customer for the products and services;
- methods used to distribute the products or provide the services and if applicable; and
- nature of the regulatory environment.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

v) Adoption of new and revised accounting standards

During the current year, the Group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations, which became mandatory.

The adoption of these Standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these Standards and Interpretations has had on the financial statements of Guildford Coal Limited.

Standard name	Impact
AASB 2011-9 Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income	The adoption of this standard has not changed the reported financial position and performance of the entity.
AASB 112 Income Taxes	There has been no impact on the reported financial position and performance.

w) New Accounting Standards and Interpretations

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. The following table summarises those future requirements, and their impact on the Group:

Notes to the Financial Statements

For the Year Ended 30 June 2013

Standard name	Effective date for entity	Requirements	Impact
AASB 9 Financial Instruments and amending Standards AASB 2010-7 / AASB 2012-6	30 June 2016	Changes to the classification and measurement requirements for financial assets and financial liabilities. New rules relating to derecognition of financial instruments.	No impacts expected for the entity.
AASB 1053 – Application of Tiers of Australian Accounting Standards and amending Standards AASB 2010-2, AASB 2011-11, AASB 2012-1, AASB 2012-7 and AASB 2012-11	30 June 2014	This Standard allows certain entities to reduce disclosures.	Entity does not apply reduced disclosure therefore no impacts.
AASB 2011-2 Amendments to Australian Accounting Standards arising from Trans-Tasman convergence – Reduced Disclosure Requirements (RDR)	30 June 2014	Highlights the disclosures not required in AASB 1054 for entities applying the RDR.	Entity does not apply reduced disclosure therefore no impacts.
AASB 10 Consolidated Financial Statements / AASB 11 Joint Arrangements / AASB 12 Disclosures of Interests in Other Entities, AASB 127 Separate Financial Statements, AASB 128 Investments in Associates and AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments	30 June 2014	AASB 10 includes a new definition of control, which is used to determine which entities are consolidated, and describes consolidation procedures. The Standard provides additional guidance to assist in the determination of control where this is difficult to assess. AASB 11 focuses on the rights and obligations of a joint venture arrangement, rather than its legal form (as is currently the case). IFRS 11 requires equity accounting for joint ventures, eliminating proportionate consolidation as an accounting choice. AASB 12 includes disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles, and other off balance sheet vehicles.	No impacts expected for the entity.
AASB 13 Fair Value Measurement. AASB 2011-8 - Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132]	30 June 2014	AASB 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Accounting Standards but does not change when fair value is required or permitted. There are a number of additional disclosure requirements.	There are a number of additional disclosure requirements, however no changes in the measurement and recognition of balances in the financial position or performance of the entity.
AASB 2011-4 – Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	30 June 2014	Remove individual key management personnel disclosure requirements (i.e. components of remuneration) for disclosing entities.	There are a number of disclosure impacts expected for the entity.

Notes to the Financial Statements

For the Year Ended 30 June 2013

Standard name	Effective date for entity	Requirements	Impact
AASB 2011-6 – Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements [AASB 127, AASB 128 & AASB 131]	30 June 2014	This Standard extends the relief from consolidation, the equity method and proportionate consolidation by removing the requirement for the consolidated financial statements prepared by the ultimate or any intermediate parent entity to be IFRS compliant, provided that the parent entity, investor or venturer and the ultimate or intermediate parent entity comply with Australian Accounting Standards or Australian Accounting Standards – RDR	Entity does not apply reduced disclosure therefore no impacts.
AASB 2011-7 – Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]	30 June 2014	This Standard provides many consequential changes due to the release of the new consolidation and joint venture standards.	No impacts expected for the entity.
AASB 119 Employee Benefits (September 2011) AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from RDR	30 June 2014	The main changes in this Standard relate to the accounting for defined benefit plans and are as follows: - elimination of the option to defer the recognition of gains and losses (the 'corridor method'); - requiring remeasurements to be presented in other comprehensive income; and - enhancing the disclosure requirements.	No impacts expected for the entity.
AASB 2010-10 – Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009-11 & AASB 2010-7]	30 June 2014	Makes amendments to AASB 1	No impacts expected for the entity.
AASB 2012-2 – Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities [AASB 132 & AASB 7]	30 June 2014	Requires the inclusion of information about the effect or potential effect of netting arrangements.	No impacts expected for the entity.
AASB 2012-4 - Amendments to Australian Accounting Standards – Government Loans [AASB 1]	30 June 2014	Adds exception to retrospective application of Australian Accounting Standards for first time adopters.	No impacts expected for the entity.

Notes to the Financial Statements

For the Year Ended 30 June 2013

Standard name	Effective date for entity	Requirements	Impact
AASB 2012-5 – Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle [AASB 1, AASB 101, AASB 116, AASB 132 & AASB 134 and Interpretation 2]	30 June 2014	AASB 1 clarifies that an entity can apply AASB 1 more than once. AASB 101 clarifies that a third statement of financial position is required when the opening statement of financial position is materially affected by any adjustments. AASB 116 clarifies the classification of servicing equipment. AASB 132 and Interpretation 2 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with AASB 112 Income Taxes AASB 134 provides clarification about segment reporting.	No impacts expected for the entity.
AASB 2011-12 Amendments to Australian Accounting Standards arising from Interpretation 20	30 June 2014	Allows transitional provisions for stripping costs in accordance with Interpretation 20.	No impacts expected for the entity.
AASB 2012-9 Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039	30 June 2014	Removes reference to withdrawn Interpretation 1039.	No impacts expected for the entity.
AASB 1055 – Budgetary Reporting AASB 2013-1 Amendments to AASB 1049 – Relocation of Budgetary Reporting Requirements	30 June 2015	This standard specifies the nature of budgetary disclosures and circumstances for inclusion in the financial statements.	No impacts expected for the entity.
AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities [AASB 132]	30 June 2015	This standard adds application guidance to AASB 132 to assist with applying some of the offset criteria of the standard.	No impacts expected for the entity.

Notes to the Financial Statements

For the Year Ended 30 June 2013

Note 2 Other Income

	2013 $	2012 $
- Interest received	**242,090**	890,518
- Other income	**-**	3,411
- Mark to market valuation on conversion option (refer to Note 15)	**4,277,237**	-
- Gain on Terra Energy Limited acquisition deferred consideration (refer to Note 14)	**12,400,000**	-
- R&D concessions	**1,740,473**	-
	18,659,800	893,929

Note 3 Expenses

	2013 $	2012 $
Finance costs on financial liabilities at amortised cost:		
- Finance expense on convertible bond (refer to Note 15(d))	**6,384,027**	-
- Interest on convertible loan (refer to Note 15(c))	**1,375,107**	-
- Other interest	**13,640**	4,776
	7,772,774	4,776
Travel expense:		
- Domestic	**226,320**	307,659
- Overseas	**290,827**	43,485
	517,147	351,144
Legal and professional fees:		
- Legal fees	**1,510,294**	772,080
- Accounting fees	**526,459**	269,288
- Other professional fees	**77,239**	73,957
	2,113,992	1,115,325
Minimum lease payments on operating leases:		
- Exploration permits for coal rent	**828,725**	734,713
- Office and car park rent	**135,554**	105,511
	964,279	840,224
Employee benefits expense:		
- Salaries and wages	**1,622,024**	2,811,572
- Bonuses	**25,000**	12,350,000
- Directors' fees	**312,366**	197,101
- Payroll tax	**77,881**	728,496
- Other employee expenses	**332,332**	278,258
	2,369,603	16,365,427

Notes to the Financial Statements

For the Year Ended 30 June 2013

	2013 $	2012 $
Other expenses		
- Listing fees and charges	**155,589**	145,724
- Donations and community sponsorship	**433,035**	201,868
- Mongolian administration and operating expenses	**1,085,442**	634,099
- Insurance costs	**134,404**	62,885
- Safety costs	**13,311**	55,205
- Project costs	**434,596**	-
- Foreign currency loss	**41,533**	-
- Other expenses	**752,313**	246,439
	3,050,223	1,346,220

Note 4 Remuneration of auditors

	2013 $	2012 $
Remuneration of the auditor of the parent entity for:		
- Auditing or reviewing the financial statements	**119,274**	77,500
- Tax compliance services	**222,727**	223,460
	342,001	300,960

Note 5 Earnings per share

a) Reconciliation of earnings to profit or loss from continuing operations

	2013 $	2012 $
Loss after income tax	**(1,452,390)**	(23,184,416)
Loss attributable to non-controlling equity interest	**1,136,321**	1,239,113
Loss after income tax attributable to owners of the Company	**(316,069)**	(21,945,303)

b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS

	2013 No.	2012 No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	**538,093,695**	439,665,689
Adjustments for calculation of diluted EPS	**-**	-
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	**538,093,695**	439,665,689

Notes to the Financial Statements

For the Year Ended 30 June 2013

Note 6 Income tax benefit/ (expense)

	2013	2012
	$	$
Current tax	**14,924**	(27,928)
Deferred tax	**-**	(505,838)
Total	**14,924**	(533,766)

a) Reconciliation of income tax to accounting profit:

	2013	2012
	$	$
Prima facie tax benefit on profit or loss from ordinary activities before income tax at 30%	**440,194**	6,795,195
Add (less) tax effect of:		
- Non-deductible depreciation and amortisation	**(34,100)**	(7,133)
- Interest receivable	**-**	(1,235)
- Black hole project	**71,720**	71,720
- Unrealised gains on financial liabilities	**5,003,171**	-
- Deferred tax assets not recognised	**(5,466,061)**	(6,886,445)
- Deferred tax derecognised directly from equity	**-**	(505,838)
- Initial recognition of MRRT starting base temporary difference*	**-**	-
Income tax attributable to entity	**14,924**	(533,736)

* During 2012, the Federal Government implemented the Mineral Resources Rent Tax (MRRT) regime. Under the requirements of AASB 112, the initial recognition of temporary differences between book and tax starting base values is required to be brought to account. In undertaking its starting base valuation the Group did not identify any temporary difference which would result in the recognition of an MRRT deferred tax asset or liability. Refer to Note 1(s) for key judgements in the determination of MRRT obligations.

b) Accumulated tax losses

The Group had accumulated Australian tax losses as at 30 June 2013 of $59,612,223 (2012: $36,697,395). No net deferred tax asset has been recognised on the basis that utilisation of tax losses is not currently considered probable.

The taxation losses will be realisable only if:

i. the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the losses and deductions to be realised;
ii. the Group continues to comply with the conditions for deductibility imposed by the law; and
iii. no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the losses.

Note 7 Operating Segments

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision-makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings as the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Notes to the Financial Statements

For the Year Ended 30 June 2013

Reportable segments disclosed are based on aggregating operating segments, where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- the products sold and/or services provided by the segment;
- the geographical location of the segment; and
- any external regulatory requirements.

Performance is measured based on segment profit before income tax, as included in the internal financial reports.

Types of products and services by reportable segment

The principal products and services of each of these operating segments are as follows:

Segment	Activities
Australia	Coal exploration and extraction activities within Australia.
Mongolia	Coal exploration and extraction activities within Mongolia including the transition from explorer to developer at the Baruun Noyon Uul (BNU) mine of the South Gobi project.

Basis of accounting for purposes of reporting by operating segments

a) Accounting policies adopted

All amounts reported to the Board of Directors, being the chief operating decision-makers with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

A number of inter-segment transactions, receivables, payables or loans occurred during the period, or existed at balance date. In addition, corporate re-charges were allocated to the reporting segments.

b) Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

c) Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables, and certain direct borrowings.

Notes to the Financial Statements

For the Year Ended 30 June 2013

d) Segment performance

	Australia		Mongolia		Unallocated		Total	
	2013 $	2012 $	2013 $	2012 $	2013 $	2012 $	2013 $	2012 $
Reconciliation of segment net loss to consolidated net loss after tax:								
Exploration permits for coal rent	**(828,725)**	(734,713)	**-**	**-**	**-**	**-**	**(828,725)**	(734,713)
Administration and operating costs	**-**	-	**(1,085,422)**	**-**	**-**	**-**	**(1,085,422)**	-
Interest revenue	**-**	**-**	**-**	**-**	**242,090**	890,518	**242,090**	890,518
Other revenue	**-**	**-**	**-**	**-**	**20,404,251**	3,411	**20,404,251**	3,411
Employee costs	**-**	**-**	**-**	**-**	**(2,369,603)**	(4,015,427)	**(2,369,603)**	(4,015,427)
Bonus expense	**-**	**-**	**-**	**-**	**-**	(12,350,000)	**-**	(12,350,000)
Other costs	**-**	**-**	**-**	**-**	**(17,829,905)**	(6,444,439)	**(17,829,905)**	(6,444,439)
Income taxes	**-**	**-**	**-**	**-**	**14,924**	(533,766)	**14,924**	(533,766)
Net loss after tax per Statement of Comprehensive Income	**(828,725)**	(734,713)	**(1,085,422)**	**-**	**461,757**	(22,449,703)	**(1,452,390)**	(23,184,416)

e) Segment assets and liabilities

Segment assets								
Exploration and evaluation assets	**93,525,852**	108,451,717	**18,758,370**	13,179,920	**-**	-	**112,284,222**	121,631,637
Receivables and other assets	**274,746**	965,068	**2,409,083**	295,604	**-**	-	**2,683,829**	1,260,672
Plant and equipment	**238,927**	-	**41,167,324**	227,116	**-**	-	**41,406,251**	227,116
Cash and cash equivalents	**-**	-	**-**	-	**25,681,908**	14,488,137	**25,681,908**	14,488,137
Intangible assets	**-**	-	**-**	-	**43,552**	48,098	**43,552**	48,098
Other assets	**-**	-	**-**	-	**1,027,089**	498,660	**1,027,089**	498,660
Total assets per Statement of Financial Position	**94,039,525**	109,416,785	**62,334,777**	13,702,640	**26,752,549**	15,034,895	**183,126,851**	138,154,320
Segment Liabilities								
Trade payables	**4,845,049**	317,495	**4,628,680**	1,800,214	**-**	-	**9,473,729**	2,117,709
Borrowings	**-**	-	**55,358,798**	-	**-**	-	**55,358,798**	-
Other payables	**-**	-	**-**	-	**-**	1,559,919	**-**	1,559,919
Short term provisions	**-**	-	**-**	-	**48,999**	81,333	**48,999**	81,333
Total liabilities per Statement of Financial Position	**4,845,049**	317,495	**59,987,478**	1,800,214	**48,999**	1,641,252	**64,881,526**	3,758,961

Notes to the Financial Statements

For the Year Ended 30 June 2013

f) Cash flow information

	Australia		Mongolia		Total	
	2013	2012	2013	2012	2013	2012
	$	$	$	$	$	$
Payments for acquisition of exploration, evaluation and development expenditure	**(10,442,503)**	(26,986,429)	**(21,537,893)**	(8,740,530)	**(31,980,396)**	(35,726,959)

Note 8 Cash and cash equivalents

	2013	2012
	$	$
Cash at bank and in-hand	**25,681,908**	7,970,322
Short-term deposits	**-**	6,517,815
Total	**25,681,908**	14,488,137

Note 9 Trade and other receivables

	2013	2012
	$	$
CURRENT		
Interest receivable	**-**	4,115
GST receivable	**34,714**	276,361
Other receivables	**1,261,483**	60,560
Total	**1,296,197**	341,036
NON-CURRENT		
Loan receivable	**227,428**	220,658

The following table details the Group's trade and other receivables exposure to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for. Amounts are considered as 'past due' when the debt has not been settled, within the terms and conditions agreed between the Group and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there is objective evidence indicating that the debt may not be fully repaid to the Group.

At 30 June 2013, the ageing analysis of receivables is as follows:

	Gross amount $	< 30 $	31-60 $	>61 and impaired $	>61 and not impaired $
2013					
Interest receivable	**-**	**-**	**-**	**-**	**-**
GST receivable	**34,714**	**34,714**	**-**	**-**	**-**
Other receivables	**1,261,483**	**1,228,607**	**10,554**	**22,322**	**-**
Total	**1,296,197**	**1,263,321**	**10,554**	**22,322**	**-**
2012					
Interest receivable	4,115	4,115	-	-	-
GST receivable	276,361	276,361	-	-	-
Other receivables	60,560	60,560	-	-	-
Total	341,036	341,036	-	-	-

Notes to the Financial Statements

For the Year Ended 30 June 2013

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value. The Group does not hold any financial assets with terms that have been renegotiated, but which would otherwise be past due or impaired.

Note 10 Other assets

	2013	2012
	$	$
CURRENT		
Prepayments	**2,081,510**	730,996
Deposits	**105,783**	110,573
Total	**2,187,293**	841,569

Note 11 Property, plant and equipment

	2013	2012
	$	$
LAND AND BUILDINGS		
At cost	**164,710**	155,294
Accumulated depreciation	**(51,413)**	(20,225)
	113,297	135,069
CAPITAL WORKS IN PROGRESS		
At cost	**1,273**	-
PLANT AND EQUIPMENT		
At cost	**836,324**	602,119
Accumulated depreciation	**(236,482)**	(154,003)
	599,842	448,116
MINE DEVELOPMENT		
At cost	**40,691,839**	-
Total	**41,406,251**	583,185

Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Capital works in progress	Buildings	Plant and equipment	Mine development	Total
	$	$	$	$	$
Balance at 1 July 2012	**-**	**135,069**	**448,116**	-	**583,185**
Additions	**1,273**	**9,416**	**234,205**	**654,453**	**899,347**
Transfers from exploration and evaluation assets	-	-	-	**40,037,386**	**40,037,386**
Depreciation expense	**-**	**(31,188)**	**(82,479)**	-	**(113,667)**
Balance at 30 June 2013	**1,273**	**113,297**	**599,842**	**40,691,839**	**41,406,251**

Notes to the Financial Statements

For the Year Ended 30 June 2013

	Capital works in progress $	Buildings $	Plant and Equipment $	Mine development $	Total $
Balance at 1 July 2011	-	142,000	75,680	-	217,680
Additions	-	13,294	509,462	-	522,756
Depreciation expense	-	(20,225)	(137,026)	-	(157,251)
Balance at 30 June 2012	-	**135,069**	**448,116**	-	**583,185**

Note 12 Intangible Assets

	2013 $	2012 $
Computer software		
Cost	**32,661**	27,501
Accumulated amortisation	**(18,048)**	(9,929)
	14,613	17,572
Other intangible assets		
Cost	**33,526**	33,526
Accumulated amortisation	**(4,587)**	(3,000)
	28,939	30,526
Total	**43,552**	48,098

Movements in carrying amounts of intangible assets

Movement in the carrying amount for each class of intangible assets between the beginning and the end of the current financial year:

	Computer software $	Other $	Total $
Balance at 1 July 2012	**17,572**	**30,526**	**48,098**
Additions	**5,160**	**-**	**5,160**
Amortisation	**(8,119)**	**(1,587)**	**(9,706)**
Balance at 30 June 2013	**14,613**	**28,939**	**43,552**
Balance at 1 July 2011	10,141	-	10,141
Additions	12,103	33,526	45,629
Amortisation	(4,672)	(3,000)	(7,672)
Balance at 30 June 2012	17,572	30,526	48,098

Notes to the Financial Statements

For the Year Ended 30 June 2013

Note 13 Exploration and evaluation assets

	2013 $	2012 $
Exploration and evaluation assets - at cost	112,284,222	121,631,637

a) Movements in carrying amounts of exploration and evaluation assets

During the year ended 30 June 2013, the Group capitalised $30,689,971 (2012: $33,848,582) worth of expenditure as exploration expenditure. These costs relate to the acquisition and evaluation of mining tenements, including drilling, consulting and rent. A summary of movements for capitalised exploration and valuation expenditure is as follows:

	2013 $
Balance at 1 July 2012	**121,631,637**
Exploration expenditure	**30,689,971**
Transfer to development assets	**(40,037,386)**
Balance at 30 June 2013	**112,284,222**

	2012 $
Balance at 1 July 2011	88,753,631
Acquired through asset acquisition:	
- Springsure Mining Pty Limited	388,611
- Alag Tevsh LLC	3,050,507
Exploration expenditure	29,438,888
Balance at 30 June 2012	121,631,637

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Notes to the Financial Statements

For the Year Ended 30 June 2013

b) Interest in mining tenements

Tenure number	Location	Percentage interest	
		2013	2012
1250	Charters Towers, Queensland Australia	64.40%	56%
1260	Charters Towers, Queensland Australia	64.40%	56%
1300	Charters Towers, Queensland Australia	100%	100%
1394	Charters Towers, Queensland Australia	100%	100%
1477	Charters Towers, Queensland Australia	100%	100%
1478	Charters Towers, Queensland Australia	100%	100%
1479	Charters Towers, Queensland Australia	100%	100%
1480	Mount Isa, Queensland Australia	100%	100%
1573	Mount Isa, Queensland Australia	100%	100%
1574	Charters Towers, Queensland Australia	100%	100%
1576	Mount Isa, Queensland Australia	100%	100%
1674	Emerald, Queensland Australia	52.1%	100%
1822	Rockhampton, Queensland Australia	100%	100%
1870	Rockhampton, Queensland Australia	100%	100%
1872	Rockhampton, Queensland Australia	100%	100%
1890	Charters Towers, Queensland Australia	100%	100%
1892	Charters Towers, Queensland Australia	100%	100%
1893	Charters Towers, Queensland Australia	100%	100%
1962	Charters Towers, Queensland Australia	100%	100%
1963	Charters Towers, Queensland Australia	100%	100%
1964	Charters Towers, Queensland Australia	100%	100%
2003	Rockhampton, Queensland Australia	100%	100%
2046	Mount Isa, Queensland Australia	100%	100%
2047	Mount Isa, Queensland Australia	100%	100%
2048	Charters Towers, Queensland Australia	100%	100%
2049	Charters Towers, Queensland Australia	100%	100%
2057	Dalby, Queensland Australia	100%	0%
2058	Dalby, Queensland Australia	100%	100%
2105	Charters Towers, Queensland Australia	100%	100%
2503	Charters Towers, Queensland Australia	100%	0%
2504	Charters Towers, Queensland Australia	100%	0%
12929X	Mid Gobi, Mongolia	100%	70%
13352X	South Gobi, Mongolia	100%	70%
13780X	South Gobi, Mongolia	100%	70%
14522X	South Gobi, Mongolia	100%	70%
15466X	Mid Gobi, Mongolia	100%	70%
1608CA	Emerald, Queensland Australia	0%	100%
1641CA	Charters Towers, Queensland Australia	0%	100%
1976CA	Rockhampton, Queensland Australia	0%	100%
2057A	Dalby, Queensland Australia	0%	100%
2158CA	Emerald, Queensland Australia	0%	100%
2256CA	Emerald, Queensland Australia	0%	100%
2259CA	Charters Towers, Queensland Australia	0%	100%
2305CA	Emerald, Queensland Australia	0%	100%
2503A	Charters Towers, Queensland Australia	0%	100%
2504A	Charters Towers, Queensland Australia	0%	100%
5262X	South Gobi, Mongolia	70%	70%
5264X	South Gobi, Mongolia	100%	70%

Notes to the Financial Statements

For the Year Ended 30 June 2013

Note 14 Trade and other payables

	2013	2012
	$	$
CURRENT		
Unsecured liabilities		
Trade payables	**1,356,083**	386,851
Accrued expenses	**5,517,646**	3,266,649
Deferred consideration - Terra Energy Limited*	**2,600,000**	-
Total	**9,473,729**	3,653,500
NON-CURRENT		
Secured liabilities		
Trade payables	-	24,128

* Represents remaining purchase consideration of $2,600,000 for the acquisition of the final non-controlling interest of Terra Energy Limited. Refer Note 18 (b) for additional details of purchase.

Note 15 Borrowings

		2013	2012
		$	$
CURRENT			
Working capital facility	(a)	**10,781,671**	-
		10,781,671	-
NON-CURRENT			
Interest bearing loans	(b)	**10,781,672**	-
Convertible loan	(c)	**33,044,279**	-
Total		**43,825,951**	-

a) Working capital facility

On 24 September 2012, the Company entered into a working capital facility agreement with Noble Resources International Pte. Ltd (the Lender) for US$10,000,000. The facility bears an annual interest rate of London Interbank Offered Rate (LIBOR) plus a margin of 7.25%. The maturity date of this working capital facility agreement has been extended by the Lender to 30 June 2014, subject to agreement of long form documentation. As at 30 June 2013, US$10,000,000 had been drawn down, with AUD $1,217,537 in foreign exchange losses being recognised.

b) Debt facility

On 31 October 2012, the Company entered into a long-term debt facility agreement with Noble Resources International Pte. Ltd (the Lender) for US$10,000,000. The facility bears an annual interest rate of LIBOR plus a margin of 7.25% and matures on 30 April 2016. There is an in principle agreement with the Lender to increase this debt facility by US$22,000,000 which is subject to agreement of long form documentation. As at 30 June 2013, US$10,000,000 had been drawn down on this facility, with AUD $1,180,191 in foreign exchange losses being recognised.

Notes to the Financial Statements

For the Year Ended 30 June 2013

c) Convertible loan

On 30 April 2013, the Company entered into a convertible non-revolving term bond agreement ("the convertible loan") with entities related to OCP Asia for proceeds of $39,400,000. The Company paid OCP Asia a bond structuring fee of $1,900,000. The convertible loan bears interest at an annual rate of 12% p.a. and matures at the end of October 2014. At the option of the lender, the convertible loan can be converted into ordinary shares of the Company at a minimum conversion price of $0.45 and a maximum conversion price of $0.75 per share. Should the Company elect to repay the loan before the maturity date, warrants with a life of 18 months from the early repayment date will be issued in the place of any unexercised conversion rights.

The carrying value of the bond can be derived as follows:

	2013 $
Proceeds	39,400,000
Add: Interest and stamp duty	572,692
	39,972,692
Less:	
Structuring fee	(1,900,000)
Allocated to conversion option	(5,028,413)
Balance at 30 June 2013	**33,044,279**

In accordance with AASB132 – Financial Instruments: Presentation, the conversion option has been classified as a derivative financial liability (refer Note 16) as it can be settled with equity instruments with a different exercise period than the underlying option. The fair value of the conversion option as at the grant date was $5,028,413 and was determined by applying the Black Scholes option pricing model with the following assumptions:

Dividend yield	nil
Stock price volatility	78.76%
Risk-free interest rate	2.41%
Expected life of options	1.5 years

At 30 June 2013, the option was fair valued at $751,176, which is a reduction of $4,277,237 from the fair value at grant date of $5,028,413 with the movement being recognised directly in the Statement of Comprehensive Income. The fair value of the option was determined by applying the Black Scholes option pricing model with the following assumptions:

Dividend yield	nil
Stock price volatility	78.76%
Risk-free interest rate	2.41%
Expected life of options	1.33 years

d) Convertible bond

On 2 November 2012, the Company entered into a convertible non-revolving term bond agreement ("the convertible bond") with Gleneagle Securities (Aust) Pty Limited (Gleneagle) for proceeds of $10,000,000 with a maturity date of 31 October 2013. The Company paid Gleneagle a bond structuring fee of $440,000 and received net proceeds of $9,560,000 on 31 October 2012. Attached to this convertible bond are “warrants” issued on completion date and “bond conversion warrants” which were issued on the early settlement date. Full early settlement of the convertible bond including principle and interest was completed in April 2013. Despite the early settlement, the rights to the attached warrants and bond conversion warrants have not been exercised and remain outstanding. Key terms of the warrants and bond conversion warrants are as follows:

- 12,000,000 warrants (convertible in up to 12,000,000 fully-paid ordinary shares in the Company) exercisable from 5 November 2012 until 5 May 2014 at an adjustable exercise price of $0.55 per warrant; and
- 20,000,000 bond conversion warrants (convertible in up to 20,000,000 fully-paid ordinary shares in the Company) exercisable from 2 May 2013 until 14 August 2014 at an adjustable exercise price of $0.50 per warrant.

Notes to the Financial Statements

For the Year Ended 30 June 2013

In accordance with AABS2 - Share Based Payments, the conversion option and attached warrants have been recognised in equity (refer Note 18). The fair value of these conversion options and warrants, net of the structuring fees, were determined to be $4,744,027 being $2,845,280 and $1,898,747 respectively, using Black Scholes option pricing model with the following assumptions:

Dividend yield	nil
Stock price volatility	74.00%
Risk-free interest rate	2.63%
Expected life – options	1 year
Expected life - warrants	1.5 years

On early settlement of the convertible bond, the warrants and bond conversion warrants were issued with an extended maturity date to 5 May 2014 and 14 August 2014 respectively. The change in fair value of these warrants associated with this extension was determined to be immaterial.

The structuring fee was allocated to the bond and the conversion features based on their relative fair values on initial recognition.

$4,815,973 of the proceeds was attributed to the convertible bond upon initial recognition. The bond was carried at amortized cost. During April 2013, the convertible bonds and associated interest were repaid in full with the total amount repaid being $11,206,500.

Note 16 Other liabilities

	2013 $	2012 $
NON-CURRENT		
Convertible option on convertible bond (refer to Note 15(c))	**751,176**	-

Note 17 Provisions

	2013 $	2012 $
CURRENT		
Employee entitlements	**48,999**	81,333

Movement in carrying amounts

	2013 $	2012 $
Balance at start of period	**81,333**	35,030
Additional provisions	**92,556**	71,939
Utilised during the period	**(124,890)**	(25,636)
Balance at end of period	**48,999**	81,333

Notes to the Financial Statements

For the Year Ended 30 June 2013

Note 18 Reserves

		2013	2012
		$	$
Foreign currency translation	(a)	**(851,084)**	(496,335)
Acquisition reserve	(b)	**(29,683,414)**	3,387,074
Share option and warrant reserve	(c)	**4,744,027**	-
		(25,790,471)	2,890,739

a) Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary which amounted to a foreign currency loss of $354,749 for the year.

	2013	2012
	$	$
Balance at start of period	**(496,335)**	(1,136)
Foreign currency loss during the period	**(354,749)**	(495,199)
Balance at end of period	**(851,084)**	(496,335)

b) Acquisition reserve

During the year ended 30 June 2013, the Group acquired additional minority interests and paid an overall excess on acquisition of non-controlling interests of $33,070,488. This amount has been calculated by comparing the consideration paid to the book value of non-controlling interest at date of purchase with the excess/discount recorded within the reserve.

	2013	2012
	$	$
Balance at start of period	**3,387,074**	-
Increase during the period	**-**	3,387,074
Decrease during the period	**(33,070,488)**	-
Balance at end of period	**(29,683,414)**	3,387,074

The following acquisitions occurred during the year ended 30 June 2013:

- On 4 July 2012, the Company acquired an additional 2.23% interest in Clyde Park Pty Limited through the payment of cash for additional shares in the Company. This transaction resulted in an increase in the acquisition reserve of $136,908, being the difference between the consideration paid and the proportionate book value of the non-controlling interest acquired.
- On 20 July 2012, the Company acquired an additional 5% in Terra Energy Limited and on 21 December 2012, it acquired the remaining 25% interest from Terra Holdings Limited, in consideration for the following:
  - Conversion of a loan from the Company Limited to Terra Energy Limited into share capital of Terra Energy Limited;
  - Issue of 40,000,000 fully paid ordinary shares in the Company (20,000,000 were issued on 21 December 2012 and 20,000,000 were released from restrictions applied under a restricted security agreement on 21 June 2013);
  - $5,000,000 cash payments; and
  - Final $15,000,000 deferred consideration relating to the acquisition of Terra Energy Limited is due on or before 21 December 2013 (one year from the date of completion). Under the terms of the purchase agreement, at the election of the Company, this deferred consideration may take the form of cash or shares. In accordance with the deferred consideration share calculation it is anticipated that 20,000,000 Guildford Coal shares will be issued to Terra Holdings on or before 21 December 2013 to meet this final deferred consideration liability. At the balance sheet date, 20,000,000 shares at a value of $2,600,000 have been recorded as a liability, with a corresponding gain of $12,400,000 recognised in the Consolidated Statement of Comprehensive Income.

  This transaction resulted in a decrease in the acquisition reserve of $33,572,132 being the difference between the consideration paid and the proportionate book value of the non-controlling interest acquired.

Notes to the Financial Statements

For the Year Ended 30 June 2013

- On 13 September 2012, the Company acquired an additional 1.62% interest in Springsure Mining Pty Limited through the payment of cash for additional shares in the company. This transaction resulted in an increase of the acquisition reserve of $44,243, being the difference between the consideration paid and the proportionate book value of the non-controlling interest acquired.
- On 24 October 2012, the Company acquired an additional 3.1% interest in Clyde Park Pty Limited through the payment of cash for additional shares in the company. This transaction resulted in an increase of the acquisition reserve of $320,511, being the difference between the consideration paid and the proportionate book value of the non-controlling interest acquired.

c) Share option and warrant reserve

The share option and warrant reserve records the fair value of share options and warrants issued by the Group. During the year ended 30 June 2013, the Group issued a convertible bond which had an option for conversion into ordinary shares and a warrant. The fair value of the share option and warrant, net of transaction costs, amounted to $4,744,027. Refer Note 15 (d) for additional details.

Note 19 Issued capital

	2013 $	2012 $
635,046,899 (2012: 476,867,530) Ordinary Shares	**168,806,514**	147,206,514

a) Ordinary shares

	No.	$
Balance at 1 July 2012	**476,867,530**	**147,206,514**
Success fee to TheChairmen1 Pty Ltd	**44,179,369**	**-**
Shares issued for acquisition of 25% ownership in Terra Energy Ltd	**40,000,000**	**21,600,000**
Final success fee to TheChairmen1 Pty Ltd	**74,000,000**	-
Balance at 30 June 2013	**635,046,899**	**168,806,514**
Balance at 1 July 2011	413,532,609	96,206,800
Shares issued for acquisition of 70% ownership in Terra Energy Limited	3,937,008	5,000,000
Shares issued for acquisition of 20% of FTB (QLD) Pty Limited	2,184,551	2,500,000
Private placement at $0.92 per share	10,869,566	10,000,001
Share issued as part of bonus payment	9,125,752	8,680,000
Private placement at $0.70 per share	35,714,285	25,000,000
Shares issued for acquisition of 20% of Orion Pty Limited	1,503,759	1,000,000
Share issue costs (net of tax effect)	-	(1,180,287)
Balance at 30 June 2012	476,867,530	147,206,514

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

The above shares have no par value with all shares being fully paid.

Notes to the Financial Statements

For the Year Ended 30 June 2013

b) Capital management

Management controls the capital of the Group in order to maintain a reasonable debt to equity ratio, provide the shareholders with adequate returns, and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

Note 20 Cash flow Information

a) Reconciliation of cash balances

	2013 $	2012 $
Cash and cash equivalents	**25,681,908**	14,488,137
Balance per Statement of Cash Flows	**25,681,908**	14,488,137

b) Reconciliation of result for the year to cash flows from operating activities

Reconciliation of net income to net cash provided by operating activities:

Profit (loss) for the year	**(1,452,390)**	(23,184,416)
Non-cash flows in profit:		
- depreciation and amortisation	**113,667**	164,922
- deferred tax assets derecognised directly from equity	**-**	505,838
- bonuses paid via share issue	**-**	8,680,000
- non-cash loan set-up fee and interest	**(94,223)**	-
- gain on fair value adjustment to debt	**(12,400,000)**	-
- accrued interest	**2,163,107**	-
- gain on market revaluation	**(4,277,236)**	-
- unrealised currency loss on loans	**2,397,727**	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
- (increase)/decrease in trade and other receivables	**(2,122,135)**	376,728
- (increase)/decrease in other assets	**(185,520)**	(488,959)
- increase/(decrease) in trade and other payables	**7,086,526**	(1,041,442)
- increase/(decrease) in provisions	**(32,334)**	46,303
Cash flow from operations	**(8,802,811)**	(14,941,026)

c) Non-cash financing and investing activities

During the 2012 financial year, $8,500,000 worth of shares in Guildford Coal Limited ordinary shares were issued for employee bonuses. These amounts have been excluded from the investing and financing activities within the Statement of Cash Flows.

Notes to the Financial Statements

For the Year Ended 30 June 2013

Note 21 Controlled entities

a) Controlled entities

	Country of incorporation	Percentage owned (%)* 2013	Percentage owned (%)* 2012
Parent entity:			
Guildford Coal Limited	Australia		
Subsidiaries:			
FTB (QLD) Pty Limited	Australia	**100**	100
Sierra Coal Pty Limited	Australia	**100**	100
Orion Mining Pty Limited	Australia	**100**	100
Terra Energy Limited	Australia	**100**	70
Clyde Park Coal Pty Limited	Australia	**64.4**	56
Guildford Coal (Mongolia) Pty Limited	Australia	**70**	70
Springsure Mining Pty Limited	Australia	**50.7**	50.5
Subsidiaries of Terra Energy Limited:			
Tellus Commodities Pte Ltd	Singapore	**100**	100
Subsidiaries of Guildford Coal (Mongolia) Pty Limited:			
Tellus Marketing Pte Ltd	Singapore	**100**	100
Subsidiaries of Tellus Marketing Pte Ltd:			
Alag Tvesh LLC	Mongolia	**100**	100
Subsidiaries of Tellus Commodities Pte Ltd:			
Terra Energy LLC	Mongolia	**100**	100
Subsidiaries of Terra Energy LLC:			
Tsagaan Uvuljuu LLC	Mongolia	**100**	100

* Percentage of voting power is in proportion to ownership

b) Acquisition of additional capital in controlled entities

On 13 September 2012, Springsure Mining Pty Limited called for additional capital in the company. Total capital of $2,158,348 ($996,373 from non-controlling interests) was received, which resulted in a 0.2% increase in ownership by Guildford Coal Limited.

Note 22 Capital and leasing commitments

a) Finance leases

The Group has no finance lease commitments as at 30 June 2013 (2012: nil).

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For the Year Ended 30 June 2013

b) Operating leases

Non-cancellable operating leases contracted for but not capitalised in the financial statements:

	2013	2012
	$	$
Payable minimum lease payments:		
- not later than one year	**9,902,567**	70,734
- later than one year, not later than five years	**1,886,231**	84,561
	11,788,798	155,295

c) Capital expenditure commitments

The exploration commitments for Exploration Permits for Coal (EPCs) to the Department of Mines and Energy (Queensland) and Mongolian authorities are tabulated below:

	2013	2012
	$	$
Payable:		
- not later than one year	**5,969,572**	6,292,078
- later than one year, not later than five years	**11,526,439**	15,707,128
	17,496,011	21,999,206

Note 23 Financial risk management

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, and loans to and from subsidiaries.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	2013	2012
		$	$
Financial assets			
Cash and cash equivalents	**8**	**25,681,908**	14,488,137
Trade and other receivables	**9**	**1,523,625**	561,694
		27,205,533	15,049,831
Financial liabilities			
Trade and other payables	**14**	**9,473,729**	3,677,628
Financial borrowings	**15**	**54,607,622**	-
		64,081,351	3,677,628

Specific financial risk exposures and management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk, and commodity and equity price risk.

a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counter parties of contract obligations that could lead to a financial loss to the Group.

The Group’s exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of the financial assets (as outlined in each applicable note).

Notes to the Financial Statements

For the Year Ended 30 June 2013

The Group does not hold any credit derivatives to offset its credit exposure.

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to scrutinise its trade and other receivables.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual customer in accordance with parameters set by the Board. These risk limits are regularly monitored.

In addition, receivable balances are monitored on an ongoing basis. The Group's credit management procedures have resulted in the Group experiencing no bad debts.

b) Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages risk through the following mechanisms:

- preparing forward looking cash flow analysis in relation to its operational, investing and financial activities;
- using derivatives that are only traded in highly liquid markets;
- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit risk profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The tables on the following page reflect an undiscounted contractual maturity analysis for financial liabilities. Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that financing facilities will be rolled forward.

Notes to the Financial Statements

For the Year Ended 30 June 2013

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	$	$	$	$	$	$	$	$
Financial liabilities due for payment								
Trade and other payables	**7,897,729**	3,653,500	**1,576,000**	24,128	**-**	-	**9,473,729**	3,677,628
Borrowings (excluding finance lease)	**10,781,671**	-	**50,181,671**	-	**-**	-	**60,963,342**	-
Total contractual outflows	**18,679,400**	3,653,500	**51,757,671**	24,128	**-**	-	**70,437,071**	3,677,628
Total expected outflows	**18,679,400**	3,653,500	**51,757,671**	24,128	**-**	-	**70,437,071**	3,677,628
Financial assets - cash flows realisable								
Cash and cash equivalents	**25,681,908**	14,488,137	**-**	-	**-**	-	**25,681,908**	14,488,137
Trade and other receivables	**1,296,197**	341,036	**227,428**	220,658	**-**	-	**1,523,625**	561,694
Total anticipated inflows	**26,978,105**	14,829,173	**227,428**	220,658	**-**	-	**27,205,533**	15,049,831
Net inflow (outflow) on financial instruments	**8,298,705**	11,175,673	**(51,530,243)**	196,530	**-**	-	**(43,231,538)**	11,372,203

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c) Market risk

Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period, whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

Foreign exchange risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

When the nature of the hedge relationship is not an economic hedge, it is the Group's policy to negotiate the terms of the hedging derivatives to match the terms of the underlying hedge items to maximise hedge effectiveness. The Group hedges its exposure to fluctuations on the translation into US dollars of its foreign operations by holding net borrowings in foreign currencies.

As at 30 June 2013, the Group holds working capital facilities to the value of $21,563,343 (US$20,000,000) in overseas currencies.

Commodity price risk

Commodity price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices largely due to demand and supply factors for commodities.

The Group has no exposure to commodity price risk as it is not yet in production.

Sensitivity analysis

Interest rate risk sensitivity analysis

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonable possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	2013		2012	
	+1%	**-1%**	**+1%**	**-1%**
Cash and cash equivalents				
Net results	**256,819**	**(256,819)**	144,881	(144,881)
Equity	**256,819**	**(256,819)**	144,881	(144,881)
Borrowings				
Net results	**561,468**	**(561,468)**	-	-
Equity	**561,468**	**(561,468)**	-	-

Foreign currency risk sensitivity analysis

At 30 June 2013, the effect on profit and equity as a result of changes in foreign currency, with all other variables remaining constant would be as follows:

	2013	2012
	$	**$**
Change in profit		
- Increase in US Dollar by 1%	**106,749**	-
- Decrease in US Dollar by 1%	**(108,906)**	-
Change in equity		
- Increase in US Dollar by 1%	**106,749**	-
- Decrease in US Dollar by 1%	**(108,906)**	-

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Fair value estimation

Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair values of financial assets and financial liabilities presented in the financial statements are not materially different to the carrying value of these assets and liabilities.

Note 24 Directors and key management personnel disclosures

a) Details of directors and key management personnel

Directors

The Hon Alan Griffiths	Acting Non-Executive Chairman
Mr Tsgot Togoo	Non-Executive Director – Appointed 27 February 2013
Mr Kon Tsiakis*	Non-Executive Director - Appointed 14 April 2013
Mr Gary Humphrys*	Non-Executive Director - Appointed 14 April 2013
The Hon Peter Lindsay	Non-Executive Chairman - Resigned 30 September 2013
Mr Craig Ransley	Non-Executive Director - Resigned 7 May 2013
Mr Michael Chester	Non-Executive Director - Resigned 24 September 2013

*As announced by the Company on 10 April 2013, Mr Ransley and Mr Chester requested temporary leave of absence from their duties as Non-Executive Directors. Mr Tsiakis and Mr Humphrys were appointed Alternate Non-Executive Directors for the period of Mr Ransley and Mr Chester's absence, and upon their subsequent resignations Mr Tsiakis and Mr Humphrys were appointed as Non-Executive Directors.

Executives

Mr Peter Westerhuis	Group Managing Director – Joined 8 February and appointed 27 February 2013
Mr Michael Wotherspoon	Chief Financial Officer – Appointed 11 June 2013
Mr Mark Reynolds	Project Director North Queensland – Appointed 1 May 2013
Mr Julien Lawrence	Chief Operating Officer Mongolia – Appointed 1 March 2013
Mr Tony Mooney	General Manager Stakeholder Relations
Mr Michael Avery	Managing Director – Resigned 21 January 2013
Mr Louis Chait	Finance Director – Resigned 12 April 2013
Mr Mark Turner	Chief Operating Officer – Resigned 11 March 2013

b) Totals of remuneration paid

Directors and key management personnel remuneration included within employee expenses for the year is shown below:

	2013	**2012**
	$	**$**
Short-term employee benefits	**1,894,928**	13,622,247
Post-employment benefits	**129,422**	114,094
	2,024,350	13,736,341

The Remuneration Report contained in the Directors' Report contains details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2013.

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For the Year Ended 30 June 2013

c) Directors and key management personnel shareholdings

The number of ordinary shares in Guildford Coal Limited held by each director and key management person of the Group during the financial year is as follows:

	Balance at 1 July 2011	Net change	Balance at 30 June 2012	Net change	Balance at 30 June 2013
Directors					
The Hon Alan Griffiths*	-	40,056	40,056	450,000	490,056
Mr Tsgot Togoo	-	-	-	-	-
Mr Kon Tsiakis*	-	-	-	-	-
Mr Gary Humphrys	-	-	-	40,000	40,000
The Hon Peter Lindsay	-	-	-	200,000	200,000
Mr Craig Ransley*	-	-	-	-	-
Mr Michael Chester	-	-	-	-	-
Executives					
Mr Peter Westerhuis	-	-	-	548,409	548,409
Mr Michael Wotherspoon	-	-	-	150,000	150,000
Mr Mark Reynolds	-	-	-	1,000,000	1,000,000
Mr Julien Lawrence	-	-	-	102,500	102,500
Mr Tony Mooney	-	-	-	-	-
Mr Michael Avery*#	-	-	-	-	-
Mr Louis Chait	-	-	-	-	-
Mr Mark Turner	-	1,026,539	1,026,539	-	1,026,539

* Directors are also shareholders of TheChairmen1 Pty Ltd, which is a major shareholder with 249,639,706 fully paid ordinary shares in Guildford Coal Limited at the date of this report. The Hon Alan Griffiths relinquished his interests in TheChairman1 Pty Ltd on 27 September 2013.

Former director is a shareholder of a private company which held 7,362,397 fully paid ordinary shares in Guildford Coal Limited.

Note 25 Contingencies

Contingent liabilities

The Group had the following contingent liabilities at the end of the financial year:

The FTB (QLD) Pty Ltd Share Sale Agreement dated 14 September 2011 includes an agreement to pay a Royalty of $0.50 per tonne of coal mined from the FTB tenements and sold to a third party (tenements acquired as part of the sale agreement included 1300, 1394, 1477, 1478, 1479, 1480, 1573, 1574, 1576, 2046, 2047, 2048, 2049 and 2105). The Royalty applies to a maximum tonnage of 10 million tonnes (Mt) per year and will cease 20 years from the date of first production of coal from any of the FTB (QLD) Pty Ltd tenements. No amount has been paid or accrued as at 30 June 2013.

The Share Purchase Agreement between Guildford Coal Limited and Resco Projects Pty Limited, for the purchase of 50.52% ownership in Springsure Mining Pty Limited, provides for contingent payments of $2,200,00 for each of the first five tranches of 10Mt of JORC (Joint Ore Reserves Committee) Indicated Resource and $1,800,000 for each of the next five tranches of 10Mt of JORC Indicated Resource to a maximum of $20,000,000 (payable in cash or Guilford Coal shares). These contingent payments are in additional to the initial purchase consideration of $250,000. No amount has been paid or accrued as at 30 June 2013.

As announced on 5 April 2010, Guildford has granted to a call option to certain affiliated funds of Och-Ziff Capital Management Group LLC (the Och-Ziff funds) with respect to Terra Energy Limited. The Call Option Deed provides the Och-Ziff funds with the right to acquire a 25% interest stake in Terra Energy Limited (which is now a wholly owned

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subsidiary of Guildford) for A$25 million. The option expires immediately prior to a qualifying IPO, otherwise there is no expiration date.

The Group has issued bank guarantees to the value of $18,392 (2012: $182,260).

Note 26 Related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties are summarised as follows:

TheChairmen1 Pty Ltd

During the year ended 30 June 2013, the Group paid TheChairmen1 Pty Ltd (major shareholder of the Company) as specified in the Management Agreement executed on 26 May 2010 (as amended 20 July 2010):

- Management fees totalling $2,500,000 (2012: $2,500,000).
- On 3 August 2012, the Company issued 44,179,369 fully paid ordinary shares to TheChairmen1 Pty Ltd at a nominal issue price of $0.4527 per share. The shares were issued as consideration for the payment of the success fee due to TheChairmen1 Pty Ltd under the terms of the management agreement between Guildford Coal Limited and TheChairmen1 Pty Ltd dated 26 May 2010 (as amended on 20 July 2010).
- On 28 February 2013, the Company issued 74,000,000 fully paid ordinary shares to TheChairmen1 Pty Ltd at a nominal issue price of $0.525 per share. The shares were issued as consideration for the full and final payment of the success fee obligations under the terms of the management agreement between Guildford Coal Limited and TheChairmen1 Pty Ltd dated 26 May 2010 (as amended on 20 July 2010). No incremental fair value was recorded because the number of shares issued was less than both the maximum or expected number of shares under the original award.

Mr Kon Tsiakis and former director Mr Craig Ransley are shareholders of TheChairmen1 Pty Ltd. The Hon Alan Griffiths relinquished his interests in TheChairmen1 Pty Ltd on 27 September 2013.

Note 27 Events occurring after the reporting date

The following significant matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of The Group, the results of those operations, or the state of affairs of The Group in future financial years:

- On 2 September 2013, the Company announced the resignation of The Hon Peter Lindsay as Non-Executive Chairman. While a search for the new Chairman is conducted, The Hon Alan Griffiths has been appointed Acting Non-Executive Chairman;
- On 24 September 2013, the Company announced the resignation of Mr Michael Chester as Non-Executive Director, with alternate Director Mr Gary Humphrys subsequently being appointed Non-Executive Director on the same day; and
- The maturity date of the US$10,000,000 working capital facility agreement with Noble Resources International Pte. Ltd, dated 24 September 2012 has been extended to 30 June 2014 by the lender, subject to agreement of long form documentation.

Note 28 Parent entity

The following information has been extracted from the books and records of the parent Company, Guildford Coal Limited, and has been prepared in accordance with Accounting Standards.

The financial information for the parent entity, Guildford Coal Limited has been prepared on the same basis as the consolidated financial statements except as disclosed below.

Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of the parent entity. Dividends received from associates are recognised in the parent entity profit or loss accounts, rather than being deducted from the carrying amount of these investments.

Notes to the Financial Statements

For the Year Ended 30 June 2013

	2013	2012
	$	$
Statement of Financial Position		
Assets		
Current assets	**24,625,304**	13,886,631
Non-current assets	**182,071,015**	113,007,257
Total Assets	**206,696,319**	126,893,888
Liabilities		
Current liabilities	**15,551,962**	1,641,252
Non-current liabilities	**33,795,455**	-
Total Liabilities	**49,347,417**	1,641,252
Equity		
Issued capital	**168,806,514**	147,206,514
Retained earnings	**(16,201,639)**	(21,953,878)
Option Reserve	**4,744,027**	-
Total Equity	**157,348,902**	125,252,636
Consolidated Statement of Comprehensive Income		
Total profit or loss for the year	**(4,534,702)**	(17,408,301)
Total comprehensive income	**(4,534,702)**	(17,408,301)

Note 29 Company details

The registered office of and principal place of business of the Company is:

Level 7, 490 Upper Edward Street

Spring Hill QLD 4000

AUSTRALIA

Directors' Declaration

The directors of the Company declare that:

1. the financial statements and notes for the year ended 30 June 2013 are in accordance with the *Corporations Act 2001* and:
   a. comply with Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
   b. give a true and fair view of the financial position and performance of the consolidated Group;
2. the Group Managing Director and Chief Financial Officer have given the declarations required by Section 295A that:
   a. the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
   b. the financial statements and notes for the financial year comply with the Accounting Standards; and
   c. the financial statements and notes for the financial year give a true and fair view.
3. in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

.....

The Hon Alan Griffiths

Acting Non-Executive Chairman

Dated 30 September 2013

Ernst & Young
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

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Fax: +61 2 9248 5959
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Auditor's Independence Declaration to the Directors of Guildford Coal Limited

In relation to our audit of the financial report of Guildford Coal Limited for the year ended 30 June 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Anton Ivanyi

Partner

Sydney

30 September 2013

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Independent auditor's report to the members of Guildford Coal Limited

Report on the financial report

We have audited the accompanying financial report of Guildford Coal Limited which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor’s Independence Declaration, a copy of which is included in the directors’ report.

Auditor’s Opinion

In our opinion:

a. the financial report of Guildford Coal Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

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Material Uncertainty Regarding Continuation as a Going Concern

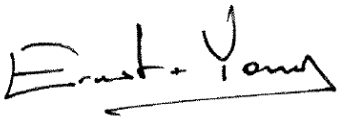
Without qualifying our opinion, we draw attention to Note 1b in the financial report which describes the principal conditions that raise doubt about the entity's ability to continue as a going concern. As a result of these matters there is significant uncertainty whether the company will continue as a going concern 12 months from the date of the report, and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the company not continue as a going concern.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Guildford Coal Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young

Anton Ivanyi

Partner

Sydney

30 September 2013

Additional Information for Listed Public Companies

30 June 2013

ASX Additional Information

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. This information is effective as at 16 September 2013.

Voting rights

Ordinary Shares:

On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Distribution of equity security holders

	Ordinary shares	
Holding	**Number of Holders**	**Number of Units**
1 - 1,000	120	72,387
1,001 - 5,000	433	1,373,184
5,001 - 10,000	389	3,279,325
10,001 - 100,000	962	34,212,321
100,000 and over	208	596,109,682
	2,112	635,046,899

There were 383 holders of less than a marketable parcel of ordinary shares.

Twenty largest shareholders

	Ordinary shares	
	Number held	**% of issued shares**
EQUITAS NOMINEES PTY LIMITED	241,639,706	38
HSBC CUSTODY NOMINEES	72,432,740	12
NATIONAL NOMINEES LIMITED	51,271,333	8
GLENEAGLE SECURITIES NOMINEES PTY LIMITED	35,585,000	6
CITICORP NOMINEES PTY LIMITED	22,094,651	3
BRISPOT NOMINEES PTY LTD	20,981,014	3
UBS NOMINEES PTY LTD	19,028,282	3
MR KEVIN TAY HAK-LEONG	12,794,765	2
UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LIMITED	10,086,181	2
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	8,312,387	1
EQUITAS NOMINEES PTY LIMITED	8,000,000	1
JP MORGAN NOMINEES AUSTRALIA LIMITED	7,698,981	1
SPINITE PTY LTD	5,601,397	1
LENARK PTY LIMITED	4,000,000	1
CAPRI TRADING PTY LTD	3,250,000	1
QUALITY LIFE PTY LTD	2,500,000	-
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 3	2,446,841	-
FOSTER STOCKBROKING NOMINEES PTY LIMITED	2,385,935	-
GLENEAGLE SECURITIES (AUST) PTY LIMITED	2,000,000	-
BAYSONI PTY LTD	1,800,000	-
	533,909,213	84

Securities exchange

The Company is listed on the Australian Securities Exchange.