



GUILDFORD
COAL

ASX: GUF

SHARE INFORMATION

Issued Shares: 655.0m

BOARD OF DIRECTORS

Acting Non-Exec Chairman:

A. Griffiths

Group Managing Director:

P. Kane

Non-Exec: T. Togoo

Non-Exec: C. Wallace

Non-Exec/Co Sec: K. Tsiakis

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REGISTERED OFFICE

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KEY PROJECTS

SOUTH GOBI Location:

South Gobi Basin, Mongolia

CLYDE PARK Location

Galilee Basin, QLD

HUGHENDEN Location:

Galilee Basin, QLD

SPRINGSURE Location:

Bowen Basin, QLD

Quarterly Activities Report

FOR THE QUARTER TO DECEMBER 31 2013

Overview

Guildford Coal has advanced the development of the Baruun Noyon Uul (BNU) mine of the South Gobi project in Mongolia, as it continues the process of moving from explorer to operator. A new senior management team has evolved to manage this transition, emphasising the skills required by the Company.

Mongolia

Terra Energy LLC has undergone the formal process of commissioning the BNU mine project and confirmation from the Ministry of Mining is imminent. Terra Energy is also actively seeking permission to commence coal transport to the distribution hub at Ceke, China.

Pre-mining activities at South-Gobi continued during the quarter with a focus on the BNU mine development. This included:

- Completion of a comprehensive core hole drilling program across the BNU resource, including preparation for upgrading the current MRAM resource.
- The removal of overburden, extraction and stockpiling of coal. The larger mining equipment was commissioned.
- Progressive excavation of the boxcut to expose coal in preparation for production ramp up in Q1 2014.
- Further customer visits were conducted in the Quarter along with coal sales marketing activities and sales agreement negotiations.
- Infrastructure required for the initial phase of mining was established including ROM, weighbridge infrastructure, foundations and building structures for the heavy equipment workshop. The onsite coal testing laboratory was also commissioned.
- The first phase of the coal haul road construction was completed connecting the mine via a 98km haulage road to the Nariin Sukhait transport hub.

Queensland

A maiden JORC indicated resource of 43mt was achieved at Springsure based on 5 holes, 2 from the previous campaign and 3 from the current program.

The Springsure Indicated JORC resource triggered a \$8.8m payment under the share sale agreement for the project.

Management agreed a settlement in shares that requires approval at an EGM and also saves the company \$2.2m in future payments under the agreement.

At Springsure, follow-up landowner engagement was undertaken and all outstanding rehabilitation commitments were completed by the end of 2013.

In the Northern Galilee, there was ongoing stakeholder engagement and a number of community support initiatives undertaken across Hughenden, Pentland and Charters Towers, including a meeting of the company's North Galilee Community Consultative Committee was held in Charters Towers in December.

Corporate

Cash and Financing

- Group cash, at the end of the quarter totaled \$12.8m (prior quarter \$8.7m).
- Additional financing facilities with Noble, totaling US\$22.0m, were completed during the quarter and drawn down.
- Total financing facilities available and drawn at the end of the quarter totaled US\$42.0m and \$39.4m.
- 20.0m fully paid Ordinary Shares have been issued in payment of the final deferred consideration for the acquisition of the remaining 25% of Terra Energy Limited.

The following director had acquired shares on market during the quarter;

| Director | Shares Acquired |
|----------------|-----------------|
| Mr. Peter Kane | 100,000 |

Board, Personnel and Office Changes

During the quarter, the following appointments and changes took place:

- Mr Peter Kane has been appointed as Group Managing Director replacing Mr Peter Westerhuis.
- Mr Gary Humphrys resigned from his position of Non-Executive Director.

Post quarter end, the following additional appointments took place:

- The Honourable Mr Craig Wallace has been appointed to the Board and as a Non-Executive Director.

Report on Activities

MONGOLIA

GUF's Mongolian subsidiaries completed an extensive resource definition and coal quality drilling program in the South Gobi region during the quarter. In excess of 16,000m of core drilling was undertaken across the BNU license area. The results of this program are in the process of being analysed and modeled for further project development evaluation.

Mine development activities continued at the BNU coal project. Further pre-stripping was undertaken to expose coal in preparation for mine commissioning and subsequent production. Coal was also extracted and stockpiled ready for transportation. Foundations and building structures were completed for the heavy equipment workshop, warehouse, the new mine office and laboratory were established and commissioned.

The compliance team in Mongolia was busy preparing and submitting all required documentation to obtain the successful commissioning of the mine and also the coal transportation permit. The first phase of the 98km coal haul road connecting the BNU mine to the Nariin Sukhait transportation hub was completed in the Quarter.

QUEENSLAND

The Springsure Project has confirmed a Maiden Springsure JORC Indicated Resource of 43 Mt in Exploration Permit for Coal (EPC) 1674, Springsure Project, with a remaining 148 Mt Inferred Resource. The Indicated Resource is based on 5 holes, 2 from the previous campaign and 3 from the current program. Future drilling will extend south of the indicated resource.

This Indicated Resource triggers a settlement from The Company to Resco Projects Pty Limited (Resco) under the sale agreement by which Springsure was acquired by The Company (Springsure Settlement).

Management agreed a settlement in shares that requires approval at an EGM and also saves the company \$2.2m in future payments under the agreement.

The continuation of the drilling program was delayed in anticipation of wet season impacts and is expected to recommence in Quarter 1, 2014.

The right to negotiate application in relation to the Clyde Park Project Mining Lease Application was lodged with the department.

No significant additional work has been undertaken on Clyde Park or Hughenden this quarter and no significant work is planned for the upcoming quarter.

CORPORATE

Cash & Investments

As at 31 December 2013, Guildford Coal had cash of \$12.8m (September 2013: \$8.7m). The principal movements in cash and investments for the quarter were attributable to:

Operating Cash Flows

- Payments for exploration and evaluation expenditure of \$3.0m.
- Payments for development expenditure of \$10.6m.
- Cash outflows for operational support costs, insurance and overheads of \$3.7m.
- Net outflow of interest expense/income of \$2.8m.

Investing Cash Flows

- Payments for purchases of equity investments and other fixed assets of \$0.6m.

Financing Cash Flows

- Proceeds from issues of shares in Springsure of \$0.5m
- Proceeds from borrowings of \$24.2m

Other

- 20,000,000 fully paid Ordinary Shares (at a minimum issue price of \$0.75 per Share and aggregate value of \$15,000,000) have been issued in payment of the final deferred consideration for the acquisition of the remaining 25% of Terra Energy Limited in accordance with the terms of the restructure agreement between Guildford Coal Limited and Terra Holdings Limited dated 2 November 2012 as approved at the annual general meeting held on 28 November 2013.
- Any further increase in the Springsure project JORC Indicated Resource will trigger further payments (in shares or cash) under the Share Purchase Agreement with Resco Projects Pty Ltd.

COMPANY GOALS

- The Company's immediate priority and goal is to achieve production in Mongolia by Q1 2014.
- We are also committed to progress our large portfolio of projects in Queensland.

Guildford Coal is committed to:

- working cooperatively within the communities where it operates;
- creating jobs for local people;
- supporting local businesses and contractors;
- helping to improve local services and infrastructure wherever possible; and
- generating a return for its existing shareholders as it transitions from explorer/developer into production.



GUILDFORD
COAL

Peter Kane
Group Managing Director
31 January 2014

CORPORATE DIRECTORY

Registered and Principal Office

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Shareholder Enquiries

Enquiries concerning shareholdings should be addressed to:

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