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24 December 2014

ASX Announcement
Lodgement of Target's Statement

Guildford Coal Limited (**Guildford** or the **Company**) has today lodged its Target's Statement in relation to the off-market takeover offer by Sino Construction Limited (**Sino Construction** or the **Bidder**) with the Australian Securities and Investments Commission (**ASIC**).

As announced on 10 December 2014, ASIC granted Guildford an extension to the time by which it must lodge and dispatch its Target's Statement until 24 December 2014 to allow for the finalisation of an independent expert's report and technical specialist report.

As required by item 14 of section 633(1) of the *Corporations Act 2001* (Cth), **attached** is a copy of the Target's Statement and the accompanying independent expert's report (which includes a copy of the technical specialist report).

A copy of the Target's Statement will be given to Sino Construction, and Guildford will complete dispatch of the Target's Statement to Guildford shareholders, later today.

Aimee Hyde

Company Secretary

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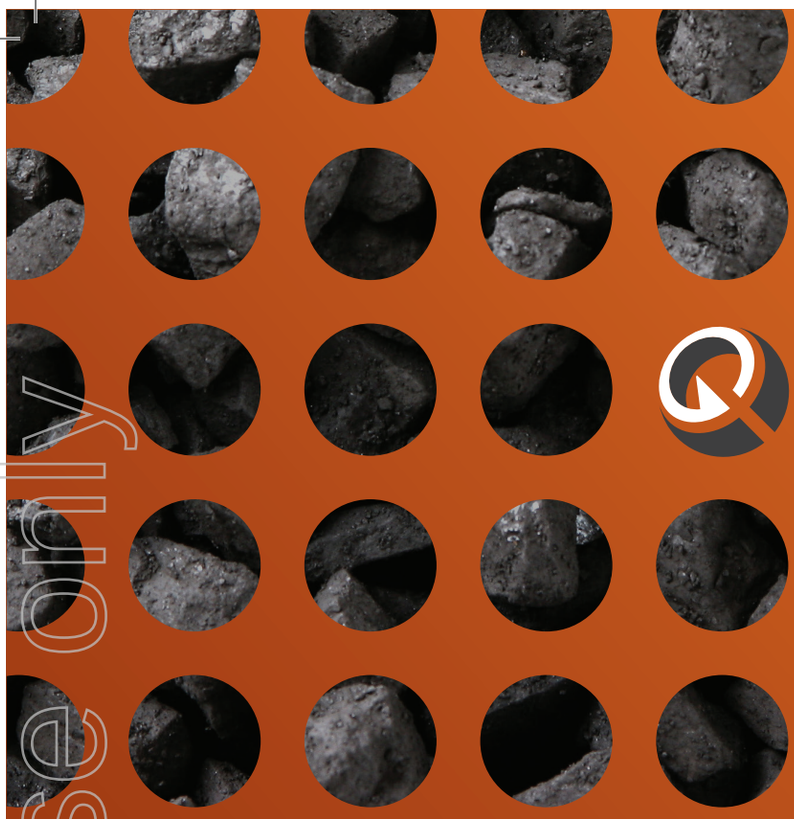

GUILDFORD
COAL

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TARGET'S STATEMENT

GUILDFORD'S DIRECTORS UNANIMOUSLY
RECOMMEND THAT YOU

REJECT

THE OFFER BY SINO CONSTRUCTION LIMITED

to acquire all of your shares in GUILDFORD COAL LIMITED

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to how to deal with this document, you should consult your legal, financial or other professional advisor as soon as possible

CORPORATE ADVISORS
Neuchatel Partners

neuchâtel partners

LEGAL ADVISORS
Talbot Sayer Lawyers

TS TALBOT SAYER LAWYERS

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Important notices

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This document is a Target's Statement issued by Guildford Coal Limited ACN 143 533 537 (**Guildford**) under Part 6.5 Division 3 of the Corporations Act in response to the Bidder's Statement issued by Sino Construction Limited Company Registration No. 200613299H (**Sino**). This Target's Statement is dated 24 December 2014.

A copy of this Target's Statement was lodged with ASIC and sent to ASX on 24 December 2014. None of ASIC, ASX nor any of their respective officers take any responsibility for the content of this Target's Statement.

This Target's Statement and the Bidder's Statement contain important information. You should read both documents carefully and in their entirety.

INVESTMENT DECISION

This Target's Statement does not take into consideration your individual investment objectives, financial situation or particular needs. You may wish to seek independent financial and tax advice before deciding whether or not to accept the Sino Offer to acquire all of your Guildford Shares.

SHAREHOLDER INFORMATION

If you have any questions about the Sino Offer, please call Guildford on +61 7 3005 1533 on weekdays between 9.00am and 5.00pm (Brisbane time), or visit the Guildford website at www.guildfordcoal.com.au.

The Directors are committed to ensuring that Guildford Shareholders are kept informed of developments. Important developments under the control of Guildford will be notified direct to Guildford Shareholders.

FORWARD LOOKING STATEMENTS

This Target's Statement contains certain forward looking statements and statements of current intention. The forward looking statements in this Target's Statement reflect views held at the date of this Target's Statement.

You should be aware that these statements involve inherent risks and uncertainties. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and those deviations are both normal and to be expected.

None of Guildford, its officers or any person named in this Target's Statement with their consent or involved in the preparation of this Target's Statement makes any representation or warranty, as to the accuracy or likelihood of fulfilment of any forward looking statement. You should not place undue reliance on those statements.

DEFINED TERMS

A number of defined terms are used in this Target's Statement. These terms are explained in the definitions in section 11.

PRIVACY STATEMENT

Guildford has collected your information from the register of Guildford Shareholders. The Corporations Act permits that information to be made available to certain persons, including Sino. Your information may also be disclosed on a confidential basis to Guildford's related bodies corporate and external service providers and may be required to be disclosed to regulatory parties such as ASIC. You can contact us for details of information held by us about you.

CURRENCY OF INFORMATION

Except as otherwise stated, all information in this Target's Statement is current as at 18 December 2014, being the last practicable date before the document went to print.

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Letter from the Acting Chairman

24 December 2014

Dear Guildford Shareholder

Your Directors unanimously recommend that you reject the Sino Offer

On 25 September 2014, Sino Construction Limited (**Sino**) announced an unsolicited off-market takeover bid for all the shares in Guildford Coal Limited ACN 143 533 537 (**Guildford**) (**Sino Offer**).

Under the Sino Offer, Guildford Shareholders are being offered 1 Sino Share for every 4.5 Guildford Shares held (**Offer Consideration**). You should have recently received a copy of the Bidder's Statement from Sino setting out the terms of the Sino Offer.

ABOUT THE SINO OFFER AND YOUR BOARD'S RECOMMENDATION

There are a number of disadvantages associated with the Sino Offer, however there may also be certain advantages. Your Directors have considered these various factors in making their recommendation and, on balance, have decided that the disadvantages outweigh the advantages and therefore unanimously recommend that you reject the Sino Offer.

In making this recommendation, the Board has considered the following matters:

(a) The Sino Offer is highly conditional and includes requirements for Sino shareholder approval and a circular and 'qualified person's statement' to be issued unless a waiver is obtained from SGX. These conditions may not be satisfied by the end of the Offer Period (in which case, Sino has indicated that it may need to extend the Offer Period by an additional three months) or at all.

If the Offer Period is extended, accepting Guildford Shareholders may not receive their Offer Consideration for a period of up to six months from the date of the Bidder's Statement and will be restricted from dealing with their Guildford Shares for the duration of the Offer Period (unless they exercise their withdrawal rights).

(b) Sino's other proposed acquisitions, which it has stated are an important part of its goal to transform itself, are also subject to Sino shareholder approval and therefore may not complete, meaning that there is significant uncertainty regarding Sino's assets and investment portfolio.

(c) The Independent Expert has concluded that the Sino Offer is neither fair nor reasonable to Guildford Shareholders, and the Offer Consideration is significantly below the range of value attributed to Guildford Shares on a controlling interest basis by the Independent Expert.

(d) In the short term, Sino is reliant on its existing construction business, which currently provides 100% of Sino's revenue. This is a small business with only one major project and produced revenue of just over A$1 million in the six months to 30 June 2014. The construction business was lossmaking during that period. Guildford also understands that Sino's only current project has subsequently been assigned or subcontracted to a third party. As such, there is uncertainty regarding Sino's construction business.

(e) If the Sino Offer is successful, Guildford Shareholders' interest in Guildford's assets will be significantly diluted and, to the extent that Sino continues to make additional investments or acquire additional companies as part of its new strategic direction, and issues Sino Shares as consideration for those investments and acquisitions, Guildford Shareholders' interests will be further diluted. Guildford Shareholders should note that the terms of the company's current financing arrangements include equity conversion rights which may result in dilution if such rights are exercised. As Guildford continues to focus on developing its assets, it may require additional financing (which may be by way of debt or equity, or a combination of both) and any potential new or replacement financing arrangements may also be dilutive in nature.

Nevertheless, you should consider the Sino Offer carefully (including both the potential advantages and disadvantages of accepting or rejecting the Sino Offer), together with your individual circumstances in determining whether or not to accept the Sino Offer.

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About Guildford and investment highlights

2014 has been a transformative year for Guildford, with a maintained focus on the company's strategic objective of becoming Mongolia's newest coal producer.

In particular, Guildford has recently announced:

(a) that operations at the Baruun Noyon Uul mine (**BNU Mine**) in Mongolia have recommenced following the successful completion of the trial batches of coal;

(b) an increase in the company's allowable mining capacity at the BNU Mine to 1.5Mt in 2015 and 2.0Mt in 2016;

(c) the positive results from the washing and laboratory testing of a second 14,300t trial batch of coal from the BNU Mine with improved yields and product specifications;

(d) that the company is on track for meeting its targeted coal volumes through to the end of the 2015 calendar year; and

(e) that its two major debt providers, OCP Asia and Noble, have agreed to continue to support the company by providing additional working capital of approximately A$12 million and delaying the date for further principal and interest repayments on its other facilities to allow Guildford to ramp up production at the BNU Mine in order to deliver value to the company's shareholders.

Formal documentation for the extension is currently being negotiated. Although Guildford is confident of finalising the documentation regarding the extensions to its existing facilities, if this does not happen or if Guildford were to default on its revised payment obligations, this would be likely to have significant consequences for Guildford and its shareholders.

Further, as part of this process, OCP Asia and Noble have agreed to participate in and support a strategic review of Guildford's operations in both Mongolia and Australia, which will comprise a ground-up review of the company's operations, assets and management. This strategic review is expected to be completed by the end of February 2015 and the outcomes of the review will be announced once complete.

Investment highlights of Guildford include the following.

(a) **Large, superior quality resource base.** With a resource of 289Mt of coking and thermal coal in Mongolia, Guildford has the potential to become one of the largest listed coking coal producers in Mongolia backed by one of the highest quality (<8% ash and 0.30-0.55% sulphur post washing) coal resource bases. Guildford also holds extensive coal exploration tenements in Australia in major Queensland coal basins with proximity to existing rail and port infrastructure.

(b) **Near term coal production and cash flow generation.** Guildford's first trial shipment of coking coal from its South Gobi mine commenced in August 2014 and a second 14,300t trial shipment was undertaken in October and November 2014, with laboratory and washing tests from both trial shipments producing positive results. Operations at the BNU Mine have now recommenced following the successful completion of these trial batches and Guildford is on track to meeting its targeted coal production of 1.19Mt to December 2015 as announced on 20 November 2014.

(c) **Partnership with a leading commodities trading company.** Marketing agreement established between Guildford and Noble for Guildford's coking coal in Mongolia, with Noble also continuing to support the company as a significant financial stakeholder.

(d) **Strong growth profile.** Guildford's BNU Mine has commenced commercial production, supported by a large asset base targeting multiple mines and captive haul road.

(e) **Improving sovereign risk in Mongolia.** Recent changes to legislation effectively removed many Government approvals required for foreign investment in Mongolian resource projects.

(f) **Highly experienced board and management team.** Composed of former senior executives from leading mining companies including BHP Billiton, Rio Tinto, Glencore, Leighton, Whitehaven, and Mongolia Energy (Khushuut Coal Project), including managers with years of both Australian and Mongolian in-country operational experience.

ABOUT THIS TARGET'S STATEMENT

This Target's Statement sets out your Directors' response to the Sino Offer and contains their recommendation, reasons for that recommendation and other important information you should consider when deciding whether to reject or accept the Sino Offer. You should read both this Target's Statement and the Bidder's Statement in full before making a decision in relation to the Sino Offer.

If you are in doubt as to whether to reject or accept the Sino Offer, you should seek your own independent professional advice.

If you have any questions about the Sino Offer, please call Guildford on +61 7 3005 1533 on weekdays between 9.00am and 5.00pm (Brisbane time), or visit our website at www.guildfordcoal.com.au.

Yours faithfully

Craig Ransley
Acting Chairman

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What should you do?

You should read the Bidder's Statement and this Target's Statement, which contains your Directors' unanimous recommendation to reject the Sino Offer and their reasons for this recommendation.

As a Guildford Shareholder, you have the following choices in respect of the Sino Offer:

(a) **You may choose to reject the Sino Offer,** in which case you do not need to take any action.

(b) **You may accept the Sino Offer,** in which case you should complete the acceptance form accompanying the Bidder's Statement and return it in accordance with the instructions provided.

(c) **You may sell your Guildford Shares on market,** unless you have previously accepted the Sino Offer and you have not validly withdrawn your acceptance.

If you have any questions, please call Guildford on +61 7 3005 1533 on weekdays between 9.00am and 5.00pm (Brisbane time) or visit our website at www.guildfordcoal.com.au.

KEY DATES

Announcement date	25 September 2014
Bidder's Statement lodged with ASIC	18 November 2014
Date of Sino Offer	24 November 2014
Date of Target's Statement	24 December 2014
Close of Offer Period (unless extended or withdrawn)	7.00pm (Sydney time) on 25 February 2015

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Why you should reject the Sino Offer

The Board believes that Guildford Shareholders should reject the Sino Offer for the reasons set out below.

The Sino Offer is highly conditional and does not provide any certainty to Guildford Shareholders

(a) The Sino Offer is highly conditional and it is not certain that all of the conditions can be met. In particular, the Sino Offer is subject to the approval of:

(i) Sino's shareholders for the Sino Offer and for the Offer Consideration to be issued and allotted to Guildford Shareholders;

(ii) the SGX for the listing and quotation of the Offer Consideration; and

(iii) all relevant Government Agencies in Mongolia and Australia which may be required in respect of the Sino Offer,

and there is no guarantee that such approvals will be obtained. Further, it is unclear from the Bidder's Statement what Government Agency approvals are required, or Sino's progress in obtaining them.

(b) Sino has indicated that it may take approximately three months for the requisite shareholder approvals to be obtained and this timeframe may be extended to six months if the SGX does not waive the requirement for Sino to prepare a 'qualified person's report'. If the SGX does not waive this requirement, Sino has indicated that it will need to extend the Offer Period to up to six months, meaning that Guildford Shareholders who accept the Sino Offer:

(i) may not receive their Offer Consideration for a period of at least six months from the date of the Bidder's Statement; and

(ii) will be restricted from dealing with their Guildford Shares for the duration of the Offer Period (unless they exercise their withdrawal rights).

The Directors consider that this is a compelling reason for Guildford Shareholders to not accept the Sino Offer for so long as this Defeating Condition remains unsatisfied.

(c) Further details of the Defeating Conditions to the Sino Offer are set out in section 2.4 of this Target's Statement and in section 11.5 of the Bidder's Statement.

Sino may not be able to implement its stated intentions

(a) Sino has announced an intention to adopt a new strategic direction and a proposal to diversify its operations to enter the mineral and energy resources business and has sought to acquire and hold multiple and diversified mineral and energy resources assets.

(b) In addition to the Sino Offer, Sino has announced the following proposed acquisitions, which it has indicated as being 'key proposed projects' and an important part of its goal to transform itself into a mineral and energy resources business:

(i) the acquisition of a 51% interest in Signet Coking Coal International Limited (**Signet**), a Hong Kong based company with assets in South Africa that Sino has indicated is in the business of exploration and mining of coal, including predominantly coking coal in South Africa; and

(ii) the acquisition of a 52% interest in JEMS Exploration Pty Ltd (**JEMS**), an Australian based company that Sino has indicated is engaged in the exploration for coal at the Grey Range Project in Queensland.

Both of these acquisitions remain subject to approval of Sino's shareholders and there is no certainty that these approvals will be forthcoming.

(c) Limited information is available in respect of Sino's current and proposed investments in other mining and energy resources sector entities, or its plans to develop the assets held by those other entities. In particular, there is limited information available in relation to:

(i) the assets and projects held by Signet, JEMS, Ardilaun Energy Limited (**Ardilaun**) or Renaissance Enterprises S.A. (**Renaissance**);

(ii) the results of any exploration activities carried out by any of the above entities;

(iii) Sino's plans to establish the resources within the various project areas or to develop those

projects through to the production stage; or

(iv) the expenditure and funding required to develop the various projects.

(d) Without access to sufficient information about the projects and activities of both Sino's existing and proposed investments in the mineral and energy resources sector, or its plans to develop those projects going forward, the Directors consider that it is difficult for Guildford Shareholders to make an informed assessment of Sino and, therefore, whether to accept or reject the Sino Offer.

The Independent Expert has concluded that the Sino Offer is neither fair nor reasonable

(a) The Board commissioned the Independent Expert to undertake an independent assessment of the Sino Offer. A copy of the Independent Expert's Report is annexed to this Target's Statement.

(b) The Independent Expert has concluded that the Sino Offer is neither fair nor reasonable and that the Offer Consideration is significantly lower than its assessed valuation range for Guildford Shares on a controlling interest basis.

(c) In particular, the Independent Expert has determined the value of a Guildford Share on a controlling interest basis to be in the range of A$0.058 to A$0.078 and the value of the Offer Consideration to be in the range of A$0.0007 to A$0.0445.

Sino has not articulated its plans for realising value from Guildford's projects

Sino has not specified any particular plan for Guildford or its projects and has not articulated how it might realise better value from Guildford's assets than is currently being achieved.

Sino does not have any significant experience in the resources industry

(a) Sino has historically been engaged in the building construction and civil engineering industries in the People's Republic of China, Singapore and other Asia Pacific countries, although it has divested some of those interests recently. In addition, Sino also provides design and planning and project consultancy and management services.

(b) While Sino has undergone a significant change in management personnel over the last 12 months (including a change to the entire board of directors), Guildford is not aware of any of these personnel having significant experience in the evaluation, acquisition, exploration, financing, development or operation of minerals projects. Sino has acknowledged that it will need to rely on the management expertise of its proposed acquisitions in order to execute its proposed transformation strategy.

Sino's capacity to fund Guildford's ongoing project development costs is uncertain

(a) Sino has indicated that it intends to continue the expansion of Guildford's business to its full potential for the development of its projects, and that it believes that it can provide the scale, financial resources and access to capital necessary to develop Guildford's projects to their full potential in a more timely manner than without the added strength of Sino behind Guildford.

(b) However, Sino has acknowledged that it will require additional funding in order to advance Guildford's projects and has stated that it does not intend to fund Guildford's ongoing operations and projects from either its existing reserves or financing facilities.

(c) It is therefore unclear how Sino intends to fund Guildford's projects and operations, or the repayment of its existing debt facilities, going forward.

Sino's asset portfolio mix

(a) Sino's proposed asset portfolio is weighted towards exploration stage projects, all of which are likely to require further development funding and, as such, will not be cash generating in the immediate future. They are also widely geographically spread, implying significant overhead costs in managing the portfolio, and there appear to be limited obvious synergies between the assets.

(b) The principal current and proposed mineral assets of Sino are not wholly owned, with proposed ownership levels varying from 19.9% to 52%. This implies some constraints on Sino's ability to manage the assets, due to the need to consider other shareholders' interests, and due to the reliance on management within those proposed assets.

Your interest in Guildford and its assets will be diluted

(a) Sino has indicated that, if the Sino Offer proceeds and it acquires 100% of Guildford Shares, Guildford Shareholders will only hold approximately 12.72% of Sino's enlarged issued capital. This calculation assumes:

(i) that all options, Performance Rights, Warrants and Convertible Notes are exercised and converted into Guildford Shares; and

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(ii) the issue of Sino Shares in connection with the Sino Construction Proposed Share Issues.

(b) Accordingly, Guildford Shareholders' interests in Guildford's assets and the value that may be realised through the successful development of those assets will be significantly diluted. To the extent that not all of Guildford's existing convertible securities are exercised, Guildford Shareholders' combined ownership interest in Sino may be significantly less than the figure stated by Sino.

(c) Further, if Sino continues to make additional investments or acquire additional companies as part of its new strategic direction, and issues Sino Shares as consideration for those investments and acquisitions, Guildford Shareholders' interests will be further diluted.

(d) Guildford Shareholders should note that the terms of the company's current financing arrangements include equity conversion rights which may result in dilution if such rights are exercised. This will occur even if the Sino Offer is not successful. As Guildford continues to focus on developing its assets, it may require additional financing (which may be by way of debt or equity, or a combination of both) and any potential new or replacement financing arrangements may also be dilutive in nature.

Future deductibility of Guildford's accumulated tax losses

(a) As at 30 June 2014, Guildford had A$134,075,937 in accumulated tax losses. To be eligible to utilise these tax losses in future income years, Guildford will have to satisfy the continuity of ownership test and, failing that, the same business test. Guildford could fail the continuity of business test as a consequence of the Sino Offer being accepted by Guildford Shareholders. This would mean that Guildford must rely on the more onerous and subjective same business test should it seek to utilise these losses in future income years.

(b) Depending on the actions taken by Sino, the ability for Guildford to access the benefit of these tax losses could be jeopardised.

The value of Sino Shares is uncertain

(a) Under the Sino Offer, Guildford Shareholders will receive 1 Sino Share for every 4.5 Guildford Shares they hold, regardless of the price at which Sino Shares trade. If Guildford Shareholders accept the Sino Offer and the Sino Offer becomes unconditional, they will be subject to any rise or fall in the price of Sino Shares. The value implied by the Sino Offer depends on the trading price of Sino Shares after the Sino Offer has completed.

(b) Sino Shares have, in the 12 month period ending 18 December 2014, traded in the range between S$0.03 and S$0.325 per share and, as at 18 December 2014, closed at S$0.275 per share.

(c) Sino issued 631 million Sino Shares in June 2013 at an issue price of S$0.005 per Sino Share (half of one Singapore cent). Sino is also proposing to issue a substantial number of Sino Shares in relation to its other proposed acquisitions at prices of between S$0.16 and approximately S$0.212.

If you accept the Sino Offer, you will become a shareholder in Sino

(a) As the Offer Consideration is 1 Sino Share for every 4.5 Guildford Shares held, if you accept the Sino Offer and the Defeating Conditions are satisfied or waived, you will become a shareholder in Sino.

(b) Unlike Guildford, which is an Australian incorporated company listed on ASX, Sino is incorporated in Singapore and listed on SGX. As such, you will be subject to the laws of Singapore and the rules of the SGX Listing Manual in relation to your Sino Shares, which will be different to those as a shareholder of an Australian company listed on ASX.

(c) As Sino's Shares are quoted on SGX, you may be required to appoint a foreign broker in order to sell your Sino Shares, which may result in additional fees and costs.

(d) Refer to Annexure A of the Bidder's Statement for an overview of the process required to be able to trade in Sino Shares on SGX, which includes a requirement for Guildford Shareholders to open a CPD securities account, a trading account and a bank account with a participating Singaporean bank that provides direct crediting services.

SGX trading warnings

(a) On two separate occasions during the 2014 calendar year, SGX has issued warnings to Sino shareholders that they should trade with caution. In particular:

(i) on 3 April 2014, SGX issued a warning following a substantial decrease in Sino's Share price by 50% indicating that shareholders and potential investors should exercise caution when dealing in Sino's securities. In that warning, SGX highlighted that it had issued Sino with three queries on unusual trading activities in Sino Shares within the previous four month period; and

(ii) on 11 September 2014, SGX issued a similar

warning following a substantial increase in the traded volume and price of Sino Shares by 14.3% between 9 September and 11 September 2014, again indicating that shareholders and potential investors should exercise caution when dealing in Sino's securities.

(b) Sino itself similarly provided a warning to its shareholders and investors to exercise caution when dealing in Sino Shares in an announcement to SGX on 12 November 2014.

(c) Guildford Shareholders should consider these trading warnings, and the effect they may have on their ability to dispose of Sino Shares should they accept the Sino Offer.

Tax investigation in the People's Republic of China

(a) Sino has stated in its Bidder's Statement that certain former subsidiaries have been implicated in an on-going tax investigation by the taxation audit bureau of Daqing City (**Taxation Audit Bureau**) and that Sino has overcome this issue by disposing of the affected subsidiaries.

(b) Although Sino has indicated that it has been able isolate itself from the tax investigation, it is unclear whether Sino has any residual liability to the Taxation Audit Bureau in relation to the investigation and whether the disposal of the relevant subsidiaries has been effective to isolate Sino in the manner stated.

Audit and review irregularities

(a) The Bidder's Statement indicates that Sino's auditor was unable to express an opinion on Sino's consolidated financial statements for the years ended 31 December 2012 and 31 December 2013.

(b) In addition, the investigating accountant's report prepared by Moore Stephens (which is included as Annexure E to the Bidder's Statement) indicates that Moore Stephens has been unable to obtain sufficient appropriate review evidence about the financial position of Ardilaun as at 30 June 2014 and has been unable to assess whether or not there is objective evidence that Sino's investment in Ardilaun was impaired as at 30 June 2014.

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Reasons you may decide to accept the Sino Offer

There may be a number of potential reasons why Guildford Shareholders may wish to accept the Sino Offer.

Although the Board considers that any potential advantages of accepting the Sino Offer are outweighed by the disadvantages, and unanimously recommend that Guildford Shareholders reject the Sino Offer, Guildford Shareholders should consider their individual circumstances in determining whether or not to accept the Sino Offer.

A summary of some of the potential advantages of accepting the Sino Offer are set out below, and Guildford Shareholders should refer to section 6 for further information about the possible advantages of accepting the Sino Offer.

(a) Accepting Guildford Shareholders will receive exposure to other assets held by Sino and will be able to participate in any upside as a result of the development of those assets.

(b) If the Sino Offer becomes unconditional, there may be a number of important implications for Guildford Shareholders who do not accept the Sino Offer. In particular, liquidity in Guildford Shares may be significantly reduced and the price of Guildford Shares may fall.

(c) Based on recent trading prices of Sino Shares the Offer Consideration represents a premium to the current trading price of Guildford Shares.

(d) Guildford's two major debt providers, OCP Asia and Noble, have agreed to continue to support the company by providing additional working capital of approximately A$12 million and delaying the date for further principal and interest repayments on its other facilities to allow Guildford to ramp up production at the BNU Mine in order to deliver value to the company's shareholders. Formal documentation for the extension of Guildford's financing facilities is currently being negotiated. Although Guildford is confident of finalising the documentation regarding the extensions to its existing facilities, if this does not happen or if Guildford were to default on its revised payment obligations, this would be likely to have significant consequences for Guildford and its shareholders.

(e) As part of the extension to Guildford's existing financing facilities, OCP Asia and Noble have agreed to participate in and support a strategic review of Guildford's operations in both Mongolia and Australia, which will comprise a ground-up review of the company's operations, assets and management. The outcomes of this strategic review are not yet known, but may result in changes to the structure and operations of Guildford going forward, which could have a negative impact on Guildford Shareholders.

(f) The terms of Guildford's current financing arrangements include equity conversion rights which may result in dilution if such rights are exercised. This will occur even if the Sino Offer is not successful. As Guildford continues to focus on developing its assets, it may require additional financing (which may be by way of debt or equity, or a combination of both) and any potential new or replacement financing arrangements may also be dilutive in nature.

(g) A superior proposal may not arise.

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Frequently asked questions about the Sino Offer

This section is designed to help you understand the Sino Offer by answering some commonly asked questions. It is not intended to address all relevant issues for Guildford Shareholders when deciding whether to accept or reject the Sino Offer.

This section should be read in conjunction with all other sections of this Target's Statement.

Question	Answer	Further information
Who is the bidder?	The Sino Offer is made by Sino Construction Limited, Company Registration No. 200613299H. Information about Sino can be obtained from sections 4, 5 and 6 of the Bidder's Statement, from the SGX website at www.sgx.com or from Sino's website at www.sicon.sg.	Section 4
What is the Sino Offer?	Sino has made an offer of 1 Sino Share for every 4.5 Guildford Shares that you hold.	Section 2.2
What choices do I have as a Guildford Shareholder?	As a Guildford Shareholder, you have the following choices: (a) you can **reject** the Sino Offer; (b) you can **accept** the Sino Offer; or (c) you can **sell your Guildford Shares on market** (unless you have previously accepted the Sino Offer and you have not validly withdrawn your acceptance). When deciding what to do, you should carefully consider the Director's recommendation and other important considerations set out in this Target's Statement.	Section 5
What do your Directors recommend?	Your Directors unanimously recommend that you reject the Sino Offer. The reasons for this recommendation are set out in this Target's Statement.	Section 1.2
What has the Independent Expert concluded?	The Independent Expert has concluded that the Sino Offer is neither fair nor reasonable to Guildford Shareholders.	Section 1.2 and the Independent Expert's Report
How do I accept the Sino Offer?	Details of how to accept the Sino Offer are set out in section 3 of the Bidder's Statement and section 5 of this Target's Statement.	Section 5
How do I reject the Sino Offer?	To reject the Sino Offer, you do not need to do anything.	Section 5
When do I have to decide?	If you want to accept the Sino Offer, you need to do so before the end of the Offer Period. The Offer Period is expected to remain open until 7.00pm (Sydney time) on 25 February 2015, unless extended or withdrawn by Sino.	Section 2.3
Can Sino vary the Sino Offer?	Yes. Sino can vary the Sino Offer by waiving the Defeating Conditions, extending the Offer Period or increasing the Offer Consideration.	Section 2.8
When does the Sino Offer close?	The Sino Offer will close at 7.00pm (Sydney time) on 25 February 2015, unless it is extended or withdrawn.	Section 2.3
What happens if Sino increases the consideration payable under the Sino Offer?	If Sino increases the consideration payable under the Sino Offer, you will receive the higher consideration even if you have already accepted the Sino Offer.	Section 2.8

What are the Defeating Conditions of the Sino Offer?	The Sino Offer is subject to a number of Defeating Conditions including, but not limited to: (a) a 50.1% minimum acceptance condition; (b) Sino receiving the approval of its shareholders to make the Sino Offer and issue Sino Shares as the Offer Consideration under the Sino Offer; (c) other approvals being obtained from Government Agencies to enable the Sino Offer to proceed; and (d) there being no material adverse change in respect of Guildford. This is only a summary of the key Defeating Conditions. See section 2.4 of this Target's Statement for further details about each Condition and refer to section 11.5 of the Bidder's Statement for full details of all Defeating Conditions.	Section 2.4
What are the consequences of accepting the Sino Offer now?	If you accept the Sino Offer while it is still conditional, unless withdrawal rights are available (see the following question) you will not be able to sell your Guildford Shares on ASX or to any other bidder that may make a takeover offer, or otherwise deal with your Guildford Shares while the Sino Offer remains open. If the Defeating Conditions are not satisfied or waived and the Sino Offer lapses, you will be free to deal with your Guildford Shares, even if you had accepted the Sino Offer.	Section 2.6
If I accept the Sino Offer, can I withdraw my acceptance?	You may only withdraw your acceptance if Sino extends by more than one month the time it has to provide the consideration under the Sino Offer.	Section 5.2
What happens if I do nothing?	You will remain a Guildford Shareholder unless Sino can compulsorily acquire your Guildford Shares and it elects to exercise its right to proceed to compulsory acquisition. If you do nothing, but Sino acquires 90% or more of Guildford Shares and all the Defeating Conditions are either satisfied or waived, your Guildford Shares may be compulsorily acquired by Sino. Sino has indicated that, at this stage, it does not intend to proceed with the compulsory acquisition of any Guildford Shares but has reserved its right to do so and will update Guildford Shareholders, by way of a supplementary Bidder's Statement, if and when it forms an intention to proceed with compulsory acquisition. Refer to section 8.3 of the Bidder's Statement for further details.	Section 5 and 2.9
Can I be forced to sell my Guildford Shares?	You cannot be forced to sell your Guildford Shares unless Sino proceeds to compulsory acquisition. If Sino proceeds to compulsory acquisition, you will receive the same consideration as if you had accepted the Sino Offer.	Section 2.9
What happens if the Defeating Conditions of the Sino Offer are not satisfied or waived?	If the Defeating Conditions of the Sino Offer are not satisfied or waived before the Sino Offer closes, the Sino Offer will lapse, your Guildford Shares will not be transferred to Sino and you will not receive the consideration under the Sino Offer. This means that you will continue to be a Guildford Shareholder, free to deal with your Guildford Shares.	Section 2.5

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When will I receive my consideration if I accept the Sino Offer?	If you accept the Sino Offer, you will receive your consideration by the earlier of: (a) one month after the later of: (i) the date you accept the Sino Offer; and (ii) the date the Sino Offer becomes unconditional; and (b) 21 days after the end of the Offer Period.	Section 2.7
What are the tax implications of accepting the Sino Offer?	A general outline of the tax implications of accepting the Sino Offer is set out in section 7 of this Target's Statement. You should consult your financial or tax advisor for advice on the tax implications applicable to your individual circumstances.	Section 7
If Sino acquires at least 50.1% but less than 90% of the Guildford Shares, will I still be able to sell my Guildford Shares on ASX?	If you retain your Guildford Shares, you will still be able to sell them on ASX unless Guildford is delisted at some time in the future. Sino has stated in its Bidder's Statement that if it acquires less than 90% but more than 50% of Guildford Shares then, subject to the spread and number of Guildford Shareholders remaining after the close of the Sino Offer, it intends to retain Guildford's listing on the ASX. If, however, Guildford is removed from the official list of ASX, you will not be able to sell your Guildford Shares on ASX.	Section 2.10
What if I have other questions about the Sino Offer?	If you have any questions, please call Guildford on +61 7 3005 1533, or visit Guildford's website at www.guildfordcoal.com.au. Announcements made to ASX by Guildford and other information relating to the Sino Offer can be obtained from Guildford's website at www.guildfordcoal.com.au.	

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1. Directors' recommendation

1.1 SUMMARY OF THE SINO OFFER

Sino is offering Guildford Shareholders 1 Sino Share for every 4.5 Guildford Shares held. The Sino Offer is subject to a number of Defeating Conditions. Those Defeating Conditions are set out in the Bidder's Statement and are summarised in section 2.4 of this Target's Statement.

1.2 INDEPENDENT EXPERT

The Independent Expert commissioned by the Board to undertake an independent assessment of the Sino Offer has concluded that the Sino Offer is neither fair nor reasonable and that the Offer Consideration is significantly lower than its assessed valuation range for Guildford Shares on a controlling interest basis.

In particular, the Independent Expert has determined the value of a Guildford Share on a controlling interest basis to be in the range of A$0.058 to A$0.078 and the value of the Offer Consideration to be in the range of A$0.0007 to A$0.0445.

A copy of the Independent Expert's Report is annexed to this Target's Statement.

The Technical Specialist has also been engaged to prepare the Technical Specialist Report for inclusion in this Target's Statement. The Technical Specialist Report contains details of Guildford's resource and reserves estimates and a valuation of Guildford's coal assets in both Australia and Mongolia. A copy of the Technical Specialist Report is attached to the Independent Expert's Report.

1.3 DIRECTORS' RECOMMENDATION

After taking into account the terms of the Sino Offer, the Bidder's Statement, the Independent Expert's Report and the other matters in this Target's Statement, each Director recommends that you reject the Sino Offer.

The reasons for the Directors' recommendation are set out in the section entitled 'Why you should reject the Sino Offer'.

The Directors do not intend to accept the Sino Offer in respect of Guildford Shares they hold or control. Details of each Director's relevant interest in Guildford Shares are set out in section 8.

2. Key terms of the Sino Offer

2.1 HISTORY

On 25 September 2014, Sino announced its intention to make an off-market takeover bid for all the ordinary shares in Guildford. On 18 November 2014, Sino lodged its Bidder's Statement with ASIC and gave a copy to Guildford.

The Bidder's Statement contains the Sino Offer.

2.2 SUMMARY OF THE SINO OFFER

The Sino Offer is to acquire all of your Guildford Shares and any rights attaching to those shares for the Offer Consideration of 1 Sino Share for every 4.5 Guildford Shares held.

If you accept the Sino Offer and become entitled to receive a fraction of a Sino Share, the number of Sino Shares you are entitled to pursuant to the Sino Offer will be rounded up to the nearest whole number.

2.3 OFFER PERIOD

The Sino Offer will remain open for acceptance until 7.00pm (Sydney time) on 25 February 2015, unless extended or withdrawn under the Corporations Act.

2.4 DEFEATING CONDITIONS OF THE SINO OFFER

The Sino Offer is subject to numerous Defeating Conditions as set out in full in section 11.5 of the Bidder's Statement, which are summarised below:

(a) (**minimum acceptance**) at the close of the Offer Period, Sino has a relevant interest in such number of Guildford Shares which represents at least 50.1% of the aggregate of all Guildford Shares then on issue;

(b) (**shareholder approval**) prior to the end of the Offer Period, Sino receives the approval of its shareholders, in general meeting, for:

  (i) the making of the Sino Offer, if required under Chapter 10 of the SGX Listing Manual; and

  (ii) the issuance of the Sino Shares as the Offer Consideration, in accordance with Chapter 8 of the SGX Listing Manual;

(c) (**no prescribed occurrence**) no Prescribed Occurrence occurs prior to the end of the Offer Period;

(d) (**approvals by Government Agencies**) all approvals which are required by Law or by any Government Agency:

  (i) to permit the Sino Offer to be made to and

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accepted by Guildford Shareholders;

(ii) as a result of the Sino Offer or the successful acquisition of the Guildford Shares and which are necessary for the continued operation of the business of Guildford and its Subsidiaries or of Sino and its Subsidiaries; or

(iii) for Sino to be able to acquire an interest in all the Guildford Shares the subject of the Sino Offer,

are obtained prior to the end of the Offer Period on an unconditional basis and remain in force in all respects and without any notice or indication of intention to revoke, suspend, restrict, modify or not renew those approvals;

(e) (**no material adverse change**) no Material Adverse Change occurs to Guildford during the Defeating Conditions Period; and

(f) (**mining interests**) no Mining Interest or any interest in any Mining Interest, is revoked or terminated (excluding relinquishment of parts of tenements in the ordinary course of business) prior to the end of the Offer Period.

Sino may waive any of these Defeating Conditions under the Corporations Act.

It is Prescribed Occurrence under the Sino Offer if Guildford issues shares, or grants an option over its shares, or agrees to make such an issue or grant such an option other than (among other things) the issue of up to 33,333,333 Guildford Shares which are issued as a result of the exercise of up to 1,000 Convertible Notes. As set out in Guildford's 2014 annual report, the price at which the Guildford Convertible Notes may be converted has been reduced from A$0.30 to A$0.06, meaning that significantly more than 33,333,333 Guildford Shares may be issued if all of the Guildford Convertible Notes are exercised (which would result in the occurrence of a Prescribed Occurrence and, therefore, a breach of a Defeating Condition).

Sino has indicated that it will not seek to rely on a breach of this Defeating Condition unless the number of Guildford Shares issued as a result of the exercise of up to 1,000 Convertible Notes is more than 189,250,000.

Sino has similarly agreed to waive the Defeating Condition which would otherwise be triggered as a result of the transfer by Guildford of a 15% interest in Springsure Mining to TheChairmen1 Pty Ltd (**C1**) as set out in its announcement of 1 October 2014, provided that the transfer occurs in accordance with the terms set out in that announcement.

Other than as disclosed elsewhere in this Target's Statement, as at 18 December 2014, the Directors are not aware that any additional Prescribed Occurrences have occurred in respect of Guildford.

2.5 CONSEQUENCES IF DEFEATING CONDITIONS NOT SATISFIED

If the Defeating Conditions are not satisfied or waived before the Sino Offer closes, the Sino Offer will lapse. This means that:

(a) if you have accepted the Sino Offer, your acceptance is void and you will continue to be a Guildford Shareholder, free to deal with your Guildford Shares; or

(b) if you have not accepted the Sino Offer, you continue to be a Guildford Shareholder and are free to deal with your Guildford Shares.

2.6 EFFECT OF ACCEPTANCE

The effect of acceptance of the Sino Offer is set out in section 11.11 of the Bidder's Statement. You should read that section in full to understand the effect that acceptance will have on your ability to exercise the rights attaching to your Guildford Shares and the representations and warranties which you give by accepting the Sino Offer. In particular, if you accept the Sino Offer, you may forfeit the opportunity to benefit from any superior offer made by another bidder for your Guildford Shares, if that offer were to eventuate. If you accept the Sino Offer you will not be able to sell your Guildford Shares on ASX.

2.7 PAYMENT OF CONSIDERATION

Sino has set out in section 11.13 of the Bidder's Statement, the timing of the payment of the consideration to holders of Guildford Shares who accept the Sino Offer. In general terms, you will receive the consideration to which you are entitled under the Sino Offer by the earlier of:

(a) one month of the later of:

(i) the date you accept the Sino Offer; and

(ii) the date the Sino Offer becomes unconditional; and

(b) 21 days after the end of the Offer Period.

2.8 CHANGES TO THE SINO OFFER

(a) Sino can vary the Sino Offer by:

(i) waiving the Defeating Conditions to the Sino Offer;

(ii) extending the Offer Period; or

(iii) increasing the consideration offered under the Sino Offer.

(b) If you accept the Sino Offer and Sino subsequently increases its Offer Consideration, you are entitled to receive the higher price.

2.9 COMPULSORY ACQUISITION

(a) Sino has indicated in section 8.3 of its Bidder's Statement that, at this stage, it is not Sino's intention to proceed with the compulsory acquisition of any Guildford Shares not acquired under the Sino Offer which Sino is entitled to compulsorily acquire under the Corporations Act. However, Sino has reserved its right to do so and has indicated that it will update Guildford Shareholders by way of a supplementary Bidder's Statement if and when it forms an intention to proceed with compulsory acquisition.

(b) Under section 661A Corporations Act, Sino is entitled to compulsorily acquire any Guildford Shares for which it has not received an acceptance of its Sino Offer on the same terms of the Sino Offer if, during or at the end of the Offer Period, Sino and its associates have a relevant interest in at least 90% (by number) of Guildford Shares. The consideration per Guildford Share payable to Guildford Shareholders whose Shares are compulsorily acquired is the same as that payable under the Sino Offer.

(c) If Sino is entitled to proceed to compulsory acquisition, and exercises its right to do so, it will have one month after the end of the Offer Period to give compulsory acquisition notices to Guildford Shareholders who have not accepted the Sino Offer. Guildford Shareholders have a statutory right to challenge the compulsory acquisition, but a successful challenge will require Guildford Shareholders to establish to the satisfaction of a court that the terms of the Sino Offer do not represent 'fair value' for their Guildford Shares.

2.10 SINO'S INTENTION IF 90% THRESHOLD NOT MET

(a) Sino has stated in section 8.4 of its Bidder's Statement that if it acquires less than 90% but more than 50% of Guildford Shares (so that it cannot proceed to compulsory acquisition to acquire the remaining Guildford Shares) although it still gained effective control of Guildford, then Sino intends to:

  (i) retain Guildford's listing on ASX (subject to a sufficient spread and number of Guildford Shareholders remaining after the close of the Sino Offer and any regulatory requirements); and

  (ii) seek (at the appropriate time) to appoint nominees to the Guildford board so that it has, at least, a majority of nominees on the board.

(b) If Guildford becomes a controlled entity but not a wholly owned Subsidiary of Sino, there are also a number of other objectives and goals that a newly constituted board of directors of Guildford would attempt to implement, to the extent possible and appropriate, as set out in section 8.4 of the Bidder's Statement.

3. Profile of Guildford

3.1 INTRODUCTION

Guildford is an emerging coal producer with a portfolio of coal tenements in Queensland, Australia and Mongolia. Guildford listed on ASX in July 2010.

Guildford's Queensland assets are in coal bearing regions across the Bowen, Galilee and Maryborough Basins. Guildford's international operations are located in Mongolia and comprise two key projects located in the basins of the South Gobi and Middle Gobi which contain thermal and coking coals.

Further information about Guildford and its operations is set out below. A more detailed description of Guildford's coal assets and projects is contained in the Technical Specialist Report, which is attached to the Independent Expert's Report.

As announced on 19 December 2014 Guildford, in conjunction with its two major financiers, OCP Asia and Noble, will undertake a strategic review of the company's operations in both Mongolia and Australia, which will comprise a ground-up review of the company's operations, assets and management. This strategic review is expected to be completed by the end of February 2015 and the outcomes of the review will be announced once complete.

3.2 GUILDFORD GROUP STRUCTURE

The current Guildford group consists of Guildford Coal Limited (holder of the coal exploration permits comprising the Sunrise Project) and its Subsidiaries, which can be classified by jurisdiction.

Mongolian Subsidiaries

Through its Subsidiaries, Terra Energy Ltd (**Terra Energy Australia**) and Guildford Coal (Mongolia) Pty Ltd (**Guildford Coal Mongolia**), Guildford has an ownership interest in the following entities:

(a) Terra Energy LLC (**Terra Energy Mongolia**) and Tsagaan Uvuljuu LLC (**Tsagaan**) (100% indirect ownership), holders of the tenements comprising the Middle Gobi Project;

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(b) Terra Uvuljuu LLC (100% indirect ownership), holder of the tenements comprising the North Pit of the South Gobi Project; and

(c) Alag Tvesh LLC (**Alag Tvesh**) (70% indirect ownership), holder of the tenements comprising the East Pit of the South Gobi Project.

Australian Subsidiaries

Guildford's Australian wholly-owned Subsidiaries comprise the following entities:

(a) FTB (Qld) Pty Ltd, holder of the tenements comprising the Hughenden Project;

(b) Orion Mining Pty Ltd, holder of the tenements comprising the Pentland Project;

(c) Sierra Coal Pty Ltd (**Sierra Coal**), holder of the tenements comprising the Sierra Project, the Kolan Project and the Monto Project;

(d) Terra Energy Australia;

(e) Guildford Infrastructure Pty Ltd; and

(f) Guildford Infrastructure (Mongolia) Pty Ltd.

In addition, Guildford also holds interests in the following entities:

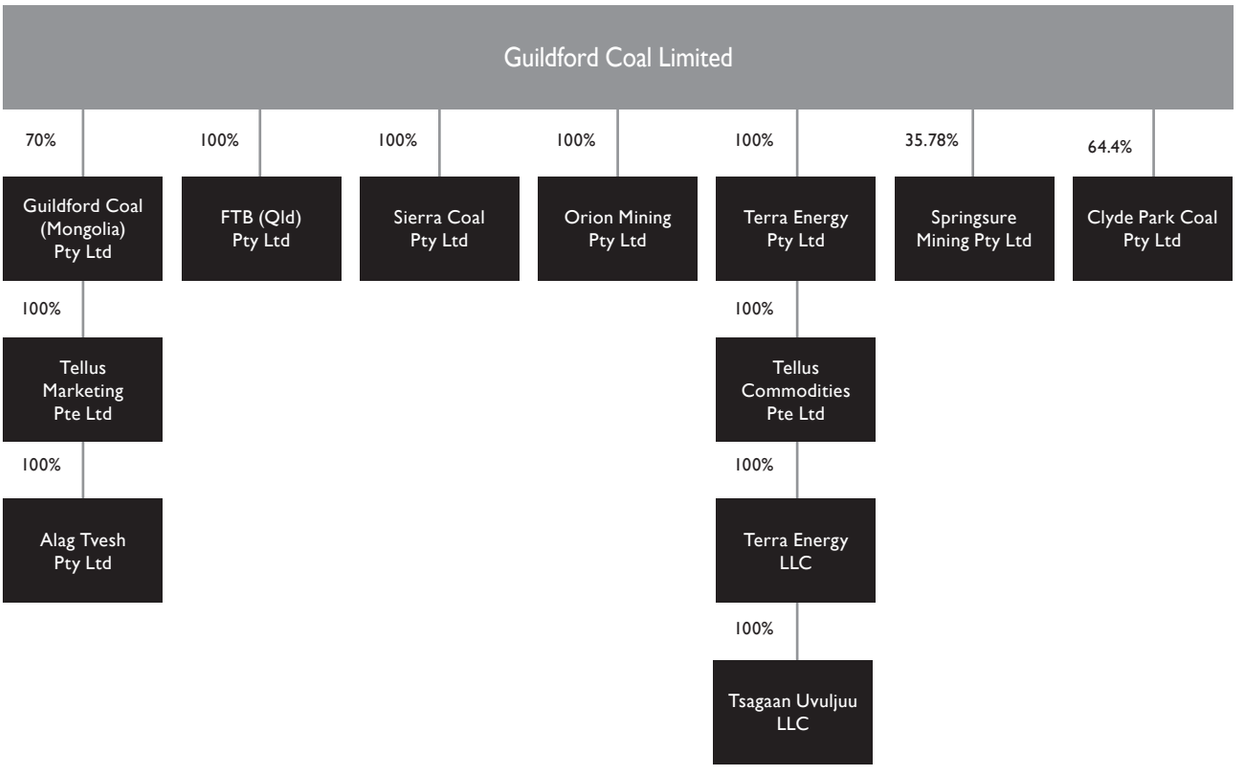
(a) Clyde Park Coal Pty Ltd (**Clyde Park**) (64.4% direct ownership), holder of the tenements comprising the Clyde Park Project;

(b) Springsure Mining Pty Ltd (**Springsure Mining**) (35.78% direct ownership), holder of the tenements comprising the Springsure Project; and

(c) Guildford Coal Mongolia (70% direct ownership).

Structure diagram

A current structure chart showing the ownership of Guildford's Australian and Mongolian assets is set out below.



** Guildford's ownership interest in Springsure Mining Pty Ltd reflects the transfer of a 15% equity interest to CI as outlined in section 3.7.*

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3.3 MONGOLIAN PROJECTS

Guildford has an ownership interest in ten tenements contained in two projects in Mongolia through its wholly-owned Subsidiary, Terra Energy Mongolia. The projects are located in the South Gobi and Middle Gobi coal basins, comprising of coking and thermal coals respectively.

An overview of Guildford's Mongolian projects is set out below.

South Gobi Project

The South Gobi Project consists of six exploration licences and two mining licences located in the South Gobi Province of Mongolia. The South Gobi Project is situated approximately 850km south-west of the Mongolian capital of Ulaanbaatar and approximately 140km from the Chinese border station of Ceke, where coal produced in nearby Mongolian mines is currently transported by road through to China. Guildford is also currently in negotiations with Noble in relation to the acquisition of exploration licence 12600X, which is located adjacent to Guildford's existing South Gobi tenements.

The South Gobi Project comprises two main areas of operation, being the North Pit BNU Mine and the East Pit (Hovguun East).

The key tenement relating to the North Pit is mining lease MV 17162. The BNU Mine has a mineral resource of 27Mt (comprising 15Mt Measured Resources, 9Mt Indicated Resources and 3Mt Inferred Resources). The BNU Mine is Guildford's primary current focus in Mongolia and is currently supporting an open cut coal operation.

Additional potential mining areas of BNU south and BNU hinge are also located within the area of MV 17162, however Guildford has not carried out mining assessments on these areas.

The key tenement in relation to the East Pit (Hovguun East) is mining lease MV 16971.

The BNU Mine is now fully commissioned and the transport of coal to China has commenced, with arrangements in place for a Mongolian company to transport the coal. The first 8,000t shipment of coking coal commenced in August 2014 and a second 14,300t shipment occurred in October and November 2014, with laboratory and washing tests from both trial shipments producing positive results. Guildford has also recently announced that the Mineral Resources Profession Committee from the Mineral Resource Authority of Mongolia has formally approved an increase in Guildford's allowable mining capacity to 1.5Mt in 2015 and 2.0Mt in 2016.

Results of the batch washing and laboratory tests indicate that coal from the BNU Mine can be washed at good yields to meet a very clean premium quality hard coking coal specification with very low sulphur. Bulk washing of BNU Mine coal is expected to result in a highly marketable premium hard coking coal for the China market. Guildford has established a strategic partnership with Noble, including a marketing agreement for the company's coking coal from Mongolia and is currently engaged in negotiations with a number of customers in China to take delivery of coal from the BNU Mine via long-term offtake agreements.

Guildford has commenced production at the BNU Mine which is expected to ramp up in the coming months, with full-scale production targeted in early 2015 as follows:

	Dec 14	Jan 15	Feb 15	Mar 15	Apr 15	May 15	Jun 15	Jul-Dec 15	Total
HCC Tonnes (kt)	10	50	65	65	84	93	99	558	1,024
PCI Tonnes (kt)	20	20	20	10	6	7	6	77	166
Total (kt)	**30**	**70**	**85**	**75**	**90**	**100**	**105**	**635**	**1,190**

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Middle Gobi Project

The Middle Gobi Project consists of two exploration licences located in the coal bearing Ongi Gol Basin of the Dundgovi Province which is approximately 200km south of Ulaanbaatar and just over 200km west of the Mongolian railway grid with a logistic route to China via the Erlianhaote border crossing.

Both exploration licences comprising the Middle Gobi Project are held by Terra Energy Mongolia, a wholly-owned Subsidiary of Guildford.

The Middle Gobi Project is currently at the exploration stage, however the potential for the Middle Gobi Project is for a large scale open cut operation. The Project location is within relatively close proximity to infrastructure for potential customers, including Mongolian and Chinese electricity generators.

3.4 AUSTRALIAN PROJECTS

Guildford has established a large portfolio of coal exploration tenements in Queensland. Guildford's Australian coal tenements are defined within the following project areas:

(a) Hughenden Project;
(b) Clyde Park Project;
(c) Pentland Project;
(d) Springsure Project;
(e) Kolan Project;
(f) Sierra Project;
(g) Sunrise Project; and
(h) Monto Project.

An overview of each of these projects is set out below.

Hughenden Project

The Hughenden Project is located to the northern part of the Galilee Basin in Queensland.

Guildford has successfully delineated a substantial coal resource at the Hughenden Project, suitable for underground mining methods. Further drilling to improve the confidence level around this resource will be considered in future exploration plans for the region.

Clyde Park Project

Guildford owns a 64.4% interest in Clyde Park. Clyde Park is the owner of EPC 1250 and EPC 1260 which are located on the north-eastern edge of the Galilee Basin in Queensland. Guildford also directly owns EPC 2503 and EPC 2504 which are located next to EPC 1250 and EPC 1260. The Clyde Park Project (formerly known as the White Mountain Project) is located approximately 80km north of the Hughenden Project.

Guildford has successfully delineated a substantial coal resource at the Clyde Park Project, suitable largely for underground mining methods but also including potential open cut mining areas.

An application has been made to convert the Clyde Park Project exploration tenure into a mining lease (mining lease application 10369).

Pentland Project

The Pentland Project comprises six tenements – EPC 1890, EPC 1892, EPC 1893, EPC 1962, EPC 1963 and EPC 1964 contained in the northern end of the Galilee Basin.

The Pentland Project tenements straddle the rail corridor 240km from the Port of Townsville and hold potential for significant thermal coal resources.

Springsure Project

Guildford owns a 35.78% interest in Springsure Mining. Springsure Mining holds EPC 1674, situated in the central-western Bowen Basin coal mining district of Queensland.

Kolan Project

The Kolan Project is located in hard coking coal-bearing Maryborough Basin in Queensland. The Kolan Project is made up of two exploration permits – EPC 1872 and EPC 2003.

The Kolan Coal Project is connected to the Port of Gladstone via Queensland Rail's north coast line which runs adjacent to the project.

Sierra Project

The Sierra Project consists of a hard coking coal target in the Fair Hill, Burngrove and Crocker formations of the Bowen Basin. Sierra Coal holds EPC 1822 for its exploration activities in the area.

This project has access to the Blackwater rail system infrastructure in the northern edge of the tenement.

Sunrise Project

The Sunrise Project is located to the south of the Springsure Project, in the intersection of the Surat and Permian Bowen Basins. The Sunrise Project is made up of two exploration permits – EPC 2057 and EPC 2058.

Guildford intends to partially relinquish sub-blocks from the Sunrise Project in preference to maintaining sub-blocks in higher priority project areas.

Monto Project

The Monto Project consists of EPC 1870.

Guildford intends to partially relinquish sub-blocks from the Monto Project in preference to maintaining sub-blocks in higher priority project areas.

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3.5 SUMMARY OF RESOURCES

The following table sets out a summary of the JORC Code compliant resources in respect of Guildford's current Australian and Mongolian projects. All resources are stated on a 100% ownership basis.

Project	JORC Resources (Mt)				Coal Type
	Measured	Indicated	Inferred	Total	
South Gobi – North	15	9	3	27	Coking
South Gobi – East (Hovguun)	-	-	41	41	Coking / Thermal
South Gobi Total	**15**	**9**	**44**	**68**	**-**
Middle Gobi	-	32	189	221	Thermal
Mongolian Total	**15**	**41**	**233**	**289**	**-**

Project	JORC Resources (Mt)				Potential Coal Type
	Measured	Indicated	Inferred	Total	
Hughenden[1]	-	133	1,076	1,209	Thermal
Clyde Park	-	51	677	728	Thermal
Springsure	-	46	148	191	Thermal / PCI
Australian Total	**-**	**227**	**1,901**	**2,128**	**-**

[1] **The Hughenden Project consists of numerous tenements, and the Inferred Resource relates to EPC1477 and EPC1478.**

Competent persons statements

Information that relates to coal resources estimates for the BNU North deposit is based on information compiled and reviewed by Mr Craig Williams, who is a Member of the Australasian Institute of Mining & Metallurgy. Mr Williams, Principal Consultant – Geology and a fulltime employee of HDR|Salva, has sufficient experience that is relevant to the style of mineralisation under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC Code (2012). Mr Williams consents to the inclusion in this Target's Statement of the matters based on his information in the form and context in which they appear in this Target's Statement.

Technical Information in this Target's Statement on Clyde Park resources (dated February 2012) and Springsure resources (dated November 2012) has been prepared by Ms Kim Maloney who has over 10 years of experience in coal mining and extractive industry throughout Australia. Ms Maloney has experience within the Central Queensland coal mines and has held various roles in these mine's technical services, including Exploration Geologist, Mine Geologist and Geology Superintendent. Ms Maloney is a Competent Person for coal as defined by the JORC Code (2004). Ms Maloney is a Senior Resource Geologist, previously with Moultrie Geology. Her principal qualifications are a Bachelor of Science from James Cook University and a Masters of Business Administration (Human Resource Management) from the Central Queensland University. Ms Maloney is a Member of The Australasian Institute of Mining & Metallurgy.

Technical information in this Target's Statement in relation to the JORC resources for South Gobi, Middle Gobi, and Hughenden Projects has been compiled by Mr Mark Biggs, previously Principal Geologist of Moultrie Database and Modelling Pty Ltd. Mr Biggs now works for ROM Resources Pty Ltd, is a member of the Australasian Institute of Mining and Metallurgy and has over 25 years of experience relevant to the style and type of coal deposit under consideration and to the activity which is being undertaken to qualify as a Competent Person as defined in the JORC Code (2004). Mr Biggs consents to the inclusion in this Target's Statement of the matters based on this information in the form and context in which it appears.

JORC Code statement

The estimates of the coal resources presented in this Target's Statement are considered to be a true reflection of the coal resources as at 30 June 2014 and have been carried out in accordance with the principles and guidelines of the JORC Code (2004).

Except in relation to the estimates for South Gobi – North (which have been prepared in accordance with the JORC Code (2012)), estimates of coal resources presented in this Target's Statement were prepared and first disclosed under the JORC Code (2004) and have not been updated since to comply with the JORC

Code (2012) on the basis that the information has not materially changed since it was last reported.

3.6 FINANCING ARRANGEMENTS

Guildford and its Subsidiaries have entered into a number of financing arrangements to support its working capital requirements and the ongoing development of its mining projects. A summary of these arrangements is set out below.

Arrangements with OCP Asia

Guildford has entered into financing arrangements with OCP Asia, comprising three separate debt instruments, namely:

(a) Convertible Notes with a total face value of US$10 million and a maturity date of 8 July 2015;

(b) Amortising Notes with a total face value of US$55 million and a maturity date of 8 January 2017; and

(c) Warrants (issued in connection with the Amortising Notes) with a maturity date of 8 January 2019.

Further information regarding the Convertible Notes and Warrants is set out in section 3.12.

Interest is payable on both the Convertible Notes and the Amortising Notes (together, the **Notes**) at a rate of 12% per annum (with a default interest rate of 14% per annum). Interest in respect of the Notes is payable semi-annually and, in respect of the Convertible Notes, on the date of conversion.

As announced on 19 December 2014, OCP Asia has agreed to support a strategic review of Guildford's operations and, as part of this strategic review process, has agreed to:

(a) provide additional working capital; and

(b) defer interest payments in respect of the Notes.

Formal documentation is currently being negotiated.

Guildford may repay all amounts owing to OCP Asia in respect of the Notes prior to maturity. If Guildford exercises its right to repay OCP Asia, it must issue convertible warrants (exercisable for Guildford Shares) as well as pay to OCP Asia a redemption payment.

OCP Asia may have the right to redeem the Notes as CI has ceased to hold 30% of Guildford Shares. However, OCP Asia has not expressed any intention to do so.

Guildford's obligations to OCP Asia under the Notes are secured by (among other things).

(a) an 'all assets' type security interest granted by Guildford and certain of its Subsidiaries; and

(b) mortgages over Guildford's Australian mining tenements.

Arrangements with Noble

Guildford (together with a number of Subsidiaries) has entered into a number of financing arrangements with Noble Resources International Pte Ltd (**Noble**) comprising:

(a) A US$10 million working capital facility, with a current interest rate of LIBOR (London Interbank Offered Rate) plus a margin of 10.5% and an original repayment date of 30 June 2014 (which was subsequently extended until 15 December 2014).

(b) A US$10 million long-term debt facility, with a current interest rate of LIBOR plus a margin of 10.5%. Principal repayments of nine equal instalments of US$1,111,111 are payable each quarter until maturity on 30 April 2016.

(c) An additional US$14 million long-term debt facility, with a current interest rate of LIBOR plus a margin of 10.5%. Principal repayments of nine equal instalments of US$1,555,555 are payable each quarter until maturity on 4 March 2016.

As announced on 19 December 2014, Noble has agreed to support a strategic review of Guildford's operations and, as part of this strategic review process, has committed to:

(a) providing additional working capital; and

(b) extending the repayment date of the existing working capital facility and deferring principal repayments under the long-term debt facilities.

Formal documentation is currently being negotiated.

The Noble facilities are secured by, among other things, Mongolian law pledges granted by Guildford's Subsidiaries over the coal stockpiles held by Tellus Marketing Pte Ltd (**Tellus Marketing**), Tellus Commodities Pte Ltd (**Tellus Commodities**), Terra Energy Mongolia, Alag Tvesh and Tsagaan.

Noble also holds:

(a) Mongolian law share pledges over 100% of the shares in Alag Tvesh held by Tellus Marketing and 100% of the shares in Tsagaan held by Terra Energy Mongolia;

(b) Singapore law charges of proceeds accounts, granted by Tellus Commodities;

(c) Singapore law assignments of contract, granted by Tellus Marketing and Tellus Commodities; and

(d) New South Wales law guarantee and indemnity granted by Tsagaan.

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3.7 OTHER MATERIAL AGREEMENTS

Fuel Exclusivity Agreement

Guildford has entered into a fuel exclusivity agreement with Noble dated 14 November 2013 (**Fuel Exclusivity Agreement**). Under the Fuel Exclusivity Agreement, Guildford has engaged Noble to:

(a) source and supply diesel fuel from Mongolian distributors to Guildford's Mongolian operations; and

(b) design, construct and operate a tank farm on Guildford's Mongolian tenements.

Guildford has also granted Noble the exclusive right to procure Mongolian distributors to supply and sell diesel fuel to Guildford for any coal mining operations undertaken on Guildford's Mongolian tenements.

The Fuel Exclusivity Agreement commenced in November 2013 and continues for the life of any mine developed on any of Guildford's Mongolian tenements.

As consideration for the grant of the exclusive rights under the Fuel Exclusivity Agreement, Noble advanced the sum of US$8 million to Guildford. During the first two years of the term of the Fuel Exclusivity Agreement, Guildford is required to pay 24 equal instalments of US$368,055.56 to Noble on the 11th day of each month. If, at the end of the two year period, the sum of amounts paid to Noble by Guildford is less than US$8,833,333.40, the shortfall is immediately due and payable by Guildford.

As part of Noble's commitment to the strategic review of Guildford, Noble has also agreed to defer further repayments under the Fuel Exclusivity Agreement.

Guildford is also required to pay for any diesel fuel supplied under the Fuel Exclusivity Agreement, with the price to be agreed directly with the relevant distributor. However, Guildford has an obligation to ensure that, until November 2015, in each calendar month it orders at least 650 tonnes of fuel.

Call Option Deed

Guildford has entered into a call option deed with Oz Master Fund Ltd, Oz Asia Master Fund Ltd and Oz Global Special Investments Master Fund LP (together, **Och-Ziff**) dated 20 April 2011 (**Call Option Deed**).

Under the Call Option Deed, Guildford irrevocably and unconditionally grants Och-Ziff an option to subscribe for shares representing 20% of the issued capital of Terra Energy Mongolia (on a fully diluted basis) for a total subscription price of A$25 million.

Och-Ziff may exercise the call option at any time prior to an IPO of Terra Energy Mongolia on a recognised exchange which achieves a market capitalisation of at least A$100 million and gross proceeds to Terra Energy Mongolia in excess of A$50 million.

Mongolian Petroleum Corporation Share Sale Agreement

Guildford (through its subsidiary, Tellus Marketing) has entered into an agreement dated 16 May 2012 (**Share Sale Agreement**) with Mongolian Petroleum Corporation Pte Limited to acquire 100% of the issued capital of Mongolian Petroleum Corporation LLC.

The Share Sale Agreement is subject to a number of conditions precedent which Guildford does not expect to be satisfied. Guildford has paid a US$2 million deposit which it intends to seek to recover.

Management Agreement with C1

Guildford had previously entered into a management agreement with C1 (**Management Agreement**) under which C1 provided certain management services to Guildford for a fee of A$2.5 million per annum.

Guildford and C1 subsequently agreed, subject to shareholder approval and the consent of OCP Asia, to forego from September 2014 payment of all remaining management fees totalling approximately A$2.1 million in consideration for Guildford transferring 15% of its shareholding in Springsure Mining to C1.

The requisite shareholder approval and OCP Asia consent have been obtained enabling Guildford to transfer a 15% interest in Springsure Mining to C1, reducing its shareholding in Springsure Mining to 35.78% and terminating the Management Agreement.

3.8 DIRECTORS AND SENIOR MANAGEMENT

Information about the Directors and senior management of Guildford are set out below. As noted at Guildford's recent annual general meeting, Mr Craig Ransley and Mr Michael Avery were appointed to the board to fill vacancies following the departure of a number of former directors and with the support of Guildford's major shareholders. Given that their appointments occurred after the notice of meeting had been dispatched to shareholders, they were not re-elected by shareholders at the annual general meeting but were re-appointed by the Board immediately after the close of the meeting.

Both Mr Ransley and Mr Avery will, however, stand for re-election at the company's next general meeting, if they remain directors at that time. Mr Ransley has agreed not to receive any directors fees or other remuneration in connection with his appointment.

On 15 December 2014, the company announced that

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Mr Avery would take the role of Acting Group Managing Director replacing Mr Peter Kane and also that Mr Craig Wallace would re-join the Board as a Non-Executive Director.

Mr Avery will receive cash remuneration commensurate with that paid to Mr Kane. There has been no agreement reached as to any other remuneration payable to Mr Avery.

Mr Wallace will receive Non-Executive Directors fees of A$48,000 per annum. He will also stand for re-election at the company's next general meeting.

Craig Ransley – Acting Non-Executive Chairman

Mr Ransley has a broad entrepreneurial background and has been the driving force in building a number of companies. He has extensive experience in the labour hire and service industries as a founder of TESA Group Pty Limited. He was a founder and involved in the creation and listing of both Doyle's Creek Mining (NuCoal Resources NL) and Guildford.

Mr Ransley was formerly a Non-Executive director of Guildford, having stepped down from that position in May 2013. Mr Ransley recently re-joined the Board as Acting Chairman. This occurred with the support of Guildford Shareholders representing the majority of Guildford's issued capital, as well as Guildford's two major financiers.

During the course of 2012 and 2013, at the request of the NSW Parliament, the New South Wales Independent Commission Against Corruption (**ICAC**) conducted an investigation into the conduct of ex-Minister Ian Macdonald in relation to this conduct while he was Minister for Primary Industries and the circumstances surrounding the application by Doyle's Creek Pty Ltd (**DCM**) for a coal mining exploration licence and the grant of that licence. ICAC subsequently expanded the investigation to include whether certain parties (including Mr Ransley) made misleading statements to the Department of Primary Industries in connection with DCM's application for the exploration licence.

ICAC is of the view that it has the power to make a finding of 'corrupt conduct' where it considers that a person's conduct could adversely affect the exercise of official functions by any public official. ICAC considered that DCM's application to the Department of Primary Industries contained false or misleading statements to Mr Ransley's knowledge and those statements could have adversely affected the exercise of public functions by employees of the Department responsible for assessing the application for an exploration licence. On that basis, ICAC determined that it was empowered to make a finding of 'corrupt conduct' against Mr Ransley (and others). This was despite evidence from the relevant Department employee that he did not consider that he was misled (and indeed that employee recommended against the grant of an exploration licence to DCM).

ICAC is not a court of law and is not subject to the rules of evidence which apply to a court of law. Further, the scope of ICAC's power has recently been the subject of review by the courts in matters unrelated to Mr Ransley, with the NSW Court of Appeal disagreeing with ICAC's view of the scope of its power. ICAC has appealed to the High Court of Australia in relation to this finding.

Michael Avery – Acting Managing Director

Mr Avery has worked in the coal industry for over 25 years. He has performed senior management and technical roles for a number of blue-chip mining companies at operations in NSW, throughout Australia and around the world. Mr Avery's experience spans the full life cycle of coal assets from resource exploration and evaluation to conceptual design, pre-feasibility, feasibility, construction and operation.

Mr Avery has a Masters in Business Administration from Mt Eliza Business School, a NSW Open Cut Coal Mine Managers Certificate of Competency, and a Bachelor of Mining Engineering from the University of New South Wales with First Class Honours. Mr Avery is also a member of the Australasian Institute of Mining & Metallurgy.

Mr Avery was the founding Managing Director of Guildford and has extensive knowledge and understanding of Guildford's business.

Tsogt Togoo – Executive Director

Mr Tsogt holds a Masters of Business Administration, Master of Economics and Bachelor of Economics degrees.

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 and aviation companies, restructuring power generation and energy distribution enterprises and the deregulation of the energy and oil sectors.

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The Hon Craig Wallace – Non-Executive Director

Mr Wallace served as the Queensland State Minister for Main Roads, Fisheries and Marine Infrastructure from 2009 to 2012. He also represented the Premier of Queensland in North Queensland.

His departments delivered major infrastructure projects across Queensland including the Brisbane Gateway Bridge duplication and rebuilding of Queensland road assets following significant flood events. Mr Wallace personally oversaw plans that are delivering major port upgrades along the Queensland coast to facilitate future commodity exports to the world.

Mr Wallace was a member of the Executive Council of Australia, a member of Roads Australia and a Patron of the Committee for Infrastructure and Logistics Australia.

In 2012, Mr Wallace formed Shanghai Commonwealth Investment and Consulting (which is operating mainly in China). The company has a focus on building trade ties between China and Australia with a particular focus on food products.

Mr Wallace offers a wide range of skills and experience in both Queensland and China coupled with being fluent in Mandarin. This will assist Guildford as it advances negotiations to offtake coal to China.

Peter Kane - Chief Executive Officer

Mr Kane is a mining engineer with 25 years' experience in the mining industry throughout Australia and New Zealand. Mr Kane has extensive experience in the development and operation of coal mines in both Australia and Mongolia. Recently, Mr Kane held Chief Executive Officer roles at both Boardwalk Resources and Aston Resources before being appointed Chief Operating Officer – Projects with Whitehaven Coal following the merger of Whitehaven with Aston.

Previously, Mr Kane spent three years as Chief Operating Officer with Macarthur Coal, leading the company's mines and project developments in Queensland prior to the purchase of Macarthur by Peabody. During his tenure at Macarthur Coal and Aston, Mr Kane also covered the role of Joint Venture Chair on multiple operations with numerous JV partners.

Prior to that, Mr Kane spent 10 years with Leighton in various roles including General Manager of the Australian mining contractor business. His earlier career included 10 years with BHP in their iron ore and coal divisions.

Mr Kane is also a member of the Australasian Institute of Mining & Metallurgy and a graduate of the Australian Institute of Company Directors.

Mr Kane stepped down as Managing Director of Guildford on 15 December 2014 and will continue in the position of Chief Executive Officer for a period of three months to ensure a full handover is completed and to support Guildford's strategic review.

Julien Lawrence – Chief Operating Officer

Mr Lawrence is a qualified mining engineer graduating with first class honours from the University of Queensland. With more than 15 years of industry experience, Mr Lawrence has worked throughout Australia and Asia across multiple commodities including coal, iron ore, gold and most base metals. Mr Lawrence has extensive experience in mining project development throughout Asia which includes developing a number of coal mining projects in Mongolia.

Most recently, Mr Lawrence project managed the development of the Khushuut Coal Project in Western Mongolia from technical studies through to first production.

Mr Lawrence is a Member of the Australasian Institute of Mining & Metallurgy.

Mark Reynolds – Project Director, North Queensland

Mr Reynolds joined Guildford after almost three years working for Xstrata Coal as Financial Controller for the Newlands Collinsville Abbot Point (NCA) Project in North Queensland where he was responsible for the commercial stewardship of the project. Prior to this he spent nine years working in senior commercial management and leadership roles globally for Xstrata Copper's North Queensland, Argentina, Canada and Project Evaluation divisions.

Mr Reynolds is a CPA with a Bachelor of Business.

Aimee Hyde – General Counsel and Company Secretary

Ms Hyde is a lawyer with 15 years' experience across both private practice and in-house roles.

Most recently, Ms Hyde held the position of Corporate Counsel for Queen Street Capital and Tinkler Group in Singapore where she gained significant transactional and finance experience in the international resources sector.

Prior to joining Tinkler Group, Ms Hyde worked in private practice acting for a range of institutional, listed and SME clients on a wide variety of corporate matters spanning the resources, property, infrastructure, finance, engineering, health and government sectors.

Ms Hyde is a member of both the Law Society of NSW and the Australian Institute of Company Directors and holds a current Legal Practising Certificate.

Chris Munday – Acting Chief Financial Officer

Mr Munday is responsible for the financial, commercial, treasury and strategic management functions at Guildford.

Mr Munday is a former Partner within the Transactions Advisory Services division of global accounting firm Ernst & Young, with more than 20 years' experience in accounting, formal and informal restructuring and turnaround consulting. Mr Munday has extensive experience in providing expert advisory and restructuring services to organisations across a broad variety of industries including mining, oil and gas. During his career he has worked closely with executive teams and boards of ASX listed companies, assisting with their restructure, refinance and growth strategies.

Mr Munday is a registered liquidator, a Fellow of the Institute of Chartered Accountants in Australia and New Zealand and holds a Bachelor of Economics from the University of Adelaide.

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3.9 SUMMARY HISTORICAL FINANCIAL INFORMATION

The summary historical financial information below has been extracted from Guildford's audited annual financial report for the year ended 30 June 2014 and Guildford's unaudited management accounts for the period ended 30 September 2014. It does not take into account the effects of the Sino Offer.

A copy of Guildford's annual report from which the financial information was extracted can be found on Guildford's website at www.guildfordcoal.com.au. This report also contains details of Guildford's accounting policies.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Period Ending:	3 months ended Sept 30, 2014 A$'000,000 Unaudited	12 months ended June 30, 2014 A$'000,000 Audited	12 months ended June 30, 2013 A$'000,000 Audited
Income	5.77	5.65	18.66
Employee benefits expense	(0.91)	(2.84)	(2.40)
Depreciation and amortisation expense	(0.02)	(0.34)	(0.11)
Legal and professional fees	(0.78)	(2.55)	(2.11)
Management fees	(0.62)	(2.50)	(2.50)
Rent expense	(0.21)	(1.00)	(0.96)
Consulting fees	(0.09)	(0.79)	(0.73)
Travel expense	(0.08)	(0.37)	(0.32)
Withholding tax expense	-	(3.03)	-
Impairment losses [1]	-	(44.22)	-
Exploration deposit write-off	-	(2.07)	-
Other operating expenses	(0.30)	(5.01)	(3.22)
Finance costs	(1.24)	(6.49)	(7.77)
Profit (Loss) before income tax	**1.48**	**(65.57)**	**(1.46)**
Income tax (expense) / benefit	-	(0.02)	(0.01)
Profit (Loss) from continuing operations	**1.48**	**(65.59)**	**(1.45)**

[1] A review of the exploration and evaluation assets, in part, precipitated by the unsolicited and non-binding offer from Sino first announced on 17 July 2014, indicated the Australian assets were impaired. The impairment loss of A$44,220,177 noted above represented a write-down of certain exploration and evaluation assets in the Australian segment to the recoverable value.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At:	Sept 30, 2014 A$'000,000 Unaudited	June 30, 2014 A$'000,000 Audited	June 30, 2013 A$'000,000 Audited
ASSETS			
Current Assets			
Cash and cash equivalents	5.26	9.14	25.68
Trade and other receivables	1.87	0.75	0.11
Other assets	24.17	2.00	4.25
Total Current Assets	**9.30**	**11.89**	**30.04**
Non-Current Assets			
Trade and other receivables	2.23	2.29	1.41
Property, plant and equipment	78.58	70.77	22.85
Intangible assets	-	0.33	-
Exploration and evaluation assets [2]	79.31	79.40	128.77
Total Non-Current Assets	160.12	152.79	153.03
TOTAL ASSETS	**169.42**	**164.68**	**183.07**
LIABILITIES			
Current Liabilities			
Trade and other payables	8.40	12.33	9.47
Short term provisions	0.14	0.13	-
Borrowings	43.02	38.21	10.78
Total Current Liabilities	51.56	50.67	20.25
Non-Current Liabilities			
Borrowings	71.03	65.98	43.82
Long-term provision	0.71	0.66	-
Other liabilities	0.02	0.02	0.75
Total Non-Current Liabilities	71.76	66.66	44.57
TOTAL LIABILITIES	**123.32**	**117.33**	**64.82**
NET ASSETS	**46.10**	**47.35**	**118.25**
EQUITY			
Issued capital	175.47	170.47	168.81
Reserves	(40.34)	(32.61)	(25.79)
Retained earnings	(88.36)	(89.84)	(27.02)
Total equity attributable to equity holders of the Company	**46.77**	**48.02**	**116.00**
Non controlling interest	(0.67)	(0.67)	2.25
TOTAL EQUITY	**46.10**	**47.35**	**118.25**

[2] The recoverable value of A$52,000,000 at 30 June 2014 contained within exploration and evaluation assets was based on management considering the value of Guildford's Australian assets based on the unsolicited offer announced to the market on 17 July 2014 and independent valuations of the assets. The valuations were determined on both a market multiple and on a discounted cash flow basis, at a discount rate the company would expect a market participant to apply to such cash flows.

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3.10 MATERIAL CHANGES IN GUILDFORD'S FINANCIAL POSITION

Borrowings

Over the quarter since 30 June 2014 borrowings have increased due to the deferral of certain interest repayments. As announced on 19 December 2014, Guildford's two major debt providers, OCP Asia and Noble, have agreed to continue to support the company by delaying the date for further principal and interest repayments on some facilities. Formal documentation for the extension of Guildford's financing facilities is currently being negotiated. Although Guildford is confident of finalising the documentation regarding the extensions to its existing facilities, if this does not happen or if Guildford were to default on its revised payment obligations, this would be likely to have significant consequences for Guildford and its shareholders.

Issued capital

As announced on 8 August 2014, Guildford completed a Non-Renounceable Entitlement Offer which resulted in the company receiving a total of A$5 million during the quarter to 30 September 2014. A further A$4.3 million has been received by the company post September 2014 from option holders exercising their options.

Management fees

Guildford announced on 1 October 2014 that it had negotiated the termination of the Management Agreement on the basis of the company transferring to CI a 15% equity interest in Springsure Mining. The transaction was approved by shareholders at Guildford's 2014 annual general meeting and results in savings of approximately A$2 million in management fees.

3.11 RECENT SHARE PRICE PERFORMANCE

Guildford Shares are quoted on ASX under the code 'GUF'. The graph below shows the price at which Guildford Shares have traded since 1 January 2014.

The closing price of Guildford Shares on ASX on 18 December 2014, was A$0.037.

Since the announcement of the Sino Offer to ASX on 25 September 2014 to 18 December 2014, Guildford Shares have traded on ASX within the range of A$0.035 to A$0.054.

Guildford Shares have traded on ASX in the 12 months prior to the announcement of the Sino Offer in the range of A$0.048 to A$0.145.

3.12 ISSUED CAPITAL

Ordinary shares

As at the date of this Target's Statement, Guildford had 917,612,681 fully paid ordinary shares on issue and quoted on ASX.

Performance Rights

As at the date of this Target's Statement, Guildford had 2,379,222 performance rights on issue, held by Mr Peter Kane (**Performance Rights**). On exercise, each performance right entitles Mr Kane to receive one Guildford Share for no consideration.

The Performance Rights are subject to a number of vesting conditions, including continued employment with Guildford until 31 October 2016.

The Board (excluding Mr Kane) has discretion to determine whether all or some of the Performance Rights will vest if there is a change in control of Guildford, such as a takeover or scheme of arrangement.

Convertible Notes

As at the date of this Target's Statement, Guildford had 1,000 convertible notes on issue, held by OCP Asia (**Convertible Notes**). Each Convertible Note has a face value of US$10,000 and a maturity date of 8 July 2015.

The Convertible Notes are convertible into Guildford Shares at any time up to seven business days prior to the

Source: Datanalysis. In accordance with ASIC Class Order 07/429, this chart contains ASX share price trading information sourced from Datanalysis without its consent.

maturity date at a conversion price of A$0.06 (subject to certain adjustments).

Based on a conversion price of A$0.06, the Convertible Notes will, upon exercise, convert into approximately 204,750,205 Guildford Shares, based on an exchange rate of A$1 to US$0.8140 (as at 18 December 2014). The actual number of Guildford Shares that may be issued on the conversion of the Convertible Notes may vary, depending on the exchange rate on the date of conversion.

Guildford may, at its discretion, provide a cash settlement to OCP Asia in lieu of issuing Guildford Shares on conversion. The amount payable is calculated by reference to the number of Guildford Shares which would have been issued multiplied by the VWAP of Guildford Shares for the preceding 10 days.

Detachable Warrants

As at the date of this Target's Statement, Guildford had 66,762,962 detachable warrants on issue, held by OCP Asia (**Warrants**). Each Warrant is convertible into one Guildford Share, subject to the payment of the exercise price of A$0.17 (subject to certain adjustments).

The Warrants may be exercised at any time until 8 January 2019.

3.13 SUBSTANTIAL HOLDERS

Substantial holder notices lodged with ASX before the date of this Target's Statement indicated that the following entities (together with any of their associates) have relevant interests in 5% or more of Guildford's Shares:

Name	Guildford Shares[3]	Relevant interest (%)
Maiora Special Situations	162,656,894	17.73
CI Commodities Pte Ltd	100,000,000	10.9
TheChairmen1 Pty Ltd	80,583,156	8.78
Och Ziff Capital Mgt	49,289,453	5.4

3.14 PUBLICLY AVAILABLE INFORMATION

Guildford is a company listed on ASX and is subject to periodic and continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. A substantial amount of information on Guildford is publicly available and may be accessed by referring to Guildford on www.asx.com.au.

Further announcements about developments on the Sino Offer will continue to be made available on Guildford's website at www.guildfordcoal.com.au after the date of this Target's Statement.

3.15 FURTHER INFORMATION

Further information about Guildford can be found on Guildford's website at www.guildfordcoal.com.au.

4. About Sino

4.1 DISCLAIMER

The following information about Sino has been prepared by Guildford using publicly available information, including information in the Bidder's Statement, and has not been independently verified. Guildford made several requests of Sino for access to additional information about its assets and activities, which Sino declined to provide. Accordingly, Guildford does not, subject to the Corporations Act, make any representation or warranty, express or implied as to the accuracy or completeness of this information.

The information about Sino included in this Target's Statement should not be considered comprehensive.

4.2 OVERVIEW OF SINO AND ITS PRINCIPAL ACTIVITIES

Sino has been listed on the Main Board of SGX since 12 June 2008 and has been principally engaged in building construction and civil engineering in China, Singapore and other Asia-Pacific countries.

Currently, Sino undertakes two key business activities:

(a) (**construction**) Sino is engaged in the business of the design, construction, civil engineering, project consultancy and management services in Singapore and other ASEAN markets; and

(b) (**investment**) Sino holds equity investments in companies which operate in the mineral and energy resources sector.

The Bidder's Statement indicates that:

(a) Through its construction business, Sino holds a 60% equity interest in Elite Bay, a contractor involved in building construction projects in Penang and Kuala Lumpur. Currently, Elite Bay has only one major construction project,

[3] Based on the most recent substantial shareholder notices lodged with ASX.

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being the commercial development of a bus terminal in Kota Kinabalu, Malaysia.

(b) All of Sino's current revenue is derived from its existing construction business.

(c) Since early 2014, Sino has embarked on a programme to acquire and hold multiple and diversified assets in the mineral and energy resources sector, with the goal of transforming itself into a mineral and energy resources sector business.

(d) Sino is committed to continuing its existing construction business for as long as it remains viable and that the expanded focus on the mineral and energy resources sector is intended to be an expansion of Sino's core business, rather than a diminution or closure of the existing construction business.

(e) In connection with its diversification strategy, Sino has acquired minority interests in Ardilaun and Renaissance.

(f) Sino has also announced the proposed acquisition of majority interests in Signet and JEMS. However, these transactions have not yet completed.

(g) Sino proposes to obtain shareholder approval for its new business strategy to continue its expansion in the mineral and energy resources sector, and intends to seek the approval of its shareholders to add its activities in the mineral and energy resources sector as an additional 'core business' activity.

If that approval is obtained, Sino has stated that it intends to continue to expand its involvement in the following:

(i) exploration, exploitation, development and production of mineral and energy resources; and

(ii) investing in the mineral and energy resources sector.

4.3 GUILDFORD'S CONCERNS REGARDING SINO, ITS ACTIVITIES AND INTENTIONS

Although Sino is listed on SGX, the Directors nevertheless consider that there is a lack of track record and transparency regarding Sino, its business and investment activities and its capacity to deliver on its stated intentions.

The information provided by Sino in the Bidder's Statement does not, in the opinion of the Directors, adequately address these matters to a degree required by Guildford Shareholders to make an informed assessment of Sino and the Sino Offer.

Accordingly, in the interests of ensuring that Guildford Shareholders have all relevant information available to them, the Directors have:

(a) requested that Sino provide Guildford with access to additional information about Sino, its business and investments, its assets and its financial performance so as to allow Guildford to undertake appropriate due diligence in respect of Sino; and

(b) invited Sino to provide additional and updated disclosure to Guildford Shareholders by way of a replacement or supplementary Bidder's Statement.

As at the date of this Target's Statement, Sino has not provided the information requested and has declined to provide additional and updated disclosure to Guildford Shareholders.

The section entitled 'Why you should reject the Sino Offer' outlines the concerns the Directors have in relation to Sino and the Sino Offer generally, and the reasons why the Directors therefore recommend that Guildford Shareholders reject the Sino Offer.

Guildford Shareholders are encouraged to read the Bidder's Statement in full and form their own opinion (in conjunction with their professional advisors where appropriate) on the issues identified in relation to the Sino Offer.

4.4 PUBLICLY AVAILABLE INFORMATION

Sino is a company listed on SGX and is subject to the disclosure requirements of the SGX Listing Manual and the Companies Act. Publicly available information on Sino may be accessed by referring to the SGX website at www.sgx.com.

4.5 FURTHER INFORMATION

Further information about Sino can be found on its website at www.sicon.sg.

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5. Your choices as a Guildford Shareholder

Your Directors unanimously recommend that you reject the Sino Offer.

As a Guildford Shareholder, you can respond to the Sino Offer in one of three ways.

5.1 REJECT THE SINO OFFER AND DO NOT SELL YOUR SHARES ON MARKET

If you reject the Sino Offer and do not wish to sell your Shares on market, you should do nothing. However, you should note that:

(a) Sino may be entitled to compulsorily acquire your Shares (notwithstanding that you did not accept the Sino Offer – see section 2.9 for further details); and

(b) even if Sino is not entitled to compulsorily acquire your Shares, Sino may control Guildford.

5.2 ACCEPT THE SINO OFFER

The Directors unanimously recommend that you reject the Sino Offer. However, if you choose to accept the Sino Offer, you should follow the instructions in section 3 of the Bidder's Statement and on the acceptance form accompanying the Bidder's Statement.

Sino has stated that the Sino Offer remains open until 7.00pm (Sydney time) on 25 February 2015. Sino may choose to extend the Offer Period.

5.3 SELL YOUR GUILDFORD SHARES ON MARKET

During the Offer Period, you can still sell your Guildford Shares on market for cash, if you have not already accepted the Sino Offer for those Shares.

The latest price for Guildford Shares may be obtained from the ASX website at www.asx.com.au.

If you sell your Guildford Shares on market, you:

(a) will lose the ability to accept the Sino Offer and any higher offer for your Guildford Shares (which may or may not eventuate);

(b) will lose the opportunity to receive future returns from Guildford;

(c) may be liable for CGT on the sale (refer to section 7 for further details); and

(d) may incur a brokerage charge.

6. Disadvantages associated with rejecting the Sino Offer

Although your Directors unanimously recommend that you reject the Sino Offer, there may be a number of disadvantages in doing so. A summary of some of those disadvantages is set out below.

This summary is not exhaustive and you should have regard to your own personal investment objectives and financial circumstances, and should consult your professional advisors, before deciding whether or not to accept the Sino Offer.

6.1 YOU WILL RECEIVE EXPOSURE TO SINO'S OTHER ASSETS

If the Sino Offer becomes unconditional, accepting Guildford Shareholders will receive exposure to a more diverse portfolio of assets. Sino has indicated an intention to adopt a new strategic direction and a proposal to diversify its operations to enter the mineral and energy resources business.

If Sino is successful in its stated objectives, accepting Guildford Shareholders may be able to participate in any upside as a result of the development of Sino's assets.

6.2 THERE MAY BE ADVERSE CONSEQUENCES ASSOCIATED WITH NOT ACCEPTING THE SINO OFFER

If you do not accept the Sino Offer and Sino obtains a controlling interest in Guildford, it may seek to remove Guildford Shares from the official list of ASX, and your ability to realise your investment in Guildford in the future may be limited.

6.3 THE SINO OFFER PROVIDES THE OPPORTUNITY FOR ALL GUILDFORD SHAREHOLDERS TO REALISE THEIR INVESTMENT IN GUILDFORD

Under the Sino Offer, all Guildford Shareholders have an opportunity to realise their investment in Guildford for a certain consideration (subject to the Defeating Conditions being satisfied or waived).

Accepting the Sino Offer reduces the risks associated with continuing to hold Guildford Shares, including risks associated with Guildford's business as well as general industry and market risks.

Further, there is currently a limited market for Guildford Shares. While your Directors are hopeful that trading volumes in Guildford Shares will increase, there can be no guarantee that this will occur in the short term or at all. Accordingly, the Sino Offer represents an opportunity

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for Guildford Shareholders to exchange their entire holding of Guildford Shares for Sino Shares.

6.4 THE OFFER CONSIDERATION REPRESENTS A PREMIUM TO CURRENT GUILDFORD SHARE PRICES

While your Directors recommend that you reject the Sino Offer, based on the closing price of Sino's Shares on SGX on 18 December 2014, being S$0.275 per Sino Share, the Offer Consideration nevertheless represents a premium to current Guildford Share prices[4]. In particular, the Offer Consideration represents:

(a) 5.92% premium to the closing price of Guildford Shares on ASX on 24 September 2014 (the day prior to the announcement of the Sino Offer);

(b) a 54.59% premium to the three month VWAP of Guildford Shares traded on ASX as at 18 December 2014; and

(c) a 32.40% premium to the closing price of Guildford Shares on ASX on 18 December 2014.

However, there is no guarantee that this implied premium will be captured by accepting Guildford Shareholders after they receive Sino Shares in exchange for their Guildford Shares. In particular, in the 12 month period ending 18 December 2014, Sino Shares have traded in the range between S$0.03 and S$0.325 on SGX and, as at 18 December 2014, closed at S$0.275. Accordingly, if the Sino Offer is successful, Sino may obtain ownership and control of Guildford and its assets without paying an appropriate control premium.

6.5 GUILDFORD'S CURRENT DEBT POSITION

As at 18 December 2014, the Board is confident of reaching an agreement with its two major debt providers, OCP Asia and Noble, for their continued support of the company through the provision of additional working capital of approximately A$12 million and the deferment of further principal and interest repayments on its other facilities to allow Guildford to ramp up production at the BNU Mine in order to deliver value to the company's shareholders. Formal documentation for the extension is currently being negotiated. Although Guildford is confident of finalising the documentation regarding the extensions to its existing facilities, if this does not happen or if Guildford were to default on its revised payment obligations, this would be likely to have significant consequences for Guildford and its shareholders.

In addition, OCP Asia and Noble have agreed to participate in and support a strategic review of Guildford's operations in both Mongolia and Australia, which will comprise a ground-up review of the company's operations, assets and management. The outcomes of this strategic review are not yet known, but may result in changes to the structure and operations of Guildford going forward, which could have a negative impact on Guildford Shareholders.

6.6 YOUR INTEREST IN GUILDFORD MAY BE DILUTED

The terms of Guildford's current and potential financing arrangements include equity conversion rights which may result in dilution if such rights are exercised. This will occur even if the Sino Offer is not successful.

As Guildford continues to focus on developing its assets, it may require additional financing (which may be by way of debt or equity, or a combination of both) and any potential new or replacement financing arrangements may also be dilutive in nature.

6.7 A SUPERIOR PROPOSAL MAY NOT ARISE

As at the date of this Target's Statement, the Sino Offer represents the only offer for Guildford Shares. There is no guarantee that an alternative offer for Guildford Shares will be made, or that any alternative offer will be superior to the Sino Offer.

7. Tax consequences

7.1 INTRODUCTION

(a) The following is a general summary of the potential Australian tax consequences generally applicable to a Guildford Shareholder who disposes of Guildford Shares under the Sino Offer. This summary is based on the law and practice in effect on the date of this Target's Statement.

(b) The following summary is not intended to be an authoritative or complete statement of the tax law applicable to the specific circumstances of Guildford Shareholders.

(c) Specifically, the summary is only applicable to Guildford Shareholders that are Australian residents for income tax purposes and hold their Guildford Shares on capital account for income tax purposes. Accordingly, this summary does not apply to Guildford Shareholders that hold their Guildford Shares in the course of a business of trading or dealing in securities.

(d) All Guildford Shareholders are advised to seek

[4] Based on an exchange rate of S$1 to A$1.0684.

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independent professional advice about their particular circumstances and non-resident Guildford Shareholders should seek their own advice on the Australian and foreign tax consequences associated with any sale of Guildford Shares.

7.2 CGT CONSEQUENCES ON THE DISPOSAL OF GUILDFORD SHARES

(a) A Guildford Shareholder that accepts the Sino Offer and whose Guildford Shares are subsequently transferred to Sino, is taken to have disposed of their Guildford Shares for Australian capital gains tax (**CGT**) purposes. Guildford Shareholders make a capital gain equal to the amount by which the Sino Offer consideration exceeds the cost base that the Guildford Shareholder has for the Guildford Shares. Subject to the availability of the CGT discount (see below) and any losses available to be offset against the capital gain, this amount is included in the Guildford Shareholder's assessable income.

(b) A Guildford Shareholder will alternatively make a capital loss equal to the amount by which the reduced cost base of the Guildford Shares exceeds the consideration. A capital loss may be used to offset a capital gain made in the same income year or be carried forward to offset a capital gain made in a future income year, subject to the satisfaction of certain loss recoupment tests applicable to companies and trusts.

7.3 COST BASE OF GUILDFORD SHARES GENERALLY

The cost base of Guildford Shares would generally be equal to the amount the relevant Guildford Shareholder paid to acquire the Guildford Shares which includes certain incidental costs (such as brokerage) associated with the acquisition.

7.4 CGT DISCOUNT

(a) Any Guildford Shareholder who is an individual, the trustee of a trust or a complying superannuation entity may be entitled to claim the CGT discount in calculating any capital gain provided that:

  (i) the Guildford Shares were acquired at least 12 months before disposal to Sino; and

  (ii) the CGT discount is applied to the capital gain after any available capital losses are first offset against that capital gain.

(b) A Guildford Shareholder who is an individual or the trustee of a trust may discount the capital gain by 50% and include 50% of the capital gain in the assessable income of that individual or trust.

(c) A Guildford Shareholder that is a complying superannuation entity may discount the capital gain by 33☐% and include 66☐% of the capital gain in the assessable income of that complying superannuation entity.

(d) The CGT discount is not available to a Guildford Shareholder that is a company.

7.5 CGT ROLLOVER

(a) Where Sino acquires 80% of Guildford Shares, a Guildford Shareholder may be eligible to choose for rollover relief to apply to their disposal of Guildford Shares under the scrip for scrip rules so that any CGT payable on the disposal is deferred, to the extent that Sino Shares are received as consideration for the Guildford Shares.

(b) Whether the rollover is available depends on the individual circumstances of each Guildford Shareholder. Also, if the Sino Offer becomes unconditional and Sino does not receive acceptances for 80% of Guildford Shares and acquires those Guildford Shares, the rollover relief will not be available.

(c) Only Guildford Shareholders that make a capital gain on disposal of their Guildford Shares as a consequence of Sino's Offer should be eligible to choose for CGT rollover relief to apply. Rollover relief cannot apply to Guildford Shareholders that make a capital loss on disposal of their Guildford Shares.

(d) Guildford Shareholders who are ineligible for CGT rollover relief, or choose for rollover relief not to apply to the disposal of their Guildford Shares will be taken to have acquired their replacement Sino Shares on the date they receive the Sino Shares. Guildford Shareholders should consider the implication of this on their eligibility to the CGT discount on future disposal of their Sino Shares.

(e) Appendix C of the Bidder's Statement also sets out an overview of the Australian income tax and capital gains tax implications for Australian residents (for tax purposes) and non-residents who accept the Sino Offer. A summary of the relevant Singapore tax considerations in relation to the Sino Offer is set out in Appendix D of the Bidder's Statement.

7.6 STAMP DUTY AND GST

Guildford Shareholders who dispose of their Guildford Shares under the Sino Offer are not expected to incur any Australian stamp duty or be subject to GST on that disposal.

7.7 TAX IMPLICATIONS OF BECOMING A SHAREHOLDER IN A FOREIGN COMPANY

Guildford Shareholders who receive Sino Shares will become shareholders in a foreign company. This could give rise to tax implications which are not relevant to the holding of shares in an Australian company and limit access to Australia's imputation system (e.g. franking credits). Guildford Shareholders should consider the potential future tax implications of holding Sino Shares, a Singaporean resident and listed company.

7.8 NO CLASS RULING

Neither Guildford nor Sino will seek a class ruling from the Australian Taxation Office to confirm Guildford Shareholders' eligibility to CGT rollover relief. Accordingly, Guildford Shareholders should seek their own independent professional tax advice regarding the eligibility for CGT rollover relief.

7.9 OBTAIN YOUR OWN TAX ADVICE

(a) Do not rely on the comments or the statements contained in this Target's Statement or the Bidder's Statement as advice about your own affairs. The tax laws are complex and there could be implications in addition to those generally described in this Target's Statement and the Bidder's Statement.

(b) Accordingly, consult your own tax advisors for advice applicable to your individual needs and circumstances. To the extent permitted by law, Guildford does not accept any responsibility for tax implications for individual Guildford Shareholders.

8. Directors' interests

8.1 DIRECTORS' INTERESTS IN GUILDFORD SHARES

At the date of this Target's Statement, the Directors had a relevant interest in the following Guildford Shares:

Director	Relevant interest	% of issued capital	Other interests
Mr Craig Ransley	86,646	0.009%	Mr Ransley holds a 0.09% interest in C1, which is a substantial shareholder in Guildford. Mr Ransley also holds a 50% interest in Rednblonde Pty Ltd which hold 630,000 Guildford Shares and a 50% interest in MOAR Investments Pty Ltd, which holds 39,270 shares in Springsure Mining
Mr Michael Avery	14,655,085	1.6%	Mr Avery holds a 6.6% interest in C1 Commodities Pte Ltd and a 7.6% interest in C1, both of which are substantial shareholders in Guildford
Mr Tsogt Togoo	Nil	Nil	Nominee of Terra Holdings Ltd, a substantial shareholder holding 20,000 Guildford Shares. Terra Holdings Ltd also has a 30% interest in Guildford Coal Mongolia
The Hon Craig Wallace	925,383	0.10%	Mr Wallace holds a 16.25% interest in C1 Commodities Pte Ltd, which is a substantial shareholder in Guildford

The Directors do not intend to accept the Sino Offer in respect of Guildford Shares in which they have a relevant interest.

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8.2 DIRECTORS' RECENT DEALINGS IN GUILDFORD SHARES

No Director has, since the date of their appointment, acquired or disposed of a relevant interest in any Guildford Shares.

8.3 DIRECTORS' INTERESTS IN SINO SECURITIES

At the date of this Target's Statement, no Director had a relevant interest in any securities of Sino.

8.4 BENEFITS AND AGREEMENTS

(a) Other than as set out in this section 8.4, as a result of the Sino Offer no person has been or will be given any benefit (other than a benefit which can be given without member approval under the Corporations Act) in connection with the retirement of that person, or someone else, from the board of Directors of Guildford or a related body corporate of Guildford.

(b) There are no agreements made between a Director and another person in connection with, or conditional upon, the outcome of the Sino Offer, other than in the Director's capacity as a holder of Guildford Shares.

(c) No Director has an interest in any contract entered into by Sino.

9. Additional information

9.1 CONSENTS

(a) Talbot Sayer Lawyers has given and has not before the date of this Target's Statement withdrawn its consent to be named in this Target's Statement as Guildford's legal advisor in the form and context in which it is named.

(b) Neuchatel Partners has given and has not before the date of this Target's Statement withdrawn its consent to be named in this Target's Statement as corporate advisor to Guildford in the form and context in which it is named.

(c) BDO Corporate Finance (QLD) Limited has given and has not before the date of this Target's Statement withdrawn its consent to be named in this Target's Statement as Independent Expert and to the inclusion of its Independent Expert's Report in the form and context in which it appears in the Annexure, including all references to the report in this Target's Statement.

(d) Xenith Consulting Pty Ltd has given and has not before the date of this Target's Statement withdrawn its consent to be named in this Target's Statement as Technical Specialist and to the inclusion of its Technical Specialist Report in the form and context in which it appears, including all references to the report in this Target's Statement.

(e) Each of Mr Craig Williams, Ms Kim Maloney and Mr Mark Biggs (collectively, the **Competent Persons**) has given and has not before the date of this Target's Statement withdrawn their consent to be named in this Target's Statement as a competent person in the form and context in which they are named, and for the inclusion in this Target's Statement of the coal resources and other matters based on information prepared by them.

(f) None of Talbot Sayer Lawyers, Neuchatel Partners, BDO Corporate Finance (QLD) Limited, Xenith Consulting Pty Ltd or any of the Competent Persons:

  (i) has authorised or caused the issue of this Target's Statement; or

  (ii) makes, or purports to make, any statement in this Target's Statement nor is any statement in this Target's Statement based on any statement by any of those parties, other than as specified in section 9.1.

(g) Each of Talbot Sayer Lawyers, Neuchatel Partners, BDO Corporate Finance (QLD) Limited, Xenith Consulting Pty Ltd and the Competent Persons, to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement other than a reference to its name, and a statement included in this Target's Statement with the consent of that party as specified in section 9.1.

9.2 PUBLICLY AVAILABLE INFORMATION

(a) This Target's Statement contains statements which are made in, or based on statements made in, documents lodged with ASIC or given to ASX by Sino.

(b) As permitted by ASIC class order 13/521, the consent of Sino is not required for the inclusion of those statements in this Target's Statement.

(c) As permitted by ASIC class order 13/523, this Target's Statement may include or be accompanied by certain statements:

  (i) fairly representing a statement by an official person; or

  (ii) from a public official document or published book, journal or comparable publication, and the consent of the persons to whom those statements are attributed is not required to be included in this Target's Statement.

9.3 NO MATERIAL LITIGATION

The Directors are not aware of any current material litigation involving Guildford.

9.4 NO OTHER MATERIAL INFORMATION

(a) This Target's Statement is required to include all of the information that Guildford Shareholders and their professional advisors would reasonably require to make an informed assessment about whether to accept the Sino Offer, but:

  (i) only to the extent to which it is reasonable for Guildford Shareholders and their professional advisors to expect to find this information in this Target's Statement; and

  (ii) only if the information is known to any Director.

(b) The Directors of Guildford are of the opinion that the information that Guildford Shareholders and their professional advisors would reasonably require to make an informed assessment whether to accept the Sino Offer is included in:

  (i) the Bidder's Statement (to the extent that the information is not inconsistent with or superseded by information in this Target's Statement);

  (ii) Guildford's annual reports and releases to ASX, and documents lodged by Guildford with ASIC before the date of this Target's Statement; and

  (iii) this Target's Statement.

10. Approval of Target's Statement

This Target's Statement has been approved by a resolution passed by the Directors.

Dated 24 December 2014

Craig Ransley
Acting Chairman

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11. Defined terms and interpretation

11.1 DEFINED TERMS

In this Target's Statement:

Term	Definition
A$	means Australian dollars.
Alag Tvesh	means Alag Tvesh LLC.
Amortising Notes	means amortising notes issued by Guildford, the terms of which are summarised in section 3.6 of this Target's Statement.
Ardilaun	means Ardilaun Energy Limited.
ASIC	means the Australian Securities and Investments Commission.
ASTC	means ASX Settlement and Transfer Corporation Pty Limited ABN 49 008 504 532, the body which administers the CHESS system in Australia.
ASTC Settlement Rules	means the settlement rules of ASTC.
ASX	means ASX Limited ACN 008 624 691 or the securities exchange operated by it (as the case requires).
Bidder's Statement	means the bidder's statement dated 18 November 2014 about the off-market offer under section 633 Corporations Act and which contains the Sino Offer.
BNU Mine	means Guildford's Baruun Noyon Uul mine.
Board	means the board of Directors.
Broker	means a person who is a share broker and a participant in CHESS.
CI	means TheChairmen1 Pty Ltd.
Call Option Deed	means the call option deed between Guildford and Och-Ziff, which is summarised in section 3.7 of this Target's Statement.
CGT	means capital gains tax.
CHESS	means the Clearing House Electronic Subregister System, which provides for electronic share transfer in Australia.
CHESS Holding	means a holding of Guildford Shares on the CHESS subregister of Guildford.
Clyde Park	means Clyde Park Coal Pty Ltd.
Companies Act	means *Companies Act* (Singapore, cap 50, 2006, rev ed).
Controlling Participant	means the Broker or Non-Broker Participant who is designated as the controlling participant for shares in a CHESS Holding under the ASTC Settlement Rules.
Convertible Notes	means convertible notes issued by Guildford, the terms of which are summarised in section 3.12 of this Target's Statement.
Corporations Act	means *Corporations Act 2001* (Cth).
Defeating Conditions	means the defeating conditions to the Sino Offer set out in section 11.5 of the Bidder's Statement and summarised in section 2.4 of this Target's Statement.
Directors	means the directors of Guildford.
Elite Bay	means Elite Bay Sdn Bhd.
Fuel Exclusivity Agreement	means the fuel exclusivity agreement between Guildford and Noble, which is summarised in section 3.7 of this Target's Statement.
Government Agency	means any government or representative of a government or any governmental, semi-governmental, administrative, fiscal, regulatory or judicial body, department, commission, authority, tribunal, agency, competition authority or entity whether foreign, federal, state, territorial or local in any part of the world in which a party is domiciled or holds any of its assets, including ASIC, ASX, SGX and any other stock exchange.
Guildford Coal Mongolia	means Guildford Coal (Mongolia) Pty Ltd.
Guildford Shareholder	means a holder of one or more Guildford Shares.
Guildford Shares	means fully paid ordinary shares in Guildford.

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Independent Expert	means BDO Corporate Finance (QLD) Limited.
Independent Expert's Report	means the report prepared by the Independent Expert in relation to the Offer, a copy of which is annexed to this Target's Statement.
Indicated Resource	means that part of a mineral resource for which quantity and grade (or quality) are estimated with sufficient confidence to support mine planning and evaluation of the economic viability of the deposit. An Indicated Resources has a lower level of confidence than that applying to a Measured Resource.
Inferred Resource	means that part of a mineral resource for which quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling. An Inferred Resource has a lower level of confidence than that applying to an Indicated Resource.
Issuer Sponsored Holding	means a holding of Guildford Shares on Guildford's issuer sponsored subregister.
JEMS	means JEMS Exploration Pty Limited.
JORC Code (2004)	means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2004 Edition.
JORC Code (2012)	means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2012 Edition.
kt	means kilo tonnes.
Management Agreement	means the management agreement between Guildford and C1, which is summarised in section 3.7 of this Target's Statement.
Material Adverse Change	has the meaning given to that term in section 13.1 of the Bidder's Statement.
Measured Resource	means that part of a mineral resource for which quantity and grade (or quality) are estimated with confidence sufficient to support detailed mine planning and final evaluation of the economic viability of the deposit. A Measured Resource has a higher level of confidence than that applying to either an Indicated Resource or an Inferred Resource.
Mining Interest	has the meaning given to that term in section 13.1 of the Bidder's Statement.
Mt	means million tonnes.
Noble	means Noble Resources International Pte Ltd.
Non-Broker Participant	means a non-broker participant under the ASTC Settlement Rules.
Notes	means the Convertible Notes and the Amortising Notes.
Och-Ziff	means Oz Master Fund Ltd, Oz Asia Master Fund Ltd and Oz Global Special Investments Master Fund LP.
OCP Asia	means OCP Asia (Hong Kong) Limited, any associated body corporate and any fund managed or advised by any of them.
Offer Consideration	means the consideration payable under the Sino Offer, being 1 Sino Share for every 4.5 Guildford Shares held.
Offer Period	means the period during which the Sino Offer will remain open for acceptance. The Sino Offer is due to close at 7.00pm (Sydney time) on 25 February 2015, unless extended or withdrawn.
Performance Rights	means performance rights issued by Guildford, the terms of which are summarised in section 3.12 of this Target's Statement.
Prescribed Occurrences	has the meaning given to that term in section 11.5© of the Bidder's Statement.
Renaissance	means Renaissance Enterprises S.A.
S$	means Singapore dollars.
SGX	means Singapore Exchange Securities Trading Limited or the financial market known as the Singapore Exchange.
SGX Listing Manual	means the listing manual of the SGX.

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Share Sale Agreement	means the share sale agreement between Guildford and Mongolian Petroleum Corporation Pte Limited in relation to the acquisition of Mongolian Petroleum Corporation LLC, which is summarised in section 3.7 of this Target's Statement.
Sierra Coal	means Sierra Coal Pty Ltd.
Signet	means Signet Coking Coal International Limited.
Sino	means Sino Construction Limited, a company listed on the SGX, Company Registration No. 200613299H.
Sino Construction Proposed Share Issues	has the meaning given to that term in the Bidder's Statement.
Sino Convertible Bonds	means the unsecured redeemable convertible bonds proposed to be issued by Sino.
Sino Offer	means the offer by Sino to acquire Guildford Shares, set out in the Bidder's Statement.
Sino Shares	means fully paid ordinary shares in the capital of Sino.
Springsure Mining	means Springsure Mining Pty Ltd.
Subsidiary	has the meaning given to that term in the Corporations Act.
Target's Statement	means this document, being Guildford's target's statement.
Technical Specialist	means Xenith Consulting Pty Ltd.
Technical Specialist Report	means the independent report prepared by the Technical Specialist in relation to Guildford and its assets, a copy of which is attached to the Independent Expert's Report.
Tellus Commodities	means Tellus Commodities Pte Ltd.
Tellus Marketing	means Tellus Marketing Pty Ltd.
Terra Energy Australia	means Terra Energy Ltd.
Terra Energy Mongolia	means Terra Energy LLC.
Tsagaan	means Tsagaan Uvuljuu LLC.
US$	means United States dollars
VWAP	means volume weighted average trading price.
Warrants	means detachable warrants issued by Guildford, the terms of which are summarised in section 3.12 of this Target's Statement.

11.2 INTERPRETATION

In this Target's Statement, unless the context otherwise requires:

(a) headings are for convenience and do not affect the interpretation;

(b) words or phrases defined in the Corporations Act have the same meaning in this Target's Statement;

(c) a reference to a section or schedule is a reference to a section of and a schedule to this Target's Statement and references to this document include any schedules;

(d) a singular word includes the plural and vice versa;

(e) if a word or phrase is defined, its other grammatical forms have a corresponding meaning;

(f) a reference to a person includes a corporation, trust, partnership, unincorporated body, government and local authority or agency, or other entity whether or not it comprises a separate legal entity; and

(g) a reference to legislation or to a provision of legislation (including subordinate legislation) is to that legislation as amended, re-enacted or replaced, and includes any subordinate legislation issued under it.

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Corporate directory

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Acting Managing Director: Michael Avery

Executive Director: Tsogt Togoo

Non-Executive Director: The Hon Craig Wallace

EXECUTIVE MANAGEMENT

COO: Julien Lawrence

Project Director (North Queensland): Mark Reynolds

Company Secretary: Aimee Hyde

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Annexure – Independent Expert's Report

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GUILDFORD COAL LIMITED
Independent Expert's Report

19 December 2014

BDO

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Financial Services Guide

The Financial Services Guide ('FSG') is provided to comply with the legal requirements imposed by the Corporations Act 2001 and includes important information regarding the general financial product advice contained in the independent expert's report we have been commissioned to provide ('this Report'). The FSG also includes general information about BDO Corporate Finance (QLD) Ltd ('BDO CFQ', 'we', 'us' or 'our') including the financial services we are authorised to provide, our remuneration and our dispute resolution.

BDO CFQ holds an Australian Financial Services Licence to provide the following services:

a) financial product advice in relation to deposit and payment products (limited to basic deposit products and deposit products other than basic deposit products), securities, derivatives, managed investments schemes, superannuation, and government debentures, stocks and bonds; and

b) arranging to deal in financial products mentioned in a) above, with the exception of derivatives.

General Financial Product Advice

The following report sets out what is described as general financial product advice. This Report does not consider personal objectives, individual financial position or needs and therefore does not represent personal financial product advice. Consequently any person using this Report must consider their own objectives, financial situation and needs. They may wish to obtain professional advice to assist in this assessment.

The Assignment

BDO CFQ ABN 54 010 185 725, Australian Financial Services Licence No. 245513 has been engaged to provide general financial product advice in the form of a report in relation to a financial product. Specifically, BDO CFQ has been engaged to provide an independent expert's report to the shareholders of Guildford Coal Limited ('GUF' or 'the Company') in relation to the off-market takeover bid made by Sino Construction Limited ('Sino Construction') for all the ordinary shares in GUF ('the Offer').

This Report cannot be relied upon for any purpose other than the purpose mentioned above and cannot be relied upon by any person or entity other than those mentioned above, unless we have provided our express consent in writing to do so.

Fees, commissions and other benefits we may receive

We charge a fee for providing reports. The fees are negotiated with the party who engages us to provide a report. We estimate that our fees for the preparation of the Report will be approximately $85,000 plus GST. Fees are usually charged as a fixed amount or on an hourly basis depending on the terms of the agreement with the engaging party. Our fees for this Report are not contingent on the outcome of any of the matters to which this Report relates. Our fees do not include fees payable to other experts engaged to provide specialist services and reports which may have been considered in the Report.

Except for the fees referred to above, neither BDO CFQ, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of this Report.

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Directors of BDO CFQ may receive a share in the profits of BDO Group Holdings (QLD) Pty Ltd, a parent entity of BDO CFQ. All directors and employees of BDO Group Holdings (QLD) Pty Ltd and its subsidiaries (including BDO CFQ) are entitled to receive a salary. Where a director of BDO CFQ is a shareholder of BDO Group Holdings (QLD) Pty Ltd, the person is entitled to share in the profits of BDO Group Holdings (QLD) Pty Ltd.

Associations and relationships

From time to time BDO CFQ or its related entities may provide professional services to issuers of financial products in the ordinary course of its business. These services may include audit, tax and business advisory services. BDO CFQ has not previously provided professional services to GUF.

BDO CFQ is not an associate of either GUF or Sino Construction. The signatory to this Report does not hold any shares in either GUF or Sino Construction and no such shares have ever been held by the signatory.

To prepare our reports, including this Report, we may use researched information provided by research facilities to which we subscribe or which is publicly available. Reference has been made to the sources of information in this Report, where applicable. Research fees are not included in the fee details provided in this Report.

Complaints

We are members of the Financial Ombudsman Service. Any complaint about our service should be in writing and sent to BDO Corporate Finance (QLD) Ltd, GPO Box 457, Brisbane QLD 4001.

We will endeavour to resolve the complaint quickly and fairly. If the complaint cannot be satisfactorily resolved within 45 days of written notification, there is a right to lodge a complaint with the Financial Ombudsman Service. They can be contacted on 1300 780 808. This service is provided free of charge.

If the complaint involves ethical conduct, a complaint may be lodged in writing with the Institute of Chartered Accountants, Queensland Branch, GPO Box 2054, Brisbane QLD 4001. The Australian Securities and Investment Commission (ASIC) also has an Infoline on 1300 300 630 which can be used to make a complaint and obtain information about investor rights.

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Glossary

Reference	Definition
ABV	Asset based valuation
Acquisition Program	Sino Construction's acquisition program to diversify its revenue stream via acquiring and holding investments in companies which operate in the mineral and energy resources sector
Ardilaun	Ardilaun Energy Limited
ASIC	Australian Securities and Investments Commission
ASX	Australian Secutiries Exchange
Baixinyuan	Baixinyuan Concrete Products Co Ltd
BDO CFQ	BDO Corporate Finance (QLD) Ltd
BDO Persons	BDO CFQ, BDO (QLD) or any of the partners, directors, agents or associates
Bidder's Statement	Bidder's Statement prepared by Sino Construction dated 18 November 2014
Bizcap	Bizcap Investments Ltd
BNU	Baruun Noyon Uulcoal
CAPM	Capital asset pricing model
CGT	Capital gains tax
CME	Capitalisation of maintainable earnings
Company, the	Guildford Coal Limited
Corporations Act, the	The Corporations Act 2001
Dazheng	Dazheng Building Installation Co
DCF	Discounted cash flow
Dealson	Dealson Limited
EIU	Economist Intelligence Unit
Elite Bay	Elite Bay Sdn Bhd
EPC	Exploration Permits for Coal
FSG	Financial Services Guide
GUF	Guildford Coal Limited
JEMS	JEMS Exploration Pty Limited
Lighthouse	Lighthouse Strategic Group Limited
Maiora	Maiora Asset Management Pte Ltd
Manisa Titanium Project	Topkapi's titanium project located around the Manisa District of western Turkey
MBV	Market based valuation
Mongolian Petroleum	Mongolian Petroleum Corporation LLC
MRP	Market risk premium
MRRT	Minerals Resources Rent Tax
Naifei	Daqing Naifei Le Consulting Co Ltd
Noble	Noble International Pte Ltd
Offer, the	Off-market bid made by Sino Construction Limited for all the ordinary shares in GUF
Other Equity Instruments	The conversion feature on the convertible notes and the detachable warrants

Reference	Definition
Renaissance	Renaissance Enterprises S.A
Report, this	This independent expert's report prepared by BDO CFQ dated 19 December 2014
RG111	Regulatory Guide 111: Content of Expert Reports
RGs	Regulatory guides published by ASIC
S&P	Standard & Poors
SCBC	SC Building & Construction Pte Ltd
SGX	Singapore Stock Exchange
Signet	Signet Coking Coal International Limited
Sino Construction	Sino Construction Limited
Sunny Cove	Sunny Cove Investments Limited
Sunshine	Sunshine Reli Thermal Co Ltd
Target's Statement	Target's Statement prepared by GUF expected to be dated on or around 24 December 2014
Tokapi	Topkapi Sanayi ve Ticaret
VWAP	Volume-weighted average price
WACC	Weighted average cost of capital
We, us, our	BDO Corporate Finance (QLD) Ltd
Xenith	Xenith Consulting
Xenith Report	Xenith technical valuation report titled "Guildford Coal – Technical Specialist's Report" dated 12 December 2014
Xu Teng	Xu Teng Construction Installation Co Ltd

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AUSTRALIA

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The Shareholders
C/- The Directors
Guildford Coal Limited
Level 7, 490 Upper Edward St
Spring Hill QLD 4000

19 December 2014

Dear Shareholders,

Independent Expert's Report

1.0 Introduction

BDO Corporate Finance (QLD) Ltd ('BDO CFQ') has been engaged to provide an independent expert's report ('this Report') to the shareholders of Guildford Coal Limited ('GUF' or 'the Company') in relation to an off-market bid made by Sino Construction Limited ('Sino Construction') for all the ordinary shares in GUF ('the Offer').

In broad terms, the consideration to be received by GUF shareholders under the Offer is 1 Sino Construction share for every 4.5 GUF shares held. A more detailed summary of the Offer is set out in Section 3.0 of this Report. In this Report, BDO CFQ has expressed an opinion as to whether or not the Offer is 'fair and reasonable' to the non-associated GUF shareholders. This Report has been prepared solely for use by the GUF shareholders to provide them with information relating to the Offer.

We understand that this Report will be provided to non-associated GUF shareholders to assist them to make an informed decision on whether to accept or reject the Offer. Apart from the purpose stated directly above, this Report cannot be used or relied on for any other purpose or by any other person or entity.

This Report should be read in full, including the assumptions underpinning our work, together with the other information provided to GUF shareholders in conjunction with this Report, including the Bidder's Statement dated 18 November 2014 prepared by Sino Construction ('Bidder's Statement') and the Target's Statement prepared by GUF ('the Target's Statement').

This Report does not address circumstances specific to individual GUF shareholders. A GUF shareholder's decision to accept or reject the Offer is likely to be influenced by their own particular circumstances including, for example, the shareholder's taxation considerations and risk profile. GUF shareholders should obtain their own professional advice in relation to the impact of the Offer on their own circumstances.

BDO Corporate Finance (QLD) Ltd ABN 54 010 185 725 AFS Licence No. 245513 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Corporate Finance (QLD) Ltd and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.

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2.0 Summary of Opinion

This section is only a summary of our opinion and cannot substitute for a complete reading of this Report.

We strongly recommend that GUF shareholders consult their own professional advisers, carefully read all relevant documentation provided, including the Bidder's Statement and Target's Statement, and consider their own specific circumstances before accepting or rejecting the Offer.

2.1 Fairness of the Offer

This section provides a summary of our assessment of the fairness of the Offer. A more detailed assessment of the fairness of the Offer is set out in Section 9.0 of this Report.

To assess the fairness of the Offer, we:

(a) Calculated the value of a share in GUF on a controlling interest basis to be in the range of $0.058 to $0.078 (refer Section 7.0 of this Report for our valuation of GUF);

(b) Calculated the value of a share in Sino Construction on a minority interest basis to be in the range of $SGD 0.0033 to $SGD 0.2209 (refer Section 8.0 of this Report for our valuation of Sino Construction). In considering our valuation range we note:

   i. The high end of our valuation range considers Sino Construction's share trading data and is based on a twelve month volume-weighted average price ('VWAP');

   ii. The low end of our valuation range is based on Sino Construction's net asset value per share as at 30 September 2014;

   iii. While this range is very wide and below recent trading values (which have been as high as $SGD 0.32), in our view it is justified given we have significant uncertainty in relation to the fundamental value of Sino Construction. There is a lack of information available to complete any further valuation analysis and we are unable to reconcile Sino Construction's share trading data with any other fundamental valuation approaches; and

   iv. It is uncertain when the Offer consideration will be received by GUF shareholders that accept the Offer. The value that will be derived by a GUF shareholder considering selling their shares will ultimately be the market value at the time. For reasons set out in Section 10.3.2 of this Report, it is possible that the conditions of the Offer will not be met by 25 February 2015 and that the Offer may need to be extended by a period of time in excess of three months. This uncertain timing and the potential for the Sino Construction share price to move materially over this period should be considered when forming a view on whether to accept or reject the Offer; and

(c) Compared the value of a GUF share determined in (a) above to the value of the Offer consideration of $0.0007 to $$0.0445, calculated as the value of a share in Sino Construction on a minority interest basis converted into Australian dollars and multiplied by the scrip ratio of 0.222 (i.e. 1/4.5). Our fairness assessment is set out in Section 9.0 of this Report.

The Proposed Transaction is considered to be fair if the value of the Offer consideration is equal to or greater than the value of a GUF share. Table 2.1 below summarises our assessment of the fairness of the Offer.

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Table 2.1: Assessment of the fairness of the Offer

	Low Value ($'AUD)	High Value ($'AUD)
Value of the Offer consideration (refer Section 9.2)	$0.0007	$0.0445
Value per GUF share – controlling interest basis (refer Section 7.4)	$0.058	$0.078

Source: BDO CFQ analysis

With reference to Table 2.1 above, we note that the Offer consideration value range is below the value range per GUF share.

Irrespective of this analysis in Table 2.1 above, until such time as further information arises which assists us to reconcile Sino Construction's market trading values with a more fundamental valuation approach and until such time as the uncertainty around timing is resolved such that there is less risk around realising value on Sino Construction shares received as consideration under the Offer, it is our opinion that the Offer is not fair.

Having regards to the above, in our view, the Offer is **Not Fair** to GUF shareholders as at the date of this Report.

2.2 Reasonableness of the Offer

Table 2.2 below summarises our view of the advantages and disadvantages associated with the Offer. GUF shareholders should refer to Section 10.1 and 10.2 of this Report for a more detailed discussion of the advantages and disadvantages associated with the Offer.

Table 2.2: Summary of Potential Advantages and Disadvantages of the Offer

Advantages	Disadvantages
• Diversification • Retain exposure to GUF's coal assets • Future funding potential • Increased liquidity of Sino Construction shares • Rollover relief may be available	• The offer is not fair • Dilution of shareholders • GUF will share any benefits of its assets with Sino Construction • Change of risk exposure • Sino Construction's lack of experience in the mineral and energy resources sector • Audit opinion unable to be provided on financial statements • Daqing tax investigation • Availability of funding • SGX trading warnings • Increased currency risk • Rollover relief may not be available

Source: Table 10.1 and Table 10.2 of this Report

A list of factors that will impact the potential position of GUF shareholders that reject the Offer is as follows:

- The Offer may not become unconditional;
- Will continue to hold shares in GUF with Sino Construction possibly as significant shareholder;
- Change in liquidity;

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- Sino Construction may be able to pass special resolutions;
- Compulsory acquisition;
- Refinancing of debt facilities; and
- Prospect of a superior offer or alternative transaction.

The above factors are discussed in more detail in Section 10.4 of this Report.

After considering the advantages, disadvantages and other considerations summarised above and set out in further detail in the balance of this Report, it is our view that, in the absence of any other information, the Proposed Transaction is **Not Reasonable** as at the date of this Report.

Notwithstanding our view that the Offer is **Not Fair and Not Reasonable** to GUF shareholders as at the date of this Report, we strongly recommend that GUF shareholders also have regard to the other considerations set out in Section 2.3 below.

2.3 Other Considerations

Before forming a view on whether to accept or reject the Offer, there are several other matters that GUF shareholders need to take into account including:

- Sino Construction will be subject to different securities laws and listing rules to what GUF is subject to. GUF shareholders should refer to Section 10.3.1 below and Annexure B of the Bidder's Statement for further information in relation to the implications of this;
- There is no certainty in relation to when Sino Construction scrip may be received by GUF shareholders that accept the Offer. GUF shareholders that accept the Offer should also be aware that they will not be able to withdraw their acceptance of the Offer or otherwise dispose of their GUF shares except in limited circumstances as set out in section 11.10 of the Bidder's Statement. We have discussed this issue further in Section 10.3.2 below; and
- Sino Construction shares will be listed on the SGX rather than the ASX which may make it more difficult for GUF shareholders that accept the Offer to trade their Sino Construction shares. GUF shareholders should refer to Annexure A of the Bidder's Statement in relation to the steps that need to be followed in order to transact in Sino Construction shares.

We also strongly recommend that GUF shareholders:

- Consult their own professional advisers;
- Carefully read all relevant documentation provided to them, including this Report, the Bidder's Statement and the Target's Statement; and
- Consider their own specific circumstances.

The analysis set out in this Report has relied on certain economic, market and other conditions prevailing as at the date of this Report. We note that changes in these conditions may have a material impact on the information presented in this Report. BDO CFQ is not responsible for updating this Report in the event that these circumstances change.

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The decision to accept or reject the Offer is a separate decision to the investment decision to hold or divest Sino Construction shares. We recommend shareholders consult their own professional advisers in relation to the decision on whether to hold or divest shares in Sino Construction. Both GUF and Sino Construction are yet to prove that they can generate sustainable positive operating cash flows. In our view, the value of such companies may increase or decrease materially over short time periods depending on the ability to meet certain milestones. We regard any investment in either GUF or Sino Construction as speculative and shareholders should consider that there is a risk that the share price may move materially.

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3.0 Outline of the Offer

Section 3.0 of this Report is set out as follows:

- Section 3.1 provides a brief background of the Offer;
- Section 3.2 summarises the conditions precedent of the Offer;
- Section 3.3 summarises the strategic rationale of the Offer; and
- Section 3.4 summarises the current intentions of Sino Constructions.

This section is a summary only and should not be treated as a complete description of the Offer. GUF shareholders should refer to the Bidder's Statement and Target's Statement for detailed and additional information relating to the Offer.

3.1 Background of the Offer

On 31 July 2014, Sino Construction and GUF entered into a non-binding term sheet under which it was proposed that Sino Construction would acquire GUF's portfolio of coal assets in Australia. This proposal was ultimately unsuccessful as it was determined by Sino Construction's management that a more advantageous position for the business would be to acquire all of GUF's assets, including those located in Mongolia.

On 25 September 2014, Sino Construction announced its intention to make a conditional off-market takeover bid to acquire 100% of the ordinary shares in GUF. The Bidder's Statement in respect of the Offer was subsequently lodged with ASIC and the ASX on 18 November 2014.

GUF shareholders should refer to the Bidder's Statement for a more detailed discussion of the Offer including terms, how to accept and the treatment of Ineligible Foreign Shareholders.

3.2 Conditions Precedent of the Offer

This section summarises a number of conditions precedent of the Offer and the current status of the conditions.

3.2.1 Conditions Precedent of the Offer

Unless waived, the Offer is subject to a number of conditions to be satisfied, including:

- Sino Construction to have a relevant interest in such number of GUF shares which represents at least 50.1% of all of GUF shares on issue at the close of 25 February 2015;
- Sino Construction's shareholders approving the Offer at an Extraordinary General Meeting;
- Sino Construction to receive all approvals (on an unconditional basis) which are required by law or by any government agency;
- No prescribed occurrences prior to the end of 25 February 2015;
- No action by any government agencies which restrains, prohibits, or otherwise materially adversely impacts the implementation of the Offer prior to the end of 25 February 2015;

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- No new material acquisitions, disposals, or new conditions by GUF prior to the end of 25 February 2015 (except for any proposed transaction publicly announced by GUF through the ASX prior to 25 September 2014);
- No change in control consequences prior to the end of 25 February 2015;
- No material failings in filings and capital structure prior to the end of 25 February 2015;
- Non-existence of certain rights;
- No force majeure event prior to the end of 25 February 2015;
- No material adverse changes to GUF prior to the end of 25 February 2015;
- No mining interests revoked or terminated prior to the end of 25 February 2015;
- No member of GUF makes, declares, or announces an intention to make or declare any distributions (whether by way of dividend, capital reduction, or otherwise and irrespective of whether it is cash or in specie);
- No other persons acquiring a relevant interest in 20% or more in GUF (other than Sino Construction and its associates) prior to the end of 25 February 2015;
- No new indebtedness by GUF prior to the end of 25 February 2015;
- No new performance rights are granted or issued prior to the end of 25 February 2015; and
- No litigation matters against any member of GUF which would result in a judgement against a member of GUF of more than $AUD 1 million (other than matters disclosed prior to the 25 September 2014) prior to the end of 25 February 2015.

GUF shareholders should refer to Section 11.5 of the Bidder's Statement for additional information in relation to the conditions precedent of the Offer.

3.2.2 Current Status of the Conditions to the Offer

The Bidder's Statement noted the following in relation to the status of the Offer as at 13 November 2014:

- In respect of the conditions set out in Section 11.5(b) of the Bidder's Statement, we note that the timing of the Extraordinary General Meeting to obtain shareholder approval is dependent on the preparation of a 'qualified person's report'. Sino Construction is intending to apply to the Singapore Stock Exchange ('SGX') for a waiver of the requirement to prepare a 'qualified person's report' in accordance with Practice Note 4C. If the waiver application is rejected, Sino Construction will discuss with GUF for the preparation of that report, and the likely timing of the finalisation of the report. Sino Construction considers that the report may take approximately 6 months to be prepared, and may be required to extend the offer period to a date that is at least 6 months post the date of the Bidder's Statement;

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- In respect of the conditions set out in Section 11.5(c)(iv)(D) of the Bidder's Statement, Sino Construction noted that there was a breach in conditions on the basis of a decrease in price at which the GUF convertible notes may be converted at (from $AUD 0.30 to $AUD 0.06). In response to the breach, it is noted that Sino Construction will agree to waive the breach unless the number of GUF shares as a result of the exercise is more than 189,250,000 GUF shares; and
- In respect of the conditions set out in Section 11.5(f)(iii) of the Bidder's Statement, Sino Construction noted that there was a breach in conditions as a result from GUF's negotiations (which took place on 1 October 2014) to terminate a management agreement, which will result in GUF transferring 15% of its interest in Springsure Mining Pty Limited to TheChairmen1 Pty Limited. Sino Construction has agreed to waive this breach provided the transfer occurs in accordance with the terms of GUF's announcement regarding the transfer on the Australian Securities Exchange ('ASX') on 1 October 2014.

3.3 Strategic Rationale

The directors of Sino Construction are of the view that the acquisition of GUF will assist them meet their goal of transforming Sino Construction into a diversified mineral and energy resources business.

3.4 Current Intentions of Sino Construction

GUF shareholders should refer to Section 8 of the Bidder's Statement for additional information in relation to the intentions of Sino Construction in circumstances where it acquires:

- More than 90% of GUF shares;
- More than 50% but less than 90% of GUF shares; and
- Circumstances where less than 50% of GUF shares are acquired.

Notwithstanding this, we note broadly that Sino Construction's intentions in relation to GUF include:

- The operations of GUF will be conducted in substantially the same manner as presently being conducted (although this is subject to an immediate review of operations and assets following the end of the offer period);
- GUF's ASX listing will be retained for any GUF shareholder not accepting the offer (to the extent permitted by regulations and the ASX Listing Rules);
- Sino Construction will seek the appointment of persons to the GUF Board such that Sino Construction nominees comprise a majority of the GUF Board;
- Sino Construction does not intend to fund GUF's ongoing operations from Sino Construction's existing reserves or financing facilities;
- There will not be any redeployment of fixed assets of GUF; and
- The employment of GUF's current employees will continue.

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4.0 Scope of Report & Methodology for Assessment

4.1 Scope of Report

An independent expert, in certain circumstances, must be appointed to meet requirements set out in the Corporations Act 2001 ('the Corporations Act'), the regulatory guides ('RGs') published by the Australian Securities and Investments Commission ('ASIC') and the listing requirements of the stock exchanges on which a company is listed. We have summarised the requirements of the Corporations Act and the ASX listing rules in Sections 4.1.1 and 4.1.2 below respectively and we have summarised the guidance provided by the RGs in Section 4.2 below.

GUF has engaged BDO CFQ to provide an opinion on whether the Offer is 'fair and reasonable' to GUF shareholders. This Report cannot be used by any other person for any other reason or for any other purpose. We understand that this Report will be distributed to GUF shareholders together with the Target's Statement.

This Report is general financial product advice only and has been prepared without taking into account the objectives, risk profile, financial situation or needs of individual GUF shareholders. Before deciding whether to accept or reject the Offer, individual GUF shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs (including their own taxation consequences). GUF shareholders should read in full both the Bidder's Statement and Target's Statement in relation to the Offer.

Whether to accept or reject the Offer is a matter for individual GUF shareholders based on their expectations as to value and future market conditions, and their own particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure, tax position and opinion on the Offer. GUF shareholders who are in doubt as to the action they should take in relation to the Offer should consult their own professional adviser.

4.1.1 Requirements of the Corporations Act

Sino Construction has prepared a Bidder's Statement in accordance with Section 636 of the Corporations Act. Under section 633 item 10 of the Corporations Act, GUF is required to prepare a Target's Statement in response to the Bidder's Statement.

Section 640 of the Corporations Act requires the Target's Statement to include an independent expert's report to shareholders if:

- The bidder's voting power in the target is 30% or more; or
- The bidder and the target have a common director or directors.

As Sino Construction does not hold any shares in GUF and the companies do not have any common directors there is no requirement under the Corporations Act for GUF to engage an independent expert in relation to the Offer.

Notwithstanding the above, GUF has engaged BDO CFQ to prepare this Report for provision to GUF shareholders to assist them in deciding whether to accept or reject the Offer.

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4.1.2 Listing Rules

This Report has not been prepared for the purpose of complying with the listing rules of the ASX, SGX or any other stock exchange.

4.2 Assessment Methodology

Neither the ASX Listing Rules nor the Corporations Act defines the meaning of 'fair and reasonable'. In determining whether the Offer is fair and reasonable, we have had regard to the views expressed by ASIC in Regulatory Guide 111: *Content of Expert Reports* ('RG111'). RG 111 provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

RG 111 suggests that where the transaction is a control transaction the expert should focus on the substance of the control transaction rather than the legal mechanism to affect it. In our opinion the Offer is a control transaction as defined by RG 111 and we have assessed the Offer to consider whether in our opinion it is fair and reasonable to GUF shareholders.

To meet the ASIC requirements, an expert seeking to determine whether the Offer is 'fair' and 'reasonable' should complete the steps set out below.

4.2.1 Step 1 – Assessment of Fairness

RG 111 states that a transaction is fair if the value of the offer price or consideration is greater than the value of the securities subject to the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. When considering the value of the securities subject of the offer in a control transaction the expert should consider this value inclusive of a control premium and assume a 100% ownership interest.

Having regard to the above, in our view, to assess whether the Offer is 'fair' it is appropriate to:

(a) Determine the value of a GUF share immediately prior to the Offer on a controlling interest basis;

(b) Determine the value of Sino Construction on a minority interest basis; and

(c) Compare the value determined in (a) above with the value of the scrip consideration to be received by GUF shareholders for each GUF share under the Offer.

Under RG 111, the Offer will be considered 'fair' to GUF shareholders if the value of the scrip consideration to be received by GUF shareholders is equal to or greater than the value of each GUF share prior to the Offer.

The valuation work set out in this Report has been completed using publicly available information, in addition to information provided by the Directors of GUF.

Our assessment of the fairness of the Offer is set out in Section 9.0 of this Report.

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4.2.2 Step 2 – Assessment of Reasonableness

To assess whether the Offer is 'reasonable' it is appropriate to examine other significant factors to which GUF shareholders may give consideration prior to forming a view on whether to accept or reject the Offer. This includes comparing the likely advantages and disadvantages of accepting the Offer with the position of GUF shareholders if they do not accept the Offer, as well as a consideration of other significant factors.

Our assessment of the reasonableness of the Offer is set out in Section 10.0 of this Report.

4.2.3 Step 3 – Expert's Opinion

RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept an offer in the absence of a higher bid.

This Report will conclude by providing our opinion as to whether or not the Offer is 'fair and reasonable'. While all relevant issues need to be considered before drawing an overall conclusion, we will assess the fairness and reasonableness issues separately for clarity.

In this Report we have not provided any taxation, legal or commercial advice in relation to the Offer. Other advisers have provided any advice required by GUF in relation to those matters.

In the process of assessing the Offer, we have relied on certain economic, market and other conditions prevailing as at the date of this Report. We note that changes in these conditions may have a material impact on the results presented in this Report. BDO CFQ is not responsible for updating this Report in the event that these circumstances change.

This Report has been prepared in accordance with professional standard APES 225: Valuation Services issued by the Accounting Professional and Ethical Standards Board Limited. This assignment is a Valuation Engagement as defined by APES 225. A Valuation Engagement means an engagement or assignment to perform a valuation and provide a valuation report where we determine an estimate of value of the Company by performing appropriate valuation procedures and where we apply the valuation approaches and methods that we consider to be appropriate in the circumstances.

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5.0 GUF Company Background

5.1 Company Overview

GUF is an ASX listed company engaged primarily in the exploration of coal tenements in Queensland, Australia, and in the South Gobi and Middle Gobi regions of Mongolia, Central Asia. Across all projects, GUF has a resource profile under management of 2.522 billion tonnes across exploration targets including hard coking, thermal and PCI type coal for both domestic and export markets.

Table 5.1 below provides summary information in relation to GUF's coal projects in Australia and Mongolia. Further details in relation to GUF's Coal projects are set out in the Technical Valuation Report prepared by Xenith dated 12 December 2014 ('Xenith Report') and attached as Appendix E to this Report.

Table 5.1: Summary of GUF's Coal Projects

Project	Description
Australia	
Clyde Park	GUF owns 64.4% interest in the Clyde Park project, with the remaining interest held by Gailee Co Pty Ltd. The Clyde Park Project consists of two contiguous EPCs (EPC1250 and EPC1260) located on the north eastern edge of the Galilee Basin and is situated favourably in relation to existing infrastructure. The Permian coal seams are known to outcrop in this location and were previously mined in the old Oxley Creek Coal Mine (located entirely within EPC1250). GUF has delineated coal resources at the Clyde Park project suitable for underground mining methods. An application has been made to convert the exploration tenure within the Clyde Park project into a mining lease (mining lease application 10369).
Pentland	The Pentland Project is located in the northern end of the coal bearing Galilee Basin, approximately 25km west of the town of Pentland and approximately 240km from the Port of Townsville. The Pentland project comprise of six tenements, being EPC1890, EPC1892, EPC1893, EPC1962, EPC1963, and EPC1964. An exploration scout drilling programme for the Pentland Project was planned in December 2013 and was to be conducted during 2014. The objective of this drill program was to further explore for coal occurrences within the project area targeting Jurassic Ronlow Beds and Permian Betts Creek Beds within the Galilee Basin. However, we note this drilling campaign has not commenced.
Springsure	The Springsure Project is made up of EPC 1674 and is situated in the Central-Western Bowen Basin Coal Mining District. There are eight coal seams within the Springsure Project area which are the primary exploration targets located in the early Permian aged Reids Dome Beds of the Bowen Basin. GUF currently holds 35.78% of EPC1674 (through its interest in Springsure Mining Pty Ltd), with the remaining owned by other shareholders of Springsure Mining Pty Ltd. Coal quality data undertaken on the Springsure Project revealed some samples of low ash, low moisture and high RD or high ash, low moisture and high RD. A review of this data is yet to be conducted, which may have an impact on the total resources. On 15 August 2014, GUF announced that Springsure Mining Pty Limited is in the process of making a submission for an MDL application over part of EPC1674.

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Hughenden	The Hughenden Project is located in the Northern end of the coal bearing Galilee Basin and covers approximately 12,100 square kilometres of coal exploration permits, all of which have been granted. GUF has successfully delineated a substantial coal resource at the Hughenden Project, suitable for underground mining methods. Further drilling to improve the confidence level around this resource will be considered in future exploration plans for the region.
Sunrise	The Sunrise Project consists of EPC2057 and EPC2058, and is located in a region where the Surat Basin is underlain by the Permian Bowen Basin. The only coal exploration in the area was conducted back in the 1980s, where three prospective sub-areas were identified as being possible targets for coal exploration. GUF intends to partially relinquish sub-blocks from the Sunrise Project in preference to maintaining sub-blocks in higher priority project areas.
Monto	The Monto Project has one exploration permit, EPC1870, which covers Nagoorin Graben and the Mulgildie Basin areas. These areas have been found to contain sequences of low rank, Jurassic coals. GUF intends to partially relinquish sub-blocks from the Monto Project in preference to maintaining sub-blocks in higher priority project areas.
Sierra	The Sierra Coal Project has EPC1822, which covers Fair Hill, Burngrove, and Crocker Formations of the Bowen Basin. This project has access to the Blackwater rail system infrastructure in the northern edge of the tenement. GUF commenced drilling within EPC1822 in November 2011, completing four open holes and three cored holes. The seven drillholes were all barren and interpreted as being drilled up dip of the coal bearing units. Historic evidence suggests that the coal bearing units of the Crocker Formation are not well developed within ECP1822. Further drilling program has been planned for the future targeting the deeper stratigraphic units to ascertain a better understanding of the geological conditions.
Kolan	The Kolan Coal Project consists of EPC1872 and EPC2003, and is located in the hard coking coal-bearing Maryborough Basin. The coal seams that have been intersected are moderately thin and reasonably shallow. However, Xenith is of the view that there has not been enough exploration completed across the EPC's to establish if these seams are continuous and can be correlated. Significant exploration work would need to be completed to establish the economic potential of the Kolan Project.
Mongolia	
South Gobi	The South Gobi Project consists of six exploration licences and two mining licences located in the South Gobi Province of Mongolia. Each component to the South Gobi Project is briefly discussed below. **BNU Mine** GUF, through Terra Energy, owns and operates the Baruun Noyon Uulcoal ('BNU') mine as part of the South Gobi Project. The BNU mine is considered GUF's flagship coal mine which currently supports an open cut coking coal operation. The BNU mine is located adjacent to other producing mines which exports coking and thermal coal to various customers in China. GUF has recently achieved a number of milestones for the development of the BNU mine, including: • In February 2014, the BNU mine was successfully and formally commissioned for operation by the Mongolian government; • In July 2014, the Mongolian Ministry of Roads and Transport has granted GUF a haulage permit which allows transport of coal from the BNU mine to Shivee Khuren; • In August 2014, GUF completed the first shipment of coal on its proprietary haulage road, shipping 8,000 tonnes of BNU coal to the Shivee Khuren/Ceke border crossing; • In 29 September 2014, subsequent testing of the first trial batch of BNU coal found very low ash and sulphur specifications, which suggests that the coal is a coking coal product rather than a thermal product; and • In October 2014, shipment commenced on the second trial batch of coal from the BNU mine. • In November 2014, testing results from the second trial batch confirmed coal of similar quality

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to the first batch. In addition, GUF announced that it received formal approval from the Mineral Resource Authority of Mongolia to increase the BNU mine's mining capacity to 1.5Mt and 2.0Mt for 2015 and 2016 respectively.

Mining operations at BNU are conducted by Terra Energy and supported by Grand Power under a labour hire agreement, while the heavy equipment is provided and maintained by Wagner Asia.

Coal transportation from the BNU mine is carried out over the haulage road, to the Shivee Khuren border crossing in Mongolia, and then through to the Chinese border station of Ceke before the coal is washed to meet sales specifications. Customers for coal produced at the BNU mine are mostly steel mills and coke works located in China and nearby regions of inner Mongolia.

GUF's current focus for the BNU mine is to undertake further works to have the mine running continuous operations in preparation for commercial coal production.

EL12600X

The EL12600X area is located to the immediate west of the BNU North and BNU South areas. We understand that GUF is currently in negotiations with Noble in relation to the purchase of EL12600X.

Hovguun East

Hovguun East is located immediately to the southeast of BNU North. GUF acquired the tenement EL5262X within Hovguun East in early 2011. Subsequent to a number of drilling programs and activities, Hovguun East was granted a mineral development licence MV-016971 over EL5262X. The licence is for an initial term of 30 years with an option for two twenty year extensions, providing for a total of 70 years of tenure security.

In October 2012, with the assistance of Salva Resources, GUF developed a conceptual Hovguun East Pit mine plan within the East Pit Project area. It broadly consists of an initial box cut which targets the crop/sub-crop along strike.

Upon receipt of all necessary regulatory and stakeholder approvals, Leighton LLC (Leighton) was contracted to perform a total mining service. Upon commencement initial production is currently scheduled at 2 Mt. This material will be used to assess coal quality, market acceptance, and to develop further marketing and operational strategies for the EPP.

Middle Gobi	The Mid Gobi Project consists of two exploration licences (12929X and 15466X) and is located approximately 400km southwest of Ulaanbaatar and just over 200km west of the Mongolian railway grid, with a logistic route to China via the Erlianhaote border crossing. Further details on the exploration licences are as follows: • 15466X is an exploration licence with a renewable term until 13 November 2016 (which commenced in 2011). Following a drilling program and geophysical studies which was carried out in 2011, additional drilling was undertaken in 2013 targeting the Tsagaan Ovoo coalmine which the license surrounds on three sides. The 2013 drilling program was attempting to intersect the same coal resource along strike. • 12929X is an exploration licence with a renewable term until 13 November 2016. Following a series of exploration activities since 2011, exploration in 2013 consisted of four open holes within the resource area, two of which intersected coal. One of the holes had a substantial intersection of 9m of coal at an economic depth of 3m. Preliminary assessment indicates that the coal from exploration licence 12929X will be low rank thermal coal and exploration licence 15466X could contain higher rank sub-bituminous coal. The Mid Gobi Project has the potential for large scale open cut operations to supply thermal coal to electricity generators in China and Mongolia.

Source: Xenith Report, Target's Statement, and GUF company website

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Table 5.2 below summarises GUF's JORC compliant resources as set out in the Xenith Report (as attached in Appendix E).

Table 5.2: GUF's JORC Resources

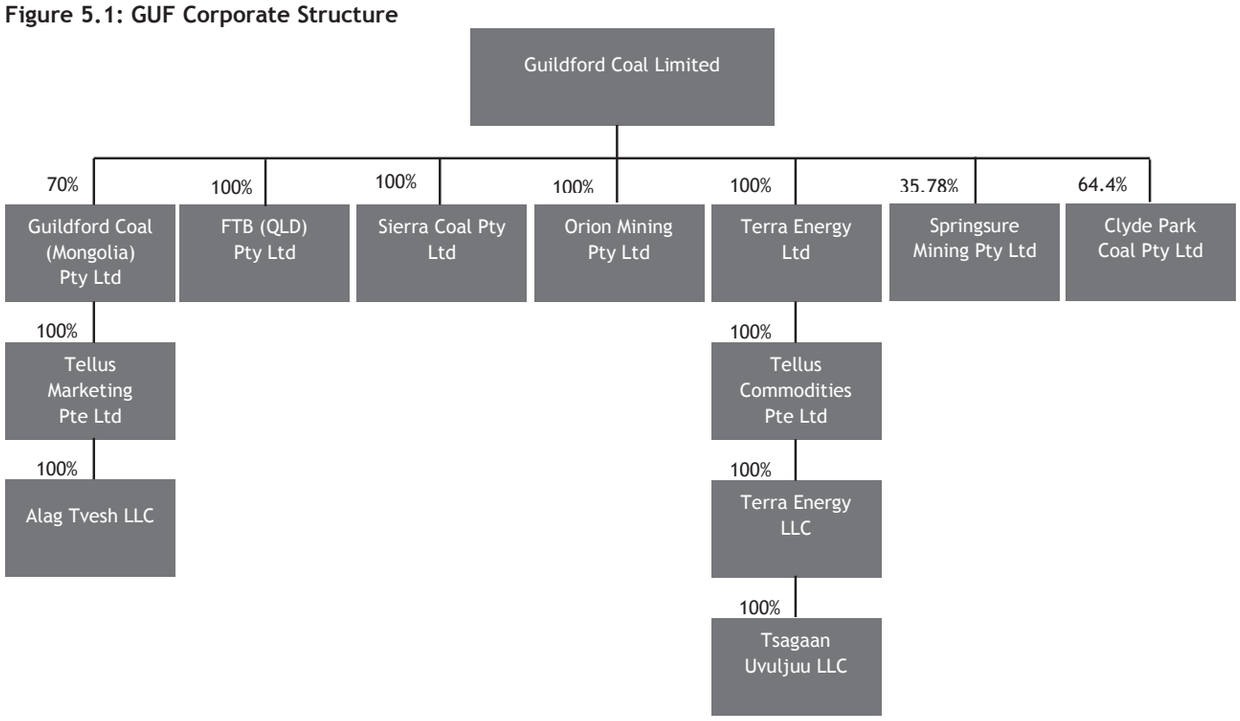
		JORC Resources			
Project	**Coal Type**	**Measured**	**Indicated**	**Inferred**	**Total**
Australia					
Hughenden	Thermal	-	133	1,076	**1,209**
Clyde Park	Thermal	-	51	677	**728**
Springsure	Thermal/PCI	-	43	148	**191**
Total		**-**	**227**	**1,901**	**2,128**
Mongolia					
BNU-1 North Deposit (South Gobi North)	Coking	15	9	3	**27**
Hovguun East (South Gobi East)	Coking/Thermal	-	-	41	**41**
Mid Gobi	Thermal	-	32	189	**221**
Total		**15**	**41**	**233**	**289**

Source: Xenith Report

5.2 Corporate Structure

Figure 5.1 below shows the corporate structure of GUF.

Figure 5.1: GUF Corporate Structure



Source: Target's Statement

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5.3 Board of Directors and Executive Management

Table 5.3 below summarises the board of directors and executive management of GUF.

Table 5.3: GUF Board of Directors and Executive Management

Name	Position
Peter Kane (Resigned 15-Dec-14)[(a)]	Chief Executive Officer
Craig Ransley	Acting Non-Executive Chairman
Michael Avery	Acting Managing Director
The Hon Craig Wallace	Non-Executive Director
Tsogt Togoo	Executive Director
Chris Munday	Acting Chief Financial Officer
Aimee Hyde	General Counsel and Company Secretary
Julien Lawrence	Chief Operating Officer - Mongolia
Mark Reynolds	Project Director North Queensland

Source: Target's Statement

Note: [(a)] Peter Kane to continue in the position of Chief Executive Officer for a period of three months subsequent to resignation

5.4 Equity Structure of GUF

As at 24 November 2014, GUF had the following securities on issue:

- 917,612,681 ordinary shares;
- 1,000 convertible notes each with face value of $USD 10,000, convertible into GUF ordinary shares at a conversion price of $AUD 0.06 and expiring on 8 July 2015 (while the exchange rate applicable will be the prevailing rate at the time, we note for completeness that this represents approximately 200.1 million GUF ordinary shares assuming an AUD/USD exchange rate of 0.83295 as at 5 December 2014);
- 4,758,444 performance rights with an exercise price of nil and expiring on 31 October 2016. We note that 50% of these performance rights have lapsed as a result of not meeting a performance condition. Given Peter Kane's resignation as a director, announced on 16 December 2014, we have assumed for the purpose of the analysis set out in this Report, that the service condition will not be met and that the remaining 50% of the performance rights will also lapse; and
- 66,762,962 OCP Asia detachable warrants with an exercise price of $0.17 and expiring on 8 January 2019. The OCP Asia detachable warrants were issued with the OCP Asia amortising notes which were drawn on 8 January 2014 with a face value of $USD 55.0 million.

Table 5.4 shows the top ten shareholders of GUF as at 28 November 2014.

Table 5.4: GUF Top Ten Shareholders as at 28 November 2014

	Sharehloder	Number of Shares	%
1.	Maiora Special Situations Fund	148,800,466	16.22%
2.	HSBC Custody Nominees (Australia) Limited	131,326,047	14.31%
3.	Equitas Nominees Pty Limited	100,000,000	10.90%
4.	Equitas Nominees Pty Limited	81,435,600	8.87%

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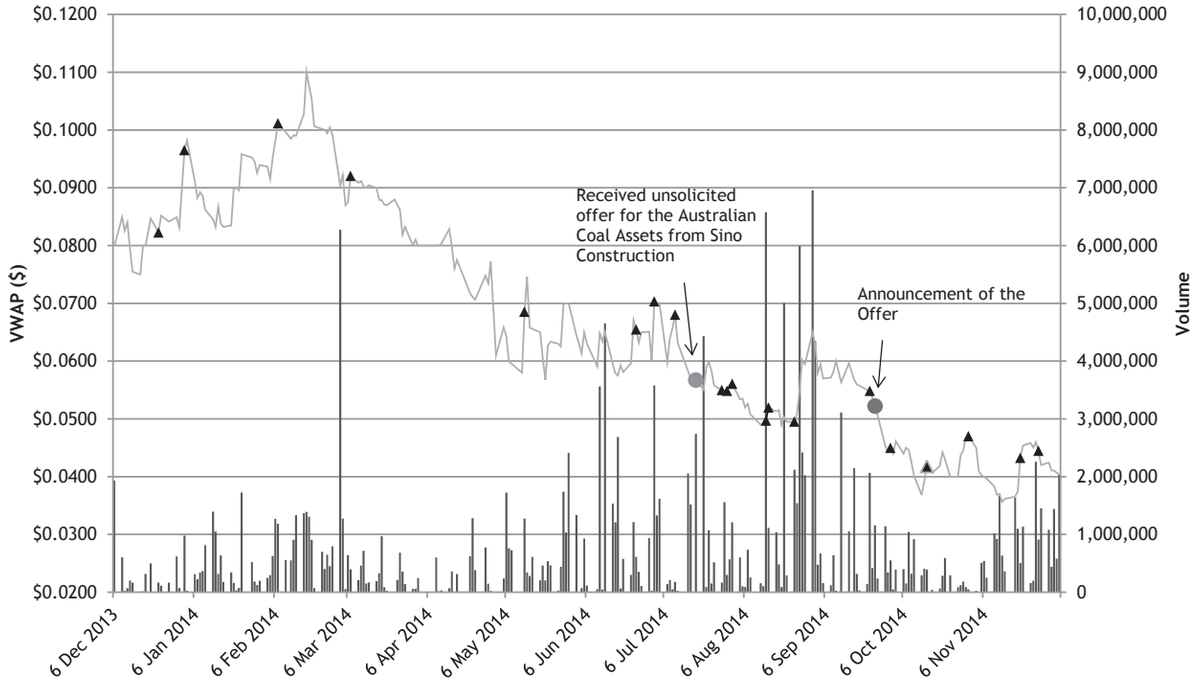
	Sharehloder	Number of Shares	%
5.	National Nominees Limited	49,099,419	5.35%
6.	Citicorp Nominees Pty Limited	40,517,714	4.42%
7.	Gleneagle Securities (Aust) Pty Ltd	27,463,684	2.99%
8.	HSBC Custody Nominees (Australia) Limited - A/C 3	22,377,443	2.44%
9.	J P Morgan Nominees Australia Limited	16,983,752	1.85%
10.	Mr Kevin Tay Hak-Leong	11,800,810	1.29%
	Other shareholders	287,807,746	31.36%
	Total	**917,612,681**	**100.0%**

Source: GUF Share register as at 28 November 2014

5.5 GUF Share Market Performance

Figure 5.2 shows the daily VWAP and daily volume of GUF shares traded on the ASX over the period from 6 December 2013 to 5 December 2014 inclusive.

Figure 5.2: GUF Daily VWAP and Volume from 6 December 2013 to 5 December 2014



Source: Capital IQ as at 5 December 2014

Over the period graphed in Figure 5.2 above, GUF's daily VWAP showed a period high of $0.1101 on 18 February 2014 and a period low of $0.0356 on 13 November 2014.

In addition to the share price and volume data of GUF shown above, we have also provided additional information in Table 5.5 below to assist readers to understand the possible reasons for movements in GUF's share price over the period analysed. The ASX announcements in Table 5.5 below correspond to those displayed in Figure 5.2.

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Table 5.5: GUF ASX Announcements

Date	Announcement
23 Dec 2013	GUF announced that negotiations with Noble Resources International Pte Ltd regarding the funding of $USD 22.0 million has been concluded, long form documents executed, and all moneys under the agreement have been drawn down.
2 Jan 2014	GUF announced that it has offered OCP Asia the right to subscribe for detachable warrants associated with amortising notes to be issued by the Company with a face value of $USD 55.0 million.
7 Feb 2014	GUF announced that its BNU mine has been successfully and formally commissioned for operation by the Mongolian government.
7 Mar 2014	S&D Dow Jones Indices announced the March quarterly rebalance of the S&P/ ASX indices. This announcement included the removal of GUF from All Ordinaries Index effective on the close of 21 March 2014.
13 May 2014	GUF announced that the value range for their Mongolian operations is in the range of $300 to $400 million (pre-tax, NPV basis).
25 Jun 2014	GUF announced the release of a JORC compliant resource estimate for the BNU Mongolian project.
2 Jul 2014	GUF announced that the Mongolian Ministry of Roads and Transport has granted a haulage permit which allows transport of coal from the BNU mine to Shivee Khuren.
10 Jul 2014	GUF announced a fully underwritten pro rata non-renounceable entitlement offer on the basis of 1 new share for every 18.284 shares held at the record date at $0.06 per share. The entitlement offer includes a free attaching option (exercisable at $0.06 within 3 months of grant date) for each share subscribed for and issued.
17 Jul 2014	GUF announced that it has received an unsolicited offer from a Singaporean company (i.e. Sino Construction, whose name was not disclosed at the time) to acquire all of GUF's Australian coal assets for a purchase price consideration of $USD 22.5 million.
28 Jul 2014	GUF announced an extension of time of the offer for Guildford Coal Limited provided the Singaporean Party. The offer was extended until 5pm (Singapore time) on 30 July 2014.
30 Jul 2014	GUF announced that the trucking of trial batches of coal from the BNU Mine, South Gobi will commence in mid-August to the Shivee Khuren/Ceke border for planned washing and testing of logistics.
1 Aug 2014	GUF announced that an agreement had been made with Sino Construction regarding the acquisition of its Australian coal assets.
14 Aug 2014	GUF announced that the first coal sales contract for the BNU mine has been executed.
15 Aug 2014	GUF announced that Sprinsure Mining Pty Limited is in the process of making a submission for an MDL over part of the Springsure project's EPC 1674.
25 Aug 2014	GUF announced that the BNU mine has commenced the first 8000t shipment of coking coal from its South Gobi mine.
23 Sep 2014	GUF announced that it has conducted a preliminary review of the carrying value of non-current Australian assets and whilst no final decision has been made, its board of directors are of the view that an impairment charge within the range of $40-$50 million is likely to occur.
25 Sep 2014	Sino Construction announced the intention to make a conditional off-market takeover bid to acquire all of the ordinary shares in GUF.
1 Oct 2014	GUF announced that it has negotiated the termination of its management agreement with C1 on the basis that GUF transfers 15% of its shareholding in Springsure Mining Pty Ltd

Date	Announcement
	(Springsure Project) to C1.
15 Oct 2014	GUF announced that shipment of the second trial batch of coal from the BNU has commenced.
31 Oct 2014	GUF announced its September quarterly report.
20 Nov 2014	GUF announced the recommencement of operations at the BNU mine following the completion of trial batches of coal.
27 Nov 2014	GUF announced the testing results from the second trial batch of coal, which confirmed coal of similar quality to the first batch. In addition, GUF announced that it received formal approval from the Mineral Resource Authority of Mongolia to increase the BNU mine's mining capacity to 1.5Mt and 2.0Mt for 2015 and 2016 respectively.

Source: ASX as at 5 December 2014

In Table 5.6 below we have set out the VWAP of GUF shares traded on the ASX for the one week, one month, three months, six months, nine months and 12 months prior to:

- 17 July 2014, being the date that GUF announced that it had received an unsolicited offer from Sino Construction for its Australian coal assets;
- 25 September 2014, being the date that GUF announced to the ASX that it had received an unsolicited takeover offer from Sino for 100% of the issued shares in GUF (i.e. the Offer); and
- 5 December 2014, being a recent date and a date closer to the date of this Report.

Table 5.6: GUF VWAP over Specified Periods

VWAP Period	Prior to 17 July 2014 ($'AUD)	Prior to 25 September 2014 ($'AUD)	Prior to 5 December 2014 ($'AUD)
1 Week	$0.0595	$0.0543	$0.0364
1 Month	$0.0633	$0.0573	$0.0411
3 Months	$0.0646	$0.0572	$0.0481
6 Months	$0.0782	$0.0627	$0.0542
9 Months	$0.0819	$0.0728	$0.0633
12 Months	$0.0946	$0.0797	$0.0695

Source: ASX as at 5 December 2014

The information presented in Table 5.6 above is shown graphically in Figure 5.3 below.

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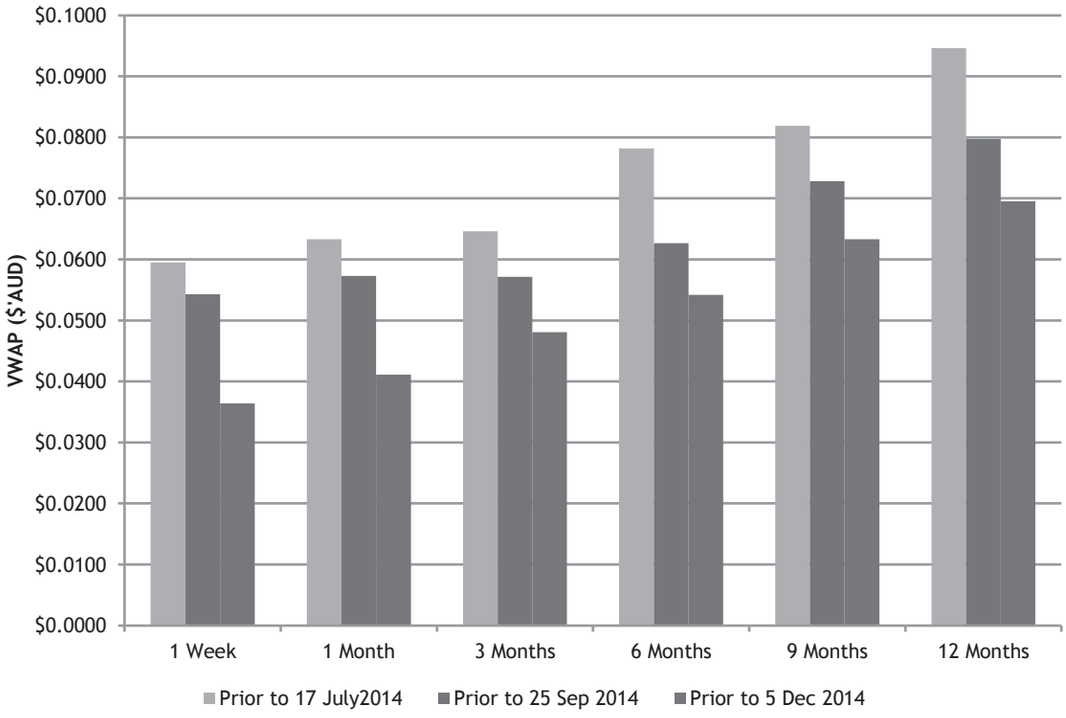
Figure 5.3: GUF VWAP over Specified Periods



Source: ASX as at 5 December 2014

The rate at which equity instruments are traded is generally referred to as the 'liquidity'. Changes in liquidity may impact the trading price of equity instruments, particularly depending on the number required to be bought and/or sold and the time period over which the equity instrument holder needs to buy and/or sell. Depending on the circumstances, a movement in market price may or may not represent a shift in value of either the equity instrument or a shift in value of the company to which the instruments relate as a whole.

Table 5.7 below summarises the monthly liquidity of GUF shares from December 2013 to November 2014 inclusive. Liquidity has been summarised by considering the following:

- Volume of GUF share trades per month;
- Value of total trades (turnover) in GUF shares per month;
- Number of shares traded per month as a percentage of total shares outstanding at the end of the month; and
- The monthly VWAP of GUF shares.

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Table 5.7: Liquidity of GUF Shares on the ASX

Month	Volume	Turnover ($'AUD)	Shares Outstanding	Volume per Shares Outstanding	Monthly VWAP ($'AUD)
November 2014	15,273,920	609,300	864,260,090	1.77%	$0.0399
October 2014	6,717,300	285,030	845,203,190	0.79%	$0.0424
September 2014	25,563,490	1,465,980	845,190,940	3.02%	$0.0573
August 2014	31,949,230	1,724,410	824,357,020	3.88%	$0.0540
July 2014	22,330,760	1,347,520	761,857,020	2.93%	$0.0603
June 2014	20,367,230	1,285,490	761,857,020	2.67%	$0.0631
May 2014	13,506,690	874,050	761,857,020	1.77%	$0.0647
April 2014	4,938,040	368,400	759,699,180	0.65%	$0.0746
March 2014	13,410,940	1,236,360	744,594,330	1.80%	$0.0922
February 2014	15,014,600	1,506,200	683,325,040	2.20%	$0.1003
January 2014	10,005,470	899,160	655,046,900	1.53%	$0.0899
December 2013	5,993,370	489,020	641,362,690	0.93%	$0.0816
Total/Averages	**185,071,040**	**12,090,920**	**762,384,203**	**24.28%**	**$0.0653**

Source: ASX as at 5 December 2014

Based on an average number of 762,384,203 GUF shares outstanding over the period, approximately 24.3% of total shares on issue were traded over the 12 month period ended 30 November 2014. In our view, this indicates that GUF shares display a relatively low level of liquidity.

5.6 Historical Financial Information

This section sets out the historical financial information of GUF. As this Report contains only summarised historical financial information, we recommend that any user of this Report read and understand the additional notes and financial information contained in GUF's annual reports, which include the full statements of comprehensive income, statements of financial position and statements of cash flows.

GUF's financial statements for the 12 month periods ended 30 June 2012, 30 June 2013 and 30 June 2014 were audited by EY. BDO CFQ has not performed an audit or review of any type on the historical financial information of GUF. We make no statement as to the accuracy of the financial information provided, however we have no reason to believe that the information is false or misleading.

5.6.1 Statement of Comprehensive Income

Table 5.8 below summarises GUF's statement of comprehensive income for the 12 month periods ended 30 June 2012, 30 June 2013, 30 June 2014, and for the three months ended 30 September 2014.

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Table 5.8: Statement of Comprehensive Income

	12 Months Ended 30-Jun-12 Audited $'AUD	12 Months Ended 30-Jun-13 Audited $'AUD	12 Months Ended 30-Jun-14 Audited $'AUD	3 Months Ended 30-Sep-14 Unaudited $'AUD
Income	893,929	18,659,800	5,654,617	5,774,844
Employee benefits expense	(16,365,427)	(2,369,603)	(2,838,790)	(906,652)
Depreciation and amortisation expense	(164,923)	(113,667)	(346,696)	(29,175)
Legal and professional fees	(1,115,325)	(2,113,992)	(2,545,875)	(588,624)
Management fees	(2,500,000)	(2,500,000)	(2,500,000)	(625,000)
Rent expense	(840,224)	(964,279)	(1,009,097)	(218,454)
Consulting fees	(856,540)	(725,429)	(789,229)	(98,699)
Travel expense	(364,273)	(517,147)	(371,133)	(83,366)
Withholding tax expense	-	-	(3,034,251)	-
Impairment losses	-	-	(44,220,177)	-
Exploration deposit write-off	-	-	(2,066,867)	-
Other operating expenses	(1,324,257)	(3,050,223)	(5,009,660)	(496,768)
Finance costs	(13,610)	(7,772,774)	(6,493,737)	(1,245,814)
Profit (Loss) before income tax	**(22,650,650)**	**(1,467,314)**	**(65,570,895)**	**1,482,292**
Income tax (expense)/benefit	(533,766)	14,924	(22,538)	-
Profit (Loss) from continuing operations	**(23,184,416)**	**(1,452,390)**	**(65,593,433)**	**1,482,292**

Source: GUF Annual Report for the years ended 30 June 2013 and 2014 and Management Accounts

With reference to the comprehensive income of GUF set out in Table 5.8 above, we note the following:

- GUF has not generated revenue from its coal operations in Australia and Mongolia. However, it is noted that subsequent to FY14, GUF completed two trial lot shipments of hard coking coal from the BNU mine;
- Income was significantly higher in FY13 as a result of a $12.4 million gain recognised on the deferred consideration portion of the Terra Energy Limited acquisition. At the time of the acquisition, 20.0 million GUF shares with a fair value of $15.0 million were issued to Terra Holdings as deferred consideration, of which GUF initially recognised the entire amount as a liability. As at 30 June 2013, the fair value of the deferred shares was $2.6 million, which resulted in a $12.4 million gain to GUF. Upon settlement on 21 December 2013, the deferred shares had a fair value of $1.66 million, which resulted in a further $0.94 million gain to GUF in FY14;
- Remaining other income relates to interest received, R&D concessions, foreign currency gains, and mark to market valuation on conversion options;
- Management fees of $2,500,000 incurred each year relates to a management agreement between GUF and C1 for the provision of various management services. Approximately $625,000 was paid over the three months to 30 September 2014. From September 2014, GUF negotiated the termination of its management agreement with C1 in consideration of GUF transferring 15% of its shareholding in Springsure Mining Pty Ltd to C1;

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- Employee benefits expense was significantly higher in FY12 as a result of $12,350,000 bonuses paid to a number of GUF executives in the form of GUF shares;
- The exploration deposit write off in the amount of $2,066,867 incurred in FY14 relates to a deposit in respect of the agreement to purchase shares in Mongolian Petroleum Corporation LLC ('Mongolian Petroleum'). Under the terms of the agreement, the deposit is refundable to GUF at any time. However, GUF management assessed the recoverability of the deposit and determined it was appropriate to impair the asset based on an assessment of Mongolian Petroleum's ability to repay. GUF is seeking alternative methods to recover the deposit; and
- Significant losses have been incurred over the last three years.

5.6.2 Statement of Financial Position

Table 5.9 below summarises GUF's statement of financial position as at 30 June 2012, 30 June 2013, 30 June 2014, and 30 September 2014.

Table 5.9: Statement of Financial Position

	As at 30-Jun-2012 Audited $'AUD	As at 30-Jun-2013 Audited $'AUD	As at 30-Jun-2014 Audited $'AUD	As at 30-Sep-14 Unaudited $'AUD
Current Assets				
Cash and cash equivalents	14,488,137	25,681,908	9,140,971	5,266,882
Trade and other receivables	341,036	106,399	750,969	1,866,986
Other current assets	841,569	4,254,160	2,004,359	2,185,261
Total current assets	**15,670,742**	**30,042,467**	**11,896,299**	**9,319,129**
Non-Current Assets				
Trade and other receivables	220,658	1,417,226	2,289,436	2,222,618
Property, plant and equipment	583,185	22,854,514	70,770,041	78,577,851
Intangible assets	48,098	43,552	330,810	-
Exploration and evaluation assets	121,631,637	128,769,092	79,392,258	79,309,285
Total non-current assets	**122,483,578**	**153,084,384**	**152,782,545**	**160,109,754**
Total assets	**138,154,320**	**183,126,851**	**164,678,844**	**169,428,883**
Current Liabilities				
Trade and other payables	3,653,500	9,473,729	12,329,974	8,400,000[(a)]
Short-term provisions	81,333	48,999	130,151	141,257
Borrowings	-	10,781,671	38,216,560	43,037,784
Total current liabilities	**3,734,833**	**20,304,399**	**50,676,685**	**51,579,041**
Non-Current Liabilities				
Borrowings	-	43,825,951	65,978,178	71,006,473
Long-term provisions	-	-	660,152	708,074
Other non-current liabilities	24,128	751,176	28,300	29,622
Total non-current liabilities	**24,128**	**44,577,127**	**66,666,630**	**71,744,169**
Total liabilities	**3,758,961**	**64,881,526**	**117,343,315**	**123,323,210**

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	As at 30-Jun-2012 Audited $'AUD	As at 30-Jun-2013 Audited $'AUD	As at 30-Jun-2014 Audited $'AUD	As at 30-Sep-14 Unaudited $'AUD
Net assets[(b)]	**134,395,359**	**118,245,325**	**47,335,529**	**46,105,673**
Equity				
Issued capital	147,206,514	168,806,514	170,466,514	175,467,212
Reserves	2,890,739	(25,790,471)	(32,612,791)	(40,331,323)
Retained earnings	(26,707,727)	(27,023,796)	(89,843,600)	(88,361,308)
Non-controlling interests	11,005,833	2,253,078	(674,594)	(674,594)
Total equity[(b)]	**134,395,359**	**118,245,325**	**47,335,529**	**46,099,987**

Source: GUF Annual Report for the years ended 30 June 2013 and 2014, and for the 3 months ended 30 September 2014 Management Accounts

Note: [(a)] Approximate figure provided to us by GUF management

[(b)] Difference in net assets and equity noted in the 2014 management accounts

With reference to the financial position of GUF set out in Table 5.9 above, we note the following:

- GUF's current ratio (i.e. current assets divided by current liabilities) as at 30 September 2014 was 0.18. This value is very low as a result of GUF having significantly more current liabilities (in the form of debt and payables) than current assets. A current ratio this low is indicative of GUF potentially being unable to meet all its current liabilities as and when they fall due. In relation to GUF's current debt position we note that GUF's two major debt providers, OCP Asia and Noble, have agreed to continue to support the company by providing additional working capital of approximately AUD$12 million and delaying the date for further principal and interest repayments on its other facilities to allow GUF to ramp up production at the BNU Mine. Formal documentation for the extension of GUF's financing facilities is currently being prepared. Although the directors of GUF are confident of finalising the documentation regarding the extensions to its existing facilities, if this does not happen or if GUF were to default on its revised payment obligations, this would be likely to have significant consequences for GUF and its shareholders;
- Property, plant, and equipment increased significantly in FY14, primarily as a result of additional infrastructure required to further advance the development of the BNU mine;
- The decrease in exploration and evaluation assets in FY14 primarily relates an impairment loss of $44,220,177 recognised on certain coal assets in the Australian segment based on the recoverable value indicated by independent valuations undertaken for these assets;
- Increase in total current and non-current borrowings primarily relate to additional funds required for the BNU mine development. Details on borrowings are as follows:
    - On 14 November 2013, GUF entered into an agreement with Noble Resources International Pte Ltd ('Noble') for a $USD 8.0 million (approximately $AUD 9.4 million) debt facility, maturing on 11 November 2015 and bearing an interest rate of 9.7% per annum. The entire facility was fully drawn as at 30 June 2014;

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- On 18 December 2013, GUF entered into a long term agreement with Noble for a $USD 14.0 million (approximately $AUD 16.4 million) debt facility, which initially carried an interest rate of LIBOR plus 7.25% before being subsequently revised to 10.5% per annum following negotiations to defer the principal payment. This debt has a maturity date of 4 March 2016;
- On 8 January 2014, GUF issued convertible notes to OCP Asia with a face value of $USD 10.0 million (approximately $AUD 11.7 million), maturing on 8 July 2015 and bearing an interest rate of 12.0% per annum; and
- On 8 January 2014, GUF entered into an agreement with OCP Asia to issue amortising notes (which carried detachable warrants) with a face value of $USD 55.0 million (approximately $AUD 64.4 million), maturing on 8 January 2017 and bearing an interest rate of 12.0% per annum. The entire facility was fully drawn as at 30 June 2014.

5.6.3 Statement of Cash Flows

Table 5.10 below summarises GUF's statement of cash flows for the 12 month periods ended 30 June 2012, 30 June 2013 and 30 June 2014.

Table 5.10: Statement of Cash Flows

	12 Months Ended 30 Jun 2012 Audited $'AUD	12 Months Ended 30 Jun 2013 Audited $'AUD	12 Months Ended 30 Jun 2014 Audited $'AUD
Cash Flows from Operating Activities			
Payments to suppliers and employees	(16,177,318)	(8,709,281)	(17,696,471)
Interest received	1,249,902	242,090	112,068
Finance costs	(13,610)	-	-
R&D tax concessions received	-	1,740,473	-
Net cash flows from operating activities	**(14,941,026)**	**(6,726,718)**	**(17,584,403)**
Cash Flows from Investing Activities			
Payments for property, plant and equipment	(522,756)	(899,347)	(37,001,690)
Cash acquired through acquisition	131,402	-	-
Payments for exploration and evaluation expenditure	(35,726,959)	(31,980,396)	(4,084,274)
Payments for acquisition of intangible assets	(45,628)	(5,160)	(296,110)
Payment for acquisition of non-controlling interest	(1,502,877)	(5,000,000)	-
Net cash flows from investing activities	**(37,666,818)**	**(37,884,903)**	**(41,382,074)**
Cash Flows from Financing Activities			
Proceeds from non-controlling interest share contribution	-	996,373	486,386
Repayment of borrowings	-	(9,560,000)	(44,246,086)
Proceeds from borrowings	-	66,225,616	92,799,755
Proceeds from issue of shares, options etc	35,000,001	-	-
Payment of share issue cost	(1,686,124)	-	-
Finance costs	-	(2,076,093)	(6,296,364)
Net cash flows from financing activities	**33,313,877**	**55,585,896**	**42,743,691**

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	12 Months Ended 30 Jun 2012 Audited $'AUD	12 Months Ended 30 Jun 2013 Audited $'AUD	12 Months Ended 30 Jun 2014 Audited $'AUD
Net increase/(decrease) in cash and cash equivalents	**(19,293,967)**	**10,974,275**	**(16,222,786)**
Cash and cash equivalence at the beginning of the period	33,768,143	14,488,137	25,681,908
Net foreign exchange difference	13,961	219,496	(318,151)
Cash and cash equivalents at the end of the period	**14,488,137**	**25,681,908**	**9,140,971**

Source: GUF Annual Report for the years ended 30 June 2013 and 2014 and Appendix 5B for Quarter ended 30 September 2014

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6.0 Background of Sino Construction

6.1 Overview of Sino Construction

Sino construction is a listed company which was incorporated in the Republic of Singapore in 2006. Sino Construction is currently restructuring its business in an attempt to re-align the company's principal activities to undertake the following:

- Construction services, which involves design, construction and civil engineering activities, and project consultancy and management services in Singapore and other ASEAN countries. The continuance of this service offering is subject to future economic conditions. Further details on this line of service is summarised in section 6.1.1 below; and
- Exploration, development, and production of mineral and energy resources. Sino Constructions initiated an acquisition program since early 2014 to diversify its revenue stream via acquiring and holding investments in companies which operate in the mineral and energy resources sector (which includes the Offer) ('Acquisition Program'). Further details on the Acquisition Program is summarised in section 6.1.2 below.

Sino Construction is currently seeking approval from its shareholders to include the Mineral and Energy Resource Sector as an additional core business activity of Sino Construction and to subsequently change its entity name to 'Magnum Strategic Resources Limited'. However, it has not been indicated as to when Sino Construction anticipates receiving this decision from its shareholders.

6.1.1 Restructure of Sino Construction's Existing Construction Business

In connection with the restructuring, Sino Construction has made a number of investments and divestments in its construction line of business in recent years, including:

- Divestment of Subsidiaries in the People's Republic of China ('PRC')
    - On 6 November 2013, Sino Construction completed the disposal of its 100% equity interest in Dazheng Building Installation Co Ltd ('Dazheng') and Baixinyuan Concrete Products Co Ltd ('Baixinyuan') for a cash consideration of RMB 100,000 (approximately $AUD 19,000) for each of Dahzeng and Baixinyuan respectively. Nominal consideration was paid for these two businesses as they were both under tax investigations by the Daqing tax authority at the time of the disposal. Dahzeng and Baixinyuan were engaged in the provision of construction/civil engineering and concrete manufacturing services in the PRC respectively; and
    - On 27 March 2014, Sino Construction completed the disposal of its thermal business, Daqing Sunshine Reli Thermal Co Ltd ('Sunshine'), through the disposal of 100% equity interest in its parent company, Xinyuan for cash consideration of $SGD 10.0 million (approximately $AUD 8.9 million). Sunshine was engaged in the provision of heating services in the PRC; and

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- Investment into Subsidiaries in the PRC

    - On 3 December 2013, Sino Construction incorporated Daqing Naifei Le Consulting Co Ltd ('Naifei') into its business as a wholly owned subsidiary, with an initial share capital of $USD 50,000 (approximately $AUD 58,000). Naifei is engaged in the provision of design and planning, project management, and consultancy services. On 9 January 2014, Naifei entered into a framework agreement with Xu Teng Construction Installation Co Ltd ('Xu Teng') to be strategic partners to jointly tender for construction contracts in the PRC for 5 years.[1]

      It is noted from the Bidder's Statement that no construction contract has yet been secured; and

    - On 27 December 2013, Sino Construction incorporated SC Building & Construction Pte Ltd ('SCBC') as a wholly owned subsidiary, with an initial share capital of $SGD 100,000 (approximately $AUD 89,000). On 29 January 2014, SCBC entered into a subscription agreement with Elite Bay Sdn Bhd ('Elite Bay'), to which Elite Bay issued 300,000 new shares to SCBC (which resulted in SCBC holding a 60.0% equity interest in Elite Bay, with the remaining 40% held by two of Elite Bay's directors). At the time of the transaction, Elite Bay had approximately nine employees comprising mainly project managers, site supervisors, and administrative staff.

      On 3 March 2014, Elite Bay was awarded an RM43.2 million contract (approximately $AUD 14.8 million) for a proposed mixed commercial development and bus terminal in Kota Kinabalu, Malaysia. Works under this contract commenced in March 2014 and are expected to complete by January 2016. Based on information available to us,[2] it appears that Elite Bay subsequently awarded this contract to a third party, YFG Trolka Sdn Bhd, for a total sum of RM42.4 million (approximately $AUD 14.6 million) on 13 March 2014.

      Aside from the above, limited information is publicly available on Elite Bay's revenue generating activity and the Bidder's Statement makes no further comments on Elite Bay's project pipeline. The Elite Bay contract is currently the only known revenue generating activity for Sino Construction.

6.1.2 Sino Construction's Acquisition Program in the Energy and Resources Sector

Recent and prospective investments by Sino Construction in its attempt to diversify the business through gaining exposure to the energy and resources sector are detailed below.

Acquisition of Sunny Cove Investments Limited

On 14 February 2014, Sino Construction acquired 100% of Sunny Cove Investments Limited ('Sunny Cove'), an investment holding company incorporated in the British Virgin Islands, for $SGD 12.0 million (approximately $AUD 10.7 million). The acquisition was an initial step for Sino Construction in gaining exposure to the oil and gas industry.

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1 Xu Teng is a construction company based in Daqing City, PRC, which focuses on residential and government buildings projects as well as civil engineering works. Xu Teng has completed various projects, which amongst others include Daqing Olympic Stadium, An Da Han Ling International Residential District, and Fu Rui Bang Biological Industrial Park.

2 For example, refer YFG's website: http://yfg.my/comp-news/yfgs-unit-gets-rm42-4m-job-from-elite-bay/

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At the time of the acquisition, Sunny Cove owned 19.9% of the shares in Ardilaun Energy Limited ('Ardilaun'), a company engaged in oil and gas exploration and development in Irish territories and internationally. Ardilaun has a working interest in the exploration of oil and gas in the Irish Sea and Celtic Sea, and the Seven Heads Gas Field in the Celtic Sea (producing asset). However, only limited information is publicly available on Ardilaun and we are unable to make further comments on Ardilaun's current activities (such as size, prospectivity, and funding), or its other shareholders.

For completeness we also note that Moore Stephen's state in section 8 of their report (attached as Annexure E to the Bidder's Statement) that they were unable to access accounting records of Ardilaun and were therefore unable to obtain sufficient appropriate review evidence about the financial position of Ardilaun as at 30 June 2014. They also state they were unable to obtain sufficient appropriate evidence about the carrying amount of the investment in Ardilaun as at 30 June 2014 of $SGD 12 million. In the absence of such evidence, they were unable to assess whether or not there is objective evidence that the investment was impaired as at 30 June 2014.

Investment in Renaissance Enterprises

On 3 June 2014, Sino Construction acquired a 19.9% stake in Renaissance Enterprises S.A ('Renaissance') for $SGD 26 million (approximately $AUD 25.4 million) via promissory notes, set to mature in June 2015. Under the terms of the promissory notes, Sino Construction can, at its election, convert the promissory notes to 135.0 million Sino Construction shares (implying $AUD 0.1883 per share). It is noted from the Bidder's Statement that Sino Construction intends, where possible, to issue shares in lieu of making cash payments under the terms of the Renaissance promissory notes.

Renaissance is a company incorporated in Luxembourg which owns 100% stake in Topkapi Sanayi ve Ticaret A.S ('Tokapi'), a company engaged in the exploration and production of metal and mineral properties in Turkey. Topkapi owns seven licences in respect of a titanium project located within a contiguous area of 113 square kilometres around the Manisa District of western Turkey ('Manisa Titanium Project').

The minerals contained in the Manisa Titanium Project include rutile and ilmenite (products bearing titanium) and zircon. A technical report prepared on November 2013 by IMC-Montan Consulting GmbH in accordance with the Canadian National Instrument 43-101 standards suggests that the Manisa Titanium Project contains 6.22 billion tonnes of Measured plus Indicated Resources, at 3.10% total heavy minerals. These findings have also been indicated to conform to the Australian JORC Code based on a subsequent report prepared for Topkapi at the request of Sino Construction.

A copy of the IMC-Montan Consulting GmbH report is not publicly available and no further details are provided in the Bidder's Statement in relation to Renaissance (i.e. such as whether it has any producing assets, the remaining shareholders, and funding).

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Proposed Acquisition of Signet Coking Coal International Limited

On 6 June 2014, Sino Construction entered into a sale agreement with Lighthouse Strategic Group Limited ('Lighthouse') to acquire 51% of Signet Coking Coal International Limited ('Signet') for a consideration of $USD 21.0 million (approximately $AUD 24.0 million). Mr Madacsi, the current managing partner of Lighthouse, will retain the remaining 49.0% stake of Signet.

Sino Construction will pay the consideration to Lighthouse in three tranches, where the first instalment will be paid on completion of the initial program and a JORC compliant report in respect of the Duel Project (i.e. one of its resource projects). The consideration is proposed to be issued via a non-interest bearing promissory note, convertible to 136,490,250 Sino Construction shares (at Lighthouse's option) at approximately $AUD 0.17 per share (10% discount to the VWAP of Sino Construction on 6 June 2014) pro rata to each tranche, where if all converted, will give Lighthouse an effective shareholding of 6.57% of Sino Construction. In the event Sino Construction is required to make cash payments under the promissory notes, it is indicated from the Bidder's Statement that Sino Construction will secure funding via internal revenue generation or external capital raising.

Notwithstanding Sino Construction's intention to secure funding via internal revenue generation or external capital raising, we note that based on Sino Construction's track record, the ability for it to raise material amounts of capital relying on its internal revenue generating ability is limited.

Signet and its subsidiaries are engaged in the exploration and mining of coal resources in South Africa. Signet holds a 74.0% interest in the following projects, all of which we understand to be in exploration stage:[3]

- The Duel Project, which has recently completed its first round of JORC exploration with coal qualities of hard coking coal;
- Universal Annex and Mopane, a coalfield that is divided into three separate sectors. The Mopane sector is already known to contain semi soft coking and thermal coal. Signet has not undertaken a full scale exploration of the area; and
- Tshipise II, a project which sits within the Tshipise sector of the Soutpansberg coalfield. Signet currently has the right to explore on six of the farms in the area for coking coal.

Sino Construction was also to be responsible for funding the prospecting operations of Signet through a $USD 5.0 million loan, payable in three tranches (subject to timing hurdles as per section 12.11(b) of the Bidder's Statement). However, it is noted that Sino Construction did not disburse the loan when required. Instead, a $USD 3.5 million (approximately $AUD 4.0 million) loan was issued by Quintestellar Re Capital Inc (i.e. major shareholder) on behalf of Sino Construction.

No update has been provided in relation to the expected timing of the Signet acquisition and we understand that the proposed transaction remains pending despite the initial announcement suggesting a completion date of 5 August 2014.

[3] Signet holds 74.0% interest given that under the laws of the Republic of South Africa, it is required for companies holding the rights under the Mineral Petroleum Resources Development Act 2002 to have at least 26% of its issued share capital held by persons who qualify as Black Economic Empowerment shareholders.

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Proposed acquisition of JEMS Exploration Pty Limited

On 22 July 2014, Sino Construction entered into a sale agreement with Bizcap Investments Ltd ('Bizcap') to acquire 52% of its subsidiary, JEMS Exploration Pty Limited ('JEMS').

The consideration is proposed to be issued via non-interest bearing promissory notes in two separate tranches to Bizcap with a total face value of $USD 20.0 million (approximately $AUD 23.0 million). Under the terms of the promissory notes, Sino Construction can, in respect of each tranche of the consideration, elect to issue Sino Construction shares, where if fully allotted, will give Bizcap a total shareholding of 6.06% of Sino Construction shares on issue (i.e. 126.0 million Sino Construction shares). No further information has been provided regarding Sino Construction's intentions for the promissory notes.

JEMS is an Australian based company engaged in the exploration of coal properties at the Grey Range Project in Queensland. The Grey Range Project is a coal development project which proposes to mine thermal coal within the following Exploration Permits for Coal ('EPC'):

- EPC2510, up to 18 July 2017;
- EPC2544, up to 7 April 2018; and
- EPC2557, up to 18 July 2017.

The central area of these EPCs is located approximately 70 kilometres southwest of Quilpie in western Queensland. In 2013, JEMS conducted exploration drilling (including seismic work and exploration boreholes) on each of the EPCs, of which identified an inventory of 1,450 million tonnes of inferred coal. However, due to thin and poor quality coal detected at some areas of the coal seams, the initial estimate was reduced by 40% to approximately 858 million tonnes of JORC Inferred Coal Resources. We understand the Grey Range Project is currently in exploration stage. Limited information is publicly available in relation to the Grey Range Project, including information relating to Sino Construction's plans to develop the project to production and the quantum of capital expenditure required.

No update has been provided in relation to the expected timing of the JEMS acquisition, which we understand is subject to shareholder approval at an extraordinary general meeting to be announced by Sino Construction.

6.1.3 Funding of Sino Construction's Projects and Interests

Sino Construction is currently seeking to raise additional funds for the following purposes:

- To advance its businesses, primarily those operating in the energy and resources segment; and
- To increase its cash holding in the event any of the promissory notes require the payment of cash rather than the issue of Sino Construction shares.

Below is a summary of the external and internal sources of funds which may be available to Sino Construction.

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External Funding

On 7 April 2014, Sino Construction entered into a Subscription Agreement with Dealson Limited ('Dealson') under which Sino Construction proposes to issue unsecured redeemable convertible notes to Dealson with a total face value of $SGD 16.0 million (approximately $AUD 14.2 million), convertible at Dealson's option into 100.0 million Sino Construction shares at $SGD 0.16 per share. It is noted for completeness that this value is at a substantial discount to Sino Construction's recent trading price and was a $SGD 0.02 premium to Sino Construction's closing share price on 4 April 2014 of $SGD 0.14.

The net proceeds of the issue will be primarily applied towards undertaking the proposed Signet and JEMS acquisitions, as well as payment of the face value of the Renaissance promissory notes, if required. It is also noted from the Bidder's Statement that no more than 20% of the net proceeds will be applied towards general corporate and working capital requirements.

No update has been provided in relation to the timing of the issuance of the convertible notes, which we understand is subject to shareholder approval.

Internal Funding

Based on the latest available financial statements for the 9 months ended 30 September 2014 we note the following:

- Sino Construction incurred a loss and appears to generate revenue from only one source, being the Elite Bay construction project (the amount generated from this project appears uncertain given that Elite Bay subsequently awarded this contract to a third party, YFG Trolka Sdn Bhd – refer Section 6.1.1 for further discussion on this point);
- The quantum of any profits generated by Ardilaun remains unknown as it is noted from the FY14 financial statements that the auditors were not able to access accounting records of Ardilaun (which we understand has a working interest in producing assets in the Celtic Sea); and
- Having regard to disclosures made through the SGX and other publicly available information, we are not aware of any information on the remaining Sino Construction subsidiaries to suggest that the subsidiaries generate revenue.

As limited information is available regarding Sino Construction's revenue generating ability, it is difficult for us to determine whether funding via internal revenue generation is currently a likely and/or an achievable strategy for Sino Construction.

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6.2 Executive Management and Board of Directors

Table 6.1 below summarises the names and position titles of the executive management and board of directors of Sino Construction.

Table 6.1: Sino Construction Executive Management and Board of Directors

Name	Position Title	Date Appointed
Chee Tet Choy, Andy	Director and Chairman	2 May 2014
Lim Tiong Hian, Kenneth	Executive Director	12 June 2014
Chan Ying Wei,	Non-Executive Director	19 December 2013
Chong Chee Meng, Gerard	Non-Executive Director	19 December 2013
Rajesh Dilip Wadhwani	Non-Executive Director	19 December 2013

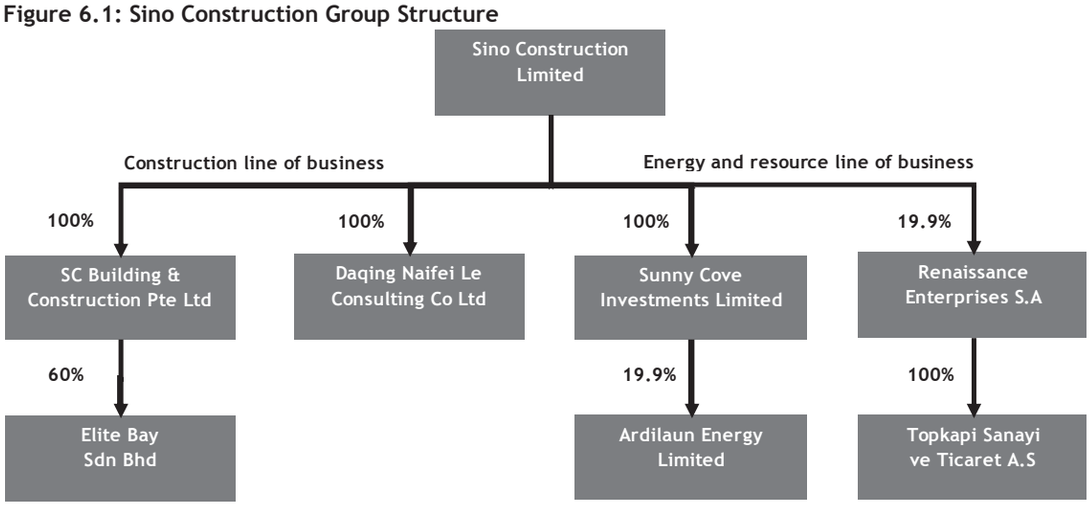
Source: Bidder's Statement

As shown in Table 6.1 above, it is noted that the board of directors of Sino Construction has changed since December 2013 as part of its initiative to restructure the business. Having regard to publically available information we note that none of the Sino Construction board members have direct experience in the mineral and energy resources sectors. Sino Construction is currently seeking to take on board additional directors with experience and qualifications in the mineral and energy resources sector.

6.3 Sino Construction Group Structure

Figure 6.1 below illustrates the current Sino Construction group structure.

Figure 6.1: Sino Construction Group Structure



Source: Sino Construction 2013 Annual Report

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6.4 Sino Construction Equity Structure

As at 8 December 2014, Sino Construction had 1,316,763,800 ordinary shares on issue. Table 6.2 shows the top ten shareholders of Sino Construction as at 8 December 2014.

Table 6.2: Top Ten Shareholders of Sino Construction as at 8 December 2014

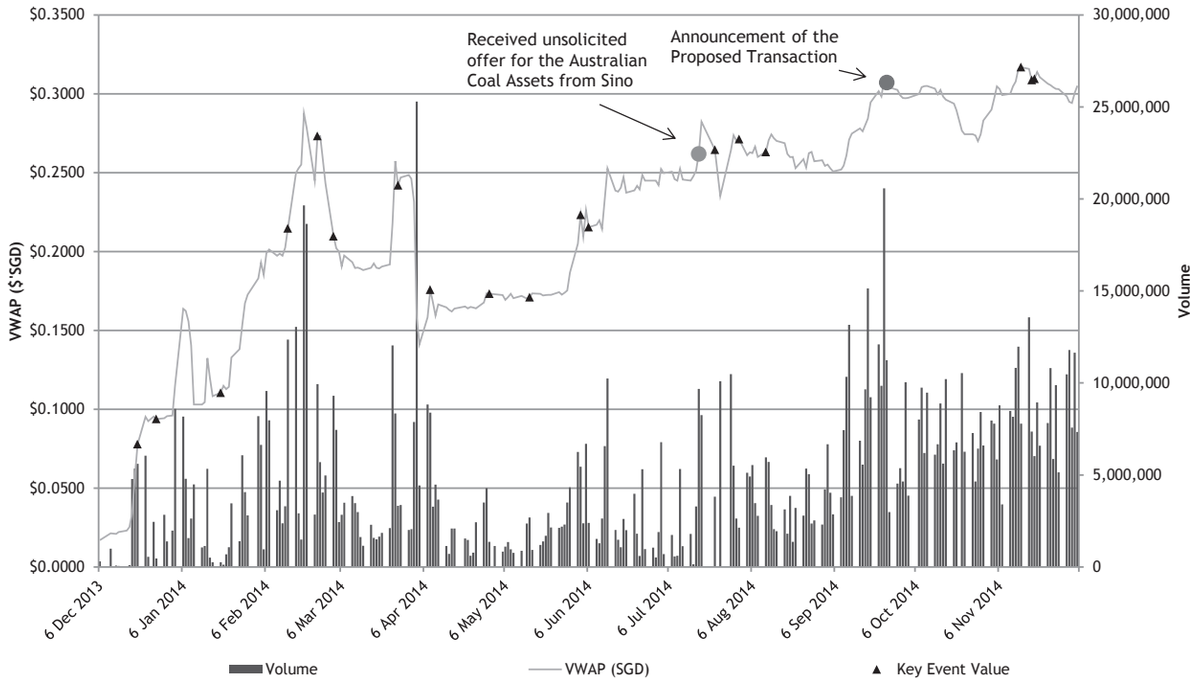
	Shareholder	Number of Shares	%
1.	Quintestellar Re Capital Inc.	266,572,000	20.24%
2.	Zhang, Yan Min	166,214,667	12.62%
3.	Zhao, Chuan Wen (Founder)	146,311,413	11.11%
4.	Condon, William Joseph (Non Executive Director)	125,000,000	9.49%
5.	Tan, Wic Ki	120,000,000	9.11%
6.	Lee, Ewe Ming	87,151,667	6.62%
7.	Oakton Holdings Limited	63,000,000	4.78%
8.	Sunvest Holdings Limited	62,000,000	4.71%
9.	Lim, Tiong Hian (Executive Director)	60,000,000	4.56%
10.	Greenstone Junior Mines Inc	60,000,000	4.56%
	Other remaining shareholders	160,514,053	12.19%
	Total	**1,316,763,800**	**100.00%**

Source: Capital IQ as at 8 December 2014

6.5 Sino Construction Share Market Performance

Figure 6.2 shows the daily volume-weighted average price ('VWAP') and daily volume of Sino Construction shares traded on the SGX over the period from 6 December 2013 to 5 December 2014 inclusive.

Figure 6.2: Sino Construction Daily VWAP and Volume from 6 December 2013 to 5 December 2014



Source: Capital IQ as at 5 December 2014

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Over the period graphed in Figure 6.2 above, Sino Construction's daily VWAP showed a period high of $SGD 0.3169 on 14 November 2014 and a period low of $SGD 0.0170 on 18 November 2013.

In addition to the share price and volume data of Sino Construction shown above, we have also provided additional information in Table 6.3 below to assist readers to understand the possible reasons for movements in Sino Construction's share price over the period analysed. The Sino Construction announcements in Table 6.3 below correspond to those displayed in Figure 6.2.

Table 6.3: Sino Construction SGX Announcements

Date	Announcement
20-Dec-13	Sino Construction announced that SCBC has received a letter of intent in relation to a building and construction main contract works for the proposed mixed commercial development and bus terminal in Kota Kinabalu, Malaysia.
27-Dec-13	Sino Construction announced that it has incorporated Naifei into its corporate structure.
20-Jan-14	Sino Construction announced the completion of the disposal of Dazheng and Baixinyuan.
15-Feb-14	Sino Construction announced that it had entered into a sale and purchase agreement in relation to the proposed acquisition of all of the ordinary shares of Sunny Cove, representing 100% of the issued and paid up share capital of Sunny Cove. At the time of the SPA, Sunny Cove owned 19.9% of Ardilaun Energy Limited.
25-Feb-14	Sino Construction announced its FY13 full year results
03-Mar-14	Sino Construction provided an update on the building/construction contract works in Kota Kinabalu. Subsequent to the receipt of the letter of intent, SCBC's subsidiary, Elite Bay was awarded with the contract for a total sum of RM43.2 million (approximately $AUD 14.8 million).
27-Mar-14	Sino Construction announced the completion of the disposal of its heating services business Xinyuan.
08-Apr-14	Sino Construction announced that it has entered into a subscription agreement with Dealson in relation to the proposed issue of $SGD 16.0 million (approximately $AUD 14.2 million) unsecured redeemable convertible bonds.
30-Apr-14	Sino Construction announced that it has entered into a sale and purchase agreement for the acquisition of a 19.9% stake of Renaissance.
15-May-14	Sino Construction announced its first quarter results for FY14.
03-Jun-14	Sino Construction announced the completion of the Renaissance acquisition.
06-Jun-14	Sino Construction announced that it had entered into a sale and purchase agreement in relation to the proposed acquisition of a 51% stake in Signet.
22-Jul-14	Sino Construction announced that it had entered into a sale and purchase agreement with Bizcap in relation to the proposed acquisition of a 52% stake in JEMS.
01-Aug-14	Sino Construction announced that it has entered into non-binding terms with GUF in respect of the proposed acquisition of GUF's entire portfolio of coal assets in Australia.
11-Aug-14	Sino Construction announced that it is expected to report a loss for the second quarter of FY14.
25-Sep-14	Sino Construction provided an update on the GUF transaction and announced the intention to acquire 100% stake in GUF instead of its Australian coal assets.
14-Nov-14	Sino Construction released its financial results for the third quarter of FY14.
18-Nov-14	Sino Construction announced the lodgement of the Bidder's Statement in relation to the Offer.
19-Nov-14	Sino Construction announced that it is transforming itself into a resources business.

Source: Sino Construction SGX announcements

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In Table 6.4 below we have set out the VWAP of Sino Construction shares traded on the SGX for the one week, one month, three months, six months, nine months and 12 months prior to:

- 17 July 2014, being the date that Sino Construction made an unsolicited offer for GUF's Australian coal assets;
- 25 September 2014, being the date that Sino Construction made an unsolicited offer to acquire 100% of the issued shares in GUF (i.e. the Offer); and
- 5 December 2014, being a recent date closer to the date of this Report.

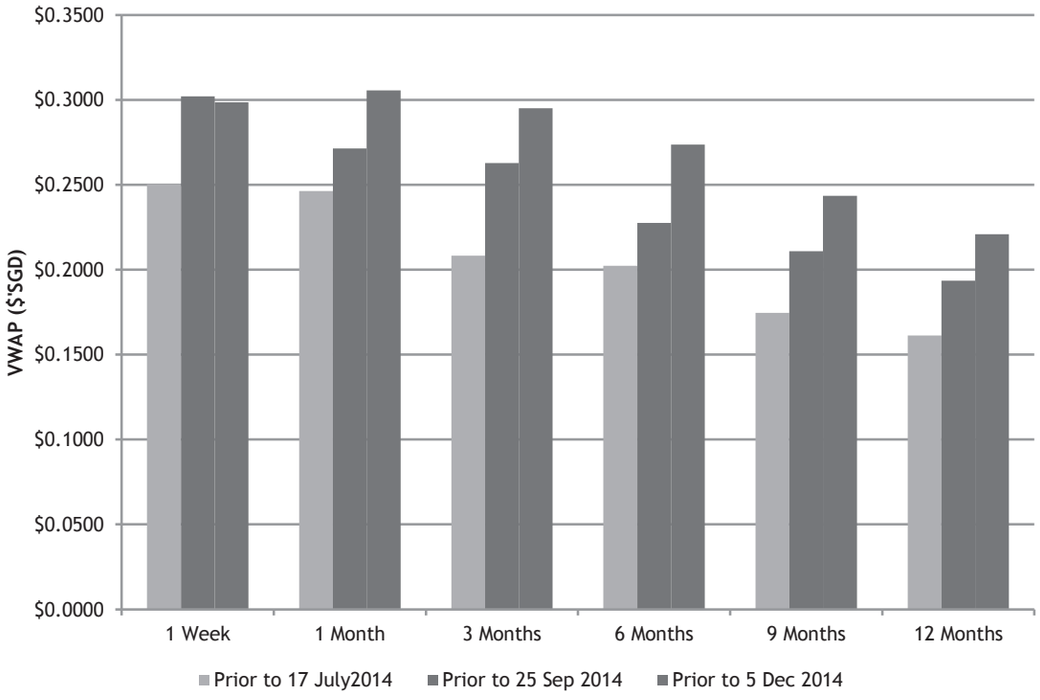
Table 6.4: Sino Construction VWAP over Specified Periods

VWAP Period	Prior to 17 July 2014 ($'SGD)	Prior to 25 September 2014 ($'SGD)	Prior to 5 December 2014 ($'SGD)
1 Week	$0.2503	$0.3021	$0.2986
1 Month	$0.2463	$0.2713	$0.3055
3 Months	$0.2082	$0.2627	$0.2951
6 Months	$0.2022	$0.2275	$0.2737
9 Months	$0.1746	$0.2108	$0.2436
12 Months	$0.1613	$0.1935	$0.2209

Source: SGX as at 5 December 2014

The information presented in Table 6.4 above is shown graphically in Figure 6.3 below.

Figure 6.3: Sino Construction VWAP over Specified Periods



Source: SGX as at 5 December 2014

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The rate at which equity instruments are traded is generally referred to as the 'liquidity'. Changes in liquidity may impact the trading price of equity instruments, particularly depending on the number required to be bought and/or sold and the time period over which the equity instrument holder needs to buy and/or sell. Depending on the circumstances, a movement in market price may or may not represent a shift in value of either the equity instrument or a shift in value of the company to which the instruments relate as a whole.

Table 6.5 below summarises the monthly liquidity of Sino Construction shares from December 2013 to November 2014 inclusive. Liquidity has been summarised by considering the following:

- Volume of Sino Construction share trades per month;
- Value of total trades (turnover) in Sino Construction shares per month;
- Number of shares traded per month as a percentage of total shares outstanding at the end of the month; and
- The monthly VWAP of Sino Construction shares.

Table 6.5: Liquidity of Sino Construction Shares on the SGX

Month	Volume	Turnover ($'SGD)	Shares Outstanding	Volume per Shares Outstanding	Monthly VWAP ($'SGD)
November 2014	162,961,000	49,584,730	1,316,763,800	12.38%	$0.3043
October 2014	152,722,000	44,093,140	1,316,763,800	11.60%	$0.2887
September 2014	171,739,000	48,638,920	1,316,763,800	13.04%	$0.2832
August 2014	74,415,000	19,526,210	1,316,763,800	5.65%	$0.2624
July 2014	74,924,000	19,356,150	1,316,763,800	5.69%	$0.2583
June 2014	68,282,000	15,845,180	1,316,763,800	5.19%	$0.2321
May 2014	36,791,000	6,430,090	1,316,763,800	2.79%	$0.1748
April 2014	90,307,000	14,740,210	1,316,763,800	6.86%	$0.1632
March 2014	78,650,000	16,871,430	1,316,763,800	5.97%	$0.2145
February 2014	142,325,000	34,767,430	1,316,763,800	10.81%	$0.2443
January 2014	60,418,000	8,598,960	1,316,763,800	4.59%	$0.1423
December 2013	32,257,000	2,351,290	1,316,763,800	2.45%	$0.0729
Total/Averages	**1,145,791,000**	**280,803,740**	**1,316,763,800**	**87.02%**	**$0.2451**

Source: SGX as at 5 December 2014

Based on an average number of 1,316,763,800 Sino Construction shares outstanding over the period, approximately 87.02% of total shares on issue were traded over the 12 month period ended 30 November 2014. In our view, this indicates that Sino Construction shares display a moderate level of liquidity.

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6.6 Historical Financial Information

This section of this Report sets out the historical financial information of Sino Construction. As this Report contains summarised historical financial information, we recommend that any user of this Report read and understand the additional notes and financial information contained in Sino Construction's annual reports, which include the full statements of comprehensive income, statements of financial position and statements of cash flows.

Sino Construction engaged Ernst & Young LLP and Moore Stephens LLP as auditors to the financial statements for the years ended 31 December 2012 and 31 December 2013 respectively. A disclaimer of audit opinion is noted in the 2012 and 2013 financial statements due to ongoing tax investigations undertaken by the Daqing Tax Authority, where Sino Construction was required to submit various accounting records. Sino Construction stated in the Bidder's Statement that the accounting records have not been returned to Sino Construction since they were initially submitted to the Daqing Tax Authority and as a consequence the auditors were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

In addition, it is noted that the auditors were not able to access accounting record of Ardilaun (which we understand has working interest in producing assets in the Celtic Sea) for the year ended 30 June 2014. It is also unclear whether the financial statements for the 9 months period ended 30 September 2014 include the financial results relating to Ardilaun for that period.

For the reasons set out above, readers should be cautious when interpreting Sino Construction's financial information summarised below.

BDO CFQ has not reviewed any historical financial information of Sino Construction. We make no statement as to the accuracy of the information provided.

6.6.1 Comprehensive Income

Table 6.6 below summarises the consolidated statement of comprehensive income for Sino Construction for the 12 month periods ended 31 December 2012, 31 December 2013, and for the 9 months period ended 30 September 2014.

Table 6.6: Sino Construction Statement of Comprehensive Income

	12 Months Ended 31-Dec-12 Audited $AUD'000[(a)]	12 Months Ended 31-Dec-13 Audited $AUD'000[(a)]	9 Months Ended 30-Sep-14 Unaudited $AUD'000[(b)]
Revenue	-	-	1,100
Cost of sales	-	-	(915)
Gross profit	**-**	**-**	**185**
Other items of income			
Finance income	-	-	-
Other income	-	-	202
Other items of Expenses			
Selling and distribution expenses	-	-	-
Administrative expense	(267)	(647)	(884)

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	12 Months Ended 31-Dec-12 Audited $AUD'000[(a)]	12 Months Ended 31-Dec-13 Audited $AUD'000[(a)]	9 Months Ended 30-Sep-14 Unaudited $AUD'000[(b)]
Finance costs	(1)	(1)	(5)
Other expenses	(46)	(4,222)	(3)
Profit (loss) before tax	**(314)**	**(4,870)**	**(506)**
Income tax credit (expense)	-	-	-
Net profit (loss)	**(314)**	**(4,870)**	**(506)**
Discontinued operations			
Profit (loss) from discontinued operations	(95,932)	(22,464)	4,420
Total Loss for the financial year	**(96,246)**	**(27,334)**	**3,915**
Other comprehensive income (loss)	-	-	-
Foreign currency translation gain/(loss)	(669)	581	(3,407)
Total comprehensive (loss)/income for the year	**(96,915)**	**(26,753)**	**507**

Source: Sino Construction annual report for 12 months ended 31 December 2013 and financial report for the 9 months ended 30 September 2014

Note: [(a)] Converted RMB to AUD at a rate of 5.12306 RMB/AUD as at 5 December 2014

[(b)] Converted SGD to AUD at a rate of 1.10172 SGD/AUD as at 5 December 2014

With reference to the Statement of Comprehensive Income of Sino Construction set out in Table 6.6 above, we note the following:

- Sino Construction generated revenue of approximately $1.1 million through its subsidiary Elite Bay in 2014 YTD from delivering the building/construction contract secured during the year. Sino Construction also incurred a cost of $AUD 0.9 million in relation to the contract;
- Other expenses were significantly higher in 2013 as a result of the settlement of a loan made by the controlling shareholder through the issuance of 451,458,200 ordinary shares at $SGD 0.005. The loss arose from the difference between the issued price and the market price of Sino Construction shares of $SGD 0.014 at the date of the issuance;
- Sino Construction incurred administrative expenses of $884,000 in 2014 YTD. Those administrative expenses are higher than the administrative expenses incurred in 2013 despite not being a full year. The significant increase is primarily attributed to the costs of the various acquisition activities and higher administrative salaries incurred in the year to date;
- Other income includes the recognition of negative goodwill from the acquisition of Elite Bay (i.e. the accounts indicate that Sino Construction purchased Elite Bay for a price determined to be less than fair market value); and
- Sino Construction incurred significant losses in 2012 and 2013 ($96.9 million and $26.8 million respectively) primarily as a result of losses on its previously owned construction subsidiaries. These loss making construction subsidiaries were subsequently divested in November 2013 following tax investigations by the Daqing Tax Authority.

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6.6.2 Financial Position

Table 6.7 below summarises the consolidated statement of financial position of Sino Construction as at 31 December 2012, 31 December 2013, and 30 September 2014.

Table 6.7: Sino Construction Statement of Financial Position

	As at 31-Dec-12 Audited $AUD'000[a]	As at 31-Dec-13 Audited $AUD'000[a]	As at 30-Sep-14 Unaudited $AUD'000[b]
Non-Current Assets			
Investment in Subsidiaries	-	-	32,907
Total Non-Current Assets	**-**	**-**	**32,907**
Current Assets	-		
Property, plant and equipment	28,525	-	-
Land use rights	9,147	-	-
Work in Progress	-	-	145
Inventories	723	-	-
Trade and other receivables	25,055	4,662	2,022
Prepaid operating expenses	7,228	-	42
Cash and bank balances	2,638	198	67
Assets of disposal group classified as held for sale	-	48,793	-
Total Current Assets	**73,315**	**58,512**	**2,276**
Total assets	**73,315**	**58,512**	**35,183**
Current Liabilities			
Loan and borrowings	9,904	-	70
Trade and other payables	26,239	4,662	30,205
Other liabilities	1,597	248	-
Provision for maintenance warranties	62	-	-
Income tax payable	5,244	-	10
Deferred tax liabilities	1,003		-
Accruals	-	-	241
Bank Overdraft	-	-	89
Liabilities directly associated with disposal group classified as held for sale	-	39,469	-
Total Current Liabilities	**44,049**	**44,380**	**30,615**

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	As at 31-Dec-12 Audited $AUD'000[(a)]	As at 31-Dec-13 Audited $AUD'000[(a)]	As at 30-Sep-14 Unaudited $AUD'000[(b)]
Non-Current Liabilities			
Loan and borrowings	-	-	555
Total Non-Current Liabilities	**-**	**-**	**555**
Total liabilities	**44,049**	**44,380**	**31,169**
Net assets	**29,266**	**14,132**	**4,014**
Equity Attributable to owners of the company			
Share Capital	87,039	93,799	86,666
Reserve funds	12,651	-	(4,720)
Merger reserve	(18,069)	-	-
Translation revenue	(1,136)	(556)	9
Accumulated (losses) profits	(51,219)	(82,344)	(78,161)
Non-Controlling interest	-	-	220
Total Equity	**29,266**	**10,900**	**4,014**

Source: Sino Construction annual reports for FY13, and financial report for the 9 months ended 30 September 2014

Note: [(a)] Converted RMB to AUD at a rate of 5.12306 RMB/AUD as at 5 December 2014

[(b)] Converted SGD to AUD at a rate of 1.10172 SGD/AUD as at 5 December 2014

With reference to the financial position of Sino Construction set out in Table 6.7 above we note the following:

- Sino Construction has a nominal cash balance as at 30 September 2014. We understand Sino Construction may be required to raise additional funds to settle contingent financial obligations (i.e. settlement of any of the promissory notes in the event that those notes require the payment of cash rather than the issue of Sino Construction shares);
- Sino Construction's trade and other payables include:
    - $SGD 4.5 million ($AUD 4.1 million) loans from shareholders; and
    - $SGD 28.3 million ($AUD 25.7 million) redeemable promissory notes relating to the Renaissance investment which Sino Construction has indicated it intends to settle in shares;
- Sino Construction's current ratio (i.e. current assets divided by current liabilities) as at 30 September 2014 was 0.07. This value is very low as a result of Sino Construction having significantly more current liabilities than current assets. We note however that current liabilities include a redeemable promissory note of approximately $SGD 28.3 million to Renaissance that Sino Construction intends to meet by issuing shares. Excluding this value would result in the current liabilities reducing to approximately $4.5 million and the current ratio increasing to 0.49. While this current ratio is an increase, it is indicative of Sino Construction potentially being unable to meet all its current liabilities as and when they fall due;

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- Sino Construction made the following divestments in the FY14 YTD:
    - The heating services business, Xinyuan (which owned Sunshine), was disposed for $SGD 10.0 million (approximately $AUD 8.9 million) on 27 March 2014; and
    - The construction businesses, Dahzeng and Baixinyuan, was disposed for RMB 100,000 (approximately $AUD 19,000) each on 6 November 2013;
- Trade and other receivables as at 30 September 2014 relate to those of Elite Bay. These amounts include a retention sum, payment on behalf of subcontractor, deposit paid, amount due to related party and others, loan to Renaissance of $SGD 1,255,500, and deposit of $SGD 58,171 for office rental;
- The increase in trade and other payables as at 30 September 2014 primarily relate to the promissory notes issued as part of the Renaissance acquisition that took place on 3 June 2014; and
- Sino Construction has non-current assets of approximately $32.9 million as at 30 September 2014, which relate to:
    - Investments in equity, which includes the equity interest in Ardilaun Energy Limited, (through its wholly owned subsidiary, Sunny Cove), and equity interest in Tokapi (through its 19.9% stake in Renaissance); and
    - Property, plant, and equipment, which were acquired through its equity interest in Elite Bay.

6.6.3 Cash Flows

Table 6.8 below summarises the consolidated statement of cash flows of Sino Construction for the 12 month periods ended 31 December 2012, 31 December 2013, and for the 9 months period ended 30 September 2014.

Table 6.8: Sino Construction Statement of Cash flow

	As at 31-Dec-12 Audited $AUD'000[(a)]	As at 31-Dec-13 Audited $AUD'000[(a)]	As at 30-Sep-14 Unaudited $AUD'000[(b)]
Operating activities			
Loss before tax for continuing operations	(314)	(4,870)	(506)
Loss before tax for discontinued operations	(100,877)	(10,283)	4,420
Loss before tax, total	**(101,190)**	**(15,153)**	**3,915**
Adjustments for:			-
Depreciation of property, plant and equipment	7,317	2,986	53
Amortisation of land use rights	333	275	-
Loss on disposal of property, plant and equipment	1,190	-	-
Impairment loss on property, plant and equipment	30,882	-	-
Impairment of land use rights	1,919	-	-
Property, plant and equipment written off	4,797	-	-
Allowance for impairment of doubtful debts	62,595	14,696	-

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	As at 31-Dec-12 Audited $AUD'000[(a)]	As at 31-Dec-13 Audited $AUD'000[(a)]	As at 30-Sep-14 Unaudited $AUD'000[(b)]
Reversal in provision for maintenance warranties	(211)	(62)	-
Finance costs	882	1	5
Interest income	(72)	-	-
Gain from settlement of payable to ex-shareholder of a subsidiary via issuance of ordinary shares	(6,048)	-	-
Gain on disposal of subsidiaries	-	(15,391)	(273)
Loss on re-measurement to fair value less cost to sell	-	1,627	-
Negative Goodwill	-	-	(200)
Loss on settlement of loan owing to controlling shareholder by issuance of new ordinary shares	-	3,889	-
Unrealised exchange loss (gain)	(662)	580	-
Translation difference	-	-	(4,148)
Operating cash flows before changes in working capital	1,732	(6,551)	(648)
Changes in working capital:			
(Increase) Decrease in Gross Amount due from Customer for contract Work-In-Progress	-	-	(145)
(Increase) decrease in inventories	3,048	(37)	-
(Increase) decrease in trade and other receivables	1,441	(8,808)	3,426
(Increase) Decrease in Gross Amount due from Customer for contract Work-In-Progress	-	-	(3)
Decrease (increase) in prepaid operating expenses	(3,008)	11	(41)
Increase in trade and other payables	4,741	17,782	(2,536)
Increase in other liabilities	238	137	(3)
Cash flows from operations			0
Interest received	72	-	-
Finance costs paid	(882)	(1)	(5)
Income taxes paid	(2,362)	-	-
Net cash flows from operating activities	**5,020**	**2,534**	**(5)**
Investing activities	-	-	-
Purchase of Property, Plant and Equipment	-	-	(102)
Net Cash Outflow on Acquisition of Subsidiary	-	-	(103)
Net cash inflow on disposal of subsidiaries	-	34	-
Repayment of outstanding payable to ex-shareholder of a subsidiary	(15,190)	-	-
Purchase of property, plant and equipment	(279)	(41)	-
Net proceeds from disposal of property, plant and equipment (Note A)	102	-	-
Net cash flows used in investing activities	**(15,366)**	**(7)**	**(205)**

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	As at 31-Dec-12 Audited $AUD'000[a]	As at 31-Dec-13 Audited $AUD'000[a]	As at 30-Sep-14 Unaudited $AUD'000[b]
Financing activities			-
Proceeds from loans and borrowings	-	14,640	20
Repayment of loans and borrowings	-	(10,736)	(32)
Proceeds of bank overdraft	-	-	46
Proceeds from issuance of new ordinary shares	-	849	-
Share issuance expenses	-	(48)	-
Net cash flows from financing activities	**-**	**4,705**	**34**
Net increase (decrease) in cash and bank balances	(10,346)	7,231	(125)
Cash and bank balances at 1 January	12,984	2,638	192
Cash and bank balances at 31 December	**2,638**	**9,869**	**67**

Source: Sino Construction annual reports for FY13, and financial report for the 9 months ended 30 September 2014

Note: [a] Converted RMB to AUD at a rate of 5.12306 RMB/AUD as at 5 December 2014

[b] Converted SGD to AUD at a rate of 1.10172 SGD/AUD as at 5 December 2014

From Table 6.8 above we note that Sino Construction has minimal operating cash flows for the 9 months ended 30 September 2014.

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7.0 Value of GUF Shares on a Controlling Interest Basis

This section sets out our valuation of GUF shares on a controlling interest basis and is structured as follows:

- Section 7.1 sets out our view of the most appropriate methodology to adopt to value each GUF share;
- Section 7.2 sets out our calculation of the value of each GUF share using the asset based valuation methodology;
- Section 7.3 sets out our calculation of the value of each GUF share using the market based valuation methodology; and
- Section 7.4 sets out our view of the most appropriate value to adopt for each GUF share for the purpose of this Report.

7.1 Valuation Methodology

Table 7.1 below summarises our view of the most appropriate valuation methodologies to apply when calculating the value per GUF share. A summary of each of the methodologies listed in Table 7.1 is contained in Appendix B.

Table 7.1: Common Valuation Methodologies

Methodology	Appropriate?	Explanation
Discounted cash flow ('DCF')	✓ Incorporated in ABV analysis	The DCF valuation methodology requires projections of the forecast earnings of GUF. GUF has prepared a financial model which sets out forecast financial information for the Company's South Gobi Project in Mongolia. Xenith Consulting ('Xenith') has prepared a DCF valuation having regard to the projected cash flows in the financial model to assist with determining an appropriate value for the BNU Mine. Information in relation to Xenith's valuation of the BNU Mine is set out in section 13.2.1 of their report (attached as Appendix E to this Report). We have considered Xenith's DCF valuation of the BNU Mine when completing our valuation of GUF in this Report.
Capitalisation of maintainable earnings ('CME')	×	GUF does not currently generate a maintainable earnings stream suitable for use in a CME valuation of the Company. It is our view that there are more appropriate valuation methodologies other than the CME methodology which can be adopted for the purpose of valuing GUF in this Report.
Asset based valuation ('ABV')	✓	In our view it is appropriate to adopt the ABV methodology for the purpose of valuing GUF in this Report. The assets and liabilities of GUF can be identified and it is possible to determine the fair value of this identifiable assets and liabilities with a reasonable degree of accuracy. Xenith Consulting has prepared a valuation of the Australian and Mongolian coal assets owned by GUF. We have considered the valuation prepared by Xenith Consulting when completing our asset based valuation of GUF in this Report.

Methodology	Appropriate?	Explanation
Market based valuation ('MBV')	✓	The shares of GUF are listed on the ASX and there have been a number of significant transactions in GUF shares. In our view it is appropriate to have regard to the MBV methodology in this Report. We note that the MBV methodology provides a valuation of GUF shares on a minority interest basis.

Source: BDO CFQ analysis

With reference to Table 7.1 above, in our view it is appropriate to adopt the ABV methodology to value GUF. We have adopted the MBV methodology as a cross-check to our ABV of GUF in this Report.

7.2 Asset Based Valuation of GUF

In order to complete an asset based valuation of GUF, we have considered the value of GUF's Australian and Mongolian coal assets as determined by Xenith and the value of GUF's other assets and liabilities as at 15 December 2014 provided to us by the Directors and management of GUF (based on updated balances of the Company's statement of financial position as at 30 June 2014 and 30 September 2014). BDO CFQ has not performed any audit or review work on the historical financial information of GUF. Accordingly, we make no statement as to the accuracy of the information provided however we have no reason to believe that the information is false or misleading.

Our assets based valuation of GUF is set out as follows:

- Section 7.2.1 sets out the value of GUF's Australian and Mongolian coal assets; and
- Section 7.2.2 sets out the value of GUF's other assets and liabilities, including cash, debtors, creditors, provisions and borrowings.

7.2.1 Value of GUF's Australian and Mongolian Coal Assets

We have engaged Xenith to prepare a technical valuation of the Australian and Mongolian coal assets for consideration in this Report. Xenith is a mining consulting company which provides professional mining services in the areas of geology, mine planning, business analysis and risk advisory. The Xenith Report is titled "Guildford Coal – Technical Specialist's Report" and was prepared in recognition of the requirements of the JORC Code and the Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (2005) Code ('Valmin Code'). The Xenith Report is attached as Appendix E to this Report.

The Xenith Report sets out Xenith's view of the fair value of the Australian and Mongolian coal assets. Fair value has been defined in the Xenith Report as the price that the assets would change hands in an unrestricted market between a willing buyer and a willing seller in an arm's length transaction with each party acting knowledgeably, prudently and without compulsion.

Table 7.2 below sets out the valuation summary of GUF's Mongolian and Australian coal assets based on the Xenith Report and the valuation methodologies adopted by Xenith to arrive at the value.

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Table 7.2: Value of GUF's Mongolian and Australian Coal Assets under the Xenith Report

Asset	Valuation Methodology	Low Value ($AUD'millions)	Preferred ($AUD'millions)	High Value ($AUD'millions)
Mongolian Coal Assets[(a)]				
South Gobi - BNU North (Inside Mine Plan)	DCF	70.0	116.0	148.0
South Gobi - BNU North (Outside Mine Plan)	Comparative Transaction	1.2	1.5	1.7
South Gobi - Hovguun East (MV 016971)	Comparative Transaction	0.7	1.1	1.4
South Gobi - EL 13780X	Past Exploration Expenditure	4.1	4.9	5.7
South Gobi - EL016972X	Past Exploration Expenditure	0.0	0.0	0.0
South Gobi - EL005264	Past Exploration Expenditure	1.9	2.3	2.7
South Gobi - EL005262X	Past Exploration Expenditure	0.2	0.3	0.3
South Gobi - EL14522X	Past Exploration Expenditure	0.2	0.2	0.2
South Gobi - EL13352X	Past Exploration Expenditure	0.3	0.3	0.4
Mid Gobi	Comparative Transaction	4.5	6.1	7.9
Australian Coal Assets				
Hughenden Project	Comparative Transaction	21.7	25.5	35.1
Clyde Park Project	Comparative Transaction	10.7	15.4	20.1
Pentland Project	Past Exploration Expenditure	0.8	1.0	1.1
Springsure Project	Comparative Transaction	2.3	3.6	4.0
Kolan Project	Past Exploration Expenditure	0.8	1.1	1.3
Sierra Project	Past Exploration Expenditure	1.8	2.1	2.4
Sunrise Project	Past Exploration Expenditure	0.0	0.0	0.0
Monto Project	Past Exploration Expenditure	0.0	0.0	0.0
Total value of GUF's Mongolian and Australian Coal Assets		**121.3**	**181.5**	**232.4**

Source: Xenith Report attached as Appendix E to this Report

Note: [(a)] Excludes EL12600X, which GUF and Noble are currently undertaking negotiations for a potential acquisition.

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It is noted that Xenith have prepared a financial model setting out the projected cash flows of the BNU mine for the purposes of a DCF valuation. We have suggested a real WACC of approximately 14.0% per annum to assist Xenith with the valuation of the BNU mine (refer to Appendix C of this Report for further information on the calculation of the WACC).

We have made enquiries of Xenith in relation to the remaining assumptions adopted in the Xenith Report. Xenith have confirmed to us (and state in the Xenith Report) that the assumptions adopted in the Xenith Report are appropriate to use for the purposes of this Report. Nothing has come to our attention to suggest that the assumptions adopted in the Xenith Report are not appropriate for use in our work.

In our view, it is appropriate for us to refer to the valuation range in the Xenith Report (low: $121.3 millon, preferred: $181.5 million, high: $232.4 million) when determining an appropriate fair value for the Mongolian and Australian coal assets.

7.2.2 Value of Other Assets and Liabilities

We have been provided with GUF's statement of financial position as at 30 June 2014 and 30 September 2014 which sets out GUF's other assets and liabilities (refer Table 5.9 above). In order to determine an appropriate value for GUF's other assets and liabilities, we have considered the values set out in the Company's statement of financial position and we have made enquiries of the Directors and management of GUF in relation to any material adjustments required to reflect the fair market value of these assets and liabilities in order to arrive at updated balances for the key categories as at 15 December 2014 for the purposes of this Report.

Having regard to the information provided to us by management of GUF, we have adopted the following values for other assets and liabilities for the purpose of the analysis set out in this Report:

- Cash and cash equivalents – $3.0 million;
- Debt – $123.8 million ($USD 103.1 million converted at AUD/USD of 0.83295 as at 5 December 2014); and
- Other - $1.0 million liability (comprising various other receivables and payables).

Having regard to the above we have adopted a value for other assets and liabilities of approximately negative $121.8 million.

7.2.3 Value of GUF's Other Equity Instruments

For the purpose of our analysis we have assumed that GUF have equity instruments on issue as follows:

- 917,612,681 ordinary shares;
- 1,000 convertible notes each with face value of $USD 10,000, convertible into GUF ordinary shares at a conversion price of $AUD 0.06 and expiring on 8 July 2015 (while the exchange rate applicable will be the prevailing rate at the time, we note for completeness that this represents approximately 200.1 million GUF ordinary shares assuming an AUD/USD exchange rate of 0.83295 as at 5 December 2014); and

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- 66,762,962 OCP Asia detachable warrants with an exercise price of $0.17 and expiring on 8 January 2019. The OCP Asia detachable warrants were issued with the OCP Asia amortising notes which were drawn on 8 January 2014 with a face value of $USD 55.0 million.

We have referred to the conversion feature on the convertible notes and the detachable warrants above as 'GUF's Other Equity Instruments'. The value of GUF's Other Equity Instruments was calculated using the Black-Scholes option pricing model, assuming the following:

- Conversion feature on the convertible notes: Exercise price of $0.06, volatility of 80%, risk-free rate of 2.34% and time to expiry of 0.56 years; and
- Detachable warrants: Exercise price of $0.17, volatility of 80%, risk-free rate of 2.34% and time to expiry of 4.06 years.

In both cases the share price adopted is the final valuation share price which results in circularity as this value relies on the value of the Other Equity Instruments. We have used an iterative process to overcome this circularity.

7.2.4 Asset Based Valuation of GUF on a Controlling Interest Basis

Table 7.3 below summarises our asset based valuation of GUF on a controlling interest basis.

Table 7.3: Asset Based Valuation of GUF

	Low Value ($AUD'Millions)	Preferred ($AUD'Millions)	High Value ($AUD'Millions)
Australian and Mongolian coal assets	121.3	181.5	232.4
Other assets and liabilities	(121.8)	(121.8)	(121.8)
Asset based value of GUF – controlling interest basis	**(0.5)**	**59.7**	**110.6**
Value of GUF's Other Equity Instruments	-	(4.4)	(13.6)
Value of GUF attributable to ordinary shareholders	**(0.5)**	**55.3**	**97.0**
Number of GUF shares on issue	917.6	917.6	917.6
Value per GUF share – controlling interest basis	**Nil**	**0.0602**	**0.1057**

Source: BDO CFQ analysis

With reference to Table 7.3 above, our asset based valuation equates to a value range of $Nil to $0.1057 per GUF ordinary share on a controlling interest basis.

7.3 Market Based Valuation of GUF

To form a view on the MBV of GUF we have had regard to:

- Recent share trading data; and
- Significant transactions in GUF shares.

7.3.1 Recent Share Trading Data

As part of our market based valuation of GUF we have considered the recent performance of GUF shares on the ASX. Table 7.4 below sets out the VWAP of GUF shares traded on the ASX for the one week, one month, three months, six months, nine months and 12 months prior to:

- 25 September 2014, being the date that GUF announced to the ASX that it had received an unsolicited takeover offer from Sino Construction for 100% of the issued shares in GUF (i.e. the Offer); and
- 5 December 2014, being a recent date and a date closer to the date of this Report.

Table 7.4: GUF VWAP over Specified Periods

VWAP Period	Prior to 25 September 2014 ($'AUD)	Prior to 5 December 2014 ($'AUD)
1 Week	$0.0543	$0.0364
1 Month	$0.0573	$0.0411
3 Months	$0.0572	$0.0481
6 Months	$0.0627	$0.0542
9 Months	$0.0728	$0.0633
12 Months	$0.0797	$0.0695

Source: ASX as at 5 December 2014

Table 7.4 above shows that GUF's share price has reduced in the period between the unsolicited takeover offer being announced to the ASX and more recently.

We note however that in considering the above share trading data and as discussed in Section 5.5 above, we consider that GUF shares display a relatively low level of liquidity which reduces the reliability of ASX share trading data. As such, it is our view that the market price of GUF shares should be interpreted with caution.

7.3.2 Entitlement Offer and Share Placement

On 10 July 2014 GUF announced that the Company was undertaking a non-renounceable entitlement offer and placement whereby GUF shareholders were entitled to purchase one new GUF share for each 18.284 shares held at a price of $0.06 per share. Attaching to each share issued under the entitlement offer was one option exercisable at $0.06 within three months of the grant date of the shares issued under the entitlement offer. The entitlement offer was fully underwritten by Maiora Asset Management Pte Ltd ('Maiora'), a boutique asset manager based in Singapore with an Asian focus.

On 5 August 2014 GUF announced that the entitlement offer was undersubscribed, with the Company receiving valid applications for 6,032,868 shares. We understand that, as per the underwriting agreement, Maiora subscribed for the remaining 35,633,799 shares.

On 8 August 2014 GUF announced that it had issued a further 41,666,667 shares to Maiora at a price of $0.06 per share. For each share issued to Maiora on 8 August 2014, Maiora was issued with one option exercisable at $0.06 prior to 7 November 2014.

As set out in the Appendix 3B lodged with the ASX on 24 November 2014, Maiora exercised 72,407,087 of the options issued to it under the entitlement offer and placement at a price of $0.06 per share. We note that the options were exercised out-of-the-money based on GUF's closing share price of $0.0369 on 11 November 2014.

Having regard to the above, we note the following:

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- For consideration of $0.06, subscribers to the entitlement offer and placement were issued with one GUF ordinary share and one option exercisable at $0.06 within three months of the issue date. We have calculated the proportion of the subscription price applicable to the share and option component, respectively. Based on our analysis, we have calculated the effective subscription price to be $0.055 per share and $0.005 per option;[4]
- Based on total subscription of 6,032,868 the entitlement offer was approximately 85.5% undersubscribed with the underwriter, Maiora, taking the remaining 35,633,799 shares. In our view, the under subscription for shares under the entitlement offer indicates that the market viewed the subscription price as being overvalued; and
- While the entitlement offer was undersubscribed by GUF shareholders, Maiora underwrote the offer for nil fees and subsequently purchased an additional 41,666,667 shares (and attaching options) under the placement at $0.06 per share. Maiora also subsequently exercised 72,407,087 options at $0.06 on 11 November 2014. Following the exercise of the options, Maiora holds 149,707,553 GUF shares representing 16.3% of the total GUF shares on issue (fully diluted).

Table 7.5 below summarises the significant transactions in GUF Shares.

Table 7.5: Issue of GUF Shares

Transaction	Issue Date	Issue Price	Shares Issued	Shares on Issue Immediately Prior	% of Shares on Issue
Entitlement Offer and Placement	7 Aug 2014	$0.055[(a)]	83,333,334	761,857,020	10.9%
Options	11 Nov 14	$0.06	72,407,087	845,205,594	8.6%

Source: GUF ASX announcements and BDO CFQ Analysis

Note: (a) As set out above, we have calculated the issue price net of the option to be $0.055.

7.3.3 Market Based Valuation of GUF on Minority Interest Basis

Having regard to the information set out in Section 7.3.1 and 7.3.2 above, it is our view that the value of each GUF share adopting a market based valuation methodology is in the range of $0.05 to $0.06 on a minority interest basis. In forming this view we had regard to the following:

- The one week, one month, three months, six months, nine months and 12 months VWAPs prior to 25 September 2014 are in the range of $0.0543 to $0.0797. These VWAPs are either within our adopted valuation range or greater than our adopted valuation range;
- The one week, one month and three month VWAPs prior to 5 December 2014 are below our adopted valuation range while the 6 month, 9 month and 12 month VWAP are either within our adopted valuation range or greater than our adopted valuation range. In our view, it is reasonable to suggest that the VWAPs prior to 5 December 2014 are less relevant given they represent periods of time following the announcement of the Offer on 25 September 2014 and that the Offer has not been positively received by the market for GUF shares;

[4] Calculated using the Black-Scholes option pricing model as at 8 August 2014, assuming a share price of $0.051, exercise price of $0.06, volatility of 80%, risk-free rate of 2.6% and time to expiry of 0.25 years.

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- In the four month period since August 2014, there have been approximately 155.7 million GUF shares purchased at either $0.055 or $0.06 as a result of shareholders participating in the Entitlement Offer, Placement or exercising options; and
- In the four month period ending 30 November 2014 there have been approximately 79.5 million GUF shares traded on the ASX. This number of shares is significantly less than the GUF shares purchased through the Entitlement Offer, Placement or through the exercising of options.

7.3.4 Market Based Valuation of GUF on Controlling Interest Basis

The value of GUF determined above is calculated on a minority interest basis. We note that a minority interest in a company is generally regarded as being less valuable than that of a controlling interest as a controlling interest may provide the owner with the following:

- Control over the operating and financial decisions of the company;
- The right to set the strategic direction of the company;
- Control over the buying, selling and use of the company's assets; and
- Control over the appointment of staff and setting of financial policies.

The increase in value for a controlling interest is often observed where an acquirer launches a takeover bid, or some other mechanism for control, for another company. Empirical research suggests that control premiums are typically within the range of 20% to 40% which is consistent with recent transactions in Australia (refer to Appendix D for our control premium research).

For the purposes of this Report, in our view it is appropriate to adopt a control premium of 30% (mid-point of the range summarised above) to calculate the value of GUF on a controlling interest basis. Applying a control premium of 30% would increase our valuation range to $0.065 to $0.078 per GUF ordinary share on a controlling interest basis.

7.4 Value per GUF Ordinary Share Prior to the Proposed Transaction

Table 7.6 below summarises our valuation per GUF ordinary share on a controlling interest basis using the ABV and MBV methodologies.

Table 7.6: Value per GUF Ordinary Share on a Controlling Interest Basis

	Low Value	Preferred Value	High Value
Value per GUF share - ABV Methodology	$Nil	$0.0602	$0.1057
Value per GUF share – MBV methodology	$0.065	n/a	$0.078

Source: BDO CFQ analysis

With reference to Table 7.6 above, we note that our valuation of GUF using the MBV methodology is between the preferred and the high value of the valuation range using an ABV. One reason for this result may be that the market is expecting value accretion from the expansion on the BNU North mine. For completeness we refer to section 13.2.1 of the Technical Report where it is stated that 'it is highly likely the mine life would be extended when the surrounding projects are taken into consideration'. Xenith also state that 'the coal seams appear to be continuous across lease boundaries into some of the adjacent leases/areas which has the potential of increasing total coal production and mine life, leading to potential upside. This potential upside has not formed part of this report as the geological confidence and technical

work on the surrounding areas has not been undertaken to a sufficient level to carry out a detailed assessment.'

In our view, for the purpose of the analysis set out in this Report it is appropriate to adopt a value in the range of $0.058 to $0.078 per GUF ordinary share on a controlling interest basis. In relation to this valuation range we note that:

- The low end of the valuation range of $0.058 ($0.0446 on a minority basis assuming a 30% control premium) is lower than the preferred value of our ABV methodology of $0.0602 and lower than the low value under our MBV of $0.065;
- The high end of the valuation range is based on the high value of our MBV valuation methodology. We note that this value of $0.078, being $0.06 plus a control premium of 30%, is representative of the value for which GUF's majority shareholder recently purchased an interest in the company of approximately 8.6%; and
- Prior to considering the application of a control premium (i.e. our valuation range of $0.0446 to $0.0600 on a minority basis), our valuation range materially encompasses the range of recent trading data for GUF shares summarised in Table 7.4 above. Only the 1 week and 1 month VWAP prior to 5 December 2014 are less. In our view, it is reasonable to suggest that the 1 week and 1 month VWAPs prior to 5 December 2014 are less relevant as they represent periods of time following the announcement of the Offer on 25 September 2014 and that the Offer has not been positively received by the market for GUF shares.

For completeness we note that GUF has yet to prove that it can generate sustainable positive operating cash flows. In our view, the value of GUF may increase or decrease materially over short time periods depending on the ability to meet certain milestones. We regard any investment in GUF as speculative and shareholders should consider that there is a risk that the share price may move materially.

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8.0 Value of a Sino Construction Share

This section sets out our valuation of the Offer consideration and is structured as follows:

- Section 8.1 sets out our view of the most appropriate methodology to adopt to value each Sino Construction share;
- Section 8.2 sets out our calculation of the value of each Sino Construction share having regard to several valuation metrics; and
- Section 8.3 sets out our conclusion on the value to adopt for each Sino Construction share for the purpose of the analysis set out in this Report.

8.1 Valuation Methodology

As per the terms of the Offer, GUF shareholders who accept the Offer will receive one Sino Construction share for every 4.5 GUF shares held prior. In order for us to opine on the Offer, it is necessary for us to form a view on the value of a Sino Construction share which is to be provided to GUF shareholders as consideration.

To do this we have considered the valuation methodologies set out in Appendix B of this Report. Our views on the factors impacting the selection of the valuation methodology are discussed in more detail below.

8.1.1 Sino Construction's Income Generating Ability

The ability to apply an earnings based valuation methodology (such as a DCF or CME) is dependent on the incoming generating ability of Sino Construction. In this section we have set out an overview of Sino Construction's incoming generating ability having regard to the information available to us.

Existing Investments

As discussed in Section 6.1 of this Report, Sino Construction has recently undertaken a significant restructuring of its business. In connection with this strategy, as at the date of this Report Sino Construction has divested a number of subsidiaries which were incorporated in the PRC and acquired interests in Elite Bay, Sunny Cove and Renaissance.

Having regard to the investments of Sino Construction, we note the following (refer to Section 6.1 of this Report for a more detailed summary):

- Naifei (a company set up on 3 December 2013 to engage in the provision of design and planning, project management, and consultancy services) has not secured a construction contract;
- On 3 March 2014, Elite Bay was awarded an RM 43.2 million contract (approximately $AUD 14.8 million) for a proposed mixed commercial development and bus terminal in Kota Kinabalu, Malaysia. We understand that this is the only contract which has been awarded to Elite Bay. According to the interim report for the 9 months ended 30 September 2014, Sino Construction had received revenues of approximately $SGD 1.2 million (approximately $AUD 1.1 million) associated with the delivery of the construction contract. However, the amount generated from this project is uncertain given that Elite Bay subsequently awarded this contract to a third party, YFG Trolka Sdn Bhd (refer to Section 6.1.1 for further discussion on this point);

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- Sunny Cove holds a 19.9% interest in Ardilaun, a company engaged in oil and gas exploration in Irish territories and internationally. There is no information available to us to suggest that the projects held by Ardilaun generate positive earnings and/or cash flows or that any earnings or cash flows are available for distribution to Sino Construction; and
- Through its wholly owned subsidiary, Tokapi, Renaissance is engaged in the exploration of metal and mineral properties in Turkey. We understand that Topkapi's only project is the Manisa Titanium Project in Turkey which is currently in exploration phase.

Having regard to the above, we note that Sino Construction's income is currently generated solely from the construction contract awarded to Elite Bay. Based on its current business structure and the information available, the ability for Sino Construction to generate income in the near term is dependent on the ability of either Naifei or Elite Bay to win future construction contracts. We note that the majority of Sino Construction's investments in mineral and energy assets are in the exploration phase and do not currently generate income.

Investments Proposed to be Acquired (Remain Subject to Shareholder Approval)

As at the date of this Report, Sino Construction has signed sale and purchase agreements for the acquisition of interests in Signet and JEMS. These proposed acquisitions by Sino Construction remain subject to Sino Construction shareholder approval. Sino Construction has not yet proposed a date for the shareholder meeting to approve these acquisitions.

While the acquisitions of Signet and JEMS are discussed in more detail in Section 6.1.2 of this Report, for completeness we note that:

- Signet and its subsidiaries are engaged in the exploration and mining of coal resources in South Africa. Signet holds a 74.0% interest in a number of projects, all of which are in the exploration phase; and
- JEMS is an Australian based company engaged in the exploration of coal properties at the Grey Range Project in Queensland. The Grey Range Project is in the exploration phase.

Having regard to the above, both Signet and JEMS hold projects in the exploration phase and their income generating ability is uncertain.

Conclusion

Having regard to Sino Construction's limited income generating ability as at the date of this Report, we are of the view that there are more appropriate valuation methodologies than an earnings based approach (such as a DCF or CME valuation methodology) available to value a Sino Construction share for the purpose of the analysis set out in this Report.

8.1.2 Prices Paid to Acquire Businesses or Cost to Set Up

Sino Construction has set up or acquired each of its existing investments in the previous 12 month period. In our view it is appropriate to consider the recent prices paid to set up or acquire each of Sino Construction's existing investments as an indicator of value along with any events that may have occurred post the acquisition date that may have had a material impact on value.

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8.1.3 Transactions in Sino Construction Shares

As discussed in Section 6.1 of this Report, Sino Construction has proposed the issue of a number of promissory notes and unsecured convertible bonds in order to finance its recent and proposed acquisitions, including the following:

- Renaissance – the issue of a promissory note with face value of $SGD 28.6 million to be settled by either cash or 135.0 million Sino Construction shares at Sino Construction's option;
- Signet – the issue of a promissory note with face value of $USD 21.0 million to be settled by either cash or 136,490,250 Sino Construction shares at Signet's option;
- JEMS – the issue of a promissory note with face value of $USD 20.0 million to be settled by either cash or 126.0 million Sino Construction shares at Sino Construction's option;
- Dealson – the issue of unsecured convertible bonds with face value of $SGD 16.0 million that will mature after 36 months and are convertible, at Dealson's option, into 100.0 million Sino Construction shares at a price of $SGD 0.1600 per share.

In our view, it is appropriate to consider the above transactions for the purpose of determining the value of Sino Construction shares for the purpose of the analysis set out in this Report.

8.1.4 Price of Sino Construction Shares on the SGX

The shares of Sino Construction are listed on the SGX. As there is a readily observable market for the trading of SGX shares, it is possible to have reference to the traded prices of Sino Construction shares on the SGX for the purpose of determining the value of Sino Construction shares in this Report.

8.1.5 Conclusion

In our view, the most relevant measure of value for GUF shareholders who accept the Offer is the price that they may be able to sell their Sino Construction shares (received as a result of the Offer) either immediately or in the short-term. It is important to note that the decision to hold Sino Construction shares for a longer period of time is a separate investment decision to be made having regard to each shareholders' individual circumstances and view on the long term prospects of Sino Construction.

While the price at which Sino Construction shares will trade on completion of the Offer is not known as at the date of this Report, in our view, and having regard to the information available to us, the most relevant measures of value (not in any order of preference) for GUF shareholders who accept the Offer are as follows:

- A valuation of Sino Construction having regard to the recent acquisitions either completed or proposed to be completed. As mentioned above, Sino Construction has set up or acquired each of its existing investments in the previous 12 month period. In our view, it is appropriate to consider the recent prices paid to set up or acquire each of Sino Construction's existing investments as an indicator of value along with any events that may have occurred post the acquisition date that may have had a material impact on value;

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- Significant transactions in Sino Construction's shares given that, in addition to the recent prices paid for the investments, information relating to the funding of each acquisition and the number of Sino Construction shares on issue is also available to assist to calculate a value for each Sino Construction share; and
- The traded price of Sino Construction shares on the SGX.

8.2 Value of Sino Construction Shares

8.2.1 Prices Paid to Acquire Businesses or Cost to Set-up

Table 8.1 below sets out the prices paid by Sino Construction to acquire its businesses or the cost to set-up its businesses along with a consideration of any factors that may have led to value accretion or dilution.

Table 8.1: Value of Sino Construction Investments Having Regard to Acquisition Price

Business	Description	Value Having Regard to Acquisition Price
Naifei	On 3 December 2013, Sino Construction incorporated Naifei into its business as a wholly owned subsidiary, with an initial share capital of $USD 50,000. Naifei is engaged in the provision of design and planning, project management, and consultancy services. It is noted in the Bidder's Statement that no construction contract has been secured. We have assumed that the $USD 50,000 was working capital and assigned a value of $SGD nil.	$SGD nil
Elite Bay*	Sino Construction incorporated SCBC as a wholly owned subsidiary with an initial share capital of $SGD 100,000. On 29 January 2014, SCBC acquired 300,000 shares in Elite Bay for $SGD 300,000 representing a 60% interest. On 3 March 2014 and following Sino Construction's acquisition of Elite Bay, the company was awarded a RM43.2 million contract (approximately $AUD 14.8 million) for a proposed mixed commercial development and bus terminal in Kota Kinabalu, Malaysia which may have a material impact on the value of Sino Construction's interest in Elite Bay. The awarding of this contract may be value accretive however it appears to us that there is some evidence (as discussed in Section 6.1.1 above) that the work was re-contracted to YFG Trolka Sdn Bhd in a RM42.4 million contract which may reduce any value accretion. It would also appear that the contract won by Elite Bay is the only material contract which has been won to date. We have assumed that the $SGD 300,000 purchase price remains appropriate for the purposes of our analysis, particularly in the absence of any further information in relation to a project pipeline.	$SGD 300,000
Sunny Cove	On 14 February 2014, Sino Construction acquired 100% of Sunny Cove for $AUD12.0 million. While we note that we only have limited information in relation to this investment, we have not identified any information which would suggest that there has been any value accretion on this investment post acquisition.	$SGD 13,201,200 (assuming SGD/AUD 1.1001)

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Business	Description	Value Having Regard to Acquisition Price
Renaissance	On 3 June 2014, Sino Construction acquired a 19.9% stake in Renaissance for $SGD 26 million via promissory notes. While we note that we only have limited information in relation to this investment, we have not seen any information which would suggest that there has been any value accretion on this investment post acquisition. We have not included a value for this transaction as the promissory note has not been settled as at the date of this Report.	Not settled
Signet	On 6 June 2014, Sino Construction entered into a sale agreement to acquire 51% of Signet. The consideration is proposed to be issued via non-interest bearing promissory notes in three separate tranches with a total face value of $USD 21.0 million. We have not included a value for this transaction as the transaction remains subject to Sino Construction shareholder approval and has not been completed as at the date of this Report.	Not completed
JEMS	On 22 July 2014, Sino Construction entered into a sale agreement to acquire 52% of JEMS. The consideration is proposed to be issued via non-interest bearing promissory notes in two separate tranches with a total face value of $USD 20.0 million. We have not included a value for this transaction as the transaction remains subject to Sino Construction shareholder approval and has not been completed as at the date of this Report.	Not completed
Total		**$SGD 13,501,200**

Source: Bidder's Statement and BDO CFQ analysis

With reference to Table 8.1 above, we note that the total value we have estimated having regard to prices paid by Sino Construction to acquire its businesses is equal to approximately $SGD 13.5 million. In addition to this value, we also note for completeness that Sino Construction had net assets of $SGD 4.4 million as at 30 September 2014.

Having regard to the above, we note that Sino Construction's net asset value and the total value of Sino Construction's businesses as implied by the acquisition prices is significantly below the current market capitalisation of Sino Construction, which as at 5 December 2014 was approximately $SGD 408.2 million.

In our view, having regard to the information available to us, the current market capitalisation of Sino Construction is not supported by the value of its business investments as implied by the acquisition prices paid for the investments in recent times or its net asset value.

8.2.2 Transactions in Sino Construction Shares

Sino Construction has proposed the issue of a number of promissory notes and unsecured convertible bonds in order to finance its recent and proposed acquisitions. In circumstances where these financing instruments are converted, the shares issued will represent a significant portion of the post-acquisition, fully diluted number of shares in Sino Construction.

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Table 8.2 below summarises the effective price at which Sino Construction would issue shares in circumstances where the instruments are settled through share issues.

Table 8.2: Effective Capital Raising Prices

Transaction	Funds Raised	Shares Issued	% of Current Shares on Issue[(b)]	Effective Price $SGD
Renaissance	$SGD 28,600,000	135,000,000	10.3%	0.2119
Signet	$SGD 27,793,500[(a)] $USD 21,000,000	136,490,250	10.4%	0.2036
JEMS	$SGD 26,470,000[(a)] $USD 20,000,000	126,000,000	9.6%	0.2100
Dealson	$SGD 16,000,000	100,000,000	7.6%	0.1600
Minimum				**0.1600**
Maximum				**0.2119**
Weighted Average				**0.1987**

Source: Bidder's Statement and BDO CFQ analysis

Note: a) Converted assuming an exchange rate of SGD/USD 1.3235, being the exchange rate as at 5 December 2014

b) Assuming 1,316,763,799 Sino Construction shares on issue

Having regard to the information set out in Table 8.2 above and other information available to us, we note:

- The effective price that capital would be raised at is in the range of $SGD 0.16 to $SGD 0.21. This range is significantly below the Sino Construction closing share price on 5 December 2014 of $SGD 0.31 and the Sino Construction share price on 13 November 2014 (the last practicable date for the Bidder's Statement) of $SGD 0.32;

- Sino Construction can elect to convert the Renaissance and JEMS promissory notes into shares. Despite the share price on 13 November 2014 (the last practicable date for the Bidder's Statement) of $SGD 0.32, Sino Construction stated in section 4.9(b) of the Bidder's Statement that it intends to issue Sino Construction shares at an effective share price of $SGD 0.2119 and $SGD 0.2100 in lieu of making cash payments. In our view, if Sino Construction was confident of raising cash at values in excess of the effective share price they are likely to have a preference to raise new capital and pay cash rather than diluting shareholder value by issuing further shares through the conversion of the promissory notes;

- Lighthouse can elect to convert the Signet convertible promissory note into approximately 136.5 million shares or receive payment of the face value. It is difficult to infer a value for Sino Construction from the Signet convertible promissory note until it is known whether Signet intends to convert or elect to receive repayment of the face value;

- The convertible bonds proposed to be issued to Dealson have a conversion price of $SGD 0.16 and are significantly 'in-the-money' having regard to the closing price of Sino Construction shares on 13 November 2014 and 5 December 2014. While the terms of the convertible bonds were entered into on 7 April 2014 (Sino Construction's closing share price on 4 April 2014 was $SGD 0.14), it is our understanding that they remain subject to shareholder approval and that it remains Sino Construction's preference to issue them despite the significant appreciation in the share price. In our

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view, if Sino Construction was confident of raising cash at values in excess of the conversion price they would do so rather than diluting shareholder value by issuing the convertible bonds.

Given Sino Construction's intention to issue large parcels of shares at significant discounts to its recent trading values, it is our view that this information provides support for a value per Sino Construction share in the range of $SGD 0.16 to $SGD 0.21.

8.2.3 Price of Sino Construction Shares on the SGX

Methodology

In this section we have calculated the value of a share in Sino Construction having regard to the MBV methodology and specifically, the trading prices of Sino Construction shares on the SGX. To form a view on an appropriate value to adopt having regards to Sino Construction's SGX trading values, we have considered several matters including:

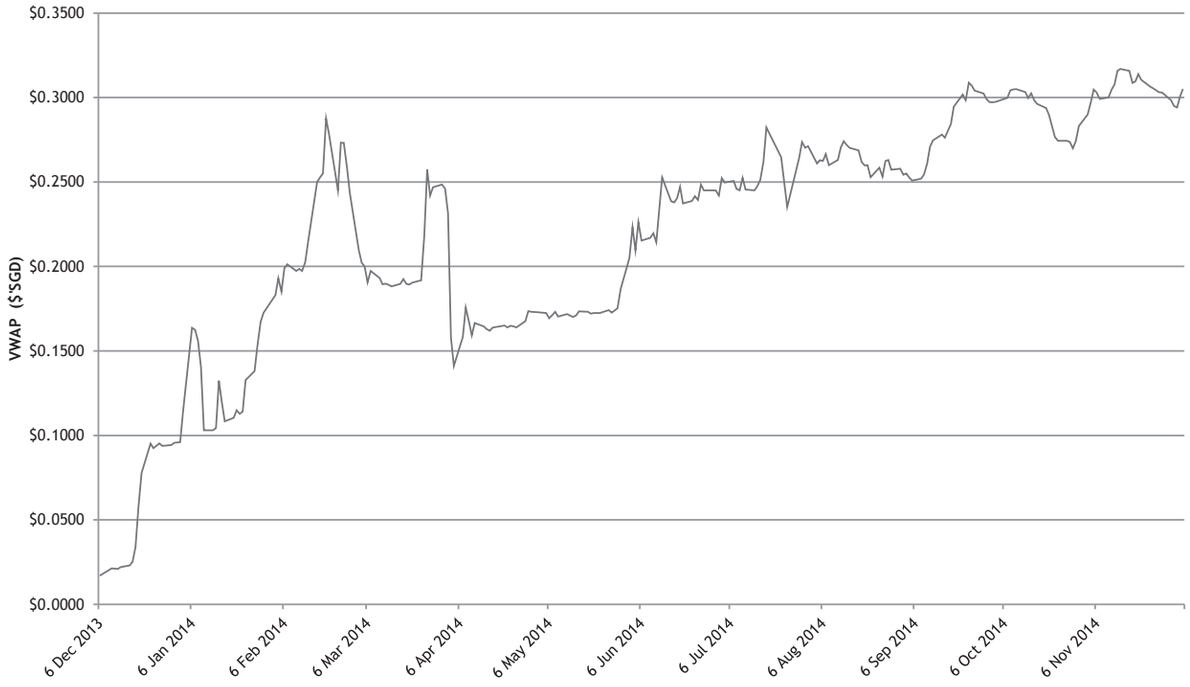
- Sino Construction's daily share price over the previous 12 month period;
- Sino Construction's VWAP across various timeframes prior to 5 December 2014; and
- When the Offer consideration may be received by GUF shareholders that accept the Offer.

These matters are discussed in more detail directly below.

Daily Share Price over Previous 12 Months

Figure 8.1 below shows the daily VWAP of Sino Construction shares over the 12 month period from 6 December 2013 to 5 December 2014.

Figure 8.1: Sino Construction Daily VWAP, 6 December 2013 to 5 December 2014



Source: CapitalIQ as at 8 December 2014

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With reference to Figure 8.1 above, we note that over the 12 months prior to 5 December 2014 Sino Construction shares traded in the range of $SGD 0.0170 to $SGD 0.3169 per share.

VWAP

We have set out information relating to the market value of Sino Construction shares across various timeframes prior to 5 December 2014 in Table 8.3.

Table 8.3: Sino Construction's VWAP prior to 5 December 2014

Period before 1 April 2013	Period included in VWAP	VWAP (SSGD)
1 Week	29 Nov 2014 to 5 Dec 2014	0.2986
1 Month	6 Nov 2014 to 5 Dec 2014	0.3055
3 Months	6 Sep 2014 to 5 Dec 2014	0.2951
6 Months	6 Jun 2014 to 5 Dec 2014	0.2737
9 Months	6 Mar 2014 to 5 Dec 2014	0.2436
12 Months	6 Dec 2013 to 5 Dec 2014	0.2209

Source: CapitalIQ as at 8 December 2014 and BDO CFQ Analysis

Timing of Receipt of the Offer Consideration

For reasons set out in Section 10.3.2 of this Report, it is possible that the conditions of the Offer will not be met by 25 February 2015 and that the Offer may need to be extended by a period of time in excess of three months. As at the date of this Report, there has been no clarity provided by Sino Construction as to when it expects the Offer will be declared unconditional such that GUF shareholders would be able to realise any value for their shares should they accept the Offer.

Given the uncertainty around when GUF shareholders would be able to realise any value for their shares, it is possible that Sino Construction's share price may change materially from the price of Sino Construction shares as at the date of this Report. The price of Sino Construction shares in the future will be dependent upon many factors, including the performance of its current investments and the outcomes of any acquisitions that the company completes in the period.

Having regard to the above, in order to appropriately consider the potential volatility in Sino Construction's share price in the period until completion of the Offer, in our view it is appropriate to consider the traded prices of Sino Construction shares over a relatively longer historical period.

Conclusion on MBV

Having regard to the information set out above, it is our view that it is appropriate to adopt a minority interest value for Sino Construction under the MBV of $SGD 0.2209 which represents the 12 month VWAP from Table 8.3 above. In forming this view we have considered a range of matters, including the uncertainty around the timing of receipt of the consideration for GUF shareholders that accept the Offer.

Further information in relation to the share trading data and liquidity of Sino Construction is set out in Section 6.4 of this Report.

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8.3 Value Adopted for Sino Construction

In determining the valuation range to adopt for our valuation of Sino Construction, we have considered a number of matters including the following:

- In the 12 month period ending 5 December 2014, the daily VWAP has recorded a low of $SGD 0.0170 and a high of $SGD 0.3169 with the higher values being recorded in the periods closest to 5 December 2014;
- Sino Construction intends to issue a material number of shares to settle amounts owing at share prices in the range of $SGD 0.16 to $SGD 0.2119, despite recent share prices being significantly higher than these values (refer Section 8.2.2 for additional information);
- In our view, while not exhibiting high levels of liquidity, the market for Sino Construction shares exhibits a moderate level of liquidity and a level of liquidity adequate to consider a MBV methodology (refer to Section 6.5 of this Report for more detail). It is our view that it is appropriate to adopt a minority interest value for Sino Construction under the MBV of $SGD 0.2209;
- As at 30 September 2014 Sino Construction had net assets of $SGD 4.4 million ($SGD 0.0033 per share) in its statement of financial position while our MBV (based on the twelve month VWAP) implies a value of $SGD 290.9 million. There is no information available to us that sufficiently explains this difference;
- The total value we have estimated having regard to prices paid by Sino Construction to acquire its businesses is equal to approximately $SGD 13.5 million (refer Section 8.2.1 for additional information). This equates to approximately $SGD 0.0103 per Sino Construction share. Based on information available to us, the prices paid for investments in the previous 12 months appear to be significantly below the value of Sino Construction implied by its current market capitalisation. There is no information available to us to suggest that the difference can be explained through either:
    - Value accretive activities undertaken by each of the investments; or
    - Sino Construction negotiating attractive purchase prices on each of the investments;
- Sino Construction has a limited track record of obtaining debt/equity funding and does not yet generate positive operating cash flows. In circumstances where Sino Construction was required to repay a significant amount of debt (e.g. Dealson convertible bonds or Signet acquisition) or was of the view that it was more value accretive to shareholders to repay debt rather than elect to complete a dilutive share issue, it is not clear to us that they would be able to readily source either debt or equity funding;
- We have not seen any information to suggest that Sino Construction has been able to effectively isolate itself from the tax investigation in PRC or that there will be no ongoing negative effects as a result of being unable to obtain an audit opinion on its financial statements. While Sino Construction state in the Bidder's Statement that neither of these matters represent an ongoing issue, we are of the view that risks may exist and have discussed both matters further as disadvantages in Section 10.2 below; and

- It is uncertain when the Offer consideration will be received by GUF shareholders that accept the Offer. The value that will be derived by a GUF shareholder considering selling their shares will ultimately be the market value at the time they sell their shares.

Having regard to the information set out above, it is our view that it is appropriate to adopt a value of $SGD 0.0033 to $SGD 0.2209 per Sino Construction share on a minority interest basis for the purpose of the analysis set out in this Report. Assuming that Sino Construction has 1,316,763,799 shares on issue, this implies a value in the range of $SGD 4.3 million to $SGD 290.9 million.

The low end of the valuation range is determined based on Sino Construction's net asset value per share while the high end of the range is determined having regard Sino Construction's twelve month VWAP from Table 8.3 above. While this range is very wide and below recent trading values, in our view the wide range is justified given the uncertainty in relation to the fundamental value of Sino Construction, the lack of information available to complete any further valuation analysis and the fact that we are unable to reconcile Sino Construction's share trading data with a more fundamental valuation approach.

Finally, in considering our valuation range, we note that the majority of Sino Construction's investments are in the construction or mining/resource industry and are yet to prove that they can generate sustainable positive operating cash flows. In our view, the value of such companies may increase or decrease materially over short time periods depending on the ability to meet certain milestones. We regard any investment in Sino Construction as speculative and shareholders should consider that there is a risk that the share price may move materially before shareholders are able to sell and realise the proceeds of their Sino Construction shares.

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9.0 Assessment of Fairness

This section sets out our assessment of the fairness of the Offer and is structured as follows:

- Section 9.1 summarises our valuation per GUF share on a controlling interest basis;
- Section 9.2 summarises the value of the Offer consideration; and
- Section 9.3 sets out our assessment of the Offer.

9.1 Value per GUF Share

As set out in Section 7.0 of this Report, we have calculated the value of a GUF share to be in the range of $0.058 to $0.078 on a controlling interest basis.

9.2 Value of the Offer Consideration

As per the terms of the Offer, GUF shareholders who accept the Offer will receive one Sino Construction share for every 4.5 GUF shares held. We have calculated the Offer consideration by multiplying our Sino Construction valuation range by the scrip ratio of 0.222 (1/4.5) and converting into Australian dollars.

Table 9.1 below summarises our calculation of the Offer consideration.

Table 9.1: Value of the Offer Consideration

	Low Value	High Value
Value per Sino Construction share – minority interest basis	$SGD 0.0033	$SGD 0.2209
Scrip ratio	0.222	0.222
Value of the Offer consideration - $SGD	**$SGD 0.0007**	**$SGD 0.0490**
SGD/AUD Exchange Rate (as at 5 December 2014)	0.90767	0.90767
Value of the Offer consideration - $AUD	**$AUD 0.0007**	**$AUD 0.0445**

Source: BDO CFQ analysis

With reference to Table 9.1 above, we have calculated the value of the Offer consideration to be in the range of $0.0007 to $0.0445.

In considering the value of the Offer consideration we reiterate that while this range is very wide and below the most recent trading values, in our view it is justified given we have significant uncertainty in relation to the fundamental value of Sino Construction, there is a lack of information available to complete any further valuation analysis and we are unable to reconcile Sino Construction's share trading data with a fundamental valuation approach (refer Section 8.3 above for additional discussion).

We also note that it is uncertain when the Offer consideration will be received by GUF shareholders that accept the Offer. The value that will be derived by a GUF shareholder considering selling their shares will ultimately be the market value at the time. For reasons set out in Section 10.3.2 of this Report, it is possible that the conditions of the Offer will not be met by 25 February 2015 and that the Offer may need to be extended by a period of time in excess of three months. This uncertain timing and the potential for the Sino Construction share price to move materially over this period should be considered when forming a view on whether to accept the Offer.

9.3 Assessment of Fairness of the Offer

In order to assess the fairness of the offer we have compared the value per GUF share on a controlling interest basis to the value of the Offer consideration. Pursuant to RG 111, the Offer is considered to be fair if the value of the offer consideration is equal to or greater than the value of the securities subject of the offer (i.e. the value per GUF share). Table 9.2 below summarises our assessment of the fairness of the Offer.

Table 9.2: Assessment of the Fairness of the Offer

	Low Value ($'AUD)	High Value ($'AUD)
Value of the Offer consideration	$0.0007	$0.0445
Value per GUF share – controlling interest basis	$0.058	$0.078

Source: BDO CFQ analysis

With reference to Table 9.2 above, we note that the Offer consideration value range is below the value range per GUF share.

Irrespective of this analysis in Table 9.2 above, until such time as further information arises which assists us to reconcile Sino Construction's market trading values with a more fundamental valuation approach and until such time as the uncertainty around timing is resolved such that there is less risk around realising value on Sino Construction shares received as consideration under the Offer, it is our opinion that the Offer is not fair.

Having regards to the above, in our view, the Offer is **Not Fair** to GUF shareholders as at the date of this Report.

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10.0 Assessment of the Reasonableness of the Offer

This section is set out as follows:

- Section 10.1 outlines the advantages of the Offer to GUF shareholders;
- Section 10.2 outlines the disadvantages of the Offer to GUF shareholders;
- Section 10.3 considers the position of GUF shareholders that reject the Offer; and
- Section 10.4 provides our assessment of the reasonableness of the Offer.

10.1 Advantages of the Offer

Table 10.1 below outlines the potential advantages to GUF shareholders of accepting the Offer. This section assumes that each of the conditions of the Offer are either met or waived.

Table 10.1: Potential Advantages of the Offer

Advantage	Explanation
Diversification	Sino Construction will be a more diversified company relative to GUF on a stand-alone basis. Existing GUF shareholders will gain exposure to Sino Construction's investments in other businesses within the construction, and mineral/energy resources sector. Sino Construction's projects are discussed in more detail in Section 6.1 of this Report. When reading this section we note that GUF shareholders should be aware that: • A number of the acquisitions have not been completed and remain subject to approval by Sino Construction's shareholders; • Sino Constructions investments are generally early stage and speculative investment opportunities; and • There is limited transparency in relation to the exact nature of assets held by a number of Sino Construction's investments.
Retain exposure to GUF's coal assets	If the Offer is approved, GUF shareholders will continue to have an interest (albeit a significant reduction and an indirect interest through the shareholding in Sino Construction) in GUF's portfolio of coal projects in Australia and Mongolia. If 100% of GUF shareholders accept the Offer, the indirect interest is expected to be in the range of 10.1% to 13.4%.[5]
Future funding potential	With the increase in diversification and a larger initial market capitalisation, the opportunity for funding potential future developments could increase. However this may be offset by having an expanded portfolio of assets which require funding or may result in some projects not being funded in the short to medium term.
Increased liquidity of Sino Construction shares	The liquidity of trading in GUF and Sino Construction shares are set out in Sections 5.5 and 6.5 respectively. The information discussed in these sections indicates that Sino Construction shares have greater liquidity than GUF shares. If the Offer is successful, GUF shareholders may have a better opportunity to sell their Sino Construction shares at market value due to the improved liquidity of the underlying securities. In considering this point, we note that the Sino Construction shares will be listed on the SGX rather than the ASX. GUF shareholders should refer to Annexure A of the Bidder's Statement in relation to the steps that need to be followed in order to transact in Sino Construction shares.

[5] This calculation assumes that 100% of GUF shareholders accept the Offer, that there are 917,612,681 GUF shares on issue which will equate to 203,913,929 Sino Construction shares, and that there is either 1,520,677,728 or 2,018,167,978 Sino Construction shares on issue (as set out in Section 5.2 of the Bidder's Statement, the ultimate number of Sino Construction shares on issue will depend on the number of shares issued as scrip consideration).

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Advantage	Explanation
Rollover relief may be available	If, as a result of the Offer, Sino Construction becomes the holder of 80% or more of GUF shares and GUF shareholders would otherwise have made a capital gain in respect of the disposal of their GUF shares under the Offer, some GUF shareholders may be entitled to capital gains tax ('CGT') scrip-for-scrip roll-over relief. If applicable, no taxable gain will arise as a consequence of accepting the offer. Refer to section 7.5 of the Target's Statement and Annexure C of the Bidder's Statement for further information. For completeness, we note that given the downward trend in GUF's share price in recent periods, it may be that this advantage does not apply to many GUF shareholders.

Source: BDO CFQ analysis

10.2 Disadvantages of the Offer

Table 10.2 below outlines the potential disadvantages to GUF shareholders of accepting the Offer. This section assumes that each of the conditions of the Offer are either met or waived.

Table 10.2: Potential Disadvantages of the Offer

Disadvantage	Explanation
The offer is not fair	As set out in Section 9.0, in our view the Offer is not fair to the GUF shareholders as at the date of this Report.
Dilution of shareholders	Prior to the Offer GUF shareholders owned 100% of the Company. If the Offer is accepted by 100% of GUF shareholders, the maximum percentage of Sino Construction held by GUF shareholders will be in the range of 10.1% and 13.4% of Sino Construction. Sino Construction will have effective control of GUF. Sino Construction will have the power to control the financial and operational aspects of GUF. If the Offer is successful, GUF shareholders will have limited capacity to influence the operations of Sino Construction and the GUF assets. GUF shareholders may be of the view that it is preferable to hold shares in GUF (and retain a 100% interest in GUF's business structure) rather than shares in Sino Construction.
GUF will share any benefits of its assets with Sino Construction	If the Offer is accepted, GUF shareholders will hold a diluted interest in GUF assets and will share any development or exploration upside in the asset portfolio with the shareholders of Sino Construction.
Change of risk exposure	GUF shareholders will be exposed to different risk profiles if the Offer is accepted. GUF is an emerging resource explorer with a large portfolio of projects in the prime coal bearing regions of Queensland and Mongolia, whilst Sino Construction is a construction company that is also developing a portfolio of diversified interests in the mineral and energy resources sector. GUF shareholders may not wish to be exposed to the risk profile of Sino Construction's projects. We recommend that GUF shareholders read in detail the risk factors set out in section 9 of the Bidder's Statement to understand the potential risks that Sino Construction's businesses may be exposed to.
Sino Construction's lack of experience in the mineral and energy resources sector	As stated in section 9.3 of the Bidder's Statement, Sino Construction does not have a proven track record in the mineral and energy resources sector and the current board and management of Sino Construction may not have the relevant experience and expertise required for assets in the mineral and energy resources sector.

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Disadvantage	Explanation
Audit opinion unable to be provided on financial statements	As stated in section 6.1 of the Bidder's Statement, Sino Construction's auditor was unable to express an opinion on the consolidated financial statements for the 12 month periods ended 31 December 2012 and 31 December 2013. The reason given was that the auditor was unable to find sufficient audit evidence on certain matters as the accounting records for Sino Construction's subsidiaries were submitted to the Daqing Tax Authority in January 2013 and have not been returned. Sino Construction state in the Bidder's Statement that they do not consider this an issue as the audit evidence related to the carrying values of its former subsidiaries. Nonetheless, we note it is unusual for a listed company to have accounts without an audit opinion expressed and there is a risk that arises from this. It is also not clear when the financial statements will be returned and Sino Construction's auditors will once again be able to express an audit opinion. In addition to the above, Moore Stephen's state in section 8 of their report (attached as Annexure E to the Bidder's Statement) that they were unable to access accounting records of Ardilaun and were therefore unable to obtain sufficient appropriate review evidence about the financial position of Ardilaun as at 30 June 2014. They also state they were unable to obtain sufficient appropriate evidence about the carrying amount of the investment in Ardilaun as at 30 June 2014 of $SGD 12 million. In the absence of such evidence, they were unable to assess whether or not there is objective evidence that the investment was impaired as at 30 June 2014. In our view, the above issues highlight governance risks within Sino Construction and increase the risks associated with owning shares in Sino Construction.
Daqing tax investigation	As stated in sections 4.8(b) and (c) of the Bidder's Statement, in January 2013 former subsidiaries of Sino Construction were implicated in an on-going tax investigation by the taxation audit bureau of Daqing City. To isolate itself from this tax investigation, Sino Construction disposed of the effected subsidiary entities. While Sino Construction is of the view that it has been able to isolate itself from the tax investigation, it is our view that there is a risk that all risks may not be eliminated. In this circumstance, it is unclear what the residual liability (if any) for Sino Construction is. For completeness we note that it is our understanding that the tax investigation has not yet been completed.
Availability of funding	Sino Construction currently has limited capital available and, based on the information available to us, does not appear to be operating profitably or generating operating cash flow (refer Section 8.1.1 above for additional discussion). There is no guarantee that it will be able to raise additional equity and/or debt to advance its projects. Further, the terms of funding that Sino Construction has been able to obtain appear very dilutionary to Sino Construction shareholders. For example, in section 12.11(d) of the Bidder's Statement it appears that Sino Construction intends to proceed with obtaining shareholder approval to issue the Dealson convertible notes with an exercise price of $SGD 0.16 despite the closing share price on 13 November 2014 (the last practicable date for the Bidder's Statement) being $SGD 0.32, twice the proposed conversion price. We also note that if the Offer is successful, GUF's projects may have to compete with other Sino Construction projects for funding.
SGX trading warnings	On 3 April 2014 and 11 September 2014, SGX issued warnings to Sino Construction shareholders to trade with caution following material movements in Sino Construction shares observed on the SGX. Sino Construction was not aware of any reason for the material price movements. GUF shareholders that accept the Offer should consider these trading warnings in conjunction with the potential effect on them if there were any future material movements in Sino Construction shares through the SGX.

Disadvantage	Explanation
Increased currency risk	GUF shareholders that accept the Offer and reside outside Singapore will encounter increased currency risk in relation to their investment in Sino Construction as it trades in Singapore in Singaporean dollars rather than Australian dollars.
Rollover relief may not be available	If Sino Construction is successful in acquiring greater than 50% but less than 80% of GUF shares, capital gains tax ('CGT') roll-over relief may not apply to the GUF shareholders who accept the Offer. As a consequence, GUF shareholders who accept the Offer may incur a CGT liability without having received any cash consideration from Sino Construction. Refer to section 7.5 of the Target's Statement and Annexure C of the Bidder's Statement for further information.

Source: BDO CFQ analysis

10.3 Other Considerations

10.3.1 Change to Securities Laws and Listing Rules

Sino Construction is a company incorporated in Singapore that trades on the SGX. GUF is a company incorporated in Australia and trades on the ASX. GUF shareholders that accept the Offer should be aware of the differences that will arise from holding an investment in a Singaporean company that trades on the SGX relative to their current investment which trades on the ASX.

We recommend that GUF shareholders refer to Annexure B from Bidder's Statement for a comparison of relevant companies and securities laws and listing rules in Singapore and Australia. The matters covered in Annexure B include:

- Takeovers;
- Compulsory acquisitions;
- Issue of new securities;
- Disclosure requirements for issues of new securities;
- Related party transactions;
- Capital reductions;
- Appointment or removal of directors;
- Disclosure requirements that apply to mining companies; and
- Franking credits.

10.3.2 Uncertainty in the Timing of Receipt of Sino Construction Shares as Consideration

If a GUF shareholder accepts the Offer we note the following:

- As set out in section 11.13 of the Bidder's Statement, GUF shareholders that accept the Offer will receive Sino Construction shares on or before the earlier of one month after the Offer becoming unconditional or 21 days after the end of the Offer period;

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- As set out in the Bidder's Statement, the Offer is open for acceptance until 25 February 2015 unless extended;
- Notwithstanding the Offer being open for acceptance until 25 February 2015, section 11.6(a) of the Bidder's Statement sets out circumstances where this period will need to be extended by at least 3 months (i.e. potentially to June 2015 or later). These circumstances include if Sino Construction is required to obtain a qualified person's report[6] prior to the Extraordinary General Meeting where Sino Construction shareholders vote in favour of or against approving the Offer; and
- Sino Construction is attempting to obtain a waiver from the requirement to prepare the qualified person's report, however it is unclear if this waiver will be granted. Even if the waiver is obtained, it remains unclear from the Bidder's Statement when Sino Construction intends to hold the Extraordinary General Meeting.

GUF shareholders that accept the Offer should be aware that they will not be able to withdraw their acceptance of the Offer or otherwise dispose of their GUF shares except in limited circumstances as set out in section 11.10 of the Bidder's Statement. These circumstances include if the Offer is revoked or the Offer is extended by more than one month and remains subject to one or more conditions set out in section 11.5 of the Bidder's Statement.

In practical terms, the above matters mean that in forming a view on whether to accept or reject the Offer, GUF shareholders should also take into account the period of time before they may be issued scrip in Sino Construction and the restrictions on transacting in GUF shares following acceptance but prior to Sino Construction scrip being received.

In our view, the uncertainty in the timing of receipt of Sino Construction shares as consideration increases the risk of the Offer to GUF shareholders. For completeness, we also note our comments in Section 8.3 of this Report. Specifically:

- Our view that the majority of Sino Construction's investments are in the construction or mining/resource industry and are yet to prove that they can generate sustainable positive operating cash flows;
- Our view that the value of such companies may increase or decrease materially over short time periods depending on the ability to meet certain milestones. We regard any investment in Sino Construction as speculative; and
- Our view that shareholders should consider that there is a risk that the share price may move materially within short periods of time and before shareholders are able to sell and realise the proceeds of their Sino Construction shares.

10.3.3 Ability to Trade Shares Listed on the SGX

Sino Construction shares will be listed on the SGX rather than the ASX. GUF shareholders should refer to Annexure A of the Bidder's Statement in relation to the steps that need to be followed in order to transact in Sino Construction shares.

[6] A qualified person's report is a report required to be prepared by the SGX to meet the disclosure requirements for mineral, oil and gas companies.

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10.4 Potential Position of GUF Shareholders who Reject the Offer

Table 10.3 below outlines the potential position of individual GUF shareholders who reject the Offer.

Table 10.3: Potential Position of GUF Shareholders who Reject the Offer

Position of Shareholders	Explanation
The Offer may not become unconditional	The Offer is conditional on Sino Construction acquiring a minimum of 50.1% of all GUF shares on issue and other conditions as set out in the Bidder's Statement. If any condition is not met, and Sino Construction does not waive the condition, the Offer will not proceed. In this circumstance, GUF will operate in a similar manner to what it currently operates.
Will continue to hold shares in GUF with Sino Construction possibly as a significant shareholder	GUF shareholders that reject the Offer will continue to hold shares in GUF with Sino Construction possibly as a significant shareholder. GUF shareholders will continue to be exposed to the risks and opportunities associated with GUF's portfolio of projects in the prime coal bearing regions of Queensland and Mongolia.
Change in liquidity	If Sino Construction acquires a significant parcel of GUF shares then the 'free float' of shares available to trade will be reduced. This may have the effect of reducing the liquidity of GUF shares on the ASX and make it more difficult for a GUF shareholder to efficiently exit their investment.
Refinancing of debt facilities	GUF's two major debt providers, OCP Asia and Noble, are intending to undertake a strategic review of GUF's operations in both Mongolia and Australia, which will include a ground-up review of the Company's operations, assets, and management. The outcome of this strategic review may result in changes to the structure and operations of GUF going forward. In the interim, OCP Asia and Noble have agreed to continue to support the Company by providing additional working capital and delaying the date for further principal and interest repayments on its debt facilities. Formal documentation for the extension of Guildford's debt facilities is currently being prepared. Although the directors of GUF are confident of finalising the documentation regarding the extensions to its existing facilities, if this does not happen or if GUF were to default on its revised payment obligations, this would be likely to have significant consequences for GUF and its shareholders.
Sino Construction may be able to pass special resolutions	If Sino Construction obtains a relevant interest in at least 75% of GUF shares then it will be able to control any special resolution at a general meeting of the Company (other than one where they are not independent of the resolution).
Compulsory acquisition	If Sino Construction obtains a relevant interest in at least 90% of GUF shares then it will be entitled, in certain circumstances, to acquire the remaining GUF shares not already held. For completeness we note that Sino Construction have indicated in section 8.3 of the Bidder's Statement that it does not intend to proceed with a compulsory acquisition in this circumstance (although Sino Construction does reserve its right to do so).
Prospect of a superior offer or alternative transaction	It is possible that GUF shareholders who do not accept the Offer may receive a superior offer to the offer proposed by Sino Construction. We note that no superior offer has been received as at the date of this Report. For completeness we note that in circumstances where Sino Construction becomes a significant shareholder in GUF, any alternative offer for 100% of GUF could not proceed unless Sino Constructions agrees to sell its shareholding.

Source: BDO CFQ analysis

10.5 Assessment of the Reasonableness of the Offer

In our opinion, after considering all of the issues set out in this Report, it is our view that in the absence of any other information, the Offer is **Not Reasonable** to GUF shareholders as at the date of this Report.

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11.0 Sources of Information

This Report has been prepared using information obtained from the following sources:

- Sino Construction annual report for the year ended 30 December 2012;
- Sino Construction annual report for the year ended 30 December 2013;
- Sino Construction financial statements for the 9 months ended 30 September 2014;
- Sino Construction SGX announcements;
- GUF annual report for the year ended 30 June 2012;
- GUF annual report for the year ended 30 June 2012;
- GUF management accounts for the year 3 months ended 30 September 2014;
- Financial Model prepared by GUF dated 22 October 2014;
- GUF ASX announcements;
- Technical valuation report prepared by Xenith dated 12 December 2014;
- Sino Construction company website (sinoconstruction.listedcompany.com);
- Guildford Coal company website (www.guildfordcoal.com.au);
- Capital IQ;
- Various other research publications and publicly available data as sourced throughout this Report;
- Various transaction documents including the Bidder's Statement and draft Target's Statement; and
- Various discussions and other correspondence with GUF management and their advisers.

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12.0 Indemnities, Representations and Warranties

GUF has agreed to our usual terms of engagement in addition to the indemnities and representations set out below.

12.1 Indemnities

In connection with BDO CFQ's engagement to prepare this Report, GUF agrees to indemnify and hold harmless BDO CFQ, BDO (QLD) or any of the partners, directors, agents or associates (together 'BDO Persons'), to the full extent lawful, from and against all losses, claims, damages, liabilities and expenses incurred by them. GUF will not be responsible, however, to the extent to which such losses, claims, damages, liabilities or expenses result from the negligent acts or omissions or wilful misconduct of any BDO Persons.

GUF agrees to indemnify BDO Persons in respect of all costs, expenses, fees of separate legal counsel or any other experts in connection with investigating, preparing or defending any action or claim made against BDO Persons, including claims relating to or in connection with information provided to or which should have been provided to BDO CFQ by GUF (including but not limited to the directors and advisors of GUF) as part of this engagement.

12.2 Representations & Warranties

GUF recognises and confirms that, in preparing this Report, except to the extent to which it is unreasonable to do so, BDO Persons will be using and relying on publicly available information and on data, material and other information furnished to BDO Persons by GUF, its management, and other parties, and may assume and rely upon the accuracy and completeness of, and is not assuming any responsibility for independent verification of, such publicly available information and the other information so furnished.

GUF management represent and warrant to BDO Persons that all information and documents furnished by GUF (either directly or through its advisors) in connection or for use in the preparation of this Report will not, at the time so furnished, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein.

GUF has acknowledged that the Company's engagement of BDO CFQ is as an independent contractor and not in any other capacity including a fiduciary capacity.

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13.0 Experience, Disclaimers and Qualifications

BDO CFQ has extensive experience in the provision of corporate finance advice, including takeovers, valuations and acquisitions. BDO CFQ holds an Australian Financial Services Licence issued by ASIC for preparing expert reports pursuant to the Listing Rules of the ASX and the Corporations Act.

BDO CFQ and its related parties in Australia have a wide range of experience in transactions involving the advising, auditing or expert reporting on companies that have operations domestically and in foreign jurisdictions. BDO in Queensland and in Australia is a national association of separate partnerships and entities and is a member of the international BDO network of individual firms.

Steven Sorbello has prepared this Report with the assistance of staff members. Mr Sorbello is a director of BDO CFQ and has extensive experience in corporate advice and the provision of valuation and business services to a diverse range of clients, including large private, public and listed companies, financial institutions and professional organisations.

This Report has been prepared at the request of the directors of GUF to provide GUF shareholders with information to assist them to decide whether accept or reject the Offer. BDO CFQ hereby consents to this Report being used for that purpose. Apart from such use, neither the whole nor any part of this Report, nor any reference thereto may be included in or with, or attached to any document, circular, resolution, statement, or letter without the prior written consent of BDO CFQ.

BDO CFQ takes no responsibility for the contents of other documents supplied in conjunction with this Report. BDO CFQ has not audited or reviewed the information and explanations supplied to us, nor has it conducted anything in the nature of an audit or a review of any of the entities mentioned in this Report. However we have no reason to believe that any of the information or explanations so supplied are false or that material information has been withheld.

Any forecast information which has been referred to in this Report has been prepared by the relevant entity and is generally based upon best estimate assumptions about events and management actions, which may or may not occur. Accordingly, BDO CFQ cannot provide any assurance that any forecast is representative of results or outcomes that will actually be achieved.

With respect to taxation implications of the Offer, it is strongly recommended that GUF shareholders obtain their own taxation advice, tailored to their own particular circumstances.

APES 225 'Valuation Services' issued by the Accounting Professional & Ethical Standards Board sets out mandatory requirements for the provision of quality and ethical valuation services. BDO CFQ has complied with this standard in the preparation of this Report.

The statements and opinions included in this Report are given in good faith and in the belief that they are not false, misleading or incomplete. This Report is current as at 19 December 2014.

BDO Corporate Finance (QLD) Ltd

Steven Sorbello
Director

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Appendix A – Industry Information: Overview of the Coal Industry

This section of this Report is set out as follows:

- Section A.1 provides a brief overview of coal;
- Section A.2 provides a brief overview of the coal industry in Australia; and
- Section A.3 provides a brief overview of the coal industry in Mongolia.

The information presented in this appendix has been compiled from a range of publicly available sources, together with information taken from various databases to which we subscribe to.

A.1 Coal Overview

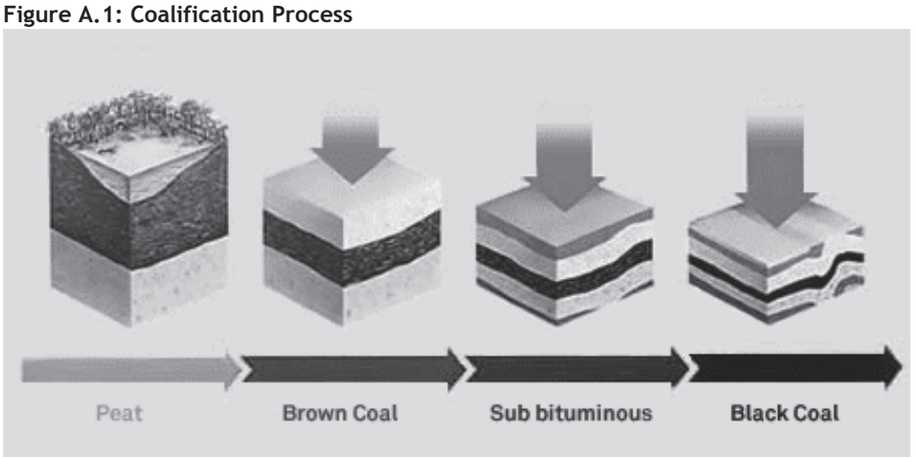
A.1.1 Coal Properties and Uses[7]

Coal is combustible, sedimentary, organic rock formed from ancient vegetation that has been compressed and transformed by the combined effects of microbial action, pressure and heat over millions of years. This process is known as 'coalification'.

Peat, the precursor of coal, is initially converted into lignite or brown coal and is considered to have low organic 'maturity'. Over many more millions of years, the continuing effects of temperature and pressure progressively change the lignite and increase its maturity, transforming it into the range known as sub-bituminous coals. As this process continues, further chemical and physical changes take place until these coals become blacker, harder and more mature, at which point they are classified as bituminous or hard coals. Under the right conditions and after a sufficient period of time, progressive increases in organic maturity will ultimately lead to anthracite.

Figure A.1 below illustrates the coalification process.

Figure A.1: Coalification Process



Source: Australian Coal Association

The degree of coalification undergone by a coal, as it matures from peat to anthracite, has an important bearing on its physical and chemical properties, and is typically referred to as the 'rank' of the coal.

[7] Sources include the Australian Coal Association, the World Coal Association and the World Energy Council websites

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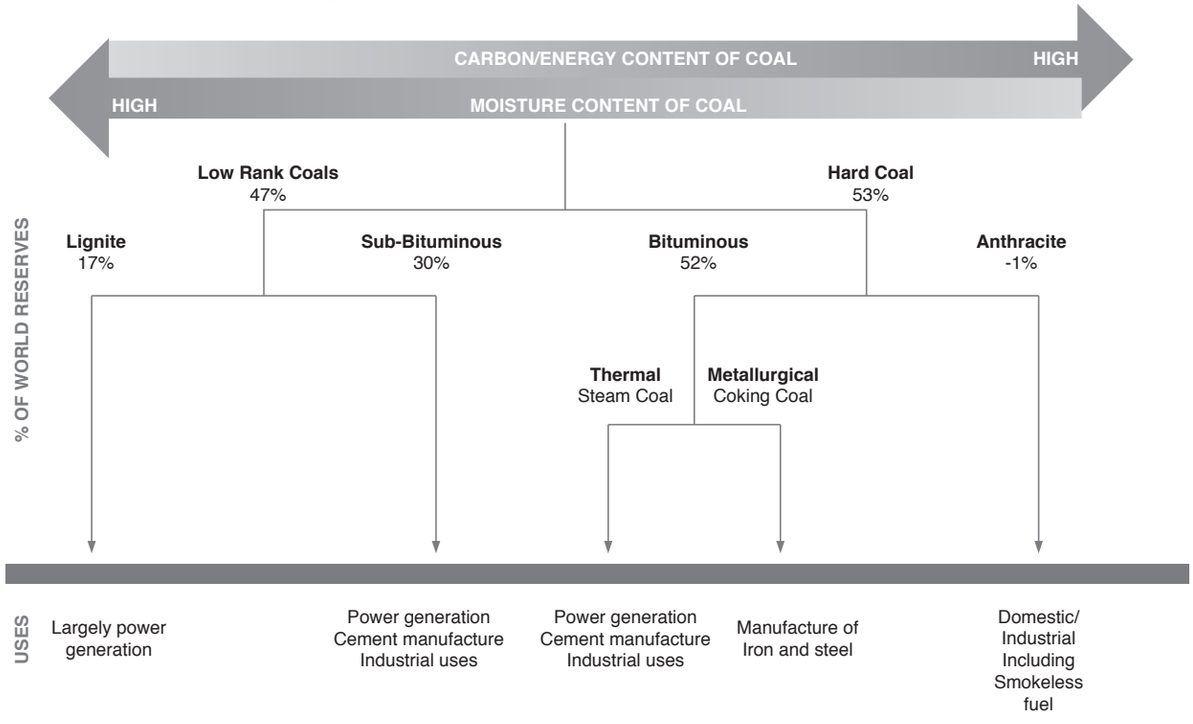
Lower rank coals, such as lignite and sub-bituminous coal are typically softer, friable materials with a dull, earthy appearance. They have low energy content due to high moisture levels and low carbon content.

Sub-bituminous coal is generally unlikely to be of sufficient energy or combustion characteristic to satisfy export markets. Further, sub-bituminous coal is difficult to stockpile and/or transport due to its tendency to self-combust and its high moisture content. Accordingly, sub-bituminous coal is typically consumed at the point at which it is mined.

Higher rank coals, such as bituminous coal and anthracite, are typically harder and stronger and tend to have a black vitreous lustre. Higher rank coals have high energy content due to low moisture levels and high carbon content. Anthracite is the type of coal with the highest carbon content and the lowest moisture level and is therefore the type of coal with the highest energy content.

Figure A.2 below illustrates the coal classification spectrum.

Figure A.2: Coal Classification Spectrum



Source: World Coal Association

The world market for coal primarily consists of higher rank coals, including thermal coal and coking coal.

- Coking (or Metallurgical) coal, due to its high carbon content and coking characteristics, is generally used for the production of metallurgical coke, which is used as a reductant in the production of iron and steel. Coking coal is further categorised in order of its level of carbon content as follows:
    - Hard coking coal (which has the highest carbon content) is more favoured in the production of coke and therefore trades at a premium to lower grade coking coals; and

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- Semi-soft coking coals and PCI (which has lower carbon content) are predominantly used for blending with hard coking coal where they are used as an auxiliary fuel source to increase the effectiveness of blast furnaces, ultimately resulting in lower production costs;

- Thermal (or steam) coal, which generally contains less carbon than all types of coking coal, is used in the generation of electricity.

The markets for coking coal and thermal coal generally have different demand determinants and operate independently.

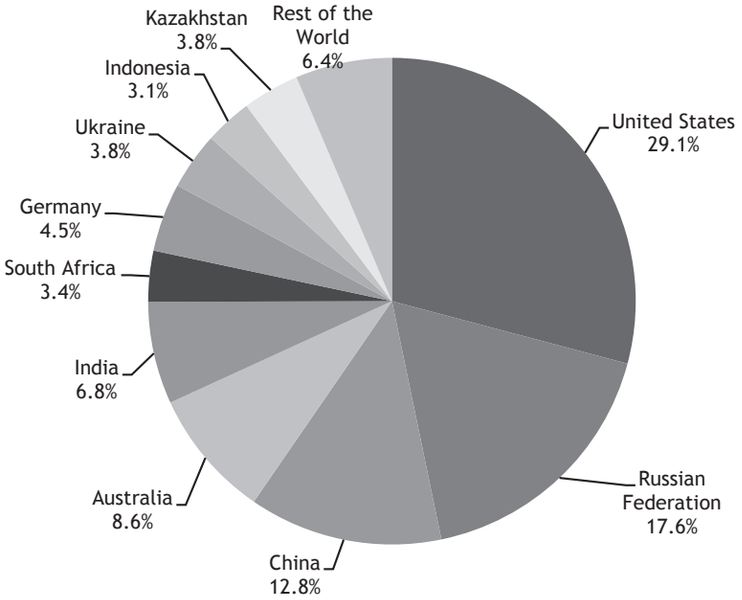
A.1.2 Global Coal Reserves

As at the end of 2013, it is estimated that there are over 891 billion metric tonnes of proved coal reserves worldwide.[8] Approximately 72.7% of the world's proven recoverable coal reserves are located in the following five countries:

- United States (29.1%);
- Russian Federation (17.6%);
- China (12.8%);
- Australia (8.6%); and
- India (6.8%).

Figure A.3 below shows the geographic spread of proven coal reserves by country as at the end of 2013.

Figure A.3: Global Proven Coal Reserves by Country



Source: World Energy Resources: 2013 Survey

[8] Proved reserves include reserves that are not only considered to be recoverable but that can also be recovered economically. This means that proved reserves take into account what current mining technology can achieve and the economics of recovery. Proved reserves will therefore change according to the price of coal. If the price of coal is low, proved reserves will decrease.

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A.1.3 Global Coal Consumption

Coal provides approximately 30.1% of global primary energy needs and in 2013 generated over 40% of the world's electricity. The five largest users of coal – China, the United States, India, Russia and Japan – account for approximately 77% of total global coal use. The biggest market for coal is in Asia-Pacific which accounted for 70.5% of global coal consumption in 2013.

Global coal consumption grew by 3% in 2013, well below the ten year average of 3.9% but still the fastest-growing fossil fuel. Chinese consumption grew by 4% in 2013, accounting for more than half of global coal consumption. OECD consumption grew by 1.4%, whereas consumption in non-OECD grew by 3.7%.

Table A.1 below sets out the top coal exporters estimated in 2013.

Table A.1: Top Coal Exporters Estimated in 2013

Country	Thermal Coal (million tonnes)	Coking Coal (million tonnes)	Total (million tonnes)
Indonesia	423	3	426
Australia	182	154	336
Russia	118	22	141
USA	47	60	107
Colombia	73	1	74
South Africa	72	0	72
Canada	4	33	37

Source: World Coal Association

Table A.2 below sets out the top coal importers estimated in 2013.

Table A.2: Top Coal Importers Estimated in 2013

Country	Thermal Coal (million tonnes)	Coking Coal (million tonnes)	Total (million tonnes)
China	250	77	327
Japan	142	54	196
India	142	38	180
South Korea	95	31	126
Chinese Tapei	61	7	68
Germany	43	8	51
United Kingdom	44	6	50

Source: World Coal Association

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A.1.4 Coal Prices[9]

Most coal traded in international markets is bought and sold pursuant to term contract arrangements between the world's major producers (such as BHP Billiton, Xstrata, Rio Tinto and Vale) and the world's major buyers (such as Indian, Chinese, Korean and Japanese steel mills). The term contract arrangements set out a number of key terms including:

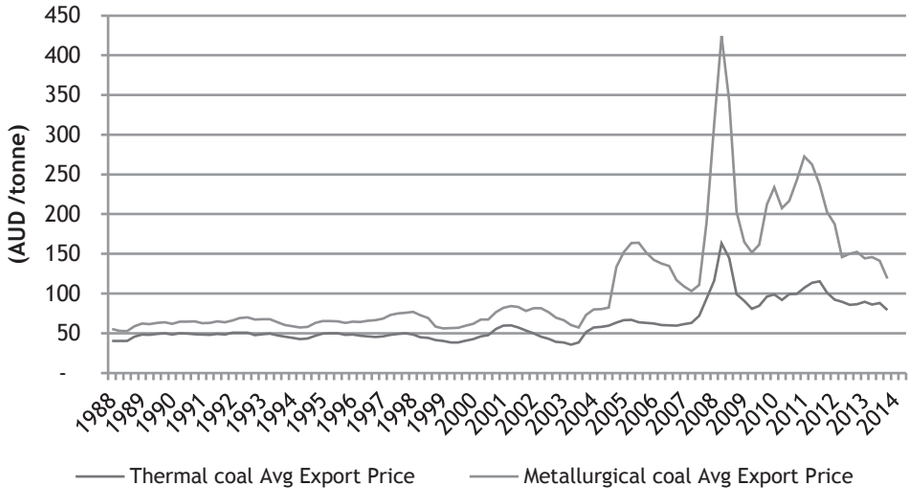
- the benchmark prices at which coal will be traded;
- the volume of coal to be traded;
- the energy content of the coal to be traded;
- the method and cost of transportation; and
- any other specifications as required.

Existing term contracts generally serve as the reference point when negotiating updated term contract arrangements.

The benchmark prices negotiated and agreed between the major producers and buyers generally determine the price at which subsequent coal contracts will settle at following adjustments for the specific energy specifications of the coal.

Figure A.4 below shows the average export price for thermal coal and metallurgical over the period from September quarter 1988 to June quarter 2014 in AUD per tonne.

Figure A.4: Average Export Price of Coal (1988-2014)



Source: Bureau of Resources and Energy Economics

Based on the above, it is noted that the average spot price of thermal/metallurgical coal has been highly volatile over the last five years.

[9] The information in this section of the Report is primarily sourced from Bureau of Resources and Energy Economics, Resources and Energy Statistics – 2013 and Resources and Energy Quarterly – March Quarter 2014

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Reasons for the spike in coal prices include disruptions in supply and the surge in demand for coal from India and China. However, prices decreased significantly in 2009 following the impact of the global financial crisis on the demand for power generation and steel. Coal prices eased in 2010 and 2011 as supply disruptions in Australia, Indonesia and South Africa limited export growth at a time of strong import demand. However, coal prices trended downward throughout most of 2013 and the first half of 2014, primarily as a result of increased world production and expected weaker demand growth in emerging economies.

Analysts from the Bureau of Resources and Energy Economics expects that the global supply overhang of coal is likely to persist in the near term due to high cost producers increasing its production to reduce units costs to meet quantities specified under locked-in contracts. Furthermore, China's efforts to reduce the use of coal in response to concerns about deteriorating air quality may lower China's imports, placing downward pressure on prices.

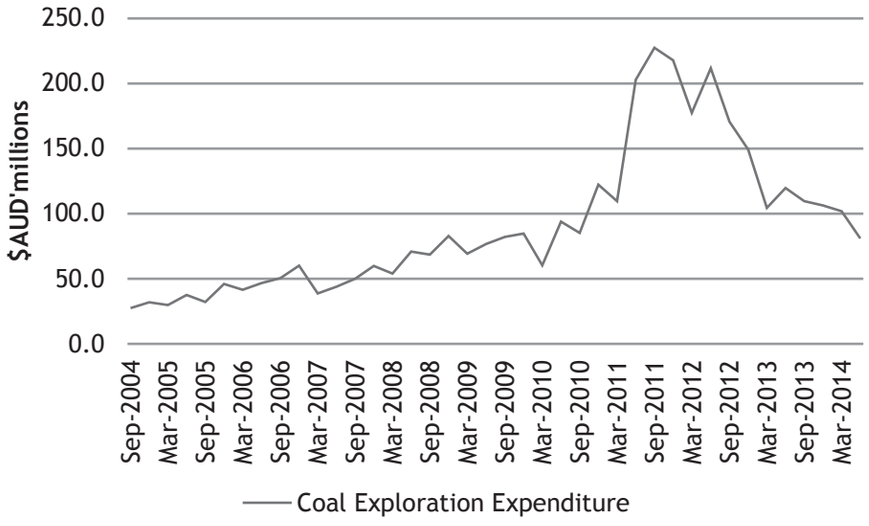
From 2016, the price pressure is expected to force less competitive mines to close, thus reducing supply while forecast consumption increases. Much of the increased demand for power from the developing world is expected to be supplied by coal based technologies due to its relative low cost compared to other forms of energy production.

A.2 Australian Coal Industry Overview

Australia is the one of the world's largest exporter of coal having exported an estimated 336 million tonnes of coal in 2013 out of its total production of 459 million tonnes. Australia is also the world's largest supplier of coking coal, accounting for approximately 45.5% of world exports in 2013.

Figure A.5 below sets out the Australian coal exploration expenditure over December 2004 to September 2004 to September 2014.

Figure A.5: Coal Exploration Expenditure in Australia (2004-2014)



Source: Australian Bureau of Statistics

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Based on the above, it is noted that the level of coal exploration expenditure in Australia has decreased significantly in recent years since the enactment of the Minerals Resources Rent Tax in July 2012 ('MRRT'), and the observed decreases in the spot price of coal[10]. The share of exploration expenditure is mostly incurred in QLD (83%) and NSW (12.4%), as the vast majority of coal in Australia is found in tenements located within these two states.

QLD and NSW coal account for approximately 97.8% of total Australian black coal production in 2014. Japan is the main destination of Australian coal product, accounting for approximately 32.8% of coal exports in 2014, closely followed by China at 20.9%. Other major importers of Australian coal include India, Taiwan, South Korea, as well as various countries within the European Union.

In Queensland, coal for export is railed along five major rail networks, namely the Newlands, Goonyella, Blackwater, Moura, and West Moreton coal rail systems. In total, the networks have a haulage capacity in excess of 250Mtpa. Using these systems, coal for export is railed to a number of ports along the Queensland coastline, including:

- Abbott Point Coal Terminal, located approximately 25kms north of Bowen, North Queensland;
- Hay Point, located approximately 40km south of Mackay, the Port of Hay Point comprises Dalrymple Bay Coal Terminal and the Hay Point Coal Terminal;
- Gladstone, located approximately 525km north of Brisbane; and
- Queensland Bulk Handling, located at the Port of Brisbane, servicing mines from the West Moreton and Darling Downs coalfields.

A.3 Mongolian Coal Industry Overview

Mongolia has inferred coal reserves of approximately 173.3 billion tonnes, of which 21.5 billion tonnes have been validated through prospecting and detailed exploration. Over the past few years, Mongolia's coal consumption has remained relatively constant while production has increased, allowing it to export more coal as a result of excess production.

Coal producers in Mongolia are not able to export coal to the seaborne market except via long land transport routes across either Russia or China. The most likely route to be utilised is therefore rail access along the Trans- Mongolian Railway to the north, linking in with the Trans-Siberian Railway in Russia and exporting through the Russian ports of Vostochny and Vanino. However this route is unlikely to carry any significant volumes of coal for some time as the quality of coal transportation infrastructure within Mongolia is relatively limited.

[10] The MRRT is a tax legislation that applies to certain profits generated from coal and iron ore extracted in Australia. The MRRT also affects corporations that are entitled to a share in a taxable resource from a mining venture or obtain an interest in an exploration permit or retention lease. The MRRT led to negative impacts on investment in mining projects in general, and has also resulted in significant compliance costs on the mining sector. Despite the Australian Government's expectations at the time that it would raise revenues of up to $3.7 billion per year, the MRRT has only raised approximately $400 million. The MRRT was scheduled for repeal effective 1 October 2014.

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Given the obstacles for seaborne trade, the majority of coal produced in Mongolia is transported by truck and exported directly into nearby regions such as China via two border crossings, namely Shiveekhuren (Mongolia) / Ceke (China), and Gashuun Sukhait (Mongolia) / Gants Mod (China). The coal is generally sold to regional coastal steel mills in China, which requires further rail transport after crossing the border. China is the largest buyer of Mongolian coal.

Out the list of countries exporting coking coal to China, Mongolia currently accounts for approximately 20-25% of the market share (behind Australia, which has approximately 35-50% market share), down from its historical market share of 30-40% pre 2013. Despite the competitiveness of Mongolian Coal from its geographical proximity to China, developments in Mongolia have recently been challenged by the continual decreases in the price of coal, and the lack of efficient transportation that allows crossing over the Chinese border.

Table A.3 below sets out the major coal deposits in Mongolia by region.

Table A.3: Major Coal Deposits in Mongolia by Region

Region	Deposits		
West	• Nuursthotgor • Khartarvagatai • Khuden	• Yavar • Khushuut • Olonbulag	• Zeegt • Khurengol
Khangai	• Alagtsakhir • Uvurchuluut • Shinejinst	• Bayanteeg • MogoinGol • Jilchigbulag.	• Ereen • Bayanduurkh
Central	• Uvdugkhudag • Tevshiingovi • Khuutiinkhonkhor • Ulaan-Ovoo • Baganuur • Tsaidamnuur	• Tugrugnuur • Bayanjargalan • Shivee-Ovoo • Olongiinukhaa • Khashaatkhudag • Khamriinshural	• Tavan tolgi • Nariinsukhait • Gurvantes • Tsagaan tolgi • BaruunNaran.
East	• Talbulag • Bayantsogt .	• Aduunchuluun • Chandgana	

Source: Mongolian Mining Journal

Having regard to the above, the most notable coalfields that are currently producing include those within the West and East blocks of Tavan Tolgi, Ulaan-Ovoo, Tugrug nuur, Tsaidam nuur, Baga nuur, Shivee-Ovoo, and Nariin sukhait. Examples of ASX listed companies (incl GUF) which have coal assets in Mongolia include Aspire Mining Ltd, Draig Resources Ltd, Modun Resources Ltd, and Xanadu Mines Ltd.

In response to the recent challenges observed, the Mongolian government has taken a number of key measures to facilitate the coal mining sector in Mongolia. A brief summary of these initiatives are detailed below.

- Law on Minerals: Amendment to the law on minerals was approved by the parliament on 1 July 2014, which among other changes, lifted the requirement for 3.5 years of moratorium on new exploration licences in Mongolia;
- Investment Agreement: Introduced new regulation to set the processes of applying, negotiating, and executing an investment agreement, as well as provisions on monitoring after execution;

- Law on Petroleum: Revised the legal framework for the petroleum sector, including upstream activities (extraction and drilling) and downstream activities (finished product and distribution);
- Change on royalty calculation method: New regulation to calculate coal export royalties based on actual contract price instead of the set reference price;
- Coal Classification Standards: Certain codes of standards (MNS 6456:2014 and MNS 6457:2014) in relation to "Coal classification" and "Coal and coal product classification" were approved and added to the national registry on Mongolia in June 2014; and
- Amendments to the Law on Customs Tariff and Duty: Investors involved in large scale development projects such as construction of plants are entitled to apply for partial payment conditions or extension of its VAT and/or customs duty payments for a period of 2 years.

Although market conditions surrounding the coal industry in Mongolia is expected to be highly uncertain in the near term, the above is expected to ease some of the burden currently being faced by coal projects in Mongolia.

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Appendix B – Common Valuation Methodologies

A 'fair market value' is often defined as the price that reflects a sales price negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller, with both parties at arm's length. The valuation work set out in this Report assumes this relationship.

There are a number of methodologies available to value an entity at fair market value. In preparing this Report, we have considered, amongst other metrics, the valuation methodologies recommended by ASIC in *RG 111: Content of Expert Reports*. The methodologies include those mentioned directly below.

B.1 Discounted Future Cash Flows

The DCF approach calculates the value of an entity by adding all of its future net cash flows discounted to their present value at an appropriate discount rate. The discount rate is usually calculated to represent the rate of return that investors might expect from their capital contribution, given the riskiness of the future cash flows and the cost of financing using debt instruments.

In addition to the periodic cash flows, a terminal value is included in the cash flow to represent the value of the entity at the end of the cash flow period. This amount is also discounted to its present value. The DCF approach is usually appropriate when:

- An entity does not have consistent historical earnings but is identified as being of value because of its capacity to generate future earnings; and
- Future cash flow forecasts can be made with a reasonable degree of certainty over a sufficiently long period of time.

Any surplus assets, along with other necessary valuation adjustments, are added to the DCF calculation to calculate the total entity value.

B.2 Capitalisation of Future Maintainable Earnings

The CME approach involves identifying a maintainable earnings stream for an entity and multiplying this earnings stream by an appropriate capitalisation multiple. Any surplus assets, along with other necessary valuation adjustments, are added to the CME calculation to calculate the total entity value.

The maintainable earnings estimate may require normalisation adjustments for non-commercial, abnormal or extraordinary events.

The capitalisation multiple typically reflects issues such as business outlook, investor expectations, prevailing interest rates, quality of management, business risk and any forecast growth not already included in the maintainable earnings calculation. While this approach also relies to some degree on the availability of market data, the multiple is an alternative way of stating the expected return on an asset.

The CME approach is generally most appropriate where an entity has historical earnings and/or a defined forecast or budget. Further, a CME is usually considered appropriate when relevant comparable information is available.

B.3 Asset Based Valuation

Asset based valuations are used to estimate the fair market value of an entity based on the book value of its identifiable net assets. The ABV approach using a statement of financial position alone may ignore the possibility that an entity's value could exceed the book value of its net assets, however, when used in conjunction with other methods which determine the value of an entity to be greater than the book value of its net assets, it is also possible to arrive at a reliable estimate of the value of intangible assets including goodwill.

Alternatively, adjustments can be made to the book value recorded in the statement of financial position in circumstances where a valuation methodology exists to readily value the identifiable net assets separately and book value is not reflective of the true underlying value. Examples of circumstances where this type of adjustment may be appropriate include when valuing certain types of identifiable intangible assets and/or property, plant and equipment.

The ABV approach is most appropriate where the assets of an entity can be identified and it is possible, with a reasonable degree of accuracy, to determine the fair value of those identifiable assets.

B.4 Market Based Valuation

Market based valuations relate to the valuation of an entity having regard to the value which securities in the entity have recently been purchased at. This approach is particularly relevant to:

- Entities where the shares are traded on an exchange. The range of share prices observed may constitute the market value of the shares where sufficient volumes of shares are traded and the shares are traded over a sufficiently long period of time; and/or
- Entities where it is possible to observe recent transactions relating to the transfer of relatively large parcels of shares (e.g. recent capital raisings).

For listed entities, the range of share prices observed may constitute the market value of the shares where sufficient volumes of shares are traded and the shares are traded over a sufficiently long period of time. Share market prices usually reflect the prices paid for parcels of shares not offering control to the purchaser.

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Appendix C — Discount Rate Applicable to the Valuation of GUF's Mongolian Coal Project

This appendix sets out our view as to the appropriate weighted average cost of capital ('WACC') for the purposes of performing the DCF valuation of GUF's Mongolian Coal Project.

A company has two principal sources of capital finance: debt and equity. An average of the respective required returns on capital for equity and debt holders, weighted by the relative value of the equity and debt capital of the company, is typically used to estimate the company's overall cost of capital. This is commonly referred to as the WACC.

The formula typically used to calculate the WACC is:

WACC = $(R_E \times {}^{E}\!/_{V}) + (R_D \times {}^{D}\!/_{V} \times (1 - t))$

Where:

R_E represents the required return on equity;

${}^{E}\!/_{V}$ represents the portion of the capital that is equity;

R_D represents the required return on debt;

${}^{D}\!/_{V}$ represents the portion of the capital that is debt; and

t represents the tax rate.

Details regarding the appropriate capital structure, required return on equity, required return on debt and taxation assumptions appropriate for GUF are discussed below.

In our calculation of the WACC for GUF's Mongolian Coal Project, we have had regard to companies which in our view may be considered broadly comparable to GUF. For the purposes of our analysis, we have also categorised the broadly comparable companies into companies at exploration stage and companies at the production stage. A brief description of these companies is set out in Section C.6.

C.1 Capital Structure

Table C.1 below summarises the capital structure of the broadly comparable companies listed in Section C.6 based on the current debt/equity ratio of these companies.

Table C.1: Capital Structures of Companies Broadly Comparable to GUF

	Total Capital ($millions)	Debt/Total Capital	Revenue ($'millions)	Number of Observations
Companies in Exploration Stage				
Max	286.7	95.3%	11.8	18
Min	0.6	0.0%	-	18
Median	12.4	2.2%	0.0	18
Mean	40.0	15.4%	0.4	18

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	Total Capital ($millions)	Debt/Total Capital	Revenue ($'millions)	Number of Observations
Companies in Production Stage				
Max	6,097.2	83.8%	1,466.8	10
Min	5.4	0.0%	1.9	10
Median	272.3	20.1%	255.9	10
Mean	1,677.2	21.7%	408.0	10
All Companies				
Max	6,097.2	95.30%	1,466.8	62
Min	0.6	0.00%	-	62
Median	17.1	7.03%	0.0	62
Mean	332.3	16.53%	66.1	62

Source: Capital IQ as at 1 December 2014 and BDO CFQ analysis

In relation to Table C.1 above, we note the following:

- Companies in the exploration stage of the project lifecycle has a median debt to capital ratio of 0.0% (implying an unlevered capital structure), and a median revenue of $nil; and
- Companies in the production stage of the project lifecycle has a median debt to capital ratio of 20.1%, and a median revenue of $255.9 million.

After consideration of the above and having regard to our own experience, it is our view that it is appropriate for the purposes of this Report to adopt a target long term debt level of approximately 25.0% for GUF's Mongolian Coal Project.

C.2 Required Return on Equity

The most widely accepted method of estimating a company's cost of equity capital is the capital asset pricing model ('CAPM'). The CAPM proposes that any asset is priced according to its market or systematic risk (commonly referred to as the beta of the asset). The CAPM formula is as follows:

$$CAPM = r_f + \beta(r_m - r_f)$$

Where:

- r_f represents the risk free rate;
- β represents the beta of the company; and
- $(r_m - r_f)$ represents the market risk premium and is equal to the additional return that an investor would require to invest in a fully diversified market portfolio rather than at the risk free rate.

C.2.1 Risk Free Rate

It is our view that an appropriate risk free rate to use in calculating the cost of equity capital is the rate on 10 year US Government Bonds. As at 28 November 2014, the rate on 10 year US Government Bonds was 2.34%.

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C.2.2 Beta Estimation

It is conventional practice to refer to comparable companies listed on stock exchanges to determine the appropriate equity beta to use in the CAPM. We have considered the equity betas of comparable companies against the S&P/ASX 200 Index and the MSCI World Index using monthly data over the past five years as at 28 November 2014. The MSCI Global Index is commonly used as a benchmark for assets that are likely to be attractive to international buyers, which we consider to be the case for GUF's Mongolian Coal Project.

Equity betas are the commonly cited measure of the sensitivity of a company's share price to movements in the overall market. To ensure that the betas of these companies are comparable to GUF, the observed equity betas have been adjusted to remove the impact of the debt in their capital structures. Debt tends to increase the riskiness of a company's cash flows and will therefore increase the sensitivity of a company's returns to market movements. That is, debt serves to inflate equity betas.

Adjustments to remove the impact of debt allow for the calculation of an asset beta. Asset betas provide a measure of the sensitivity of a company's returns to movements in the overall market, independent of a company's capital structure. These betas are more appropriate to consider when comparing companies with different capital structures.

Tables C.2 and C.3 below set out the equity betas and asset betas of the broadly comparable companies. The asset betas of the broadly comparable companies have been calculated having regard to the capital structures of each company based on the equity as at 28 November 2014 and debt as reported in each companies' last reported annual statements as sourced from Capital IQ. For companies whose net debt was less than 0, we have calculated the asset beta assuming zero net debt.

Table C.2: Equity and Asset Betas of Broadly Comparable Companies

	Equity Beta S&P/ASX 200 Index	Asset Beta S&P/ASX 200 Index	Equity Beta MSCI World Index	Asset Beta MSCI World Index	Number of Observations
Companies in Exploration Stage					
Max	6.1	5.0	5.2	5.1	52.0
Min	(2.8)	(2.8)	(3.6)	(2.8)	52.0
Median	1.4	1.1	0.8	0.8	52.0
Mean	1.2	1.0	1.0	1.0	52.0
Companies in Production Stage					
Max	3.0	3.0	2.5	2.0	10.0
Min	(0.1)	(0.1)	0.1	0.0	10.0
Median	2.1	1.7	0.7	0.6	10.0
Mean	2.0	1.6	0.8	0.8	10.0
All Companies					
Max	5.9	5.9	6.0	6.0	62.0
Min	(1.1)	(1.1)	(1.8)	(1.8)	62.0
Median	1.7	1.7	1.4	1.4	62.0
Mean	1.6	1.5	1.4	1.4	62.0

Source: Capital IQ as at 28 November 2014

Note: Beta measured based on historical 5 years monthly

In relation to Tables C.2, we note the following:

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- There is a wide dispersion in the value of beta across the broadly comparable companies;
- The observed median R^2 (in the context of beta, the percentage of security movements that can be explained by movements in a benchmark index) is low at 4.0% and 3.9% for companies in the exploration stage and production stage respectively;
- In our opinion, only limited conclusions regarding an appropriate beta estimate can be derived from the observed betas of comparable companies above, as we understand that the operating nature of mining companies is heavily driven by risk factors inherent in its individual mining projects (i.e. the prospect of discovery associated with each project).

Having regard to the above and considering the nature of GUF's Mongolian Coal Project, we consider an appropriate asset beta to be within the range of 1.20 to 1.50 which we have then re-levered to arrive at an appropriate equity beta.

C.2.3 Sovereign Risk

Under the CAPM theory, it is assumed that investors require no additional returns to compensate for specific risks as these can be diversified away with a diversified portfolio. However, in reality investors will include an additional risk premium to reflect factors such as project location and stage of development, especially when projects are located in areas with high sovereign risk.

Table C.4 below sets out the latest relative country risk ratings published by the Economist Intelligence Unit ('EIU') for Mongolia, the United States, and Australia.

Table C.4: EIU Country Risk Ratings

Country	Sovereign risk	Currency risk	Banking sector risk	Political risk	Economic structure risk	Country risk
Mongolia	B	B	CCC	BB	CCC	B
United States	AA	A	A	AA	A	AA
Australia	BBB	BBB	A	AA	BBB	BBB

Source: EIU – Country Risk Summary

Table C.5 below sets out the latest county risk ratings published by Standard & Poors ('S&P'), Moody's and Fitch for foreign currency long-term debt issues for Mongolia, the United States, and Australia.

Table C.5: Summary of Country Risk Ratings

Country	S&P	Moody's	Fitch
Mongolia	BB-	B1	B+
United States	AA+	Aaa	AAA
Australia	AAA	Aaa	AAA

Source: S&P, Moody's and Fitch

The risk ratings set out in Table C.4 and C.5 indicate that Mongolia's country risk is significantly higher than the United States or Australia. The Mongolian economy's dependence on commodity exports leaves it highly exposed to swings in Chinese demand and to global commodity price movements.

We note that the latest country risk profile prepared by Professor Aswath Damodaran of New York University indicates a country risk premium on equity for Mongolia of approximately 6.75% per annum.[11]

[11] Country Default Spreads and Risk Premium by Aswath Damodaran of updated January 2014

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Having regard to the above, we consider it reasonable that the risk for a foreign company doing business in Mongolia is higher than it would be if the project was located in the United States or Australia. As such, for the purposes of this report we have applied an alpha factor for sovereign risk of 6.75% per annum for GUF's Mongolian Coal Project.

C.2.4 Market Risk Premium

To assess an appropriate market risk premium ('MRP'), we have had regard to numerous empirical studies. This research indicates that market risk premiums can be estimated within the range of 4.5% to 7.0% and that the average MRP tends to vary between countries. For the purposes of this Report we consider it appropriate to adopt an MRP within the range of 5.5% to 6.5%.

C.2.5 Required Return on Equity Estimate

Based on the above mentioned inputs, we consider it appropriate to adopt a required return on equity for GUF's Mongolian Coal Project within the range of 17.1% to 21.0%.

C.3 Required Return on Debt

In our view, it is reasonable to assume that a hypothetical purchaser of GUF would be able to raise debt secured over the operating assets, given their projected level of profitability.

For the purposes of this Report, we have adopted a cost of debt in the range of 8.0% to 10.0% for GUF's Mongolian Coal Project.

C.4 Tax Rate

We have adopted a tax rate of 25% in the calculation of the WACC to adjust for the fact that the CAPM model used for calculating the return on equity uses after tax inputs. The tax rate adopted in the calculation of the WACC was adopted having regard to the tax rate payable in Mongolia for income generated in excess of 3.0 billion MNT (approximately $AUD 1.9 million).

C.5 WACC Calculation

In our opinion, having regard to the inputs to the WACC set out above, the required rate of return (i.e. WACC) commensurate with the riskiness of the after tax and before interest cash flows of GUF's Mongolian Coal Project is in the range of 14.7% to 17.6%.

As the WACC of 14.7% to 17.6% is in nominal dollars while the cash flows to be discounted are in real dollars. For the purpose of assessing the Offer, in our view it is appropriate to use a real WACC of 14.0%.

C.6 Description of Broadly Comparable Companies

In determining an appropriate capital structure and beta to apply in our calculation of WACC for GUF's Mongolian Coal Project we have had regard to companies which in our view may be considered broadly comparable to GUF. For the purposes of our analysis, we have also categorised the broadly comparable companies into companies at exploration stage and companies at the production stage. Table C.7 below provides a brief description of companies which in our view may be considered broadly comparable to GUF. We have had regard to these companies in our calculation of the WACC set out in Sections C.1 to C.5.

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Table C.7: Description of Broadly Comparable Companies

Company Name	Company Description
Exploration	
A-Cap Resources Limited	A-Cap Resources Limited explores for, evaluates, and develops mineral properties in Australia.
Acacia Coal Limited	Acacia Coal Limited engages in the exploration and development of coal tenements in Australia.
Adavale Resources Limited	Adavale Resources Limited primarily focuses on the exploration and development of coal projects in Indonesia.
African Chrome Fields Limited	African Chrome Fields Limited engages in the exploration and evaluation of commodity coal projects in Australia.
African Energy Resources Limited	African Energy Resources Limited engages in the exploration, evaluation, and development of coal properties in Africa.
Allegiance Coal Ltd.	Allegiance Coal Limited acquires and explores for coal tenements in Australia.
APAC Coal Limited	APAC Coal Limited engages in the exploration and development of mineral resources in Indonesia.
Ascot Resources Limited	Ascot Resources Limited explores for and develops coal and iron ore properties.
Atrum Coal NL	Atrum Coal NL engages in the exploration and development of metallurgical coal projects in Canada.
Australian Pacific Coal Limited	Australian Pacific Coal Limited explores for and evaluates coking and thermal coal deposits in Bowen, Galilee, Surat, and Clarence-Moreton basins, Queensland, Australia.
Black Range Minerals Limited	Black Range Minerals Limited engages in the acquisition, exploration, and development of uranium projects in the United States.
Celsius Coal Limited	Celsius Coal Limited engages in mining coking and thermal coal in the Kyrgyz Republic.
Coal FE Resources Limited	Coal FE Resources Limited, together with its subsidiaries, explores for coal and iron in Indonesia.
Coal of Africa Limited	Coal of Africa Limited, together with its subsidiaries, explores, develops, and mines thermal and coking coal projects in South Africa.
County Coal Limited	County Coal Limited explores for and develops coal properties in the United States and Canada.
Cuesta Coal Limited	Cuesta Coal Limited explores and evaluates thermal and metallurgical coal resources in Australia.
Discovery Africa Limited	Discovery Africa Limited is engaged in the identification and development of export hard coking coal and thermal coal projects in Australia.
Draig Resources Ltd	Draig Resources Limited, together with its subsidiaries, is engaged in the exploration and development of metallurgical coal resources primarily in Mongolia.
East Energy Resources Limited	Idalia Coal Pty Limited engages in the exploration and mining of coal.
Firestone Energy Ltd.	Firestone Energy Limited engages in the exploration and development of mineral properties in South Africa.
Ikwezi Mining Limited	Ikwezi Mining Limited engages in the acquisition, exploration, and development of coal projects in South Africa.
Indus Coal Limited	Indus Coal Limited explores for and develops thermal coal mines in Australia and Indonesia.
International Coal Limited	International Coal Limited, a resource company, explores and develops coking coal and thermal coal projects in Australia.
Lemur Resources Limited	Lemur Resources Limited explores for and develops coal projects in Madagascar.
Magnis Resources Limited	Magnis Resources Limited explores and develops mineral properties in Australia and East Africa.

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Company Name	Company Description
Malabar Coal Limited	Malabar Coal Limited engages in the development of coal projects in Australia.
Marenica Energy Ltd	Marenica Energy Limited engages in the exploration, evaluation, and development of uranium deposits in Namibia and Australia.
MetroCoal Limited	MetroCoal Limited engages in the exploration for coal and bauxite in Australia.
Modun Resources Limited	Modun Resources Limited engages in the exploration and development of thermal coal project in Mongolia.
Mozambi Coal Limited	Mozambi Coal Limited engages in the exploration and development of coal in Australia and Mozambique.
New Age Exploration Limited	New Age Exploration Limited engages in the exploration and development of coking coal projects in Colombia and the United Kingdom.
New Horizon Coal Limited	New Horizon Coal Limited engages in the exploration and development of coal.
Newera Resources Limited	Newera Resources Limited engages in the mineral exploration activities in Australia, Mongolia, and Sweden.
OGL Resources Limited	OGL Resources Limited, an investment holding company, is engaged in plantation development, and mining and exploration activities.
Orpheus Energy Limited	Orpheus Energy Limited acquires, explores, and develops coal infrastructure projects in South Kalimantan, Indonesia.
Palace Resources Limited	Palace Resources Limited identifies and acquires mineral properties in Australia and Indonesia.
Pan Asia Corporation Limited	Pan Asia Corporation Limited, a diversified resources company, explores for and develops coal projects in Indonesia.
Perpetual Resources Limited	Perpetual Resources Limited focuses on the exploration and development of coal properties in Indonesia and Australia.
Resource Generation Limited	Resource Generation Limited explores and develops coal properties in South Africa.
Rey Resources Limited	Rey Resources Limited, together with its subsidiaries, engages in exploring for and developing energy resources in Australia.
Select Exploration Limited	Select Exploration Limited explores for and develops coal and uranium projects in the United Republic of Tanzania.
Stanmore Coal Limited	Stanmore Coal Limited explores and develops thermal and metallurgical coal deposits in the coal bearing regions of Eastern Australia.
Syngas Limited	Syngas Limited engages in the coal mining business.
The Waterberg Coal Company Limited	The Waterberg Coal Company Limited engages in the coal and mineral exploration activities in South Africa and Australia.
Universal Coal plc	Universal Coal plc, a coal mining company, explores and develops thermal and coking coal projects in South Africa.
Wavenet International Ltd.	Wavenet International Limited investigates and evaluates for mining tenements in Australia.
Production	
Bathurst Resources Limited	Bathurst Resources Limited, together with its subsidiaries, operates as a coal mining company in New Zealand.
Blackgold International Holdings Limited	Blackgold International Holdings Limited is engaged in the exploration, mining, and trading of thermal coal in the People's Republic of China.
Coalbank Limited	Coalbank Limited develops early stage coal exploration projects in Australia.
Coalspur Mines Limited	Coalspur Mines Limited operates as a thermal coal development company with approximately 55,000 hectares of coal leases located in the Hinton region of Alberta, Canada.
Cockatoo Coal Limited	Cockatoo Coal Limited is engaged in the acquisition, exploration, development, production, and operation of coal mining projects.
Eden Energy Limited	Eden Energy Ltd, together with its subsidiaries, operates as a diversified energy company that focuses on clean green energy opportunities.

Company Name	Company Description
Energy Ventures Limited	Energy Ventures Limited is engaged in the exploration of mineral resource projects primarily in the western United States.
Intra Energy Corporation Limited	Intra Energy Corporation Limited engages in the exploration and production of thermal coal in Eastern Africa and Australia.
New Hope Corporation Limited	New Hope Corporation Limited explores, develops, produces, and processes coal, and oil and gas in Japan, Taiwan/China, Chile, Korea, and Australia.
Tiaro Coal Ltd.	Tiaro Coal Limited explores, evaluates, and develops coal projects in Australia.
Washington H. Soul Pattinson and Company Limited	Washington H. Soul Pattinson and Company Limited, together with its subsidiaries, explores, develops, produces, processes, and transports coal in Australia.
White Energy Company Limited	White Energy Company Limited operates as a coal mining and technology company in Australia, the United States, South East Asia, South Africa, Mauritius, the United Kingdom, and China.
Whitehaven Coal Limited	Whitehaven Coal Limited develops and operates coal mines in Australia.
WildHorse Energy Ltd.	Wildhorse Energy Limited evaluates and develops underground coal gasification (UCG) and uranium projects.
Yancoal Australia Ltd	Yancoal Australia Ltd., a coal mining company, is engaged in identifying, developing, and operating coal related projects worldwide.

Source: Capital IQ

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Appendix D – Control Premium Analysis

A controlling interest in a company is usually regarded as being more valuable than a minority interest as it provides the owner with control over the operating and financial decisions of the company, the right to set the strategic direction of the company, control over the buying, selling and use of the company's assets, and control over appointment of staff and setting financial policies.

The increase in value for a controlling interest is often observed where an acquirer launches a takeover bid, or some other mechanism for control, for another company. For the purposes of our research on control premiums, we have defined a controlling interest to be an interest where the acquirer has acquired a shareholding of greater than 50% in the target company.

Generally, control premiums may be impacted by a range of factors including the following:

- Specific acquirer premium and/or special value that may be applicable to the acquirer;
- Level of ownership in the target company already held by the acquirer;
- Market speculation about any impending transactions involving the target and/or the sector that the target belongs to;
- The presence of competing bids; and
- General market sentiment and economic factors.

To form our view of an appropriate range of control premium applicable to GUF for the purposes of this Report, we have considered information which includes:

- Control premiums implied in merger and acquisition transactions in the mining companies as classified by Capital IQ which indicate an average control premium of approximately 30%;
- Recent independent expert's reports which apply control premiums in the range of 20% to 40%;
- Various industry and academic research, which suggests that control premiums are typically within the range of 20% to 40%;
- Various valuation textbooks; and
- Industry practice.

Having regard to the information set out above, in our view, it is appropriate to consider control premiums within the range of 20% to 40% for the purposes of assessing the Offer within the context of this Report. For the purposes of the calculations set out in this Report we have adopted a control premium of 30%, being the mid-point of the control premium range that we consider is appropriate based on our research.

Appendix E – Technical Expert's Report

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Xenith

Guildford Coal Limited

TECHNICAL SPECIALIST'S REPORT

GUILDFORD COAL ASSETS

December 2014

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12th December 2014

BDO Corporate Finance (QLD) Pty Ltd
Level 10, 12 Creek St
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AUSTRALIA

Dear Sirs,

RE: TECHNICAL SPECIALIST REPORT
ON GUILDFORD COAL ASSETS

This Independent Technical Specialist Report (ITSR) has been prepared by Xenith Consulting Pty Ltd (Xenith) at the request of BDO Corporate Finance (QLD) Ltd (BDO) for inclusion in the Independent Expert's report being prepared by BDO in relation to a possible takeover offer by Sino Constructions limited ("Sino") for Guildford Coal Limited ("GUL", or "Guildford").

The report's purpose is to confirm resource and reserve estimates and to assess the fairness of mine production budgets and forward estimates. In addition, BDO required Xenith to prepare valuations of the Guildford coal assets located in Mongolia and Queensland. Xenith has conducted its technical review in recognition of the requirements of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves" (2012) published by the Joint Ore Reserves Committee ("JORC") of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and the Minerals Council of Australia (the "JORC Code") and also with the requirements of the Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports as adopted by the Australasian Institute of Mining and Metallurgy (the "Valmin Code").

Xenith has not audited the information provided to it, but has aimed to satisfy itself that all of the information has been prepared in accordance with proper industry standards and is based on data that Xenith considers to be of acceptable quality and reliability. Where Xenith has not been so satisfied, Xenith has included comment in this ITSR and made modifications in the Production Cases provided to BDO.

All monetary figures in this report are expressed in 2014 Australian dollars ($ or AUD) or United States dollars (USD), unless otherwise noted. Costs are presented on a cash cost basis unless otherwise specified.The Guildford assets (Relevant Assets) include:

Mongolian Assets

- South Gobi Project,
- Mid Gobi Project,

Queensland Assets

- Hughenden Project,
- Clyde Park Project,
- Pentland Project,
- Springsure Project,
- Kolan Project,
- Sierra Project,
- Sunrise Project, and
- Monto Project.

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Xenith concludes from the Guildford review that:

- Guildford Coal has established a portfolio of coal exploration tenement areas in Queensland, Australia and in Mongolia. Guildford's Queensland tenements cover approximately 16,000 km2
- Guildford's Baruun Noyon Uul (BNU) Mine in the South Gobi Region of Mongolia is now fully commissioned and coal is being transported along the new haul road via a border crossing to Ceke in China. Guildford are in the process of negotiating coal supply contracts for the BNU coals.
- In September 2014 the BNU mine had its first trial shipment of 8,000t of coal to the processing facilities in Ceke, with the second trial shipment of 14,300t from the mine in October 2014. The trial shipments were designed to test downstream logistics and processing performance. Further shipments are being prepared and readied for export in December 2014 and over the FY15 period.
- The valuation for the BNU mine only includes the coal stated in the JORC compliant resource statement and accompanying mine plan. Xenith notes the coal seams appear to be continuous across lease boundaries into some of the adjacent leases/areas which has the potential of increasing total coal production and mine life, leading to potential upside. This potential upside has not formed part of this report as the geological confidence and technical work on the surrounding areas has not been undertaken to a sufficient level to carry out a detailed assessment.
- The Queensland Projects are at various stages of exploration. Several of the projects areas are located in close proximity to key supporting infrastructure.
- 2,417 Mt of JORC compliant Resources exists over all of the identified project areas (2,023 Mt attributable to Guildford).
- The Queensland and Mid Gobi projects are predominantly thermal coal. The coal identified within the South Gobi projects are predominantly high quality coking coals.
- Additional exploration is required to improve the geological confidence at the several of the identified project areas.
- No JORC Code compliant Reserves exist for any of the identified project areas.
- BNU Mine is the only project upon which significant mine planning has taken place.
- Coal washability data appears to be inadequate at all project locations. Additional large diameter holes are necessary to obtain more reliable coal washability data and a better sense of the yield and product coal qualities expected over life-of-mine.
- Hughenden, Clyde Park and Springsure project are the only Queensland assets with JORC code compliant Resources. A significant quantity of these Resources is at depth.

This Mineral Asset Valuation included in this ITSR has been prepared to conform to the Australian VALMIN Code (2005).

The valuation of Mineral Assets is not a precise science and the conclusions arrived at in many cases will of necessity be subjective and dependent on the exercise of individual judgement. There is therefore no indisputable single value and Xenith normally expresses an opinion on the value as falling within a likely range, as required by the Code.

Xenith has adopted various valuation methods to estimate the current market value of Guildford's coal assets. Using these methods, Xenith estimates the market value of Guildford's coal assets resides between AUD121 M and AUD232 M, with a preferred value of AUD181 M, as summarised in the table below. The wide range in value reflects current uncertainty in the coal market as well as uncertainty in technical assumptions.

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Valuation Summary

Project	Xenith Preferred Method Applied	Guildford Ownership	Attributed Resources (Mt)	Valuation Low (AUD)	Valuation High (AUD)	Valuation Preferred (AUD)
South Gobi						
BNU North						
Inside Mine Plan	DCF	100%	10	70	148	116
Out Side Mine Plan	Comparative Transaction	100%	17	1.2	1.7	1.5
Hovguun East (MV 016971)	Comparative Transaction	70%	29	0.7	1.4	1.1
EL 13780X	Past Exploration Expenditure	100%		4.1	5.7	4.9
EL 016972X	Past Exploration Expenditure	100%		0.03	0.04	0.03
EL 005264	Past Exploration Expenditure	100%		1.9	2.7	2.3
EL 005262X	Past Exploration Expenditure	100%		0.2	0.3	0.3
EL 14522X	Past Exploration Expenditure	100%		0.2	0.2	0.2
EL 13352X	Past Exploration Expenditure	100%		0.3	0.4	0.3
Mid Gobi						
	Comparative Transaction	100%	221	4.5	7.9	6.1
Queensland						
Hughenden Project	Comparative Transaction	100%	1,209	21.7	35.1	25.5
Clyde Park Project	Comparative Transaction	64%	469	10.7	20.1	15.4
Pentland Project	Past Exploration Expenditure	100%		0.8	1.1	1.0
Springsure Project	Comparative Transaction	36%	69	2.3	4.0	3.6
Kolan Project	Past Exploration Expenditure	100%		0.8	1.3	1.1
Sierra Project	Past Exploration Expenditure	100%		1.8	2.4	2.1
Sunrise Project	Past Exploration Expenditure	100%		0.02	0.03	0.03
Monto Project	Past Exploration Expenditure	100%		0.03	0.04	0.04
			2,023	**121**	**232**	**181**

For definitions of abbreviations used in this ITSR, refer to Appendix A, and for contributors to this ITSR, refer to Appendix B.

Xenith has been paid, and has agreed to be paid, professional fees, by Guildford for its preparation of this Report. None of Xenith or its directors, staff or specialists who contributed to this report has any interest or entitlement, direct or indirect, in the Company, the relevant Assets; or the outcome of this report.

Yours sincerely

Grant Walker
MAusIMM (CP)
Manager – NSW

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1 INTRODUCTION

1.1 Purpose of Report

This Independent Technical Specialist Report (ITSR) has been prepared by Xenith Consulting Pty Ltd (Xenith) at the request of BDO Corporate Finance (QLD) Ltd (BDO) for inclusion in the Independent Expert's report being prepared by BDO in relation to a possible takeover offer by Sino Constructions limited ("Sino") for Guildford Coal Limited ("GUL", or "Guildford").

The report's purpose is to confirm resource and reserve estimates and to assess the fairness of mine production budgets and forward estimates. In addition, BDO required Xenith to prepare valuations of the Guildford coal assets located in Mongolia and Queensland.

1.2 Scope of Work

Xenith carried out the following scope of work for the Technical Specialist Report:

- Site visits for inspection, familiarisation, data collection and interviews with senior personnel;
- A review of the geological reports, resources, estimation methods, geotechnical factors, and coal quality data;
- Assessment of resource and reserve statements for JORC compliance and commenting on geological implications for mining and coal product types;
- A review of mine planning and operations at the various sites including mine strategy, mine plan layouts, mining method, operating schedules, workforce and management, productivity assumptions, operating cost assumptions, capital cost assumptions, construction schedule and mining risks;
- Review and commenting on the reasonableness of the cash flow models (and the assumptions made on project capital, sustaining capital, operating cost, and ex-mine costs such as transport, royalties, and head office) prepared by management which will be relied upon by BDO in it's assessment;
- Prepare valuations of the various Guildford coal assets located in Mongolia and Queensland, and;
- Writing a formal Technical Specialist Report.

Xenith has not audited the information provided to it, but has aimed to satisfy itself that all of the information has been prepared in accordance with proper industry standards and is based on data that Xenith considers to be of acceptable quality and reliability. Where Xenith has not been so satisfied, Xenith has included comment in this ITSR and made modifications in the Production Cases provided to BDO.

1.3 Location of Assets

Guildford Coal has established a portfolio of coal exploration tenement areas in Queensland, Australia and in Mongolia. Guildford's Queensland tenements cover approximately 16,000 square kilometres and are defined within project areas as follows:

- Hughenden Project (Galilee/Eromanga Basins);
- Clyde Park Project (Galilee Basin);
- Pentland Project (Eromanga/Galilee Basin);
- Springsure Project (Bowen Basin);
- Kolan Project (Maryborough Basin);
- Sierra Project (Bowen Basin);
- Sunrise Project (Surat/Bowen Basin); and
- Monto Project (Nagoorin Graben).

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Guildford Coal has an equity share in ten tenements contained in two projects in Mongolia through its 100% shareholding in Terra Energy LLC. The coal projects are located in the South Gobi and Middle Gobi coal bearing basins, which contain thermal and coking coals.

1.4 Capability and Independence

This report was prepared on behalf of Xenith by the signatories to this report, details of whose qualifications and experience are set out in Annexure A to this report.

Xenith operates as an independent technical consultant providing resource evaluation, mining engineering and mine valuation services to the resources and financial services industry. Xenith has carried out assignments for Guildford in the last three years. Xenith believes its independence has in no way been compromised.

Xenith has been paid, and has agreed to be paid, professional fees for its preparation of this report. However, none of Xenith or its directors, staff or sub-consultants who contributed to this report has any interest in:

- Guildford, Sino, relevant parties or companies associated with Guildford or Sino; or
- The mining assets reviewed; or
- The outcome of the BDO report.

Drafts of this report were provided to Guildford, but only for the purpose of confirming the accuracy of factual material and the reasonableness of assumptions relied upon in the report.

The Specialists who contributed to the findings within this Report have each consented to the matters based on their information in the form and context in which it appears.

Information in this report that relates to Mineral Resources or Ore Reserves is based on JORC Code compliant Resource and Reserve Statements prepared by Competent Persons as defined by the JORC Code. This report conforms in all aspects, unless an aspect is specifically excluded, with the requirements of the Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports as adopted by the Australasian Institute of Mining and Metallurgy (the “Valmin Code”).

For the purposes of this report, value is defined as fair market value (“FMV”), being the amount for which a mineral asset should change hands between a willing buyer and a willing seller in an arm’s length transaction where each party is assumed to have acted knowledgeably, prudently and without compulsion.

1.5 Methodology

The assumptions used in the LOM plan’s and the JORC Resources were the subject of this technical review. These cover the annual mining rate, stripping ratio, washplant yield, product quality, transport, cost of production and capital expenditure. Financial aspects such as loans, cashflow, profit and loss, balance sheet and valuation were not examined as part of this technical review.

The following points cover the main areas that the review focussed on and a brief description of the methodology used:

For the South Gobi BNU Mine:

- Operational Status: Key members of the study team visited the Mongolian BNU mine and were given presentations by senior site management. Team members inspected mining operations and infrastructure;

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- Resources and Reserves: The JORC estimation process was reviewed and then the JORC estimate totals were cross referenced to the sales tonnes in the LOM model;
- Mine Plan: Production assumptions, mining rate and coal preparation yields were reviewed and matched against the LOM model inputs;
- Capital and Operating Costs: LOM operating costs estimates were examined against both historical unit costs and mining contract schedules and then adjusted for anticipated changes in mine operating conditions in order to validate the LOM plans. Capital expenditure was reviewed and a view was formed regarding the validity of these costs; and
- Key Project issues which may have a material impact on the outcomes presented in the LOM Plan were identified during the review.

For the remaining exploration Projects in Mongolia and Queensland:

- Review the ownership status of the deposits;
- Review the geology, particularly the exploration completed or planned and any laboratory results showing coal quality or coal characteristics;
- Review the JORC Resources for the deposit.
- Comment on the key points for each deposit, and the potential implications for mining based on the reviewed information.

Valuation Estimate

There are a number of methods that can be used for valuing mines and mineral deposits. Generally the method adopted depends on the available data and more importantly the stage of the deposit life cycle. These methodologies include asset based, earnings multiples and discounted cash flow. Typical methods used at various stages of project assessment and development are shown in Table 1.1.

Table 1.1 – Typical Valuation Methods

Stage	Stage of Asset Development	Dominant Valuation Method
1	Very early exploration stage. Few holes drilled with encouraging results	Appraised value/cost approach. Market comparables
2	Early stage exploration – seam assessment and geological understanding	Appraised value/cost approach. Market comparables
3	Late stage exploration, pre-feasibility completed and leading to Bankable Feasibility	Discounted cash flow, market comparables
4	Early development – construction to commence	Discounted cash flow, market comparables
5	Producing mine	Discounted cash flow, market comparables
6	Late in mine life, limited potential	Discounted cash flow, market comparables
7	Mine closed, equipment still on site, limited further exploration potential	Salvage value

Source: An Overview of Valuation Practices and the Development of a Canadian Code for the Valuation of Mineral Properties, Keith Spence, date unknown.

1.6 Site Inspection

For the purposes of preparing this ITSR, Xenith visited (in December 2014) Guildford's BNU project, reviewed material technical reports and management information, and communicated with management staff both at the BNU site and in the Ulaanbaatar office of Terra Energy.

For the purpose of this ITSR Xenith has not visited the Queensland exploration projects. However, as Xenith has previously undertaken extensive technical evaluation work of coal assets in the Galilee, Bowen, Surat, Clarence Morton, and Tarong Basins and other coal basins in Queensland, it has a good understanding of the assets and has no reason to question the validity of the technical

information supplied. Xenith is satisfied that Guildford has provided sufficient information for Xenith's informed appraisal to be made without such site visits.

1.7 Limitations and Exclusions

This Report specifically excludes all aspects of legal issues, commercial and financing matters, land titles, agreements, excepting such aspects as may directly influence technical, operational or cost issues. Xenith has not undertaken an evaluation of marketing or coal pricing forecasts.

In Xenith's opinion, the information provided by Guildford was reasonable and nothing discovered during the preparation of this report suggested that there was any significant error or misrepresentation in respect of that information. Information generated by third parties, consultants or contractors to Guildford has not been independently validated by Xenith through the generation of new work or new data. Xenith has relied upon the accuracy of this information for this report.

1.8 Inherent Mining Risk

Coal mining is carried out in an environment where not all events are predictable.

Whilst an effective management team can identify the known risks and take measures to manage and mitigate those risks, there is still the possibility for unexpected and unpredictable events to occur. It is not possible therefore to totally remove all risks or state with certainty that an event that may have a material impact on the operation of a coal mine, will not occur.

1.9 Information Sources

In developing our assumptions for this report, Xenith has relied upon information provided by Guildford, and information available in the public domain. Key sources are outlined in this report and all data included in the preparation of this report has been detailed in the references section.

In the execution of its mandate, Xenith reviewed all relevant pertinent technical and corporate information made available by the management of Guildford, which has been accepted in good faith as being true, accurate and complete, after having made due enquiry. Specifically, Xenith has reviewed the prospectus, annual reports and JORC Code resource estimates provided by Guildford.

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2 GUILDFORD OVERVIEW

2.1 Key Outcomes

- Guildford has thermal and coking coal projects in Mongolia and Queensland.
- Guildford's Baruun Noyon Uul (BNU) Mine in the South Gobi Region of Mongolia is now fully commissioned and coal is being transported along the new haul road via a border crossing to Ceke in China.
- The Queensland Projects are at various stages of development but none are in production.

2.2 Mongolian Projects

Guildford Coal has an equity share in ten tenements contained in two projects in Mongolia through its 100% shareholding in Terra Energy LLC. The coal projects are located in the South Gobi and Middle Gobi coal bearing basins, which contain coking and thermal coals respectively.

The South Gobi Project consists of six exploration licences and two mining licences located in the South Gobi Province (Umnigovi Aimag) of Mongolia. These licences are situated approximately 850 km south-west of the Mongolian capital of Ulaanbaatar and approximately 100 km from the Chinese border coal station of Ceke, where coal produced in nearby Mongolian mines is currently transported by road through to China.

The Mid Gobi Project consists of two exploration licences located in the Dundgovi Province which is approximately 200 km south of Ulaanbaatar and just over 200 km west of the Mongolian railway grid with a logistic route to China via the Erlianhaote border crossing. The Mid Gobi Project has a total JORC coal resource of 221.4 Mt consisting of an Indicated Resource of 32.3 Mt and an Inferred Resource of 189.1 Mt.

See **Figure 2.1** for the location of Guildford's Mongolian assets.

2.3 Queensland Projects

Guildford Coal has established a portfolio of coal exploration tenement areas in Queensland, Australia. Guildford Coal's Queensland tenements cover approximately 16,000 km^2 and are defined within project areas as follows:

- Hughenden Project (Galilee/Eromanga Basins);
- Clyde Park Project (Galilee Basin);
- Pentland Project (Eromanga/Galilee Basin);
- Springsure Project (Bowen Basin);
- Kolan Project (Maryborough Basin);
- Sierra Project (Bowen Basin);
- Sunrise Project (Surat/Bowen Basin); and
- Monto Project (Nagoorin Graben).

See **Figure 2.2** for the location of Guildford's Queensland assets.

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Figure 2.1 – Mongolian Coal Projects

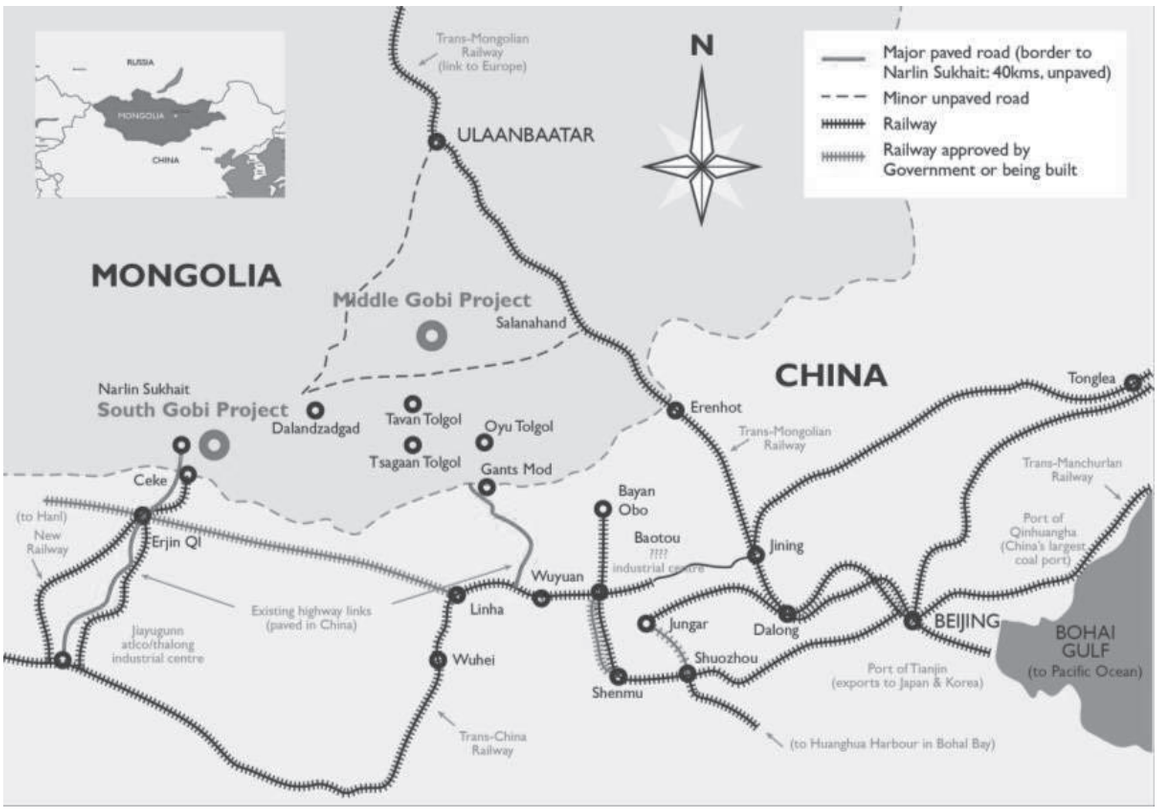
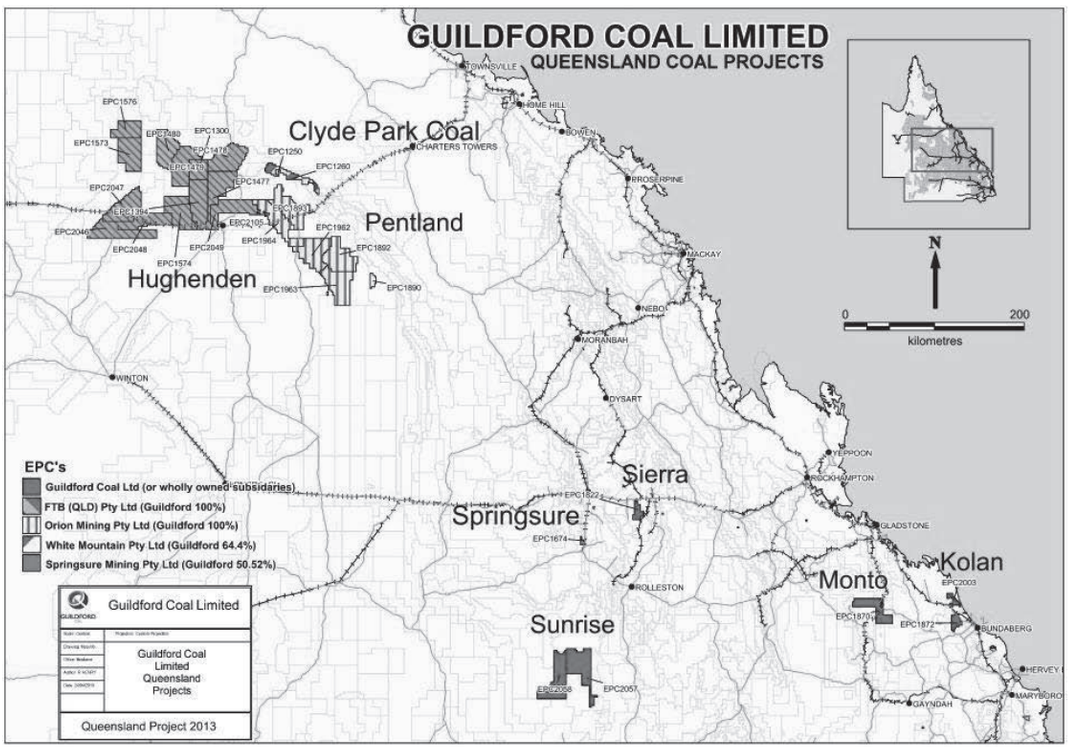


Figure 2.2 – Queensland Exploration Areas



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3 SOUTH GOBI COAL PROJECT

3.1 Key Outcomes

- The BNU North Coal Project is the only area where significant mine planning has been carried out. The mine plan consists of a traditional Hydraulic excavator operation loading off highway trucks. The mine life is 6 years at a production rate of approximately 1 Mtpa ramping up to 2 Mtpa of ROM coal at an average strip ratio of 13.3 bcm:Rom t.
- Coal washability data has been based on the two test samples recently washed at a third party washplant in China. Additional large diameter holes are necessary to obtain more reliable coal washability data and a better sense of the yield and product coal qualities expected over life-of-mine.
- BNU North total JORC Resources are 27 Mt. Of this figure 15 Mt is classed as Measured Resource, 9 Mt as Indicated Resource, and 3 Mt as Inferred Resource.
- The Hovguun East Project has 41 Mt of JORC classified Inferred Resources.
- No JORC Code compliant Reserves exist for any of the identified project areas.

3.2 Overview

The South Gobi project consists of six exploration licences and two mining licences located in the South Gobi Province (Umnigovi Aimag) of Mongolia. These licences are situated approximately 850 kilometres south-west of the Mongolian capital of Ulaanbaatar and approximately 140 kilometres from the Chinese border coal station of Ceke, where coal produced in nearby Mongolian mines is currently transported to China.

The projects consist of potential multiple pits over the various leases with opportunities to share infrastructure. The various licenses are all at different stages of exploration or development and as such Guildford have not developed an overall mining strategy for all the South Gobi Projects.

The South Gobi Projects include the following identified leases and mining areas:

- MV-017162 - The Baruun Noyon Uul (BNU North) Mine is located within this lease. It currently has a JORC Resource of 27Mt (15Mt Measured, 9Mt Indicated and 3Mt Inferred). The BNU North Mine is Guildford's primary current focus in Mongolia and is currently supporting an opencut coal operation. Reserves have been estimated for BNU North however are not to JORC Code standard.

  The potential mining areas BNU South and BNU Hinge are also located within MV-017162, however Guildford have not carried out mining assessments on these areas.

- MV-016971 – The Hovguun East area has a JORC Resource of 41Mt all of which is Inferred. A conceptual mine plan has been developed over this area. Xenith has not sited this document.
- EL – 13780X – some exploration carried out to date – No JORC Resources.
- EL – 016972X – minimal exploration carried out to date.
- EL – 005264 – minimal exploration carried out to date.
- EL – 005262X – minimal exploration carried out to date.
- EL – 14522X – minimal exploration carried out to date.
- EL – 13352X – minimal exploration carried out to date.

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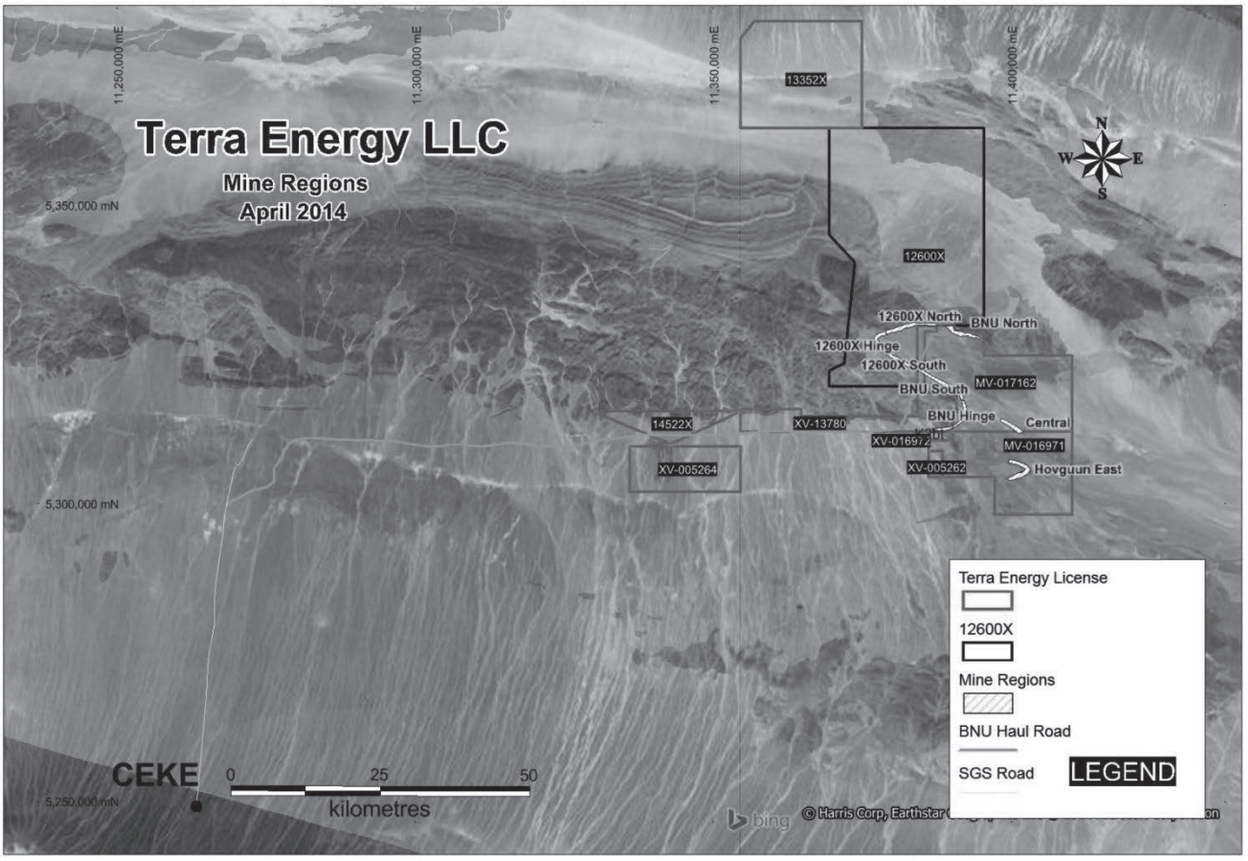
3.3 Location and Background

The South Gobi Coal Projects are located in the South Gobi Province (Omnigovi aimag) of Mongolia. The project is situated approximately 850 km south-west of the Mongolian capital of Ulaanbaatar and approximately 140 km by road from the Chinese border coal station of Ceke. Coal produced in nearby Mongolian mines is currently transported by road through Ceke en route to China. The project is also strategically located approximately 100 km east of Nariin Sukhait which includes South Gobi Resources' (SGS) Ovoot Tolgoi mine and the MAK mine, which produce and export coking and thermal coal to customers in China.

Figure 3.1 shows the South Gobi Project leases.

Figure 3.1 – South Gobi Project Mining Regions



Guildford's North Pit Project (BNU-1) Mining Licence 17162A lies immediately adjacent and along strike southeast of EL 12600X. Hovguun East (MV-016971) is located immediately to the southeast of BNU North.

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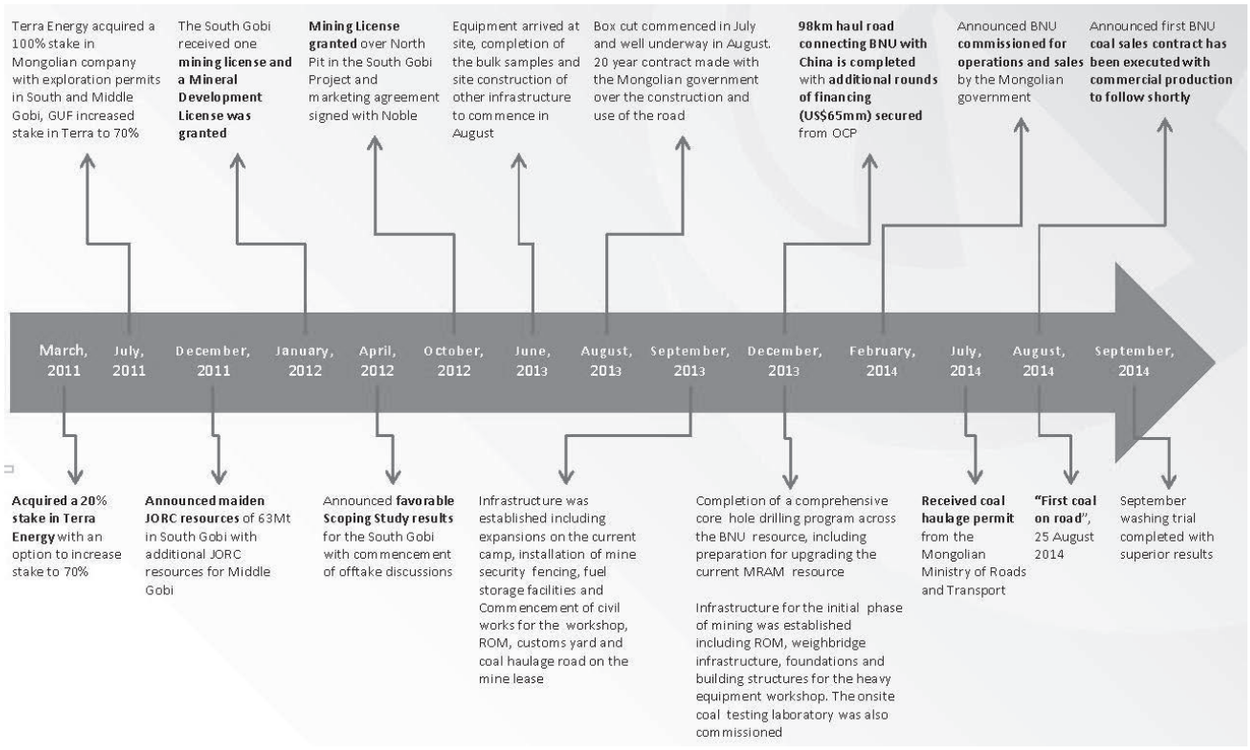
3.4 Project History

Figure 3.2 – South Gobi Project History



3.5 Ownership Status

South Gobi tenement information is given in **Table 3.1**.

Table 3.1 – South Gobi Tenement Information

№	License	Area name	Size (Ha)	Issuance date	Expiry date	Year	Minimum expenditure 2014	License fee, new law 2014	GUF Stake (%)
1	XV-005262	Huvguun	535	28/12/2002	30/12/2014	12	$5,353	$2,676	70%
2	XV-005264	Uvuljuu Uul	7,559	28/12/2002	30/12/2014	12	$75,593	$37,796	100%
3	XV-013352	Shar Uul	19,102	5/03/2008	5/03/2017	7	$28,653	$28,653	100%
4	XV-014522	Tsagaan Uul	3,674	8/12/2008	8/12/2017	7	$5,511	$5,511	100%
5	XV-013780	Baruun Noyon Uul_1	7,715	11/06/2002	9/09/2015	12	$77,148	$38,574	100%
6	XV-017163	Baruun Noyon Uul_2	201	11/06/2002	9/09/2015	12	$2,013	$1,007	100%
7	MV-016971	Huvguun	13,383	28/12/2011	28/12/2041			$66,914	70%
8	MV-017162	Baruun Noyon Uul_2	17,432	12/10/2012	12/10/2042			$87,160	100%
							$194,270	**$268,291**	

3.6 Geology

The South Gobi region of Mongolia has a complex geologic history. Regimes of continental accretion and Basin and Range style crustal extension followed by compressional folding and faulting were the

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main structural influences. Elongate, east-west trending mountain ranges and intervening basins dominate the region. The basins are mainly comprised of sedimentary rocks of Late Cretaceous to Permian age, overlain by relatively thin Recent-Quaternary gravel layers and/or thin aeolian deposits.

Mountain ranges between the basins comprise mostly older crystalline and volcaniclastic basement rocks dominated by intermediate to high angle faults that show evidence for both compressional and extensional movement.

3.6.1 General Structure

BNU-1 North Deposit

The BNU deposit appears to be structurally complex. The geometry of the strata is interpreted to be a synclinal basin that has been subjected to post-depositional compression. The coal bearing strata strike generally from west to east with horizontal to shallow dips of around 15 degrees in the centre of the basin, steepening up towards around 40 degrees at the sub-crop/basin margin.

Several faults have been interpreted across the deposit based on observations of duplicate intervals in drilling intersections. It is expected that further faulting may be identified following mining and/or closer spaced drilling and/or detailed geophysical surveys over the deposit.

EL 12600X

The 12600X area is located over a portion of a Permian sedimentary sub-basin that is typically found within the South Gobi region. Older crystalline and volcaniclastic basement rocks dominated by intermediate to high angle faults that show evidence for both compressional and extensional movement are common for the South Gobi and are over the southern portion of 12600X.

12600X Permian sedimentary basin stratigraphy correlates with the stratigraphic classification developed for the Noyon-Gurvantes continental basin. Much of this stratigraphy is still based on Mongolian-Russian Government mapping and is not locally well defined. The stratigraphy has been interpreted and determined from exploration drilling and regional geological mapping and reconnaissance traverses by the previous holders and MBGS geologists. Stratigraphy in EL 12600X has been interpreted to be equivalent to that in the BNU-1 North Project.

Hovguun East

The mountains surrounding the Hovguun East Project comprise an exhumed volcanic arc system that was active during the Carboniferous period. In the Permian period thermal subsidence and thin skin tectonics developed an extensive South Gobi Basin in a series of microbasins. The Project lies in one of these thermal subsidence regions, termed the Ovoot Khural Basin. Extensive coal deposits developed at the distal margin of alluvial fans emanating from the basin edge. This basin development continued until the Early Jurassic period. Unidentified formations in the Project area during this time are recognised in the Noyon-Gurvantes Basin to the northwest. In the Late Jurassic and Early Cretaceous periods compressional tectonics gradually folded and thrust faulted the project area. The sediments underwent mild thermal alteration which may have increased the coal rank. Carboniferous basement was also uplifted providing source sediments for the Cretaceous retroarc foreland basin. Regional uplift in the Tertiary has resulted in the gradual erosion of the Cretaceous cover exposing the back-arc basin sediments. This erosion is developing the Quaternary peneplain deposits.

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3.6.2 Exploration Activity

BNU-1 North Deposit

The first detailed exploration of the coal deposit occurred in 2011 and was completed by Terra Energy geologists under the supervision of the General Manager of Terra Energy. Further reconnaissance mapping and subsequent exploratory drilling indicated the potential for coal deposits in the area of what is now the BNU-1 North deposit.

The drillholes were both geologically and geophysical logged. The data from these investigations was then compiled into a geological database, again under the direct supervision of the General Manager of Terra Energy.

Hovguun East

Guildford acquired the tenement MV-016971 (previously EL 5262X) in early 2011. Guildford commenced field mapping and drilling on and within the exploration tenement EL 5262X in early 2011. On the 4th July 2011, Guildford announced the intercept of approximately 21 metres apparent thickness of net coal at potentially open cut mineable depths. This included a seam of 13.7 metres (apparent thickness) in the Permian Deliinshand Formation which is known to have potential for coking properties.

On 9th August 2011, Guildford announced that Palaris Mining (Palaris) had conducted an independent geological evaluation of exploration licence EL 5262X. Palaris estimated an Exploration Target of 0 to 122 Mt (in accordance with guidelines of the JORC code 2004) for EL 5262X based on the available geological data and field observations.

Guildford announced that EL 5262X appeared prospective based on the borehole samples observed in the field, coal seam outcrops, observed coal blooms and because a large proportion of the tenement is covered by the coal bearing Deliinshand suite.

A drilling program of 25 cored and open boreholes was completed by the end of 2011. Further exploration activities confirmed the existence of thick, near surface coal seams of the Permian Deliinshand Formation. An upgraded Exploration Target of 0 to 241 Mt (in accordance with guidelines of the JORC code 2004) was estimated for EL 5262X tenement by Palaris.

On 28th December 2011, Guildford's Mongolian subsidiary was granted a mineral development licence MV-016971 over exploration licence EL 5262X. The licence is for an initial term of 30 years with an option for two twenty year extensions, providing for a total of 70 years of tenure security.

Drilling recommenced in late April 2012 following the end of the Mongolian winter season. Further, predominantly open hole, exploration activities confirmed the existence of thick, near surface coal units within the Permian Deliinshand Formation

3.6.3 Coal Seams

BNU-1 North Deposit

The nomenclature of the coal seams within the BNU deposit has been applied using a simple alphabetical naming scheme. Names have been allocated in a generally descending order through the stratigraphy, ranging from the A to P seams. The exception to this simple scheme is the X and Y seams which are found stratigraphically above the A seam.

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Numerous series of seam splitting is seen to occur within many of these seams across the deposit. The various splitting elements are identified by the allocation of a numerical suffix to the seam name. These split identifiers are applied in numerical order from the uppermost split down.

This splitting is particularly complex across the G, H and I seams within the stratigraphy. These seams appear to regularly split and also coalesce across the deposit, which in some areas has created seam thicknesses exceeding 10 metres.

This seam splitting together with the complex structure of the deposit which includes an often significant stratigraphic dip, folding and several faulted zones has created a deposit with significant lateral variation.

Hovguun East

In October 2012,independent geologists, Salva Resources Pty Ltd (Salva), interpreted composite seam intersections that indicated the existence of up to seven seams with fresh coal logged from as shallow as 8 m from the surface. All seams dipped to the south and west in a synform structure.

By the end of November 2012, a cumulative of 111 cored and open boreholes were drilled within the Project. Of these, 61 intersected coal seams within the Permian Deliinshand Formation. A revised model identified nine seams.

3.6.4 JORC Resources and Reserves

BNU-1 North Deposit

Coal Resources, estimated in accordance with the JORC Code (2012), for the BNU-1 were last updated by HDR Salva in April 2014.

Table 3.2 summaries the results.

Table 3.2 – BNU-1 North JORC Resources

Area	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Total (Mt)
BNU-1 North	15	9	3	**27**

Hovguun East

A resource model was completed by Salva and an Inferred coal resource of 40.54 Mt for Block A was announced by Guildford on 19th November 2012. This was based on 57 boreholes with variable spacing and a seven seam deposit. Limited coal quality data required the use of an estimated Relative Density (RD) of 1.35 for the resource assessment. This figure was based on an assessment of ash and total carbon values from proximate analytical data.

3.6.5 Coal Quality

BNU-1 North Deposit

Coal quality data from the Guilford project in Mongolia has been derived from a series of bore cores, pit samples and raw coal shipments from the North Pit. Of the coal quality data sources, the work conducted on the pit samples has been the most comprehensive.

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Bulk Samples

Treatment procedures:

- Samples were crushed to pass 11.2 mm with a 1/8 split analysed for raw coal properties including proximates, total sulphur, calorific value, relative density, G Index, ash analysis Gray King coke type, Saphoznikov X and Y dilatation and petrographics.
- A separate subsample after crushing was sized at 1 mm and the -11.2+1 mm and -1 mm components float sunk at a set of densities ranging from 1.30 to 1.80. Fractional increments from the float sink analysis were analysed for ash.
- A clean coal product derived from the float sink stage was analysed for proximates, total sulphur, calorific value, CSN, Saphoznikov X and Y dilatation, G Index, phosphorus and fluidity. A subsample of the clean coal was subjected to carbonisation and the coke strength after reaction with carbon dioxide (CSR) and the carbon dioxide reactivity index (CRI) determined.

Sample 139458

Sample 139458 had a raw coal ash of 34.2%, moderate total sulphur of 0.72% ad and 19.5% volatile content ad. The sample returned a maximum fluidity of 1880 Mddm with a dilatation contraction of -10% and maximum dilatation of -10%.

A coal sample with an ash content of 34% would not normally be subject to rheological tests such as fluidity or dilatation as these tests are undertaken to determine potential coking ability of the coal. The presence of high ash can adversely affect the test outcomes. In this case, obtaining the a fluidity of 1880 Mddm with ash content of 34% is indicative the coal has high reactive content (vitrinite) which is one of the major component required in coke making. The poor dilatation results (-10% dilatation) are likely due to the high ash content.

The clean coal sample had an ash content of 9.1% ad, more appropriate for the completion of rheological tests such as fluidity and dilatation. This sample returned a maximum fluidity of 1936 Mddm however, the poor dilatation was maintained (-12% max. dilatation). The sample returned X and Y Saphoznikov dilatation results of 20 mm and 23 mm respectively which are good however.

The CSR and CRI results were poor (46.4 and 34.1 respectively). These results indicate the coal produced a coke with poor strength and a high reactivity with carbon dioxide.

No ash chemistry was undertaken on the clean coal sample. This is recommended in future as the impact of adverse basic elements such as calcium and iron is very important on coking strength. Ash chemistry was performed on the raw coal, however with an ash content of 34%, these results do not shed any light on the poor CSR and CRI.

The high raw coal fluidity suggests the coal likely has high reactive content and despite its poor CSR would be a suitable component in a hard coking coal blend, with other materials with high inerts. The clean coal ash chemistry needs investigation. Petrographics were not reviewed, these may shed some light on the poor dilatation.

The float sink analysis realised 62% yield at 7.9% ash ad at F1.50. These results indicate the coal is amenable to washing, however, it was noted after crushing and sizing the sample had in excess of 50% -1 mm content which means ash liberation will be far greater than might occur on a mine site where the top size may be typically 50% -1 mm. The actual yield/ash results may likely be poorer than noted in the reviewed data.

Sample 139459

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Sample 139459 had 23.8% ash ad, however, all of the coking test results were poor. The washability results were promising (71% yield ant 6.8% ash) but again the sample subjected to washability was very fine.

General Clean Coal Results

Apart from bulk sample 139458, other coal quality sources such as raw coal shipment sample analysis indicate the coal has a potential to realise a product with moderate sulphur content (0.6% or lower), reasonable CSN (7) and in some cases, good fluidity. Several petrographic results indicated the maximum vitrinite reflectance ranged from 1.05 to 1.15 though no petrographic maceral consist data was available for review which would improve understanding its place in a coke blend. The volatile content (mid to high twenties ad) is typical of hard coking coals possessing other appropriate coking properties.

Based on current data, it is not possible to determine the placement of the coal in a coke blend. Its rank would place it marginally between hard or semi hard (a discounted hard coking coal).

Recommendations on Future Work

Some changes in the general philosophy of coal quality assessment are recommended for the future:

- Completion of ash chemistry, G Index and Saphoznikov X and Y dilatation is not warranted on raw coal samples with ash in excess of 12% as the results are not indicative of clean coal properties, and in some circumstances can lead to an underestimation of the true value of the coal.
- Clean coal samples need to be analysed for a full suite of petrographic maceral consist in addition to vitrinite reflectance rank determination. Ash chemistry is required on clean coal samples also.
- The sizing noted in crushed samples indicates the coal may fracture easily. For wash plant operation, processing some samples with drop shatter and wet tumble techniques will be necessary to determine circuit configuration and size.

Hovguun East

A database containing 458 analysis results from 71 drill holes in Block A of the EPP was review by Salva.

There was no coal seam correlation data supplied and therefore determining trends across seams is not possible. As an alternative to collating coal quality data by seam, drill hole data has been examined by geographical groupings.

Limited washability data from DH-01 has confirmed coking coal potential in two seams, an upper and a lower seam (see **Table 3.3**). While the data from the single hole is highly supportive of a hard coking product being able to be produced, more detailed sampling and analysis is required to better understand the final product and its classification.

Table 3.3 – Clean Coal Quality

DH-01 Upper Seam (55.2-58.4m)	Yield % F1.40	Ash % (ad) F1.40	CSN F1.40	Yield % F1.60	Ash % (ad) F1.60	CSN F1.60
	36.6	7.9	5.5	32.4	19.4	1
DH-01 Lower Seam (203.2-203.75m)	**Yield % F1.40**	**Ash % (ad) F1.40**	**CSN F1.40**	**Yield % F1.60**	**Ash % (ad) F1.60**	**CSN F1.60**
	64.3	5.6	8	11.2	15.12	2

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The project could produce an unwashed coking coal product, but this would then need to be processed elsewhere, presumably in China, to produce a coking coal specification. This material could be processed at site, if there is enough water available, or dry processing could be utilised. Proper modelling of these methods would need to be done for the coal from this Project.

3.6.6 Yield

BNU-1 North Deposit

Apart from the detailed results obtained on washability of the bulk samples, washability curves were reviewed on a range of sources such as shipments and a D seam sample BSO3. The origin of these samples is not fully traceable however, the results all indicate the coal is generally amenable to ash removal during washing, realising a product with ash <10% with reasonable yield.

It is not possible to determine a yield estimate for the resource based on existing data due to the sparsity of general washability information and variations by seam.

Hovguun East

Refer to Table 3.3 for estimated yields from DH-01 at F1.40 (36-64%) and a potential additional middlings yield of F1.60 (11-32%). These numbers should not be taken as representative of the whole area; further work is required in order to better define the yield.

3.6.7 Summary of Coal Resource Implications

BNU-1 North Deposit

Xenith concludes that:

- The nature of the coal geometry of the deposit is not suited to the use of very large mining equipment
- The coal seams are steeply dipping, reasonably thin, and non-continuous which are likely to limit the maximum production from any single pit.
- The coal seams have good coking characteristics.
- Coal washability data has been based on the two test samples. Additional large diameter holes are necessary across the deposit to obtain more reliable coal washability data and a better sense of the yield and product coal qualities expected over the life-of-mine.
- Definition of faulting needs to be further refined across parts of the resource area.
- Additional exploration (potentially high resolution seismic) is required to improve confidence over the entire South Gobi Project area.
- No JORC Code compliant Reserves exist for any of the identified project areas.

Hovguun East

Xenith concludes that:

- The project has Inferred Resources of 41 Mt. The project is in early stages and more work is required to prove up the resource.
- The coal seams appear to have good coking characteristics.
- No Coal washability data exists. Additional large diameter holes are necessary across the deposit to obtain more reliable coal washability data and a better sense of the yield and product coal qualities.
- Definition of faulting needs to be further refined across parts of the resource area – high resolution seismic may be a good option.

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3.7 BNU-1 North Mine Plan

The BNU North Coal Project is the only area were significant mine planning has been carried out. Project Mining has carried out a Feasibility on the BNU North Coal Project. The mine plan consists of a traditional Hydraulic excavator loading off highway trucks. The mine life is 6 year at a production rate of approximately 1Mtpa of ROM coal ramping up to 2 Mtpa in 2016. The average LOM strip ratio is 13.3 bcm:Rom t.

Coal is taken from the pit to ROM stockpiles. The coal is then loaded on 100 t road trucks and taken 140 km to the coal washing and handling facility at Ceke.

Guildford have estimated approximately 10% of the coal will be by-passed with the remaining 90% feed through the wash plant. The average plant yield is 80% giving an overall total product yield of 82%. As highlighted in section 3.6.6 and section 3.6.7 very little washability testing has been carried out on the BNU coal. Variances in plant yield or the quantity that can be bypass could significantly impact on the overall product yield.

3.7.1 Conditions Impacting on Mining

Xenith concludes from its review of the translation of the BNU North Mine Feasibility Study and other information provided by Guildford indicates that the following important parameters and variables impacting on productivity, operating cost and capital expenditure have been thoroughly considered in the mine planning for BNU North mine:

- Seam characteristics, including parameters of target seams, thickness variability, and seam dip.
- Geology and geotechnical constraints, structural definition, frequency of geological structures.
- Bench Heights.
- Hydrology parameters.
- Wet weather.
- Equipment availability.

3.8 BNU-1 North Mining Operations

3.8.1 Current Operations

Approval to construct the 98km haulage road connecting the BNU mine with the Chinese border has been granted enabling the exporting of coal to China. The first trial shipment of 8,000t of coal to processing facilities in Ceke occurred in September 2014, with the second trial shipment of 14,300t from the mine in October 2014. These trial shipments were designed to test downstream logistics and processing performance. Further shipments are being prepared and readied for export in December 2014 and over the FY15 period.

Results of testing undertaken on the first shipments of coal have, confirmed many of the initial BNU coal quality assumptions and provide customers with more certainty around the quality of BNU coal. Results also showed the coal can be washed to meet a very clean premium quality hard coking coal specification with very low sulphur.

Guildford has established a strategic partnership with the Noble Group, including a marketing agreement for the company's coking coal in Mongolia.

Xenith understands negotiations are underway with a number of customers in China to take delivery of the BNU coking coal brand via long term offtake agreements.

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At the time of the site visit the BNU North mine was not operational. Operations were reduced early March 2014 and suspended in May 2014 but with limited shipments from the stockpile once road permit was granted in July 2014. It should be noted the majority of the mining fleet and associated mine infrastructure are still in place and are fully operational. Xenith understands Guildford is currently planning to recommence operations on the 11th December 2014.

3.9 Hovguun East Conceptual Test Pit

In October 2012, with the assistance of Salva Resources, Guildford developed a conceptual Hovguun East Pit mine plan within the East Pit Project area. It broadly consists of an initial box cut which targets the crop/sub-crop along strike.

Upon receipt of all necessary regulatory and stakeholder approvals, Leighton LLC (Leighton) was contracted to perform a total mining service. Upon commencement initial production is currently scheduled at 2 Mt. This material will be used to assess coal quality, market acceptance, and to develop further marketing and operational strategies for the EPP.

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4 MID GOBI COAL PROJECT

4.1 Key Outcomes

- Preliminary assessment indicates that the coal from Exploration Licence 12929X will be low rank thermal coal and Exploration Licence 15466X could contain higher rank sub-bituminous coal.
- Potential for large scale open cut mine producing thermal coal.
- Overburden depths to the first seam have been shown to be shallow.
- Project is within relatively close proximity to infrastructure for potential customers, including Mongolian and Chinese electricity generators.
- Total JORC Resource of 221 Mt consisting of an Indicated Resource of 32.3 Mt and an Inferred Resource of 189.1 Mt.

4.2 Overview

Guildford Coal has an equity share in a number of tenements contained in two projects in Mongolia through its shareholding in Terra Energy. The Mid Gobi Project is one of these, and consists of two exploration licences (12929X and 15466X) known as the Tsagaan Ovoo Deposit and Tsakhiurt Gobi Deposit respectively, located in the Dundgovi Province.

The two Mid Gobi Project exploration licences have an approximate area of 36,000 hectares and are located in the coal bearing Ongi River Basin, which contains thermal coal. The potential for the Middle Gobi Project is for a large scale open cut operation supplying thermal coal to Mongolian and Chinese electricity generators. The two tenements are shown in **Figure 4.1**.

While a range of mineral deposits exist in the area, the primary target is coal due to the regional geology. This consists mostly of moderately dipping sedimentary basins that potentially provide multiple hard and low rank surface coal targets. Fluorite has also been identified with preliminary grab results showing a high-grade fluorite outcrop rated as Ceramic Grade.

4.3 Location and Background

The Mid Gobi Project consists of two exploration licences located in the Dundgovi Province which is approximately 200 km south of Ulaanbaatar and just over 200 km west of the Mongolian railway grid, with a logistic route to China via the Erlianhaote border crossing, as shown in **Figure 4.2**.

The Project location is within relatively close proximity to infrastructure for potential customers, including Mongolian and Chinese electricity generators.

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Figure 4.1 – Mid Gobi Project Tenements

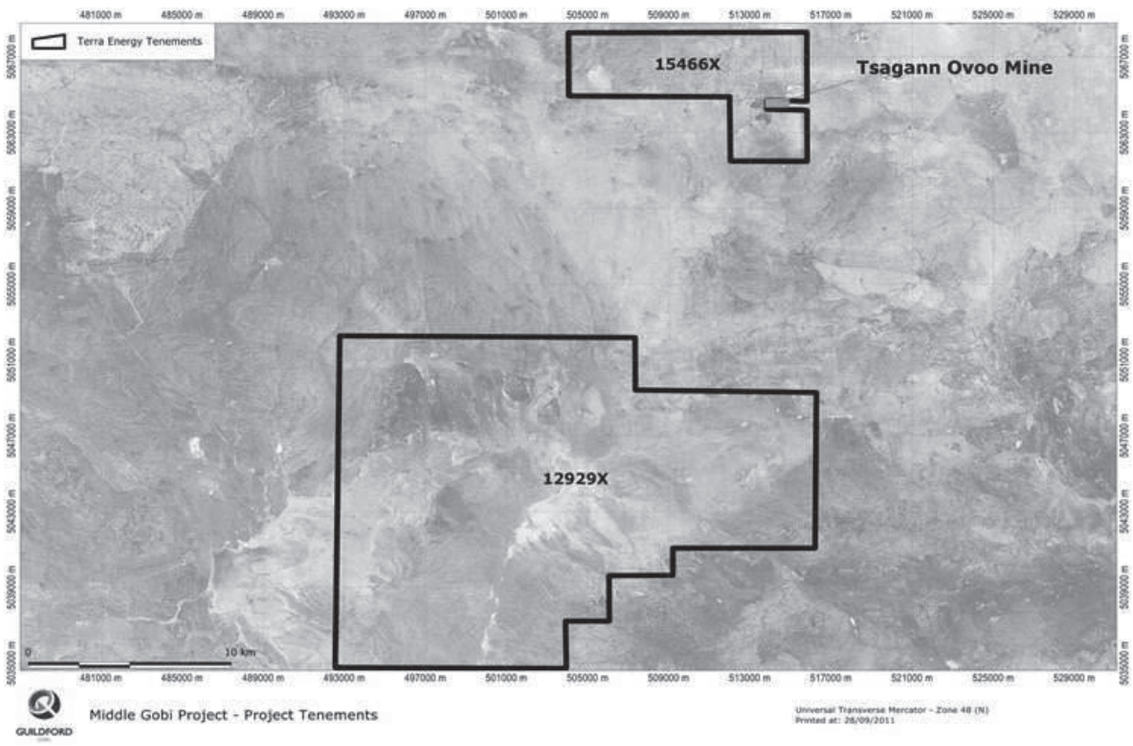
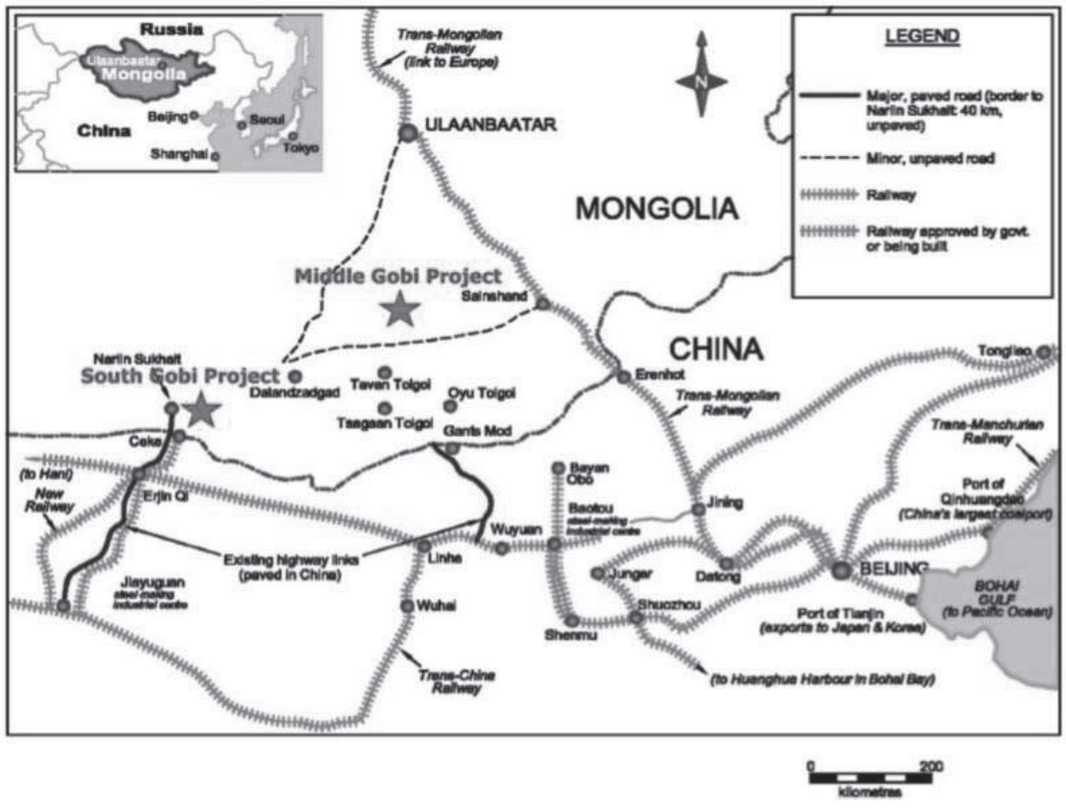


Figure 4.2 – Mid Gobi Project Location



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4.4 Ownership Status

Guildford's interests in Mongolia, including the Mid Gobi Project, are held through its 70% owned subsidiary, Guildford Coal (Mongolia) Pty Ltd and 100% owned subsidiary, Terra Energy Limited. Mongolian subsidiaries of Terra Energy control the Project.

4.5 Geology

4.5.1 General Structure

The project area lies within the Ongi River Basin (ORB) in central Mongolia. Coal seams in the ORB are hosted in Upper Permian, Lower-Middle Jurassic, and Lower Cretaceous sedimentary sequences.

The basin is situated on the east-west oriented narrow Valley of Lakes, which is bounded by the Khangai Range to the north and the Gobi-Altai Ranges to the south and southwest. Coal seams in the ORB and nearby Southern Khangai and Ikh Bogd Basins are hosted in Upper Permian, Lower-Middle Jurassic, and Lower Cretaceous non-marine sedimentary sequences.

The ORB is intensively folded and faulted in places due to Cenozoic uplift. According to Erdenetsogt et al. (2009), coal seams within the ORB varies in thickness from 5 m to 49.7 m, and the coal rank ranges from lignite (Cretaceous) to sub-bituminous coal (Permian and Jurassic). The coal-bearing sediments in EL12929X are likely to be of Early-Middle Jurassic-Cretaceous age; more precisely, from the Bakhar formation. The Bakhar formation sediments comprise interbedded conglomerates, sandstone, shale and coal with volcanic rocks with a maximum thickness of up to 2700 m.

The geology of the Middle Gobi Project Area has been mapped at a semi-regional scale. The regional geology is steeply-dipping, generally towards the north, which potentially provides multiple high and low rank surface coal targets in close proximity. The area is highly-faulted, with faults dominantly running in a northeast-southwest and northwest-southeast direction. There is one major unnamed fault which runs from the south-western corner of the exploration license to the north-eastern part of the license.

The coal-bearing formations are the Lower Cretaceous Tevshii Gobi Formation and Mogoit Formation; both formations contain brown coal (lignite) and sub-bituminous coal.

The Lower Cretaceous coal-bearing Tevshii Gobi Formation is the dominant formation seen across EL12929X and is found across the central part of the license in a northeast-southwest direction. The other coal-bearing formation, the Mogoit, is slightly older (Jurassic) and is found in the southern part of the license. Volcanic rocks are present in the northern part of the block as intrusions. There are three locations which represent a sub-volcanic complex of Upper Permian age. Quaternary sediments are present on the western edge of the exploration license and represent alluvial fan and lacustrine environments.

4.5.2 Exploration Activity

Exploration has been undertaken on both tenements at the Mid Gobi Project.

Tsagaan Ovoo Deposit – Exploration Licence 15466X

15466X is an exploration licence with a renewable term until 13 November 2016. Exploration on the licence commenced in 2011. The strategy was to drill a series of open hole lines in a North South direction to intersect the East West stratigraphy and confirm coal sequences and thicknesses.

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The program in 2011 consisted of six holes with an average depth of 200 m for a total of 1148 m drilled. These holes were drilled in the central part of the licence within the coal bearing Cretaceous Tevshiin Gobi formation. No coal was intersected.

Ground based magnetic geophysical studies were also completed in 2011. This was completed on 8000 m^2 of the license.

Drilling commenced in 2013 with one hole targeting the Tsagaan Ovoo coalmine which the license surrounds on three sides. The small program of one hole was attempting to intersect the same coal resource along strike.

Tsakhiurt Gobi Deposit – Exploration Licence 12929X

12929X is an exploration licence with a renewable term until 13 November 2016. Exploration on the licence commenced in 2011 and the strategy was to drill a series of open stratigraphic holes across the tenements to confirm sequences and confirm coal thicknesses.

Following prospective coal intersections across six holes, which were used as Points of Observation, Moultrie Database and Modelling (MDM) completed a JORC inferred and indicated resource report in December 2011. The Inferred Resource of 189.1 Mt and an Indicated Resource of 32.3 Mt were reported along with an exploration target of 165.9 Mt to 829.4 Mt.

Coal quality is available for these six-cored holes with the results showing a medium to high ash thermal product across three seams of potential economic thickness. Limited coking tests have been completed but historically, the target coal within the Jurassic Shahan Ovoo formation is not known for its coking properties.

Exploration in 2012 targeted the extension of the resource to the East and West. 16 holes with a total of 3000m open and cored were drilled, with one hole having a coal intersection. This was documented as inferior coal. Overall, due to poor quality data and issues associated with the quality of geophysical logs it cannot be conclusive that further coal intersections occurred. An Independent memorandum following exploration in 2012 by MDM states …"In their current state, the geophysical logs cannot be used for accurate identification of coal seams and depth corrections".

Exploration in 2013 consisted of another four open holes within the resource area, two of these intersected coal. One of the holes had a substantial intersection of 9 m of coal at an economic depth of 3 m. Exploration from the previous two years has not been used to increase resource size or confidence.

4.5.3 Coal Seams

Correlation of coal seams from boreholes at Middle Gobi has proved difficult. The seams have been picked based on geophysics in the model but not related back to the lithological logs. The general trend of the coal-bearing interval was quite defined, as shown in **Figure 4.3**, but with the average distance between holes around 500 m, the seams within are discontinuous and highly variable over this distance.

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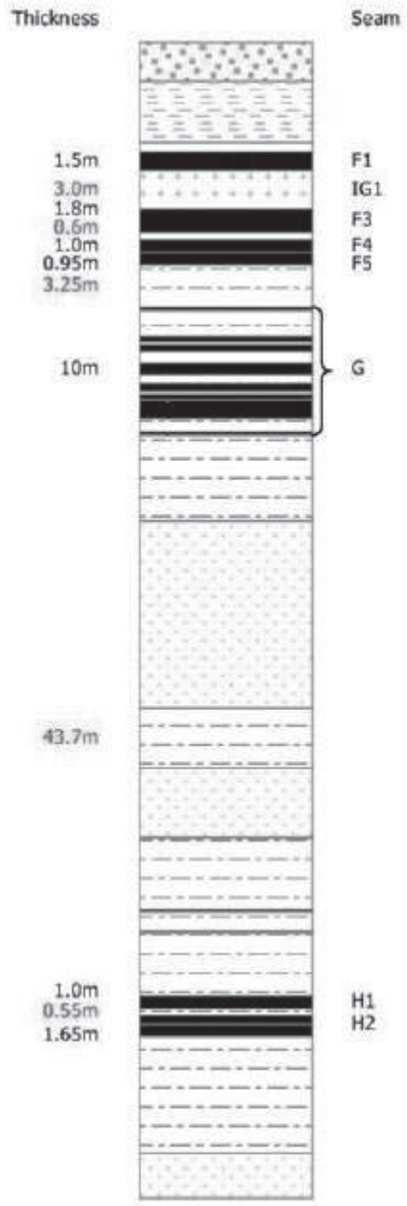
Figure 4.3 – Stratigraphic Column of Representative Lithology



4.5.4 JORC Resources and Reserves

The preliminary resource model was constructed in the Minescape mining software "stratmodel" module by Mark Biggs & Nicole Foley from Moultrie Database & Modelling Pty Ltd (MDM).

The MDM Resource Estimate of the Mid Gobi Project showed a total JORC coal resource of 221.4 Mt consisting of an Indicated Resource of 32.3 Mt and an Inferred Resource of 189.1 Mt. A further exploration target for the Mid Gobi Project of 165 Mt to 830 Mt of coal has also been estimated by Independent Geologists.

There is also potential for a fluorite resource, but this has not been addressed in this report.

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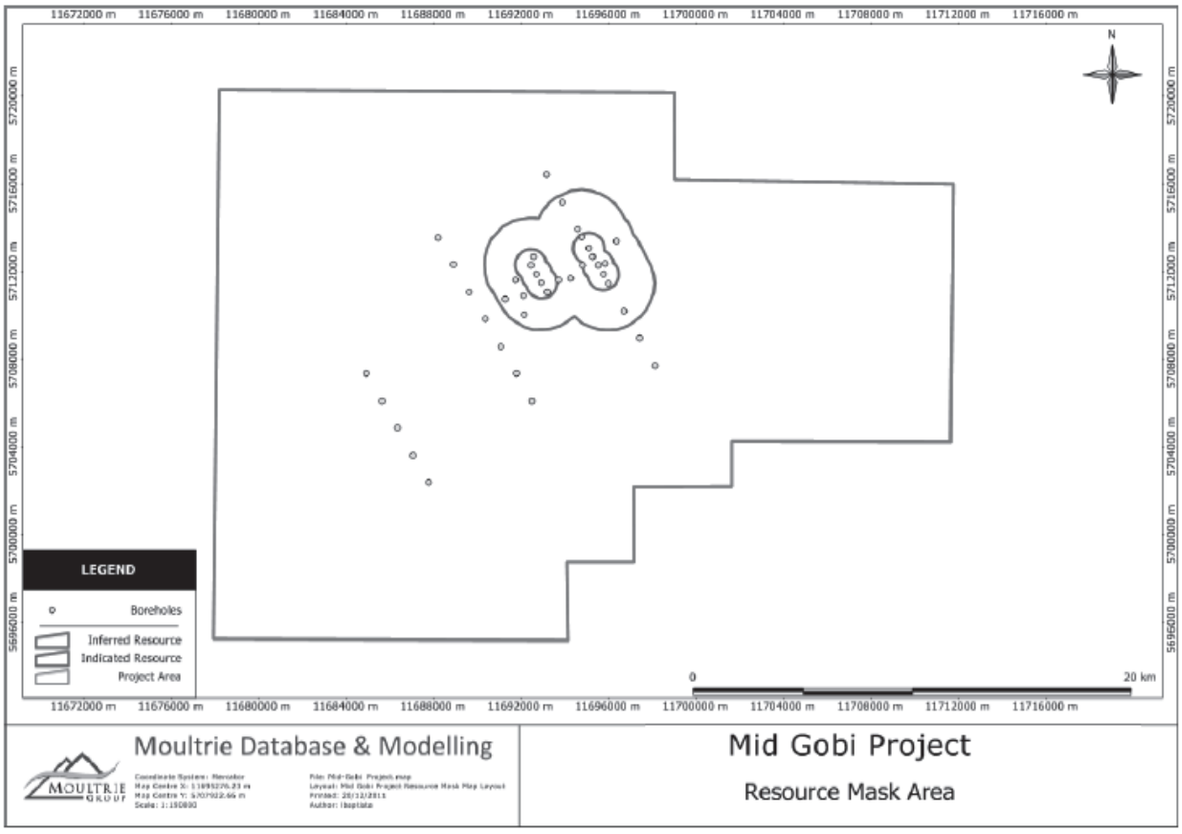
The resource areas for the Project are given in **Figure 4.4**.

Figure 4.4 – Mid Gobi Project Resource Areas



4.5.5 Coal Quality

Preliminary assessment indicates that the coal from Exploration Licence 12929X will be low rank thermal coal and Exploration Licence 15466X could contain higher rank sub-bituminous coal.

Only six cored holes with useable coal quality data were available, for coal quality estimation. Also, of the 14 seams modelled, coal quality data was not available for each seam in each hole. Analytical test work was carried out by the SGS Laboratory in Mongolia.

Coal quality for raw analyses was generated from ply samples where no composite sample had been analysed. The raw statistics are presented in **Table 4.1**.

Table 4.1 – Summary Statistics for Raw Coal Samples

Quality Statistics for Raw Coal Samples (adb)					
Quality	**Number**	**Total Length**	**Minimum**	**Maximum**	**Average**
ASH	64.0	34.8	8.87	53.89	23.44
MOIS	64.0	34.8	27.26	42.82	34.59
SE (Kcal)	64.0	34.8	1,774	4,326	3,258
TOTAL	**64.0**	**34.8**			

4.6 Mining Implications

Preliminary assessment indicates that the coal from Exploration Licence 12929X will be low rank thermal coal and Exploration Licence 15466X could contain higher rank sub-bituminous coal.

There is potential for large scale open cut mine producing thermal coal with overburden depths to the first seam shown to be as shallow as 3m.

The discontinuity and variability of the seams would make the consistency of production more difficult to achieve.

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5 HUGHENDEN EXPLORATION PROJECT

5.1 Key Outcomes

- Main focus is on EPC 1477 and 1478.
- Project has the scale and potential to support multiple underground mining operations producing substantial export thermal coal tonnages.
- Resource is at moderate to deep mining depth.
- Project located in close proximity to key supporting infrastructure such as the Mount Isa to Townsville rail line. This rail line does not currently carry coal and the Townsville port is currently not available for coal loading.
- Indicated Coal Resource of 132.9 Mt and Inferred Resource of 1,076 Mt. (JORC Code 2004 compliant)
- A significant portion of the Resources are contained within thin coal seams and at depth which are not likely to be converted into Reserves

5.2 Overview

The Hughenden project is made up of the following tenements contained in the northern end of the Galilee Basin in Queensland, Australia: EPCs 1300, 1394, 1477, 1478, 1479, 1480, 1574, 2046, 2047, 2048, 2049 and 2105.

There are two coal bearing stratigraphic horizons within the Hughenden Project area which are the primary exploration targets:

- Permian aged Betts Creek Beds of the Galilee Basin; and
- Jurassic aged Blantyre Beds (Injune Creek Group) of the Eromanga Basin.

Guildford has successfully delineated a substantial coal resource at the Hughenden Project, suitable for underground mining methods. Further drilling to improve the confidence level around this resource will continue in parallel with other exploration work being undertaken in the region.

The Project has the scale and potential to support multiple underground mining operations producing substantial export thermal coal tonnages, which are located in close proximity to key supporting infrastructure such as the Mount Isa to Townsville rail line. Drilling operations at the Hughenden Project have uncovered significant coal seams considered suitable for export thermal product. In particular EPC1477, where an interpreted 11.9 m of net coal within the Permian age Betts Creek Beds is made up of multiple seams ranging up to 5.5 m in thickness.

5.3 Location and Background

The Hughenden Project is located in the northern end of the coal bearing Galilee Basin in Queensland, Australia and covers approximately 840 km² of coal exploration permits, all of which have been granted.

Figure 5.1 shows the location of the Hughenden Project as well as the other Guildford Queensland Projects.

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Figure 5.1 – Location of Guildford Queensland Coal Projects

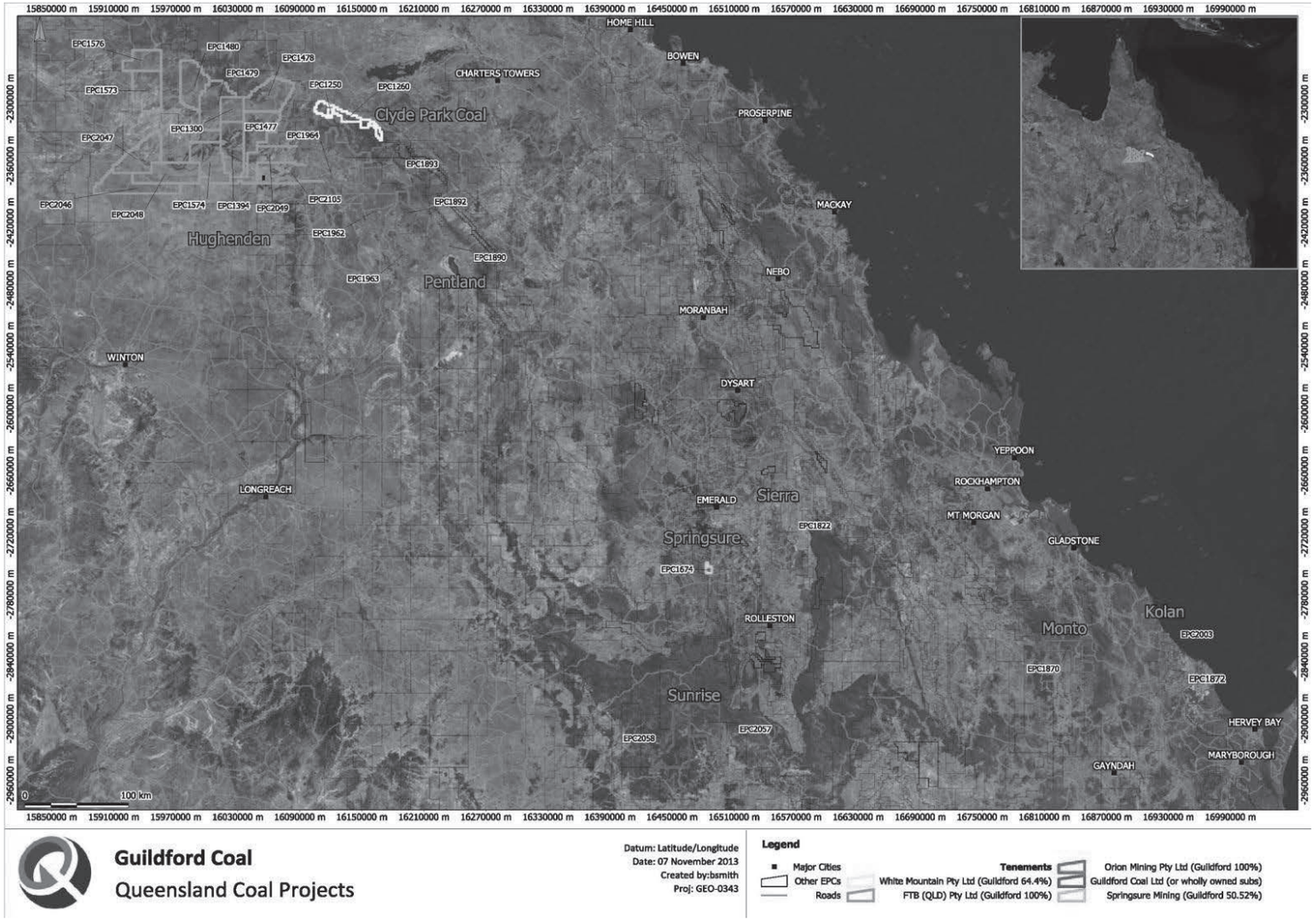

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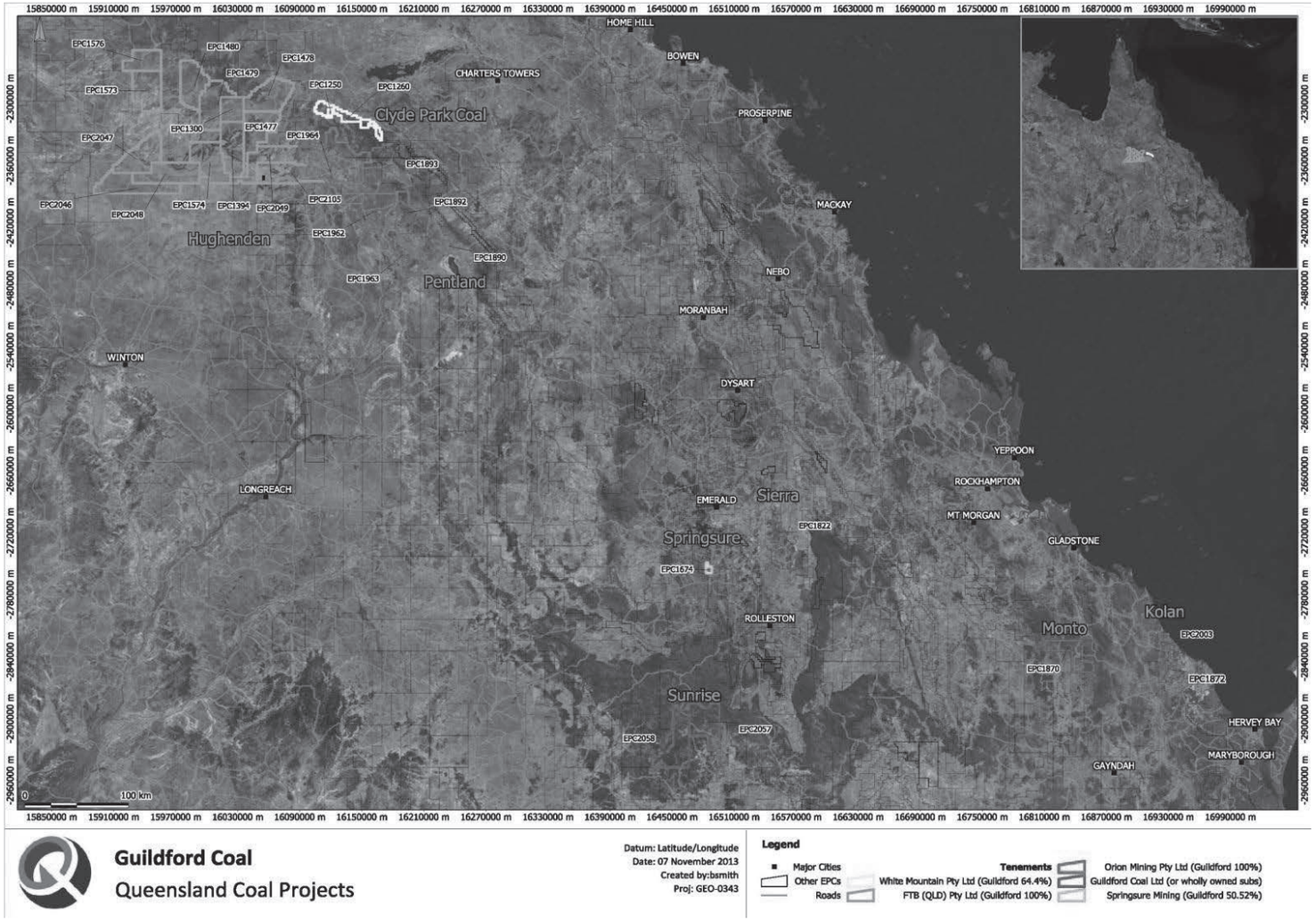
Figure 5.1 – Location of Guildford Queensland Coal Projects



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The main focus of the Project is EPC 1477, which covers some 963.7 km^2, and is located in the Richmond-Hughenden Region, 240 km southwest of Townsville and 370 km east of Mount Isa in Northern Central Queensland. To date a total of 37 boreholes have been drilled in EPC1477 by Guildford.

The land use over the tenements is largely covered with bush and grassland. Native land rights for the project area fall under the Central Queensland Land Council.

5.4 Ownership Status

Guildford has a 100% stake in Hughenden through its wholly owned subsidiaries FTB (QLD) Pty Ltd and Orion Mining Pty Ltd.

5.5 Geology

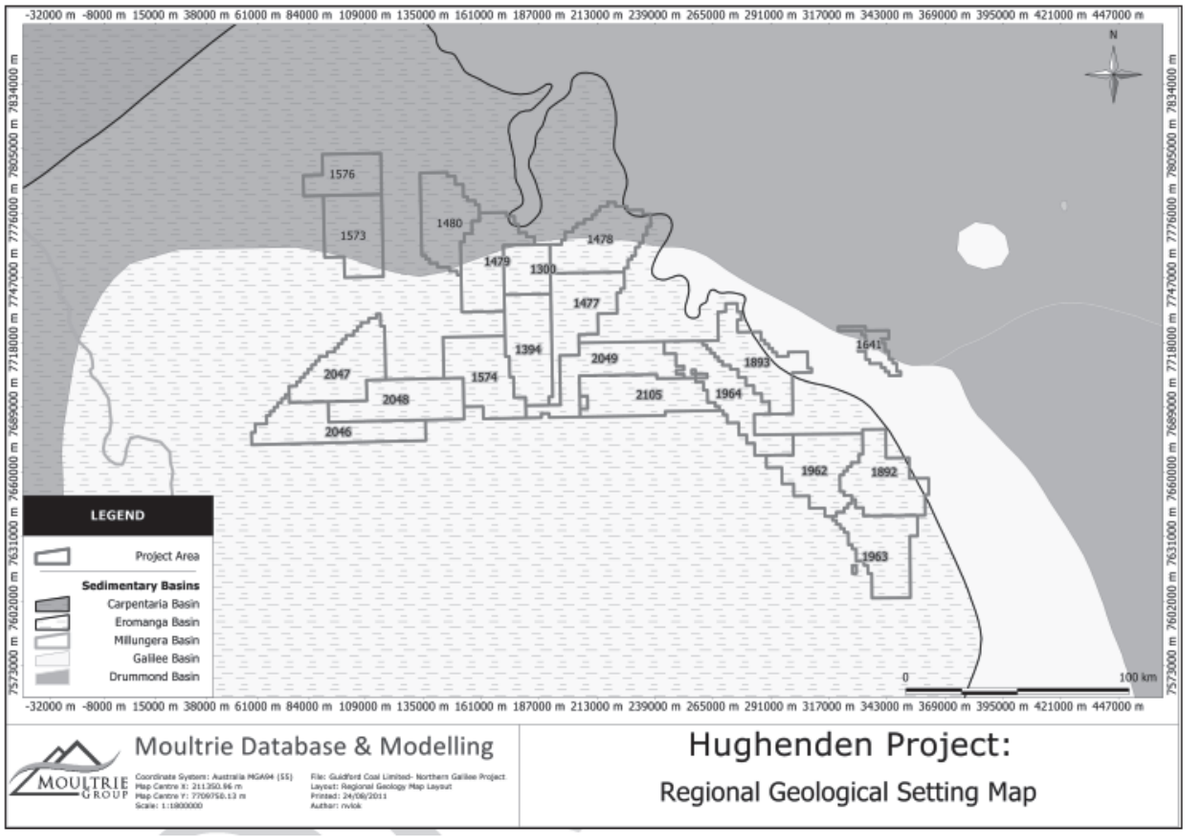
The Galilee Basin has relatively benign geology which allows the evaluation of coal deposits with an increased level of confidence when compared with deposits in other basins.

The regional geology of the project area is shown in **Figure 5.2**. The project are covers the northern boundary of the Galilee Basin and the north east portion of the overlying Eromanga Basin. The stratigraphical column for the project area (Table 5) illustrates the relationship and age of these two basins

The Galilee Basin is a large, relatively shallow intracratonic basin that extends over an area of approximately 247,000 km^2 in central Queensland. The northern and southern areas of the basin are separated by the east-west trending Barcaldine Ridge. Outcrops of the Galilee Basin occur in a 50–100 km wide belt along its faulted north-eastern margin. The basin overlies Late Devonian–Early Carboniferous strata of the Drummond Basin to the east, and Early Devonian strata of the Adavale Basin in the south.

The Jurassic to Cretaceous Eromanga Basin covers an area approximately 1,000,000 km^2 over large areas of Queensland, parts of South Australia, New South Wales and Northern Territory. It is separated from the facies equivalents/direct correlation of the Carpentaria Basin by the Euroka Arch. The Eromanga Basin within this regional area unconformably overlies, in parts, the Cambrian-Ordovician Georgina Basin to the west and the Palaeozoic Galilee Basin and Drummond Basin in the east. It is now known to cover the southern Millungera Basin.

Figure 5.2 – Hughenden Project Regional Geology



5.5.1 General Structure

The most recent drilling program has intersected potentially large coal resources in the low–medium rank coals from the: Glendower Formation, the Ronlow beds, the Blantyre Sandstone, the Warang Sandstone and the Betts Creek Beds.

No faults have been identified within the modelling area. Further drilling and delineation of faults may result in the possible inclusion of faults in future model updates.

The Cainozoic Sturgeon Basalt is a dominant feature within the Tenement area, covering most of the model area. There are various minor outcrops of lithological units detailed in **Table 5.1.**

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Table 5.1 – Lithological Units of Hughenden Project

Period	Formation	Lithology
Cenozoic	Sturgeon Basalt	Olivine basalt.
Tertiary	Glendower Formation	Fluviatile pebbly clayey quartzose sandstone, sandy siltstone, conglomerate and minor mudstone; commonly lateritised and silicified
Cretaceous	Wallumbilla Formation	Mudstone and siltstone with calcareous concretions.
Jurassic	Ronlow beds	Quartzose to sublabile sandstone, minor siltstone, mudstone and brown coal
	Gilbert River Formation	Clayey quartz sandstone, some sublabile and glauconitic sandstone. Minor ferruginised shale. Locally bioturbated.
	Loth Formation	Clayey, commonly micaceous, quartzose to feldspathic sandstone, siltstone, and mudstone.
	Eulo Queen Group	Quartzose sandstone, conglomerate, siltstone, and shale.
Triassic	Warang Sandstone	Kaolinitic quartz sandstone, conglomerate, variegated mudstone and siltstone
Late Permian	Betts Creek beds	Lithic sandstone, kaolinitic lithic sandstone, micaceous siltstone, conglomerate, mudstone, carbonaceous shale, coal, pebbly mudstone,tuff, breccia

The Glendower Formation is a tertiary unit that extends to 145 m in thickness. The fluviatile depositional environment deposited some lignitic seams within the project area.

Within the Eromanga Basin, the Cretaceous- Jurassic Ronlow Beds, has intersected some coal seams within the Fluvial- Lucrastrine depositional environment. The Blantyre Sandstone, which is the Equivalent of the Hooray Sandstone and the Injune Creek sequences, has some partially extensive coal seams.

The Galilee Basin hosts the Warang Sandstones of middle to lower Triassic. This sequence is known to extent to a maximum thickness of 700 m. The sediments in this sequence reflect a lower energy depositional environment with finer grained materials accumulating. The main coal bearing Formation, the Betts Creek Beds which outcrop in the northern extent of the Galilee basin, are late Permian in age. There are major coal seams that have been intersected within the project area up to 6.6 m in thickness and ranging from seams A-G.

The lithological logs studied as part of this project indicated some variance in the amount of seams and thickness. Coal seams logged include high percentages of mudstone, carbonaceous shale, lithic and quartzose sandstones and other non-coal material. The reporting of thick seams in some borehole reports most likely represents coal-bearing intervals with high proportions of non-coal material.

5.5.2 Exploration Activity

Exploration in the vicinity of the Hughenden Project is relatively sparse, with the exception of the drilling within historic EPC 249 by the Shell Company of Australia (SCOA). Previous drilling in the area includes numerous water bores, with reports of coal in water bores instigating coal exploration in the northern Galilee Basin in the 1960s and 1970s. Several coal explorers have drilled in the region, with SCOA delineating the Pentland and Milray deposits. Several Bureau of Mineral Resources (BMR) and Geological Survey of Queensland (GSQ) stratigraphic scout holes have been drilled in the region but were not targeting coal-bearing sequences. A number of Department of Mines and Energy (DME) coal exploration holes have been drilled in the eastern parts of the project area, with the main coal seam intersections being recorded in the vicinity of the Pentland and Milray deposits. Two petroleum wells, CAR Mogga 1 and FPN Koburra 1, have been drilled in the project area and provide information on the stratigraphy of the region; however neither well intersected shallow coal. Coal seam gas drilling in the area is expected to assist in broad stratigraphic correlations, however because most of the CSG

exploration wells were drilled very recently the reports for all CSG wells in the area remain confidential except EEA Aberfoyle 1A, which did not intersect coal until 1,354m deep.

Moultrie Group had also previously completed a comprehensive compilation and assessment of recent and historical geological and exploration data in September 2011 and developed an Exploration Target of 0.285 Bt to 2.83 Bt for the Hughenden Project.

A review of exploration results and a significant geological modelling analysis of the basement in the area of the resource were conducted in mid-2012. Following the inclusion of an additional four drill holes and additional drilling from a deepened hole, along with quality results not previously available, the geological model was updated to reflect the increased level of understanding of the geology.

5.5.3 Coal Seams

The stratigraphy of the coal reported in this resource correlates well with regional stratigraphy that has been previously published for the Galilee Basin, with the Betts Creek Beds Coal Sequence proving similar to that defined at the Adani – Carmichael Deposit and the Hancock – Alpha Deposit.

40 different seams have been identified, labelled in Seam Groups from A to G.

5.5.4 JORC Resources and Reserves

In February 2012, independent mining consultants MDM defined an estimated JORC Inferred Resource of 1.619 Bt of thermal coal within EPC1477 and EPC1478 at depths suitable for underground mining. Importantly this resource domain represented less than 2% of the Hughenden Project total tenement area.

In July 2012 an upgraded Indicated Coal Resource for the Hughenden Coal Project of 132.9 Mt and a revised Inferred Resource of 1,076 Mt of thermal coal in the Permian Betts Creek Beds in the northern Galilee Basin at depths suitable for underground mining (depths 350 – 600 m) was released.

As support for the calculation of Indicated Resources, a detailed statistical and geostatistical analysis of both the coal seam thicknesses and raw coal quality results was initiated, that investigated both the downhole and spatial continuity of the data distributions. Apart from defining geological domains within the Indicated Resource area, the study provided strong evidence that the distance between Points of Observation for the Indicated Resource could be reset to 1,200 m point to point without any loss of confidence. This distance is consistent with figures being reported by other Galilee Basin explorers.

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5.5.5 Coal Quality

A summary of coal quality by Seam Group is given in **Table 5.2**.

Table 5.2 – Summary Coal Quality Table

Seam	Initial Interpretation
A	Low volatile, medium to high ash thermal coal deposit. Ash values around 30%
B	There are 16 seams enclosed within the B compound. All seams except B1L, B3L, B4L and B5 have a lower ash and higher volatile thermal potential. B3U was the only seam did not have any noted values.
C	The C seam shows high ash, low volatile matter (lowest out of all seams) and low calorific values. It would be expected that these seams are currently outside the usual limits of an exported thermal coal
CD	The CD1 seam has potential to be a higher volatile thermal coal, as it has lower RD and ash values
D	The D1 upper seam is a high ash thermal coal deposit. The rest of the elements that make up the D seam package have good potential to be a medium to low thermal deposit
E	The E seam has good consistency (except for E2, probably due to parting included in the samples). The E seam has low to medium ash values and a higher volatile coal potential
F	The F1 and F2 coal quality analysis suggests a coal product of low volatile, high ash thermal coal. F3 has high ash values, but is still volatile.
G	The G seam shows lower ash values and potential to make a higher volatile thermal coal

Exploration to date has highlighted the suitability of both the Eromanga and Galilee coals to make an export thermal product, albeit the Galilee coals will be of substantially higher energy calibre. Prospects for coking coal products appear poor, although no crucible swell number or other coking coal indices have been seen. The coals' are not overly suitable for conversion to liquids based on the preliminary laboratory results.

5.6 Mine Plan

5.6.1 Proposed Operations

The Hughenden Inferred Resource (1.619 Mt) is believed by Guildford amenable to underground mining methods. The Hughenden Underground Project at a very high level conceptual evaluation indicates the capacity to produce up to 5 Mtpa ROM. Xenith has not sited a conceptual mine plan.

Mine operations would use the longwall method; each panel being 300 m in width and the majority in excess of 3 km long. The target coal seam for excavation (within the Permian Betts Creek Coal Measures) is the BC2U, comprising an average working section height of 3.4 m.

Upon excavation, Hughenden ROM coal would be expected to be crushed and transported by road train to the Clyde Park CHPP for processing, a distance of approximately 58 km. Administration and maintenance facilities will also be constructed to support the Hughenden Project.

Assessments of fuel supply, electricity supply, raw water supply and waste management options for the Hughenden Project remain part of ongoing mine planning.

5.7 Mining Implications

- Produces a thermal coal which is likely to require washing.
- A significant portion of the Resources is contained within thin seams much of which is at depth.
- Project located in close proximity to key supporting infrastructure such as the Mount Isa to Townsville rail line. This rail line does not currently carry coal and the Townsville port is currently not available for coal loading.

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6 CLYDE PARK EXPLORATION PROJECT

6.1 Key Outcomes

- Early stage of development.
- Coal seams found within the project area appear to be consistent with those published by other Galilee Basin explorers.
- Total JORC Code compliant (2004) Resource estimate of 728 Mt; 51 Mt are classified Indicated Resource, 677 Mt are considered Inferred Resource tonnes within EPC1260 at depths suitable for underground mining.
- Potential for surface mining near the crop lines in the northeast area.
- Potential for an export thermal coal with moderate ash and energy.
- Project located in close proximity to key supporting infrastructure such as the Mount Isa to Townsville rail line. This rail line does not currently carry coal and the Townsville port is currently not available for coal loading.

6.2 Overview

Clyde Park Coal Pty Ltd owns the contiguous EPC1250 and EPC1260, which are located on the north eastern edge of the Galilee Basin in Queensland. The Permian coal seams are known to outcrop in this location and were previously mined in the old Oxley Creek Coal Mine (located entirely within EPC1250). The Clyde Park Project is formerly known as the White Mountain Project.

Guildford Coal recently acquired EPCs 2503 and 2504 which occur directly below EPC 1260.

There is one coal bearing stratigraphic horizon within the Clyde Park Project area, the Permian aged Betts Creek Beds of the Galilee Basin.

6.3 Location and Background

The Clyde Park Project is located approximately 80 km north of the Hughenden Project and 160 km southwest of Charter Towers, within the northern end of the coal bearing Galilee Basin in Queensland, Australia and covers approximately 370 km² of coal exploration permits, all of which have been granted.

It is a potential early stage development opportunity located northwest of Pentland and is in the process of a mining lease application (ML 10369). The project is well located to utilise existing rail and port capacity in Townsville. The south-eastern boundary of EPC1260 is approximately 15 km from a potential rail siding at Pentland.

Figure 6.1 shows the general location of the Clyde Park Project.

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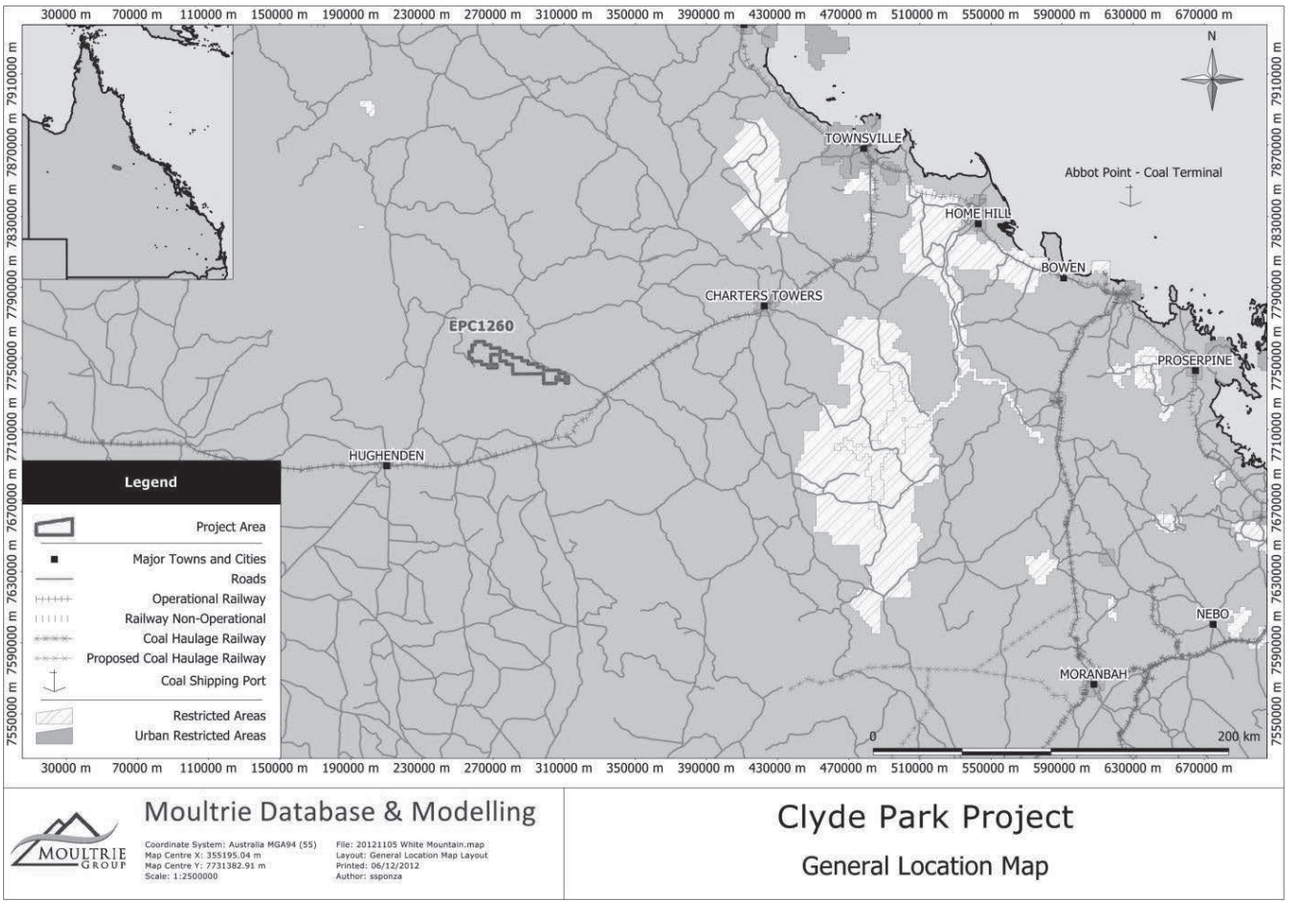
Figure 6.1 – Location of Clyde Park Project



6.4 Ownership Status

Guildford holds a 64.4% stake in Clyde Park Coal Pty Ltd (64.4% stake in both EPC 1250 and 1260) with the remaining shares held by Galilee Coal of which Tiaro Coal Limited is the major shareholder (ASX : TCM).

6.5 Geology

The coal seams found within the project area appear to be consistent with those published by other Galilee Basin explorers such as: Adani Mining, GVK Hancock Coal, Blackwood Coal (BWD), Vale, and China First/Waratah.

The Clyde Park Deposit seam name convention of A, B, C and D1-D5 used in the initial model (*Wmnt_12db*) are continued in the model update as well as E and F seams, however seam splitting in B and D seams has been identified and correlated through all boreholes. The new seam sequence can be seen in **Figure 6.2**. This seam nomenclature was derived in the Blackwood South Pentland Deposit report (Blackwood Corporation, 2011) which correlates the Betts Creek beds with other Galilee basin explorers as above.

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Coal seams have been correlated across the majority of boreholes drilled by Guildford Coal Limited within the project area, although their consistency and distribution does vary.

The model shows a distinct increase in seam dip from 0 - 1° in a south-westerly direction across the majority of the model area to 5° dip in the northeast of the model area. A normal fault has been interpreted between boreholes GCWRDH03 and GCWRDH06, upthrowing sediments on the north-eastern side. A brief analysis of Aeromagnetic Survey seen in **Figure 6.3** supports this interpretation, with northwest - southeast trending features identified. No fault has been mapped within the model to date because borehole spacing is too wide to predict an accurate location of the fault. A detailed interpretation of Aeromagnetic and Gravity data is recommended along with drilling to further delineate the fault.

Previous models and their reports interpreted that seams outcrop in the north of the project area. The drilling of boreholes in close proximity to the edge of basin has led to re-definition of each of the seams extent. The introduction of the new interpreted Galilee Basin extent within the model has resulted in seams being modelled as subcropping up against the basement line rather than outcropping as previously reported.

Figure 6.2 – Clyde Park General Stratigraphic Section

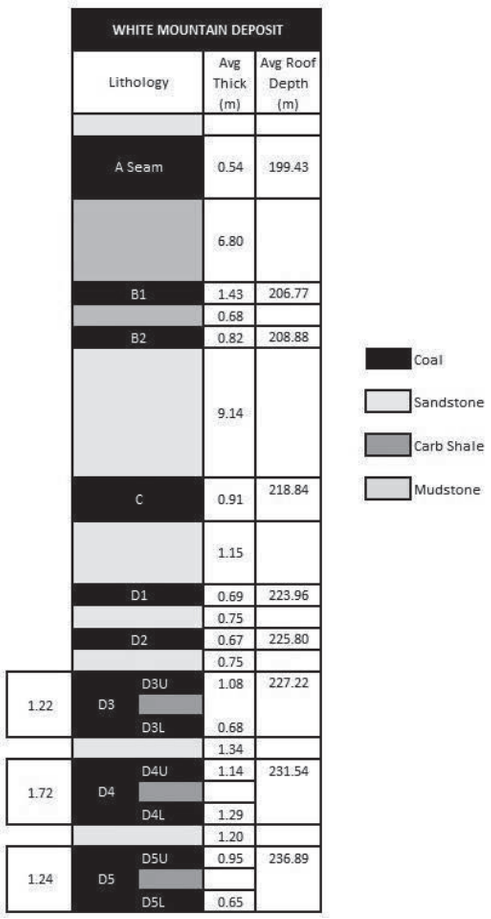
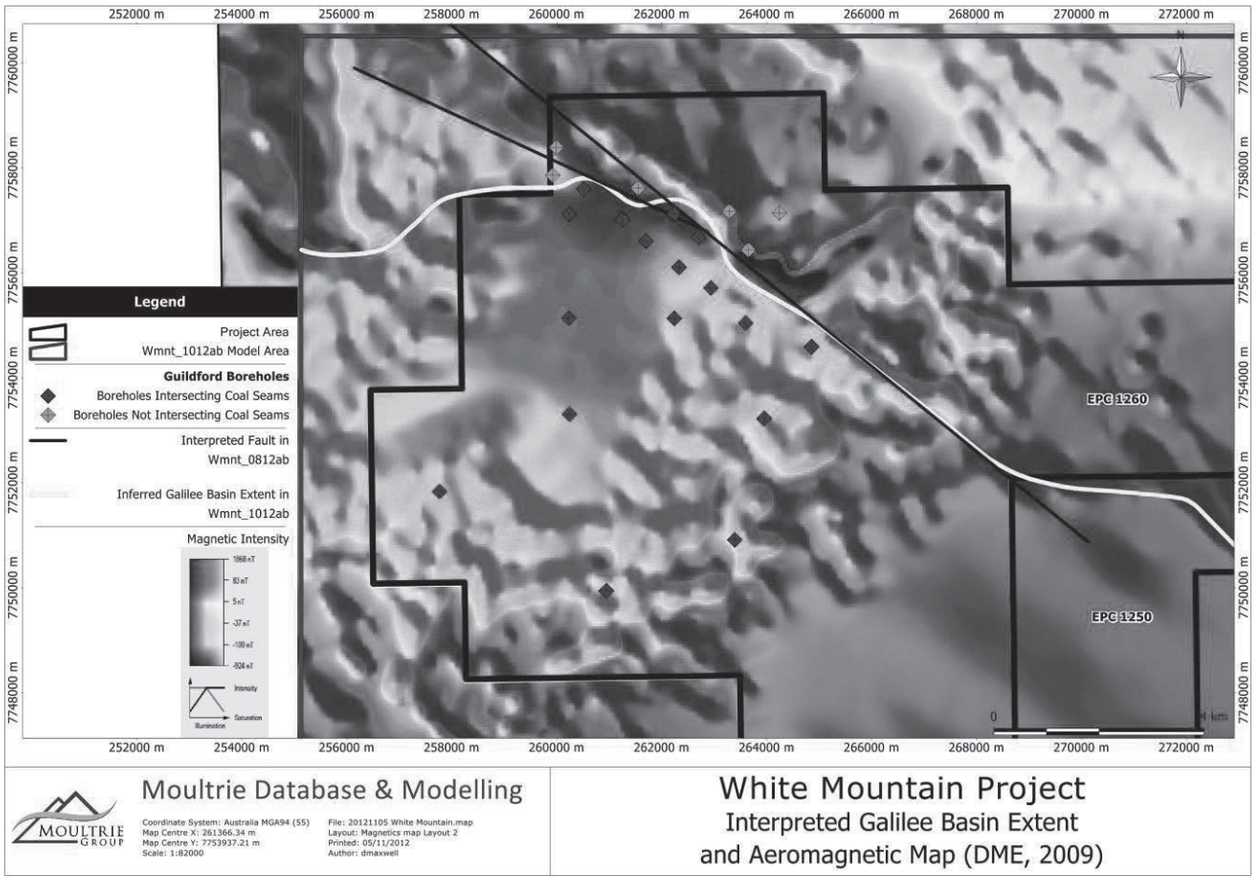


Figure 6.3 – Aeromagnetic Study of Clyde Park



6.5.1 Exploration Activity

Guildford has drilled 36 boreholes within EPC1260 as part of the Clyde Park exploration program and of these 26 boreholes have been included in the most recent geological model. Drill hole spacing varies across the project area and ranges from 0.3 km to 3.4 km point to point.

Eight coal seams and their seam splits have been intersected with coal quality analysis for three main seams showing a moderate ash (15% adb), moderate calorific value (5,800 kcal/kg adb) and low sulphur (0.5% adb) suggesting export thermal coal potential.

The coal seams found within the project area appear to be consistent with those published by other Galilee Basin explorers such as Adani Mining (Carmichael Deposit), Hancock Coal (Alpha Deposit) and Blackwood Coal (South Pentland Deposit).

A review of exploration results and a significant geological modelling analysis of the basement in the area of the resource were conducted in mid-2012. Following the inclusion of an additional four drill holes and additional drilling from a deepened hole, along with quality results not previously available, the geological model was updated to reflect the increased level of understanding of the geology.

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The drilling programme also was designed to define the extent of the Betts Creek Beds coal seams in the northernmost section of the project area.

6.5.2 Coal Seams

Seams A-F have been correlated across the majority of the model area, although their consistency and distribution does vary as a result of a number of structural and stratigraphical features identified during the process of updating the model, including; the outcropping of coal seams in the northwest, a possible fault running northwest - southeast across the north of the project area and a washout zone to the southwest. However, seams BC1, E and F were excluded from the Indicated Resource as they were considered to have no triangulation, meaning that the seam correlation and distribution could not be proven between boreholes.

6.5.3 JORC Resources and Reserves

A total of 36 holes were drilled within the project area. When creating the model 26 borehole were included and another 10 were rejected. The 26 boreholes included in the model all were verified and validated by MDM, checking the original survey, seam picks, lithological logs and core recoveries. The 10 holes were rejected because they were pilot holes, redrills, or had questionable correlations with their geophysically logged pilot holes.

Borehole spacing ranges from 308 m to 3.4 km, not included in this is the spacing between twinned and pilot holes as they were considered as one point.

In December 2012, independent mining consultants MDM defined a total JORC Resource estimate of 728 Mt. Of this estimated total, 51 Mt was classified Indicated Resource. With the remaining 677 Mt classified as estimated Inferred Resource tonnes within EPC1260 at depths suitable for underground mining.

A discount factor varying from 5-10% has been applied by MDM to estimations for unexpected geological losses. This accounts for unexpected conditions such as seam thinning, splitting, or seams missing in barren zones around faults.

The resource estimation reported complies with all of the major requirements of the JORC Code 2004, with the following qualification:

- The resource calculation is based on data received before 21st November 2012;
- The Resource model and calculation were developed using MineScape software, which is internationally accepted software in the use of primary coal mining operations;
- The Grid mesh size used for modelling the geology was 100 m² to accommodate the borehole spacing which has a minimum spacing of 1.63 km;
- The topography data used was sourced from The State of Queensland (Department of Environment and Resource Management) website and is accurate to 10 m;
- The minimum cut off thickness for seams included in the model is 0.25 m; and,
- Reported tonnages are based on relative density (RD) that was determined on an air-dried basis (adb) from coal quality samples.

Points of observation for the Clyde Park Project were defined by the following criteria:

- Borehole Survey positions were known;
- Chip and Core Boreholes had detailed downhole lithological logs. Where pilot borehole geophysical logs were used, lithologies must be correlatable;

- Coal seam thicknesses >0.25 m;
- Ash < 50%
- Depths of coal seams <750 m;
- Downhole geophysical logs include density in g/cc & gamma (API); and,
- Coal samples with raw coal ply analysis results.

Seams that have no coal quality samples were given a relative density of 1.45 with the knowledge that samples have been sent to the lab and analytical results were not available at the time of the model creation and of the MDM report.

Table 6.1 and **Table 6.2** show the Indicated and Inferred Resource Estimates respectively. Resources were run using Minescape's polygon module for the Indicated and Inferred masks contained in the design file "poly_indicated_revised" for indicated and "poly_inferred_revised design" for inferred. Derivation of the masks is based on the criteria outlined above.

Final resource masks were constructed by overlying the structural and coal quality component, and generating a composite mask considering both components. This technique is consistent with internal JORC standards established by major mining houses within Australia for the calculation of Measured, Indicated, and Inferred Resources to the JORC standard.

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Table 6.1 – Indicated Resource Summary

Seam	Plan Area (km^2)	Average Thickness (m)	Total Volume (million m^3)	RD	Mass (Mt)	Unexpected Geological Loss Factor (%)#	Tonnage (kt)
A	0.06	0.68	38.02	1.45	55.13	10	49.62
A2	2.05	0.57	1163.31	1.64	1906.84	10	1716.16
A2L	0.9	0.46	411.07	1.49	613.69	10	552.32
A2U	0.15	0.33	49.97	1.56	78.11	10	70.3
B	2.42	2.59	6280.66	1.72	10817.85	10	9736.07
B1	1.23	1.29	1593	1.54	2446.09	10	2201.48
B1L	0.4	0.96	388.51	1.59	619.1	10	557.19
B1U	0.4	0.48	194.23	1.66	322.67	10	290.4
B2	1.2	0.73	871	1.7	1480.28	10	1332.25
C	1.99	0.82	1626.35	1.69	2748.67	10	2473.8
CL	1.02	0.39	394.83	1.49	588.91	10	530.02
CU	0.23	0.33	76.44	1.55	118.28	10	106.45
D1	2.53	0.91	2298.82	1.66	3812.83	10	3431.55
D1L	1.74	0.63	1102.26	1.55	1711.07	10	1539.96
D1U	0.21	0.31	64.36	1.73	111.14	10	100.03
D2	4.43	0.74	3255.75	1.55	5045.77	10	4541.19
D3	3.05	0.65	1969.2	1.52	2988.13	10	2689.32
D3L	1.02	0.43	434	1.51	654.07	10	588.66
D3U	1.09	0.35	382.46	1.47	562.68	10	506.41
D4	2.44	1.68	4090.33	1.55	6354.83	10	5719.35
D4L	1.67	1.58	2633.79	1.51	3989.09	10	3590.18
D4U	1.26	0.56	708.25	1.62	1149.36	10	1034.42
D5	2.76	1.2	3326.22	1.54	5121.25	10	4609.13
D5L	1.79	0.55	991.92	1.54	1523.18	10	1370.86
D5U	1.26	0.78	974.12	1.56	1521.02	10	1368.92
			Total Indicated		**50,706.04**		

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Table 6.2 – Inferred Resource Summary

Seam	Plan Area (km^2)	Average Thickness (m)	Total Volume (million m^3)	RD	Mass (Mt)	Unexpected Geological Loss Factor (%)	Tonnage (kt)
A	2.54	0.67	1703.29	1.45	2469.77	10	2222.79
A1	20.65	0.72	14957.53	1.54	23033.52	10	20730.17
A2	3.87	0.64	2467.93	1.59	3926.25	10	3533.63
A2L	7.58	0.37	2774.06	1.49	4145.46	10	3730.91
A2U	9.86	0.37	3615.02	1.56	5632.04	10	5068.84
B	12.48	2.34	29177.4	1.68	49153.1	5	46695.45
B1	33.38	1.09	36305.5	1.61	58509.47	5	55584
B2	20.54	0.86	17557.96	1.57	27580.43	5	26201.41
BC1	0.53	0.32	167.56	1.59	267.11	5	253.75
C	0.94	0.47	441.63	1.64	723.51	5	687.33
CL	0.39	0.34	132.31	1.51	199.31	5	189.34
CU	0.03	0.29	10.12	1.59	16.1	5	15.3
D1	28.63	1.51	43147.43	1.59	68734.3	5	65297.59
D1L	6.1	1.93	11783.27	1.52	17956.66	5	17058.83
D1U	0.77	0.27	205.32	1.73	354.4	5	336.68
D2	33.51	0.62	20756.97	1.54	31922.02	5	30325.92
D3	18.82	0.96	18058.78	1.52	27383.33	5	26014.16
D3L	10.83	0.95	10258.64	1.49	15334.13	5	14567.42
D3U	11.57	1.52	17603.2	1.47	25872.39	5	24578.77
D4	26.23	2.05	53719.65	1.6	85724.8	5	81438.56
D4L	25.24	1.2	30386.63	1.54	46647.18	5	44314.82
D4U	26.98	2.32	62524.16	1.55	96850.3	5	92007.79
D5	13.52	1.48	20004.69	1.54	30753.34	5	29215.67
D5L	34.5	0.74	25505.01	1.57	39922.92	5	37926.77
D5U	39.55	0.81	31899.4	1.6	50947.2	5	48399.84
E	0.86	0.39	332.98	1.61	535.62	10	482.06
F	1.2	0.35	415.37	1.55	642.04	10	577.84
			Total Inferred		**677,455.63**		

6.5.4 Coal Quality

There are 1277 individual raw coal quality samples across 27 individual seams. Of these 575 were used to create the coal quality model.

Current coal quality analysis for the A2, B, B1, B1U, B2, C, CU, D1, D1U and E seams show high ash, low volatile matter and gross calorific values that are outside the usual limits of an ideal export thermal product.

The D Seam packages especially D2, D3 and D4 seams show a lower ash and higher volatile thermal potential, it is recommended further testing including washability is conducted on these seams to determine further product potential.

6.5.5 Geological Modelling

Moultrie Geology undertook a resource estimate in December 2012. A high level model audit was conducted by Xenith in December 2014.

The model audit reviewed drillhole data, quality data, and resource polygons, points of observations, structural data and seam interpretations. A comparison of resource tonnes was also undertaken.

There were some minor modelling discrepancies that should have been addressed at the time the initial model was constructed. These discrepancies were mainly related to coal quality data or resource polygons.

The borehole collar values do not always match topography, 7 boreholes have discrepancies of greater than 7m. The largest discrepancy of 23.68m was borehole GCW026.

Moultrie completed the most recent resource estimate in accordance with the 2004 JORC code.

6.6 Summary of Coal Resource Implications

- According to the data reviewed, the A to D1U and E seams are outside the limits of ideal export thermal coal quality.
- The D seam package especially D2, D3 and D4 show better thermal quality.
- No mention of coking potential.
- One fault has been interpreted, but not in model because it can't accurately be mapped with the spacing between boreholes.
- 27 different plies, with average thickness ranges from 0.31 m (D1U) to 2.59 m (B).
- Average depths range from range 190 to 230 m, with even shallower coal in the north near the crop lines.
- Coal is likely to be washed

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7 PENTLAND EXPLORATION PROJECT

7.1 Key Outcomes

- An exploration scout drilling programme was planned in December 2013 and was to be conducted during 2014. This has not yet happened.
- No JORC Resource has been completed.
- Potential mining by open cut and or underground methods.

7.2 Overview

The Pentland deposit is located approximately 25 km west of the township of Pentland in North Queensland. Guildford's wholly owned subsidiary Orion Mining Pty Ltd (Orion Mining) has a 100% interest in the Pentland project, which includes tenements EPCs 1890, 1892, 1893, 1962, 1963 and 1964. Previous studies have been used to generate an Exploration Target estimate of 0.3 Bt to 2.89 Bt for the project. This estimate includes coal seams within four formations contained within the Eromanga Basin (Ronlow Beds, Mackunda Formation, Birkhead Formation, Blantyre Sandstone) and two within the Galilee Basin (Warang Sandstone and Betts Creek Beds).

The Pentland Project will benefit from the same strategic opportunities as its sister projects at Hughenden and Clyde Park with it location relative to existing infrastructure.

7.3 Location and Background

The Pentland Project is located in the northern end of the coal bearing Eromanga and Galilee Basins in Queensland, Australia. The area is approximately 25 km west of the town of Pentland and approximately 240 km from the Port of Townsville. The Pentland Project covers 4,278 km^2 of the North Eastern Eromanga and Galilee Basins with a variety of coal targets of both the Permian coal bearing Betts Creek Beds and the Jurassic coal bearing Blantyre and Ronlow Beds. These targets offer the opportunity for potential open cut and underground mining.

Regional location of the Project is given in **Figure 7.1**.

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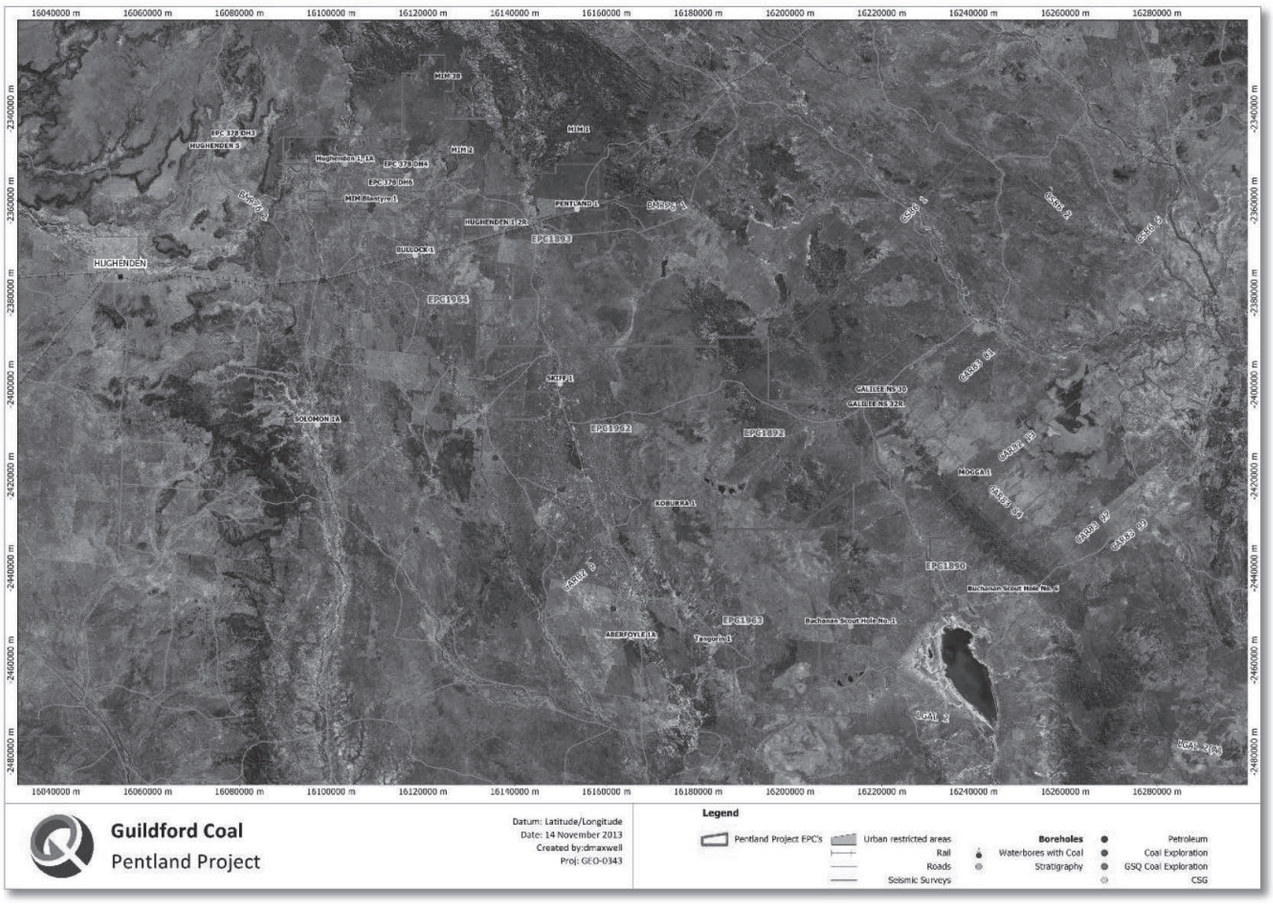
Figure 7.1 – Pentland Project Location



7.4 Ownership Status

The Pentland project is made up of the following tenements: EPCs 1890, 1892, 1893, 1962, 1963 and 1964. These tenements are contained in the north-eastern area of the Eromanga and Galilee Basins, Queensland Australia. This project is wholly owned (100%) by Orion Mining (Guildford 100%).

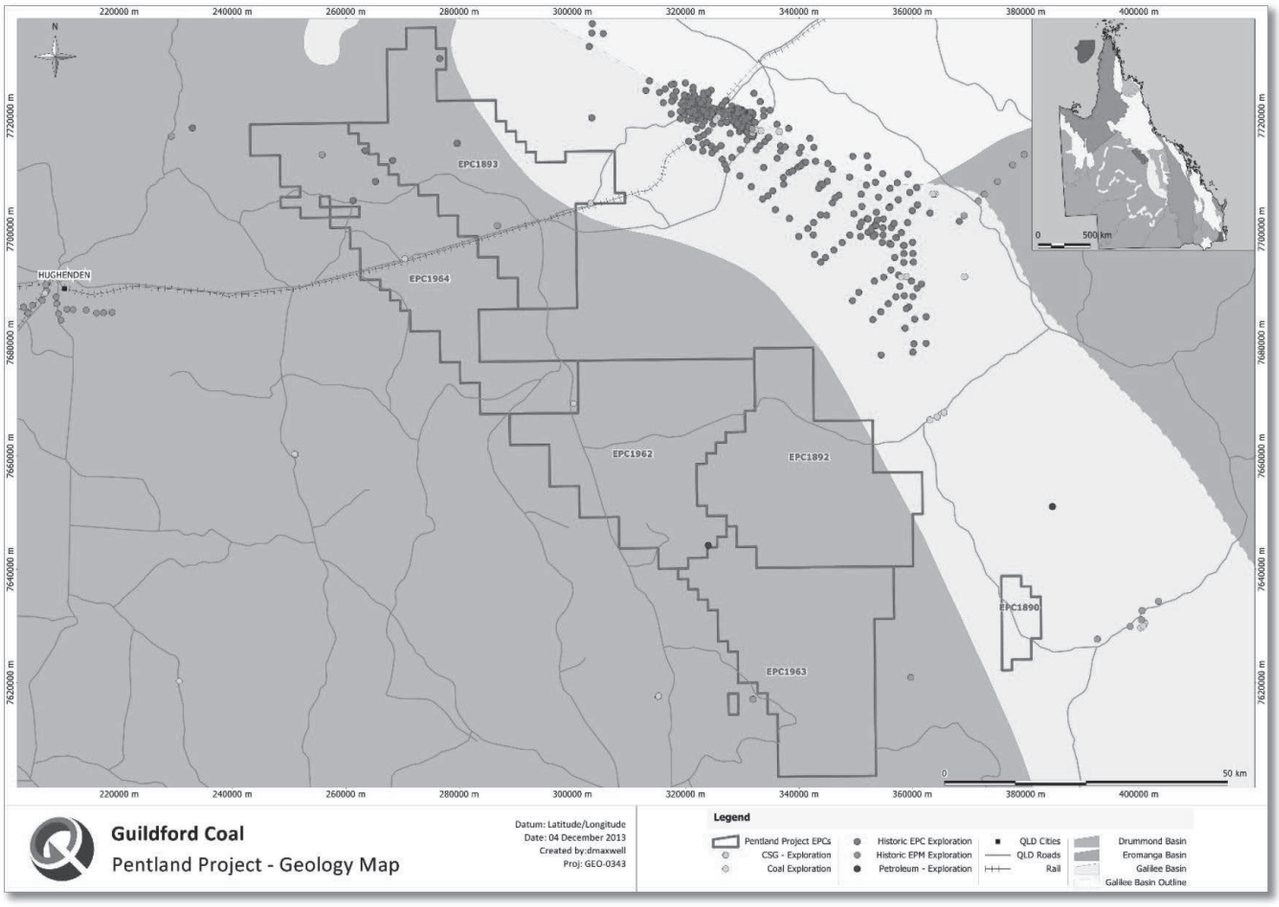
7.5 Geology

The Late Carboniferous to Middle Triassic Galilee Basin is an intra-cratonic, foreland basin that occurs stratigraphically above the Drummond Basin and below the Jurassic to Cretaceous Eromanga Basin. It is believed that the primary infilling material was recycled from a cratonic source such as the Thomson Fold Belt. The Basin formation was initiated by the Anakie Arch subsiding and has largely been influenced by the Hunter-Bowen Orogeny over a period of time. This has resulted in intense deformation of the underlying basement rocks but only slight deformation of the sedimentary deposits, with the western portion of the basin remaining relatively undisturbed.

The Basin formation initiated a widespread marine transgression, in which alluvial sediments were deposited; it is during this period that the Betts Creek Group, the primary coal-bearing unit in the Pentland area was formed. As per Guildford Coal, 2014 additional coal-bearing sequence in the area is

the Triassic Moolayember Formation. Coal also potentially could occur in the project area within the Eromanga Basin, in the Mackunda Formation, Wallumbilla Formation, Hooray Sandstone, Westbourne Formation and Ronlow Beds.

Figure 7.2 – Pentland Basin Location



7.5.1 General Structure

Interpreted seismic data for EPCs 1962, 1892, 1963 and 1890 show that the Permian coals as continuous, with limited to no major structures delineated from the surveys.

7.5.2 Exploration Activity

A number of geophysical surveys have been conducted over the project area and subsequently interpreted, these include: magnetic, radiometric, gravity and seismic. The project area is overlain by the 1997 Drummond-Galilee airborne magnetic and radiometric survey flown by the Queensland Department of Mines and Energy. The Charters Towers gravity survey that was undertaken in 2007 by the Queensland Department of Mines and Energy also covers the project area. Historical seismic data has been reviewed in respect to EPCs 1962, 1892, 1963 and 1890. The seismic data consists of northeast to southwest trending regional lines from the 1982 Carmichael Seismic Survey carried out by

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Canso Resource Limited on Authority to Prospect 239-P. Seismic lines from the 1986 Shell Development Australia's Campaspe seismic survey also exist within the area; these seismic lines extend west to the Galilee Basin and tie into the Carmichael survey lines. Petroleum exploration and coal seam gas holes (KOBURRA 1, MOGGA 1, TOWER HILL 1 and ABERFOYLE 1A) have been drilled on the seismic lines and have been used to confirm geological interpretations and seismic horizons.

During the period from 1978 to 1982, the Shell Company of Australia (SCOA) drilled 81 open holes and 11 cored within Authority to Prospect 249 to delineate the Pentland and Milray deposits. In general, the Independent Geologist's Report identifies 16 coal bearing holes in the project area. Approximately 94% of these holes have multiple coal intercepts.

An exploration scout drilling programme was planned in December 2013 and was to be conducted during 2014. The objective of this drill program was to further explore for coal occurrences within the project area targeting Jurassic Ronlow Beds and Permian Betts Creek Beds within the Galilee Basin. However at the time of this report, this drilling campaign had not commenced.

7.5.3 Coal Seams

No data available for review, although it is expected the most prospective seams will be in the Betts Creek Beds at depth in the project area.

7.5.4 JORC Resources and Reserves

No JORC Resource Estimate has been completed to date.

Moultrie Database & Modelling (MDM) estimated an Exploration Target of 0.3 Bt to 2.89 Bt for the Pentland Project. This estimate includes tonnages across coal seams within four formations contained in the Eromanga Basin (Ronlow Beds, Mackunda Formation, Birkhead Formation, Blantyre Sandstone) and two within the Galilee Basin (Warang Sandstone and Betts Creek Beds).

7.5.5 Coal Quality

No data available for review.

7.6 Mining Implications

Not a lot of exploration has been done to date however there is the potential for mining by open cut and or underground methods.

8 SPRINGSURE EXPLORATION PROJECT

8.1 Key Outcomes

- Potential underground project.
- 2013 drilling has led to a revised total JORC Resource of 191.5 Mt, with 148 Mt in the Inferred Resource category and 43 Mt in the Indicated Resource category.
- Product coal is likely to be high calorific value export thermal coal. The coal quality analysis results suggests that the coal is of a similar quality to that found at neighbouring Minerva Mine.

8.2 Overview

The Springsure Project is made up of EPC 1674 contained in Bowen Basin in Queensland, Australia.

There are eight coal seams within the Springsure Project area which are the primary exploration targets (RD1-RD6). These are located in the early Permian aged Reids Dome Beds of the Bowen Basin.

8.3 Location and Background

The Springsure Project (EPC 1674) is located approximately 8 km north of the town of Springsure on the Gregory Highway in the Springsure Region. The area is approximately 60 km south of the town of Emerald and approximately 420 km from the Port of Gladstone.

EPC 1674 covers a total area of 31 km^2 and is made up of 11 sub-blocks. The current holder of the tenement, EPC 1674, is Springsure Mining Pty Ltd, with Guildford Coal Limited the majority shareholder.

The Springsure Project area occurs on strike with Minerva Coal Pty Ltd's Minerva Mine which is located approximately 3 km to the north. The Minerva Open-Cut mine is a multi-seam mine with a production capacity of 2.8 Mtpa high quality thermal coal resources within the Reids Dome Beds coal measures.

Figure 8.1 shows the location of the Springsure Project.

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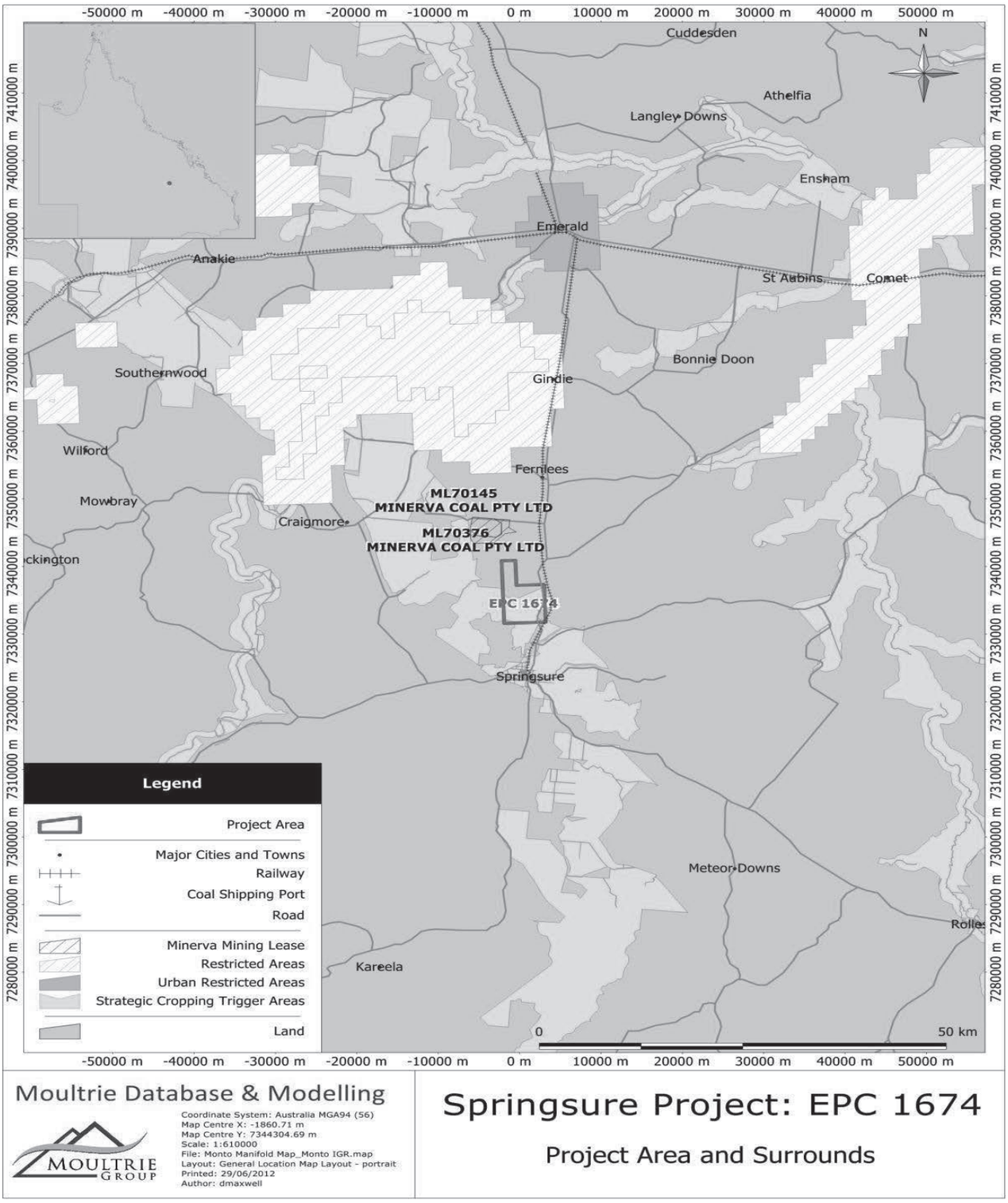
Figure 8.1 – Springsure Creek



8.4 Ownership Status

The current holder of the tenement, EPC 1674, is Springsure Mining Pty Ltd, with Guildford Coal Limited the majority shareholder. Guildford's holding in EPC 1674 is 35.78%.

8.5 Geology

8.5.1 General Structure

The project area is situated in the Bowen Basin and is wholly contained within the western margin of the Denison Trough. The Denison Trough, located between the Springsure Shelf to the west and Comet Ridge in the east, is recognised to host coal deposits of economic significance

This EPC was applied for to explore for shallow coal deposits (possibly graben or half-graben) with an infill of Permian sedimentary rocks which historically host significant coal resources. The main target coal seams within the exploration area are the coal-bearing Reids Dome Beds in the Bowen Basin and the Aldebaran Formation (equivalent to those found in the Valevia deposit held to the north by Rio Tinto).

The Reids Dome Beds (RDB) is a basal sequence in the southwestern area of the Bowen Basin. The formation is made up of a sequence of freshwater arenites, lutites and coal, underlying the Cattle Creek Formation. The Reids Dome Beds exhibit extreme and considerable variation in total thickness along with inferred depositional facies and resultant lithotypes.

The Lithology of the RDB is predominantly mudstone, sandstone, siltstone and coal. These sedimentary units are occasionally intruded by minor tertiary mafic dykes and sills. **Figure 8.2** is a stratigraphic column representing the Bowen Basin in the Denison Trough Area.

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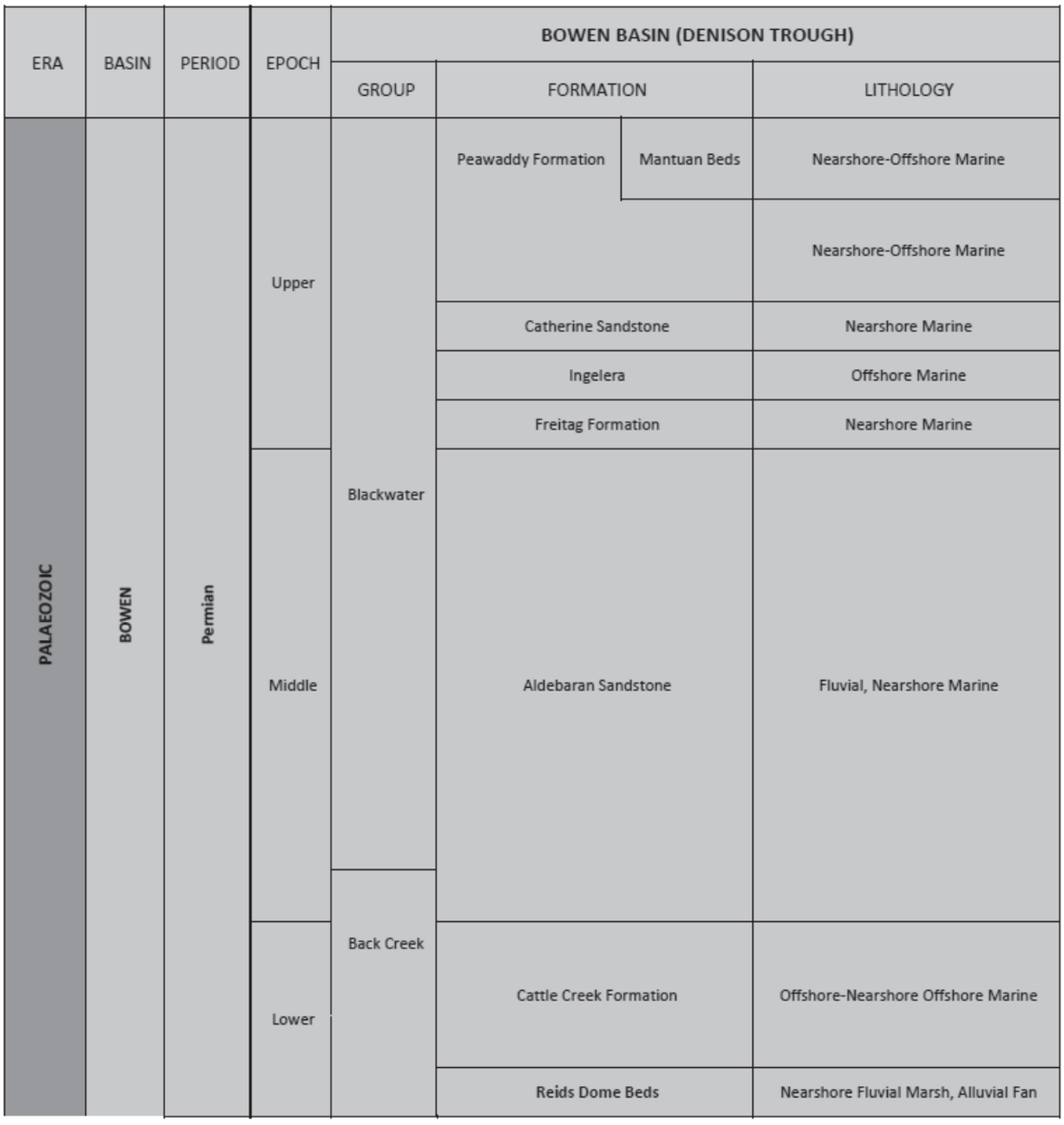
Figure 8.2 – Stratigraphic Column of the Bowen Basin



ERA	BASIN	PERIOD	EPOCH	BOWEN BASIN (DENISON TROUGH)		
				GROUP	FORMATION	LITHOLOGY
PALAEOZOIC	BOWEN	Permian	Upper	Blackwater	Peawaddy Formation / Mantuan Beds	Nearshore-Offshore Marine
						Nearshore-Offshore Marine
					Catherine Sandstone	Nearshore Marine
					Ingelera	Offshore Marine
					Freitag Formation	Nearshore Marine
			Middle		Aldebaran Sandstone	Fluvial, Nearshore Marine
			Lower	Back Creek	Cattle Creek Formation	Offshore-Nearshore Offshore Marine
					Reids Dome Beds	Nearshore Fluvial Marsh, Alluvial Fan

8.5.2 Exploration Activity

Historical exploration drilling has been conducted in areas surrounding the project area since the early 1960s. The majority of exploration to date has targeted shallow, fault-bounded isolated basins that contain thick Permian coal measures as well as other Permian sedimentary rocks that may contain economic coal measures.

Historical drilling in the region has consisted of a number of boreholes drilled within close proximity to the project area. This includes six government coal exploration boreholes, two petroleum wells, six stratigraphic wells, three coal seam gas wells and 93 water boreholes. Seven boreholes were drilled on

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EPC 512. Coal has been encountered in many of these boreholes; however the intersections are mainly thin and highly interbedded with mudstones and siltstone.

A regional aeromagnetic survey was completed by the Department of Minerals and Environmental Research in 2009. A regional gravity survey was run by the Department of Minerals and Environmental Research in 2007.

Guildford has conducted two exploration programs in 2012 and 2013.

2012: Guildford conducted a drilling program to gain further confidence knowledge from previous drilling programs. The new results from drilling, along with the existing information, was compiled and used to build the Springsure Geological Model.

The data from the drilling program for the project area comprised of 15 boreholes with eight boreholes used to build the Springsure Geological Model in the Minescape Stratmodel software.

Borehole Dension 238 was used to correlate and validate the seam nomenclature of the Reid's Dome Beds coal seams within the Springsure project seams RD1 to RD6.

The 2012 drilling program at the Springsure Project had 58 coal quality samples analysed from three boreholes; SU001B, SU002 and SU006A. The coal quality analysis results suggests that the coal is of a similar quality to that found in Minerva, which is currently mining six seams (RD1-RD6). The coal quality results a highly volatile, low ash thermal/PCI quality coal.

2013: Guildford's 2013 drilling program included drilling three boreholes in the northern section of the tenement. These were analysed and added to the geological model which was then updated.

2014: Drill additional borehole which was a chip hole to understand the seam continuity at southern end of drill program, prepare and undertake coal quality wash testing of remaining core from indicated resource and submission of MDL application. Wash results in progress.

8.5.3 Coal Seams

There are a total of eight seams present on the Springsure project (RD1-RD8, see **Figure 8.3**) with RD8L the lowest interval of the sequence. Drilling has revealed the presence of six main coal seams which have been correlated across the majority of the project area. Figure 8.3 shows the seam structure and splits on the Springsure project.

Seam splitting is present in the following seams; RD2, RD3, RD4, and RD8. Seam thickness can vary from less than 1.0 m to 5.0 m with seams RD2 and RD5 the two thickest seams.

Intrusions have been intersected in some seams, RD2 and RD5, with heat affected coal stated as being removed from the model and resource estimate.

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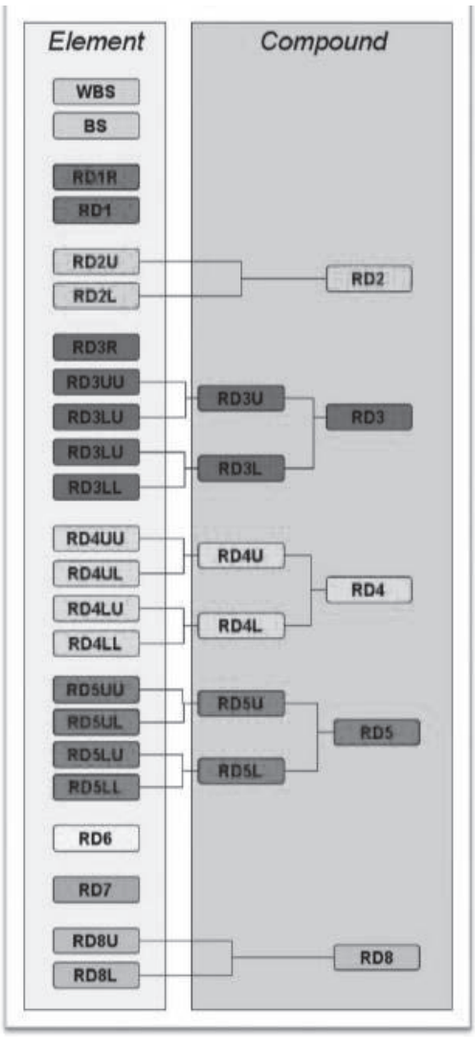
Figure 8.3 – Seam Structure



8.5.4 JORC Resources and Reserves

An initial Resource Estimate for the Springsure Project was compiled by Moultrie Database & Modelling (MDM) in February 2013. The Inferred Coal Resource tonnage of 252.6 Mt of the coal-bearing Reids Dome Beds was derived from eight of the 15 boreholes drilled in Guildford Coal Limited's 2012 drilling program. The classification of resources reported was primarily driven by the understanding of structural continuity and a level of confidence in seam correlation between boreholes. The structural data available from the modelled boreholes was deemed sufficient to assume continuity between data points.

Three more boreholes were added to the model after the completion of the 2013 drilling program and an update of the resource was undertaken. The additional structural and quality information has contributed to a more confident level of interpretation of the behaviour of the coal seams and therefore a revised total coal resource of 191.5 Mt has been estimated, with 148 Mt in the Inferred resource

category and 43 Mt in the indicated resource category as classified in accordance with the JORC Code 2004.

As of 11 November 2013, 11 boreholes have been included in the geological model created by MDM. Boreholes included in the model have a point to point spacing ranging from 526.93 m to 3315.84 m.

Points of observation for the Springsure project were defined by the following criteria:

- Borehole Survey positions were known;
- Chip and Core Boreholes had detailed downhole lithological and geophysical logs;
- Coal seam thicknesses >0.25 m;
- Depths of coal seams <500 m;
- Downhole geophysical logs include density in g/cc;
- Coal samples with raw coal ply analysis results;
- Boreholes included in the model have a point to point spacing as follows:
    - 4,000 m point to point for Inferred Resource, and
    - 1,000 m point to point for Indicated Resource.

Table 8.1 and **Table 8.2** show the indicated and inferred tonnage estimates.

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Table 8.1 – Inferred Tonnes (kt)

Seam	Plan Area (Km^2)	Avg Thickness (m)	Total Volume (Mm^3)	UGL (%)	RD	Mass (kt)	Mass after UGL (kt)
RD1	0.14	1.09	148.28	15	1.42	210.27	178.73
RD1	0.2	0.63	124.61	15	1.38	172.34	146.49
RD1	11.74	0.91	10,705.39	15	1.4	14,723.95	12,515.36
RD2	0.72	3.22	2,328.29	15	1.37	3,178.57	2,701.79
RD2L	11.21	1.03	11,554.55	15	1.46	16,262.44	13,823.07
RD2U	7.31	1.03	7,516.44	15	1.36	10,202.57	8,672.19
RD3U	0.18	0.88	163.22	15	1.39	226.87	192.84
RD3UL	0.15	0.44	68.62	15	1.4	96.17	81.74
RD3UU	0.14	0.39	52.59	15	1.49	78.35	66.6
RD3U	9.96	1.09	10,890.59	15	1.39	13,665.26	11,615.47
RD3UL	1.17	1.87	2,200.35	15	1.39	3,048.59	2,591.30
RD3UU	1.24	0.96	1,191.04	15	1.4	1,662.42	1,413.06
RD4	0.51	1.04	536.77	15	1.47	787.83	669.66
RD4	3.16	1.83	5,798.54	15	1.51	5,016.71	4,264.20
RD4L	0.92	0.94	868.53	15	1.39	1,129.72	960.26
RD4LL	5.79	0.48	2,806.04	15	1.4	3,928.45	3,339.18
RD4LU	2.04	0.33	679.09	15	1.37	930.35	790.8
RD4UL	4.74	0.45	2,130.57	15	1.39	2,946.51	2,504.54
RD4UU	7.22	0.56	4,031.96	15	1.37	5,502.40	4,677.04
RD5L	0.07	0.72	49.96	15	1.4	69.77	59.31
RD5LL	0.04	0.62	24.56	15	1.65	40.53	34.45
RD5LU	0.03	0.31	10.34	15	1.76	18.2	15.47
RD5UL	0.45	0.86	386	15	1.49	573.47	487.45
RD5UU	0.51	0.64	331.34	15	1.49	492.26	418.42
RD5	7.1	3.92	27,900.16	15	1.45	40,136.22	34,115.79
RD5L	4.74	1.28	6,064.46	15	1.4	7,591.03	6,452.37
RD5LL	0.18	2.19	386.8	15	1.65	638.21	542.48
RD5LU	0.18	1.71	302.44	15	1.76	532.29	452.44
RD5U	2.67	2.44	6,527.47	15	1.49	7,461.90	6,342.61
RD5UL	3.69	0.98	3,635.01	15	1.49	5,400.37	4,590.31
RD5UU	5.02	1.94	9,752.63	15	1.49	14,489.03	12,315.68
RD6	7	1.34	9,351.68	15	1.39	12,972.27	11,026.43
					Total Inferred		148,057.54

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Table 8.2 – Indicated Tonnes (kt)

Seam	Plan Area (Km^2)	Average Thickness (m)	Total Volume (Mm^3)	RD	Mass (kt)
RD1	3.06	1.47	4,522.31	1.42	6,412.29
RD2	1.28	4.5	5,782.44	1.37	7,894.18
RD2L	0.51	1.5	762.13	1.56	1,188.89
RD2U	0.68	3.29	2,229.25	1.36	3,034.27
RD3U	0.49	2.46	1,221.13	1.39	67.63
RD3UL	2.15	1.91	4,123.71	1.39	5,721.93
RD3UU	1.9	1.04	1,986.07	1.41	2,803.29
RD4	1.51	1.22	1,845.92	1.46	2,692.61
RD4L	0.85	0.55	470.36	1.39	653.8
RD4UL	0.51	0.31	154.59	1.38	213.37
RD4UU	0.85	0.5	423.13	1.35	571.35
RD5	0.71	2.8	2,009.34	1.48	2,965.60
RD5L	0.56	2.34	1,314.96	1.4	1,847.46
RD5LL	1.17	1.22	1,430.81	1.65	2,360.84
RD5LU	1.24	0.9	1,121.04	1.76	1,973.03
RD5U	1.31	1.34	1,763.04	1.52	2,674.51
RD5UL	0.16	1.04	162.49	1.52	246.5
RD5UU	0.16	0.67	105.19	1.52	159.58
			Total Indicated		**43,481.12**

8.5.5 Geological Modelling

MDM undertook a resource estimate in October 2013. A high level model audit was conducted by Xenith in December 2014.

The model audit reviewed drillhole data, quality data, and resource polygons, points of observations, structural data and seam interpretations. A comparison of resource tonnes was also undertaken.

There were some minor modelling discrepancies that should have been addressed at the time in the initial model was constructed. These discrepancies were mainly related to coal quality data.

Coal quality data reveals some samples have low ash, low moisture and high RD or high ash, low moisture and high RD. A review of quality data needs to be conducted. This may have an impact of the total resource. Also a review of laboratory results should be conducted to ensure that there were no issues when coal samples were being tested.

The model resource tonnes comparison showed no difference with indicated or inferred tonnes.

Table 8.3 outlines some of the coal data that should be reviewed. Yellow indicates low ash high RD values and green indicates high ash low moisture values.

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Table 8.3 – Springsure Project Model Audit Items

Hole Name	Seam	Sample From	Sample To	TM	IM	Ash	VM	FC	TS	SE	CSN	RD	Waste
GCSU006	RD3L	252.2	252.56	11.9	2.52	15.97	2.34	79.17	0.16	25.23	0	1.73	0
GCSU011	RD1	280.03	280.22	3.8	3.08	65.18	15.08	16.66	0.5	8.95		1.99	0
GCSU011	RD5LU	413.54	414.04	13.1	6.17	13.46	2.68	77.69	0.15	26.57	0	1.76	0

8.5.6 Coal Quality

The raw analysis of coal samples of the Reids Dome Beds show a low ash, moderate volatile matter, moderately high calorific value export thermal coal. The coal quality analysis results suggest that the coal is of a similar quality to that found in Minerva, which is currently mining six seams (RD1-RD6). **Table 8.4** outlines the coal quality summary of the Springsure Project.

Table 8.4 – Coal Quality Summary

Seam	Average Thickness (m)	Raw ASH	RD	CSN	TM	IM	VM	CV	TS	FC
		(%) adb			(%) adb	(%)	(%) adb	(Kcal/Kg)	(%) adb	(%) adb
RD1	1.47	14.54	1.42	1	5.67	3.98	31.69	6,571	0.41	49.79
RD2	4.5	9.37	1.37	1	4.54	3.55	32.21	7,042	0.26	54.88
RD2U	3.29	8.05	1.36	1.5	5.39	3.75	32.02	7,195	0.24	56.18
RD2L	1.5	31.52	1.56	1	5.14	4.03	25.18	5,086	0.18	39.27
RD3UU	2.46	8	1.39	0	12.9	1.6	16.4	7,603	0.28	74
RD3UL	1.04	12.29	1.41	1.5	5.32	3.29	26.83	6,949	0.27	57.63
RD3LL	1.91	11.83	1.39	1	5.8	3.98	20.81	6,934	0.57	63.41
RD4	1.22	20.69	1.46	1	3.91	3.36	27.23	6,156	0.29	48.72
RD4UU	0.5	9.59	1.35	2.5	6.33	3.61	34.36	7,075	0.3	52.53
RD4UL	0.31	10.97	1.38	2	6.15	4.2	32.97	6,860	0.26	51.86
RD4L	0.55	14.8	1.39	2	5	3.6	32.5	6,621	0.3	49.1
RD5	2.8	22.94	1.48	1	3.91	3.1	29.42	5,903	0.25	44.54
RD5UU	0.67		1.52							
RD5U	1.34	24.46	1.52	1	4.79	3.13	23.51	5,843	0.28	48.88
RD5UL	1.04		1.52							
RD5LU	0.9	13.46	1.76	0	13.1	6.17	2.68	6,344	0.15	77.69
RD5L	2.34	15.09	1.4	1	4.66	3.58	31.09	6,605	0.28	50.23

8.6 Summary of Coal Resource Implications

- Seam thickness: it is still unclear which seams might be of optimal mineable working section thickness and focus is needed on gaining more coal quality data, specifically seams RD2 and RD5 which are greater than 3 m thick.
- Seam continuity: Seam continuity needs more confidence. Further exploration is recommended to find the extent of seam continuity, both core and chip holes. Determine areas of excessive seam splitting or zones where seams become thin and therefore not optimal for mining.
- Mining: It appears the project, if proved up, would be suitable only for underground mining. Geotechnical studies of roof and floor conditions are recommended.
- Intrusions: The extent of intrusions and sills that have the potential to sterilise areas of the deposit are still unclear and need better defining.

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9 KOLAN EXPLORATION PROJECT

9.1 Key Outcomes

- Potential coking and PCI coal products.
- There is currently no JORC Resource for this project.
- Drilling indicates prospectivity is limited at this point.
- Potentially amenable to thin seam open cut mining.

9.2 Overview

The Kolan Project consists of EPC 1872 and EPC 2003 that are located east of Bundaberg in the Maryborough basin. The exploration targets the Burrum Coal measures to produce a high value, modest tonnage, high CSN, low ash, low moisture; coking product.

The Project is expected to host coal from the Burrum and Maryborough Coal Measures and may potentially be amenable to bulk mining of thin seams via open cut mining methods.

9.3 Location and Background

The Kolan Coal Project is located in the hard coking coal-bearing Maryborough Basin in Queensland, Australia and includes an estimated 193 km2 of coal exploration permits contained in two tenements, EPC1872 and EPC2003, which are 100% Guildford owned. These are located approximately 18 km east of Bundaberg (see **Figure 9.1**). The Kolan Project connects to the Port of Gladstone via the Maryborough North coals rail system.

9.4 Ownership Status

Guilford Coal Limited is the operator and manager of exploration of the titles through 100% ownership of Sierra Mining Pty Ltd.

In July 2012 10 sub blocks from the periphery of the lease were relinquished from EPC 1872 due to a lack of coal seam intersections within exploration boreholes. This reduced the sub blocks for EPC 1872 from 48 to 38.

Refer to **Table 9.1** for details on the EPC ownership.

Table 9.1 – Kolan Project Tenure and Ownership

Tenure	Status	Date Lodged	Date Granted	Date Expires	Principle Holder	Sub Blocks	Area (km2)
EPC 1872	Granted	7-Aug-09	30-Jun-10	29-Jun-15	Sierra Coal Pty Ltd	38	118.2
EPC 2003	Granted	30-Nov-09	30-Jul-11	19-Jul-16	Sierra Coal Pty Ltd	31	86.1

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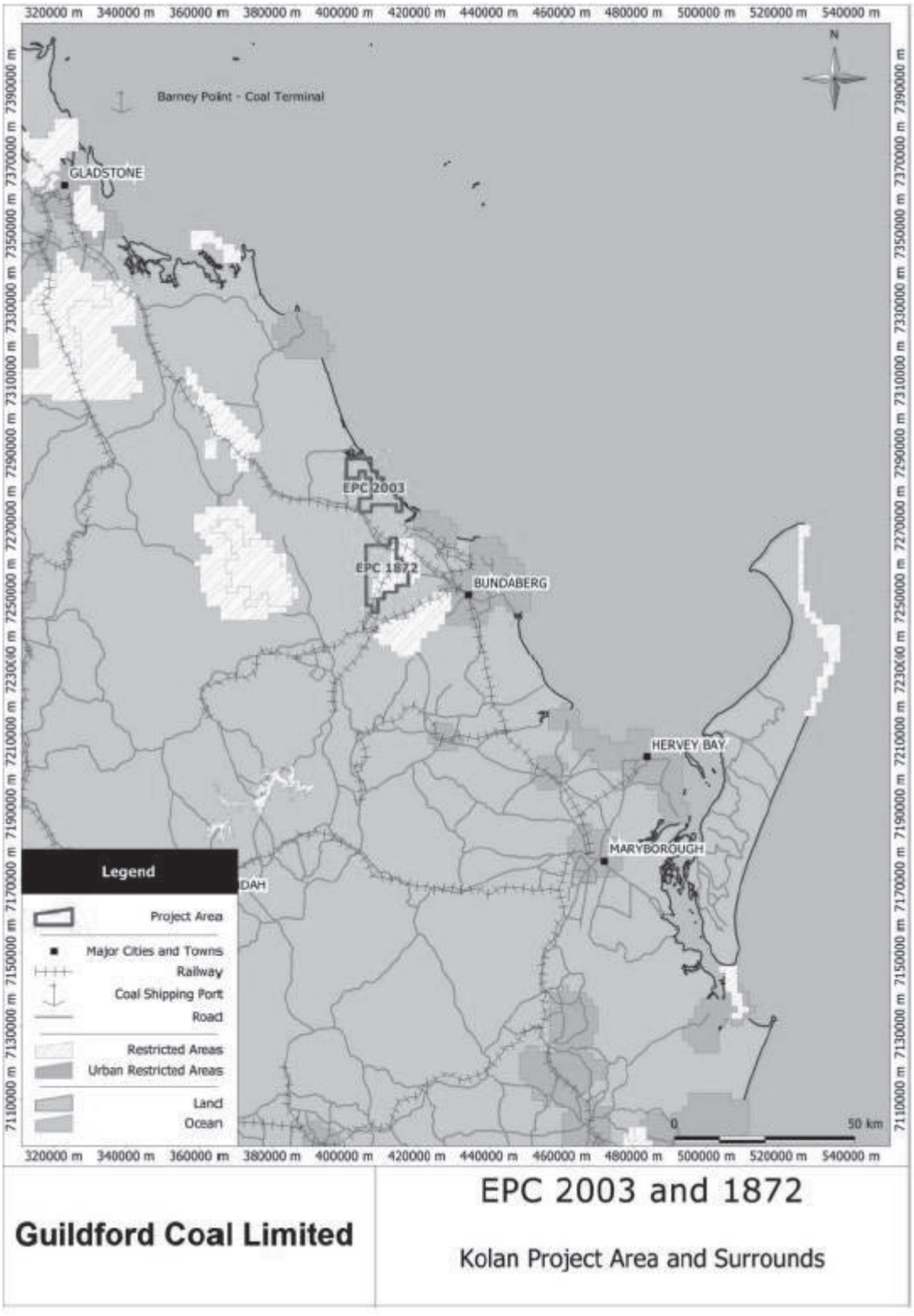
Figure 9.1 – Kolan Project Location



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9.5 Geology

9.5.1 General Structure

The Maryborough basin is located on the southeast Queensland coast and occupies approximately 9,100 km^2 onshore and 15,500 km^2 offshore. Offshore, water depths can reach approximately 1,000 m above the Maryborough basin.

The Maryborough basin contains Mid Jurassic to Cainozoic sediments overlying a Permo-triassic metasediment and granite basement (**Figure 9.3**) and is interpreted as a back arc basin.

During the mid-Cretaceous the basin was inverted producing large scale faulting and folding which was more intense in the southern section of the basin. In the southern section of the basin the folding is tight and faulting includes dip slip, strike slip, and thrust. These structures trend northwest and are asymmetrical.

The Kolan Project basin stratigraphy is shown in **Figure 9.2**.

Figure 9.2 – Kolan Project Basin Stratigraphy

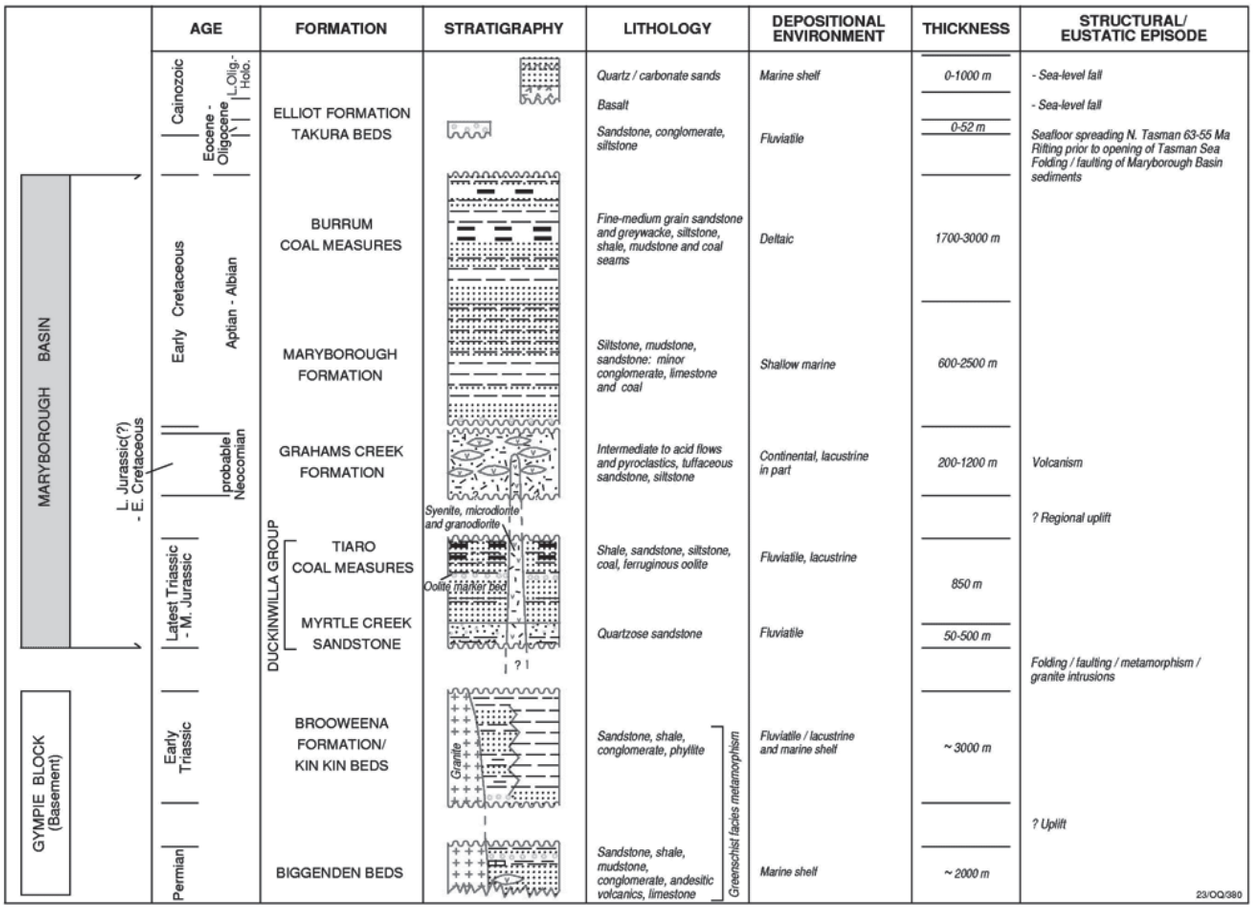

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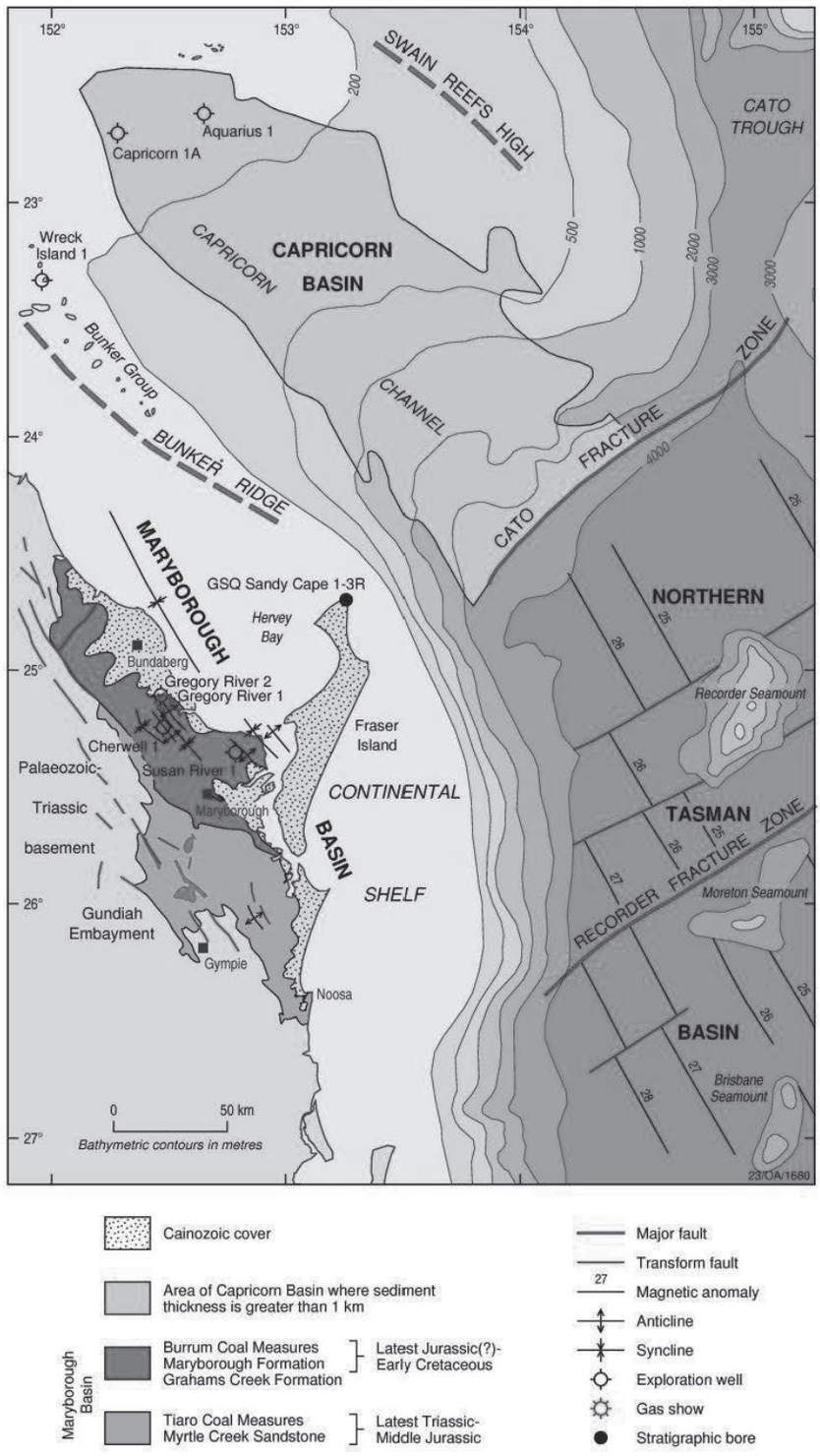
Figure 9.3 – Basin Structure around the Kolan Project



9.5.2 Exploration Activity

Historical records show exploration activity in the area since the 1920's. However, no boreholes were located inside the two EPC's until the 11 borehole Guilford exploration project. The placement of these boreholes in EPC 1872 and EPC2003 can be seen in **Figure 9.4** with details of the boreholes in **Table 9.2**. Coal was intersected in five boreholes within EPC 1872 and EPC 2003. Boreholes that did not intersect coal were used as justification for sub block release from EPC 1872 in 2012.

Figure 9.4 – Kolan Project Drilling

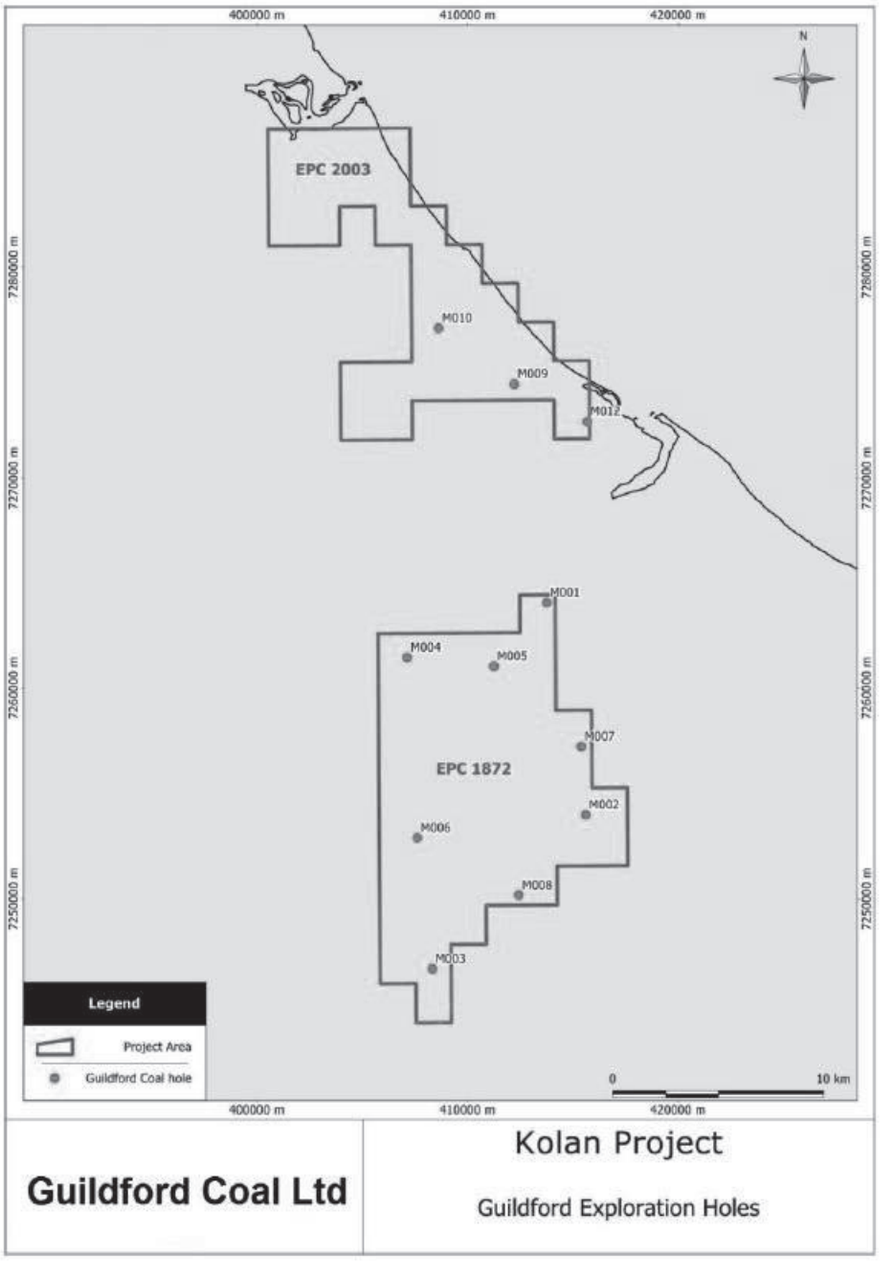


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Table 9.2 – Summary of Boreholes Drilled at Kolan Project

Borehole name	Easting (MGA 94)	Northing (MGA 94)	Total depth (m)	Result	Supplementing Data
M001	413740	7264111	138.24	No coal	Nil
M002	415600	7253990	105.14	No coal	Nil
M003	408309	7246689	155.04	No coal	Nil
M004	407126	7261446	452.42	Weathered coal	Geophysics
M005	411231	7261036	149.99	No coal	Geophysics
M006	407598	7252894	150.12	Coal	Geophysics
M007	415389	7257228	450.79	Inferior coal	Geophysics
M008	412416	7250178	150.16	Coal	Geophysics and coal quality
M009	413740	7264111	138.24	No coal	Nil
M010	408615	7277122	204.14	Coal	Geophysics
M011	Hole abandoned				
M012	415656	7272698	345.23	No coal	Nil

9.5.3 Coal Seams

The exploration target was the Burrum coal measures which are comprised of three main sequences. The upper and lower sequences contain interbedded sandstones and siltstones with no coal seams. The middle sequence contains mostly shale with thin coal seams. In the south these coal seams are split into thirteen distinct seams, six of which have been mined.

The coal seams intersected in the Guilford Kolan Project exploration drilling were interpreted to be part of the Burrum coal measures. The similarity in depth of the two seams in M006 and M008 are used as the basis for continuous correlation between these two holes. The coal intersections are summarised in **Table 9.3**.

Table 9.3 – Coal Intersections within the Kolan Exploration Drilling

Borehole name	From (m)	To (m)	Thickness (m)	Description
M004	11.69	12.38	0.69	Weathered coal
M006	63.52	63.66	0.14	Inferior coal
M006	64.98	65.12	0.14	Inferior coal
M007	348.78	348.96	0.18	Inferior coal
M008	56.09	56.31	0.22	Inferior coal
M008	63.74	64.11	0.37	Coal
M010	45.8	46.15	0.35	Inferior coal
M010	84.1	84.27	0.17	Inferior coal
M010	118.28	118.44	0.16	Coal
M010	142.38	142.7	0.32	Coal

These intersections appear to be thin and may be lenticular. No further correlation work has been completed.

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9.5.4 JORC Resources and Reserves

There is currently no JORC Resource for this project.

However, there is an exploration target (completed by Moultrie database and Modelling) based on the coal intersections from boreholes M006, M008 and M010 and extrapolation from historic data outside of the EPC 1872 and EPC2003 boundaries. The exploration target results are summarised in **Table 9.4** and the areas that it is based on is shown in **Figure 9.5**.

Table 9.4 – Kolan Exploration Target as at March 2012

EPC/EPCA Mask	Depth Range (m)	Mask Area (km2)	Est. Cumulative Thickness (m)	Average Density (g/cc)	Gross Tonnage (Mt)	Unexpected Geological Loss (%)	Exploration Target (Mt)
EPC 1872	45-150	39.29	1	1.45	56.9	20	10 – 50
EPC 2003	20 -120	23.06	1.3	1.45	43.4	20	10 – 30

9.5.5 Coal Quality

Coal Quality testing was completed on M008 and the results are summarised in **Table 9.5**.

With the exception of high ash and lower than desirable energy values, it has been interpreted as having generally good coking and PCI coal properties (supported by surrounding historic data).

Table 9.5 – Summary of Coal Quality Coking Results from M008

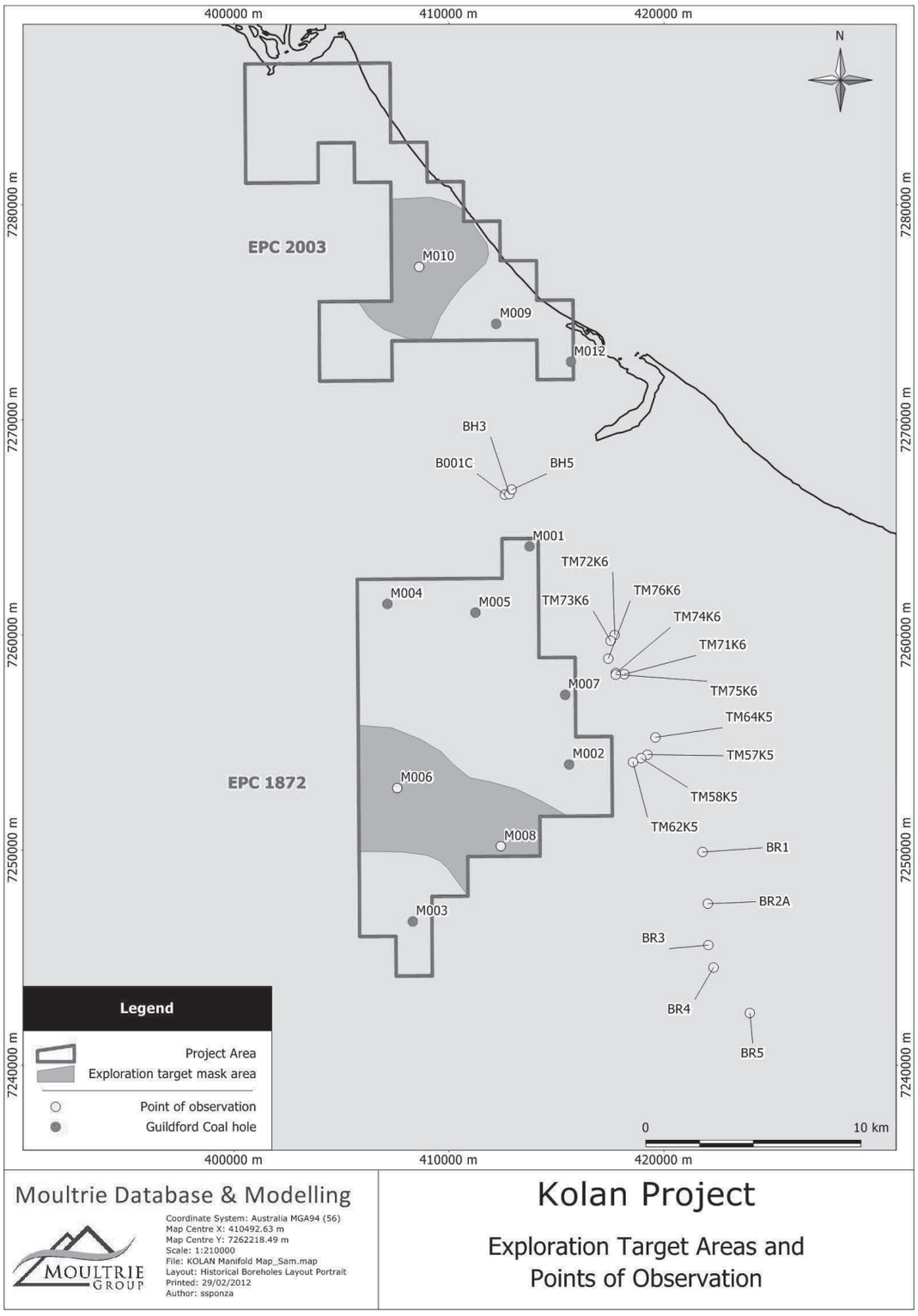
Hole name	Sample number	From (m)	To (m)	Thickness (m)	Moisture %	Ash %	Volatile matter %	Calorific Value kcal/kg	Total sulfur %	CSN	Fixed Carbon%
M008	717937	63.74	64.1	0.37	2.8	32.5	23.1	5320	0.5	6.5	41.6

9.6 Mining Implications

Xenith concludes that:

- The coal seams that have been intersected are moderately thin and reasonably shallow. But there has not been enough exploration completed across the EPC's to establish if these seams are continuous and can be correlated.
- Significant exploration work would need to be completed to establish the economic potential of the Kolan Project.
- Should the deposit prove to be economic there is pre-existing infrastructure (railway, access to ports, and neighbouring settlements) that would facilitate a fast ramp up to production.

Figure 9.5 – Exploration Target Areas and Data Points



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10 SIERRA EXPLORATION PROJECT

10.1 Key Outcomes

- There has been minimal historic and current exploration activity carried out within EPC1822.
- Results so far have not confirmed the coal intersections noted and suggested within neighbouring tenures.
- Further drilling is planned to develop a better understanding of the geological conditions on the eastern side of the tenement.
- Potential hard coking coal open cut mine.
- No JORC Resource has been estimated.

10.2 Overview

The Sierra Project is located around a hard coking coal target in the Fair Hill, Burngrove and Crocker Formations within the Bowen Basin. The EPC 1822 tenure lies within an area of numerous historic and working mines located in the Blackwater region of Central Queensland.

Some of the nearby mining and exploration activities of note include Ensham, Curragh and Blackwater targeting the Rangal Coal Measures and Aquila's Washpool and Mount Crocker exploration projects, and Stanmore Coal's Mackenzie Project that target the formations below the Rangal Coal Measures such as the Burngrove's and Fairhills.

10.3 Location and Background

EPC 1822 lies to the south of the Capricorn Highway and Central Queensland Railway, approximately 20 km to the west of Blackwater and 260 km to the west of Rockhampton in Central Queensland (see **Figure 10.1**). The Central Queensland railway provides access to the coal port at Gladstone on the East coast of Queensland.

Locally the area is serviced by numerous unsealed farm tracks and the unsealed Comet – Rolleston road. Land use in the area is predominately associated with cattle breeding and some cereal cropping and the access roads are maintained for these industries.

The physiography of EPC 1822 is largely dissected tableland with a general relief of approximately 80 m. The tableland is formed by deeply weathered laterised sediments, overlying mainly Permian formations. The area contains significant areas of the Amaroo State Forest and minor areas of the Endangered Regional Ecosystems.

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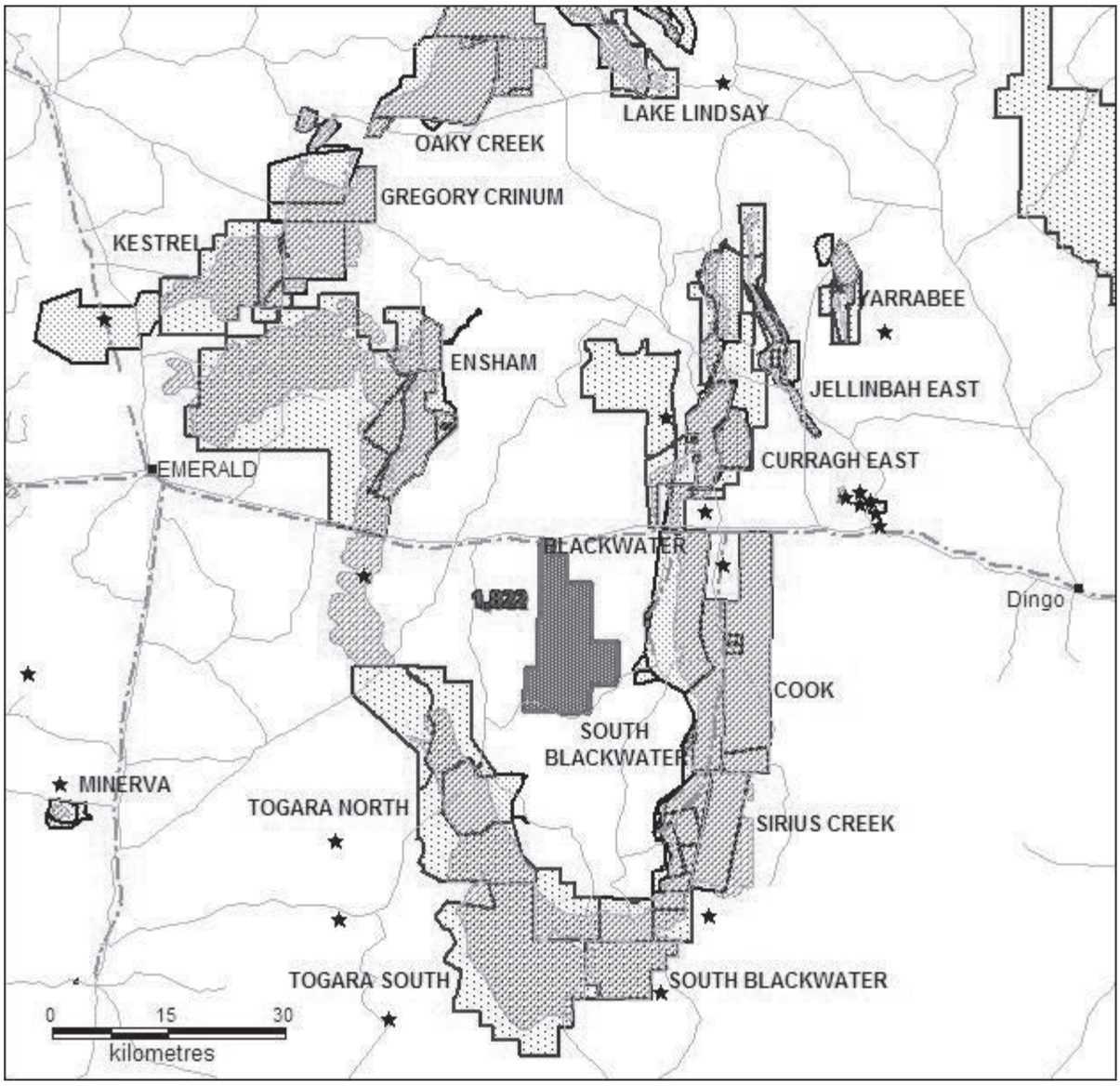
Figure 10.1 – Sierra Project Location



10.4 Ownership Status

EPC 1822 is 100% owned by Sierra Coal Pty Ltd a subsidiary of Guildford Coal Pty Ltd.

10.5 Geology

10.5.1 Regional Geological Setting

The Sierra project is located in the southern Bowen Basin on the Comet Platform, the stable basement block that is bounded by the Denison Trough to the west, and the Taroom Trough in the east. Permian

and Triassic aged sediments deposited on the Comet Platform were mildly deformed post deposition to create the structure of the Comet Anticline.

10.5.2 Local Geology

The oldest rocks which crop in the central area of the Comet Anticline belong to the Maria Formation. The Maria Formation is interpreted as entirely marine consisting of a lower black shale facies grading to a silty and partly sandy Upper.

The Crocker Formation overlies the Maria Formation and is correlated with the Upper part of the German Creek Coal Measure. The lithology is comprised of arenites, mudstones and siltstones. Organic burrows are common throughout the arenite sections where grain size is fining upwards.

The Croker Formation is overlain by the MacMillan Formation, which is approximately 50 m thick on the eastern limb of the Comet Anticline within EPC 1822. The MacMillan Formation is predominately a massive mudstone unit with almost no sandstone phases or coal seams.

The Fairhill Formation conformably overlies the MacMillan Formation and is largely dominated by sandstone and thick coal bearing sequences, with interbedded mudstones and siltstones. Coal seams occur at the top of the Cyclotherms and are generally thick, but have a large proportion of mudstone and tuffaceous claystone bands. The main coal seams recognised are in order of younging, the Hercules, Canis, Lepus and Fairhill seams. The basal Fairhill seam is typically recognised as having the cleanest coal sections.

The Fairhill Formation is overlain by the Burngrove Formation which is generally divided into four subdivisions:

- Upper unit comprised of coal bearing cyclotherms, with coal seams at the top and arenites at the base. The coal like the Fairhill Formation is allocthanous and contains numerous stone bands;
- A green unit of siltstones, silty mudstones and fine arenites;
- A transitional unit consisting of interbedded mudstones and siltstones; and
- A basal unit of black mudstones with thin tuffaceous interbeds.

Regional stratigraphy is shown in **Figure 10.2**.

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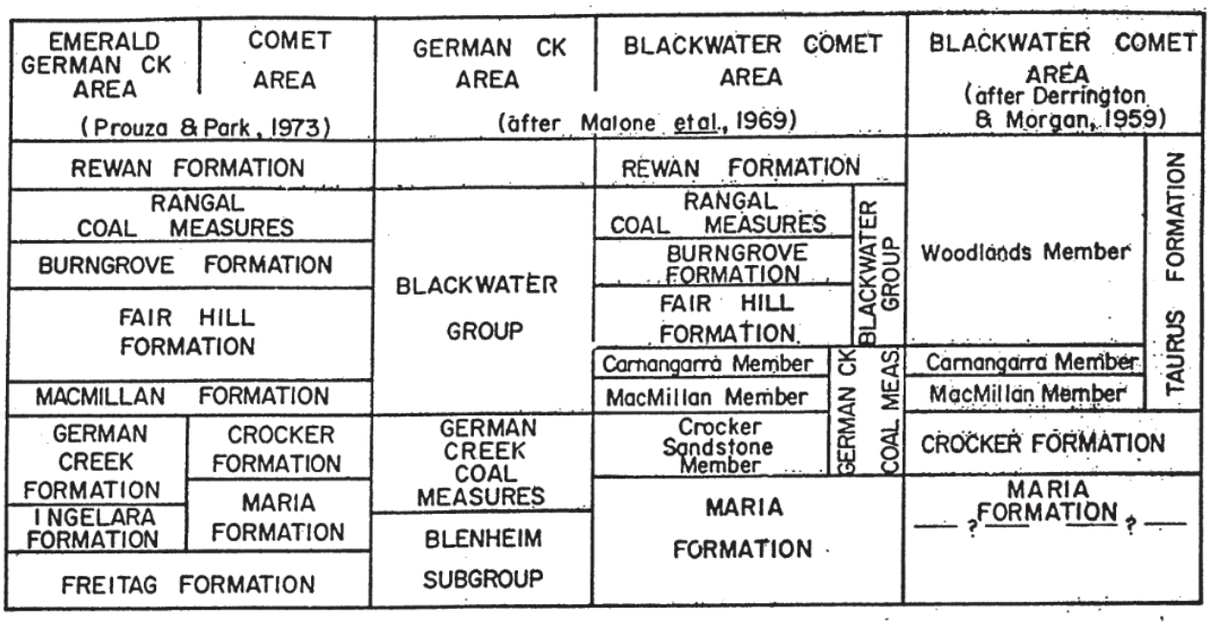
Figure 10.2 – Regional Stratigraphy



10.5.3 General Structure

The comet Anticline is a southward plunging anticline with an access oriented NNW / SSE. The southward plunging anticline forms a closure south of the Sierra project area. The Sierra Project is located on the eastern limb of the comet anticline (see **Figure 10.3**).

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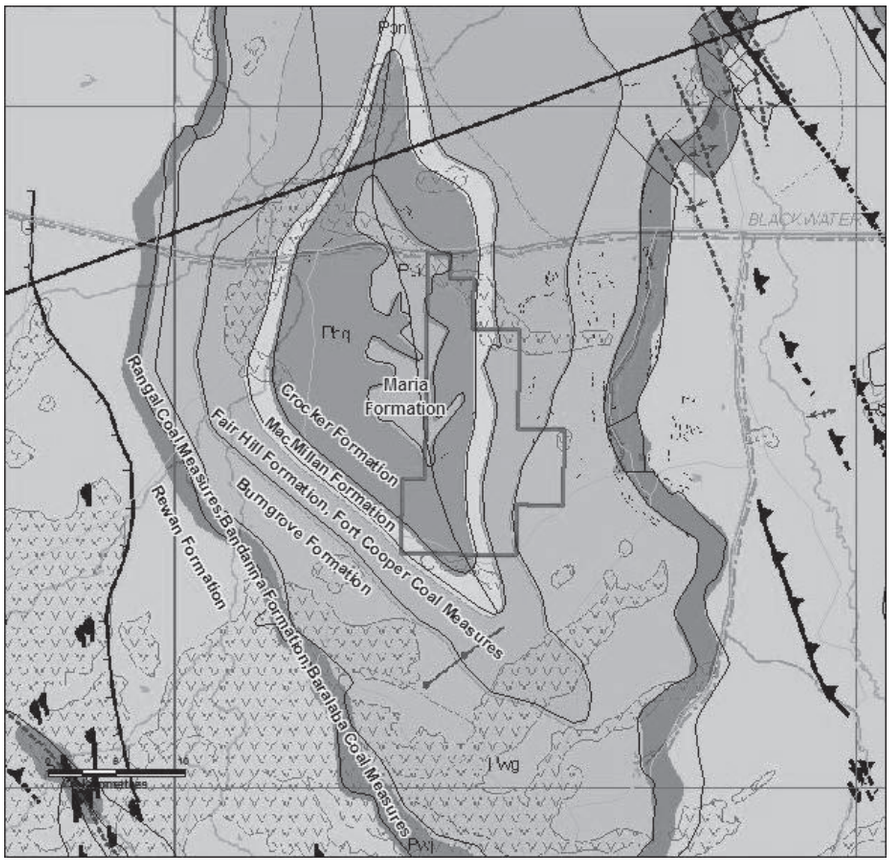
Figure 10.3 – Sierra Project Structural Setting



10.5.4 Exploration Activity

Exploration has occurred within the region of the Sierra Project since the 1970's. The geological Survey of Queensland conducted drilling in the region from 1970 to 1972 to assist with the correlations between the Central and Southern Bowen Basin. The exploration included the Bw NS series of holes yet no holes were drilled within the Sierra Project EPC 1822 boundary. The plan above showing the outcropping of the Burngrove and Fairhill Formations is based largely on this early exploration and interpretation. It is suggested in the Palaris Report, that exploration that has occurred since this plan was constructed may move the interpreted sub crop of the Burngrove and Fairhills Formation further east and outside of the Sierra Project area.

Petroleum and Coal Seam Gas exploration was undertaken in 1965 by AFO and in 2004 by Sunshine Gas Limited. The latter program drilled hole Comet East 1 within EPC 1822 and no prospective gas shows were reported.

In the 1990's Ingwe Australia Pty Ltd ("Ingwe") conducted two exploration campaigns within and around EPC 1822. The first campaign included the CR series of drilling comprising seven drillholes none of which occurred with EPC 1822. The closest drill hole CR0003, drilled near the southern boundary of EPC 1822 was barren to 490 m. The thickest section of coal (9.76 m including stone partings) was drilled at CR0005 located approximately 5 km to the south of the Sierra Project area. The

coal intersected in these holes was subsequently analysed and some results are included in the coal quality chapter below.

Ingwe's second exploration program, the YM series included 12 drillholes of which two were within the boundary of the Sierra Project. YM0002 and YM0003 within EPC1822 were barren to depths of 210.17 and 174.08 m respectively. Hole YM0001 drilled to the immediate east of EPC 1822 intersected 3 m of coal at the base of the Fairhills Formation above the base of weathering suggesting the subcrop is to the east of the project area. YM0006 located at the northern end of the EPC 1822 area intersected two seams 0.50 and 0.85 m thick at depths of 11 m and 36 m respectively, interpreted to be seams of the Crocker Formation.

Recent coal exploration drilling occurred in the tenement to the south of the Sierra Project area and intersected the Fairhill Seams at shallow depth suggesting the Formation subcrops to the south of EPC 1822.

Guildford commenced drilling within EPC 1822 in November 2011, completing four open holes and three cored holes. The seven drillholes were all barren and interpreted as being drilled up dip of the coal bearing units. Historic evidence suggests that the coal bearing units of the Crocker Formation are not well developed within ECP 1822.

A further drilling program has been planned for the future targeting the deeper stratigraphic units to ascertain a better understanding of the geological conditions.

10.5.5 Coal Seams

The six coal seams of the Fairhill Formation (Phoenix, Pegasus, Hercules, Canis, Lepus and Fairhills) have been regionally identified, but only the basal Fairhill Seam has been intersected within proximity to the eastern and southern margins of EPC1622.

The five seams of the Upper German Creek Formation's equivalent Crocker Formation (Pleiades, Aquila, Tieri, Corvus and German Creek Seams) thin in the region of EPC1822. The Crocker Formation is noted to contain several thin coal seams but not of any economic significance.

The Sierra Project regional stratigraphy and coal seams are shown in **Figure 10.4**.

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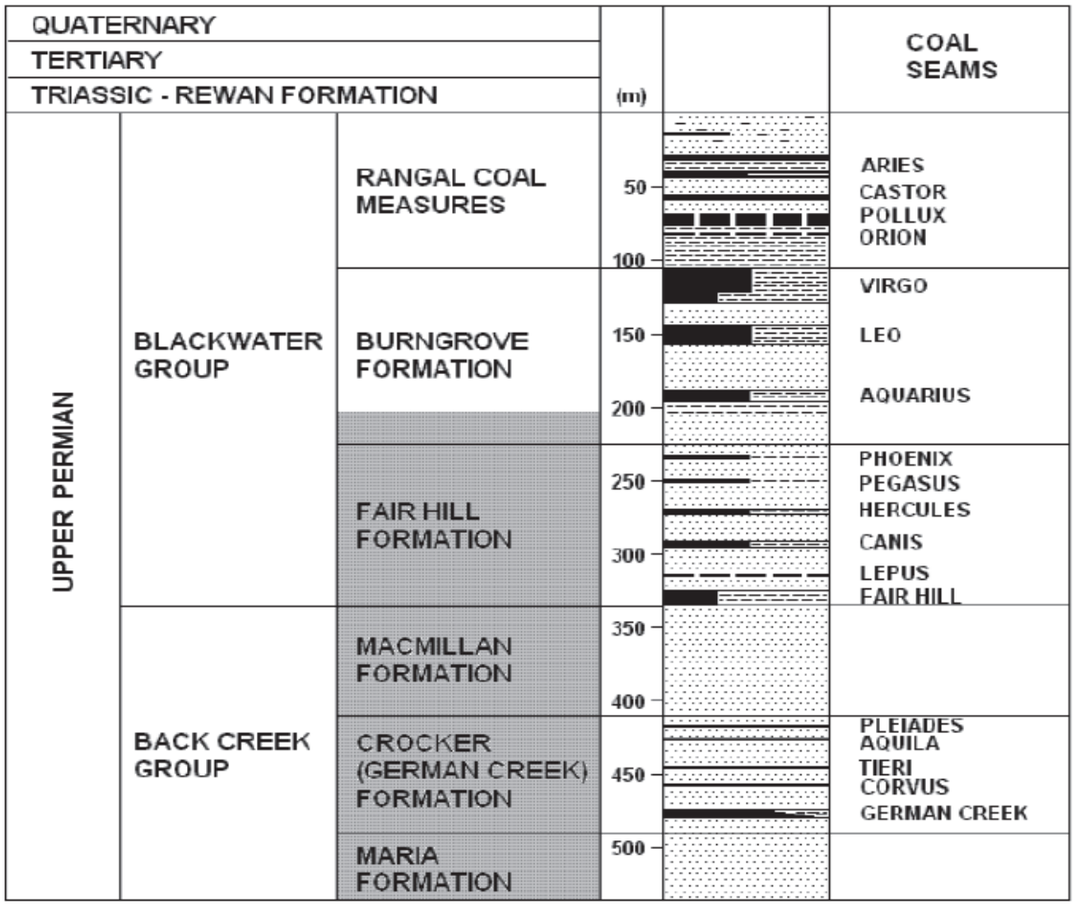
Figure 10.4 – Sierra Project Regional Stratigraphy and Coal Seams



10.5.6 JORC Resources and Reserves

No resources and reserves have been calculated for EPC1822 to date.

10.5.7 Coal Quality

No coal has been intersected to date with EPC1822. However, regional Coal Quality sampling has tested the Fairhill seam to the south of EPC1822. The stone partings of the 9.76 m thick seam located within hole CR0005 were removed to test the remaining 5.94 m of coal. Testing of the Fairhills seam from hole CR0005, with stone bands removed, resulted in a raw ash of 57.6% (adb) with an RD of 1.7 g/cc.

10.5.8 Yield

Indicative values for the Fairhill Seam yield based on the samples reviewed from the Ingwe exploration campaign in the 1990's, suggest that for the 0.5 mm fraction at a float sink cut point of 1.60 g/cc the yield is 15.6% (adb) for a 30.7% ash product. It is obvious from these results that further optimisation on yield and coal quality specifications would be required.

10.6 Mining Implications

There has been minimal historic and current exploration activity carried out within EPC1822. The results so far have not confirmed the coal intersections noted and suggested within neighbouring tenures.

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11 SUNRISE EXPLORATION PROJECT

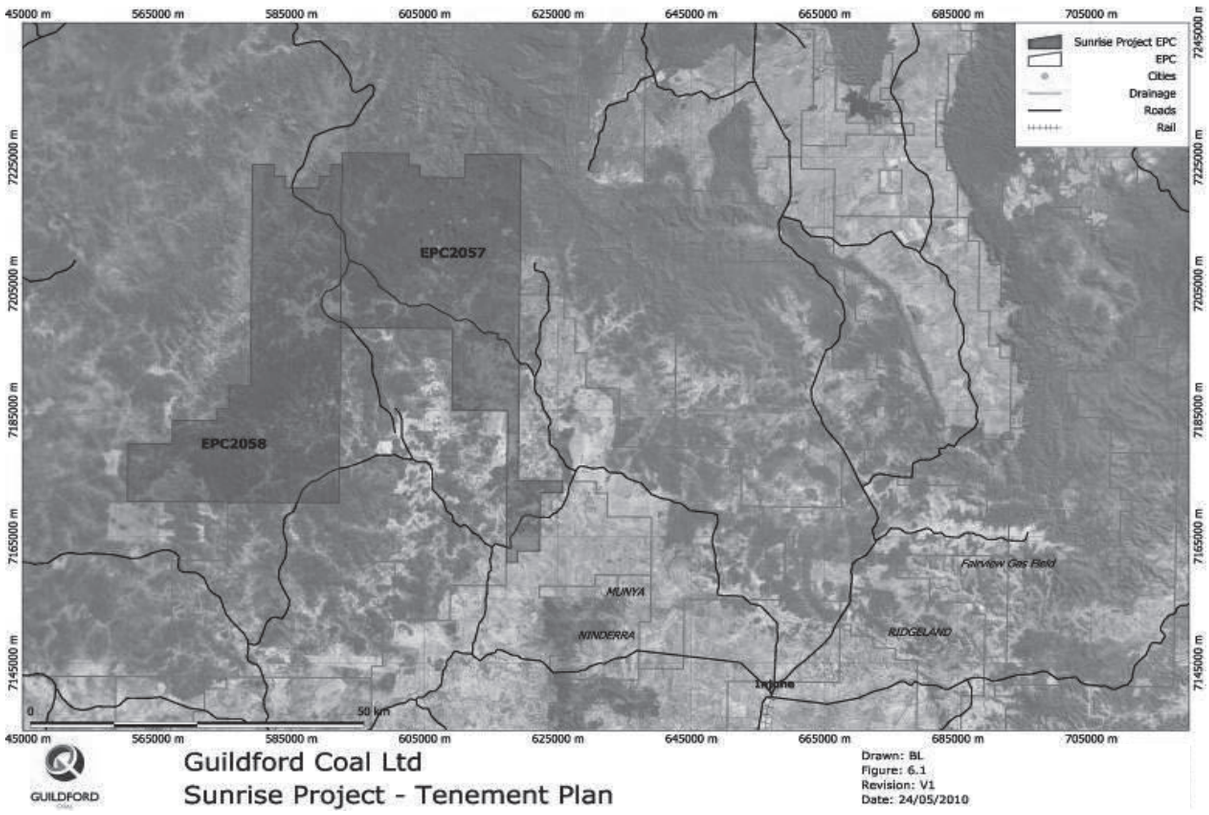
11.1 Key Outcomes

- Limited coal exploration to date.
- Exploration program proposed.
- No JORC Resource.

11.2 Overview

The Sunrise Project covers an area of approximately 1,800 km^2 and is located near the north-western limit of the Jurassic–Cretaceous Surat Basin of south-eastern Queensland. Two EPC applications (EPCA 2057 and 2058, see **Figure 11.1**) make up the Sunrise Project, and are located in an area where the Surat Basin is underlain by Bowen Basin sequences.

Figure 11.1 – Sunrise Project Tenement Plan



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11.3 Location and Background

The Project is located approximately 50 km north-west of the township of Injune, 160 km north-west of the regional centre of Roma and approximately 370 km south-west of Gladstone.

11.4 Ownership Status

The Sunrise Project is 100% owned by Guildford. The status of the tenements is described in **Table 11.1**.

Table 11.1 – Sunrise Tenement Status

Tenement ID	Status	No. Blocks	Application Date	Date Granted	GUF Stake (%)
EPC 2057	Application	180	5/02/2010	NA	100%
EPC 2058	Application	192	5/02/2010	NA	100%

11.5 Geology

11.5.1 General Structure

The Sunrise Project is located within the north-western limit of the Jurassic-Cretaceous aged Surat Basin and the western edge of the Permo-Triassic Bowen Basin. The sedimentary sequences lap onto the Nebine Ridge, a pre-Permian basement high which separates the Surat basin from the Eromanga Basin to the west.

The Sunrise Project lies on the western flank of the southerly plunging Merivale Syncline, which also forms the eastern flank of the Nebine Ridge. Structural dips are generally low and mostly less than five degrees.

The main coal bearing interval of the Surat Basin sequence is the Walloon Subgroup, which appears to subcrop immediately to the south of the Sunrise Project Area. The Surat Basin sediments uncomfortably overlie sedimentary sequences of the Bowen Basin which onlap the Nebine high.

Within the Sunrise project the coal bearing Bandanna Formation, which is the stratigraphic equivalent of the Rangal Coal Measures, occur at depth particularly in the central part of the project. The Bandana coals were targeted for coal seam gas (CSG) in the nearby well Dugarry 1.

The Permian aged Reids Dome Beds occur stratigraphically below the Bandanna Formation and occur at great depths. To the west the Permian sediments appear to onlap the Nebine high and may not be present beneath the Surat Basin sediments.

Extensive tertiary basalt cappings occur in the region, mainly along the Merivale Syncline.

11.5.2 Exploration Activity

The Sunrise area has been targeted by petroleum and coal seam gas companies in the past. The area to the east of the Sunrise Project has proven to be a successful coal seam gas producing field, with Australia's first producing wells located in the Fairview Field. Closer to the Sunrise Project, coal seam

gas exploration has been targeting the Permian Bandanna Formation coals, which occur within the Sunrise tenements.

The only historical coal exploration in the area was conducted by Agip Australia within A-P 385C in the 1980's. This area, known as Westgrove is located adjacent to the south-eastern tip of current EPC 2058. Agip identified three possible targets for coal exploration in the area:

- Jurassic Walloon Coal Measures which outcrops near the surface;
- Upper Permian Bandanna Formation which occurs between 450 and 550 m depth; and
- Lower Permian Reids Dome Beds (below 1,000 m depth).

11.5.3 Coal Seams

No data to review.

11.5.4 JORC Resources and Reserves

No JORC Resource has been completed.

11.5.5 Coal Quality

No data exists to comment on.

11.6 Mining Implications

Insufficient exploration data to comment.

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12 MONTO EXPLORATION PROJECT

12.1 Key Outcomes

- Limited exploration data.
- No JORC Resource.

12.2 Overview

The Monto Project contains one exploration permit – EPC1870. Limited exploration has been completed to date.

12.3 Location and Background

The Monto Project is located approximately 60 km west of Guildford's Kolan Project, in the Nagoorin Graben. A location map of Monto is shown in **Figure 12.1**.

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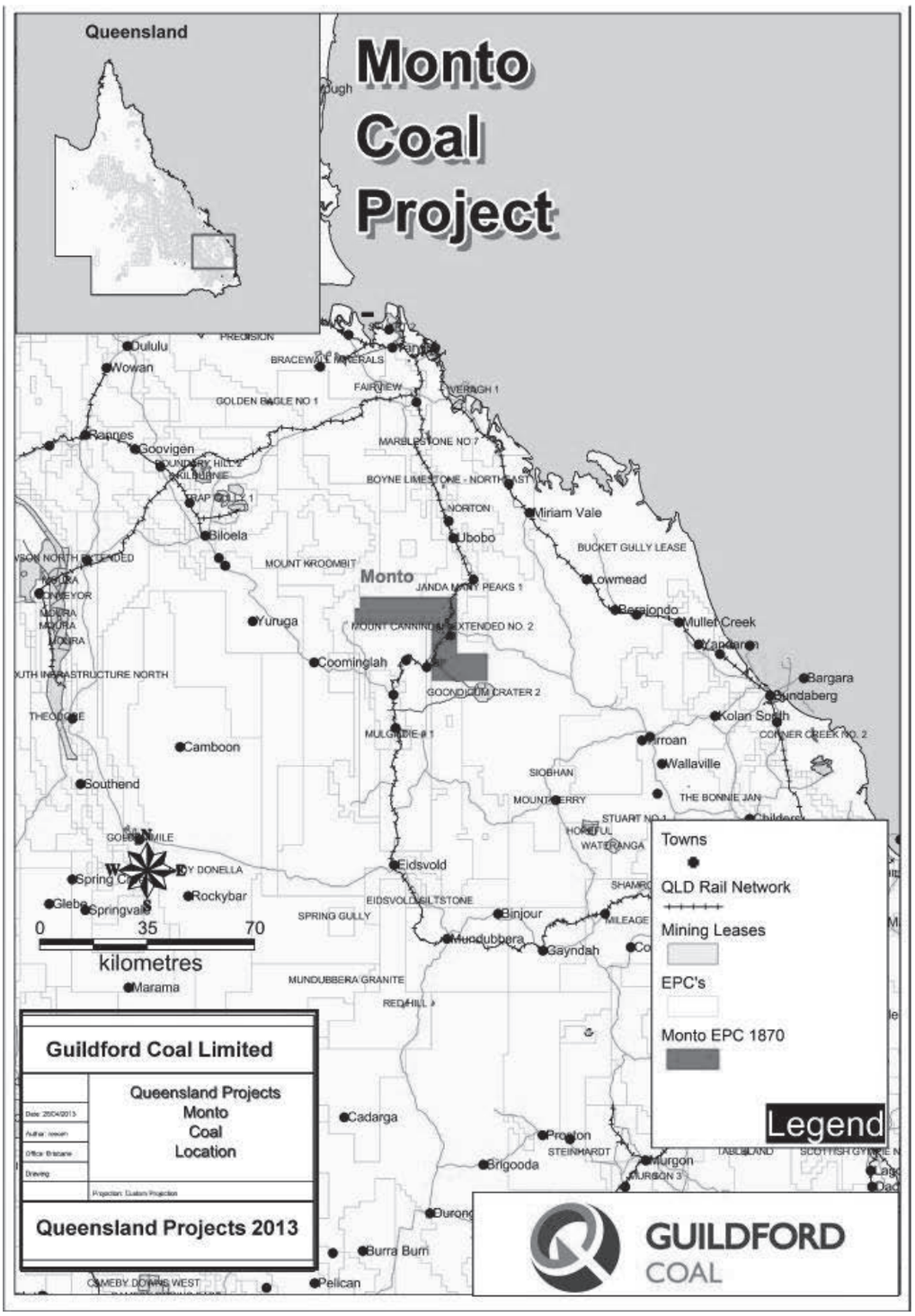
Figure 12.1 – Monto Project Location



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12.4 Ownership Status

Monto is 100% owned by Guildford.

12.5 Geology

12.5.1 General Structure

Both the Nagoorin Graben and the Mulgildie Basin contain sequences of low rank, Jurassic coals. The Nagoorin Graben contains very thick sequences of lignite coal which may have the potential to be bulk mined.

In the northern Nagoorin Graben a banded coal seam has been intersected in coal seam gas wells, up to 130 metres in thickness with almost 90 metres of net coal. The coal is described as low rank lignitic coal.

12.5.2 Exploration Activity

The extent of the Nagoorin Graben is not well defined and exploration within EPC1870 hopes to encounter coal bearing sequences in the southern portion of the basin.

12.5.3 Coal Seams

The Mulgildie Coal Measures of the Mulgildie Basin contain numerous groups of thin coal seams generally 1-2 metres and have been identified as equivalent to the Walloon Coal Measures.

12.5.4 JORC Resources and Reserves

No JORC Resource has been completed for the Monto Project.

12.5.5 Coal Quality

No data exists to comment on.

12.6 Mining Implications

Insufficient exploration data to comment.

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13 VALUATION

13.1 Key Outcomes

- Valuation has been prepared to conform to the Australian VALMIN Code (2005)
- In Xenith's opinion, the current market is likely to pay between AUD121 M and AUD232 M, with a preferred value of AUD 181 M for a 100% interest in Guildford's coal assets.
- The South Gobi Project comprises the bulk of the estimated value, and ranges from AUD 78 M to AUD 161 M, with a preferred value of 126 AUD M.
- Of Xenith's total preferred value of 181 AUD M, Resources account for almost 169 AUD M while the exploration assets have a value of approximately 12 AUD M.

This Mineral Asset Valuation included in this ITSR has been prepared to conform to the Australian VALMIN Code (2005).

The valuation of Mineral Assets is not a precise science and the conclusions arrived at in many cases will of necessity be subjective and dependent on the exercise of individual judgement. There is therefore no indisputable single value and Xenith normally expresses an opinion on the value as falling within a likely range, as required by the Code.

There are a number of methods that can be used for valuing mines and mineral deposits. Generally the method adopted depends on the available data and more importantly the stage of the deposit life cycle. These methodologies include asset based, earnings multiples and discounted cash flow.

In relation to the development status of a mineral asset, the VALMIN Code (2005) provides the following categories:

- **Exploration Areas** – properties where mineralisation may or may not have been identified, but where a Mineral or Petroleum Resource has not been identified.
- **Advanced Exploration Areas** – properties where considerable exploration has been undertaken and specific targets have been identified that warrant further detailed evaluation, usually by drill testing, trenching or some other form of detailed geological sampling. A resource estimate may or may not have been made but sufficient work will have been undertaken on at least one prospect to provide both a good understanding of the type of mineralisation present and encouragement that further work will elevate one or more of the prospects to the resource category.
- **Pre-Development Projects** – properties where Mineral or Petroleum Resources have been identified and their extent estimated (possibly incompletely) but where a decision to proceed with development has not been made. Properties at the early assessment stage, properties for which a decision has been made not to proceed with development, properties on care and maintenance and properties held on retention titles are included in this category if Mineral or Petroleum Resources have been identified, even if no further Valuation, Technical Assessment, delineation or advanced exploration is being undertaken.
- **Development Projects** – properties for which a decision has been made to proceed with construction and/or production, but which are not yet commissioned or are not yet operating at design levels.
- **Operating Mines** – mineral properties, particularly mines and processing plants that have been commissioned and are in production.

Typical methods used for valuing mineral assets at various stages of project assessment and development are shown in the table below.

Table 13.1 – Typical Valuation Method

Stage	Stage of Asset Development	Dominant Valuation Method
1	Very early exploration stage. Few holes drilled with encouraging results	Appraised value/cost approach. Market comparables
2	Early stage exploration – seam assessment and geological understanding	Appraised value/cost approach. Market comparables
3	Late stage exploration, pre-feasibility completed and leading to Bankable Feasibility	Discounted cash flow, market comparables
4	Early development – construction to commence	Discounted cash flow, market comparables
5	Producing mine	Discounted cash flow, market comparables
6	Late in mine life, limited potential	Discounted cash flow, market comparables
7	Mine closed, equipment still on site, limited further exploration potential	Salvage value

Source: An Overview of Valuation Practices and the Development of a Canadian Code for the Valuation of Mineral Properties, Keith Spence, date unknown.

Guildford's coal assets range in status from early to advanced exploration to producing mine. The valuation method applied depends on the relative maturity of the exploration for each asset, with three main approaches (discounted cash flow, market, and cost) used as outlined in the above table. In general, the value per Resource tonne increases as the stage of asset development progresses.

Appraised Method/Cost Approach

The appraised valuation method is based on the previous exploration expenditure that results in actual resource identification plus the immediate forecast expenditure to further validate those coal areas. The premise is that the amount of exploration expenditure justified on a property is related to its value. A Prospectivity Enhancement Multiplier (PEM) generally between 0.5 and 3.0 is applied to past expenditure which Xenith judges to be effective in regards to future prospectivity.

Market Comparative Sales

The market-based approach uses the transaction prices of projects in similar geographical, geopolitical, and geological environments to derive a market value. A valuer analyses acquisitions of projects of similar nature, time and circumstance with a view to establishing a range of values that the market is likely to pay for a project. The transactions deemed to be analogous to the mineral asset being valued are used to determine a unit price (e.g. $/km^2 or $/t coal) for the asset being valued.

Figure 13.1 details some comparable market transactions of coal assets on an EV/Resources basis.

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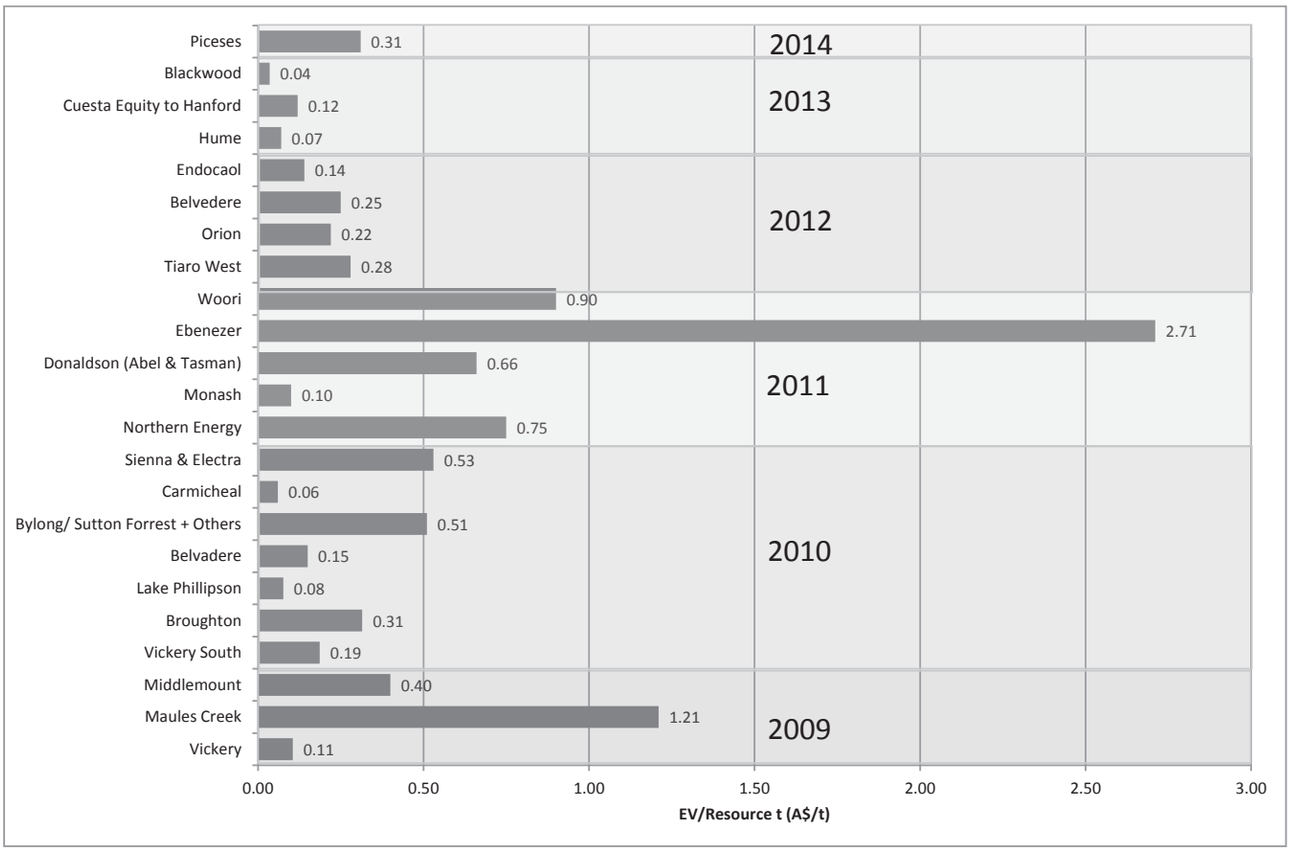
Figure 13.1 – Comparable Market Transaction of Coal Assets EV/Resources

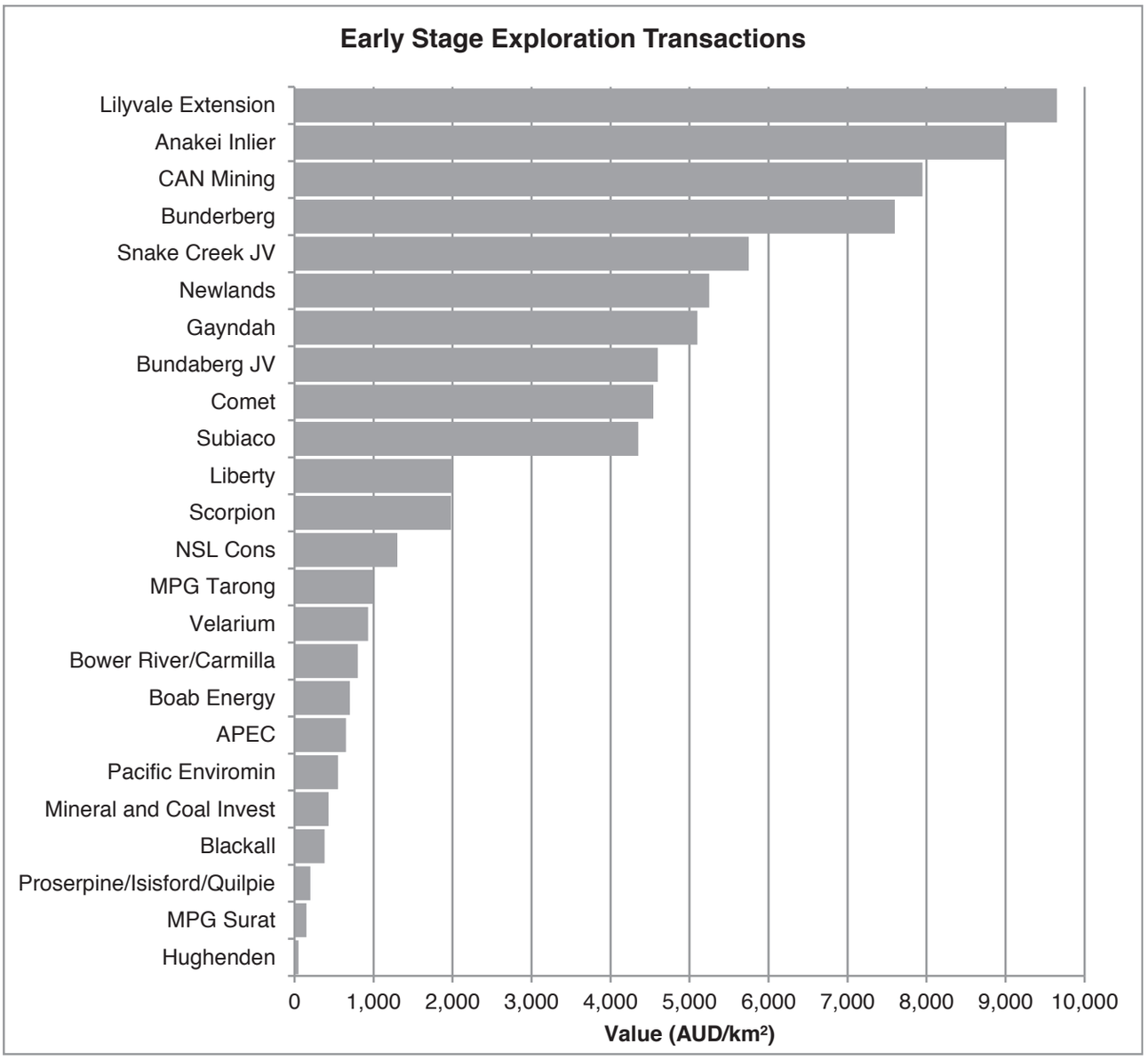


The following items have an impact on the relative transaction value per resource tonne:

- The status of exploration and Resource classification,
- The quality of the coal which varies from coking and PCI to thermal,
- The nature of the resource with respect to mining potential and mining method by underground or open cut,
- The location of the tenement and proximity to existing mine operations and infrastructure,
- Market potential for the coal, and
- The forecast coal price trends at the time of the transaction.

Using the range of valuations included in **Figure 13.1** Xenith has removed the highest and lowest unit value transactions and then analysed the EV/resource range, mean and any recent trends. Looking at the data between 2012 and 2014, the implied value per resource tonne range is from AU$0.04/t to AU$0.31/t with a median of AU$0.18/t. However as we could be considered in the low point in the coal cycle it may therefore be concluded that the value is towards the lower end of the range derived from the tabled coal exploration asset sales. Xenith has estimated a value for in ground valuation for these projects with a JORC compliant Resource at AU$0.04 to AU$0.06 per Indicated resource tonne and AU$0.007 to AU$0.02 per Inferred resource tonne. The range varies for each individual project based on valuation factors as discussed in the points highlighted above.

Figure 13.2 – Comparable Market Transaction of Coal Assets EV/Lease Area



Discounted Cash Flow (DCF) Methodology

The DCF methodology requires the availability of long-term cash flow projections but provides a valuation that is transparent and defensible. Under this method, the value of the asset is equal to the net present value ("NPV") of the estimated future free cash flows. In order to arrive at the NPV the future cash flows are discounted using a discount rate which reflects the risks associated with the cash flow stream. In Xenith's opinion this is the most robust methodology for valuing a mining operation as there is usually a wealth of actual results that can be used and compared to industry standards.

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13.2 Valuation of South Gobi Project

13.2.1 BNU North

Guildfords's most advanced asset is at BNU North operating mine and contains Measured, Indicated and Inferred Resources. The Discounted Cash Flow approach is considered to be an appropriate method for valuing the mine plan that has scheduled 10 Mt of in-situ Resource. For the remaining 17 Mt of Coal Resources that lie outside the mine plan, Xenith deems a market-based approach to be the most appropriate in assessing the likely value.

Key assumptions

The key discounted cash flow assumptions used in the Xenith analysis include:

- Standalone operation using owner-operated mining;
- Cash Flow allocated to the Life of Mine ("LOM") JORC Code compliant Measured, Indicated and inferred Resource of 10 Mt of which 8.2 Mt is considered saleable with a 91% overall recovery (includes bypass coal and middlings);
- 1 - 2 Mtpa ROM;
- A mine life of 6 years
- It is assumed all coal is mined and sold in the same year;
- Cash flow is discounted to 1st January 2015 on a 100% ungeared basis;
- A discount rate of 14% (real) with a lower of 12.5% and an upper of 15.5% has been adopted based on discussions with BDO;
- Rehabilitation has been allowed for in the operating costs;
- Any residual value of plant and equipment is not considered to be material;
- Costs and Value are in USD; and
- An exchange rate of 0.83 USD:AUD to convert BNU North value to AUD so as to obtain an overall value of all Guildford's coal assets.

Revenue

Key Revenue assumptions have been provided by Guildford and BDO. These assumptions have been checked and found to be aligned with long term coking coal forecasts. Xenith has not seen a marketing study of BNU coal. The key revenue assumptions are summarised below.

- 90% of coal washed at 80% yield to produce coking product; and
- 50% of washplant rejects is sold as middlings @ US$35/t.

Table 13.2 shows key revenue and operating cost assumptions for the BNU North Project.

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Table 13.2 – BNU North Revenue Assumptions

Item	Unit	2015	2016	2017	2018	2019	2020
Benchmark Hard Coking Price	US$/t	$151	$156	$160	$168	$168	$161
CFR China	US$/t	$139	$143	$147	$155	$155	$145
Ceke Discount	US$/t	-$34	-$34	-$34	-$34	-$34	-$34
Implied Ceke FOT Price	US$/t	$105	$109	$113	$121	$121	$111
GUF Coking Coal Quality Premium	US$/t	$3	$3	$3	$3	$3	$3
Assumed Coking Sale Price	US$/t	$108	$112	$116	$124	$124	$114
Assumed Middling Sale Price	US$/t	$35	$35	$35	$35	$35	$35
Average Realised Price @ Ceke	**US$/t**	**$104**	**$108**	**$112**	**$119**	**$119**	**$110**
- less							
Trucking cost	US$/t	13.6	13.6	12.0	12.0	12.0	12.0
Washing cost	US$/t	4.68	4.68	4.68	4.68	4.68	4.68
China costs	US$/t	17.92	17.92	17.92	17.92	17.92	17.92
Mongolian costs	US$/t	3.45	3.45	3.45	3.45	3.45	3.45
Mine Gate Price		**$64.31**	**$68.67**	**$74.13**	**$80.97**	**$81.06**	**$71.96**

Coal is taken from the pit to ROM stockpiles. The coal is then loaded on 100 t road trucks and taken 140 km to the coal washing and handling facility at Ceke, located on the Chinese border. The coal is effectively sold as a product coal from the wash plant at Ceke, however the cost of trucking the coal from the mine site, washing, Noble marketing charge, Import agency fees & Tax and some minor other charges are deducted from the price received at Ceke to effectively give a mine gate price.

Operating Costs

Xenith has estimated costs for the BNU North Mine based on the current life of mine plan. A summary of the real average LOM operating cost assumptions are shown in **Table 13.3**.

The mine plan consists of a traditional Hydraulic excavator operation loading off highway trucks. The mine life is 6 years at a production rate of approximately 1 Mtpa ramping up to 2 Mtpa of ROM coal at an average strip ratio of 13.3 bcm:Rom t. Xenith has assumed that ROM coal will be delivered to the ROM pad were it loaded into road trucks. Coal will be then truck-hauled 140 km to a Ceke for processing.

BNU product will be exported through Ceke.

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Table 13.3 – Average Real Cash Costs

Item	Unit		Rate
Onsite			
Waste	USD/Prod t	Real	36.77
Coal Mining	USD/Prod t	Real	2.54
Opencut support	USD/Prod t	Real	1.73
Rehabilitation	USD/Prod t	Real	0.34
Water Management	USD/Prod t	Real	0.23
Crushing & Loadout	USD/Prod t	Real	1.39
Provision for road construction	USD/Prod t	Real	0.58
Other Site Costs	USD/Prod t	Real	1.38
Off Site	USD/Prod t		
Contract Trucking	USD/Prod t	Real	12.48
Noble Royalty	USD/Prod t	Real	2.07
CHPP	USD/Prod t	Real	4.68
Import agency fee + Tax + Other	USD/Prod t	Real	17.92
Head Office/Marketing	USD/Prod t	Real	0.50
Royalty (@7.5%)	USD/Prod t	Real	5.31
Total	**USD/Prod t**	**Real**	**87.93**

The average real cash cost at the mine gate is estimated at $50.84 $/t.

Capital Costs

As the mine is operating with the major items of infrastructure and equipment in place the majority of capital has already been spent. To date Guildford have spent approximate USD 54 M at the BNU site.

An allowance of USD 5.5 M for minor development and USD12.4 M for sustaining capital costs have been included.

Taxes and Royalty

Xenith has applied a corporate tax of 25% to mining profits at the BNU North Project. The overall Royalty payable is 7% of blended coal price at the mine gate.

Closure Liability

Xenith has not applied a closure cost to its valuation model, as BNU has a significant Coal Inventory and exploration targets that, in our opinion, is likely to extend beyond the currently forecast operating 6 year LOM.

Net Present Value

Xenith has used the discount cash flow method to assess the value of a mine scheduled Resource of 27 Mt at BNU North Mine, assuming 1 Mtpa ROM production ramping up to 2 Mt in 2016. Giving a mine life until 2021.

Outcomes under various (real) discount rates are presented in **Table 13.4**. Xenith has assumed a real discount rate of 14% for its preferred valuation for BNU North mine of USD 81 M.

It is noted the DCF is only carried out on the mine plan presented which has a mine life of 6 years. It is highly likely the mine life would be extended when the surrounding projects are taken into

consideration (ie EL12600X, BNU Hinge and, BNU South). As no mine plan currently exists for these areas they have not been included in the DCF.

Table 13.4 – Summary of Discounted Cash Flow Valuation Ranges for BNU North

Production Parameters	Units	
ROM Production	Mtpa	1 - 2
Product Coal	Mtpa	0.8 – 1.6
Average Strip Ratio	Bcm:ROM t	13.1
Average Coal Price	USD/t	113
LOM Average Operating Cost (Real)	USD/Prod t	87.93
Capital Cost (LOM Real)	USD M	17.9
Net Present Value		
12.5% real discount rate	USD M	101
14% real discount rate	USD M	97
15.5% real discount rate	USD M	93

Sensitivity Analysis

Coal price is the key risk parameter for the BNU mine. Historically, export coal prices have been highly variable, driven by infrastructure constraints, weather conditions and relatively inelastic demand.

Figure 13.3 illustrates the sensitivity of BNU Mine to variability in the coal price.

Plant yield also has a significant impact on value but less so than for coal price.

The derived value is far less sensitive to changes in truck and shovel waste removal, coal mining and processing costs as seen by the slope of the curves in Figure 13.3relative to the slope of the coal price, exchange rate and plant yield.

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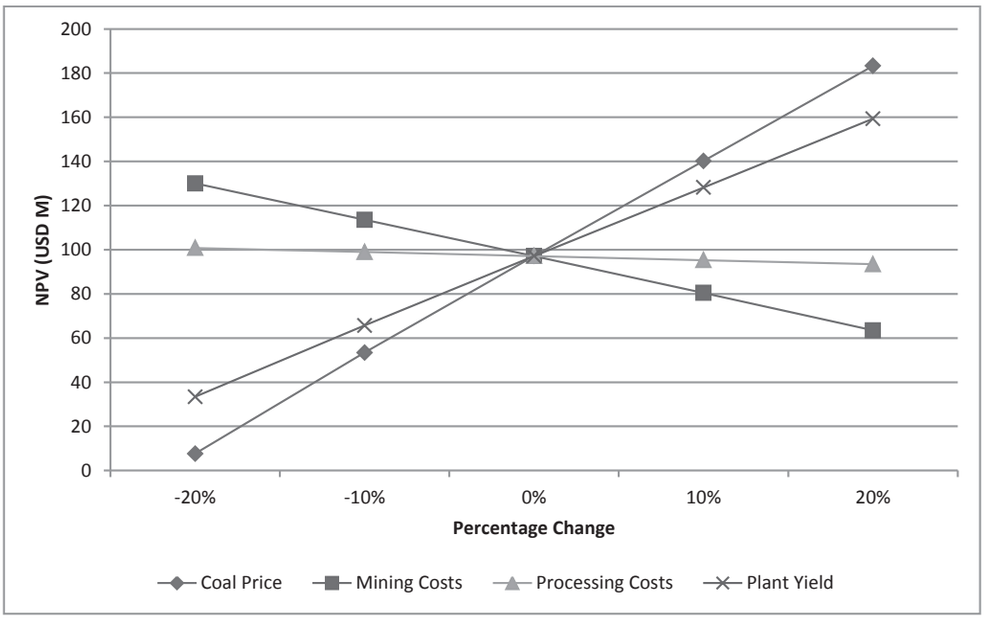
Figure 13.3 – Sensitivity Analysis for BNU Mine



Comparable Transactions for Additional Resources

In addition to the schedule in the mine plan, the BNU North area contains an additional Coal Resource of 17 Mt (27 Mt less 10 Mt). In valuing this Resource, Xenith has conducted an analysis of recent comparable market transactions to establish recent multiples paid within the market for in-situ coal tonnages (**Figure 13.1**).

Between 2012 and 2014, the implied value per resource tonne range from AU$0.04/t to AU$0.31/t with a median of AU$0.18/t. However as we could be considered in the low point in the coal cycle it may therefore be concluded that the value is towards the lower end of the range derived from the tabled coal exploration asset sales. Xenith has estimated a value for in ground valuation for these projects with a JORC compliant Resource at AUD0.10 to AUD0.15 per measured resource tonne; AUD0.05 to AU$0.09 per Indicated resource tonne and AU$0.02 to AU$0.054 per Inferred resource tonne.

In considering the value likely to be attributed by the market to the Resource outside the BNU North mine plan, Xenith notes the following:

- The 17 Mt Resource outside the conceptual mine plan comprises 63% of the total Resource base, which lies in a structurally complex geological setting.
- Infrastructure is in place. This should afford the BNU low infrastructure costs when benchmarked against other coal producers and developers.
- The current coal market outlook is depressed.
- The resource is located in Mongolia which contains additional political risk.

Consequently, Xenith considers the current market would pay between AUD0.10 to AUD0.15 per measured resource tonne; AUD0.07 to AU$0.09 per Indicated resource tonne and AU$0.025 to AU$0.05 per Inferred resource tonne at BNU North, generating a range of AUD 1.2 M and AUD 1.7 M, with a preferred value of AUD 1.5 M.

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Valuation Summary of BNU North

The DCF methodology has been adopted to determine a value for the resource at the BNU within the mine plan. For the preferred case Xenith has adopted a discount rate of 14% and the assumptions described in the sections above. For the high case Xenith has assumed a discount rate of 12.5% and a 5% increase in the revenue assumptions.

For the low case Xenith has assumed a discount rate of 15.5%, a 5% decrease in the revenue assumptions and a 5% decrease in yield assumptions.

Table 13.5 summaries Xenith's opinion regarding the current market value of Guildford's interests in the BNU mine. In Xenith's opinion, this value resides in the range USD59 M to USD125 M with a preferred value of USD98 M.

Table 13.5 – Valuation Summary of BNU Project

Resource	Low (USD M)	High (USD M)	Preferred (USD M)
BNU Mine	58	123	97
Resource outside mine plan	1.2	1.7	1.5
Total	**59.2**	**124.7**	**98.5**

The wide range in value reflects the sensitivity to fluctuating coal price, wash plant yield and discount rate.

The valuation for the BNU mine only includes the coal stated in the JORC compliant resource statement and accompanying mine plan. Xenith notes the coal seams appear to be continuous across lease boundaries into some of the adjacent leases/areas which has the potential of increasing total coal production and mine life, leading to potential upside. This potential upside has not formed part of this report as the geological confidence and technical work on the surrounding areas has not been undertaken to a sufficient level to carry out a detailed assessment.

13.2.2 MV-016971 – The Hovguun East Area

MV-016971 – The Hovguun East Area is at an early stage of exploration with an inferred Resource of 41 Mt (70% attributable to Guildford). Xenith has used comparable transaction to estimate an AUD per resource tonne to value MV-016971. Xenith considers the current market would pay between AUD0.02/t and AUD0.04/t for the additional Inferred Resource at BNU North, generating a range of AUD 0.6 M and AUD 1.1 M, with a preferred value of AUD 0.9 M., as summarised in **Table 13.6**.

Table 13.6 – Valuation Summary of a 70% interest in the coal within MV – 016971

Resource Category	Attributed Resource (Mt)	Low (AUD/t)	High (AUD/t)	Preferred (AUD/t)	Value Low (AUD M)	Value High (AUD M)	Value Preferred (AUD M)
Measured							
Indicated							
Inferred	29	0.025	0.05	0.04	0.7	1.4	1.1
Total					**0.7**	**1.4**	**1.1**

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13.2.3 Other areas

The exploration leases EL – 13780X, EL – 016972X, EL – 005264, EI – 005262X, EL – 14522X and EI – 13352X are all at early stages of exploration with little to minimal exploration to date and no JORC resources. Xenith has used an Appraised Method/Cost Approach based on exploration expenditure to date to estimate a value for these additional leases. Xenith has applied a PEM of between 0.5 to 0.7 to the exploration expenditure, generating a range of AUD 6.7 M and AUD 9.3M, with a preferred value of AUD 8.0 M, as summarised in **Table 13.7**.

Table 13.7 – Valuation Summary of additional exploration leases at South Gobi Project

Tenement	Reported Expenditure (AUD M)	PEM Low	PEM High	PEM Preferred	Value Low	Value High	Value Preferred (AUD M)
EL – 13780X	8.16	0.5	0.7	0.6	4.08	5.71	4.90
EL – 016972X	0.06	0.5	0.7	0.6	0.03	0.04	0.03
EL – 005264	3.83	0.5	0.7	0.6	1.91	2.68	2.30
EI – 005262X	0.45	0.5	0.7	0.6	0.23	0.32	0.27
EL – 14522X	0.32	0.5	0.7	0.6	0.16	0.22	0.19
EI – 13352X	0.53	0.5	0.7	0.6	0.26	0.37	0.32
Total	**13.3**				**6.67**	**9.34**	**8.01**

13.2.4 Valuation Summary for Gobi South

In order to obtain a value for all the South Gobi project Xenith has converted the USD valuation for BNU North to AUD. An exchange rate of 0.83 USD:AUD has been adopted which equates to a preferred valuation for BNU North mine of AUD 116 M, within a range AUD 70 M and AUD 148 M.

Table 13.8 – Valuation Summary of South Gobi Project

Project	Xenith Preferred Method Applied	Guildford Ownership	Attributed Resources (Mt)	Valuation Low (AUD)	Valuation High (AUD)	Valuation Preferred (AUD)
South Gobi						
BNU North						
Inside Mine Plan	DCF	100%	10	70	148	116
Out Side Mine Plan	Comparative Transaction	100%	17	1.1	1.7	1.5
Hovguun East (MV 016971)	Comparative Transaction	70%	29	0.7	1.4	1.1
EL 13780X	Past Exploration Expenditure	100%		4.1	5.7	4.9
EL 016972X	Past Exploration Expenditure	100%		0.0	0.0	0.0
EL 005264	Past Exploration Expenditure	100%		1.9	2.7	2.3
EL 005262X	Past Exploration Expenditure	100%		0.2	0.3	0.3
EL 14522X	Past Exploration Expenditure	100%		0.2	0.2	0.2
EL 13352X	Past Exploration Expenditure	100%		0.3	0.4	0.3
			56	**78**	**161**	**126**

13.3 Valuation of Mid Gobi Project

The mid Gobi project is at an early stage of exploration with an inferred Resource of 221 Mt. Xenith has used comparable transaction to estimate an AUD per resource tonne to value the Mid Gobo Project. Xenith considers the current market would pay between AUD0.015/t and AUD0.03/t for the Inferred Resource at Mid Gobi, generating a range of AUD 4.5 M and AUD 7.9 M, with a preferred value of AUD 6.1 M, as summarised in **Table 13.9**.

Table 13.9 – Valuation Summary of a 70% Interest in the Coal within MV - 016971

Resource Category	Attributed Resource (Mt)	Low (AUD/t)	High (AUD/t)	Preferred (AUD/t)	Value Low (AUD M)	Value High (AUD M)	Value Preferred (AUD M)
Measured							
Indicated							
Inferred	221	0.015	0.03	0.023	4.5	7.9	6.1
Total					**4.5**	**7.9**	**6.1**

13.4 Valuation of Hughenden Project

The Hughenden project is at exploration stage with a total Resource of 1,209 Mt (133 Mt Indicated and 1,076 Mt Inferred). A significant portion of the Resources are contained within thin coal seams and at depth which are not likely to be converted into Reserves. Xenith has taken this into consideration to estimate an AUD per resource tonne to value the Hughenden Project. Xenith considers the current market would pay between AUD0.045/t and AUD0.065/t for the Indicated Resource and AUD0.015/t and AUD0.025/t for the Inferred Resource at Hughenden, generating a range of AUD 21.7 M and AUD 35.1 M, with a preferred value of AUD 25.5 M, as summarised in **Table 13.10**.

Table 13.10 – Valuation Summary of a 100% Interest in the Coal within Hughenden Project

Resource Category	Attributed Resource (Mt)	Low (AUD/t)	High (AUD/t)	Preferred (AUD/t)	Value Low (AUD M)	Value High (AUD M)	Value Preferred (AUD M)
Measured							
Indicated	133	0.05	0.07	0.05	6.0	8.6	6.7
Inferred	1,076	0.015	0.025	0.018	16.1	26.9	18.8
Total	**1,209**	**0.018**	**0.029**	**0.02**	**21.7**	**35.5**	**25.5**

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13.5 Valuation of Clyde Park Project and Springsure Projects

The Clyde Park project is at exploration stage with a total Resource of 728 Mt (51 Mt Indicated and 677 Mt Inferred).

Table 13.11 – Valuation Summary of a 64.4% Interest in the Coal within Clyde Park Project

Resource Category	Attributed Resource (Mt)	Low (AUD/t)	High (AUD/t)	Preferred (AUD/t)	Value Low (AUD M)	Value High (AUD M)	Value Preferred (AUD M)
Measured							
Indicated	32.8	0.06	0.08	0.07	2.0	2.6	2.3
Inferred	436.0	0.02	0.04	0.03	8.7	17.4	13.1
Total	**438.8**	**0.023**	**0.043**	**0.033**	**10.7**	**20.1**	**15.4**

The Springsure project is at exploration stage with a total Resource of 191 Mt (43 Mt Indicated and 148 Mt Inferred). Guildford has recently sold 15% of the Springsure project for approximately AUD 2M, giving an implied value for the entire project of AUD13M. This transaction has been taken into account when determining comparable $/Resource t.

Table 13.12 – Valuation Summary of a 35.78% Interest in the Coal within Springsure Project

Resource Category	Attributed Resource (Mt)	Low (AUD/t)	High (AUD/t)	Preferred (AUD/t)	Value Low (AUD M)	Value High (AUD M)	Value Preferred (AUD M)
Measured							
Indicated	15.6		0.085	0.08	1.0	1.3	1.2
Inferred	52.9		0.05	0.045	1.3	2.6	2.4
Total	**68.5**		**0.06**	**0.053**	**2.3**	**4.0**	**3.6**

13.6 Valuation of Other Exploration Projects

The exploration leases covering the Pentland Project, Kolan Project, Sierra Project, Sunrise Project and Monto Project are all at early stages of exploration with little to minimal exploration to date and no JORC resources. Xenith has used an Appraised Method/Cost Approach based on exploration expenditure to date to estimate a value for these leases. Xenith has applied a PEM to the exploration expenditure, generating a range of AUD 3.5 M and AUD 4.9 M, with a preferred value of AUD 4.2 M, as summarised in **Table 13.13**.

Table 13.13 – Valuation Summary of additional Queensland exploration leases

Tenement	Reported Expenditure (AUD M)	PEM Low	PEM High	PEM Preferred	Value Low	Value High	Value Preferred (AUD M)
Pentland	0.6	1.5	2.0	1.75	0.8	1.1	1.0
Kolan	1.6	0.5	0.5	0.7	0.8	1.3	1.1
Sierra	1.2	1.5	2.0	1.75	1.8	2.4	2.1
Sunrise	0.06	0.4	0.5	0.45	0.02	0.03	0.03
Monto	0.08	0.4	0.5	0.45	0.03	0.04	0.04
Total	**3.5**				**3.5**	**4.9**	**4.2**

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13.7 Valuation Summary

A summary of Guildfords's coal assets value is presented in Table 13.14. In Xenith's opinion, the current market is likely to pay between AUD101 M and AUD212 M, with a preferred value of AUD 163 M for a 100% interest in Guildford's coal assets. This implies a value AUD0.08 per Resource tonne, given a stated JORC Code compliant Resource of 2,023 Mt (attributable to Guildford).

The South Gobi Project comprises the bulk of Xenith's estimated value, and ranges from AUD 58 M to AUD 140 M, with a preferred value of 108 AUD M. The wide range in value reflects the sensitivity to fluctuating coal price, exchange rate and technical parameters.

Of Xenith's total preferred value of 163 AUD M, Resources account for almost 151 AUD M while the exploration assets have a value of approximately 12 AUD M.

Table 13.14 – Valuation Summary

Project	Xenith Preferred Method Applied	Guildford Ownership	Attributed Resources (Mt)	Valuation Low (AUD)	Valuation High (AUD)	Valuation Preferred (AUD)
South Gobi						
BNU North						
Inside Mine Plan	DCF	100%	10	70	148	116
Out Side Mine Plan	Comparative Transaction	100%	17	1.2	1.7	1.5
Hovguun East (MV 016971)	Comparative Transaction	70%	29	0.7	1.4	1.1
EL 13780X	Past Exploration Expenditure	100%		4.1	5.7	4.9
EL 016972X	Past Exploration Expenditure	100%		0.03	0.04	0.03
EL 005264	Past Exploration Expenditure	100%		1.9	2.7	2.3
EL 005262X	Past Exploration Expenditure	100%		0.2	0.3	0.3
EL 14522X	Past Exploration Expenditure	100%		0.2	0.2	0.2
EL 13352X	Past Exploration Expenditure	100%		0.3	0.4	0.3
Mid Gobi						
	Comparative Transaction	100%	221	4.5	7.9	6.1
Queensland						
Hughenden Project	Comparative Transaction	100%	1,209	21.7	35.1	25.5
Clyde Park Project	Comparative Transaction	64%	469	10.7	20.1	15.4
Pentland Project	Past Exploration Expenditure	100%		0.8	1.1	1.0
Springsure Project	Comparative Transaction	36%	69	2.3	4.0	3.6
Kolan Project	Past Exploration Expenditure	100%		0.8	1.3	1.1
Sierra Project	Past Exploration Expenditure	100%		1.8	2.4	2.1
Sunrise Project	Past Exploration Expenditure	100%		0.02	0.03	0.03
Monto Project	Past Exploration Expenditure	100%		0.03	0.04	0.04
			2,023	**121**	**232**	**181**

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Appendix A. LIST OF ABBREVIATIONS

Item	Description
$/t	Australian dollar / tonne
A$ or AUD	Australian dollars
acid mine drainage	Acidic run-off water from mine waste dumps and mill tailings ponds containing sulphide minerals. Also refers to ground water pumped to surface from mines. Such drainage often requires treatment to buffer acidity.
adb	Air dried basis, defining the moisture basis for coal quantity and quality parameters
adit	A horizontal or nearly horizontal entrance/access to an underground mine from the surface.
alluvial	Relatively recent deposits of generally poorly consolidated sedimentary material laid down in river beds, flood plains and lakes.
ANFO	Acronym for Ammonium Nitrate and Fuel Oil, a mixture used as a blasting agent in many mines.
angle of repose	The maximum angle from horizontal at which a given material will rest on a given surface without sliding or rolling.
anthracite	Coal of the highest rank with a carbon content above 92%. This type of coal has a semi-metallic lustre
anticline	A line or axis to which strata rise from both directions in an arch shape.
aquifer	A water-bearing bed of permeable rock.
ar	As received basis, defining the moisture basis for coal quantity and quality parameters
ash	The inorganic residue remaining after a pulverised sample of coal is incinerated under standard laboratory conditions
Assets	assets means coalmines, port and projects,
attributable production	That part of the mine or operation production in which Glencore has an economic interest. It therefore excludes production attributable to the interests of any other partners
attributable reserves	That part of the reserves from a mine or project in which Glencore has an economic interest. It therefore excludes reserves attributable to the interests of any other partners.
attributable resources	That part of the resources from a mine or project in which Glencore has an economic interest. It therefore excludes reserves attributable to the interests of any other partners.
attributable sales	That part of the sales from a mine or project in which Glencore has an economic interest. It therefore excludes reserves attributable to the interests of any other partners.
basalt	Fine grained igneous rock from an extrusive lava flow
basement	The older rock mass which underlies an ore body or a sedimentary basin. Often refers to rocks of Precambrian age which may be covered by younger rocks.
bcm	Bank cubic meter
beneficiation	Treatment of mined coal by either drying, flotation, or gravity to improve the quality of the product material.
bord and pillar	A mining method for underground mines in which supporting pillars are formed as the development proceeds, and which may or may not be subsequently mined
calorific value	The heat of combustion of a unit quantity of coal; expressed in either British thermal units per pound (Btu/lb), kilocalories per kilogram (kcal/kg) or megajoules per kilogram (MJ/kg). The gross calorific value includes all heat of vapourisation of water. Net calorific value assumes that all water is in the vapour phase. See “specific energy”.
Carboniferous	The period from about 345 to 280 million years ago. It is part of the Paleozoic era
Chapter 19	Chapter 19 of the London Stock Exchange Listing Rules
CHPP	CHHP means Coal Handling and Preparation Plant where raw mined coal is stockpiled and crushed to a maximum size
cleat	cleat means a system of joints, cleavage planes or planes of weakness found in coal seams
coal measures	A sequence of strata deposited within the same geological period that contains coal

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Item	Description
	seams
coal mine	coal mine means an operating mine producing coal
coal, bituminous	A rank of black coal
coal, coking	Coal which is suitable for marketing and use as metallurgical coal, which is generally used in the steel making process
coal, high vol PCI	Coal which is suitable for direct injection into blast furnaces in a pulverized state and which has a high level of volatile matter
coal, metallurgical	A broader term for describing coal which comprises both coking coals and PCI coals, both of which are used in the steel making process
coal, semi-soft	Coal which is not sutiable as a hard coking coal but is suitable as a component in coke oven blends
coal, thermal	Coal which is combusted to provide heat for steam generation and subsequent power generation, or burned for heat generation only
comminution	The physical breaking of the rock and coal into smaller sizes
Competent Person	A professionally qualified specialist defined in Chapter19.
conglomerate	A coarse grained sedimentary rock comprising large fragments set in a fine grained matrix of sand and cementing material
CPR	Competent Person's Report
CSN	Crucible Swell Number; a measure of the swelling properties of coal when heated; one of the most common tests to determine coal suitability for coking
daf	daf means dry ash free
dilution	The contamination of ore with barren or low grade rock during the mining process; effectively lowering the grade of the mined ore.
dyke	Igneous material cutting across the strata usually in a vertical or near vertical plane
EMP	EMP means Environment Management Plan
fault	A fracture in the earth one side of which is displaced with respect to the other in any direction
FC	FC means fixed carbon
fluvial	Pertaining to rivers. River environment for deposition of material
FOB	Free on board; commonly used to describe quantities or costs to deliver coal loaded onto a coal carrying ship
fold	Deformation of the strata due to tectonic forces
FOR	Free on rail; commonly used to describe quantities or costs to deliver coal loaded onto rail cars.
froth flotation	A coal cleaning process applied for the beneficiation of fine particles typically 0.5 millimetres in diameter. Hydrophobic coal particles attach themselves to air bubbles in a water medium and rise to the surface to form a froth
gar	Gross as received basis
Geological Resources	Geological Resources means Coal Resources
geotechnical	The engineering properties of rocks
graben	The lowering of strata between two fault planes forming a block of overburden rock interrupting the continuity of the coal seam
grade	The quality of an ore, alloy or metal; often expressed as a percentage contained within an ore, but sometimes a combination of numerous properties
greenfields	A location where no previous mining activity has taken place
Igneous	Material that has originated from a molten state
IM	IM means Inherent Moisture,
In situ or insitu	Material in the ground in its natural state; not mined, not processed
Inteplan	Inteplan Pty Limited, coal logistics consultants
interburden	Rock material separating coal seams

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Item	Description
ISO	International Standard Organization
ITR	Independent technical review
joint	Natural fractures in rock generally vertical
JORC Code 2004	"Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code, 2004 Edition"; prepared by The Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC)
JORC Code 2012	Australian Code for Reporting of Mineral Resources and Ore reserves, prepared by Joint Ore Reserves Committee of Australian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Mineral Council of Australia (JORC 2012). International accepted.
km	Kilometer (s)
kt	kt means thousand (kilo) tonnes
large diameter (LD)	large diameter (LD) means dill core holes of 200 mm diameter for coal washing tests
LD core	Large diameter exploration boreholes from which samples of the strata are retrieved. The diameter of the core is generally 100 mm or more.
lithological	Description of the features of sedimentary rocks such as colour, grain size and composition
lithology	General description relating to the physical composition of rock forming materials
LOM(P)	LOM(P) means life of mine (plan)
loose cubic metre	The volume in cubic metres of excavated materials after being disturbed; normally applied to materials in stockpiles, in haulage trucks and on converyors
losses, geological	Ore lost due to unpredictable geology
losses, mining	Ore lost due to inefficiency in mining operations
m	Metre
magnetic survey	A geophysical technique that measures the earth's magnetic field and its changes
Marketable Reserves	Marketable Reserves means saleable reserves as defined under the JORC Code
Mbcm	million bank cubic metres
Mbcmpa	million bank cubic metres per year
MBGS	McElroy Bryan Geology Services, geology consultants
Measured Resources	for which quantity and quality can be estimated with a high degree of confidence. The level of confidence is such that detailed mine plans can be generated, mining and beneficiation costs, and wash plant yields and quality specifications, can be determined
metallurgical coal	metallurgical coal means coking coal and pulverised coal used in making steel,
mine production	mine production means mine production equal to the total production from the particular mine,
Mining Reserves	Mining Reserves means Coal Reserves,
mm	Millimetres
moisture, air dried	Moisture in the analysis sample (as determined) or the residual moisture in equilibrium with the prevailing laboratory conditions
moisture, as received	Moisture determined on the as-received coal.
moisture, bed	In situ moisture; natural moisture content of the coal in the seam, that exists as an integral part of the coal seam in its natural state.
moisture, equilibrium	Moisture in a coal sample after attaining equilibrium at a temperature of 30 °C and a humidity of 97 % (by mass fraction).
moisture, free	Moisture that is lost by the coal in the course of attaining approximate equilibrium with the atmosphere to which it is exposed.
moisture, in situ	Bed moisture; natural moisture content of the coal in situ in the seam, that exists as an integral part of the coal seam in its natural state.

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Item	Description
moisture, inherent	Moisture that exists as part of the coal seam in its natural state. In the case of most coals, the inherent moisture may be equated to the bed moisture and to the total moisture. In South Africa however, the term inherent moisture generally refers to the moisture in the analysis sample or the residual moisture.
moisture, residual	Moisture content that remains in the coal after it has been air-dried at room temperature and that can be removed by heating at 105 °C.
moisture, surface	The difference between total moisture and residual moisture.
Mt	million metric tonnes
Mtpa	million metric tonnes per annum (year)
US$ or USD	US dollars
MW	mega (million) watts
outcrop	An exposure of strata projecting through the overlying cover of detritus and soil
overburden	Strata that lies above the coal seam
paleo	Ancient reference to past geological times
paleozoic	An era of geological time from about 570 to 225 million years ago
PCI	Pulverized Coal Injection
Permian	The period from 280 to 225 million years ago. It is sometimes considered part of the Carboniferous period. It is part of the Paleozoic era
ply	A layer of a coal seam of distinguishing properties formed from different plant and sediment material deposited separately
Project	A coal deposit which is in the pre-operating phase of planning and/or development and may be brought into operation subject to feasibility and approvals processes
Quaternary	The period following the Tertiary extending to the present
Recoverable Reserves	Recoverable Reserves means an estimate of run of mine reserves which is the sum of Proved and Probable Reserves under the JORC Code,
reject	The material extracted from the ROM coal feed during cleaning
relative density (RD)	
Reserves, Probable	As per Chapter19, "..those measured and/or indicated mineral resources which are not yet "proved" but of which detailed technical and economic studies have demonstrated that extraction can be justified at the time of the determination and under specific economic conditions;"
Reserves, Proved	As per Chapter19, "..those measured mineral resources of which detailed technical and economic studies have demonstrated that extraction can be justified at the time of the determination, and under specified economic conditions,"
Resources, Indicated	As per Chapter19, "..that portion of a mineral resource for which quantity and quality can only be estimated with a lower degree of certainty than for a measured mineral resource because the sites used for inspection, sampling and measurement are too widely or inappropriately spaced to enable the material or its continuity to be defined, or its grade throughout to be established."
Resources, Inferred	A third classification of Mineral Resources with lower confidence than both Measured Resources and Indicated Resources which is defined in many international mineral estimating codes; including both the JORC (Australian) and the SAMREC (South African) codes. Note that Inferred Resources are not mentioned in Chapter19.
Resources, Measured	As per Chapter19, "..that portion of a mineral resource for which tonnage or volume can be calculated from outcrops, pits, trenches, drill-holes or mine workings, supported where appropriate by other exploration techniques. The sites for inspection, sampling and measurement must be so spaced that the geological character, size, shape, quality and mineral content will be established with a high degree of certainty;"
Resources, Mineral	As per Chapter19, "..include metallic and non-metallic ores, mineral concentrates, industrial minerals, construction aggregates, mineral oils, natural gases, hydrocarbons and solid fuels including coal;"
RL	Reference Level

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Item	Description
ROM	ROM means run-of-mine being coal as mined, including mining losses and dilution before beneficiation,
sandstone	A sedimentary rock comprising sand set in a matrix of silt or clay united by a cementing material. Contains 85%-90% quartz
SE	SE means Specific Energy (also Calorific Value),
seam	A stratum of coal
shaft	A vertical or inclined excavation, commonly from the surface, of limited size, and normally used for mining, drainage, ventilation, people access, and delivery of mined materials to the surface
specific energy	The heat of combustion of a unit quantity of coal; expressed in either British thermal units per pound (Btu/lb), kilocalories per kilogram (kcal/kg) or megajoules per kilogram (MJ/kg). See “calorific value”.
SSCC	SSCC means semi-soft coking coal which is a coal unable to make a strong coke in its own right but is suitable as a component blend in coke ovens
strip ratio	The ratio (bcm/t) of volume of waste mined (in bcm) to weight of coal mined (in t) in an open cut mining operation
sub-basin	A regional low area within a wider basin structure
subcrop	A mineral occurrence, including coal seams and plies, which comes near the surface but is covered by a thin layer of non-mineral overburden
syncline	A line or axis towards which strata dip or slope down from both directions
t	metric tonnes
t/bcm, t/cm	Metric tonnes per bcm, or per cm, usually a measure of density
tailings	The waste material remaining from finely ground ore from which the valuable minerals have been extracted
TC	Total carbon
tectonic	Relates to the movement and structural features of the earth’s crust
Tertiary	The period between about 65 million and 2 million years ago
TM	TM means Total Moisture content of coal as sampled,
tpa	metric tonnes per year
tph	metric tonnes per hour
Triassic	The period from 225 to 190 million years ago. It is part of the Mesozoic era
TS	Total sulphur
tuff	A general term for consolidated material ejected from a volcanic vent
US$	United States dollars
VALMIN Code	“Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports, The VALMIN Code, 2005 Edition”, prepared by the VALMIN Committee, a joint committee of The Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Mineral Industry Consultants Association with the participation of the Australian Securities and Investment Commission, the Australian Stock Exchange Limited, the Minerals Council of Australia, the Petroleum Exploration Society of Australia, the Securities Association of Australia and representatives from the Australian finance sector.
VM	VM means volatile matter, the loss in mass of a coal sample when it is heated under laboratory conditions
wash plant	A process plant designed to size and clean ores to produce beneficiated ore with higher grade and/or predetermined sizes
waste	Rock that is not part of the coal seam
Xenith	Xenith Consulting
$/t	Australian dollar / tonne
A$ or AUD	Australian dollars
acid mine drainage	Acidic run-off water from mine waste dumps and mill tailings ponds containing sulphide minerals. Also refers to ground water pumped to surface from mines. Such drainage

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Item	Description
	often requires treatment to buffer acidity.
adb	Air dried basis, defining the moisture basis for coal quantity and quality parameters
adit	A horizontal or nearly horizontal entrance/access to an underground mine from the surface.
alluvial	Relatively recent deposits of generally poorly consolidated sedimentary material laid down in river beds, flood plains and lakes.
ANFO	Acronym for Ammonium Nitrate and Fuel Oil, a mixture used as a blasting agent in many mines.
angle of repose	The maximum angle from horizontal at which a given material will rest on a given surface without sliding or rolling.
anthracite	Coal of the highest rank with a carbon content above 92%. This type of coal has a semi-metallic lustre
anticline	A line or axis to which strata rise from both directions in an arch shape.
aquifer	A water-bearing bed of permeable rock.
ar	As received basis, defining the moisture basis for coal quantity and quality parameters
ash	The inorganic residue remaining after a pulverised sample of coal is incinerated under standard laboratory conditions
Assets	assets means coalmines, port and projects,
attributable production	That part of the mine or operation production in which Glencore has an economic interest. It therefore excludes production attributable to the interests of any other partners
attributable reserves	That part of the reserves from a mine or project in which Glencore has an economic interest. It therefore excludes reserves attributable to the interests of any other partners.
attributable resources	That part of the resources from a mine or project in which Glencore has an economic interest. It therefore excludes reserves attributable to the interests of any other partners.
attributable sales	That part of the sales from a mine or project in which Glencore has an economic interest. It therefore excludes reserves attributable to the interests of any other partners.
basalt	Fine grained igneous rock from an extrusive lava flow
basement	The older rock mass which underlies an ore body or a sedimentary basin. Often refers to rocks of Precambrian age which may be covered by younger rocks.
bcm	Bank cubic meter
beneficiation	Treatment of mined coal by either drying, flotation, or gravity to improve the quality of the product material.
calorific value	The heat of combustion of a unit quantity of coal; expressed in either British thermal units per pound (Btu/lb), kilocalories per kilogram (kcal/kg) or megajoules per kilogram (MJ/kg). The gross calorific value includes all heat of vapourisation of water. Net calorific value assumes that all water is in the vapour phase. See “specific energy”.
Carboniferous	The period from about 345 to 280 million years ago. It is part of the Paleozoic era
CHPP	CHHP means Coal Handling and Preparation Plant where raw mined coal is stockpiled and crushed to a maximum size
cleat	cleat means a system of joints, cleavage planes or planes of weakness found in coal seams
coal measures	A sequence of strata deposited within the same geological period that contains coal seams
coal mine	coal mine means an operating mine producing coal
coal, bituminous	A rank of black coal
coal, coking	Coal which is suitable for marketing and use as metallurgical coal, which is generally used in the steel making process
coal, high vol PCI	Coal which is suitable for direct injection into blast furnaces in a pulverized state and which has a high level of volatile matter

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Item	Description
coal, metallurgical	A broader term for describing coal which comprises both coking coals and PCI coals, both of which are used in the steel making process
coal, semi-soft	Coal which is not sutiable as a hard coking coal but is suitable as a component in coke oven blends
coal, thermal	Coal which is combusted to provide heat for steam generation and subsequent power generation, or burned for heat generation only
comminution	The physical breaking of the rock and coal into smaller sizes
Competent Person	A professionally qualified specialist defined in Chapter19.
conglomerate	A coarse grained sedimentary rock comprising large fragments set in a fine grained matrix of sand and cementing material
CPR	Competent Person's Report
CSN	Crucible Swell Number; a measure of the swelling properties of coal when heated; one of the most common tests to determine coal suitability for coking
daf	daf means dry ash free
dilution	The contamination of ore with barren or low grade rock during the mining process; effectively lowering the grade of the mined ore.
dyke	Igneous material cutting across the strata usually in a vertical or near vertical plane
fault	A fracture in the earth one side of which is displaced with respect to the other in any direction
FC	FC means fixed carbon
fluvial	Pertaining to rivers. River environment for deposition of material
FOB	Free on board; commonly used to describe quantities or costs to deliver coal loaded onto a coal carrying ship
fold	Deformation of the strata due to tectonic forces
FOR	Free on rail; commonly used to describe quantities or costs to deliver coal loaded onto rail cars.
froth flotation	A coal cleaning process applied for the beneficiation of fine particles typically 0.5 millimetres in diameter. Hydrophobic coal particles attach themselves to air bubbles in a water medium and rise to the surface to form a froth
gar	Gross as received basis
Geological Resources	Geological Resources means Coal Resources
geotechnical	The engineering properties of rocks
graben	The lowering of strata between two fault planes forming a block of overburden rock interrupting the continuity of the coal seam
grade	The quality of an ore, alloy or metal; often expressed as a percentage contained within an ore, but sometimes a combination of numerous properties
greenfields	A location where no previous mining activity has taken place
Igneous	Material that has originated from a molten state
IM	IM means Inherent Moisture,
In situ or insitu	Material in the ground in its natural state; not mined, not processed
Inteplan	Inteplan Pty Limited, coal logistics consultants
interburden	Rock material separating coal seams
ISO	International Standard Organization
ITR	Independent technical review
joint	Natural fractures in rock generally vertical
JORC Code 2004	"Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code, 2004 Edition"; prepared by The Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC)

Item	Description
JORC Code 2012	Australian Code for Reporting of Mineral Resources and Ore reserves, prepared by Joint Ore Reserves Committee of Australian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Mineral Council of Australia (JORC 2012). International accepted.
km	Kilometer (s)
kt	kt means thousand (kilo) tonnes
large diameter (LD)	large diameter (LD) means dill core holes of 200 mm diameter for coal washing tests
LD core	Large diameter exploration boreholes from which samples of the strata are retrieved. The diameter of the core is generally 100 mm or more.
lithological	Description of the features of sedimentary rocks such as colour, grain size and composition
lithology	General description relating to the physical composition of rock forming materials
LOM(P)	LOM(P) means life of mine (plan)
loose cubic metre	The volume in cubic metres of excavated materials after being disturbed; normally applied to materials in stockpiles, in haulage trucks and on converyors
losses, geological	Ore lost due to unpredictable geology
losses, mining	Ore lost due to inefficiency in mining operations
m	Metre
magnetic survey	A geophysical technique that measures the earth's magnetic field and its changes
Marketable Reserves	Marketable Reserves means saleable reserves as defined under the JORC Code
Mbcm	million bank cubic metres
Mbcmpa	million bank cubic metres per year
Measured Resources	for which quantity and quality can be estimated with a high degree of confidence. The level of confidence is such that detailed mine plans can be generated, mining and beneficiation costs, and wash plant yields and quality specifications, can be determined
metallurgical coal	metallurgical coal means coking coal and pulverised coal used in making steel,
mine production	mine production means mine production equal to the total production from the particular mine,
Mining Reserves	Mining Reserves means Coal Reserves,
mm	Millimetres
moisture, air dried	Moisture in the analysis sample (as determined) or the residual moisture in equilibrium with the prevailing laboratory conditions
moisture, as received	Moisture determined on the as-received coal.
moisture, bed	In situ moisture; natural moisture content of the coal in the seam, that exists as an integral part of the coal seam in its natural state.
moisture, equilibrium	Moisture in a coal sample after attaining equilibrium at a temperature of 30 °C and a humidity of 97 % (by mass fraction).
moisture, free	Moisture that is lost by the coal in the course of attaining approximate equilibrium with the atmosphere to which it is exposed.
moisture, in situ	Bed moisture; natural moisture content of the coal in situ in the seam, that exists as an integral part of the coal seam in its natural state.
moisture, inherent	Moisture that exists as part of the coal seam in its natural state. In the case of most coals, the inherent moisture may be equated to the bed moisture and to the total moisture. In South Africa however, the term inherent moisture generally refers to the moisture in the analysis sample or the residual moisture.
moisture, residual	Moisture content that remains in the coal after it has been air-dried at room temperature and that can be removed by heating at 105 °C.
moisture, surface	The difference between total moisture and residual moisture.
Mt	million metric tonnes

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Item	Description
Mtpa	million metric tonnes per annum (year)
US$ or USD	US dollars
MW	mega (million) watts
outcrop	An exposure of strata projecting through the overlying cover of detritus and soil
overburden	Strata that lies above the coal seam
paleo	Ancient reference to past geological times
paleozoic	An era of geological time from about 570 to 225 million years ago
PCI	Pulverized Coal Injection
Permian	The period from 280 to 225 million years ago. It is sometimes considered part of the Carboniferous period. It is part of the Paleozoic era
ply	A layer of a coal seam of distinguishing properties formed from different plant and sediment material deposited separately
Project	A coal deposit which is in the pre-operating phase of planning and/or development and may be brought into operation subject to feasibility and approvals processes
Quaternary	The period following the Tertiary extending to the present
Recoverable Reserves	Recoverable Reserves means an estimate of run of mine reserves which is the sum of Proved and Probable Reserves under the JORC Code,
reject	The material extracted from the ROM coal feed during cleaning
relative density (RD)	
Reserves, Probable	As per Chapter19, "..those measured and/or indicated mineral resources which are not yet "proved" but of which detailed technical and economic studies have demonstrated that extraction can be justified at the time of the determination and under specific economic conditions;"
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VM	VM means volatile matter, the loss in mass of a coal sample when it is heated under laboratory conditions
wash plant	A process plant designed to size and clean ores to produce beneficiated ore with higher grade and/or predetermined sizes
waste	Rock that is not part of the coal seam
Xenith	Xenith Consulting

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Appendix B. PROJECT TEAM

Grant Walker – Grant has over 20 years' experience in the mining industry and has particular expertise in the areas of mine economic and technical evaluation, and mine planning and optimisation. He has a good ability to analyse the technical and economic issues of mine planning to develop optimal mine plans. Grant qualifies as a Competent Person for estimating JORC Reserves as defined in the JORC Code.

Troy Turner – Troy is a Geologist with over 18 years' experience in exploration, geology and operations for the open cut coal and mineral sands sectors. With a solid combination of technical skills, coal geology expertise and mining business management acumen. Troy specialises in the planning of exploration programs, resource assessments, 3D modelling and conceptual evaluations as well as being a qualified competent person under the JORC code.

Michael Neilson – Michael is a Mining Engineer and has expertise in mine planning covering deposit characterisation, pit and dump design, reserving, scheduling, fleet selection, economic modelling, and technical report writing. His experience to date has largely focused on Open Cut coal both in Australia and internationally, although exposure to metals operations has also been gained. Apart from this he has participated in several Due Diligence (DD) studies, Independent Technical Reports (ITRs), and project valuations.

Bob Leach – Bob is a self-employed coal quality consultant with a BSc in Chemistry and MSc in Primary Metallurgy. His current work committment involves diligence exercises conducted on behalf of several major companies focusing their attentions in the coal and related industries, peer review of project work and management of several coal quality and coal preparation projects located within Australia and internationally. He has worked on over 50 coal quality and coal preparation projects in the past ten years, within Australia and overseas. These projects have targeted either or both, thermal and coking coal products.

Peter Smith – Peter has approximately thirty years' experience in Australia and overseas in environmental planning and management for mining operations, as well as for industrial, residential, and infrastructure developments. Peter's key strengths are in the provision of strategic advice to minerals industry clients on sustainable environmental and community management, analysis and assessment of the compliance and performance of proposed and existing minerals industry operations and assisting in the development planning and approvals for new minerals industry operations. Peter has extensive experience at senior levels in mining corporate sector, industry association (mining, exploration & extractive industries), consultancies and government for investigation, analysis, preparation of environmental reports and audits, and project management of mineral resource development studies.

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