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GUILDFORD
COAL

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ASX ANNOUNCEMENT

Working Capital Facility and Update on Entitlement Offer

Working Capital Facility

Further to the announcement on 19 December 2014 and as further detailed in the Target's Statement dated 24 December 2014 and Supplementary Target's Statement dated 5 January 2015, Guildford Coal Limited (**Guildford**) (ASX:GUF) is pleased to announce that negotiations with Noble Resources International Pte. Ltd. (**Noble**) regarding an additional US\$7 million working capital facility have concluded, long form documents have been executed and Guildford has issued a draw down notice in respect of the entire US\$7 million facility.

Guildford will apply approximately US\$3 million of the funds received from this additional working capital facility to repay all amounts outstanding to Noble under the Fuel Exclusivity Agreement dated 14 November 2013. The remainder of the funds will support the current ramp up of coal production at the Baruun Noyon Uul (**BNU**) Mine in Mongolia.

It is a condition of the Noble finance package that Mr Craig Ransley continues to hold a position as a director of Guildford.

12600 Project

Guildford has also exercised its option to acquire the 12600 exploration lease, which is adjacent to the BNU Mine in Mongolia, from Noble and will, subject to certain conditions and exceptions, prioritise bringing this project into commercial production. The acquisition of this lease will result in operational synergies with the adjacent BNU Mine as the coal seams are contiguous.

Part of the purchase price for the 12600 project is a payment of US\$6 million which is due at the end of May 2015. Guildford anticipates that it will meet this payment in the ordinary course. If Guildford has not brought the 12600 project into commercial production by 8 May 2018, then Guildford has the option to retain the tenement and pay Noble 5 annual payments of US\$11.8 million or return the tenement to Noble.

OCP Deferment of Coupon

Guildford would also like to advise that OCP Asia (Hong Kong) Limited (**OCP**) has formally agreed to defer interest payments totalling approximately US\$3.9 million, which were due on 8 January 2015 pursuant to the Note Trust Deed, to 8 July 2015 which will incur a 2% deferral fee on the face value of the notes.

Entitlement Offer

As announced on 5 January 2015, and in addition to the new working capital facility from Noble, Guildford intends to raise a further A\$7 million via a pro-rata renounceable entitlement offer on the basis of 1 new share for every 4.85 shares, at an issue price of \$0.037 (**Entitlement Offer**).

The net proceeds of the Entitlement Offer will be used to support the current ramp up of coal production at the BNU Mine in Mongolia and for working capital purposes.

Maiora Asset Management Pte Ltd, Guildford's largest shareholder, has communicated their intention to participate in the Entitlement Offer. Guildford is also considering proposals to partially underwrite the Entitlement Offer for up to A\$5 million. Between Maiora's support and the underwriting proposals, total indicative commitments for the Entitlement Offer are up to approximately A\$6 million. Documentation explaining the Entitlement Offer in more detail is currently being prepared and Guildford expects the opening date of the Entitlement Offer will occur during the week starting 2 February 2015.

Ongoing Funding Requirements

Together with the net proceeds from the new Noble working capital facility and the Entitlement Offer, Guildford intends to fund production at the BNU Mine from revenues received from coal sales. Guildford expects to execute a "pre-pay" (funding) facility in the short term which will assist with cash flow management during the early stages of production and sales.

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