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GUILDFORD
COAL

Group Managing Director's Report

AGM 2014

28TH NOVEMBER 2014

2015 – Set to deliver

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Coal Resources and Competent Persons Statement

Technical Information on Clyde Park & Springsure JORC has been prepared by Kim Maloney who has over 10 years of experience in coal mining and extractive industry throughout Australia. Kim 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. Kim is a Competent Person for coal as defined by the JORC Code (2004). Kim 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. Kim is a Member of The Australasian Institute of Mining & Metallurgy (# 229120) and a Member of the Bowen Basin Geological Group.

The information in this presentation that relates to Coal Resources for the South Gobi – North project was first reported in compliance with the principles and guidelines of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code), 2012 Edition in a market release dated 25 June 2014. GUF is not aware of any new information or data that materially affects the information included in the 25 June 2014 announcement and that all assumptions and technical parameters underpinning the estimates in that announcement continue to apply and have not materially changed.

Technical information in this report in relation to the exploration targets and 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 (formerly a subdivision within Moultrie Group). Mr Biggs now works for ROM Resources Pty Ltd, Mr. Biggs is a member of the Australasian Institute of Mining and Metallurgy (Member #107188) and has over 25 years of experience relevant to the style and type of coal deposit under consideration and to the activity which is being undertaken to qualify as a Competent Person as defined by the Australasian Code for Reporting of Minerals Resources and Reserves (JORC) 2004. The resource information in this report is being released to the Australian Securities Exchange. Mark Biggs consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

The estimates of the Coal Resources presented in this Report are considered to be a true reflection of the Coal Resources as at 30th June 2014 and have been carried out in accordance with the principles and guidelines of the Australian Code for Reporting of Coal Resources and Coal Reserves published in September 2004 (JORC Code).



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1. **FY 2014**
Key Highlights

FY 14 Key Highlights



Summary “A year of two very different halves”:

- An exciting first half of the year, with the mine boxcut excavated, 98km road constructed, culminating in the commissioning of the BNU mine. 260 employees ready to continue mining.
- A disappointing second half involved waiting for the haulage permit to be granted and subsequently going in to cash preservation mode
 - June - Sep 13
 - Received govt approval to construct the 98km road between the BNU mine with the Chinese border
 - Commenced BNU box cut to expose coal in preparation for mine commissioning
 - Investor visit to site and customer visits to China
 - Board and management changes took effect
 - Oct - Dec 13
 - Formal commissioning of the mine had begun
 - Mine Infrastructure construction commenced, most completed and commissioned
 - Phase 1 of the 98km haul road was complete, connecting the mine to market
 - Commence seeking permit to transport coal
 - Completion of the comprehensive core hole drilling program for the Bnu resource
 - The continued exploration activity culminating in a maiden JORC indicated resource of 43Mt was achieved for the Springsure Project
 - Additional funding facilities with Noble were completed (USD\$22m in total) and drawn down
 - Further board and management changes
 - Jan - Mar 14
 - BNU mine commissioned
 - Approval for haulage permit continues
 - New OCP financing facility (USD\$65m in total) where proceeds were used to repay existing debt
 - DD commenced on Noble’s adjacent 12600 Exploration Lease
 - BNU mine in cash preservation mode until the haulage permit approved
 - As industry challenges hit harder in Australia the business focused the second half on optimisation of the Australian portfolio, increased activity in seeking out investment partners and options for key projects and active cost conservation
 - Canaccord appointed to explore equity and debt financing options
 - Apr - June 14
 - Revised JORC12 for BNU mine with higher levels of confidence
 - Stockpiles of coal ready to go, washing and logistics plans put in place for when the haulage permit arrives

Mongolian Operations

BNU haul road construction complete



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Mongolian Operations

Mining underway



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Mongolian Operations Coal ready for market



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Mongolian Operations Mine Infrastructure



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2. Post FY 2014
Highlights

Post FY 2014 Highlights



Summary “Excitement begins building again”:

- Immediately swung into coal trials
- Ongoing development of the customer base with Noble and Sojitz
- Production schedule announced
- Plan for debt treatment
 - Jul-Sep14
 - Haulage permit issued
 - Rights issue announced
 - Sino Costruction Ltd’s (Sino) offer to buy the Australian assets announced
 - First coal sales achieved
 - Ramp up of production brought forward
 - Renewal of Springsure Project’s Exploration Permit
 - Oct-Nov 14
 - Shipment of the second trial batch of coal
 - Proposed termination of the C1 management agreement
 - Maiora announced take-up of the second tranche of options
 - Operating metrics of the mine reveal a cash positive margin of AUD\$9-14, which takes into account the recent Chinese import tariff. Note that the capping of key coal parameters of ash and sulfur does not affect BNU mine coal products (Ash is 25% of capped target and Sulphur is 8% of capped target). This in turn provides a marketing opportunity
 - Preparation for full production
 - Sino bid arrives for off-market takeover of Guildford
 - New board announced to bolster support for vision and achievement



“First Coal on Road” Completed

- On 25 August 2014, the Company completed the inaugural shipment of coal on its proprietary haulage road, shipping 8,000 tonnes of BNU North coal to the Shivee Khuren / Ceke border crossing
- This shipment, part of an initial 20,000 tonne contract announced on 14 August 2014, is the critical first step to full coal quality testing
- A number of Chinese customers are eagerly awaiting commercially available quantities of coal
- Full-scale commercial production and shipments to commence by late 2014 / early 2015

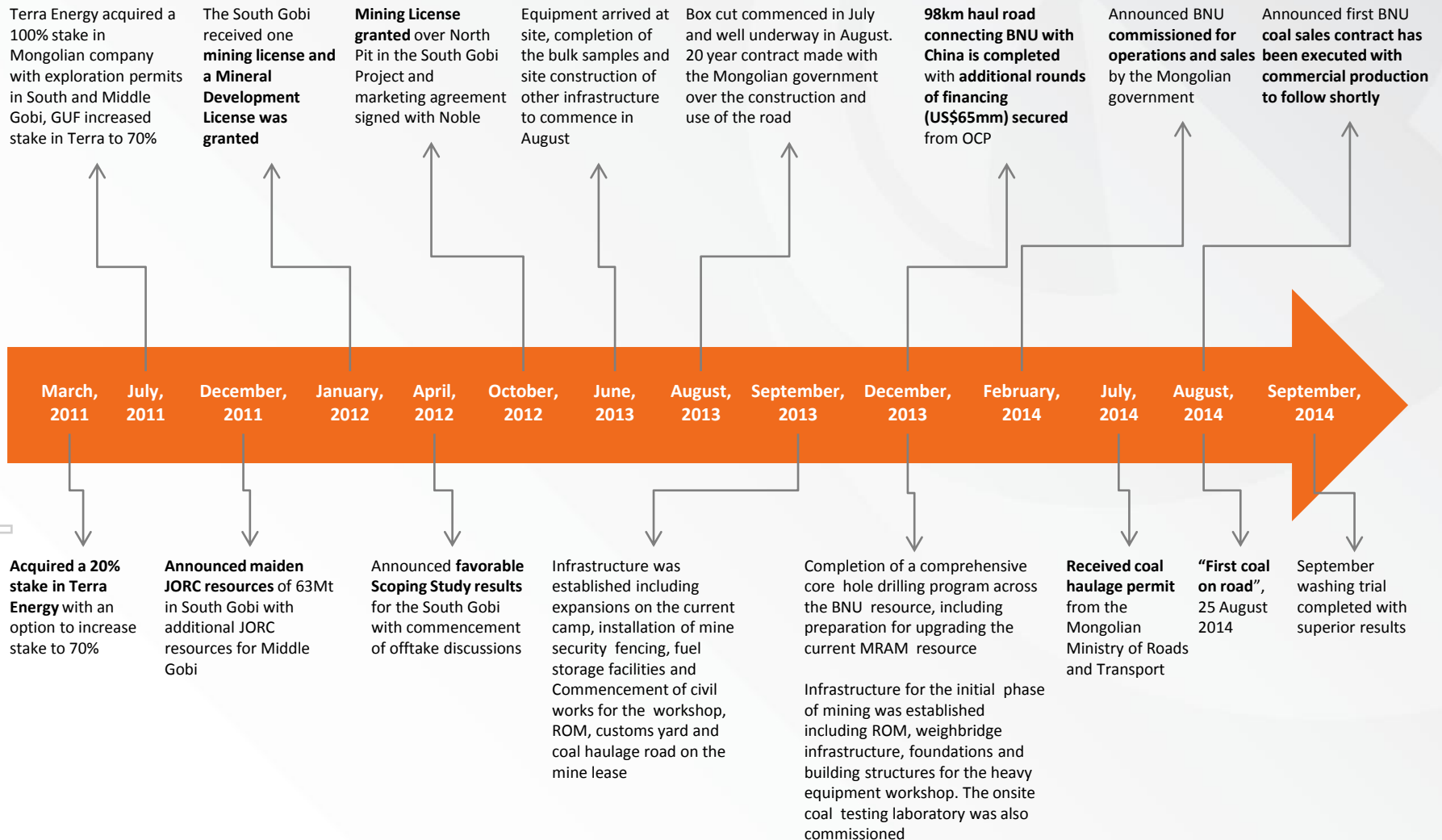


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Strong Project Development Track Record...



Despite the turmoil of protracted and contested elections in Mongolia, the Company has successfully built and commissioned a mine in ~3 years



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Trial Shipments and Results



- First and second trial shipments and results (Aug 14 and Oct 14)
- Awaiting final CSR test results
- Recommissioning of the washplant at Ceke, involved use of lower yielding surface coal during the Aug trial

Batch	Tonnes	Yield	Ash(ad)	VM(ad)	Sulphur(ad)	G Index	Y Index	CSR
Aug. Trial 1 wash	8,000	58%	9.0%	25	0.49%	72	14.4	TBA
Oct. Trial 2 wash	10,500	80%	8.6%	25	0.46%	75	15	TBA
Oct Trial 2 Bypass	3,800	100%	10.8%	25	0.41%	85	17	TBA

- Prep for full production during Nov/Dec 14
- MRAM (Mineral Resource Authority of Mongolia) have approved an increase in the annual allowable mining capacity; 1.5Mt CY2015, 2.0Mt CY2016

	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 Prodn.(kt)	30	70	85	75	90	100	105	635	1,190

Ceke Washplant



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SINO Bid



Summary

- 17 July 2014 - Sino Construction Limited (Sino) made an unsolicited offer to acquire all of Guildford's Australian coal assets
- 25 September 2014 - Sino announced an intention to make a takeover bid for Guildford
- 18 November 2014 - Sino's bidder's statement lodged

Details of the offer

- Conditional off-market takeover offer to acquire all of the issued capital of Guildford
- 1 Sino share for every 4.5 Guildford shares held
- Offer opened on 24 November 2014 and closes at 7pm (Sydney time) on 28 February 2015 (unless extended or withdrawn)

Timing and recommendation

- Sino's offer is subject to a number of conditions which could take several months to satisfy
- Guildford recommends that shareholders take no action until the board has considered the Sino offer
- Guildford has requested additional information from Sino in order to assess the offer and form the basis of a recommendation whether to accept or reject
- The recommendation of the board will be contained in Guildford's target's statement
- Shareholders are encouraged to read both documents and, if necessary, seek professional advice



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3. Post FY 2014
Financials Summary

Financials Summary



- FY 2014 result was a \$65.5M consolidated loss (2013: consolidated loss of \$1.5m)
- Cash at Bank at the end of the financial year \$9.1m
- The impairment loss of \$44m represented a write-down of certain exploration and evaluation assets in the Australian segment to the recoverable value. This was recognised in the consolidated statement of profit or loss. The recoverable value of \$52m at 30 June for the Australian assets was based on management considering the unsolicited offer announced to the market on 17 July and independent valuation of the assets. The valuations were determined on both a market multiple and on a DCF basis, at a discount rate the company would expect a market participant to apply such cash flows. In light of the current state of the coal market, the Company continues to review the value of its assets.

	FY13 A\$m	FY14 A\$m
Income	18.6	5.7
Expenses	(12.3)	(64.8)
EBIT	6.3	(59.1)
Interest	(7.7)	(6.5)
NPBT	(1.4)	(65.6)
NPAT	(1.4)	(65.6)
Cash	25.6	9.1
Net Assets	118.2	47.3
Shares on issue (m)	635.0	761.8*
Share price A\$	0.13	0.06*
Market cap (A\$m)	82.5	49.4*

* As at 30.06.2014

Future Funding Sources



Current Funding Status

Currently the Group has in excess of \$4.5m cash at bank.

Existing Lenders

The Group's existing secured lenders, Noble Group and Orchard Capital Partners, continue to provide their support to the Group. Management are currently in negotiations with both parties with a view to meeting mutually acceptable terms to defer some principal and interest payments due in December 2014 and January 2015, to facilitate the Group's ability to maintain cash reserves and meet its production targets for the next six months. It is anticipated that these arrangements will be finalised within the next seven days.

Potential investors

Management have also been working closely with corporate advisory group, Canaccord Genuity, over the last six months to review the Group's existing capital structure and endeavour to source additional working capital to assist with the Group's funding needs as it moves into the production phase. While liquidity remains tight within the capital markets and sourcing both debt & equity remains a challenge for resource companies globally, the Group has made significant advancements in recent weeks with the following opportunities being progressed:

- Ongoing discussions and draft Term Sheet being negotiated with a US based financial group to provide additional working capital facility
- Ongoing discussion with potential Coal "pre-pay" facility provider, potentially linked to an Off Take agreement
- Ongoing discussions with two global equity funders to provide additional funding
- Funding Road show – February 2015
- It is currently envisaged that once sufficient working capital is in place the Group will look to initiate a Funding Roadshow through Asia and potentially US/UK in or around February 2015 with a view to sourcing sufficient capital to restructure the existing balance sheet and meet all deferred payments to existing lenders.



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4. Post FY 2014
Business Strategy

Disciplined, Focused Business Strategy in Mongolia



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	Near-Term	Medium-Term	Long-Term
Primary Focus	<ul style="list-style-type: none"> • Production 	<ul style="list-style-type: none"> • Consolidation • Growth 	<ul style="list-style-type: none"> • Expansion, leveraging core competencies of Mongolian project development expertise and coal expertise
Key Objectives	<ul style="list-style-type: none"> • Complete coal testing • Establish customer base • Demonstrate cash flow positive coal mining operation in the Noyon Basin • Continue resource delineation program 	<ul style="list-style-type: none"> • Explore sites for 2nd, 3rd and 4th mine development followed by immediate coal production • Aim to develop these mines to create a 8Mtpa Mongolian coking coal miner within 5 years • Consolidate South Gobi region on the basis of proven track record and established infrastructure 	<ul style="list-style-type: none"> • Continue to expand in Mongolian coking coal • Explore other commodity opportunities within Mongolia (coming off a coal base) • Consider other Asian development opportunities, in coal and other commodities

Strategically Located Assets in Mongolia and Australia

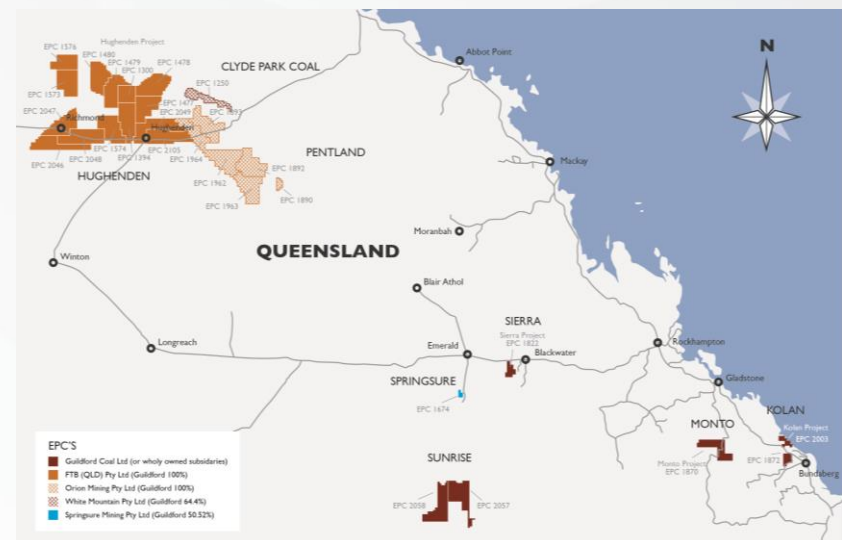


Mongolia

- GUF has equity stakes in 10 tenements in Mongolia, spread over two project areas: South Gobi and Mid Gobi
- The BNU North Mine, located in the South Gobi area, is GUF's primary current focus and is currently supporting an open-cut coking coal operation
- BNU North contains a JORC resource of 27Mt (Measured and Indicated 24Mt and Inferred 3Mt); further resource definition is currently underway to delineate an expanded resource base

Australia

- GUF has established a portfolio of highly prospective coal exploration tenements in Queensland, Australia
- In Queensland, the Company's assets cover an estimated 16,000 square kilometers across the coal bearing Bowen, Galilee and Maryborough Basins. The tenements are strategically positioned close to existing rail and port infrastructure



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Transformational Growth Profile Driven by Internal and External Catalysts



Transformational growth to be driven by significant production ramp-up and further resource expansion through exploration and acquisitions

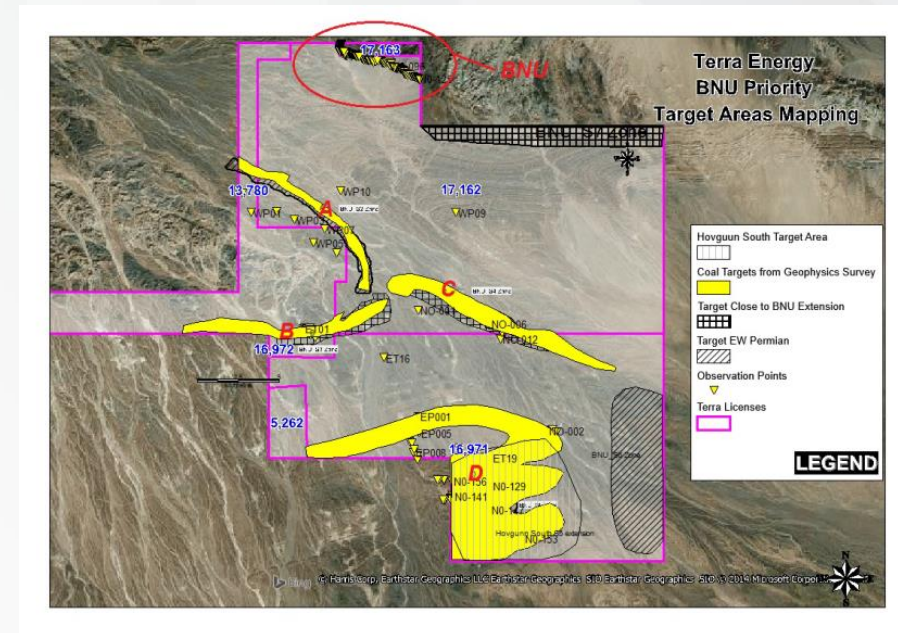
Production Ramp Up

- Commercial production scheduled to commence by late 2014 / early 2015
- Aim to become a 4Mtpa producer by 2017 and a 8Mtpa producer by 2019
- Developing a 12 year+ life of mine plan
- Additional tonne and mine potential from 12600

Significant Exploration Upside Potential

- In the winter of 2013 Geophysical Resources Services Pty Ltd designed and interpreted a ground magnetic survey on licenses in close proximity to the BNU project
- The results produced four key target areas in close proximity to BNU:
 - A. Located on the south limb extension to the Noyon syncline. This zone has approximately 8.8 km of coal bearing stratigraphy.
 - B. A fault displaced south western extension to target area A. This area has approximately 9.5 line km of coal bearing stratigraphic strike length.
 - C. The least geologically known target area with up to 11km of potential strike.
 - D. Previous East Pit area

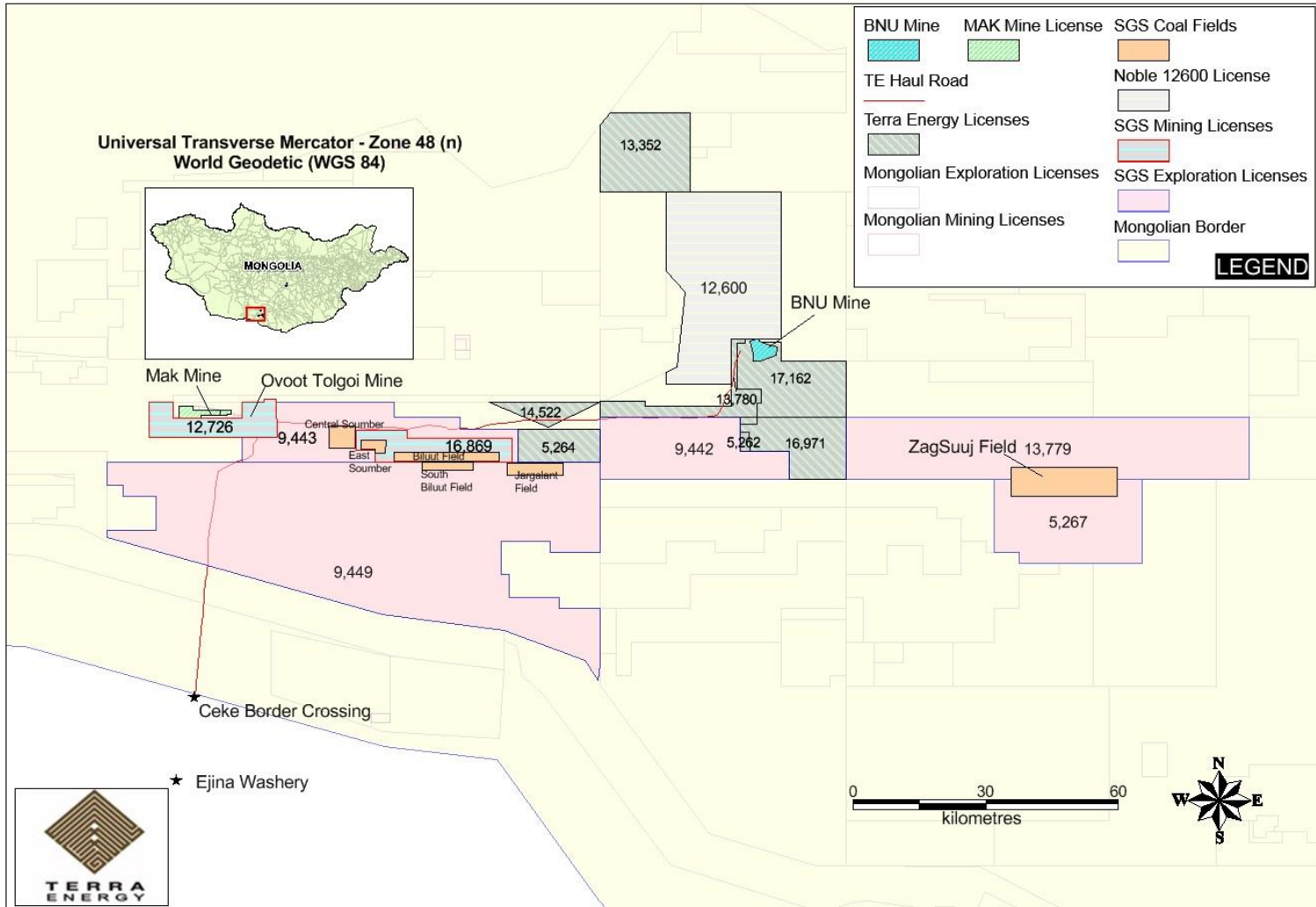
Target Exploration Areas



Future Optionality and Earnings, Leveraging Established Infrastructure



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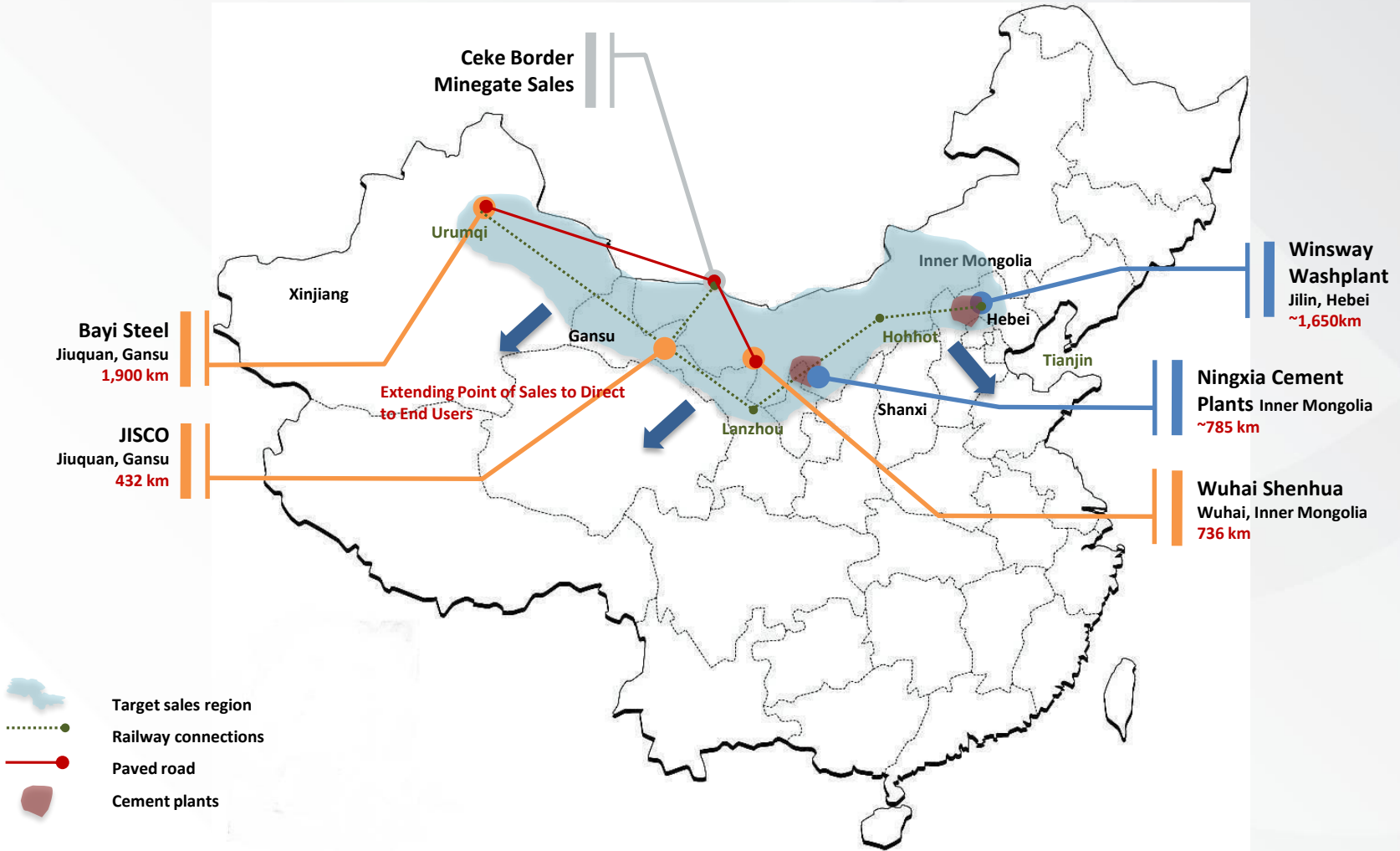
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5. Market for
Coking Coal

Easy Access to Multiple Chinese Customers



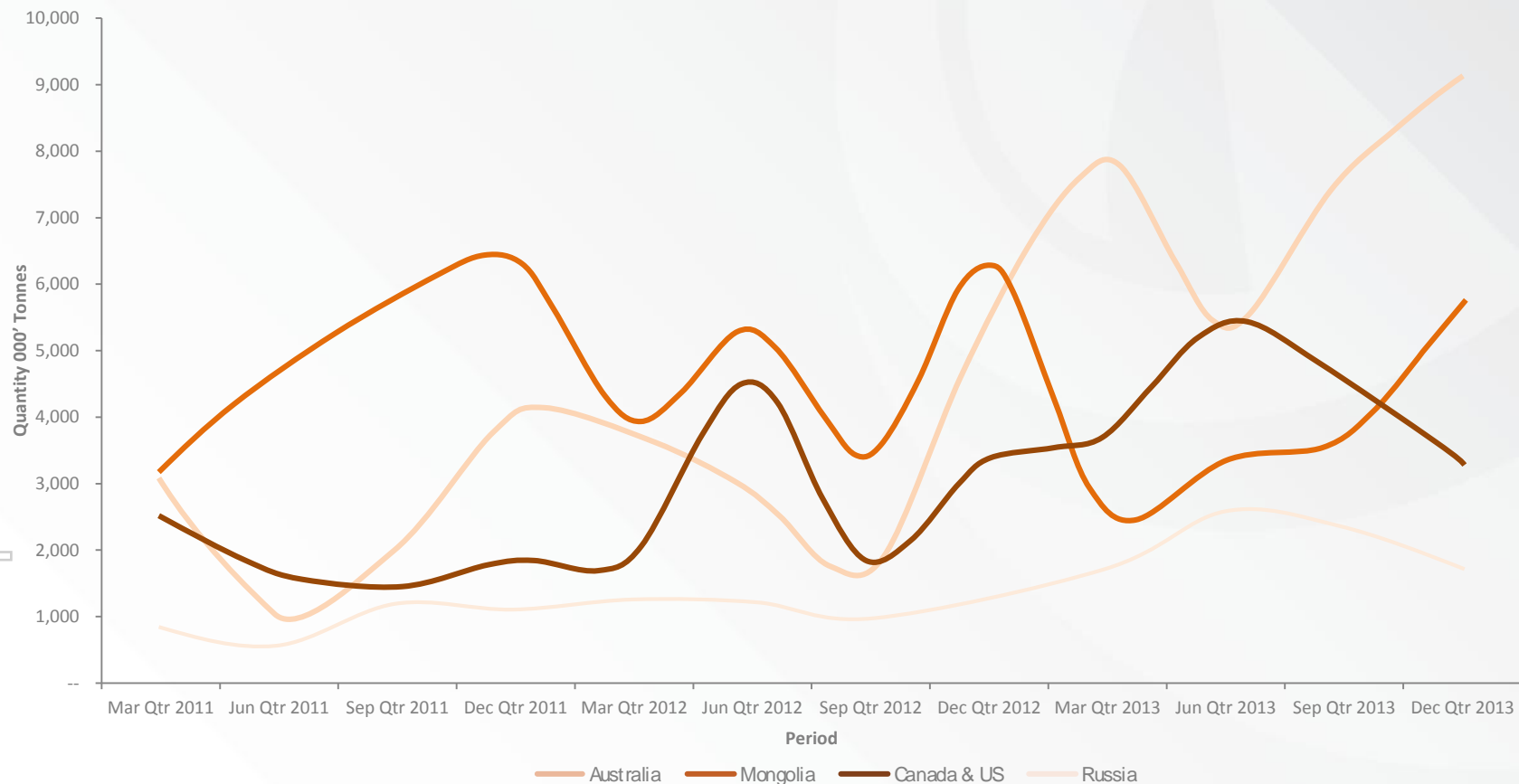
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Mongolia – A Critical Source of Coking Coal for China



Chinese Coking Coal Imports



Source: Shaanxi Fenwei Energy Consulting.

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Met Coal Market 2014

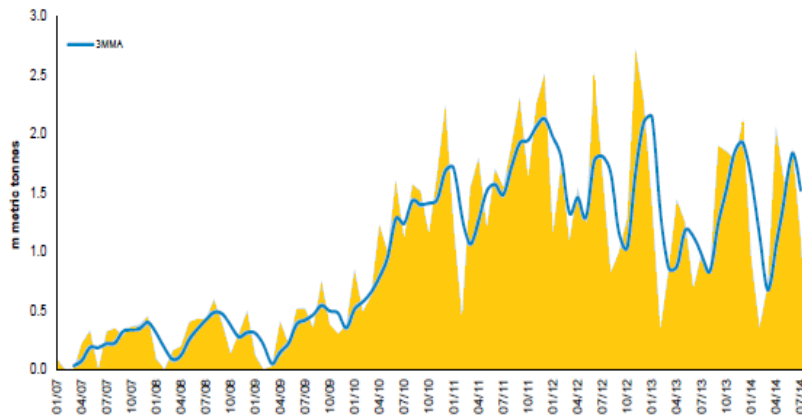


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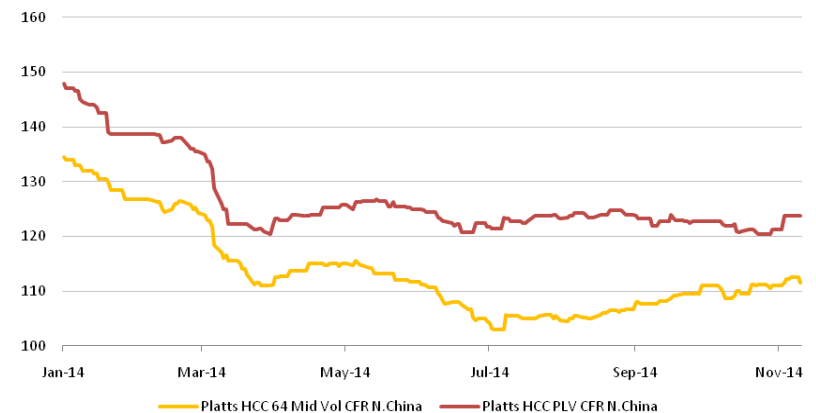
- Persistent supply overhang, tightened credit and muted downstream demand formed the landscape for met coal market in 2014. Spot prices for all grades of met coal are at lowest they have been since 2007 when China first entered the seaborne HCC market.
- Central driver has been lack of supply discipline at the marginal end of the cost curve. Producers have aggressively upped output at many existing operations, debottlenecking wherever possible in an effort to seek lower costs but spending less on labour, contractors and sustaining capital in a 'race to the bottom'.
 - Exacerbated by Chinese cost curve dropping significantly since the government removed unnecessary fees and tariffs under the anti-corruption push.

Mongolia has positioned itself aggressively to displace marginal tonnes, with import figures up 11% YoY to 10.8Mt at the close of Q3. This gain has offset imports from Australia (-0.3% to 21Mt), Canada (-42% to 5Mt), Russia (-33% to 4.5Mt) and USA (-61% to 22.1Mt).

Chinese Metallurgical Coal Imports from Mongolia



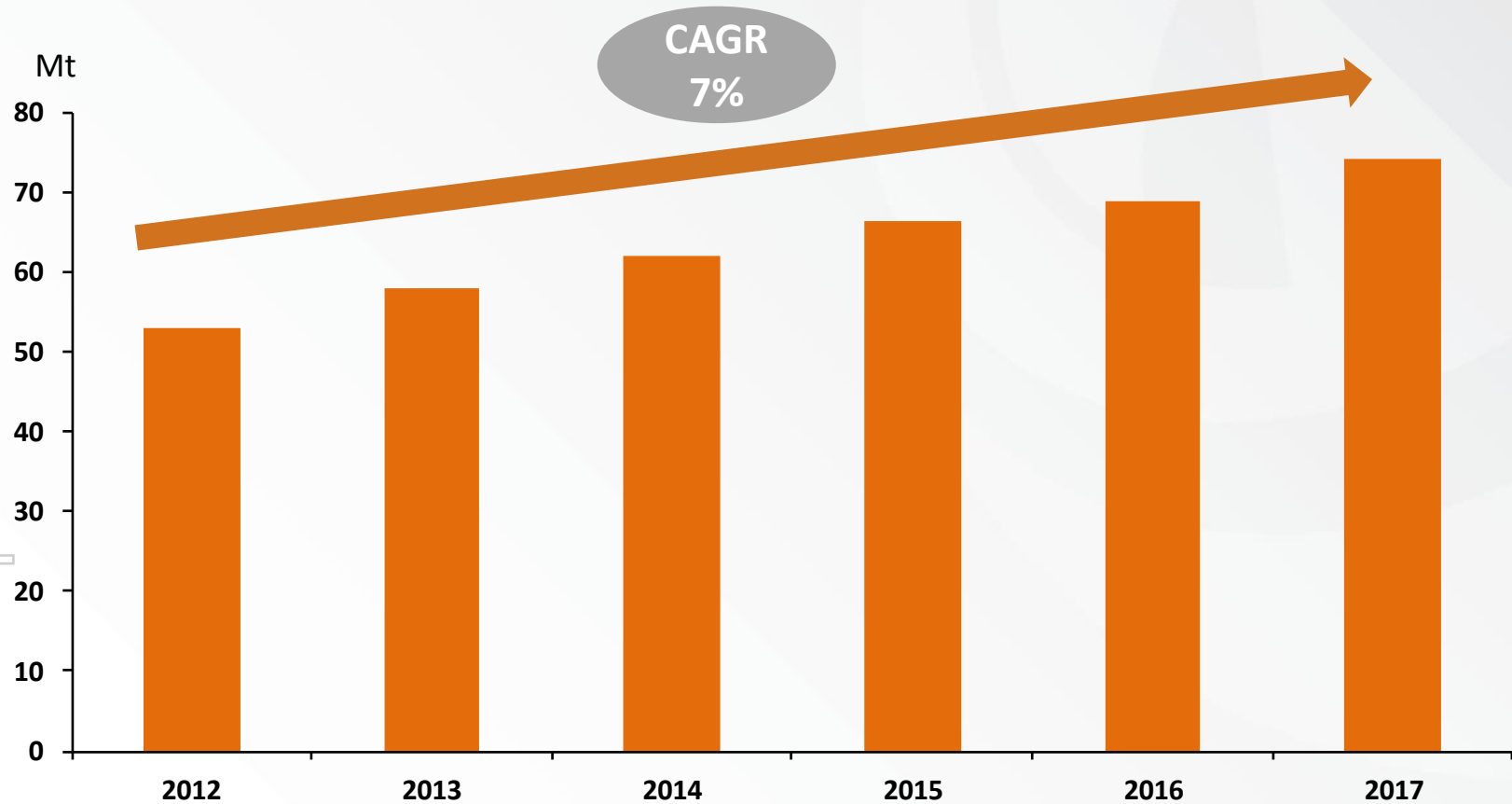
Seaborne Coking Coal Prices (USD)



Strong Chinese Coking Coal Demand



Chinese Coking Coal Imports



Source: China Coal Resources (CCR).

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Tand bolon
bayartai bayarlalaa
(Thank you and
goodbye)

