



CONTENTS

Chairman's Letter	3
Group Managing Director's Report	5
Annual Financial Report	9
Directors' Report	11
Corporate Governance Statement	27
Independent Audit Report	30
Consolidated Statement of Comprehensive Income	31
Consolidated Statement of Financial Position	32
Consolidated Statement of Changes in Equity	33
Consolidated Statement of Cash Flows	34
Notes to the Financial Statements	35
Directors' Declaration	73
Auditor's Independence Declaration under Section 307C of the Corporations Act 2001	74
ASX Additional Information	76
Corporate Directory	78



Guildford Coal – poised to become one of the largest listed coking coal producers in Mongolia backed by a significant coal resource base.

INVESTMENT HIGHLIGHTS

An Emerging Pure Play Mongolian Coking Coal Producer

Large, Superior Quality Resource Base – Over 289Mt of coking and thermal coal in Mongolia – poised 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% sulfur post washing) coal resource bases.

Near Term Coal Production and Cash Flow Generation – GUF's first commercial shipments (BNU North) currently slated for Q4 2014, BNU boxcut complete, coal stockpile ready, preparing batch loads.

Unparalleled Partnership with a Leading Commodities Trading Company – Marketing agreement established between GUF and Noble Group [SGX : N21] ("Noble") for GUF's coking coal in Mongolia, with Noble also continuing to support the Company as a significant financial stakeholder.

Transformational Growth Profile Driven by Internal and External Catalysts – GUF's Mongolian assets, led by BNU North, are ready to commence commercial production, supported by large asset base targeting multiple mines and captive haul road, complemented by the potential acquisition of Noble's 12600 asset.

Improving Regulatory Environment in Mongolia – New Investment Law in November 2013 effectively removed many Government approvals required for foreign investment in Mongolian resource companies and the improved Mineral Law approved on 1 July 2014 which re-opens exploration and development market in Mongolia.

Highly Experienced Management Team – Composed of former senior executives from leading global mining companies including Whitehaven, Xstrata, Leighton and Mongolia Energy (Khushuut Coal Project); specific experienced managers with years of Mongolian in-country operational expertise.



Top left: CAT6030 Excavator loading waste to CAT777D Haul Truck on Baruun Noyon Uul Mine

Top right: Baruun Noyon Uul Mine coal stockpile

Left: Coal sample on Baruun Noyon Uul Mine

CHAIRMAN'S LETTER

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

On behalf of the Board of Directors and senior management of Guildford Coal Limited, I am delighted to present the Annual Report to shareholders for the year ended June 30 2014.

2014 OVERVIEW

It has been a transformative year for Guildford Coal with a maintained focus on our strategic objective of becoming Mongolia's newest coal producer.

During the year the Company received formal commissioning of its Baruun Noyon Uul mine for operations and sales by the Mongolian Government. This significant development milestone enabled the Baruun Noyon mine to extract coal in readiness for sale. It is a remarkable achievement at a time that has been challenging for the resources industry.

The senior management team evolved over the course of the year with the inclusion of new members who have proven industry experience and relevant skills necessary to execute the Company's strategic objectives.

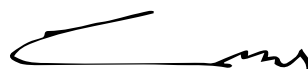
In response to weakening commodity prices, largely as a result of short term global oversupply, institutional investment support for coal exploration and development companies has contracted. Despite these challenging market conditions, the Company secured additional funding from existing financiers. The Board values the strong relationships with its financial supporters and the additional funding demonstrates confidence in our project and exploration programme.

OUTLOOK

Guildford Coal continues to work through opportunities despite the current outlook for the resources sector and coal markets. The Company focus is on its strategy to develop a portfolio of tenements which are prospective for coal. In Mongolia, key activities include continuing the trial batch washing of Baruun Noyon mine coal for marketing purposes. Key offtake agreements are being sort and there is strong interest in the coal type by Chinese customers. It is envisaged that when the coal tests and offtake agreements are in place, funding for working capital can be installed and the mine recommence production by the end of the year or early next year. In Australia, whilst tenement management continues to be the main activity, the Springsure exploration program is continuing, including finalising the Springsure project Mine Development Licence application. At the same time, the Company is determined to conduct all activities safely and sustainably, with sensitivity towards its stakeholders and communities and with a view to growing shareholder wealth.

On behalf of the Board I would like to thank our management team and workforce for their considerable achievements, continued loyalty and hard work over the last twelve months.

Finally, I would like to thank you, the company's shareholders, for your continuing support as Guildford looks to become Mongolia's newest coal producer.



The Hon Alan Griffiths
Acting Non-Executive Chairman



GROUP MANAGING DIRECTOR'S REPORT

Despite the turmoil of protracted and contested elections in Mongolia, building and commissioning of the BNU mine occurred in just over 3 years.

It gives me great pleasure to present this, my first report to shareholders since my appointment to the position of Group Managing Director in October 2013.

I have joined Guildford Coal at a time of exciting progress and achievement for the company with its transition from developer to operator during 2014.

Guildford operations in Mongolia and in Queensland, Australia, continued to deliver key milestones which reinforced the strengths of the company's strategic focus during a period which has been particularly challenging for the resources sector globally.

In the 2013 Annual Report, the company advised shareholders that its immediate priority was to achieve coking coal production at its Baruun Noyon Uul (BNU) mine in South Gobi, Mongolia and the successful achievement of this objective has been a key highlight of 2014.

The evolution of our senior management team with the skills and expertise required by the company in its new phase of activity is also helping to ensure Guildford is well-placed to create value from its assets and deliver enhanced returns to its shareholders.

Underpinned by a significant, quality resource base, and supported by the skills and expertise of the company's management team, Guildford Coal is well-placed to become one of the largest listed coking coal producers in Mongolia backed by 289Mt of coking and thermal coal in Mongolia.

Our quality production, development and exploration assets in Mongolia are further supported by a significant coal base in Queensland, Australia with 2.1Bt of thermal and PCI coal resource in Australia reported in accordance with JORC 2004.

MONGOLIA

In February 2014, the company announced the formal commissioning of its Baruun Noyon Uul (BNU) mine in South Gobi, Mongolia, and its subsequent approval for operations and sales by the Mongolian Government.



Terra Energy Chief Operating Officer Julian Lawrence (L) is congratulated by Group Managing Director Guildford Coal, Peter Kane (R), on the first shipment of coal from BNU Mine.

The commissioning represented the successful culmination of three years' work in exploration and development, and is testament to Guildford's structured and disciplined approach, as well as its focus on partnering with local suppliers and working closely with Government and other stakeholders to achieve mutually-beneficial outcomes.

The landmark first trial shipment of 8,000t of coking coal from the mine by the company's wholly-owned subsidiary Terra Energy LLC, occurred in August 2014. The shipment was for delivery to the Shivee Khuren /Ceke border port, destined for processing and further sales in China. This first coal shipment, one of several contractually agreed, was to one of the most important coal and logistics firms in Western China, Zhongmeng, a joint venture between Sojitz of Japan and Erdos Group of China.

Guildford's entry into the project in Mongolia has provided a valuable learning experience for the company and the first shipment within a three year time frame represents a remarkable achievement.

This milestone came after nine months of effort to meet the stringent guidelines set down by the Mongolian Ministry of Roads and Transport. As a result, the Company is confident that transport can be undertaken in a way that is sensitive to the needs of the local communities in the area and protects the environment.

Approval to construct the 98km haulage road connecting the BNU mine with the Chinese border was granted in early FY14 and receiving the haulage permit was the final piece of the jigsaw enabling the exporting of coal to China. This allowed the export of first trial shipments of coal to processing facilities in northern China. These trial shipments are designed to test downstream logistics and processing performance.

The second trial shipment of 14,300t from the mine in October 2014 signalled a clear pathway to a fully operational coal mine, and 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 been encouraging, confirming the initial BNU coal quality and providing customers with 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, with improved results expected as more batches of coal are extracted and washed.

These results further support the June 2014 issuing of a JORC code (2012) compliant resource which resulted in increased customer confidence in the deposit. A Measured Resource has now been ascertained.

Guildford has established a strategic partnership with the Noble Group, including a marketing agreement for the company's coking coal in Mongolia.

Negotiations were underway with a number of customers in China to take delivery of the BNU coking coal brand via long-term offtake agreements and there is strong interest in this coal type in China.

QUEENSLAND

In Queensland, Guildford continued to focus on its strategy of developing a portfolio of tenements which are prospective for coal. During the period, the key focus in Queensland was on tenement management, but the Springsure exploration program continued, including the Springsure Mineral Development Lease (MDL) application. Obtaining the MDL will enable the company to progress to commercialisation in a timely manner.

Approvals were received during the period from the Queensland Department of Natural Resources and Mines for the renewal of the Springsure Project to June 2019, and EPC's within both the Clyde Park Project to January 2016, and the Hughenden Project to May 2018.

In November 2013, the company announced a Maiden JORC Indicated Resource of 43Mt in its Exploration Permit for Coal (EPC) 1674 for the Springsure Project, with a remaining 148Mt Inferred Resource.

During the period under review, Guildford Coal also made a submission to the Queensland Government regarding its new Regional Interests Planning Legislation. While the legislation

is not expected to have a major impact on the company's operations in Queensland, Guildford appeared before a Parliamentary Committee as part of the consultation process.

In north and north-west Queensland, the company continued to be actively involved in MITEZ, the North Queensland regional supply Chain Committee and the Townsville Enterprise Committee overseeing the federally-funded investigation into the feasibility of a coal-fired base load power station in the Townsville/Pentland region.

Guildford Coal is committed to remaining an active and supporting member of the communities in which it operates.

Ongoing engagement with key local and state government stakeholders, government agencies and community organisation continued during the reporting period.

Further reinforcing the company's commitment to supporting local communities, Guildford Coal also undertook a number of local investments, including continuing to support our association with the North Queensland Cowboys rugby league team.

Guildford also has a strong commitment to ensuring that its employees and contractors remain safe and healthy, especially given the significant level of field activity in which the company engages.

OUTLOOK

In FY14 Guildford continued to achieve success against its strategic objectives despite the current outlook for the resources sector and coal markets. Our focus remains on operations and growing through the cycle and Guildford is well-positioned to continue to maximise opportunities and deliver against its strategic objectives in FY15.

Production at the BNU mine is expected to increase in December 2014, with full-scale production targeted in calendar year 2015.

Further shipments of coal from BNU are being progressively prepared and exported as the full process of extracting, exporting and delivering premium product from the mine continues.

While the company is continuing to see great interest in BNU coal after the first washing trial, further samples are being released to customers to aid off-take negotiations. Work will also continue to focus on the commencement of continuous mining operations across the coming year.

Guildford Coal is confident improved market conditions over the coming period will further support the company's growth and development for its customers and shareholders.



Peter Kane
Group Managing Director

RESOURCES, RESERVES AND EXPLORATION TARGETS

At the date of this report the Company has the following Reserves and Resources:

JORC Resources (Mt)								
Guildford Coal								
Assets	Measured	Indicated	Inferred	Total	Coal Type	JORC Code	Competent Person	Report Date
South Gobi-North	15	9	3	27	Coking	2012	Craig Williams	25 June 14
South Gobi-East ¹	-	-	41	41	Coking/ Thermal	2004	Mark Briggs	2013 Annual Report
South Gobi - Total	15	9	44	68	-	-	-	-
Mid Gobi	-	32	189	221	Thermal	2004	Mark Briggs	2013 Annual Report
MONGLOIA TOTAL	15	41	233	289				

¹ Includes Hovguun Hinge and Hovguun East. Resources are stated on 100% basis.

Guidlford Coal	JORC Resources (Mt)				Exploration Target (Mt)		Potential Coal Type	Independent Geologist
	Measured	Indicated	Inferred	Total	Lower	Upper		
Hughenden ¹	-	133	1,076	1,209	285	2,830	Thermal	MDM
Clyde Park ²	-	51	677	728	40	815	Thermal	MDM/Palaris/Xstract
Kolan ³	-	-	-	-	60	400	Coking	MDM
Springsure	-	43	148	191	60	235	Thermal/PCI	MDM
Pentland ⁴	-	-	-	-	295	2,890	Thermal/PCI	MDM
AUSTRALIAN TOTAL	-	227	1,901	2,128	740	7,170		

1 - The Hughenden Project consists of numerous tenements, and the Exploration Target# relates to the group of tenements. The Inferred Resource relates to EPC1477 and EPC1478. **2** - The Clyde Park Project consists of 50.7Mt JORC Indicated Resource and 677Mt JORC Inferred Resource developed by MDM on EPC1260, an Exploration Target of 40Mt to 70 Mt on EPC1250 estimated by Xstract and an Exporation Target of 0 to 745Mt estimated by Palaris on EP1260. **3** - The Kolan Project consists of two tenements, EPC1872 and EPC2003, currently the subject of a Form-In and Joint Venture Agreement with QCI (Coking) Pty Ltd, a wholly owned subsidiary of Hancock Prospecting. **4** - The Pentland Project was previously reported as part of the Hughenden Project.

EXPLORATION TARGET

References to Exploration Targets in this report are in accordance with the guidelines of the JORC Code (2004). As such it is important to note that in relation to reported Exploration Targets any references to quality and quantity are conceptual in nature. Exploration carried out to date is insufficient to be able to estimate and report coal resources in accordance with the JORC Code (2004). It is uncertain if further exploration will result in the determination of a Coal Resource.

Exploration target on projects with current JORC resource are additional conceptual extension or new conceptual targets in the project area.

COMPETENT PERSONS STATEMENT

Information that relates to Coal Resources estimated for the BNU North deposit is based on information compiled and reviewed by Mr Craig Williams, who is a Member of the Australian 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 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (the JORC Code). Mr Williams consents to the inclusion in the report of the matters based on his information in the form and context in which they appear in the Release.

Information that relates to the Coal Resources for Hovguun in this report relates to Exploration Results based on information compiled by Dr Aldo Van Heeswijck, who is a Member of The Australasian Institute of Mining and Metallurgy. Dr Van Heeswijck was previously employed by HDR Salva and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr Aldo Van Heeswijck consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. Dr Van Heeswijck takes no responsibility for information derived from Moultrie Database and Modelling Pty Ltd or SGS Mongolia.

Technical information in this report in relation to coal quality and washability analysis of South Gobi Project and fluorite mineralisation on Mid Gobi Project has been compiled by Mr Peter Goodman, who is a Member of the Australasian Institute of Mining and Metallurgy (Member #307830) and has had sufficient experience which is relevant to the style

of mineralisation under consideration and to the activities which are being undertaken to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Goodman was previously employed by Terra Energy LLC (Guildford Coal Ltd subsidiary) and consents to the inclusion of the matters based on his information in the form and context in which it appears. Mr Goodman has over 10 years' experience in the processing of fluorite type deposits and over 20 years' experience in the design and construction of coal processing facilities.

JORC RESOURCE COMPETENT PERSONS STATEMENT

Technical Information in this Report on Clyde Park and 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.

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).



Top left: South Gobi landscape

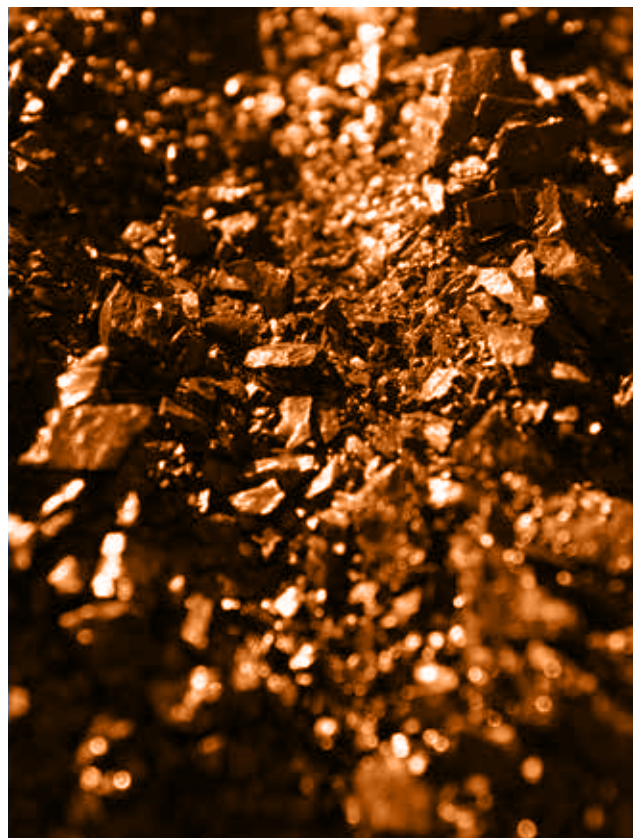
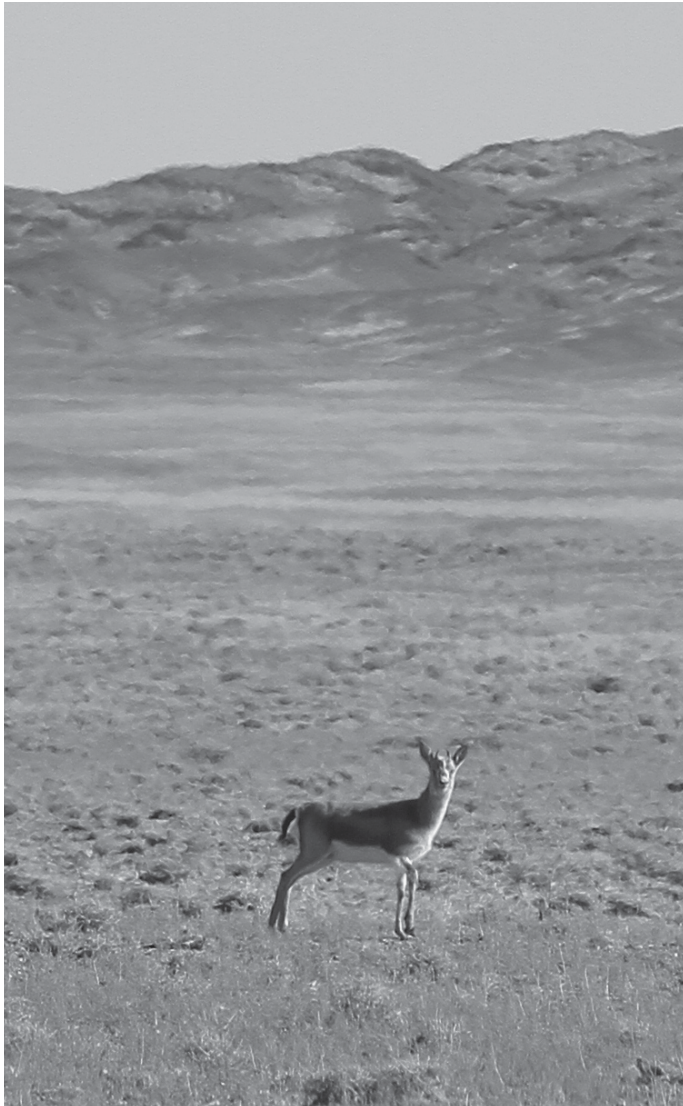
Top right: CAT777D Haul Truck hauling coal on Baruun Noyon Uul Mine

Left: Baruun Noyon Uul Mine camp sunset



FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014



Top left: One of the unique sights around South Gobi

Top right: Coal sample on Baruun Noyon Uul Mine

Left: Coal haul road surveying work

DIRECTORS' REPORT

The Directors present their report together with the consolidated financial report of Guildford Coal Limited (the "Company" or "Guildford" or the "Group") being the Company and its controlled entities for the financial year ended 30 June 2014 and the auditor's report thereon.

1 PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year were continuing the process of moving from developer to producer in Mongolia and the exploration for minerals in a number of mining tenements held across Australia.

In the opinion of the directors, there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year that have not been noted in the review of operations.

2 DIRECTORS

2(A) DIRECTORS

The directors of the Company at any time during or since the end of the financial year are shown in the table below.

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

THE HON ALAN GRIFFITHS

Acting Non-Executive Chairman

Qualifications

Degree in Law, Economics/Politics at Monash University

Experience

The Hon Alan Griffiths has achieved business success as a Global IT entrepreneur, hotelier, developer and investor. He established and was the principal of Quantm Limited in 2001, a company that achieved global Government and Industry recognition and Awards for innovation in the corridor and alignment optimisation of some of the world's largest road and rail infrastructure projects. His latest venture is the UK based Shopitize, a finalist and winner in its category of big data in the Cisco Big Awards, the UK Government national awards for excellence and innovation. He served five terms in the Australian House of Representatives and held various Ministerial and Cabinet positions including Minister responsible for Resources and Energy, Industry, Science, Technology, Tourism and Regional Development.

Interest in Contracts

The Hon Alan Griffiths was a shareholder in TheChairmen1 Pty Ltd which has a contract to provide management services to the Company for five years for \$2,500,000 per year. He relinquished those interests on 27 September 2013.

Special Responsibilities

Member of the Remuneration Committee and member of the Audit Committee.

Directorships held in other listed entities during the three years prior to the current year

Nil

Names	Position	Appointed/Resigned
The Hon Alan Griffiths	Acting Non-Executive Chairman	
Mr Tsogt Togoo	Executive Director	
Mr Kon Tsiakis	Non-Executive Director & Company Secretary	
Mr Peter Kane	Group Managing Director	Appointed 23/10/2013
Mr Peter Kane	Non-Executive Director	Appointed 9/10/2013 Resigned 23/10/13
The Hon Craig Wallace		Appointed 20/01/2014 Resigned 29/09/14
The Hon Peter Lindsay	Non-Executive Director	Resigned 30/08/2013
Mr Michael Chester		Resigned 24/09/2013
Mr Gary Humphrys	Non-Executive Chairman	Appointed 26/09/2013 Resigned 28/11/2013
Mr Gary Humphrys	Non-Executive Director	Resigned 26/09/2013
Mr Peter Westerhuis	Non-Executive Director	Resigned 23/10/2013

GUILDFORD COAL

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2014

MR PETER KANE

Group Managing Director

Appointed : 23 October 2013

Previously Non-Executive Director

Appointed : 9 October 2013

Resigned : 23 October 2013

Qualifications

Bachelor of Engineering (Mining)

Member of the Australasian Institute of Mining & Metallurgy

Graduate of the Australian Institute of Company Directors

Experience

Peter is a Mining Engineer with 25 years' experience in the mining industry throughout Australia and New Zealand. Recently, Peter held the CEO roles at both Boardwalk Resources and Aston Resources before being appointed COO – Projects with Whitehaven Coal.

Previously, Peter spent 3 years as COO 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, Peter also covered the role of JV Chair on multiple operations with numerous JV partners. Prior to that, Peter spent 10 years with Leighton (contractors) in various roles including GM of the Australian mining contractor business. His earlier career included 10 years with BHP in their iron ore and coal divisions.

Special Responsibilities

Member of the Remuneration Committee and member of the Audit Committee.

Interest in Contracts

Mr Kane has no interest in contracts entered into by the Group.

Directorships held in other listed entities during the three years prior to the current year

Nil

MR TSOGT TOGOO

Executive Director

Qualifications

Masters of Business Administration from the Leeds University Business School, United Kingdom

Master of Economics and Bachelor of Economics degrees from the Mongolian State University of Agriculture with First Class Honours

Experience

Mr Tsogt has close to two decades of experience in the Mongolian public sector. He worked in the senior management of the Mongolian national oil company and was in charge of the commercial and operational functions of the company, such as petroleum product imports and internal distribution to filling stations.

Mr Tsogt also worked as the head of the Privatisation Division of the State Property Committee and has played extensive roles in the privatisation of Mongolia's most valuable state-owned companies. He was in charge of the privatisation of the national oil company, banks and other state-owned enterprises, restructuring power generation and energy distribution enterprises and the deregulation of the energy and oil sectors.

Interest in Contracts

Mr Tsogt is a nominee of Terra Holdings Ltd which is a major shareholder with 20,000,000 fully paid ordinary shares in the Company. Terra Holdings Ltd also has a 30% interest in Mongolian subsidiary Guildford Coal (Mongolia) Pty Ltd.

Terra Holdings Ltd is a guarantor for Mongolian Petroleum Corporation Pte Ltd ("MPC") which Guildford had paid a deposit of US\$2 million in respect of a potential purchase of all the shares of MPC. Refer to Note 9.

Directorships held in other listed entities during the three years prior to the current year

Nil

MR KON TSIAKIS

Non-Executive Director

Qualifications

Master of Laws

Bachelor of Laws

Bachelor of Commerce

Experience

Mr Tsiakis has wide experience advising directors and companies on regulatory compliance and statutory corporate obligations as a commercial litigator. He also spent a number of years as a senior enforcement analyst with the Australian Securities and Investments Commission.

Interest in Contracts

Mr Tsiakis is one of two directors of Nooava Pty Ltd and a shareholder. Nooava is a trustee company for the Tsiakis Family Trust of which Mr Tsiakis is one of the beneficiaries. Nooava in its capacity as a trustee for the Tsiakis Family Trust is an 8.54% shareholder of TheChairmen1 Pty Ltd. TheChairmen1 Pty Ltd has a contract to provide management services to the Company for five years for \$2,500,000 per year.

Special Responsibilities

Company Secretary, Chairman of the Audit Committee and Chairman of the Remuneration Committee.

Directorships held in other listed entities during the three years prior to the current year

Nil

GUILDFORD COAL

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2014

THE HON. CRAIG WALLACE

Non-Executive Director

Appointed : 20 January 2014

Resigned: 29 September 2014

Qualifications

Bachelor of Arts

Experience

Mr Wallace served as the State Minister for Main Roads, Fisheries and Marine Infrastructure from 2009 to 2012. His departments delivered major infrastructure projects across Queensland including the Gateway Bridge and rebuilding of Queensland Road assets following major floods. He is 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 he 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.

Interest in Contracts

Nil

Special Responsibilities

Nil

Directorships held in other listed entities during the three years prior to the current year

Nil

2 (B) DIRECTORS INTERESTS

The relevant interest of each director in the shares and options issued by the Company, as notified by the directors to the Australian Securities Exchange in accordance with section 205G(1) of the *Corporations Act 2001*, at the date of this report is as follows:

Director	Number of ordinary shares	Options over ordinary shares
The Hon Alan Griffiths	490,056	Nil
Mr Tsogt Togoo**	Nil	Nil
Mr Kon Tsiakis*	8,365,921	Nil
Mr Peter Kane	100,000	4,758,444 Granted on 3 April 2014
The Hon Craig Wallace	925,385	Nil

* Mr Tsiakis is one of two directors of Nooava Pty Ltd and a shareholder. Nooava is a trustee company for the Tsiakis Family Trust of which Mr Tsiakis is one of the beneficiaries. Nooava in its capacity as a trustee for the Tsiakis Family Trust holds 8,365,921 shares directly in Guildford. Nooava is also a 8.54% shareholder of TheChairmenI Pty Ltd and a 7.09% shareholder of C1 Commodities Pte Ltd, both of whom are shareholders of the Company, holding 83,935,600 and 100,000,00 Shares respectively as at the date of this report.

** Mr Tsogt is a nominee of Terra Holdings Ltd which is a top 20 shareholder with 20,000,000 fully paid ordinary shares in the Company. Terra Holdings Ltd also has a 30% interest in Mongolian subsidiary Guildford Coal (Mongolia) Pty Ltd.

2 (C) DIRECTORS MEETINGS

The number of Directors' meetings (including meetings of Committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial year are shown below.

Meetings of directors

Names	Directors' Meetings		Audit Committee		Remuneration Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
The Hon Alan Griffiths	17	15	7	6	6	6
Mr Peter Kane	11	10	4	4	3	3
Mr Kon Tsiakis	17	17	7	7	6	6
Mr Tsogt Togoo	17	17	-	-	-	-
The Hon Craig Wallace	7	6	-	-	-	-
The Hon Peter Lindsay	2	2	-	-	-	-
Mr Michael Chester	2	-	-	-	-	-
Mr Gary Humphrys	9	9	3	3	2	2
Mr Peter Westerhuis	6	6	3	3	-	-

GUILDFORD COAL

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2014

3 OTHER

3 (A) DIVIDENDS

No dividends were paid or declared for future payment during the 2014 financial year.

3 (B) SHARE OPTIONS

Shares issued on exercise of options

During the reporting period no options have been exercised.

Unissued shares under options

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

- » on 7 July 2014 the Company announced a \$2.5 million fully underwritten entitlement offer on the basis of 1 new share for every 18.248 shares held at \$0.06. The Underwriter also agreed to subscribe for an additional \$2.5 million at \$0.06. Both the entitlement offer and the placement included 1 free attaching option for each share subscribed for. Principle terms for the options are:
 - 83,333,334 options;
 - term: 3 months from grant, being 7 November 2014; and
 - exercise price: \$0.06.
- » on 8 January 2014 the Company entered into a debt facility with OCP Asia Limited ("OCP Asia") to issue 1,000 convertible notes with a face value of US\$10,000,000. Principle terms are:
 - 1,000 convertible notes, each with a face value of US\$10,000;
 - term: 18 months from the date of issue, being 8 July 2015 (the "maturity date");
 - conversion price: \$0.30 (subject to standard adjustments);
 - o subsequent to year end the exercise price has been reset to AU\$0.06 per share as a result of the Rights Placement in July;
 - dates for conversion: at any time on 8 January 2014 and up to 7 business days prior to the maturity date; and
 - should the Company elect to repay the loan before maturity date, warrants with a life of 18 months from the early repayment date will be issued in the place of any unexercised conversion rights.
- » on 8 January 2014 the Company entered into a debt facility with OCP Asia to issue amortising notes with a face value of US\$55,000,000. The amortising notes carried detachable warrants for an amount equal to 18.5% of the Face Value of the Amortising Notes as calculated in Australian dollars at the average USD/AUD exchange rate quoted on Bloomberg on the date of issue of the Amortising Notes. Each warrant entitles the holder to 1 share. Principle terms are:
 - 66,762,962 Detachable Warrants;
 - expiry date: 5 years from the date of issue, being 8 July 2019 (the "warrant maturity date");
 - exercise price: \$0.17 (subject to standard adjustments);
 - date for exercise: after 8 January 2014 and up to 5pm on the warrant maturity date; and

- » on 31 March 2011, OZ Master Fund Limited, OZ Asia Master Fund Limited, OZ Global Special Investments Master Fund LP (Subscribers), Terra Energy Limited and Guildford Coal Limited entered into a Call Option Deed which entitles the Subscribers to subscribe for 25% of the issued capital in Terra Energy Limited for a cash payment of \$25,000,000.

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

3 (C) INDEMNIFICATION AND INSURANCE OF OFFICERS

Indemnification

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

Insurance premiums

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

Proceedings on behalf of the Company

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

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

3 (D) INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

3 (E) NON-AUDIT SERVICES

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

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

GUILDFORD COAL

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2014

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

In AUD	Consolidated 2014	Consolidated 2013
Non-audit services		
Taxation services and other non-audit services	265,632	222,727

3 (F) AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2014 has been received and can be found on page 71 of the financial report.

4 OPERATING AND FINANCIAL REVIEW

REVIEW OF FINANCIAL PERFORMANCE

Group Loss for the year was \$65.6 million compared to the prior year Group Loss of \$1.5 million. A range of operational factors negatively impacted the result. These include:

- » an impairment of \$44.2 million to the Australian coal assets;
- » a withholding tax expense of \$3 million;
- » an exploration deposit write-off of \$2.1 million; and
- » a reduction in Income of \$13.0 million mainly related to an accounting gain on Terra Energy deferred consideration FY14 \$1 million (FY13 \$12.4 million).

CASH FLOWS & CAPITAL MANAGEMENT

In AUD	FY2014	FY2013
Cash flows		
Operating cash flows (\$ million)	(17.6)	(6.7)
Investing cash flows (\$ million)	(41.4)	(37.9)
Financing cash flows (\$ million)	42.7	55.6
Capital management & balance sheet	30 June 2014	30 June 2013
Cash on hand (\$ million)	9.1	25.7
Interest bearing liabilities (\$ million)	104.2	54.6
Net debt (\$ million)	95.1	28.9
Net assets (\$ million)	47.3	118.2

CASH FLOW COMMENTARY

Operating cash flows

Operating cash outflows of \$17.6 million have increased significantly compared to the operating cash outflow of \$6.7 million in the prior year. The increase in outflows reflects the following factors:

- » The increase in payments to suppliers and employees of \$9.0 million mainly related to the development of Baruun Noyon Uul ("BNU") mine. The decrease in R&D tax concessions received \$1.7 million with the 2013 R&D tax concession being collected post 30 June 2014.

Investing cash flows

Investing cash outflows have increased to \$41.4 million in the year to 30 June 2014 from \$37.9 million in the prior year mainly due to the development activities at the BNU mine in Mongolia.

Financing cash flows

Financing cash inflows have decreased to \$42.8 million in the year to 30 June 2014 from \$55.6 million in the prior year mainly due to the following factors:

- » the increase in facility drawdowns \$26.6 million more than offset by an increase in facility repayments \$34.7 million; and
- » the increase in finance costs of \$4.2 million.

CAPITAL MANAGEMENT AND BALANCE SHEET COMMENTARY

Cash on hand at 30 June 2014 was \$9.1 million which is \$16.6 million less than the 30 June 2013 balance of \$25.7 million.

Total interest bearing liabilities at 30 June 2014 were \$104.2 million. This represents an increase of \$49.6 million relative to the balance at 30 June 2013 of \$54.6 million. There were \$92.8 million in drawings on the debt facilities during the year. Drawings during the year have primarily been utilised to fund the Group's BNU mine development expenditure along with financing repayments due on the Group's finance facilities. The increase is primarily made up of the corporate facility drawings of US\$87.0 million noted as following:

- » on 14 November 2013, the company entered into a Fuel Exclusivity agreement with Noble International Pte. Ltd ("Noble") for US\$8,000,000. The facility bears an implied annual interest rate of 9.7% and matures on 11 November 2015. As at 30 June 2014, the entire US\$8,000,000 facility had been drawn down. Subsequent to year end the Company has agreed with Noble to defer further principle repayments until 5 December 2014;
- » on 18 December 2013, the company entered into a long-term additional debt facility agreement with Noble for US\$14,000,000. The facility originally bore an annual interest rate of LIBOR (London Interbank Offered Rate) plus a margin of 7.25% however from June 2014 this was increased to 10.5% after commencement of negotiations to defer principle repayments. Subsequent to year end the Company has agreed with Noble to defer further principle repayments until 10 December 2014. Contractually the facility matures on 4 March 2016 however as the Company has deferred some principal repayments Noble has reserved its rights with respect to events of default so the full outstanding balance has been classified as current;
- » on 8 January 2014 the Group entered into a debt facility with OCP Asia to issue convertible notes with a face value of US\$10,000,000. Proceeds were used to fund working capital requirements in the Groups Mongolian operations. The Convertible Notes bear an interest rate of 12% p.a. and mature on the 8 July 2015; and
- » on 8 January 2014 the Group entered into an agreement with OCP Asia to issue amortising notes with a face value of US\$55,000,000. The facility was fully drawn down with proceeds used to settle the previous convertible loans AU\$39,400,000 and to fund working capital requirements in the Groups Mongolian operations. The Amortising Notes bear an interest rate of 12% p.a. and matures on 8 January 2017.

The total net assets of the company as at 30 June 2014 were \$47.3 million. This represents a decrease of \$70.9 million.

GUILDFORD COAL

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2014

REVIEW OF OPERATIONS – HIGHLIGHTS

The Company has advanced the development of the BNU mine of the South Gobi project in Mongolia, as it continues the process of moving from developer to operator. A new senior management team has evolved to manage this transition, emphasising the skills required by the Company.

REVIEW OF OPERATIONS – MONGOLIA

The BNU mine project underwent the formal process of commissioning the mine project and the Company announced on 7 February 2014 that the mine had been successfully and formally commissioned for operations and sales by the Mongolian Government.

During the period Terra Energy LLC received Mongolian government approval to construct a 98km haulage road connecting the BNU mine to the Nariin Sukhait transport hub. On the 23 December 2013 the Company announced the completion of the first phase of the haul road.

On the 25 June 2014 the Company announced the release of a JORC code (2012) compliant resource estimate for the BNU Mongolian project by Independent mining consultants HDR|Salva. This included:

- » JORC Code (2012) resource of 27.07Mt;
- » JORC Code (2012) resource confidence increase with 15.26Mt Measured, 8.77Mt Indicated and 3.04Mt Inferred resource (previously there was no Measured resource at BNU);
- » coal quality model completed with ongoing analysis at BNU indicating a prime coking coal product is achievable;
- » comprehensive broad scale ground geophysics completed in 2013 and 2014; and
- » four new target areas in close proximity to BNU have been interpreted from ground geophysics independently by GRS Services Pty Ltd.

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

- » the removal of overburden, extraction and stockpiling of coal;
- » progressive excavation of the boxcut to expose coal;
- » land quality assessment for site and the haulage road, taking into account pasture use and land use environmental issues, successfully concluded;
- » General Environmental Impact Assessment (GEIA) issued for the mine site and coal haulage road;
- » Detailed Environmental Impact Assessment (DEIA) accepted for mining operations, site construction, and road construction;
- » Environmental Protection Plan (EPP) developed for all exploration activities and rehabilitation fully completed and accepted by local authorities;
- » water use contract concluded with Ministry of Environment and Green Development (MEGD), South Gobi Water Basin Authority and local Soum;
- » Environmental Management Plans (EMP) accepted for 2013 and assessed as complete, 2014 accepted by local authorities and will be audited at year end;
- » use of temporary road for coal shipment EMP concluded and submitted as part of the package to successfully obtain a haulage permit;

- » Detailed Environmental Audit as per Mongolian Regulations concluded;
- » customer visits were conducted along with coal sales marketing activities and sales agreement negotiations;
- » infrastructure required for the initial phase of mining was established including ROM, weighbridge infrastructure, a complete heavy equipment and light vehicle workshop, warehouse, office and training facilities, mine office facilities, explosives magazine and storage area, waste water treatment facility and site access roads. The onsite coal testing laboratory was designed, constructed and also commissioned. The BNU North Pit Operations went in to “reduced operations” phase from March 2014 whereby only limited development work was undertaken whilst waiting for the approval of the Haul Road to the Shivee Khuren border crossing into China; and
- » due to the delays in the approval process, operations were further scaled back to a “care and maintenance” basis in early May 2014. This step was considered necessary as the operation has sufficient coal on stockpiles and exposed within the mining operations to commence trial shipments at short notice.

REVIEW OF OPERATIONS – QUEENSLAND

Updates on key Queensland projects are as follows:

On the 29 November 2013 the Company announced a Maiden JORC Indicated Resource of 43Mt in Exploration Permit for Coal (EPC) 1674, Springsure Project, with a remaining 148Mt Inferred Resource. The Indicated Resource triggered a settlement from the Company to Resco Projects Pty Limited (Resco) under the Springsure Share Sale Agreement by which Springsure was acquired by The Company (Springsure Settlement).

Resco had assigned the Springsure Settlement to TheChairmen1 Pty Ltd (C1). ResCo's assignment of the Springsure agreement to C1 extinguished the corresponding liability that ResCo had to C1, stemming from ResCo's agreement to purchase shares in Springsure from C1. The Company consented to this assignment in return for adjustments to the Springsure Settlement which improved the commercial terms for the Company.

The revised commercial terms were as follows:

- » the Springsure Settlement was to have been \$11 million (being payments of \$2.2 million for each 10Mt tranche up to a maximum 50Mt of JORC Indicated Resource). However, the Company would only make payments for four 10Mt tranches (totalling \$8.8 million) as C1 had agreed to forego, after negotiations with Guildford, any settlements for the fifth 10Mt tranche;
- » the Company was released from any obligation to pay the fifth 10Mt tranche; and
- » payment was made by the issue to C1 of fully paid ordinary shares in the Company, not a cash settlement.

Following a review of Kolan exploration results to date, QCI (Coking) Pty Ltd (QCI) advised their withdrawal from the Kolan JV. The exploration results have demonstrated limited prospectivity of the tenements in the current marketing environment.

GUILDFORD COAL

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2014

During the quarter ending June 2014 the DNRM approved:

- » the renewal of Springsure Project EPC 1674 for a further 5 years until June 2019;
- » the renewal of Clyde Park Project EPC 1250 for a further 2 years until January 2016; and
- » the renewal of Hughenden Project EPC 1574 for a further 4 years until May 2018.

In North and North West Queensland, the company continued to be actively involved in MITEZ, the North Queensland Regional Supply Chain Committee and the Townsville Enterprise Committee overseeing the federally funded investigation into the feasibility of a coal fired base load power station in the Townsville/Pentland region.

Guildford Coal made a submission on the Queensland Government's new Regional Interests Planning legislation and appeared before a Parliamentary Committee as part of the consultation process. It is not expected to have a major impact on the Company's operations in the State.

Ongoing engagement occurred throughout the year with key stakeholders across local and State governments, government agencies and community organisations. A number of small scale community investments were undertaken across the region and the company's association with the North Queensland Cowboys rugby league team was effective in building social licence to operate in Queensland.

EVENTS SUBSEQUENT TO REPORTING DATE

In the interval between the end of the financial year and the date of this report there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years other than the following:

- » on the 2 July 2014 the Company 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;
- » the Company announced on 7 July 2014 that it had entered into an underwriting agreement with Maiora Asset Management Pte. Ltd to fully underwrite a non-renounceable pro rata entitlement offer to Guildford's shareholders.

The entitlement offer was on the basis of 1 new share for every 18.248 shares held at \$0.06 to raise \$2.5 million with a closing date of 30 July 2014. Those shareholders who participated in the offer also received 1 free attaching option for each share subscribed for in the offer, exercisable at \$0.06 within 3 months of Entitlement Offer grant. If all options are exercised the Entitlement Offer will raise a further \$2.5 million.

In addition to the underwritten amount of \$2.5 million, the Underwriter had agreed to subscribe for \$2.5 million worth of Guildford shares at the conclusion of the Entitlement Offer period, and was issued with 1 free attaching option for each share subscribed for, exercisable at \$0.06 within 3 months of the Entitlement Offer grant. If the Underwriter exercises all of its options it will subscribe for shares to the value of a further \$2.5 million.

Guildford seeks to raise up to \$10 million with the Entitlement Offer and the underwriting agreement. As at the date of this report the Company had received \$5 million through the offer;

- » the entitlement offer resulted in an OCP Asia debt facility covenant being broken, specifically that a change of control as defined in the Deed Agreement had occurred. The Company has discussed this with OCP Asia and are seeking a formal waiver. OCP are the beneficial holders of 50% of the principal amount of the Convertible Notes and 54.54% of the principal amount of the Amortising Note and have agreed to instruct the Note holders to reduce the change of control provision from 30% to 20% and also waive redemption rights as they relate to the change of control that has occurred to date;
- » following an announcement on 17 July 2014 that the Board had received a confidential, unsolicited offer to acquire all of Guildford's Australian coal assets, the Board further advised on 1 August 2014 that they had reached agreement with Sino Construction Limited (Sino), a Singaporean company listed on the Main Board of the Singapore Exchange Securities Trading Limited (SGX), on the terms of Sino's offer to acquire all of Guildford's Australian coal assets;
- » subsequent to the agreement reached on 1 August 2014 the Company received notice that Sino intends to make a conditional off-market takeover bid to acquire all of the issued shares in the Company;
- » on 14 August 2014 20,000,000 bond conversion warrants (convertible in up to 20,000,000 fully-paid ordinary shares in the Company) exercisable from 2 May 2013 at an adjustable exercise price of \$0.50 per warrant expired, unexercised;
- » the Company announced on 15 August 2014 that following on the successful renewal of the Springsure Project's Exploration Permit for Coal (EPC) No. 1674 for an additional five years until 30 June 2019, Springsure Mining Pty Limited is in the process of making a submission to the Department of Mines and Natural Resources for a Mineral Development Lease (MDL) over part of EPC No. 1674. Obtaining the MDL will enable the Company to progress to commercialisation in a timely manner;
- » on the 21 August 2014 the Company announced that former Leighton Holdings Chief Executive Wal King will be appointed as Non-Executive Chairman of the Guildford Board from 29 September 2014. The Company further announced on 29 September 2014 that in light of the Sino offer the Board has accepted Mr King's offer to delay his commencement date until the Sino proposal for an off-market takeover has been determined;
- » the Company announced on 25 August 2014 that the BNU mine has commenced the first 8000t shipment of coking coal from its South Gobi mine. This significant milestone comes after nine months of negotiations with regulatory approval agencies in Mongolia and it signals the critical next phase of progress to a commercial mine operation;
- » on the 29 September 2014 the Company announced that The Hon Craig Wallace had resigned as a Non-Executive Director and also that Mr Chris Munday had been appointed acting CFO commencing 8 October 2014;
- » the Company has agreed with Noble to defer certain payment obligations to December 2014 refer Note 14; and

GUILDFORD COAL

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2014

- » Guildford entered into a management agreement with TheChairmen1 Pty Ltd (C1) dated 26 May 2010 (which was varied on 20 July 2010) ("Management Agreement"). Under the terms of the Management Agreement C1 has agreed to provide certain management services to Guildford for a fee of \$2,500,000 per annum (excluding GST). Subsequent to end of the year the Board and C1 have agreed, subject to shareholder approval at the AGM, to forego from September 2014 payment of all remaining management fees totalling \$2,083,334 in consideration for the Company transferring 15% of its shareholding in Springsure Mining Pty Ltd to C1.

OUTLOOK AND LIKELY DEVELOPMENTS

The Company continues to focus on its strategy to develop a portfolio of tenements which are prospective for coal. In Mongolia, key activities include continuing the trial batch washing of BNU mine coal for marketing purposes. Key offtake agreements are being sort and there is strong interest in the coal type by Chinese customers. It is envisaged that when the coal tests and offtake agreements are in place, funding for working capital can be installed and the mine recommence production by the end of the year or early next year. In Australia, whilst tenement management continues to be the main activity, the Springsure exploration program is continuing, including finalising the Springsure project MDL application. At the same time, the Company is determined to conduct all activities safely and sustainably, with sensitivity towards its stakeholders and communities and with a view to growing shareholder wealth.

RISKS RELATING TO GUILDFORD'S FUTURE PROSPECTS

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

Development Risks

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

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

Country Risks

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

Financing Risks

To meet on going working capital requirements, ongoing interest and principal payments and capital expenditure commitments at the BNU mine development, additional funding will be required. If adequate funds are not available on acceptable terms, the Company may be unable to fund its operations and/or any expansion plans. The Company has agreed with Noble to defer certain principal payment obligations to December 2014 refer to Note 14.

Competition Risk

The industry in which the Company is involved is subject to domestic and global competition. While the Company will undertake all reasonable due diligence in its business decisions and operations, the Company will have no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of the Company's projects and business.

Resources and Reserves Risk

The future success of the Company will depend on its ability to find or acquire coal reserves that are economically recoverable. There can be no assurance that the Company's planned exploration activities will result in significant resources or reserves or that it will have success mining coal. Even if the Company is successful in finding or acquiring coal reserves or resources, reserve and resource estimates are estimates only and no assurance can be given that any particular level of recovery from coal resources or reserves will in fact be realised or that an identified coal resource will ever qualify as commercially viable which can be legally and economically exploited. Market price fluctuations in the price of coal, as well as increased production costs or reduced recovery rates may render coal reserves and resources containing relatively lower grades of mineralisation uneconomic and may ultimately result in a restatement of reserves and or resources. Short-term operating factors relating to the coal reserves and resources, such as the need for orderly development of the ore bodies and the processing of new or different mineral grades may cause a mining operation to be unprofitable in any particular accounting period and may adversely affect the Company's profitability. The mining of coal involves a high degree of risk, including that the coal mined may be of a different quality, tonnage or strip ratio from that estimated.

Exploration and Evaluation Risk

Potential investors should understand that mineral exploration and development are high risk undertakings. While the Company has attempted to reduce this risk by selecting projects that have identified prospective mineral targets, there is still no guarantee of success. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited. The Company's exploration and appraisal activities are dependent upon the grant and maintenance of appropriate licences, permits, resource consents, access arrangement and regulatory authorities (authorisations) which may not be granted or may be withdrawn or made subject to limitations. Although the authorisations may be renewed following expiry or granting (as the case may be), there can be no assurance that such authorisations will be renewed or granted on the same terms. There are also risks that there could be delays in obtaining such authorisations. If the Company does not meet its work and/or expenditure obligations under its authorisations, this may lead to dilution of its interest in, or the loss of such

GUILDFORD COAL

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2014

authorisations. The business of commodity development and production involves a degree of risk. Amongst other factors, success is dependent on successful design, construction and operation of efficient gathering, processing and transportation facilities. Even if the Company discovers or recovers potentially commercial quantities of coal from its exploration activities, there is no guarantee that the Company will be able to successfully transport these resources to commercially viable markets or sell the resources to customers to achieve a commercial return.

Operational Risk

If the Company decides to develop and commission a mine, the operations of the Company including mining and processing may be affected by a range of factors. These include failure to achieve predicted grade in exploration, mining and processing, technical difficulties encountered in commissioning an operating plant and equipment, mechanical failure, metallurgical problems which affect extraction rates and costs, adverse weather conditions, industrial and environmental accidents, industrial disputes, unexpected shortages or increase in the costs of consumables, spare parts, plant and equipment.

Environmental Risk

The Company's projects are subject to laws and regulations regarding environmental matters. Many of the activities and operations of the Company cannot be carried out without prior approval from and compliance with all relevant authorities. The Company intends to conduct its activities in an environmentally responsible manner and in accordance with all applicable laws. However, the Company could be subject to liability due to risks inherent to its activities, such as groundwater contamination, subsidence, accidental spills, leakages or other unforeseen circumstances.

Market Risks

The Company's plans for any revenue are to be derived mainly from the sale of coal and/or coal products. Consequently, the Company's financial position, operating results and future growth will closely depend on the market price of each of these commodities. Market prices of coal products are subject to large fluctuations in response to changes in demand and/or supply and various other factors. These changes can be the result of uncertainty or several industry and macroeconomic factors beyond the control of the Company, including political instability, governmental regulation, forward selling by producers, climate, inflation, interest rates and currency exchange rates. If market prices of the commodities sold by the Company were to fall below production costs for these products and remain at that level for a sustained period of time, the Company would be likely to experience losses, having a material adverse effect on the Company.

Key Management Personnel Risk

If Guildford is unable to attract and retain qualified employees, loses key personnel, fails to integrate replacement personnel successfully, or fails to manage its employee base effectively, it may be unable to support or maintain its current activities, effectively expand its business, or otherwise maintain or increase its revenues.

REMUNERATION REPORT – AUDITED

1. INDIVIDUAL DIRECTORS AND KEY MANAGEMENT PERSONNEL (KMP)

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

Names	Position	Appointed/ Resigned
Non-Executive Directors		
The Hon Alan Griffiths	Acting Non-Executive Chairman	
Mr Kon Tsiakis	Non-Executive Director and Company Secretary	
The Hon Craig Wallace	Non-Executive Director	Appointed 20/01/2014 Resigned 29/09/2014
Mr Gary Humphrys	Non-Executive Director	Appointed 26/09/2013 Resigned 28/11/2013
Mr Peter Kane	Non-Executive Director	Appointed 9/10/2013 Resigned 23/10/2013
The Hon Peter Lindsay	Non-Executive Chairman	Resigned 30/08/2013
Mr Michael Chester	Non-Executive Director	Resigned 24/09/2013
Executives		
Mr Peter Kane	Group Managing Director	Appointed 23/10/2013
Mr Tsogt Togoo	Executive Director	
Mr Michael Majendie	Chief Financial Officer	Appointed 27/02/2014 Resigned 25/06/2014
Mr Julien Lawrence	Chief Operating Officer Mongolia	
Mr Mark Reynolds	Project Director North Queensland	
Mr Tony Mooney	General Manager Stakeholder Relations	
Mr Peter Westerhuis	Group Managing Director	Resigned 23/10/2013
Mr Michael Wotherspoon	Chief Financial Officer	Resigned 03/10/2014

GUILDFORD COAL

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2014

2. REMUNERATION AT A GLANCE

This remuneration report for the year ended 30 June 2014 outlines the remuneration arrangements of the Group in accordance with the requirements of the *Corporations Act 2001* (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

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

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

3. REMUNERATION COMMITTEE

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

The Remuneration Committee met six times during the year.

4. REMUNERATION POLICY

The remuneration policy of the Group has been designed to align the remuneration available to directors and executives with shareholders' interests by providing a fixed remuneration component and the Board may also elect from time to time to pay a cash performance bonus to the Executives linked to the successful performance of the individual and the Group based on key performance indicators. The overall objective of that policy is the retention and attraction of a high quality Board and executive. The Board believes the remuneration policy to be appropriate and effective to attract and retain the best key management personnel to manage the Group as well as to create goal congruence between directors, executives and shareholders.

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

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

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

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

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

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

5. EQUITY INSTRUMENTS PERFORMANCE-BASED REMUNERATION

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

During the financial year the Group Managing Director Mr Peter Kane was granted the following Performance Share Rights.

KMP	Number of performance rights granted	Grant date	Fair value per performance rights at grant date	Vesting date
Mr Peter Kane	4,758,444	3 Apr 2014	\$0.08	31 Oct 2016

On 3 April 2014 (Grant date) the Company issued 4,758,444 Performance Share Rights to the Managing Director Mr Peter Kane as part of a long term incentive plan, the Performance Share Rights are subject to an Employment Condition and a Production Condition.

The Performance Conditions, which are attached to Mr Kane's Performance Rights are subject to:

- a) Mr Kane remains continually employed with the Company from October 2013 until 31 October 2016 (Employment Condition); and
- b) the Company achieves at least 120,000 tonnes per month of coal production from the BNU mine in Mongolia before or during the month of October 2014 (Production Condition).

The Board will at the end of October 2016 (Test Date) determine the extent to which the Performance Condition have been satisfied and the number of Performance Rights that are capable of vesting and the resultant Shares to be issued or transferred as the long term incentive bonus.

GUILDFORD COAL

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2014

If at the Test Date Mr Kane has satisfied the Employment Condition, 50% of the Performance Rights will vest. The remaining 50% of the Performance Rights will vest if the Production Condition has been satisfied.

If the Performance Conditions have not been satisfied at the Test Date then the Performance Rights will lapse.

At 30 June 2014 the fair value of performance rights have been fair valued using a binomial pricing model and the Group's share price on the date of grant. The fair value amounted to \$190,164, of which \$42,066 has been recognised at 30 June 2014, based on the probability of the performance hurdles being met and the vesting period of the rights.

Performance Share Rights are equity settled.

6. RELATIONSHIP BETWEEN PERFORMANCE CONDITIONS AND COMPANY PERFORMANCE

A snapshot of key Company performance measures for the past four years is set out below:

	2014	2013	2012	2011
Profit/(Loss) attributable to the Group (\$'000's)	(65,593)	(1,452)	(23,871)	(4,839)
Share price at year end	0.06	0.13	0.55	1.12
Basic EPS (cents per share)	(9.21)	(0.06)	(4.99)	(1.23)
Diluted EPS (cents per share)	(9.21)	(0.06)	(4.99)	(1.23)

Given the Group primarily has been in exploration and development the directors are of the opinion the above performance measures do not accurately reflect KMP performance.

As per the Remuneration policy the Board can elect from time to time to pay a cash bonus. In the current year the following bonuses were paid:

- » the Board and the Remuneration Committee resolved that Mr Tsogt would receive a short term incentive for the year ended June 2014. Mr Tsogt was awarded a bonus for his personal effort which contributed towards a haulage permit being granted which allows transport of coal from the BNU mine; and
- » during the year ended 30 June 2014, Mr Reynolds received the balance of a sign on bonus awarded to him the previous year.

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

GUILDFORD COAL

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2014

7. EMPLOYMENT DETAILS OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

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

		Salary, non-cash based incentives	Non-salary, cash based incentives	Non-salary, non-cash based incentive	Fixed Salary/fees	Share Based Payment	Total
Position		%	%	%	%	%	%
Non-Executive Directors							
The Hon Alan Griffiths	Acting Non-Executive Chairman	-	-	-	100	-	100
The Hon Craig Wallace	Non-Executive Director	-	-	-	100	-	100
The Hon Peter Lindsay	Non-Executive Chairman	-	-	-	100	-	100
Mr Kon Tsiakis	Non-Executive Director	-	-	-	100	-	100
Mr Gary Humphrys	Non-Executive Director	-	-	-	100	-	100
Mr Michael Chester	Non-Executive Director	-	-	-	100	-	100
Executives							
Mr Tsogt Togoo	Executive Director	-	39	-	61	-	100
Mr Peter Kane	Group Managing Director	-	-	-	90	10	100
Mr Michael Majendie	Chief Financial Officer	-	-	-	100	-	100
Mr Mark Reynolds	Project Director North Queensland	-	5	-	95	-	100
Mr Julien Lawrence	Chief Operating Officer Mongolia	-	-	-	100	-	100
Mr Tony Mooney	General Manager Stakeholder Relations	-	-	-	100	-	100
Mr Peter Westerhuis	Group Managing Director	-	-	-	100	-	100
Mr Michael Wotherspoon	Chief Financial Officer	-	-	-	100	-	100

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

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

8. SUBSEQUENT CHANGES IN KEY MANAGEMENT PERSONNEL (OTHER THAN DIRECTORS)

On the 29 September 2014 the Company announced that Mr Chris Munday had been appointed acting CFO commencing 8 October 2014.

GUILDFORD COAL

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2014

9. REMUNERATION DETAILS FOR THE YEAR ENDED 30 JUNE 2014

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

	Salary, fees and leave \$	Short-term Salary non-cash incentives \$	Non-salary cash incentives \$	Non-salary non-cash incentives \$	Pension and super- annuation \$	Share based payments \$	Total \$
For the year ended 30 June 2014							
Non-Executive Directors							
The Hon Alan Griffiths	81,617	-	-	-	7,550	-	89,167
Mr Kon Tsiakis	53,471	-	-	-	4,946	-	58,417
The Hon Craig Wallace (appointed 17/01/2014, resigned 29/09/2014)	60,000	-	-	-	-	-	60,000
The Hon Peter Lindsay (resigned 30/08/2013)	15,256	-	-	-	1,411	-	16,667
Mr Michael Chester (resigned 24/09/2013)	3,051	-	-	-	282	-	3,333
Mr Gary Humphrys (resigned 28/11/2013)	18,307	-	-	-	1,693	-	20,000
	231,702	-	-	-	15,882	-	247,584
Executives							
Mr Tsogt Togo	114,104	-	74,099 ¹	-	-	-	188,203
Mr Peter Kane (appointed 9/10/2013)	349,422	-	-	-	25,000	42,066	416,488
Mr Peter Westerhuis (resigned 23/10/2013)	254,000	-	-	-	-	-	254,000
Mr Michael Majendie (resigned 25/06/2014)	117,277	-	-	-	7,354	-	124,631
Mr Michael Wotherspoon	101,579	-	-	-	4,790	-	106,369
Mr Mark Reynolds	352,843	-	20,000 ²	-	17,775	-	390,618
Mr Julien Lawrence	533,826	-	-	-	-	-	533,826
Mr Tony Mooney	226,373	-	-	-	18,627	-	245,000
	2,049,424	-	94,099	-	73,546	42,066	2,259,135
For the year ended 30 June 2013							
Non-Executive Directors							
The Hon Peter Lindsay (resigned 30/08/2013)	91,743	-	-	-	8,257	-	100,000
Mr Kon Tsiakis (appointed 14/04/2013)	9,341	-	-	-	841	-	10,182
The Hon Alan Griffiths	32,110	-	-	-	2,890	-	35,000
Mr Michael Chester (resigned 24/09/2013)	36,697	-	-	-	3,303	-	40,000
Mr Gary Humphrys (appointed 14/04/2013)	9,341	-	-	-	841	-	10,182
Mr Craig Ransley (resigned 7/05/2013)	72,662	-	-	-	6,536	-	79,198
	251,894	-	-	-	22,668	-	274,562
Executives							
Mr Michael Avery (resigned 21/01/2013)	238,897	-	-	-	14,583	-	253,480
Mr Peter Westerhuis (appointed 27/02/2013)	178,000	-	-	-	-	-	178,000
Mr Michael Wotherspoon (appointed 11/06/2013)	20,069	-	15,000 ²	-	1,806	-	36,875
Mr Tsogt Togoo (appointed 27/02/2013)	60,472	-	-	-	-	-	60,472
Mr Mark Reynolds (appointed 1/05/2013)	53,333	-	10,000 ²	-	4,118	-	67,451
Mr Julien Lawrence (appointed 1/3/2013)	150,943	-	21,563 ²	-	22,426	-	194,932
Mr Tony Mooney	226,835	-	-	-	18,165	-	245,000
Mr Louis Chait (resigned 12/04/2013)	302,426	-	-	-	20,656	-	323,082
Mr Mark Turner (resigned 11/03/2013)	365,496	-	-	-	25,000	-	390,496
	1,596,471	-	46,563	-	106,754	-	1,749,788

¹ Non salary cash based bonus award.

² Non salary cash based incentives paid relates to sign on bonuses provided to new employees

GUILDFORD COAL

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2014

9.1. LOANS TO KEY MANAGEMENT PERSONNEL AND THEIR RELATED PARTIES

The table below discloses the details of loans to key management personnel and their related parties, at any time in the current or prior reporting periods.

During the year, the Company provided a personal loan to Mr Tsogt Togoo of \$74,099 on interest free terms. Mr Tsogt was awarded a cash bonus during the year which he chose to offset against the personal loan.

Executive	Balance at start of year	Interest paid	Interest that would have been paid if at market rates	Balance at end of period
Mr Tsogt Togoo	Nil	Nil	\$6,625	Nil

10. MOVEMENT OF EQUITY INSTRUMENTS

The table below discloses the number of share rights granted to executives as remuneration during FY14 as well as the number of rights that vested or lapsed during the year.

Share rights do not carry any voting or dividend rights and will be granted if the vesting conditions have been met by the test date.

Executive	Instrument	Balance as at 1 July 2013	Granted	Granted value	Vested (number)	Vested (value)	Lapsed (number)	Lapsed (value)	Balance as at 30 June 2014
Mr Peter Kane	Performance Rights	-	4,758,444	42,066	-	-	-	N/A	4,758,444

11. ADDITIONAL DISCLOSURES RELATING TO SHARES AND OPTIONS AND RIGHTS OVER EQUITY INSTRUMENTS

The movement during the reporting period in the number of ordinary shares in the Company held directly, indirectly or beneficially, by each KMP, including their related parties is as follows:

No. of shares	Held at 1 July 2013	Received as remuneration	Other net change	Held at 30 June 2014
Directors				
The Hon Alan Griffiths	490,056	-	-	490,056
Mr Kon Tsiakis*	-	-	8,365,921	8,365,921
The Hon Craig Wallace	925,385	-	-	925,385
Executives				
Mr Tsogt Togoo**	-	-	-	-
Mr Peter Kane	100,000	-	-	100,000
Mr Mark Reynolds	1,000,000	-	-	1,000,000
Mr Julien Lawrence	102,500	-	40,000	142,500

* Mr Tsiakis is one of two directors of Nooava Pty Ltd and a shareholder. Nooava is a trustee company for the Tsiakis Family Trust of which Mr Tsiakis is one of the beneficiaries. Nooava in its capacity as a trustee for the Tsiakis Family Trust holds 8,365,921 shares directly in Guildford. Nooava is also a 8.54% shareholder of TheChairmen1 Pty Ltd and a 7.09% shareholder of C1 Commodities Pte Ltd, both of whom are shareholders of the Company, holding 84,935,800 and 100,000,00 Shares respectively as at the date of this report.

** Mr Tsogt is a nominee of Terra Holdings Ltd which is a major shareholder with 20,000,000 fully paid ordinary shares in the Company. Terra Holdings Ltd also has a 30% interest in Mongolian subsidiary Guildford Coal (Mongolia) Pty Ltd.

The movement during the reporting period in the number of options and rights over ordinary shares in the Company held, directly, indirectly or beneficially, by each key management person and Director-related entities, including their related parties, is as follows:

	Held at 1 July 2013	Granted / (Forfeited)	Exercised	Held at 30 June 2014	Vested during the year	Vested and exercisable at 30 June 2014
Executives						
Mr Peter Kane	-	4,758,444	-	4,758,444	-	-

GUILDFORD COAL

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2014

12. SECURITIES RECEIVED THAT ARE NOT PERFORMANCE RELATED

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

END OF REMUNERATION REPORT (AUDITED)

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



The Hon Alan Griffiths
Acting Non-Executive Chairman

Dated 30 September 2014



Top left: CAT320 Excavator loading coal to CAT777D Haul Truck on Baruun Noyon Uul Mine

Top right: Coal bench at Baruun Noyon Uul Mine

Left: Baruun Noyon Uul Mine coal stockpile



CORPORATE GOVERNANCE STATEMENT

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

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

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

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

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

The Board currently comprises four directors with two holding their positions in a non-executive capacity and one which is considered to be independent. The appointment date of each director is disclosed in the directors' report.

The Hon. Alan Griffiths is considered to be an independent director. No materiality threshold has been applied due to the absence of any relationship affecting his independent status.

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

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

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

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

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

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

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

CODE OF CONDUCT

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

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

POLICY FOR TRADING IN COMPANY SECURITIES

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

DIVERSITY

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

GUILDFORD COAL

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2014

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

Objective	Steps Taken	Outcomes
Facilitate equal employment opportunities based on relative ability, performance or potential.	The Group has an anti-discrimination policy and employment philosophy with a zero tolerance placed on discrimination against any current or potential employees/candidates.	The Group employs a number of female staff members and continues to consider and employ candidates based upon ability, performance and potential.
Help build a safe work environment by taking action against inappropriate workplace and business behaviour that does not value diversity including discrimination, harassment, bullying, victimisation and vilification.	The Group has set a zero tolerance policy against discrimination of employees at all levels. The Group also provides avenues for employees to voice their concerns or report any discrimination.	No cases of discrimination were reported during the year.
Attract and retain a skilled and diverse workforce as an employer of choice.	Whilst the Group places special focus on gender diversity, career development opportunities are equal for all employees.	During the year, remuneration for performance and promotion was based on performance of the employees.
Meet the relevant requirements of legislation, shareholders and the Board.	The Group has a Board of Directors and an Audit Committee who have the responsibility of ensuring relevant requirements of legislation, shareholder and the Board are being fulfilled.	During the year, the Board of Directors and Audit Committee met a total of 30 times, for which compliance with relevant requirements were monitored and addressed.
Engender a workplace culture characterised by inclusion practices and behaviours for the benefit of all staff.	As previously noted, career development opportunities are equal for all employees.	During the year, remuneration and career opportunities were based on performance of employees.
Support the participation and employment opportunities for indigenous people.	The Group has an anti-discrimination policy and employment philosophy, with a zero tolerance placed on any discrimination of any current or potential employees/candidates.	Due to the infancy of the Group, no indigenous individuals are currently employed by the Group. However the Group continues to consider and employ candidates based upon ability, performance and potential.

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

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

AUDIT AND RISK MANAGEMENT

The Company has established an Audit Committee.

The Audit Committee currently comprises Mr Kon Tsiakis (Committee Chair), The Hon. Alan Griffiths and Mr Peter Kane and has met seven times during the reporting year. Mr Kane was appointed to the Audit Committee on 9 October 2013. Mr Tsiakis is an indirect shareholder in TheChairmen1 Pty Ltd, a major shareholder of Guildford, and Mr Kane is an executive director therefore both are not considered to be independent. As such the ASX principle 4 of good governance was not met however the Board is of the view that Mr Tsiakis and Mr Kane's inclusion in no way impeded the Audit Committee to discharge its mandate effectively. Mr Peter Westerhuis and Mr Gary Humphries were members of the audit committee until their resignations on 23 October 2013 and 28 November 2013 respectively.

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

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

The Group Managing Director and the Chief Financial Officer have declared in writing to the Board that the financial records of the Company have been properly maintained and that the Company's financial statements for the year ended 30 June 2014 comply with accounting standards, and present a true and fair view of the Company's financial condition and operational results. This statement is required annually.

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

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

DISCLOSURE POLICY

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

GUILDFORD COAL

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2014

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

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

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

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

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

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

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

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

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

The Company has established a Remuneration Committee. The Remuneration Committee currently comprises Mr Kon Tsiakis (Committee Chair), the Hon. Alan Griffiths, and Mr Peter Kane and has met six times during the year. The Committee Charter and remuneration policy have been approved by the Board. Mr Peter Kane was appointed to the Remuneration Committee on 9 October 2013. Mr Gary Humphrys was a member until 28 November 2013.

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

GUILDFORD COAL

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF GUILDFORD COAL LIMITED



Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
ey.com/au

Auditor's Independence Declaration to the Directors of Guildford Coal Limited

In relation to our audit of the financial report of Guildford Coal Limited for the year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script that reads 'Kellie McKenzie'.

Kellie McKenzie
Partner
Brisbane
30 September 2014

GUILDFORD COAL

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 \$	2013 \$
Other income	2	5,654,617	18,659,800
Employee benefits expense	3	(2,838,790)	(2,402,936)
Depreciation and amortisation expense		(346,696)	(113,667)
Legal and professional fees	3	(2,545,875)	(2,113,992)
Management fees	27	(2,500,000)	(2,500,000)
Rent expense	3	(1,009,097)	(964,279)
Consulting fees		(789,229)	(725,429)
Travel expense		(371,133)	(316,580)
Withholding tax expense	13	(3,034,251)	-
Impairment losses	12	(44,220,177)	-
Exploration deposit write-off	9	(2,066,867)	-
Other operating expenses	3	(5,009,660)	(3,217,457)
Finance costs	3	(6,493,737)	(7,772,774)
Loss before income tax		(65,570,895)	(1,467,314)
Income tax benefit/ (expense)	6	(22,538)	14,924
Loss from continuing operations		(65,593,433)	(1,452,390)
Loss for the year		(65,593,433)	(1,452,390)
Other comprehensive income, net of income tax			
Items that will be reclassified to profit or loss when specific conditions are met		(10,719,635)	(397,449)
Exchange differences on translating foreign controlled entities		(10,719,635)	(397,449)
Other comprehensive income for the year, net of tax		(76,313,068)	(1,849,839)
Total comprehensive income for the year			
Loss attributable to:			
Members of the parent entity		(62,819,804)	(316,069)
Non-controlling interest		(2,773,629)	(1,136,321)
Total loss		(65,593,433)	(1,452,390)
Total comprehensive income attributable to:			
Members of the parent entity		(72,907,049)	(670,818)
Non-controlling interest		(3,406,019)	(1,179,021)
Total comprehensive income		(76,313,068)	(1,849,839)
Earnings per share			
Basic earnings per share (cents)	5	(9.21)	(0.06)
Diluted earnings per share (cents)	5	(9.21)	(0.06)

The accompanying notes form part of these financial statements.

GUILDFORD COAL

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 \$	2013 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		9,140,971	25,681,908
Trade and other receivables	8	750,969	106,399
Other assets	9	2,004,359	4,254,160
TOTAL CURRENT ASSETS		11,896,299	30,042,467
NON-CURRENT ASSETS			
Trade and other receivables	8	2,289,436	1,417,226
Property, plant and equipment	10	70,770,041	22,854,514
Intangible assets	11	330,810	43,552
Exploration and evaluation assets	12	79,392,258	128,769,092
TOTAL NON-CURRENT ASSETS		152,782,545	153,084,384
TOTAL ASSETS		164,678,844	183,126,851
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	13	12,329,974	9,473,729
Short-term provisions	16	130,151	48,999
Borrowings	14	38,216,560	10,781,671
TOTAL CURRENT LIABILITIES		50,676,685	20,304,399
NON-CURRENT LIABILITIES			
Borrowings	14	65,978,178	43,825,951
Long-term provision	16	660,152	-
Other liabilities	15	28,300	751,176
TOTAL NON-CURRENT LIABILITIES		66,666,630	44,577,127
TOTAL LIABILITIES		117,343,315	64,881,526
NET ASSETS		47,335,529	118,245,325
EQUITY			
Issued capital	18	170,466,514	168,806,514
Reserves	17	(32,612,791)	(25,790,471)
Retained earnings		(89,843,600)	(27,023,796)
Total equity attributable to equity holders of the Company		48,010,123	115,992,247
Non-controlling interest		(674,594)	2,253,078
TOTAL EQUITY		47,335,529	118,245,325

The accompanying notes form part of these financial statements.

GUILDFORD COAL

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2014

Note	Issued capital \$	Accumulated losses \$	Acquisition reserve \$	Foreign currency translation reserve \$	Option reserve \$	Share based payments reserve \$	Owners of the parent \$	Non-controlling interests \$	Total \$
Balance at 1 July 2013	168,806,514	(27,023,796)	(29,683,414)	(851,084)	4,744,027	-	115,992,247	2,253,078	118,245,325
Profit attributable to members of the parent entity	-	(62,819,804)	-	-	-	-	(62,819,804)	-	(62,819,804)
Profit attributable to non-controlling interests	-	-	-	-	-	-	-	(2,773,629)	(2,773,629)
Total other comprehensive income for the year	-	-	-	(10,087,245)	-	-	(10,087,245)	(632,390)	(10,719,635)
Transactions with owners in their capacity as owners									
Shares issued during the year	18 1,660,000	-	-	-	-	-	1,660,000	-	1,660,000
Share based payments	20					42,066	42,066		42,066
Additional share capital from non-controlling interest	21(b)	-	-	-	-	-	-	486,386	486,386
Recognition of non-controlling interest		-	8,039	-	-	-	8,039	(8,039)	-
Fair valuation adjustment of options and warrants	14(d)	-	-	-	3,214,820	-	3,214,820	-	3,214,820
Balance at 30 June 2014	170,466,514	(89,843,600)	(29,675,375)	(10,938,329)	7,958,847	42,066	48,010,123	(674,594)	47,335,529
Balance as at 1 July 2012	147,206,514	(26,707,727)	3,387,074	(496,335)	-	-	123,389,526	11,005,833	134,395,359
Profit attributable to members of the parent entity	-	(316,069)	-	-	-	-	(316,069)	-	(316,069)
Profit attributable to non-controlling interests	-	-	-	-	-	-	-	(1,136,321)	(1,136,321)
Total other comprehensive income for the year	-	-	-	(354,749)	-	-	(354,749)	(42,700)	(397,449)
Transactions with owners in their capacity as owners									
Shares issued during the year	21,600,000	-	-	-	-	-	21,600,000	-	21,600,000
Issue of options and warrants	-	-	-	-	4,744,027	-	4,744,027	-	4,744,027
Additional share capital from non-controlling interest	-	-	-	-	-	-	-	996,373	996,373
Recognition of non-controlling interest	-	-	(33,070,488)	-	-	-	(33,070,488)	(8,570,107)	(41,640,595)
Balance at 30 June 2013	168,806,514	(27,023,796)	(29,683,414)	(851,084)	4,744,027	-	115,992,247	2,253,078	118,245,325

The accompanying notes form part of these financial statements.

GUILDFORD COAL

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 \$	2013 \$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Payments to suppliers and employees		(17,696,471)	(8,709,281)
Interest received		112,068	242,090
R&D tax concessions received		-	1,740,473
Net cash provided by (used in) operating activities	19(b)	(17,584,403)	(6,726,718)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for property, plant and equipment		(37,001,690)	(899,347)
Payments for exploration and evaluation expenditure		(4,084,274)	(31,980,396)
Payments for acquisition of intangible assets		(296,110)	(5,160)
Payment for acquisition of non-controlling interest		-	(5,000,000)
Net cash provided by (used in) investing activities		(41,382,074)	(37,884,903)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from non-controlling interest share contribution		486,386	996,373
Repayment of borrowings		(44,246,086)	(9,560,000)
Proceeds from borrowings		92,799,755	66,225,616
Finance costs		(6,296,364)	(2,076,093)
Net cash provided by (used in) financing activities		42,743,691	55,585,896
Net increase (decrease) in cash and cash equivalents held		(16,222,786)	10,974,275
Cash and cash equivalents at beginning of year		25,681,908	14,488,137
Net foreign exchange difference		(318,151)	219,496
Cash and cash equivalents at end of financial year	19(a)	9,140,971	25,681,908

The accompanying notes form part of these financial statements.

GUILDFORD COAL

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

The financial report of Guildford Coal Limited ("Guildford" or "Company") for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the directors on 30 September 2014. Guildford Coal Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. The address of the Company's registered office is Level 7, 490 Upper Edward Street, Brisbane QLD 4000. The Company is a for-profit entity, and the principal activities are the transition from developer to producer in Mongolia and the exploration for minerals in a number of mining tenements held across Australia.

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

The separate financial statements and notes of the parent entity, Guildford Coal Limited, have not been presented within this financial report as permitted by amendments made to the *Corporations Act 2001*. The parent entity summary is included in Note 29. Guildford Coal Limited is a for-profit listed entity.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) BASIS OF PREPARATION

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

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

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

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

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

B) GOING CONCERN

Given the Group's current liabilities exceed the current assets as at 30 June 2014 by \$38,780,386, its minimum exploration and other expenditure commitments and estimated minimum corporate administration costs, the Group will require additional funding over the next three months.

In order for the Group to continue operating as a going concern and provide the necessary funding until sufficient cash flows are generated at the Barun Noyon Uul (BNU) mine, additional capital will be required.

The Directors and management continually review the liquidity of the company and have been heavily focused on cash preservation. To assist with cash preservation the Company has

agreed with Noble to defer principal payments refer Note 14. Both parties have agreed, and are currently executing an agreement, to defer principal repayments on the Group's Debt Facility and Additional Debt Facility until 10 December 2014, defer the principal repayments of the Fuel Exclusivity Agreement to 5 December 2014 and also defer the full repayment of the Working Capital Facility until 15 December 2014.

The directors and management are assessing options to secure additional capital and are in advanced discussions with established financiers and believe that additional capital can be secured in a timely manner. A corporate advisor has been appointed to assist in securing additional capital.

While there is some uncertainty as to whether additional capital will be secured, the accounts have been prepared on a going concern basis as the directors believe there are reasonable grounds that additional funding required will be obtained.

On this basis, the Directors believe the going concern basis of presentation is appropriate. No adjustments have been made relating to the recoverability and classification of recorded asset amounts and classifications of liabilities that might be necessary should the Parent and Group not continue as a going concern.

C) BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Guildford Coal Limited and its controlled entities (the Group) as at, and for the year ended, 30 June 2014.

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

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

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

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

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree.

GUILDFORD COAL

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

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

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

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

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

If the Group loses control over a subsidiary, it:

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

D) BUSINESS COMBINATIONS

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

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

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

E) INCOME TAX

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

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

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

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

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

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

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

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

GUILDFORD COAL

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

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

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

Other taxes

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

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

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

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

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

F) LEASES

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

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

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

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

G) CASH AND CASH EQUIVALENTS

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

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

H) PROPERTY, PLANT AND EQUIPMENT

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

Plant and equipment

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

Depreciation

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

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

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

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

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

GUILDFORD COAL

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

I) EXPLORATION AND DEVELOPMENT EXPENDITURE

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

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

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

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

J) RESTORATION AND REHABILITATION

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

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

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

K) FINANCIAL INSTRUMENTS

Initial recognition and measurement

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

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

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

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

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

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

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

Loans and receivables

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

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

Financial assets at fair value through profit or loss

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

GUILDFORD COAL

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

Held-to-maturity investments

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

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

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

Available-for-sale financial assets

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

Financial liabilities

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

Impairment of financial assets

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

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

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

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

Derecognition

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

L) IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

M) INTANGIBLE ASSETS

Software

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

Other intangible assets

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

N) FOREIGN CURRENCY TRANSACTIONS AND BALANCES

Functional and presentation currency

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

Transaction and balances

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

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

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

GUILDFORD COAL

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

Group companies

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

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

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

O) EMPLOYEE BENEFITS

Wages, salaries, annual leave and sick leave

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

Long service leave

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

Equity-settled compensation

Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share based payments reserve. The number of shares expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

P) TRADE AND OTHER PAYABLES

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

Q) REVENUE AND OTHER INCOME

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

All revenue is stated net of the amount of GST.

Interest revenue

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

R) BORROWING COSTS

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

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

S) CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

Key judgments – exploration and evaluation expenditure

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

GUILDFORD COAL

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

Key estimates – impairment

The Group assesses the recoverable amount of its non-financial assets for impairment whenever there are indicators impairment might exist. When calculating recoverable amount, management makes various estimates and assumptions, including assumptions around recoverable reserves and resources, coal prices and costs of production. In addition management considers any likely transactions to dispose of the assets subject to testing. Actual results may differ from such assumptions.

Key estimates – recoverable reserves and resources

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

Key estimates – environmental rehabilitation costs

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

Key judgments – recognition of asset acquisitions

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

Key judgments – Minerals Resource Rent Tax

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

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

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

As at 30 June 2014, no deferred tax liability relating to MRRT has been recorded by the Company on the basis that a) management consider that it is reasonably arguable that the EPC applications are considered "exploration rights" under the MRRT legislation and therefore the starting base is able to be measured with reference to market value, and b) the market value exceeds the book value.

T) EARNINGS PER SHARE

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

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

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

U) OPERATING SEGMENTS

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

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

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

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

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

GUILDFORD COAL

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

V) ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

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

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

i. Consolidated financial statements

The Group adopted the following Australian Accounting Standards, together with the relevant consequential amendments arising from related Amending Standards, from the mandatory application date of 1 July 2013:

- » AASB 10: Consolidated Financial Statements;
- » AASB 11: Joint Arrangements;
- » AASB 12: Disclosure of Interests in Other Entities;
- » AASB 127: Separate Financial Statements;
- » AASB 2011-7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards; and
- » AASB 2012-10: Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments.

These Standards became mandatorily applicable to the Group from 1 July 2013.

The Group has applied these Accounting Standards retrospectively in accordance with AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors and the specific transition requirements in AASB 10 and AASB 11. The effects of initial application of these Standards in the current reporting period are as follows:

Upon the initial application of AASB 10, retrospective restatement of financial statement amounts of the year that immediately precedes the date of initial application (ie 2012-2013) is necessary. When control is considered to have been obtained earlier than the beginning of the immediately preceding year (ie pre-1 July 2012), any difference between the amount of assets, liabilities and non-controlling interests recognised and the previous carrying amount of the investment in that investee is recognised as an adjustment to equity as at 1 July 2012.

Although the first-time application of AASB 10 (together with the associated Standards) caused certain changes to the Group's accounting policy for consolidation and determining control, it did not result in any changes to the amounts reported in the Group's financial statements as the "controlled" status of the existing subsidiaries did not change, nor did it result in any new subsidiaries being included in the Group as a consequence of the revised definition. However, the revised wording of accounting policy for consolidation is set out in Note 1(b).

Joint arrangements

AASB 11 requires joint arrangements to be classified as either "joint operations" (where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or "joint ventures" (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). Revised AASB 128 facilitates the application of AASB 11 and incorporates guidance relating to the equity method of accounting. Joint ventures will generally be required to be accounted for using the equity method under AASB 11. The proportionate consolidation method is no longer permitted.

However, this has not impacted on the Group's financial statements as the Group currently has no joint arrangement.

Disclosure of interest in other entities

AASB 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of AASB 12 has resulted in more extensive disclosures in the consolidated financial statements. Particularly the financial information of subsidiaries in which there is a material non-controlling interest has now been included in Note 21.

ii. Fair value measurement

The Group has adopted AASB 13: Fair Value Measurement and AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13 from 1 July 2013 together with consequential amendments to other Standards. These Standards became mandatorily applicable to the Group from 1 July 2013. AASB 13 sets out a comprehensive framework for measuring the fair value of assets and liabilities and prescribes enhanced disclosures regarding all assets and liabilities measured at fair value.

New disclosures prescribed by AASB 13 that are material to this financial report have been provided in the notes to this financial report. Although these Standards do not significantly impact the fair value amounts reported in the Group's financial statements, the directors have determined that additional accounting policies providing a general description of fair value measurement and each level of the fair value hierarchy, as set out in Note 1(d) and Note 22, should be incorporated in these financial statements

iii. Stripping costs

The Group has adopted AASB Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine and AASB 2011-12: Amendments to Australian Accounting Standards arising from Interpretation 20 from 1 July 2013. The Interpretation and the Amending Standard became mandatorily applicable to the Group from 1 July 2013.

Interpretation 20 addresses waste removal costs that are incurred in surface mining activity ("stripping costs") during the production phase of the mine and prescribes accounting requirements for recognition and measurement of such costs. On transition, existing production phase stripping costs need to be written off to retained earnings unless they can be attributed to an identifiable component of an ore body.

GUILDFORD COAL

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

The directors have determined that the Interpretation did not result in any significant changes to the amounts reported in the Group's financial statements, as the Group does not have any previously recognised asset balances that resulted from stripping activity undertaken during the production phase of a mine.

iv. Key Management Personnel Disclosure Requirements

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements removes the individual key management personnel (KMP) disclosures contained in Aus paragraphs 29.1 to 29.9.3.

The individual disclosures are not required by either AASB 124's international equivalent IAS 24 Related Parties (which requires only aggregate, rather than individual, amounts of KMP compensation) or its New Zealand equivalent. In addition, the AASB believes that these disclosures are more in the nature of governance and so are better dealt with as part of the *Corporations Act 2001*.

As a result, the detailed individual KMP remuneration has been removed from Note 25.

v. Other

Other new and amending Standards that became applicable to the Group for the first time during this reporting period are as follows:

- » AASB 2012-2: Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities and AASB 2012-5: Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle;

These Standards make changes to presentation and disclosure requirements, but did not affect the Group's accounting policies or the amounts reported in the financial statements; and

- » AASB 119: Employee Benefits (September 2011) and AASB 2011-10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011).

These Standards did not affect the Group's accounting policies or the amounts reported in the financial statements, mainly because the Group does not have defined benefit plan assets or obligations and the materiality of the Group's employee leave entitlements balance does not warrant additional disclosure.

W) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below. For new, but not yet adopted standards, the Group has not yet assessed the impact of these new standards.

AASB 9: Financial Instruments (December 2010) and AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)

Applicable for the financial year ended 30 June 2018

These standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

The new hedging rules align hedge accounting more closely with the Group's risk management practices. As a general rule it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation.

AASB 2013-3: Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets

Applicable for the financial year ended 30 June 2015

This standard amends the disclosure requirements in AASB 136: Impairment of Assets pertaining to the use of fair value in impairment assessment. These amendments address disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

Additional disclosures may be necessary if the Group has impaired assets going forward.

IFRS 15: Revenue from Contracts with Customers

Applicable for the financial year ended 30 June 2018

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- (a) step 1: Identify the contract(s) with a customer
- (b) step 2: Identify the performance obligations in the contract
- (c) step 3: Determine the transaction price
- (d) step 4: Allocate the transaction price to the performance obligations in the contract
- (e) step 5: Recognise revenue when (or as) the entity satisfies a performance

There are no other new and revised accounting standards which are expected to have a material impact on the group.

GUILDFORD COAL

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 2 OTHER INCOME

	2014 \$	2013 \$
» interest received	112,068	242,090
» mark to market valuation on conversion option (refer to Note 14 c))	1,028,430	4,277,237
» gain on Terra Energy Limited acquisition deferred consideration (refer to Note 18 a) i.)	940,000	12,400,000
» R&D concessions	665,278	1,740,473
» foreign currency gain	2,908,841	-
	5,654,617	18,659,800

NOTE 3 EXPENSES

	2014 \$	2013 \$
Finance costs:		
» interest expense on interest bearing loans	760,115	-
» finance expense on convertible bonds and amortising notes (refer to Note 14(c) and (d))	5,668,671	7,759,134
» other interest	64,951	13,640
	6,493,737	7,772,774

Interest and Finance expenses are net of \$12,092,549 capitalised to Mining Development, at the capitalisation rate of 72%

Legal and professional fees:

» legal fees	2,003,595	1,510,294
» accounting fees	445,006	526,459
» other professional fees	97,274	77,239
	2,545,875	2,113,992

Rent expense:

» exploration permits for coal rent	800,492	828,725
» office and car park rent	208,605	135,554
	1,009,097	964,279

Employee benefits expense:

» salaries and wages	2,018,750	1,622,024
» bonuses	94,099	25,000
» directors' fees	231,702	312,366
» payroll tax	60,775	77,881
» other employee expenses	391,398	365,665
» share-based payments (refer to Note 20)	42,066	-
	2,838,790	2,402,936

Other operating expenses

» listing fees and charges	90,273	155,589
» donations and community sponsorship	318,475	433,035
» Mongolian administration and operating expenses	3,329,150	1,085,442
» insurance costs	183,001	134,404
» project costs	693,702	434,596
» foreign currency loss	-	41,533
» other expenses	395,059	932,858
	5,009,660	3,217,457

GUILDFORD COAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 4 REMUNERATION OF AUDITORS

	2014 \$	2013 \$
Remuneration of the auditor of the parent entity for:		
» auditing or reviewing the financial statements	178,789	119,274
» tax compliance services and other non-audit services	265,632	222,727
	444,421	342,001

NOTE 5 EARNINGS PER SHARE

A) RECONCILIATION OF EARNINGS TO PROFIT OR LOSS FROM CONTINUING OPERATIONS

	2014 \$	2013 \$
Loss after income tax	(65,593,433)	(1,452,390)
Loss attributable to non-controlling equity interest	2,773,629	1,136,321
Loss after income tax attributable to owners of the Company	(62,819,804)	(316,069)

B) WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES OUTSTANDING DURING THE YEAR USED IN CALCULATING BASIC EPS

	2014 \$	2013 \$
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	681,970,441	538,093,695
Adjustments for calculation of diluted EPS	-	-
Weighted average number of ordinary shares outstanding during the year used in calculating diluted EPS	681,970,441	538,093,695

NOTE 6 INCOME TAX BENEFIT/ (EXPENSE)

	2014 \$	2013 \$
Current tax	(22,538)	14,924

A) RECONCILIATION OF INCOME TAX TO ACCOUNTING PROFIT:

	2014 \$	2013 \$
Prima facie tax benefit on (profit) or loss from ordinary activities before income tax at 30%	19,671,269	440,194
Add (less) tax effect of:		
» non-deductible expenses	(8,165)	(34,100)
» black hole project	71,720	71,720
» unrealised gains on financial liabilities	579,429	5,003,171
» deferred tax assets not recognised	(20,336,791)	(5,466,061)
» initial recognition of MRRT starting base temporary difference*	-	-
Income tax attributable to entity	(22,538)	14,924

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

GUILDFORD COAL

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

B) ACCUMULATED TAX LOSSES

The Group had accumulated tax losses as at 30 June 2014 of \$134,075,937 (2013: \$63,292,411). No net deferred tax asset has been recognised on the basis that utilisation of tax losses is not currently considered probable.

The taxation losses will be realisable only if:

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

NOTE 7 OPERATING SEGMENTS

IDENTIFICATION OF REPORTABLE SEGMENTS

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

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

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

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

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

TYPES OF PRODUCTS AND SERVICES BY REPORTABLE SEGMENT

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

Segment	Activities
Australia	Coal exploration and development activities within Australia.
Mongolia	Coal exploration and extraction activities within Mongolia including the transition from developer to producer

BASIS OF ACCOUNTING FOR PURPOSES OF REPORTING BY OPERATING SEGMENTS

A) ACCOUNTING POLICIES ADOPTED

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

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

B) SEGMENT ASSETS

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

C) SEGMENT LIABILITIES

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

GUILDFORD COAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

D) SEGMENT PERFORMANCE

	Australia		Mongolia		Unallocated		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$	\$	\$
Reconciliation of segment net loss to consolidated net loss after tax:								
Administration and operating costs	-	-	(3,329,150)	(1,085,422)	-	-	(3,329,150)	(1,085,422)
Exploration permits for coal rent	(800,492)	(828,725)	-	-	-	-	(800,492)	(828,725)
Interest revenue	93,865	242,090	18,203	-	-	-	112,068	242,090
Other revenue	665,278	-	-	-	4,877,271	20,404,251	5,542,549	20,404,251
Withholding tax expense	(1,034,251)	-	(2,000,000)	-	-	-	(3,034,251)	-
Employee costs	-	-	-	-	(2,838,790)	(2,369,603)	(2,838,790)	(2,369,603)
Exploration deposit write-off	-	-	(2,066,867)	-	-	-	(2,066,867)	-
Other costs	-	-	-	-	(14,935,785)	(17,829,905)	(14,935,785)	(17,829,905)
Impairment of exploration and evaluation assets	(44,220,177)	-	-	-	-	-	(44,220,177)	-
Income taxes	-	-	(22,538)	14,924	-	-	(22,538)	14,924
Net loss after tax per Statement of Comprehensive Income	(45,295,777)	(586,635)	(7,400,352)	(1,070,498)	(12,897,304)	204,743	(65,593,433)	(1,452,390)

GUILDFORD COAL

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

E) SEGMENT ASSETS AND LIABILITIES

	Australia		Mongolia		Unallocated		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$	\$	\$
Segment assets								
Plant and equipment	200,665	238,927	70,569,376	22,615,587	-	-	70,770,041	22,854,514
Exploration and evaluation assets	52,000,000	91,905,046	27,392,258	36,864,046	-	-	79,392,258	128,769,092
Trade and other receivables	983,885	274,746	2,056,520	1,248,879	-	-	3,040,405	1,523,625
Cash and cash equivalents	8,800,284	24,939,930	340,687	741,978	-	-	9,140,971	25,681,908
Intangible assets	37,280	39,154	293,530	4,398	-	-	330,810	43,552
Other assets	556,790	2,662,686	1,447,569	1,591,474	-	-	2,004,359	4,254,160
Total assets per Statement of Financial Position	62,578,904	120,060,489	102,099,940	63,066,362	-	-	164,678,844	183,126,851
Segment Liabilities								
Trade payables	6,517,182	5,130,371	5,812,792	4,343,358	-	-	12,329,974	9,473,729
Borrowings	25,629,895	13,432,421	78,564,843	41,175,201	-	-	104,194,738	54,607,622
Other liabilities	168	184,775	28,132	566,401	-	-	28,300	751,176
Provisions	-	-	660,152	-	130,151	48,999	790,303	48,999
Total liabilities per Statement of Financial Position	32,147,245	18,747,567	85,065,919	46,084,960	130,151	48,999	117,343,315	64,881,526

GUILDFORD COAL

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

F) CASH FLOW INFORMATION

	Australia		Mongolia		Total	
	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$
Payments for acquisition of property, plant and equipment	-	-	(37,001,690)	(893,448)	(37,001,690)	(893,448)
Payments for acquisition of exploration, and evaluation	(1,461,772)	(10,442,503)	(2,622,502)	(20,644,445)	(4,084,274)	(31,086,948)
Total	(1,461,772)	(10,442,503)	(39,624,192)	(21,537,893)	(41,085,964)	(31,980,396)

NOTE 8 TRADE AND OTHER RECEIVABLES

	2014	2013
	\$	\$
CURRENT		
GST receivable	74,253	34,714
Other receivables	676,716	71,685
Total	750,969	106,399
NON-CURRENT		
VAT receivable	2,056,520	1,189,798
Loan receivable	232,916	227,428
Total	2,289,436	1,417,226

- » Other receivable in 2014 relates to the 2013 R&D concession refund received in July 2014.
- » Loan receivable relates to Wiggins Island Coal Export Terminal.

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

GUILDFORD COAL

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

At 30 June 2014, the ageing analysis of receivables is as follows:

	Gross amount \$	< 30 \$	31-60 \$	>61 and impaired \$	>61 and not impaired \$
2014					
GST receivable	74,253	74,253	-	-	-
Other receivables	676,716	676,716		-	
Total	750,969	750,969		-	
2013					
GST receivable	34,714	34,714	-	-	-
Other receivables	71,685	38,809	10,554	22,322	-
Total	106,399	73,523	10,554	22,322	-

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

NOTE 9 OTHER ASSETS

	2014 \$	2013 \$
CURRENT		
Prepayments	1,896,076	2,081,510
Deposits	108,283	2,172,650
Total	2,004,359	4,254,160

» In prior periods the Group paid US\$2 million (AU\$2,066,867) as a deposit in respect of the potential purchase of shares in Mongolian Petroleum Corporation LLC (Mongolian Petroleum). As at 30 June 2014 the Group had not started due diligence in respect of this acquisition (as is allowed under the purchase contract) and accordingly the purchase had not been completed. Under the terms of the agreement the deposit is refundable to Guildford at any time. At year end management assessed the recoverability of the deposit and determined it was appropriate to impair the asset recorded. This was based on an assessment of the ability of Mongolian Petroleum to repay the US\$2 million, rather than the legal agreements in place. Notwithstanding the impairment the Company will seek to recover the deposit.

GUILDFORD COAL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 10 PROPERTY, PLANT AND EQUIPMENT

	2014 \$	2013 \$
LAND AND BUILDINGS		
At cost	165,128	164,710
Accumulated depreciation	(78,601)	(51,413)
	86,527	113,297
CAPITAL WORKS IN PROGRESS		
At cost	9,611,500	1,273
PLANT AND EQUIPMENT		
At cost	3,863,214	836,324
Accumulated depreciation	(547,138)	(236,482)
	3,316,076	599,842
MINE DEVELOPMENT		
At cost	57,755,938	22,140,102
Total	70,770,041	22,854,514

MOVEMENTS IN CARRYING AMOUNTS OF PROPERTY, PLANT AND EQUIPMENT

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

	Capital works in progress \$	Buildings \$	Plant and equipment \$	Mine development \$	Total \$
Balance at 1 July 2013	1,273	113,297	599,842	22,140,102	22,854,514
Additions	9,610,227	418	3,112,342	34,460,228	47,183,215
Effects of foreign exchange on opening balance	-	-	(85,452)	(3,643,975)	(3,729,427)
Transfers from exploration and evaluation assets	-	-	-	4,799,583	4,799,583
Depreciation expense	-	(27,188)	(310,656)	-	(337,844)
Balance at 30 June 2014	9,611,500	86,527	3,316,076	57,755,938	70,770,041
Balance at 1 July 2012	-	135,069	448,116	-	583,185
Additions	1,273	9,416	228,306	654,453	893,448
Effect of foreign exchange on opening balance	-	-	5,899	-	5,899
Transfers from exploration and evaluation assets	-	-	-	21,485,649	21,485,649
Depreciation expense	-	(31,188)	(82,479)	-	(113,667)
Balance at 30 June 2013	1,273	113,297	599,842	22,140,102	22,854,514

GUILDFORD COAL
NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2014

NOTE 11 INTANGIBLE ASSETS

	2014 \$	2013 \$
Computer software		
Cost	328,771	32,661
Accumulated amortisation	(24,089)	(18,048)
	304,682	14,613
Other intangible assets		
Cost	29,128	33,526
Accumulated amortisation	(3,000)	(4,587)
	26,128	28,939
Total	330,810	43,552

MOVEMENTS IN CARRYING AMOUNTS OF INTANGIBLE ASSETS

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

	Computer software \$	Other \$	Total \$
Balance at 1 July 2013	14,613	28,939	43,552
Additions	296,110	–	296,110
Amortisation	(6,041)	(2,811)	(8,852)
Balance at 30 June 2014	304,682	26,128	330,810
Balance at 1 July 2012	17,572	30,526	48,098
Additions	5,160	–	5,160
Amortisation	(8,119)	(1,587)	(9,706)
Balance at 30 June 2013	14,613	28,939	43,552

GUILDFORD COAL

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 12 EXPLORATION AND EVALUATION ASSETS

	2014 \$	2013 \$
Exploration and evaluation assets – at cost	79,392,258	128,769,092

A) MOVEMENTS IN CARRYING AMOUNTS OF EXPLORATION AND EVALUATION ASSETS

During the year ended 30 June 2014, the Group capitalised \$4,084,274 (2013: \$30,347,651) worth of expenditure as exploration expenditure. These costs relate to the acquisition and evaluation of mining tenements, including drilling, consulting and rent. A summary of movements for capitalised exploration and valuation expenditure is as follows:

	2014 \$
Balance at 1 July 2013	128,769,092
Exploration expenditure	4,084,274
Transfer to development assets	(4,799,583)
Impairment losses (refer below)	(44,220,177)
Effects of foreign exchange on opening balance	(4,441,348)
Balance at 30 June 2014	79,392,258

	2013 \$
Balance at 1 July 2012	121,631,637
Exploration expenditure	30,347,651
Transfer to development assets	(23,552,516)
Effect of foreign exchange on opening balance	342,320
Balance at 30 June 2013	128,769,092

The recoverability of the carrying amounts of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest. During the year a review of the exploration and evaluation assets, in part, precipitated by the unsolicited and non-binding offer from Sino Construction Limited indicated the Australian assets were impaired.

The impairment loss of \$44,220,177 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 \$52,000,000 at 30 June 2014 for the Australian exploration and evaluation assets was based on management considering 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. In light of the current state of the coal market the Company continues to review the value of its assets.

GUILDFORD COAL

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

B) INTEREST IN MINING TENEMENTS

Tenure number	Location	Percentage interest	
		2014	2013
1250	Charters Towers, Queensland Australia	64.40%	64.40%
1260	Charters Towers, Queensland Australia	64.40%	64.40%
1300	Charters Towers, Queensland Australia	100%	100%
1394	Charters Towers, Queensland Australia	100%	100%
1477	Charters Towers, Queensland Australia	100%	100%
1478	Charters Towers, Queensland Australia	100%	100%
1479	Charters Towers, Queensland Australia	100%	100%
1480	Mount Isa, Queensland Australia	100%	100%
1573	Charters Towers, Queensland Australia	100%	100%
1574	Charters Towers, Queensland Australia	100%	100%
1576	Mount Isa, Queensland Australia	100%	100%
1674	Emerald, Queensland Australia	50.78%	52.10%
1822	Rockhampton, Queensland Australia	100%	100%
1870	Rockhampton, Queensland Australia	100%	100%
1872	Rockhampton, Queensland Australia	100%	100%
1890	Charters Towers, Queensland Australia	100%	100%
1892	Charters Towers, Queensland Australia	100%	100%
1893	Charters Towers, Queensland Australia	100%	100%
1962	Charters Towers, Queensland Australia	100%	100%
1963	Charters Towers, Queensland Australia	100%	100%
1964	Charters Towers, Queensland Australia	100%	100%
2003	Rockhampton, Queensland Australia	100%	100%
2046	Mount Isa, Queensland Australia	100%	100%
2047	Mount Isa, Queensland Australia	100%	100%
2048	Charters Towers, Queensland Australia	100%	100%
2049	Charters Towers, Queensland Australia	100%	100%
2057	Dalby, Queensland Australia	100%	100%
2058	Dalby, Queensland Australia	100%	100%
2105	Charters Towers, Queensland Australia	100%	100%
2256	Emerald, Queensland Australia	100%	100%
2503	Charters Towers, Queensland Australia	100%	100%
2504	Charters Towers, Queensland Australia	100%	100%
12929X	Mid Gobi, Mongolia	100%	100%
13352X	Mid Gobi, Mongolia	100%	100%
13780X	South Gobi, Mongolia	100%	100%
14522X	South Gobi, Mongolia	100%	100%
15466X	Mid Gobi, Mongolia	100%	100%
5262X	South Gobi, Mongolia	70%	70%
5264X	South Gobi, Mongolia	100%	100%
17163X	South Gobi, Mongolia	100%	100%
17162	South Gobi, Mongolia	100%	100%
16971	South Gobi, Mongolia	70%	70%

GUILDFORD COAL

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 13 TRADE AND OTHER PAYABLES

	2014 \$	2013 \$
CURRENT		
Unsecured liabilities		
Trade payables	1,710,126	1,356,083
Interest accrued	4,403,842	788,000
Accrued expenses*	6,216,006	4,729,646
Deferred consideration - Terra Energy Limited**	-	2,600,000
Total	12,329,974	9,473,729

* Included within Accrued expenses is Withholding Tax payable of \$3,034,251 relating to interest being paid and other transactions taking place in foreign jurisdictions.

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

Due to their short term nature, trade and other payables have a carrying value which approximates their fair value.

NOTE 14 BORROWINGS

		2014 \$	2013 \$
CURRENT			
Working capital facility	(a)	10,615,711	10,781,671
Interest bearing loans	(b)	27,600,849	-
		38,216,560	10,781,671
NON-CURRENT			
Interest bearing loans	(b)	1,769,285	10,781,672
Convertible loan	(c)	10,059,396	33,044,279
Amortising notes	(d)	54,149,497	-
Total		65,978,178	43,825,951

A) WORKING CAPITAL FACILITY

On 24 September 2012, the company entered into a working capital facility agreement for US\$10,000,000 with Noble International Pte Ltd ("Noble"). The facility originally bore an annual interest rate of LIBOR (London Interbank Offered Rate) plus a margin of 7.25% however from June 2014 this was increased to 10.5% after commencement of negotiations to defer the principle repayment. Subsequent to year end the Company has agreed with Noble to defer the principle repayment until 15 December 2014. Both parties are currently executing this agreement.

The Company has capitalised interest to the extent that funds were used in developing a qualifying asset in accordance with accounting policies. As at 30 June 2014, the entire US\$10,000,000 facility had been drawn down, with AU\$165,960 in unrealised foreign exchange gains being recognised.

GUILDFORD COAL

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

B) INTEREST BEARING LOANS

On 31 October 2012, the company entered into a long-term debt facility agreement for US\$10,000,000 with Noble. The facility originally bore an annual interest rate of LIBOR (London Interbank Offered Rate) plus a margin of 7.25% however from June 2014 this was increased to 10.5% after commencement of negotiations to defer principle repayments. Principle repayments of 9 equal instalments of US\$1,111,111 are made each quarter until maturity, the first of which was made 4 March 2014. Subsequent to year end the Company has agreed with Noble to defer further principle repayments until 10 December 2014. Both parties are currently executing this agreement. Contractually the facility matures on 30 April 2016 however as the Company has deferred some principal repayments Noble has reserved its rights with respect to events of default so the full outstanding balance has been classified as current.

The Company has capitalised interest to the extent that funds were used in developing a qualifying asset in accordance with accounting policies. As at 30 June 2014, the entire US\$10,000,000 facility had been drawn down, with AU\$98,706 in unrealised foreign exchange gains being recognised.

On 14 November 2013, the company entered into a Fuel Exclusivity agreement with Noble International Pte. Ltd for US\$8,000,000. The facility bears an implied annual interest rate of 9.7% and matures on 11 November 2015. As at 30 June 2014, the entire US\$8,000,000 facility had been drawn down, US\$1,666,667 of principle repayments were made during the financial year. Subsequent to year end the Company has agreed with Noble to defer further principle repayments until 5 December 2014. Both parties are currently executing this agreement.

The Company has capitalised interest to the extent that funds were used in developing a qualifying asset in accordance with accounting policies. AU\$236,423 in unrealised foreign exchange losses have been recognised.

On 18 December 2013, the company entered into a long term additional debt facility agreement with Noble International Pte. Ltd for US\$14,000,000. The facility originally bore an annual interest rate of LIBOR (London Interbank Offered Rate) plus a margin of 7.25% however from June 2014 this was increased to 10.5% after commencement of negotiations to defer principle repayments. Principle repayments of 9 equal instalments of US\$1,555,555 are made each quarter until maturity, the first of which was made 4 March 2014. Subsequent to year end the Company has agreed with Noble to defer further principle repayments until 10 December 2014. Both parties are currently executing this agreement. Contractually the facility matures on 4 March 2016 however as the Company has deferred some principal repayments Noble has reserved its rights with respect to events of default so the full outstanding balance has been classified as current.

The Company has capitalised interest to the extent that funds were used in developing a qualifying asset in accordance with accounting policies. As at 30 June 2014, the entire US\$14,000,000 facility had been drawn down, with AU\$689,802 in unrealised foreign exchange losses being recognised.

C) CONVERTIBLE LOAN

On 1 March 2013, the Company entered into a convertible non-revolving term bonds agreement ("the convertible loan") with OCP Asia for proceeds of \$39,400,000. The Company paid OCP Asia a bond structuring fee of \$1,900,000 and received net proceeds of \$37,500,000 on 30 April 2013. The convertible loan included an option at the lenders discretion for conversion into ordinary shares at \$0.45 per share.

During the year, this facility was settled in full at the face value of \$39,400,000 plus an early settlement charge of \$1,549,358, which has been recorded as a finance expense. The facility was settled by offset with the new convertible and amortising notes discussed at Note 14(d).

As at the date of settlement, the notes were carried at an amortised cost of \$34,997,039 upon early settlement for \$39,400,000 an additional finance expense charge of \$4,402,961 was also recognised in the Statement of Comprehensive Income to account for the difference between the settlement value and the amortised cost of the notes.

The attached conversion options were never exercised, and were cancelled upon early settlement. Therefore, a gain of \$751,176 has been recorded in other income in the consolidated statement of comprehensive income to reverse the previously booked financial liability.

On 8 January 2014 the Group entered into a debt facility with "OCP Asia" to issue convertible notes with a face value of US\$10,000,000. Proceeds were used to fund working capital requirements in the Groups Mongolian operations. The Convertible Notes bear an interest rate of 12% p.a. and mature on the 8 July 2015. Principle terms are:

- » 1,000 convertible notes, each with a face value of US\$10,000;
- » term: 18 months from the date of issue, being 8 July 2015 (the "maturity date");
- » conversion price: \$0.30 (subject to standard adjustments);
 - Subsequent to year end the exercise price has been reset to A\$0.06 per share as a result of the Rights Placement in July.
- » dates for conversion: at any time on 8 January 2014 and up to 7 business days prior to the maturity date.

The convertible notes issued include an option for the lender to convert the debt to ordinary shares of the Group at \$0.30 per share. At the date of grant, this conversion options were recognised as a financial liability at their fair value being \$277,937, which was determined using the Black Scholes option pricing model with the following assumptions:

Dividend yield	nil
Stock price volatility	79.00%
Risk-free interest rate	2.43%
Expected life	1.5 years
Share Price	\$0.09

GUILDFORD COAL

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

At 30 June 2014, the option was fair valued to \$683 therefore, a gain of \$277,254 has been recorded in other income in the consolidated statement of comprehensive income to reverse the previously booked financial liability at the fair value at grant date of \$277,937. The fair value of the option was determined by applying the Black Scholes option pricing model with the following assumptions:

Dividend yield	nil
Stock price volatility	50.75%
Risk free interest rate	2.43%
Expected life of options	1.02 years
Share Price	\$0.06

Issuing fees associated with the convertible notes amounted to \$561,184 and have been allocated entirely to the convertible note liability.

Subsequent to the end of the year the Company undertook a non-renounceable pro rata entitlement offer to Guildford's shareholders. The entitlement offer resulted in an OCP Asia debt facility covenant being broken, specifically that a change of control as defined in the Deed Agreement had occurred. The Company has discussed this with OCP Asia and are in the process of amending the change of control definition in the Deed Agreement.

D) AMORTISING NOTES

On 8 January 2014 the Group also entered into an agreement with "OCP Asia" to issue amortising notes with a face value of US\$55,000,000. The facility was fully drawn down with proceeds used to settle the previous convertible loans discussed at Note 14(c) and to fund working capital requirements in the Group's Mongolian operations. The Amortising Notes bear an interest rate of 12% p.a. and matures on 8 January 2017.

The amortising notes carried detachable warrants for an amount equal to 18.5% of the Face Value of the Amortising Notes as calculated in Australian dollars at the average USD/AUD exchange rate quoted on Bloomberg on the date of issue of the Amortising Notes. Each warrant entitles the holder to 1 share. Principle terms are:

- » 66,762,962 Detachable Warrants;
- » expiry date: 5 years from the date of issue, being 8 July 2019 (the "warrant maturity date");
- » exercise price: \$0.17 (subject to standard adjustments); and
- » date for exercise: after 8 January 2014 and up to 5pm on the warrant maturity date

The warrants have been recognised in equity (refer Note 17) with a fair value of \$3,214,820 after issuance fees, determined by use of the Black Scholes model with the following assumptions:

Dividend yield	nil
Stock price volatility	86.60%
Riskfree interest rate	2.76%
Expected life	5 years
Share Price	\$0.09

Issuing fees associated with the amortising notes facilities amounted to \$3,086,511 and have been allocated to the amortising notes and the detachable warrants based on their relative fair values on initial recognition.

E) SECURITY

As part of the security package in relation to the Noble facility agreements, Guildford's subsidiaries have provided Mongolian law pledges over the coal stockpile held by Tellus Marketing Pte. Ltd., Tellus Commodities Pte. Ltd. Terra Energy Mongolia, Alag Tvesh and Tsagaan in favour of Noble.

Guildford (together with its relevant subsidiaries) has also provided Mongolian law share pledges in favour of Noble over:

- » 100% of the shares in Alag Tvesh held by Tellus Marketing Pte. Ltd.; and
- » 100% of the shares in Tsagaan held by Terra Energy Mongolia.

The security provided by Guildford to OCP Asia in relation to the Note Trust Deed includes a General Security Agreement entered into with Guildford itself, and certain of its subsidiaries, attaching to all Australian mining tenements held or controlled by Guildford or its subsidiaries.

GUILDFORD COAL

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 15 OTHER LIABILITIES

	2014 \$	2013 \$
NON-CURRENT		
Convertible option on convertible bond (refer to Note 14(c))	683	751,176
Other liabilities	27,617	-
	28,300	751,176

NOTE 16 PROVISIONS

	2014 \$	2013 \$
SHORT TERM		
Employee entitlements	130,151	48,999
LONG TERM		
Environmental rehabilitation	660,152	-

NOTE 17 RESERVES

		2014 \$	2013 \$
Foreign currency translation	(a)	(10,938,329)	(851,084)
Acquisition reserve	(b)	(29,675,375)	(29,683,414)
Share option and warrant reserve	(c)	7,958,847	4,744,027
Share based payments reserve	(d)	42,066	-
		(32,612,791)	(25,790,471)

A) FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve records exchange differences arising on translation of foreign controlled subsidiaries and exchange differences on intercompany loans deemed net foreign investments which amounted to a foreign currency loss of \$10,087,245.

	2014 \$	2013 \$
Balance at start of period	(851,084)	(496,335)
Foreign currency loss during the period	(10,087,245)	(354,749)
Balance at end of period	(10,938,329)	(851,084)

B) ACQUISITION RESERVE

During the year ended 30 June 2014, the Group acquired an additional 0.09% interest in Springsure Mining Pty Limited through the payment of cash for additional shares in the company. This transaction resulted in an increase of the acquisition reserve of \$8,039, being the difference between consideration paid and the proportionate book value of the non-controlling interest acquired.

	2014 \$	2013 \$
Balance at start of period	(29,683,414)	3,387,074
Increase during the period	8,039	-
Decrease during the period	-	(33,070,488)
Balance at end of period	(29,675,375)	(29,683,414)

GUILDFORD COAL

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

C) SHARE OPTION AND WARRANT RESERVE

The share option and warrant reserve records the fair value of share options and warrants issued by the Group. During the year ended 30 June 2014, the Group issued amortising notes which had an option for conversion into ordinary shares and warrants. The fair value of these warrants, net of transaction costs, amounted to \$3,214,820. Refer Note 14 (d) for additional details.

	2014 \$	2013 \$
Balance at start of period	4,744,027	-
Increase during the period	3,214,820	4,744,027
Balance at end of period	7,958,847	4,744,027

D) SHARE BASED PAYMENTS RESERVE

The Group issued performance rights to the Group Managing Director, Mr Peter Kane. The fair value of these performance rights amounted to \$190,164 of which \$42,066 relates to the year ended 30 June 2014. Refer note 20 for additional details.

	2014 \$	2013 \$
Balance at start of period	-	-
Increase during the period	42,066	-
Balance at end of period	42,066	-

NOTE 18 ISSUED CAPITAL

	2014 \$	2013 \$
761,857,020 (2013: 635,046,899) Ordinary Shares	170,466,514	168,806,514

A) ORDINARY SHARES

	No.	\$
Balance at 1 July 2013	635,046,899	168,806,514
Shares issued for acquisition of 25% ownership in Terra Energy Ltd (Note 18 (a)(i))	20,000,000	1,660,000
Springsure Mining Pty Limited Indicative Resource Settlement (Note 18 (a)(ii))	106,810,121	-
Balance at 30 June 2014	761,857,020	170,466,514
Balance at 1 July 2012	476,867,530	147,206,514
Success fee to TheChairmen1 Pty Ltd	44,179,369	-
Shares issued for acquisition of 25% ownership in Terra Energy Ltd	40,000,000	21,600,000
Final success fee to TheChairmen1 Pty Ltd	74,000,000	-
Balance at 30 June 2013	635,046,899	168,806,514

GUILDFORD COAL

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

The following transactions took place during the year ended 30 June 2014:

i. Acquisition of Terra Energy

Deferred consideration relating to the acquisition of Terra Energy Limited was due on or before 21 December 2013 (one year from the date of completion). Under the terms of the purchase agreement, at the election of the Company, this deferred consideration was able to take the form of cash or shares.

In accordance with the deferred consideration share calculation in the purchase agreement, 20,000,000 Guildford Coal shares were issued to Terra Holdings to meet this deferred consideration liability. Upon initial recognition, the fair value of the 20,000,000 deferred shares was \$15,000,000 which had been recognised as a liability. At the 30 June 2013, the fair value of the 20,000,000 deferred shares was \$2,600,000, which resulted in a gain in the consolidated statement of comprehensive income of \$12,400,000 at 30 June 2013. Upon settlement on 21 December 2013, these shares had a fair value of \$1,660,000 and a further gain of \$940,000 was therefore realised directly in other income in the consolidated statement of comprehensive income for the year ended 30 June 2014.

ii. Springsure Indicated Resource Settlement

During the period 106,108,121 fully paid ordinary shares were issued as partial settlement of the Indicated Resource Settlement for Springsure Mining Pty Limited with TheChairmen1 Pty Limited. No incremental fair value was recorded as the final allocation of fully paid ordinary shares, in settlement for the final amounts owing, were less than both the maximum or expected number of shares under the original award issued.

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

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

B) CAPITAL MANAGEMENT

Directors and management control the capital of the Group with a focus to achieve a good debt to equity ratio, provide the shareholders with adequate returns and also ensure that the Group can fund its operations and continue as a going concern.

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

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

NOTE 19 CASH FLOW INFORMATION

A) RECONCILIATION OF CASH BALANCES

	2014 \$	2013 \$
Cash and cash equivalents	9,140,971	25,681,908
Balance per Statement of Cash Flows	9,140,971	25,681,908

GUILDFORD COAL

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

B) RECONCILIATION OF RESULT FOR THE YEAR TO CASH FLOWS FROM OPERATING ACTIVITIES

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

	2014 \$	2013 \$
Profit/ (loss) for the year	(65,593,433)	(1,452,390)
Non cash flows in profit:		
» depreciation and amortisation	346,696	113,667
» finance costs reclassified under financing activities	6,296,364	2,076,093
» non cash interest	4,049,731	2,163,107
» gain on shares settled for deferred consideration	(940,000)	-
» mark to market revaluation	(1,028,430)	(4,277,236)
» unrealised currency (gain) / loss	(4,309,274)	2,397,727
» share based payments	42,066	-
» research and development income	(665,278)	-
» impairment losses	44,220,177	-
» withholding tax expense	3,034,251	-
» non-cash loan set-up fee and interest	-	(94,223)
» gain on fair value adjustment to debt	-	(12,400,000)
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
» (increase)/decrease in trade and other receivables	(851,502)	(2,122,135)
» (increase)/decrease in other assets	2,249,801	(185,520)
» increase/(decrease) in trade and other payables	(3,793,848)	7,086,526
» increase/(decrease) in provisions	81,152	
» increase/(decrease) in other liabilities	(722,876)	(32,334)
Cash flow from operations	(17,584,403)	(6,726,718)

NOTE 20 SHARE-BASED PAYMENTS

At 30 June 2014 The Group has the following share-based payment schemes:

On 3 April 2014 (Grant date) the Company issued 4,758,444 Performance Share Rights to the Group Managing Director, Mr Peter Kane, as part of a long term incentive plan, the Performance Share Rights are subject to an Employment Condition and a Production Condition.

The Performance Conditions which are attached to Mr Kane's Performance Rights are subject to:

- Mr Kane remains continually employed with the Company from October 2013 until 31 October 2016 (Employment Condition); and
- the Company achieves at least 120,000 tonnes per month of coal production from the BNU mine in Mongolia before or during the month of October 2014 (Production Condition).

The Board will at the end of October 2016 (Test Date) determine the extent to which the Performance Condition have been satisfied and the number of Performance Rights that are capable or vesting and the resultant Shares to be issued or transferred as the long term incentive bonus.

If at the Test Date Mr Kane has satisfied the Employment Condition, 50% of the Performance Rights will vest. The remaining 50% of the Performance Rights will vest if the Production Condition has been satisfied.

If the Performance Conditions have not been satisfied at the Test Date then the Performance Rights will lapse.

At 30 June 2014 the fair value of performance rights have been fair valued using a binomial pricing model and the Group's share price on the date of grant. The fair value amounted to \$190,164, of which \$42,066 has been recognised at 30 June 2014, based on the probability of the performance hurdles being met and the vesting period of the rights

Performance Share Rights are equity settled.

GUILDFORD COAL

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 21 CONTROLLED ENTITIES

A) CONTROLLED ENTITIES

	Country of incorporation	Percentage owned (%) [*] 2014	Percentage owned (%) [*] 2013
Parent entity:			
Guildford Coal Limited	Australia		
Subsidiaries:			
FTB (QLD) Pty Limited	Australia	100	100
Sierra Coal Pty Limited	Australia	100	100
Orion Mining Pty Limited	Australia	100	100
Terra Energy Limited	Australia	100	100
Clyde Park Coal Pty Limited	Australia	64.4	64.4
Guildford Coal (Mongolia) Pty Limited	Australia	70	70
Springsure Mining Pty Limited***	Australia	50.78	50.69
Subsidiaries of Terra Energy Limited:			
Tellus Commodities Pte Ltd	Singapore	100	100
Subsidiaries of Guildford Coal (Mongolia) Pty Limited:			
Tellus Marketing Pte Ltd	Singapore	100	100
Subsidiaries of Tellus Marketing Pte Ltd:			
Alag Tvesh LLC**	Mongolia	100	100
Subsidiaries of Tellus Commodities Pte Ltd:			
Terra Energy LLC**	Mongolia	100	100
Subsidiaries of Terra Energy LLC:			
Tsagaan Uvuljuu LLC**	Mongolia	100	100

* Percentage of voting power is in proportion to ownership

** These subsidiaries have a 31 December year end for Mongolian statutory purposes to comply with the various laws and regulations within Mongolia.

B) ACQUISITION OF ADDITIONAL CAPITAL IN CONTROLLED ENTITIES

On 1 October 2013, Springsure Mining Pty Limited called for additional capital in the company. Total capital of 1,067,373 (\$486,386 from non-controlling interests) was received, which resulted in a 0.09% increase in the ownership by Guildford.

GUILDFORD COAL

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

C) SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Set out below is the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group, before any inter-group eliminations and consolidation entries:

Name of subsidiary	Clyde Park Pty Limited		Guildford Coal (Mongolia) Pty Limited		Springsure Mining Pty Limited	
	2014	2013	2014	2013	2014	2013
Ownership held by NCI	35.6%	35.6%	30.0%	30.0%	49.22%	49.3%
Profit / loss allocated to NCI	(35,733)	(100,738)	(2,484,288)	(614,579)	(253,609)	(56,768)
Accumulated NCI of subsidiary	2,049,734	3,383,467	(4,053,022)	262,974	1,328,695	1,692,554
Summarised consolidated statement of financial position						
Current assets	4,321	10,252	136,223	209,976	2,242	18,562
Non-current assets	3,716,170	3,657,972	2,405,816	4,851,576	2,255,106	1,715,553
Current liabilities	(3,989)	(16,271)	(605,475)	(185,502)	(16,932)	(25,545)
Non-current liabilities	(368,767)	(268,486)	(5,539,150)	(4,613,076)	(278,856)	(16,016)
Net assets	3,347,735	3,383,467	(3,602,586)	262,974	1,961,560	1,692,554
Summarised consolidated statement of profit or loss and other comprehensive income						
Revenue	-	3,856	70	167,008	243	2,189
Profit / (loss)	(35,733)	(104,594)	(2,484,358)	(781,587)	(253,852)	(58,957)
Total comprehensive income	(35,733)	(100,738)	(2,484,288)	(614,579)	(253,609)	(56,768)
Summarised consolidated statement of cash flows						
Cash flows from/(used in) operating activities	-	-	-	-	-	-
Cash flows from/(used in) investing activities	(17,009)	695,490	(1,825,176)	(2,693,487)	525,361	-
Cash flows from/(used in) financing activities	16,415	(728,748)	1,794,660	2,561,207	(509,177)	11,445
Net increase / (decrease) in cash and cash equivalents	(594)	(33,258)	(30,516)	(132,280)	16,184	11,445

GUILDFORD COAL

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 22 FAIR VALUE MEASUREMENT

The Group measures the following assets and liabilities at fair value on a recurring basis

- » financial liabilities – options; and
- » non-recurring performance rights (share based payments).

FAIR VALUE HIERARCHY

AASB 13 *Fair Value Measurement* requires all assets and liabilities measured at fair value to be assigned to a level in the fair value hierarchy as follows

Level 1 – Measurement based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 – Measurement based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Measurement based on unobservable inputs for the asset or liability

The table below shows the assigned categorisation within the fair value hierarchy for each asset and liability held at fair value by The Group

		Level 1 \$	Level 2 \$	Level 3 \$	Total \$
30 June 2014					
Recurring fair value measurements					
Options on convertible loans	14(c)	–	683	–	683
Financial Instruments not carried at fair value					
Convertible Bonds			10,059,396		
Amortising Notes			54,149,497		
Interest bearing loans			39,985,845		
30 June 2013					
Recurring fair value measurements					
Options on convertible bonds	14(c)	–	751,176	–	751,176

Valuation techniques and inputs used to measure level 2 fair values

The fair value of the conversion option on the convertible notes is determined using the Black Scholes option pricing model which uses observable market data. The details of the data used Black Scholes model is contained in Note 14 (c).

The fair value of the convertible bonds and amortising notes is based on the present value of expected cashflows determined using current estimates of market interest rates.

The fair value of the interest bearing loans and working capital facility approximates their present value at 30 June 2014 due to their short term nature.

The details and inputs for the share based payments is contained in Note 20.

There were no changes during the period in the valuation techniques used by the Group to determine Level 2 fair values.

GUILDFORD COAL

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 23 CAPITAL AND LEASING COMMITMENTS

A) FINANCE LEASES

The Group has no finance lease commitments as at 30 June 2014 (2013: nil).

B) OPERATING LEASES

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

	2014 \$	2013 \$
Payable minimum lease payments:		
» not later than one year	1,749,900	9,902,567
» later than one year, not later than five years	9,587	1,886,231
	1,759,487	11,788,798

C) CAPITAL EXPENDITURE COMMITMENTS

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

	2014 \$	2013 \$
Payable:		
» not later than one year	6,624,365	5,969,572
» later than one year, not later than five years	7,823,194	11,526,439
	14,447,559	17,496,011

Guildford has entered into a range of arrangements with Noble in respect of Exploration Licence 12600X, located adjacent to the South Gobi Project. The arrangements are linked to the Noble Facility Agreement and provide for Guildford to have an option to acquire all of the shares in Enkhtunkh Orchlon LLC ("EO"), a wholly owned subsidiary of Noble and the holder of Exploration Licence 12600X, or to operate the mines of 12600X for cost plus. As at 30 June 2014 Guildford had exercised a conditional option to purchase all the shares in EO on the basis of certain terms and conditions resulting in a payment of US\$6 million falling due in December 2014. However, at 30 June 2014 Noble had not signed the agreement and the Company formally rescinded acceptance of the option on 24 September 2014. Guildford continues to be in discussions with Noble to further explore 12600x opportunities.

GUILDFORD COAL

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 24 FINANCIAL RISK MANAGEMENT

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

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

	Note	2014 \$	2013 \$
Financial assets			
Cash and cash equivalents		9,140,971	25,681,908
Trade and other receivables	8	3,040,405	1,523,625
		12,181,376	27,205,533
Financial liabilities			
Trade and other payables	13	12,329,974	9,473,729
Financial borrowings	14	104,194,738	54,607,622
		116,524,712	64,081,351

SPECIFIC FINANCIAL RISK EXPOSURES AND MANAGEMENT

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

A) CREDIT RISK

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

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

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

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested.

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

In addition, receivable balances are monitored on an ongoing basis.

B) LIQUIDITY RISK

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

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

GUILDFORD COAL

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

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

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$	\$	\$
Financial liabilities due for payment								
Trade and other payables	12,329,974	7,897,729	-	1,576,000	-	-	12,329,974	9,473,729
Borrowings (excluding finance lease)*	38,216,560	10,781,671	65,978,178	50,181,671	-	-	104,194,738	60,963,342
Total contractual outflows	50,546,534	18,679,400	65,978,178	51,757,671	-	-	116,524,712	70,437,071
Total expected outflows	50,546,534	18,679,400	65,978,178	51,757,671	-	-	116,524,712	70,437,071
Financial assets - cash flows realisable								
Cash and cash equivalents	9,140,971	25,681,908	-	-	-	-	9,140,971	25,681,908
Trade and other receivables	750,969	1,296,197	2,289,436	227,428	-	-	3,040,405	1,523,625
Total anticipated inflows	9,891,940	26,978,105	2,289,436	227,428	-	-	12,181,376	27,205,533
Net inflow (outflow) on financial instruments	(40,654,594)	8,298,705	(63,688,742)	(51,530,243)	-	-	(104,343,336)	(43,231,538)

*Does not include Interest on borrowings payable within 1 Year US\$10,561,681 and 1 to 5 years US\$11,466,393

C) MARKET RISK

Interest rate risk

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

Foreign exchange risk

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

As at 30 June 2014, the Group holds borrowings to the value of AU\$104 million in overseas currencies.

Commodity price risk

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

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

GUILDFORD COAL

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

Sensitivity analysis

Interest rate risk sensitivity analysis

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

	2014		2013	
	+1%	-1%	+1%	-1%
Cash and cash equivalents				
Net results	91,410	(91,410)	256,819	(256,819)
Equity	91,410	(91,410)	256,819	(256,819)
Borrowings				
Net results	1,043,607	(1,043,607)	561,468	(561,468)
Equity	1,043,607	(1,043,607)	561,468	(561,468)

Foreign currency risk sensitivity analysis

At 30 June 2014, the effect on profit and equity as a result of changes in foreign currency, with all other variables remaining constant (including the functional currency of each entity) would be as follows:

	2014 \$	2013 \$
Change in profit		
» increase in US Dollar by 1%	1,033,274	106,749
» decrease in US Dollar by 1%	(1,054,148)	(108,906)
Change in equity		
» increase in US Dollar by 1%	1,033,274	106,749
» decrease in US Dollar by 1%	(1,054,148)	(108,906)

Fair value estimation

Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair values of financial assets and financial liabilities presented in the financial statements, except for those reported in Note 22, are not materially different to the carrying value of these assets and liabilities.

GUILDFORD COAL

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 25 DIRECTORS AND KEY MANAGEMENT PERSONNEL DISCLOSURES

A) DETAILS OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

Directors

The Hon Alan Griffiths	Acting Non-Executive Chairman	
Mr Kon Tsiakis	Non-Executive Director & Company Secretary	
The Hon Craig Wallace	Non-Executive Director	Appointed 20 January 2014 Resigned 29 September 2014
Mr Peter Kane	Non-Executive Director	Appointed 9 October 2013 Resigned 23 October 2013
The Hon Peter Lindsay	Non-Executive Chairman	Resigned 30 August 2013
Mr Michael Chester	Non-Executive Director	Resigned 24 September 2013
Mr Gary Humphrys	Non-Executive Director	Resigned 28 November 2013

Executives

Mr Peter Kane	Group Managing Director	Appointed 23 October 2013
Mr Tsogt Togoo	Executive Director	
Mr Michael Majendie	Chief Financial Officer	Appointed 27 February 2014 Resigned 25 June 2014
Mr Mark Reynolds	Project Director North Queensland	
Mr Julien Lawrence	Chief Operating Officer Mongolia	
Mr Tony Mooney	General Manager – Stakeholder Relations	
Mr Peter Westerhuis	Group Managing Director	Resigned 23 October 2013
Mr Michael Wotherspoon	Chief Financial Officer	Resigned 3 October 2013

B) TOTALS OF REMUNERATION PAID

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

	2014 \$	2013 \$
Short-term employee benefits	2,417,291	1,894,928
Post-employment benefits	89,428	129,422
	2,506,719	2,024,350

The Remuneration Report contained in the Directors' Report contains details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2014.

GUILDFORD COAL

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 26 CONTINGENCIES

CONTINGENT LIABILITIES

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

The FTB (QLD) Pty Ltd Share Sale Agreement dated 14 September 2011 includes an agreement to pay a Royalty of \$0.50 per tonne of coal mined from the FTB tenements and sold to a third party (tenements acquired as part of the sale agreement included 1300, 1394, 1477, 1478, 1479, 1480, 1573, 1574, 1576, 2046, 2047, 2048, 2049 and 2105). The Royalty applies to a maximum tonnage of 10 million tonnes (Mt) per year and will cease 20 years from the date of first production of coal from any of the FTB (QLD) Pty Ltd tenements. No amount has been paid or accrued as at 30 June 2014.

The Share Purchase Agreement between Guildford Coal Limited and Resco Projects Pty Limited, for the purchase of 50.52% ownership in Springsure Mining Pty Limited, provides for contingent payments of \$2,200,000 ("Initial additional consideration") for each of the first five tranches of 10Mt of JORC (Joint Ore Reserves Committee) Indicated Resource and \$1,800,000 ("Final additional consideration") for each of the next five tranches of 10Mt of JORC Indicated Resource to a maximum of \$20,000,000 (payable in cash or Guildford Coal shares). These contingent payments are in addition to the initial purchase consideration of \$250,000.

On the 29 November 2013 the Company announced a Maiden JORC Indicated Resource of 43Mt in Exploration Permit for Coal (EPC) 1674, Springsure Project. The Indicated Resource triggered the Initial additional consideration settlement from the Company to Resco Projects Pty Limited (Resco) under the Springsure Share Sale Agreement by which Springsure was acquired by The Company (Springsure Settlement).

Resco had assigned the Springsure Settlement to TheChairmen1 Pty Ltd (C1). ResCo's assignment of the Springsure agreement to C1 extinguished the corresponding liability that ResCo had to C1, stemming from ResCo's agreement to purchase shares in Springsure from C1. The Company consented to this assignment in return for adjustments to the Springsure Settlement which improved the commercial terms for the Company.

The revised commercial terms were as follows:

- » the Springsure Settlement was to have been \$11 million (being payments of \$2.2 million for each 10 Mt tranche up to a maximum 50Mt of JORC Indicated Resource). However, The Company would only make payments for four 10Mt tranches (totalling \$8.8 million) as C1 had agreed to forego, after negotiations with Guildford, any settlements for the fifth 10Mt tranche;
- » the Company was released from any obligation to pay the fifth 10Mt tranche; and
- » payment was made by the issue to C1 of fully paid ordinary shares in The Company, not a cash settlement.

Pursuant to a deed poll dated 19 December 2012 made by Guildford in favour of Resco, Bluestone Global Limited and Gleneagle Securities Nominees Pty Ltd, Guildford:

- » acknowledged the assignment by Resco of its rights to receive the Final additional Consideration in respect of the last five 10Mt Milestones to Gleneagle Securities Nominees Pty Ltd.

As announced on 5 April 2010, Guildford has granted to a call option to certain affiliated funds of Och-Ziff Capital Management Group LLC (the Och-Ziff funds) with respect to Terra Energy Limited. The Call Option Deed provides the Och-Ziff funds with the right to acquire a 25% interest stake in Terra Energy Limited (which is now a wholly owned subsidiary of Guildford) for A\$25 million. The option expires immediately prior to a qualifying IPO, otherwise there is no expiration date.

The Company has received a revised claim of US\$2 million for 2013 contract variations relating to the BNU mine haul road contractor. The Company is reviewing the validity of the claim and is in ongoing discussions with the claimant.

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

NOTE 27 RELATED PARTY DISCLOSURES

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

Transactions with related parties are summarised as follows:

THECHAIRMEN1 PTY LTD

Guildford entered into a management agreement with TheChairmen1 Pty Ltd (C1) dated 26 May 2010 (which was varied on 20 July 2010) ("Management Agreement"). Under the terms of the Management Agreement C1 has agreed to provide certain management services to Guildford for a fee of \$2,500,000 per annum (excluding GST). During the year ended 30 June 2014, the Group paid C1:

- » management fees totalling \$2,500,000 (2013: \$2,500,000); and
- » subsequent to end of the year the Board and C1 have agreed, subject to shareholder approval at the AGM, to forego from September 2014 payment of all remaining management fees totalling \$2,083,334 in consideration for the Company transferring 15% of its shareholding in Springsure Mining Pty Ltd to C1.

On the 29 November 2013 the Company announced a Maiden JORC Indicated Resource of 43Mt in Exploration Permit for Coal (EPC) 1674, Springsure Project, with a remaining 148Mt Inferred Resource. The Indicated Resource triggered a settlement from The Company to Resco Projects Pty Limited (Resco) under the Springsure Share Sale Agreement by which Springsure was acquired by The Company (Springsure Settlement).

Resco had assigned the Springsure Settlement to TheChairmen1 Pty Ltd (C1). ResCo's assignment of the Springsure agreement to C1 extinguished the corresponding liability that ResCo had to C1, stemming from ResCo's agreement to purchase shares in Springsure from C1. The Company consented to this assignment in return for adjustments to the Springsure Settlement which improved the commercial terms for the Company.

The revised commercial terms were as follows:

- » the Springsure Settlement was to have been \$11 million (being payments of \$2.2 million for each 10Mt tranche up to a maximum 50Mt of JORC Indicated Resource). However, The Company would only make payments for four 10Mt tranches (totalling \$8.8 million) as C1 had agreed to forego, after negotiations with Guildford, any settlements for the fifth 10Mt tranche;

GUILDFORD COAL

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

- » the Company was released from any obligation to pay the fifth 10Mt tranche; and
- » payment was made by the issue to C1 of fully paid ordinary shares in The Company, not a cash settlement.

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Loans to key management personnel

During the year, Guildford provided a personal loan to Mr Tsogt Togoo of \$74,099 on interest free terms. Mr Tsogt was awarded a cash bonus during the year which he chose to offset against the personal loan.

Other directors' interests

The Hon Alan Griffiths was a shareholder in TheChairmen1 Pty Ltd. He relinquished those interests on 27 September 2013.

Mr Tsiakis is one of two directors of Nooava Pty Ltd and a shareholder. Nooava is a trustee company for the Tsiakis Family Trust of which Mr Tsiakis is one of the beneficiaries. Nooava in its capacity as a trustee for the Tsiakis Family Trust is an 8.54% shareholder of TheChairmen1 Pty Ltd.

Mr Tsogt is a nominee of Terra Holdings Ltd which is a major shareholder with 20,000,000 fully paid ordinary shares in the Company. Terra Holdings Ltd also has a 30% interest in Mongolian subsidiary Guildford Coal (Mongolia) Pty Ltd. Terra Holdings Ltd is a guarantor for Mongolian Petroleum Corporation Pte Ltd ("MPC") which Guildford had paid a deposit of US\$2 million in respect of a potential purchase of all the shares of MPC. Refer Note 9.

NOTE 28 EVENTS OCCURRING AFTER THE REPORTING DATE

In the interval between the end of the financial year and the date of this report there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years other than the following:

- » on the 2 July 2014 the Company 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;
- » the Company announced on 7 July 2014 that it had entered into an underwriting agreement with Maiora Asset Management Pte. Ltd to fully underwrite a non-renounceable pro rata entitlement offer to Guildford's shareholders.

The entitlement offer was on the basis of 1 new share for every 18.248 shares held at \$0.06 to raise \$2.5 million with a closing date of 30 July 2014. Those shareholders who participated in the offer also received 1 free attaching option for each share subscribed for in the offer, exercisable at \$0.06 within 3 months of Entitlement Offer grant. If all options are exercised the Entitlement Offer will raise a further \$2.5 million.

In addition to the underwritten amount of \$2.5 million, the Underwriter had agreed to subscribe for \$2.5 million worth of Guildford shares at the conclusion of the Entitlement Offer period, and was issued with 1 free attaching option for each share subscribed for, exercisable at \$0.06 within 3 months of the Entitlement Offer grant. If the Underwriter exercises all of its options it will subscribe for shares to the value of a further \$2.5 million.

Guildford seeks to raise up to \$10 million with the Entitlement Offer and the underwriting agreement. As at the date of this report the Company had received \$5 million through the offer;

- » the entitlement offer resulted in an OCP Asia debt facility covenant being broken, specifically that a change of control as defined in the Deed Agreement had occurred. The Company has discussed this with OCP Asia and are seeking a formal waiver. OCP are the beneficial holders of 50% of the principal amount of the Convertible Notes and 54.54% of the principal amount of the Amortising Note and have agreed to instruct the Note holders to reduce the change of control provision from 30% to 20% and also waive redemption rights as they relate to the change of control that has occurred to date;
- » following an announcement on 17 July 2014 that the Board had received a confidential, unsolicited offer to acquire all of Guildford's Australian coal assets, the Board further advised on 1 August 2014 that they had reached agreement with Sino Construction Limited (Sino), a Singaporean company listed on the Main Board of the Singapore Exchange Securities Trading Limited (SGX), on the terms of Sino's offer to acquire all of Guildford's Australian coal assets;
- » subsequent to the agreement reached on 1 August 2014 the Company received notice that Sino intends to make a conditional off-market takeover bid to acquire all of the issued shares in the Company;
- » on 14 August 2014 20,000,000 bond conversion warrants (convertible in up to 20,000,000 fully-paid ordinary shares in the Company) exercisable from 2 May 2013 at an adjustable exercise price of \$0.50 per warrant expired, unexercised;
- » the Company announced on 15 August 2014 that following on the successful renewal of the Springsure Project's Exploration Permit for Coal (EPC) No. 1674 for an additional 5 years until 30 June 2019, Springsure Mining Pty Limited is in the process of making a submission to the Department of Mines and Natural Resources for a Mineral Development Lease (MDL) over part of EPC No. 1674. Obtaining the MDL will enable the Company to progress to commercialisation in a timely manner;
- » on the 21 August the Company announced that former Leighton Holdings Chief Executive Wal King will be appointed as Non-Executive Chairman of the Guildford Board from 29 September. The Company further announced on 29 September that in light of the Sino offer the Board has accepted Mr King's offer to delay his commencement date until the Sino proposal for an off-market takeover has been determined;

GUILDFORD COAL

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

- » the Company announced on 25 August 2014 that the BNU mine has commenced the first 8000t shipment of coking coal from its South Gobi mine. This significant milestone comes after 9 months of negotiations with regulatory approval agencies in Mongolia and it signals the critical next phase of progress to a commercial mine operation;
- » on the 29 September the Company announced that The Hon Craig Wallace had resigned as a Non-Executive Director and also that Mr Chris Munday had been appointed acting CFO commencing 8 October 2014;
- » the Company has agreed with Noble to defer certain payment obligations to December refer Note 14; and
- » Guildford entered into a management agreement with TheChairmen1 Pty Ltd (C1) dated 26 May 2010 (which was varied on 20 July 2010) ("Management Agreement"). Under the terms of the Management Agreement C1 has agreed to provide certain management services to Guildford for a fee of \$2,500,000 per annum (excluding GST). Subsequent to end of the year the Board and C1 have agreed, subject to shareholder approval at the AGM, to forego from September 2014 payment of all remaining management fees totalling \$2,083,334 in consideration for the Company transferring 15% of its shareholding in Springsure Mining Pty Ltd to C1.

NOTE 29 PARENT ENTITY

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

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

INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

	2014 \$	2013 \$
Statement of Financial Position		
Assets		
Current assets	8,948,884	24,625,304
Non-current assets	126,451,357	131,731,932
Total Assets	135,400,241	156,357,236
Liabilities		
Current liabilities	34,031,502	15,551,962
Non-current liabilities	65,978,861	33,795,455
Total Liabilities	100,010,363	49,347,417
Equity		
Issued capital	170,466,514	168,806,514
Retained earnings	(143,077,549)	(66,540,722)
Option Reserve	8,000,913	4,744,027
Total Equity	35,389,878	107,009,819
Consolidated Statement of Comprehensive Income		
Total profit or loss for the year	(19,898,246)	(4,534,702)
Total comprehensive income	(19,898,246)	(4,534,702)

NOTE 30 COMPANY DETAILS

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

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

GUILDFORD COAL

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. the financial statements and notes for the year ended 30 June 2014 are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
 - b. give a true and fair view of the financial position and performance of the consolidated Group;
2. the Group Managing Director and Chief Financial Officer have given the declarations required by Section 295A that:
 - a. the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c. the financial statements and notes for the financial year give a true and fair view.
3. in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



The Hon Alan Griffiths

Acting Non-Executive Chairman

Dated 30 September 2014

GUILDFORD COAL

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GUILDFORD COAL LIMITED



Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
ey.com/au

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

Report on the financial report

We have audited the accompanying financial report of Guildford Coal Limited which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

Independence

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

GUILDFORD COAL

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GUILDFORD COAL LIMITED



Auditor's Opinion

In our opinion:

- a. the financial report of Guildford Coal Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Material Uncertainty Regarding Continuation as a Going Concern

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

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Guildford Coal Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Kellie McKenzie
Partner
Brisbane
30 September 2014

GUILDFORD COAL

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

ASX ADDITIONAL INFORMATION

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. This information is effective as at 25 September 2014.

VOTING RIGHTS

Ordinary Shares:

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

Distribution of equity security holders

	Ordinary shares	
	Number of Holders	Number of Units
Holding	115	62,495
1 1,000	371	1,152,221
1,001 5,000	334	2,782,478
5,001 10,000	932	34,398,887
10,001 100,000	345	806,805,904
100,000 and over	2,097	845,201,985

There were 685 holders of less than a marketable parcel of ordinary shares.

GUILDFORD COAL

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

TWENTY LARGEST SHAREHOLDERS

	Ordinary shares	
	Number held	% of issued shares
HSBC CUSTODY NOMINEES	118,529,920	14
EQUITAS NOMINEES PTY LIMITED	100,000,000	12
EQUITAS NOMINEES PTY LIMITED	83,935,600	10
MAIORA SPECIAL SITUATIONS FUND	77,300,466	9
CITICORP NOMINEES PTY LIMITED	59,050,870	7
NATIONAL NOMINEES LIMITED	49,099,419	6
GLENEAGLE SECURITIES NOMINEES PTY LIMITED	27,482,785	3
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 3	22,377,443	3
JP MORGAN NOMINEES AUSTRALIA LIMITED	15,474,752	2
MR KEVIN TAY HAK-LEONG	11,800,810	1
UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LIMITED	10,810,570	1
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	9,437,541	1
SUPER PROPERTIES PTY LTD	8,437,981	1
NOOAVA PTY LTD	8,365,921	1
MYRA NOMINEES PTY LIMITED	7,831,892	1
CAPRI TRADING PTY LTD	6,500,000	1
UBS NOMINEES PTY LTD	6,217,668	1
BRISPOD NOMINEES PTY LTD	5,701,265	1
MR ANDREW ROBERT VERNON KING	5,555,184	1
MR KEVIN TAY HAK-LEONG	5,522,146	1
	639,432,233	77

SECURITIES EXCHANGE

The Company is listed on the Australian Securities Exchange.

GUILDFORD COAL

CORPORATE DIRECTORY

DIRECTORS

The Hon Alan Griffiths
Acting Non-Executive Chairman

Mr Kon Tsiakis
Non-Executive Director

Mr Peter Kane
Group Managing Director

Mr Tsogt Togoo
Executive Director

COMPANY SECRETARY

Mr Kon Tsiakis

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

Phone: +61 7 3005 1533

SHARE REGISTRY

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

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

SOLICITORS

Herbert Smith Freehills
101 Collins Street
Melbourne, Victoria 3000
Australia

BANKERS

Westpac Banking Corporation Limited
Shop 2, 700 Albany Creek Rd
Albany Creek, QLD 4035

AUDITORS

EY
Level 51, 111 Eagle Street
Brisbane, QLD 4000
Australia



GUILDFORD
COAL

guildfordcoal.com.au