

25 June 2014

## ASX ANNOUNCEMENT

### Baruun Noyon Uul (BNU) JORC (2012) Compliant Resource Statement

#### HIGHLIGHTS

- JORC Code (2012) resource classification update of the Baruun Noyon Uul (BNU) Mongolian project by Independent mining consultants HDR|Salva
- JORC Code (2012) resource of 27.07Mt
- JORC Code (2012) resource confidence increase with 15.26Mt Measured, 8.77Mt Indicated and 3.04 Mt 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
- Four new target areas in close proximity to BNU have been interpreted from ground geophysics independently by GRS Services Pty Ltd

Guildford Coal Limited (ASX: GUF) (the Company) announced today the release of a JORC Code (2012) compliant resource estimate for the Baruun Noyon Uul (BNU) Mongolian project by Independent mining consultants HDR|Salva. Refer to the attached BNU Resource Estimate Update (Appendix A) for further mandatory reporting information.

Further to the announcement on 13 May 2014, the Company provides the following clarifications:

- The Company's Corporate model for the Baruun Noyon Uul (BNU) Mine is based on an initial mine plan at a conservative rate of 1Mtpa for 10 years (10Mt)
- Revenue forecasts are based on pricing received from our marketing agent for a Wuhai Fat Coal specification. A premium for low ash, low sulphur HCC has not been included
- Mine cost assumptions are based on actual mining costs data that have been incurred over the last 6 months of operation at the BNU mine
- Mining technique utilised at the BNU Mine is a Truck Shovel open cut operation.
- Washing of the coal has been considered in the models
- Recent small scale washability tests of the existing first coal stockpiles conducted by Bureau Veritas revealed yields of circa 60-90% and ash ranges of 5-8% and Sulphur of 0.4-0.7%
- Bureau Veritas also conducted test on the clean coal for Coking properties including Coke Oven (CSR,CRI), Gieseler Fluidity, Dilatometer and Gray King Coke Test. The sample returned a CSR of 68.7, CRI of 22.3 and Max Fluidity of 12000dpm
- Margin at minegate remains at US\$10 - \$15/tonne
- The BNU operations model assumptions have been utilised and applied on three other key exploration areas identified within the two mining licences currently held, for which one location appears to be twice as large as the existing BNU deposit
- These assumptions form the basis of the corporate model from which the value range of \$300-\$400M was derived

For further information please contact Peter Kane, Group Managing Director, 07 3005 1533.



Peter Kane

Group Managing Director

## Appendix A

### BNU Resource Estimate Update

#### COAL RESOURCES

The resource statement was prepared by independent consultancy Salva Resources Pty Ltd (“HDR|Salva”) for the Terra Energy Mongolian Baruun Noyon Uul (BNU) deposit.

The estimate of coal resources has been undertaken in compliance with the requirements of the reporting guidelines of the 2012 Joint Ore Reserves Committee (JORC) of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and the Minerals Council of Australia (“The JORC Code”).

The updated coal resource was estimated from continued exploration drilling at the BNU deposit in the second half of 2013 with a view to upgrading the geological confidence in the deposit to a Measured resource from the previous Indicated and Inferred resources. This estimate is based on an exploration database which comprises of 228 drill holes, of which 150 have been used in the estimate.

The exploration data acquired for the purposes of generating a resource estimate was firstly reviewed and validated using rigorous QA/QC procedures. Coal seam interpretation and identification was then performed on the downhole geophysical data with reference to the supporting lithology and sampling data. This valid and interpreted data was then imported into the Ventyx MineScape Stratmodel software for geological modelling and resource estimation. Resultant models were then validated using statistical analysis as well as manual checks of generated output such as contour plans and structural cross-sections.

The validated geological model was then classified into Measured, Indicated and Inferred Coal Resource categories following JORC Code (2012) guidelines. HDR|Salva have estimated a total Coal Resource of 27.07 million tonnes (Mt) on an in-situ air-dried basis. The total Coal Resource is comprised of 15.26 million tonnes of Measured Resources, 8.77 million tonnes of Indicated Resources and 3.04 million tonnes of Inferred Resources.

Coal resources present in the Terra Energy BNU deposit have been estimated and classified in accordance with the guidelines contained within the JORC Code, 2012. The classification of coal resources within the modelled area is based on the following point of observation spacing’s (expressed as radii of influence around a point of observation, which is half of the spacing between points of observation) of:

- Measured = 100m radius of influence
- Indicated = 200m radius of influence
- Inferred = 400m radius of influence

These spacing's have been determined on the basis of statistical analysis of attributes considered to be critical to the economic viability of the deposit, namely seam thickness and raw ash%. Both thickness and raw ash exhibit a fairly high degree of variability as compared to typical Australian coal deposits, hence a reduction in the recommended maximum spacing's between points of observation, as outlined in the Coal Guidelines (2003), is considered necessary to more accurately reflect the confidence in the resource estimate. Bench marking against resource estimates performed on the adjacent South Gobi Sands (SGS) deposits at Soumber, Biluut and Jargalant (Minarco Mineconsult, 2013) shows that the spacing used for the resource classification of the BNU deposit are similar to those used for these deposits.

HDR | Salva has evaluated the potential for eventual economic extraction of the BNU coal deposit in order to determine a limiting polygon for the resource. A vertical cumulative strip ratio limit to the base of the I seam of 20:1 and a maximum depth to coal of 350 m has been used to identify that portion of the deposit where potential economic extraction is considered justifiable within a ten year time frame. A longer term view on coal prices has been taken in this regard, given the current depressed coking coal prices.

Resource Category	Coal Resource Tonnage			Total (Mt)
	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	
0 – 175 m	12.81	5.43	1.52	19.76
175 – 350 m	2.45	3.34	1.52	7.31
Total Deposit	15.26	8.77	3.04	27.07

**Table 1: Summary of Coal Resources at BNU as at April 2014**

(Note: individual totals may differ due to rounding).

Seam	Resource Category (0-175 metres)									Total (Mt)
	Measured			Indicated			Inferred			
	Mass (Mt)	Av. Thick. (m)	Raw Ash % (adb)	Mass (Mt)	Av. Thick. (m)	Raw Ash % (adb)	Mass (Mt)	Av. Thick. (m)	Raw Ash % (adb)	
A	0.73	2.28	26.43	0.53	1.64	27.34	0.32	2.40	29.14	1.58
A1	0.40	1.45	22.59	0.28	1.39	22.17	0.10	1.54	23.17	0.78
A2	0.27	0.97	32.54	0.23	1.07	31.46	0.08	1.16	27.09	0.58
C	0.12	0.59	34.98	0.08	0.42	36.21	0.06	0.40	35.76	0.26
C2	0.01	0.31	34.45	0.00	0.19	34.77	0.00	0.34	37.77	0.02
D	0.66	3.23	20.76	0.15	2.76	13.86	0.01	2.49	14.54	0.82
D1	1.61	1.52	27.87	0.38	1.08	26.80	0.05	0.87	28.09	2.04
D2	1.36	1.34	30.53	0.26	0.83	35.35	0.02	0.47	34.40	1.63



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Seam	Resource Category (0-175 metres)									Total (Mt)
	Measured			Indicated			Inferred			
	Mass (Mt)	Av. Thick. (m)	Raw Ash % (adb)	Mass (Mt)	Av. Thick. (m)	Raw Ash % (adb)	Mass (Mt)	Av. Thick. (m)	Raw Ash % (adb)	
D3	0.29	0.47	29.38	0.03	0.21	33.74	0.00	0.18	38.62	0.32
E	0.08	0.48	36.42	0.17	0.49	33.68	0.03	0.28	29.92	0.27
E1	0.02	0.25	34.77	0.01	0.31	37.31	-	-	-	0.02
E2	0.02	0.24	36.16	0.00	0.26	32.08	-	-	-	0.02
F	0.28	0.79	40.85	0.08	0.57	41.42	0.00	0.45	42.11	0.36
F1	0.34	0.38	38.88	0.05	0.31	38.24	0.00	0.23	43.10	0.40
F2	0.34	0.45	45.16	0.10	0.50	48.47	0.00	0.12	46.28	0.44
F3	0.02	0.19	32.17	0.00	0.16	33.55	-	-	-	0.02
G	1.06	1.78	38.42	0.60	1.41	38.62	0.13	0.97	42.82	1.78
G1	0.18	0.48	34.53	0.18	0.47	40.07	0.01	0.33	42.17	0.37
G2	0.18	0.69	42.54	0.08	0.39	39.70	-	-	-	0.26
G3	0.08	0.35	36.22	0.09	0.31	31.73	0.01	0.47	30.69	0.19
GHI	1.93	5.19	31.70	0.93	5.15	34.97	0.33	2.42	39.15	3.19
H	1.09	1.66	39.91	0.37	1.30	37.11	0.17	1.11	33.14	1.63
H1	0.32	0.86	33.82	0.10	0.77	35.06	0.00	0.62	34.81	0.42
H2	0.16	0.52	38.75	0.05	0.59	35.28	0.00	0.56	34.90	0.21
H3	0.02	0.26	47.12	0.00	0.27	40.11	-	-	-	0.02
HI	0.13	2.34	35.58	0.23	2.32	35.66	0.10	1.66	39.09	0.47
I	0.94	1.25	43.56	0.41	1.00	43.52	0.08	0.68	42.67	1.43
I1	0.10	0.54	49.22	0.03	0.36	51.52	-	-	-	0.13
I2	0.04	0.34	37.71	0.02	0.18	45.30	-	-	-	0.05
I3	0.01	0.25	42.53	0.00	0.19	44.59	-	-	-	0.01
Total	12.81			5.43			1.52			19.76

**Table 2a: Detailed Coal Resources 0-175m inclusive of raw coal quality as at BNU as at April 2014**

(Note: individual totals may differ due to rounding).

Seam	Resource Category (175-350 metres)									Total (Mt)
	Measured			Indicated			Inferred			
	Mass (Mt)	Av. Thick. (m)	Raw Ash % (adb)	Mass (Mt)	Av. Thick. (m)	Raw Ash % (adb)	Mass (Mt)	Av. Thick. (m)	Raw Ash % (adb)	
A	0.04	3.11	22.83	0.11	2.28	23.08	0.11	1.97	24.46	0.26
A1	0.01	1.04	19.48	0.00	1.22	18.93				0.01
A2	0.01	0.78	15.06	0.00	0.54	20.43	0.00	0.02	21.30	0.01
C	0.01	0.66	36.55	0.05	0.51	36.37	0.03	0.41	36.24	0.10



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Seam	Resource Category (175-350 metres)									Total (Mt)
	Measured			Indicated			Inferred			
	Mass (Mt)	Av. Thick. (m)	Raw Ash % (adb)	Mass (Mt)	Av. Thick. (m)	Raw Ash % (adb)	Mass (Mt)	Av. Thick. (m)	Raw Ash % (adb)	
D	0.13	2.89	10.09	0.07	2.50	13.82	0.05	2.48	15.26	0.25
D1	0.27	2.23	25.86	0.29	1.75	28.78	0.11	1.23	28.83	0.67
D2	0.30	2.20	27.20	0.28	1.70	28.74	0.11	1.15	32.80	0.69
D3	0.02	0.27	43.79	0.01	0.18	32.55	0.01	0.14	38.16	0.04
E	-	-	-	0.04	0.80	35.48	0.04	0.43	34.75	0.08
E1	0.02	0.25	29.11	0.02	0.17	30.81	0.00	0.16	32.01	0.04
E2	0.01	0.18	44.14	0.01	0.14	45.54	0.00	0.17	42.38	0.03
F	0.01	1.35	44.61	0.06	0.91	31.17	0.00	0.60	30.79	0.08
F1	0.02	0.24	39.54	0.04	0.29	37.83	0.00	0.23	35.88	0.06
F2	0.02	0.24	42.83	0.03	0.24	38.31	0.00	0.16	35.14	0.05
G	0.10	1.71	20.09	0.42	1.88	38.14	0.16	1.66	37.56	0.68
G1	0.14	0.49	38.61	0.15	0.49	38.97	0.02	0.52	41.37	0.32
G2	0.12	0.42	40.66	0.11	0.40	40.94	0.02	0.45	41.60	0.25
G3	0.11	0.57	31.41	0.10	0.43	32.20	0.01	0.23	29.30	0.21
GHI	0.08	9.22	16.65	0.05	8.20	19.01	-	-	-	0.12
H	0.36	2.19	50.12	0.74	1.99	43.39	0.39	1.68	40.93	1.49
H1	0.12	1.00	36.29	0.19	0.91	36.06	0.05	0.91	36.68	0.36
H2	0.10	0.76	36.91	0.16	0.75	35.87	0.03	0.61	35.81	0.29
I	0.32	1.18	46.95	0.35	1.06	45.43	0.27	1.41	45.81	0.94
I1	0.08	0.56	53.07	0.04	0.41	44.67	0.07	0.41	44.96	0.19
I2	0.03	0.40	38.07	0.02	0.26	47.59	0.03	0.23	47.70	0.08
Total	2.45			3.34			1.52			7.31

**Table 2b: Detailed Coal Resources 175-350m inclusive of raw coal quality as at BNU as at April 2014**

(Note: individual totals may differ due to rounding).

Table 2a and Table 2b present in situ coal tonnes on and air dried basis, together with average thickness and raw coal quality for both compound and split seams, grouped according to resource category and depth below surface. It should be noted that in many instances only a few valid coal quality intercepts are available for some of the less common splits in the stratigraphy and hence the associated estimate of average raw coal quality for those plies with low numbers of intercepts are considered less robust.

The current resource estimate of 27.07 Mt represents a material change to the previous resource estimate of 70.36 Mt conducted by Moultrie Database and Modelling Pty Ltd in 2011 (Table 3).

The variation in tonnage between the current and previous resource estimates are considered to be due to the following factors;

- A much larger dillhole database was used for the current estimate, incorporating the results of detailed drilling conducted in 2012 and 2013.
- HDR | Salva have applied much smaller classification distances between points of observation on the basis of statistical analysis of a much more comprehensive seam thickness and raw coal quality database.
- Due to the fact that according to the updated JORC Code (2012) guidelines, the basis for the reasonable prospects assumption is always a material matter, HDR | Salva has applied a more robust economic assessment to the classification of resources. The previous resource estimate was done under the previous JORC Code (2004) guidelines which were less prescriptive in this regard.

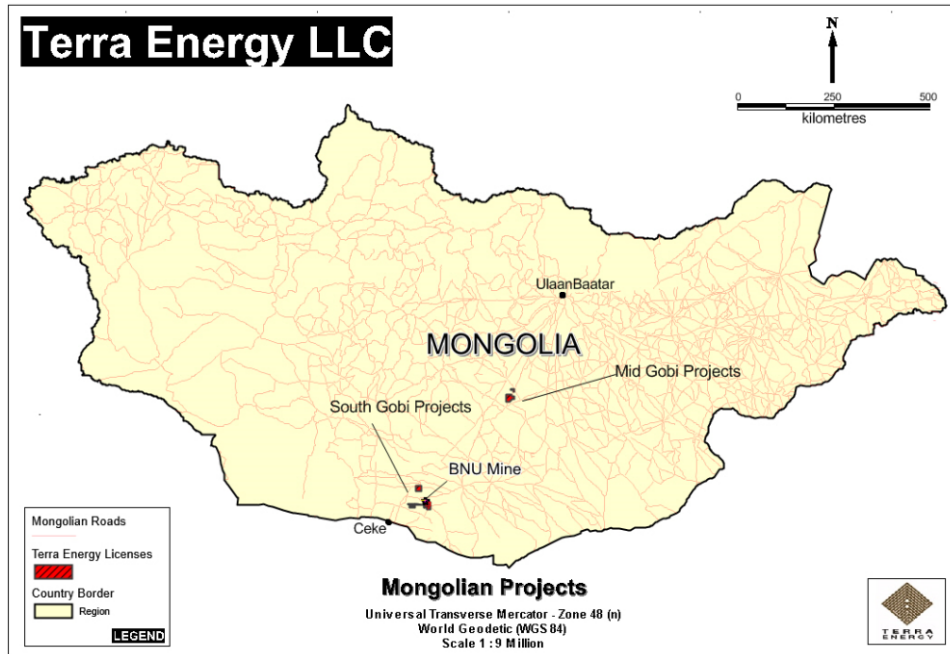
Coal Resource Category	Reported Tonnage
Indicated Resources	39.69
Inferred Resources	30.67
Total tonnes of coal	70.36

**Table 3 Previous Coal Resource Estimate by Moultrie (2011)**

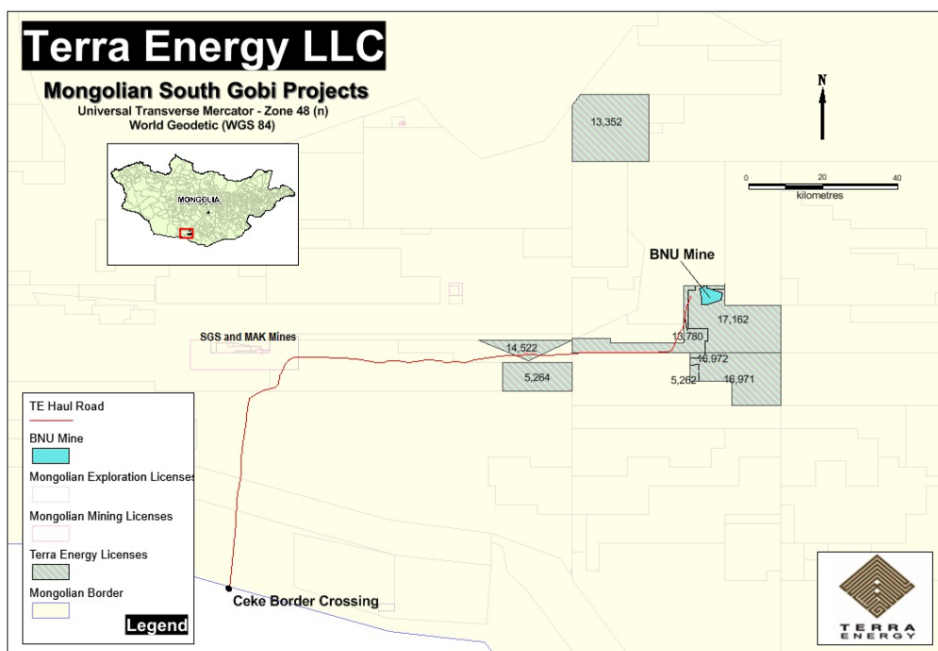
#### **Location and License Details**

The Baruun Noyon Uul (BNU) deposit is within the mining license MV-017162, held by Terra Energy as part of their South Gobi Project. This South Gobi Project comprises eight licenses in the extensive Ovoot Khural Basin and one license in the Nemegt Basin.

The BNU project is situated in the South Gobi Province Omnigovi aimag, approximately 1,000 km south-west of the Mongolian capital of Ulaanbaatar and approximately 140 km by road from the Chinese border coal station of Ceke. Coal produced in nearby Mongolian mines is currently transported by road through Ceke en route to China. The project is also strategically located approximately 50 km east of Nariin Sukhait which includes South Gobi Resources' (SGS) Ovoot Tolgoi mine and the MAK mine, which produce and export coking and thermal coal to customers in China. Figures 1 and 2 show the location of the BNU deposit.



**Figure 1 General Location Map**



**Figure 2 Location of BNU Mine with GUF South Gobi Licenses**



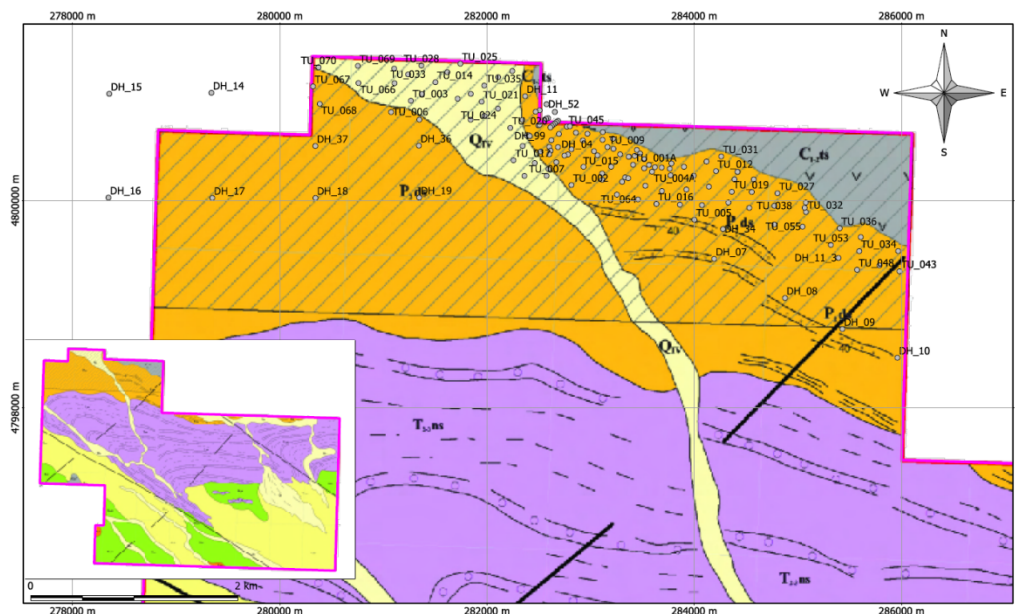
## Geology

Geological studies since the 1920's have identified more than 200 coal occurrences and deposits, within Carboniferous, Permian, Jurassic and Cretaceous sedimentary rocks found in Mongolia. All are considered to be humic coals formed under non-marine conditions.

Mongolian coal deposits can be classified into two coal-bearing provinces (Western and Eastern Mongolia), twelve basins, and three areas based on origin, age, tectonic setting, coal characteristics and coal-bearing sequences. Broadly speaking, the western Mongolian coal-bearing province contains mostly high rank bituminous coal hosted within Late Carboniferous sedimentary units.

Between these two major Provinces is the South Gobi basin containing the BNU deposit. The basin contains coals of varying ages throughout Upper Permian, Lower-Middle Jurassic, and Lower Cretaceous non-marine strata. They are intensely folded and faulted due to uplift during the Cenozoic Era, which also created the Altai and Khangai mountain ranges. The main coal resources of the South Gobi basin, which the BNU project lies within, are sub-bituminous to bituminous Permian coals; however coal is also present in Jurassic strata.

Locally in the Late Jurassic and Early Cretaceous periods, compression tectonics gradually folded and thrust faulted the project area. The sediments underwent mild thermal alteration which may have increased the coal rank. Carboniferous basement was also uplifted providing source sediments for the Cretaceous retro-arc foreland basin. Regional uplift in the Tertiary has resulted in the gradual erosion of the Cretaceous cover exposing the back-arc basin sediments.



**Figure 3 Local Geology with Drillhole locations**

## COAL OCCURANCE AND STRATIGRAPHY

The nomenclature of the coal seams within the BNU deposit has been applied using a simple alphabetical naming scheme. Names have been allocated in a generally descending order through



the stratigraphy, ranging from the A to P seams. The exception to this simple scheme is the X and Y seams which are found stratigraphically above the A seam.

Numerous series of seam splitting is seen to occur within many of these seams across the deposit. The various splitting elements are identified by the allocation of a numerical suffix to the seam name. These split identifiers are applied in numerical order from the uppermost split down.

This splitting is particularly complex across the G, H and I seams within the stratigraphy. These seams appear to regularly split and also coalesce across the deposit, which in some areas has created seam thicknesses exceeding 10 metres.

## **EXPLORATION**

Since 2011 the first detailed exploration of the coal deposit occurred in 2011 and was completed by Terra Energy geologists. A more extensive drilling program was carried out at the BNU-1 North deposit during 2012 and 2013 to improve the knowledge and understanding of the deposit. A total of 161 drillholes were completed during this period to confirm the deposit extents and coal quality and also to complete some infill drilling to better delineate the structure of the deposit. HDR|Salva was commissioned to produce an updated resource estimate report. This report was based on the data acquired from both the 2011 and 2012-2013 exploration programs.

The exploration program to date can be summarised as follows:

- A total of 228 drillholes were drilled.
- Drillhole spacing is between 130 and 380 metres.
- Collars of all of the drillholes were surveyed via DGPS and levelling instruments.
- 2597 samples taken from cored drillholes have been analysed.
- Geophysical logging was completed on 91% of recently completed drillholes.
- 30 host rock samples (roof, floor, stone parting) have been sent to laboratory for physico-mechanical study.

Only drillholes satisfying the requirements of the JORC Code (2012) were used within the estimate.

## **SAMPLING and QA/QC**

All the drillholes have been sampled for coal quality analysis following a Standard Operating Procedure (SOP) provided to field geologists on site. Drillholes were sampled based on a ply by ply method. Coal quality sampling was conducted subsequent to the geophysical logging of each drillhole and the geophysical log was used to adjust sample depths where necessary as well as assess the degree of core recovery for each drillhole.

All geological and geophysical data was stored in a Microsoft Access database and exported as CSV files where necessary.

The interpretation and correlation of the coal seams from the geophysical logs was completed by HDR|Salva during construction of the resource model. Stratigraphic interpretation was conducted by assessment of the seam depth intervals, structural elevation, seam thicknesses and lithological logs. The seam picks were then correlated using standard stratigraphic methods such as using cross-sections displaying existing neighbouring drillholes in orientations parallel and perpendicular to strike to confirm the correct and consistent application of seam nomenclature.

The coal seam intervals for the entire BNU deposit were then compared with the coal quality sample depths to ensure that the sampled intervals matched the seam depths. If the sampled interval was outside the geophysically corrected seam depth but returned valid coal quality values, the seam depth was re-adjusted to accommodate the sample. This was only done if the sampled interval was within about 15 cm of the seam pick roof or floor and this is based on past experience that this is typically the confidence limit for seam picks derived from interpretation of down hole geophysical logs.

The coal quality analysis was undertaken by Alfred H Knight International Limited (AHK). AHK assures clients of the highest standards of service, backed by professional industry accreditation from external agencies and their own meticulous in-house quality systems.

Relative Density (RD), Inherent Moisture (IM), Ash Content (Ash), Volatile Matter (VM), Fixed Carbon (FC), Total Sulfur (TS), and Calorific Value (CV) were reported on dry basis in the report received from AHK Knight. These coal quality parameters were converted to air dried basis to be used in the estimation.

All the coal quality samples available were scrutinised for use in the quality model. All the data files (collar, lithology, samples, seam picks and assays) were loaded into a Microsoft Access database for comparison and correction. In this database, samples were confirmed against the drillholes and against the lithology to double-check for core loss.

The representivity of the coal quality sampling was assessed prior to inclusion of these samples into the model. Samples were rejected if there exists:

- Less than 95% linear recovery in a seam section;
- Less than 90% sampling of a seam;
- More than 50% dilution of roof/floor in a sample; or
- If a sample included weathered material.

## **PRODUCT COAL QUALITY**

A comprehensive technical report by Millennium (2014) to analyse numerous coal quality parameters of sampled material provided from the BNU deposit indicates the provided samples display coking coal properties at densities between 1.3 g/cm<sup>3</sup> and 1.4 g/cm<sup>3</sup>

It should be noted however that the material sampled for these analyses was oxidised. The material that was sampled was from both the D and GHI seams, which was exposed on the current pit benches at elevation levels between 1612 to 1608 metres.

Grainsize (mm)	CSN		G Index	
	1.3 Solution Density (g/cm <sup>3</sup> )	1.4 Solution Density (g/cm <sup>3</sup> )	1.3 Solution Density (g/cm <sup>3</sup> )	1.4 Solution Density (g/cm <sup>3</sup> )
< 50	7.5	6.5	104.7	97.4

**Table 4 Coking Property Indicators for the D seam**

Grainsize (mm)	CSN		G Index	
	1.3 Solution Density (g/cm <sup>3</sup> )	1.4 Solution Density (g/cm <sup>3</sup> )	1.3 Solution Density (g/cm <sup>3</sup> )	1.4 Solution Density (g/cm <sup>3</sup> )
21 - 12	7.5	2.5	92.6	42.9
12 - 3	7.0	2.5	96.7	50.4
3 - 1	8.0	2.0	97.4	28.0

**Table 5 Coking Property Indicators for the GHI seam**

Limited washability testing has been undertaken to date with more analysis proposed. The sampling was completed from various ROM pad piles, with samples selected representing both the D and GHI seams. This material was all excavated from pit benches between 1604 and 1612 metres.

Initial results have shown to achieve a product with an ash value of 7.5%, most yields generally ranged from approximately 80 to 90%. However the combined GHI seam sample (piles 1-4) indicated yields of approximately 60% for a 7.5% ash product, while the GHI seam sample from pile 19 only returned a yield of approximately 5% for a 7.5% ash product.

A summary of the ash and yield results is presented in Table 6. These indicate a range of yields at a 1.3 g/cm<sup>3</sup> or 1.4 g/cm<sup>3</sup> cut point density of between 2% and 78%. It is possible that low yielding samples are due to contamination and/or oxidation and more testing is currently underway in order to obtain more information with regard to likely product coal yields.

In April 2014 the first results of the current detailed coal characteristic program have been received for D seam pit bench 1604-1608. The tests performed by Bureau Veritas laboratory in Mongolia and Australia have tested a range of Coking properties including Coke Oven (CSR,CRI), Gieseler Fluidity, Dilatometer and Gray King Coke Test . The results of these tests are presented in Tables 7,8 and 9 and are considered indicative of a premium coking coal product.

Seam	Relative Density Fraction	Cumulative Ash (adb)	Yield	Cumulative Yield
D seam (Bureau Veritas)	F1.30	3.30	48.07	48.07
	F1.40	5.03	29.67	77.75
	F1.50	5.90	6.86	84.61
	F1.60	6.51	2.73	87.35
	F1.70	7.02	1.61	88.96
	F1.80	7.38	0.95	89.90
	S1.80	15.02	10.10	100.00
D seam (SGS)	F1.30	4.18	33.77	33.77
	F1.40	6.09	40.05	73.82
	F1.50	6.91	7.73	81.55
	F1.60	7.65	3.80	85.35
	F1.80	8.60	3.40	88.75
	S1.80	15.84	11.25	100.00
GHI seam (pile 1)	F1.30	2.81	20.77	20.77
	F1.40	4.95	39.71	60.48
	F1.50	6.79	17.82	78.30
	F1.60	8.09	6.88	85.18
	F1.70	10.19	7.43	92.61
	F1.80	14.03	7.40	100.01
GHI seam (piles 1-4) (inclusive)	F1.40	7.80	60.70	60.70
	F1.50	9.51	9.90	70.60
	F1.60	11.16	5.80	76.40
	F1.70	12.71	5.00	81.40
	F1.80	22.94	18.60	100.00
GHI seam (pile 19)	F1.30	6.39	1.98	1.98
	F1.40	7.31	2.30	4.28
	F1.50	12.58	5.76	10.04
	F1.60	20.50	24.44	34.48
	F1.70	27.12	41.78	76.26
	F1.80	34.84	23.74	100.00
GHI seam (pile 44)	F1.30	3.25	24.36	24.36
	F1.40	5.18	42.25	66.61
	F1.50	6.68	19.51	86.12
	F1.60	7.25	3.75	89.87
	F1.70	7.87	2.25	92.12
	F1.80	13.06	7.86	99.98

**Table 6 Statistical Summary from Washability Curves**

Sample Identification			Proximate Analysis						General Analysis						
BV Job Number	BV Codes	Client Codes	Analysis Sample Moisture % (ad)	Ash % (ad)	Ash % (db)	VM % (ad)	VM % (db)	FC % (ad)	FC % (db)	GCV MJ/kg (ad)	GCV MJ/kg (db)	GCV kcal/kg (ad)	GCV kcal/kg (db)	TS % (ad)	TS % (db)
BVMN123	M1011	Sample 1	0.8	6.3	6.4	27.1	27.3	65.8	66.3	34.16	34.44	8159	8225	0.61	0.61

**Table 7 D Seam Clean Coal General and Proximate Analysis**

Sample Identification			Gieseler						Dilatometer					Gray King Coke test	G index / Caking Index	Sapozhnikov Plastometric Indices	
BV Job Number	BV Codes	Initial Soft. °C	Max. Fluidity °C	Max. Fluidity dd/min	Max. Fluidity log	Solid °C	Plastic Range °C	Initial Soft. °C	Max. Cont. °C	Max. Dil °C	Max. Cont. %	Max. Dil. %			Y	X	CSN
BVMN123	M1011	385	450	12000	4.1	495	104	355	395	450	17	295	G8	96	32	10	8

**Table 8 D Seam Detailed Analysis**

AS 1038, Part 13:1990	Test-1	Test-2	Average	Repeatability
Coke Reactivity Index, (CRI )	22.72	21.98	22.3	5%
Coke Strength after Reaction (CSR)	68.8	68.5	68.7	5%

**Table 9 D Seam Coke Strength Test**

## **GROUND GEOPHYSICS AND TARGET AREAS**

In the winter of 2013 Geophysical Resources Services Pty Ltd (GRS) were asked to help design and interpret a ground magnetic survey on licenses in close proximity to the BNU project with Terra Energy geologists. The project was conducted with the support of Logantek Mongolia LLC who undertook the field acquisition and most of the data processing. Two processes were used; a ground magnetic survey and a gradient array.

The ground magnetic survey parameters had a basic 200m line separation acquisition. The gradient array line separation was 50m, with a 20m dipole moved 10m along each line. This survey totalled 1591 line km of ground magnetic data and 486 line km of gradient array data.

The aim of the survey was to use the magnetic method to help delineate the geology located below intermittent and in places of extensive transported cover. This knowledge is used to position the gradient arrays to help define the location of the coal bearing stratigraphy.

The magnetic data identified a very strongly magnetic basement; this was then used to place the gradient arrays over the target coal bearing Permian Stratigraphy. The gradient arrays measure both chargeability and resistivity. Coal is a resistive unit and can be defined through the process. Chargeability is another electrical property measured simultaneously with resistivity. While coal is inherently not chargeable, it has been shown to support the process by providing two clear chargeability markers that show the stratigraphical location of the coal.

The results produced four key target areas in close proximity to BNU:

- A. Located on the south limb extension to the Noyon syncline. This zone has approximately 8.8 km of coal bearing stratigraphy.
- B. A fault displaced south western extension to target area A. These two areas are separated by one of the regional WNW/ESE trending shears. This area has approximately 9.5 line km of coal bearing stratigraphic strike length.
- C. The least geologically known target area with up to 11 km of potential strike.
- D. Previous East Pit area

Figure 5 below shows the target areas where geologists are currently mapping. These are considered highly prospective target areas around BN, as interpreted from the Geophysics and Geology.





## **COMPETENT PERSON'S STATEMENT**

The information in this Release that relates to Coal Resources estimated for the BNU deposit as at April 2014 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.

## **Forward Looking Statements**

This Announcement contains certain "forward-looking statements". The words "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "plan", "consider", "foresee", "aim", "will" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future production, resources, reserves, sales, capital expenditure, earnings and financial position and performance are also forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of Guildford.

**Table 0:1 JORC (2012) Table 1**

	Criteria	Explanation	Comment
1.1	Sampling techniques	Nature and quality of sampling (e.g. cut channels, random chips etc.) and measures taken to ensure sample representivity.	63mm (HQ) or 85mm (PQ) coring for coal quality sampling.
1.2	Drilling techniques	Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka etc.) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc.).	Rotary percussion open-hole drilling and rotary coring (63mm) & (85mm).
1.3	Drill sample recovery	Whether core and chip sample recoveries have been properly recorded and results assessed.	Core loss has been documented in the lithology field during logging and sampling of the core. Calculations have been performed to accumulate total core loss over the modelled interval. The core recovery from most of the BNU drillhole seam intersections is >90%.
		Measures taken to maximise sample recovery and ensure representative nature of the samples.	Drilling contractors changed drill bits and drilling mud types and adjusted penetration rates to ensure adequate sample recoveries. Sampling procedures verified by HDR   Salva senior geologists who provided on-site supervision by at all times.
		Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.	Loss of fine grained material may have potentially occurred due to the nature of coal seams in general and standard drilling processes (fluid



	Criteria	Explanation	Comment
			circulation etc.). This has the potential to affect coal quality results by weighting results with coarser fractions of any coaly material.
1.4	Logging	Whether core and chip samples have been logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.	Detailed logging of chips and core.
		Whether logging is qualitative or quantitative in nature. Core (or costean, channel etc.) photography.	Core photographs taken.
1.5	Sub-sampling techniques and sample preparation	If core, whether cut or sawn and whether quarter, half or all core taken.	No sub-sampling of the core.
		If non-core, whether riffled, tube sampled, rotary split etc. and whether sampled wet or dry.	
		For all sample types, the nature, quality and appropriateness of the sample preparation technique.	
		Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.	
		Measures taken to ensure that the sampling is representative of the in situ material collected.	
		Whether sample sizes are appropriate to the grainsize of the material being sampled.	
1.6	Quality of assay data and laboratory tests	The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.	Coal quality Laboratory adheres to internal QA/QC and inter-laboratory QA/QC checks. All determinations performed adhere to MNS and MNS ISO.
		Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established.	
1.7	Verification of sampling and	The verification of significant intersections by either independent or alternative company personnel.	Not done.



	Criteria	Explanation	Comment
	assaying	The use of twinned drillholes.	
1.8	Location of data points	Accuracy and quality of surveys used to locate drillholes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.	Drillholes used in the resource model have been surveyed using differential GPS and levelling instrument. Topographic surface accurate to 1m total station survey data.
		Quality and adequacy of topographic control.	
1.9	Data spacing and distribution	Data spacing for reporting of Exploration Results.	Data spacing sufficient to establish continuity in both thickness and coal quality. Ply sampling methodology used.
		Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.	
		Whether sample compositing has been applied.	
1.10	Orientation of data in relation to geological structure	Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.	Ply by Ply sampling used therefore orientation of sampling not seen to introduce bias as all drilling is sub-vertical.
		If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.	
1.11	Audits or reviews	The results of any audits or reviews of sampling techniques and data.	Recognised contract geologist service providers used to supervise/conduct drilling/sampling.
2.1	Mineral tenement and land tenure status	Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.	All tenure secure and current.
		The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the	



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	Criteria	Explanation	Comment
		area.	
2.2	Exploration done by other parties	Acknowledgment and appraisal of exploration by other parties.	Between 1996 and 1998 the MRAM undertook 1:200,000 scale surface geological mapping.
2.3	Geology	Deposit type, geological setting and style of mineralisation.	<p>The BNU coal deposit lies with the shallow Ovoot Khural Basin, which is believed to have been created by post-depositional compression. The coal-bearing strata of the deposit lie within the Permian Delinshand Formation, a sedimentary package consisting of conglomerate, sandstone, siltstone and coal. Subsequent tectonic phases gradually folded and faulted the region and also thermally altered the sediments which may have increased the rank of the coals within this basin. Multiple periods of uplift have also affected the basin and have resulted in the raising of basement rocks and erosion of Cretaceous cover.</p> <p>Refer to Section 4 of this report for further information.</p>
2.4	Data aggregation methods	In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (e.g. cutting of high grades) and cut-off grades are usually material and should be stated.	Length together with and in some cases density weighting used to derive full seam/working section composites.





	Criteria	Explanation	Comment
2.5	Relationship between mineralisation widths and intercept lengths	Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.	Ply sampling methodology prevents samples from crossing ply boundaries. Therefore orientation of sampling not seen to introduce bias as all drilling is sub-vertical and seams mostly gently dipping.
		The assumptions used for any reporting of metal equivalent values should be clearly stated.	
		These relationships are particularly important in the reporting of Exploration Results.	
		If the geometry of the mineralisation with respect to the drillhole angle is known, its nature should be reported.	
2.6	Diagrams	If it is not known and only the down-hole lengths are reported, there should be a clear statement to this effect (e.g. 'downhole length, true width not known').	See figures in report and Appendices.
2.7	Balanced reporting	Where possible, maps and sections (with scales) and tabulations of intercepts should be included for any material discovery being reported if such diagrams significantly clarify the report.	No reporting of exploration results.
2.8	Other substantive exploration data	Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practised to avoid misleading reporting of Exploration Results.	Some bulk sample results available and geophysical survey results available for most of the drillholes.
2.9	Further work	Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.	A surface geophysical program is planned to be trialled. It will consist of 2D seismic and gradient array methods. The aim is to better



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	Criteria	Explanation	Comment
			<p>understand the deposit's structure and seam splitting. Upon initial successful results, the program will be expanded.</p> <p>Refer to Section 5.5 of this report for further information.</p> <p>Coal quality analysis also continues, which includes further washability testing. Also, an investigation into previous work is being conducted to determine the potential of excess contamination of quality samples with roof, floor and parting material which could have adversely affected the quality results, particularly the ash results. Concerns have also been expressed about volumetric loss of quality samples via drilling processes. It is proposed that fine grained materials which commonly exhibit superior coal quality may have been lost during drilling. These concerns were raised after discrepancies in coal quality results were identified between the cored samples and bulk samples, which exhibited improved qualities.</p>



	Criteria	Explanation	Comment
3.1	Database integrity	Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for Mineral Resource estimation purposes.	Use of relational database (Access) during acquisition of drilling data. Excel template used to do depth corrections and database updated with corrected seam/lithology and sample information. Access table data used to construct MineScape model. Checks against original downhole geophysics (LAS) files used to verify data during modelling.
		Data validation procedures used.	
3.2	Geological interpretation	Confidence in (or conversely, the uncertainty of) the geological interpretation of the mineral deposit.	High degree of confidence in seam picks made using downhole geophysical data. Structural contours show evidence of major faulting in the area however smaller faults (<5m) are probably not detectable with the current drill spacing and it is likely that as yet unknown faults will be found upon closer spaced drilling and/or ground geophysics.
		Nature of the data used and of any assumptions made.	
		The effect, if any, of alternative interpretations on Mineral Resource estimation.	
		The use of geology in guiding and controlling Mineral Resource estimation.	
		The factors affecting continuity both of grade and geology.	
3.3	Dimensions	The extent and variability of the Mineral Resource expressed as length (along strike or otherwise), plan width, and depth below surface to the upper and lower limits of the Mineral Resource.	See figures in report and Appendices.
3.4	Estimation and modelling techniques	The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation parameters, and maximum distance of extrapolation from data points.	FEM interpolator used for surface elevation, thickness and trend. Inverse distance squared used for coal quality throughout. Search radius of 2500 m used for full seam model structural
		The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource	



	Criteria	Explanation	Comment
		estimate takes appropriate account of such data.	parameters. A search radius of 5000 m used for all coal quality attributes. Grid cell size of 20 m for the topographic model, 10 m for the structural model and 20 m for the coal quality model. Visual validation of all model grids performed.
		The assumptions made regarding recovery of by-products.	
		Estimation of deleterious elements or other non-grade variables of economic significance (e.g. sulphur for acid mine drainage characterisation).	
		In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed.	
		Any assumptions behind modelling of selective mining units.	
		Any assumptions about correlation between variables.	
		The process of validation, the checking process used, the comparison of model data to drillhole data, and use of reconciliation data if available.	
3.5	Moisture	Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content.	All tonnages estimated on air dried basis.
3.6	Cut-off parameters	The basis of the adopted cut-off grade(s) or quality parameters applied.	Cut-offs applied during the modelling and resource estimation include the following; seam thickness, stripping-ratio, depth and coal quality. A minimum seam thickness of 10cm was applied during modelling, as seams less than this thickness would be difficult and uneconomic to extract. A maximum stripping-ratio of 20:1 was applied during modelling, as coal with such comparatively thick overburden quantities would be uneconomic to extract.



	Criteria	Explanation	Comment
			<p>A maximum resource depth of 350m was also applied for the same limiting rationale as the stripping ratio.</p> <p>A coal quality cut-off value was used where average raw ash % for a seam group was above 45%. These results were excluded from the resource on the basis that resultant coking coal yields from such material are unlikely to be economic.</p>
3.7	Mining factors or assumptions	Assumptions made regarding possible mining methods, minimum mining dimensions and internal (or, if applicable, external) mining dilution. It may not always be possible to make assumptions regarding mining methods and parameters when estimating Mineral Resources. Where no assumptions have been made, this should be reported.	N/A; in situ air dried tonnes quoted.
3.8	Metallurgical factors or assumptions	The basis for assumptions or predictions regarding metallurgical amenability. It may not always be possible to make assumptions regarding metallurgical treatment processes and parameters when reporting Mineral Resources. Where no assumptions have been made, this should be reported.	N/A; in situ air dried tonnes quoted.
3.9	Bulk density	Whether assumed or determined. If assumed, the basis for the assumptions. If determined, the method used, whether wet or dry, the frequency of the measurements, the nature, size and representativeness of the samples.	N/A; in situ air dried tonnes quoted.
3.10	Classification	<p>The basis for the classification of the Mineral Resources into varying confidence categories.</p> <p>Whether appropriate account has been taken of all relevant factors, i.e. relative confidence in tonnage/grade computations,</p>	Classification distances based on an assessment of the variability of critical variables through statistical analysis and by an assessment of



	Criteria	Explanation	Comment
		confidence in continuity of geology and metal values, quality, quantity and distribution of the data.	the degree of geological complexity. Classification radii for the three resource categories are: Measured: 100m. Indicated: 200m. Inferred: 400m.
		Whether the result appropriately reflects the Competent Person(s)' view of the deposit.	
3.11	Audits or reviews	The results of any audits or reviews of Mineral Resource estimates.	MD Geology has completed a geostatistical audit of the model used to generate the resource estimate. They concluded that the model is a reasonable representation of the resource and geology.
3.12	Discussion of relative accuracy/confidence	Where appropriate a statement of the relative accuracy and/or confidence in the Mineral Resource estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors which could affect the relative accuracy and confidence of the estimate.	The classification approach has produced drillhole spacing ranges for the three resource categories which are considered to adequately reflect the degree of confidence in the underlying estimate on a global basis. However given the high degree of geological complexity exhibited by the deposit, it is likely that further faulting exists which is not expressed in the current model. Also, the relatively high degree of variability in raw ash% and seam thickness makes estimation of these critical attributes difficult. It is considered that this variability will average out over the deposit as a whole and therefore the accuracy of
		The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages or volumes, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used.	
		These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.	





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	Criteria	Explanation	Comment
			the global resource is within the range expected for the resource classification concerned. However locally significant differences to modelled predictions of seam elevation, thickness and coal quality may be observed. More detailed assessment prior to mining as part of a comprehensive grade control program is therefore suggested.