



**GUILDFORD**  
**COAL**

---

**20 ANNUAL**  
**15 REPORT**

---

# GUILDFORD COAL

## CORPORATE DIRECTORY

### PEOPLE

---

#### DIRECTORS

Craig Wallace  
Michael Avery  
Tsogt Togoo  
Loo Hwee Fang  
Philip Forrest  
David Stone

#### COMPANY SECRETARY

Anthony Mooney

### CORPORATE INFORMATION

---

#### REGISTERED OFFICE

Level 7, 370 Flinders Street  
Townsville Queensland 4810  
Telephone: +61 7 4724 2582

#### INTERNET ADDRESS

[www.guildfordcoal.com.au](http://www.guildfordcoal.com.au)

#### COUNTRY OF INCORPORATION

Australia

#### AUSTRALIAN BUSINESS NUMBER

ABN 35 143 533 537

#### STOCK EXCHANGE LISTING

Australian Securities Exchange Ltd  
ASX Code : GUF

### SERVICE PROVIDERS

---

#### SHARE REGISTRY

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

#### SOLICITORS

Herbert Smith Freehills  
101 Collins Street  
Melbourne Victoria 3000  
Australia

#### BANKERS

Westpac Banking Corporation Ltd  
Shop 2, 700 Albany Creek Rd  
Albany Creek Queensland 4035  
Australia

#### AUDITOR

Ernst & Young  
Level 51, 111 Eagle Street  
Brisbane Queensland 4000  
Australia





# GUILDFORD COAL

## CONTENTS

---

### COMPANY OVERVIEW

---

4	Key Highlights
5	Chairman's Letter to Shareholders
7	Group Managing Director's Report
10	Announcing TerraCom
11	Strategy

### COMPANY UPDATE

---

13	Project Update
13	Mongolia
18	Australia
27	Disclaimer

### FINANCIAL REPORT

---

30	Directors' Report
48	Remuneration Report
54	Corporate Governance Statement
58	Audited Annual Financial Report
59	Consolidated statement of comprehensive income
60	Consolidated statement of financial position
61	Consolidated statement of changes in equity
62	Consolidated statement of cash flows
63	Notes to the financial statements
109	Declaration by Directors
110	Independent Auditor's Report
112	Additional information for listed Public Companies

# KEY HIGHLIGHTS

Positioned for delivery and rapid growth

**\$43.8m    304 Mt    2.1 Bt**

**Market capitalisation AU\$  
as at 30 June 2015**

**Coking & Thermal Coal  
Mongolian Resource Base**

**PCI & Thermal Coal  
Australian Resource Base**

The Board's clear strategic direction is to transition the Company over the next 12 months, to a dynamic mid-tier, globally diverse resource and energy mining Company, which generates strong positive cashflows.

During 2014 / 2015, one of the key achievements towards this goal has been the commissioning of the Mongolian Baruun Noyon Uul (BNU) coking coal mine which has enabled the Company to transition from explorer to miner status. The Board plans to use this as a foundation for growth not only organically in Mongolia, but also through the potential acquisition of strong cash flow positive operating projects across the Asia Pacific.

- Mineral Resource Authority of Mongolia (MRAM) formally approved an increase in mining capacity (from 1.5 Mt in 2015 to 2.0 Mt in 2016)
- Commenced production at Barrun Noyon Uul (BNU)
- Direct Sales from mine gate to End User from BNU
- Additional licences obtained in Mongolia including Khar Servegen adjacent to BNU
- Demonstrated high value in use product from BNU
- Two offtake agreements secured for BNU coal
- Mining Development Licence approved for Queensland Springsure Project
- BNU mine received safety recognition
- Demonstrated low cost producers

# GUILDFORD COAL

## CHAIRMAN'S LETTER

---

On behalf of the Board of Directors and senior management of Guildford Coal Limited (ASX: GUF), it is with pleasure that I present the Annual Report to shareholders for the year ended June 30, 2015.



*Chairman - Honourable Craig Wallace*

Dear Shareholders,

This is my first year as Chairman of Guildford Coal Limited and I have been privileged to be involved with its strong and passionate management team. In early 2015, we completed a detailed strategic review of the Company which has been integral in setting the framework for our future success and delivering future value to our shareholders and stakeholders.

Since the strategic review, our team has remained focused and on track to deliver all recommendations, both on a corporate and on an operational level. In particular, the Company continues to pursue and explore alternative fund raising options to restructure finances and deleverage the balance sheet. The Company has continued to maintain a strong working relationship with existing financial backers during what has been a challenging time across the entire coal industry.

I was delighted that August 2014 saw a major milestone with the first coal shipment from our Mongolian operations. Our Mongolian team, which operates out of the Barrun Noyon Uul (BNU) mine in the South Gobi region, has achieved a remarkable feat in transitioning to an operating mine with a local on ground team. This success has been achieved while maintaining an exceptional safety record, securing key offtake agreements and further strengthening our strong social licence to operate.

Volatility in the resource market, has now become the short-term norm, and this has presented economic and funding challenges for Guildford Coal in its role as an explorer.

In Australia, we have continued to focus on the development of an exploration program through these economic challenges. Although cost conservation on projects has restricted progress, the team has achieved a Mining Development Lease for the Springsure Queensland project area. Also approval has been granted by Queensland's Department of Natural Resources and Mines to consolidate the Hughenden and Pentland projects into the Northern Galilee Project.

Our recent Mongolian success demonstrates our ability to move successfully to producer status and this will be further cemented through identifying key strategic and cash flow positive acquisitions for our group during the 2015/16 year.

We have also recently announced our intention to seek shareholder approval to undertake an exciting re-branding of Guildford Coal Limited. If approved, Guildford Coal will soon become TerraCom Limited. This change is a reflection of the business transition from explorer to operator, as well as a strategic global growth intent.





*First coal shipment from BNU Mine, Mongolia, October 2014*

Our Company, although small, operates with a group of skilled professionals who are committed to progressing Guildford Coal Limited into a mid-tier, global resources company. I would personally like to thank our management team and staff for their continued loyalty, hard work and passion and congratulate them for their achievements over the financial year.

As we move through the implementation of our corporate strategy, I would like to thank you, our shareholders, for your ongoing support and commitment.

The Honourable Craig Wallace  
Chairman

# GUILDFORD COAL GROUP MANAGING DIRECTOR'S REPORT

---

I am pleased to present to you our progress over the last twelve months as part of Guildford Coal's Annual Report. In particular I'd like to highlight aspects of our new corporate strategy as we look to the future with confidence.



*Managing Director - Michael Avery*

Dear Shareholders,

At Guildford Coal, our management team has made significant gains on implementing our strategy, particularly over the last six months and we have some exciting and beneficial opportunities facing us into the next half year and beyond.

## **Vision & Strategy**

A globally diverse strategy in the resource and energy sector with the principal and unrelenting focus on the development of a high yielding diversified asset portfolio for our investors.

Guildford continues to investigate the merits and mechanisms for a potential listing on an Asian stock exchange. This was a crucial recommendation flowing from the strategic review of the Company which was completed in early 2015. However, shareholders are advised that there is no certainty or assurance that the potential listing will proceed or be completed. The Company will make the necessary announcements when there are further developments in relation to the listing.

Guildford Coal has established a regional presence

in Singapore, a strategic move towards being closer to operations, customers, financiers and key shareholders. To rationalise the Corporate structure and reduce overheads, the Brisbane Office was closed and the Guildford corporate headquarters is now located in Townsville, Australia.

One of our key achievements has been the commissioning of the Mongolian Baruun Noyon Uul (BNU) coking coal mine, enabling the Company to transition from explorer to miner status.

## **Multi Market Growth**

During the financial year we have successfully transitioned from explorer to operator; our future continues to focus on growth through acquisitions and moving our existing exploration assets into the operational space.

The continued development and ramp up of the BNU mine to commercial production levels saw the following material movements since commencement and as at June 30, 2015:

- Total waste movement of 4,535,359 BCM
- ROM coal mined of 187,679 tonnes
- 188,588 tonnes of coal trucked from the BNU Mine to the Ceke border port station

Guildford has successfully sold and been paid for all coking coal mined since commissioning. The wash plant that has been contracted to process BNU ROM coal, which is located at the Ceke, China/Mongolia border crossing, delivered an overall product yield of 92% for the last quarter of the financial year.

The initial commissioning pit (BNU Pit 1) has been successful in confirming BNU coal quality and the value in use proposition it presents to Chinese steel makers.

Guildford secured offtake agreements with two separate end-users in China: Jiuquan Iron & Steel (Group) Co Ltd (JISCO) and Jiuquan Haohai Coal Chemical Co Ltd (Haohai), to sell coking coal produced at BNU.

As part of the cost reduction and expansion plan in South Gobi, the Company uncovered a shallow coking coal 'micro basin' east of the BNU mine. Excavation of this micro basin has commenced as BNU Pit Two.

Further reinforcing Guildford Coal's strong 'social licence' in Mongolia, the Company was granted four new exploration licences during the year.

Following this success in Mongolia, Guildford has further plans to expand into other global markets in the near future.

In Queensland, our exploration strategy has focused on progressing the Springsure Project and discussions with potential joint venture or offtake partners to self-fund projects through the development phase into operating mines. Both the Northern Galilee Project and the Springsure Project have large proven resources with access to existing coal logistics infrastructure that could connect them to the market.

## Operational Excellence

In Mongolia, Guildford has achieved an impressive safety record of one million man-hours and two years worked lost time incident (LTI) free at its BNU Mine. This is a result of its strong commitment to safety strategies and comprehensive processes and systems. This performance was officially recognised by the Mongolian Government, and the Company was granted an award in spring 2015.

Success of future acquisitions will be underpinned by integrating businesses into our management team's established and proven operating systems and processes.

Ongoing operational excellence will be maintained through a commitment to a systematic management approach and providing security of supply with a focus on schedule and budget delivery.

## Outlook

The year ahead promises to be an exciting period for the Company. Our clear goal is to transform Guildford Coal into a diverse multinational operating and trading business with a focus on building a cash generative portfolio of energy and resource assets. To underpin this strategy, Guildford Coal will complete its transition under the new TerraCom banner, subject to final shareholder approval.

Our team is committed to a strategy which will support further growth and development for our shareholders.



Michael Avery  
Group Managing Director





*Above : BNU Operations, Mongolia*

*Right : Exploration at one of Guildford Coal  
Australian assets*



# ANNOUNCING

## TerraCom Limited



# TERRACOM

In October 2015, shareholders are being asked to support the transition of Guildford Coal Limited to our new brand: TerraCom Limited.

The implementation of our growth strategy will be assisted by the rebranding to TerraCom. The brand TerraCom provides the platform to launch and expand into the global energy and resources market. This new brand will symbolise the delivery of our strategy and leverage off the success of our current Guildford Coal activities, specifically our Mongolian operating business Terra Energy Limited.

The values of TerraCom are determined as follows.

We will:

- Have passion in delivering best practice behaviours in health, safety, the environment and dealing with our communities.
- Work with integrity.
- Manage the business by:
  - Being visible and active in our business and with our people.
  - Always having a plan for our business.
  - Knowing our business drivers, details and numbers.
  - Being commercially and fiscally responsible.
- Deliver business outcomes:
  - We will do what we say.
  - We will have urgency.
  - We will not walk past non-compliance.
  - We will provide reliable, leading returns to our stakeholders.
- Promote accountability and responsibility at all levels of our business.

# STRATEGY

## Explorer to global producer

After a recent board and management restructure and as part of a strategic review, a new strategy was adopted by the Company. This positions TerraCom as a producer that is ready to act and is poised for growth.

### Financial focus to lead to greater returns for shareholders

- Source JV partner for Australian assets so exploration projects can become self-funding, progress through the approval process and into production
- Increase revenue while maintaining spend
- Deleverage the balance sheet
- Continue excellent progress in Mongolia and further increase production in next financial year

### Readiness for global growth

- Establish an office in Singapore, allowing closer proximity to shareholders, financiers, existing mining operations and shareholders
- Focus on acquisition/relationship growth on regions with inherently low-cost bases and access to Asian markets
- Look for revenue producing asset acquisition in stable economies that have supportive company growth frameworks





# PROJECT UPDATE

## MONGOLIA

**Equity stakes in 15 licences in Mongolia, spread over three project areas: South Gobi, Middle Gobi and Uvs province.**

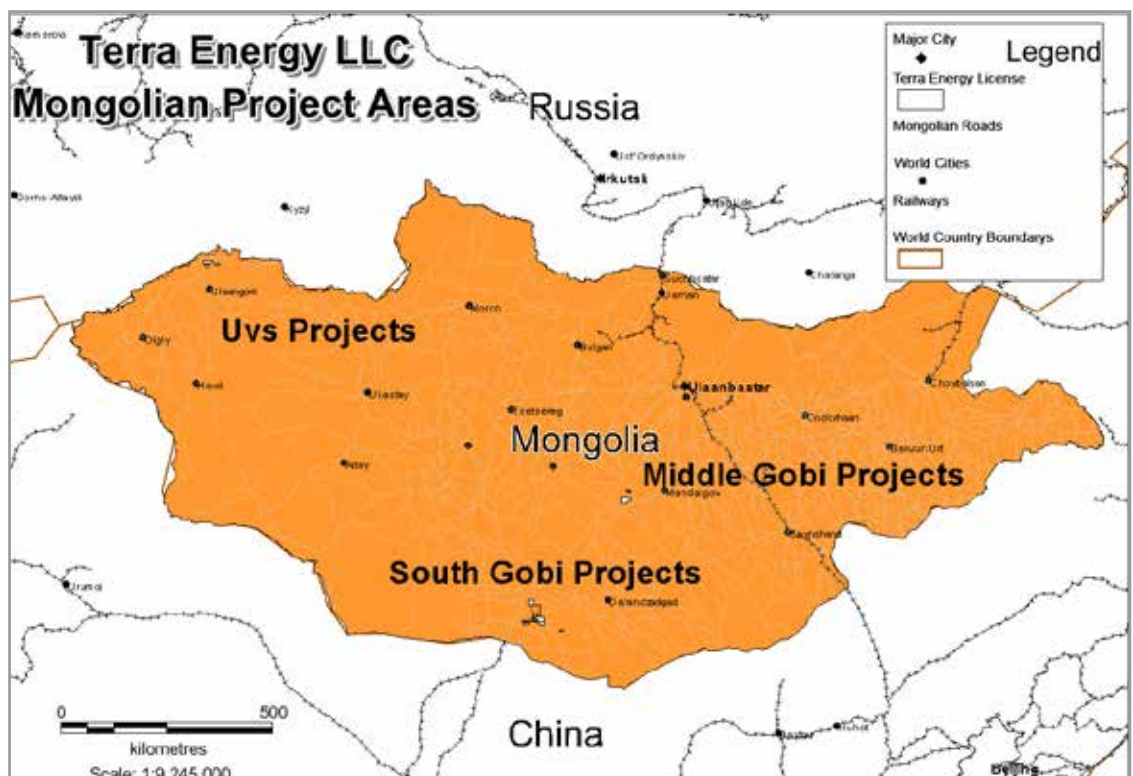
BNU mine in South Gobi is currently supporting an open-cut coking coal operation, targeting 1.5 Mtpa annualised production rate in 2015

BNU contains JORC resource of 27 Mt (measured and indicated 24 Mt and inferred 3 Mt); further resource definition is currently underway to delineate an expanded resource base and production output

Guildford's international focus is currently located in Mongolia with all interests held through a Mongolian subsidiary, Terra Energy. Terra Energy controls both thermal and coking coal tenements located in the coal bearing basins of the South, Middle Gobi and Uvs Province.

Guildford's plan is to become one of the largest and highest quality coking coal producers in Mongolia, providing exceptional value for its steel-producing customers.

The Company is focused on the continued development of key assets including three strategic mining licences in the South Gobi region. Expansion of these key projects and conversion of further mining licences over economic resources will allow for continued growth and increasing market share to our customers.



*Above : Guildford Coal Operations, Mongolia*

## Resource

Guildford increased its stake in its subsidiary, Guildford Coal (Mongolia) Pty Ltd from 70% to 83.87%. This occurred through the conversion of an inter-company loan facility into shares. The subsidiary holds the Hovguun Project which has a 41Mt Inferred Resource and has a Mining Licence covering it.

Guildford Coal	JORC Resources (Mt)				Exploration Target (Mt)		Coal Type	JORC Classification	Competent Person	Report Date
Assets	Measured	Indicated	Inferred	Total	Lower	Upper				
South Gobi - North (BNU North)	15	9	3	27			Coking	2012	Craig Williams	Apr - 14
South Gobi - Khar Servegen (North)	-	-	15	15	26	45	Coking	2012	Troy Turner	Apr - 15
South Gobi - East (Hovguun)	-	-	41	41			Coking/ Thermal	2004	Van Heeswick	Nov - 12
<b>South Gobi Total</b>	<b>15</b>	<b>9</b>	<b>59</b>	<b>83</b>						
<b>Mid Gobi Total</b>	<b>-</b>	<b>32</b>	<b>189</b>	<b>221</b>			Thermal	2004	Mark Biggs	Dec - 12
<b>Total</b>	<b>15</b>	<b>41</b>	<b>248</b>	<b>304</b>	<b>26</b>	<b>45</b>				

Above : Mongolian Resources Table

Below : Key Milestones : Terra Energy

March 2011	December 2011	January 2012	June 2013	July 2013	December 2013	August 2014	September 2014	December 2014
Acquired stake in Mongolian Terra Energy	Announced maiden JORC resource 63 Mt in South Gobi	Received mining licence and mineral deposit licence	Equipment arrived at site	Box cut commenced	Completed 98 km haul road connecting BNU with China	First coal on road	Completed washing trial with superior results	Mine commissioned





## Mongolia – South Gobi

The South Gobi province is a valuable resource area of Mongolia containing South Gobi Resources (SGS) Ovoot Tolgoi coal mine, and MAK Nariin Sukhait coking coal mine complex. Guildford holds ten licences in the South Gobi across four sub province's covering 121,196 hectares. Of these ten licences, 37,478 hectares are held as mining licences in the coking coal rich Noyon Uul coal basin.

### Noyon Basin Development Strategy

The highly prospective Noyon Uul Basin is a focus for Guildford Coal's future development in the South Gobi region. With 50 km of basin edge shallow coal bearing stratigraphy held under mining licence and the Terra Energy Baruun Noyon Uul (BNU) coking coal mine along a small 5 km section of the basin, the potential for future multiple pits along the basin edge is a high priority.

Detailed basin analysis has been undertaken to assist in the definition of further low strip ratio mines. Works have included total basin combined high resolution ground geophysical survey and expanded geological modeling across all Noyon Uul Basin exploration data. This information has defined the following targets in the Noyon basin;

- BNU North Mine Area – current mining operation which is located on the north limb extension to the Noyon syncline and has approximately 5 km of coal bearing stratigraphy
- KS North – which is an extension of the seams currently being mined in the BNU North mining operation and has approximately 8 km of coal bearing stratigraphy
- KS Hinge – which contains approximately 5 km of coal bearing stratigraphy
- KS South – which is located on the south limb extension of the Noyon Uul Syncline and contains approximately 5 km of coal bearing stratigraphy
- BNU South – which is located on the south limb extension of the Noyon syncline and has approximately 9 km of coal bearing stratigraphy
- BNU South Hinge – which is a fault displaced south western extension of BNU South and this area has approximately 9 km of coal bearing stratigraphy
- Central – which contains approximately 4 km of coal bearing stratigraphy

- Hovguun – previously known as the East Pit and containing approximately 8 km of coal bearing stratigraphy

### Baruun Noyon Uul (BNU) Coking Coal Mine

Terra Energy owns and operates the BNU coking coal mine in Noyon Soum, South Gobi province. The licence is located on 17,432 hectares of land.

One of the key achievements this year has been the commissioning of the BNU coking coal mine successfully and safely, enabling the Company to transition from explorer to miner status.

Production at the mine successfully restarted in late 2014. Mining ramp-up is progressing well, and the team has recently achieved a safety milestone of one Million man-hours Lost Time Incident (LTI) free.

Guildford has recently secured offtake agreements with two end-users in China, JISCO and Haohai, to sell coking coal produced at the BNU site.

Based on the successful trial-use of the BNU coal in the first quarter of 2015, the customers have stated that Guildford's coal performs consistently with low sulphur, low ash and a high coking index.

The Company is continuing to increase monthly shipped volumes to key customers through expanded capacity in the trucking and washing system subcontractor operated.

### Overview: Coal Quality for BNU Mine

The target specification of the primary product from BNU is for a low ash premium quality hard coking coal with low sulphur and the following key parameters

Total moisture (as received)	8.0%
Ash (air dried)	8.0%
Volatile matter (air dried)	25.0%
Total sulphur (air dried)	<0.7%
G caking index	>80
Sapozhnikov test	>20
Coke strength after reaction (CSR)	>55

## BNU Pit Two – Shallow Micro Basin along the Noyon Basin Sub Crop

In June 2015, an exploration program uncovered a shallow coking coal 'micro basin' located to the east of the current pit and along the sub crop of the Noyon Basin. Guildford has commenced mining the BNU Pit Two in order to expose the low strip ratio coking coal as quickly as possible.

The Company is focused on defining and proving a number of these potential micro basins along the estimated 50 km sub crop held under licence in the South Gobi Noyon Basin which will form the foundation for the expansion of the production output from the region during 2016.

Operational guidance was recently provided to the market for the BNU Pit Two mine which should enable the Company to ramp up and achieve the goal of 125,000 tonne per month production rate, during the second half of 2015, which upon reaching steady state operations will be equivalent to a 1.5 Mtpa.

## Mongolia – Middle Gobi

The Dund (Mid) Gobi Project consists of two exploration licences: 12929X and 15466X. The Project is located approximately 400 km southwest of Ulaanbaatar and just over 200 km west of the Mongolian railway grid and logistic route to China via the Erlianhaote border crossing.

The two Mid Gobi Project exploration licences are situated on approximately 36,000 hectares and are located in the coal bearing Ongi Gol Basin.

While a range of mineral deposits exist in the area, the primary target is coal due to the regional geology. The mineralisation consists mostly of moderately dipping sedimentary basins that potentially provide multiple hard and low rank surface coal targets. The project's location is relatively close to infrastructure, including Mongolian and Chinese electricity generators.

## Mongolia – Uvs Province

The Uvs Project consists of three exploration licences: 18142X, 18797X and 18802X. The project is located in North West Mongolia, approximately 60 km north of the provincial centre Ulaangom. The Provincial centre is accessible by road and a regular aircraft service from the Mongolian capital Ulaanbaatar.

The road, which transects licence 18142X, provides access from Ulaangom to the Russian border crossing which is 12 km to the North at Borshoo. The road between Ulaangom and Borshoo provides easy access to the border crossing and Tuvan Republic of Russia, a region that has well developed industries.

The Uvs Nuur basin in North West Mongolia, where the licences are located are targeted for high quality Carboniferous coking coal and Devonian potash deposits. Licence 18142X borders the Khuden and Huwtiin coal mining licences, which mine the Huden Formation. Devonian Evaporite stratigraphy targeting potash outcrop on licence 18797X and 18802X.



Left : Coal Seam, Mongolia







# PROJECT UPDATE

## AUSTRALIA

---

Guildford Coal has established a portfolio of highly prospective thermal, PCI and coking coal exploration tenements in Queensland, Australia.

Guildford's Queensland tenements cover approximately 11,500 km<sup>2</sup> and are defined within project areas as follows:

- Hughenden Project (Galilee/Eromanga Basins) (Northern Galilee Consolidation);
- Clyde Park Project (Galilee Basin) (Northern Galilee Consolidation);
- Pentland Project (Galilee/ Eromanga Basins) (Northern Galilee Consolidation);
- Springsure Project (Bowen Basin);
- Kolan Project (Maryborough Basin); and
- Sierra Project (Bowen Basin).

Guildford Coal has a large portfolio of highly prospective coal exploration tenements in Queensland, Australia.

The assets cover - 11,500 km<sup>2</sup> across the coal bearing Bowen, Galilee and Maryborough basins.

Priority projects :

- Northern Galilee Project with over 1.9 Bt JORC 2004 resource of thermal coal on less than 5% of tenement area;
- Springsure Project with over 190 Mt JORC 2004 resource of high energy prime thermal/PCI coal.

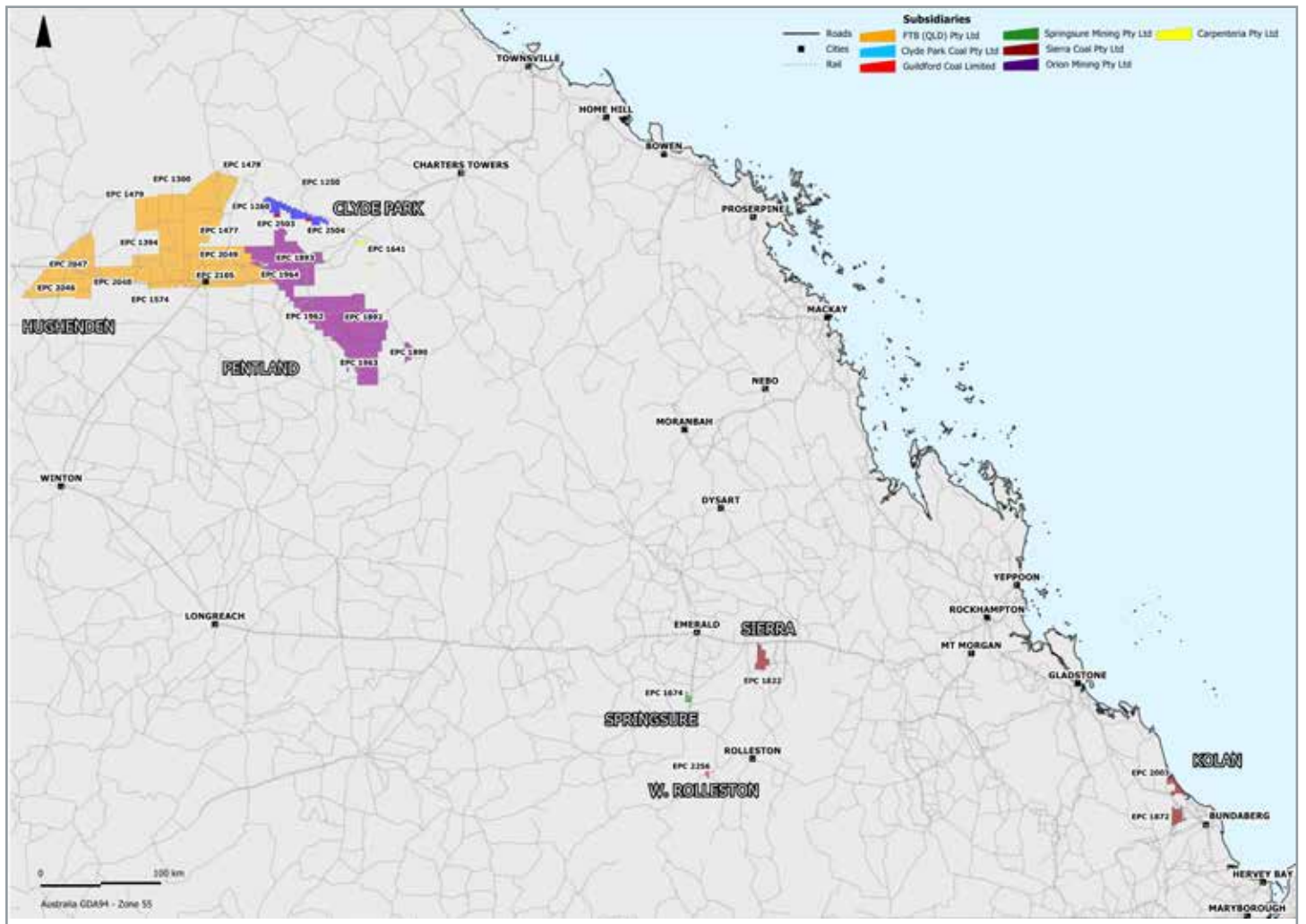
The projects are strategically positioned close to existing rail and port infrastructure.

Over the last three years, Guildford Coal has successfully delineated JORC 2004 compliant resources in excess of two billion tonnes with significant future exploration potential for its Queensland tenements.



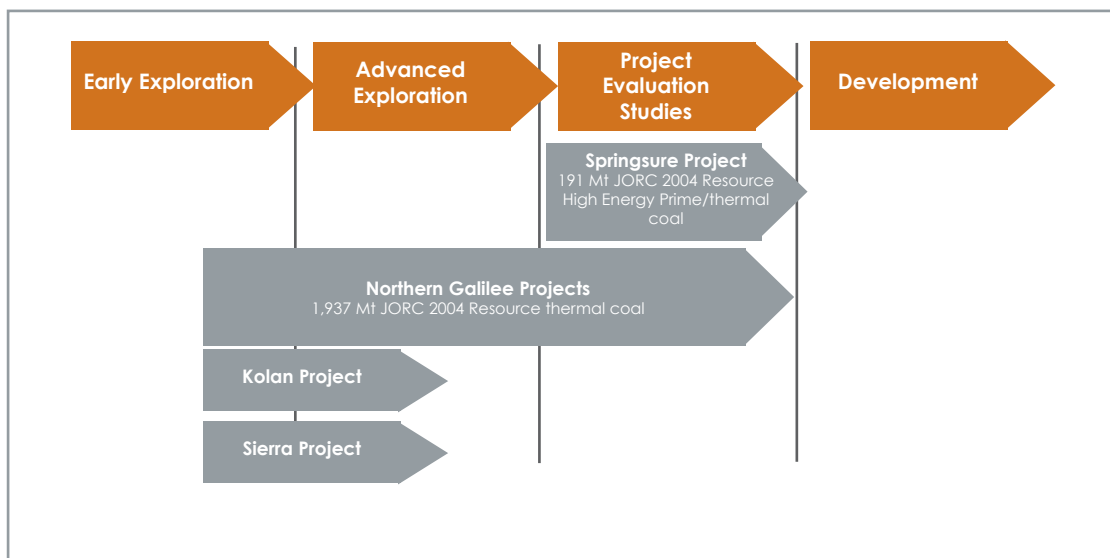
Additionally, in 2015 a Mineral Development Licence was successfully granted for the Springsure Project.

All of Guildford Coal's projects have excellent access to established rail and port infrastructure currently underutilised or scalable to greater capacity, making them highly attractive projects with lower logistics costs compared to local competitors.



Above : Map of Queensland Guildord Coal Limited Projects

Below : Queensland Project Development Status





## Resource

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

**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 50.7 Mt JORC Indicated Resource and 677Mt JORC Inferred Resource developed by MDM on EPC1260, an Exploration Target of 40 Mt to 70 Mt on EPC2150 Estimated by Xstract and an Exploration Target of 0 to 745 Mt estimated by Polaris on EP2160. **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.





## Springsure Project

### Key highlights:

- Potential underground project in Southern Bowen Basin, targeting coal seams in the Reids Dome Beds.
- 2013 drilling program has led to a revised total JORC 2004 resource in October 2013 of 191.5 Mt, with 148 Mt in the inferred resource category and 43 Mt in the indicated resource category.
- Product coal is likely to be high calorific value export prime thermal coal. The coal quality analysis results suggest that the coal is of a similar quality to the neighbouring Minerva Mine.

The Springsure Project (EPC 1674) area covers a total area of 30.8 km<sup>2</sup> and is made up of 11 sub-blocks approximately 8 km north of the town of Springsure on the Gregory Highway.

Guildford owns 35.7% of Springsure Mining Pty Ltd which wholly owns the Springsure Project. Guildford has 100% marketing and management rights for the Springsure Project.

On 1 August 2015, the Department of Natural Resources and Mines (DNRM) has granted Springsure Mining Pty Ltd a Mineral Development Licence (MDL3002) over a portion of EPC 1674.

There are eight coal seams within the project area which are the primary exploration targets. These are located in the early Permian aged Reids Dome Beds.

The Minerva rail spur line which transverses the south east corner of the project, provides proximity to rail system to export coal terminals at the Port of Gladstone. The Minerva Mine which is located approximately 3 km to the north, is a multi-seam mine with a production capacity of 2.8 Mtpa high quality thermal coal resources within the Reids Dome Beds coal measures.

### Exploration Activity

Historical exploration drilling has been conducted in areas surrounding the project area since the early 1960s. The majority of exploration to date has targeted shallow, fault-bounded isolated basins that contain thick Permian coal measures as well as other Permian sedimentary rocks that may contain economic coal measures.

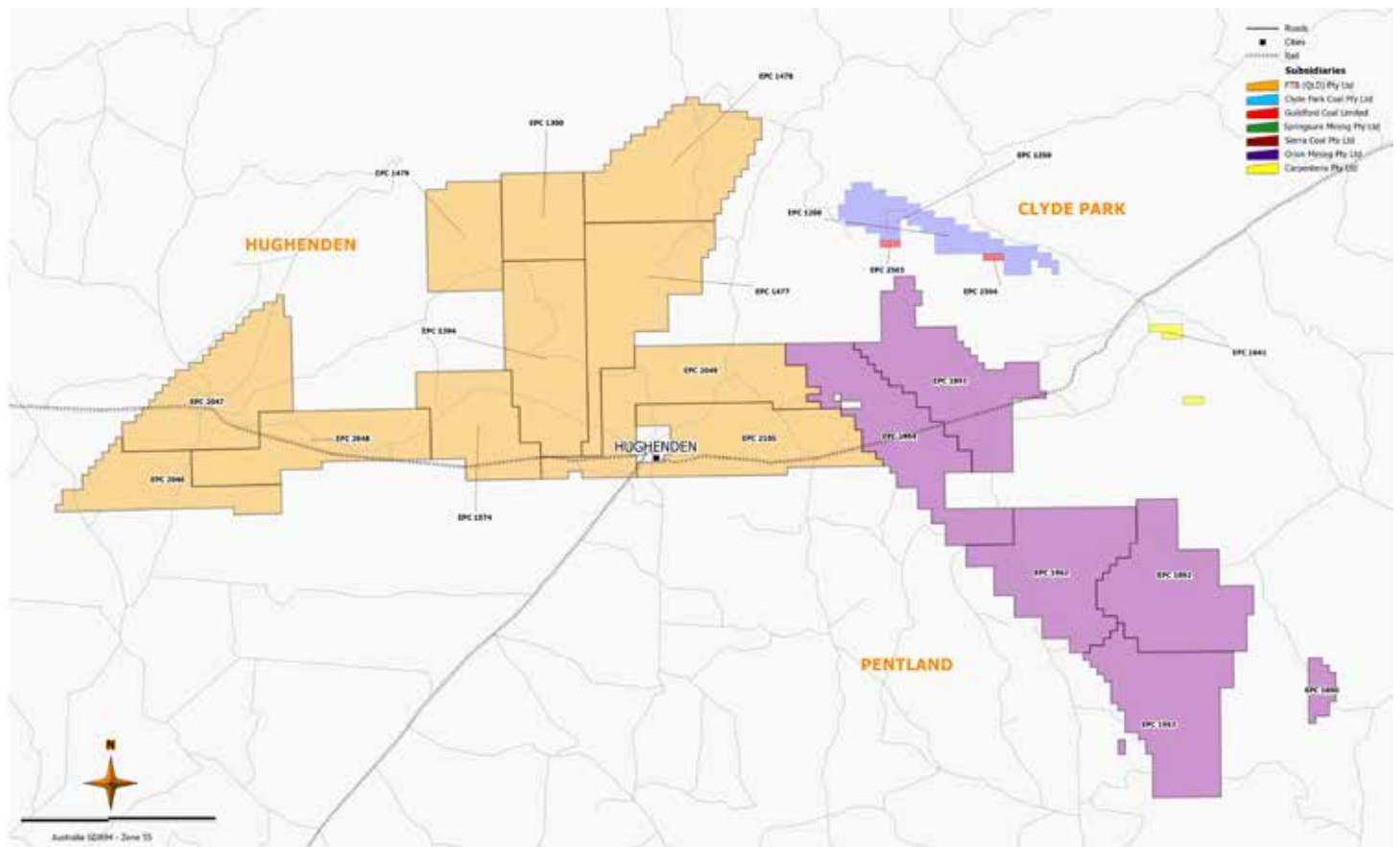
Guildford has conducted exploration programs since 2011 on the project.

## Coal Quality

During exploration between 2011 and 2013, coal quality samples were taken from core boreholes that were later used in the Indicated resource estimation for the Springsure Project. In 2015 Springsure Mining Pty Ltd approved further Coal Quality Analysis of the Springsure samples and Bureau Veritas was engaged to perform this work.

The Coal Quality testing indicated the following characteristics:

- Preliminary view of the raw coal results indicate this coal to be a high volatile thermal coal (>30% VM) with a rank similar to the coals of the upper Hunter Valley;
- The coal has low in situ ash giving rise to the possibility of "bypass" production;
- The coal is environmentally "green" with low total sulphur for Australian thermal coal and low chlorine content.
- Ash fusion results indicate that the majority of seams reported are likely to have benign fouling propensity;
- All seams classified as high volatile bituminous A (volatiles >35% (daf), RoMax <0.8%);
- All products (bypass, washed) have low ash, very low sulphur, low chlorine, high energy (>6000 kcal/kg NAR at <12.0% ash);
- Simple coal processing (dense medium cyclone, spirals) with commercially acceptable yield (CF1.60) range 77.0% – 93.0%, ash range 6.4% - 11.1% (ad);
- RD2 Seam (4.65m) suitable for mining as a raw product coal (ash 7.6% - 9.5%), and;
- High nitrogen content (>2.0% daf) may attract a negative pricing adjustment (NOx emissions).



Above : Northern Galilee Project Map

## Northern Galilee Project

The consolidated Northern Galilee Project comprises three existing projects:

- Clyde Park Project (67% GUF – Option to 100% – Development Application in progress)
- Hughenden Project (100% GUF)
- Pentland Project (100% GUF)
- Massive thermal coal resources

### Key Highlights:

- Massive thermal coal resources
- JORC 2004 to date:
  - Clyde Park – 51 Mt indicated & 677 Mt inferred
  - Hughenden – 133 Mt indicated & 1,076 Mt inferred
- Significant exploration potential
  - Pentland exploration target 295 Mt – 2,890 Mt
- Coal Quality:
  - 5000 – 5600 raw calorific value
- Multiple mining options in mega project area:
  - Mostly underground with potential annual production of 4-6 Mtpa per mine
  - Smaller scale open cut options
  - Numerous incremental mine development options
- Significant opportunities for regional mine infrastructure optimisation and synergies within the region:
  - Mine, haul (road), coal washing, product stockpile and rail loadout

## Logistics:

The projects proximity to the Townsville port makes for an attractive logistics channel.

At the project, there exists key rail infrastructure, which is scalable and offers a low capital cost. Currently the rail has 3-5 Mtpa capacity, which can be upgraded to 10-15 Mtpa and represents a significantly lower path to market lead time and capital cost requirements than other competing Galilee mine developments further south. There is a haulage component to the Port of Townsville and a low cost solution has been explored.

Table : Townsville Port country exports

Country	Percentage of Export from Townsville Port
China	11%
South Korea	5%
Japan	8%
Canada	3%
Phillippines	6%
Singapore	3%
Indonesia	13%
Australia	12%
New Caledonia	15%
Other	19%

## Hughenden Project

### Key highlights:

- Main focus is on EPC 1477 and 1478.
- Project has the scale and potential to support multiple underground mining operations producing substantial export thermal coal tonnages.
- Resource is at moderate to deep mining depth.
- Project located in close proximity to key supporting infrastructure such as the Mount Isa to Townsville rail line. This rail line does not currently carry coal and the Townsville port is currently not available for coal loading.
- Indicated Coal Resource of 132.9 Mt and Inferred Resource of 1,076 Mt. (Both resources are JORC Code 2004 compliant).

The Hughenden Project is made up of the following tenements contained in the northern end of the Galilee Basin in Queensland, Australia: EPCs 1300, 1394, 1477, 1478, 1479, 1480, 1574, 2047, 2049 and 2105.

There are two coal bearing stratigraphic horizons within the Hughenden Project area which are the primary exploration targets:

- Permian aged Betts Creek Beds of the Galilee Basin; and

- Jurassic aged Blantyre Beds (Injune Creek Group) of the Eromanga Basin.

Guildford Coal has successfully delineated a substantial coal resource at the Hughenden Project, suitable for underground mining methods. Further drilling to improve the confidence level around this resource will continue in parallel with other exploration work being undertaken in the region.

The project has the scale and potential to support multiple underground mining operations producing substantial export thermal coal tonnages. These are located close to key supporting infrastructure such as the Mount Isa to Townsville rail line. Drilling operations at the Hughenden Project have uncovered significant coal seams considered suitable for export thermal product. In particular EPC 1477, where an interpreted 11.9 m of net coal within the Permian age Betts Creek Beds is made up of multiple seams ranging up to 5.5 m in thickness.

The Hughenden Project is located in the northern end of the coal bearing Galilee Basin in Queensland, Australia and covers approximately 840 km<sup>2</sup> of coal exploration permits, all of which have been granted.

## Clyde Park Project

### Key highlights:

- Early stage of development. The Clyde Park Project is formerly known as the White Mountain Project.
- Coal seams found within the project area appear to be consistent with those published by other Galilee Basin explorers.
- Total JORC Code 2004 compliant resource estimate of 728 Mt; 51 Mt are classified indicated resource, 677 Mt are considered inferred resource tonnes within EPC 1260 at depths suitable for underground mining.
- Potential for surface mining near the crop lines in the northeast area.
- Potential for export thermal coal with moderate ash and energy.
- Project located in close proximity to key supporting infrastructure such as the Mount Isa to Townsville rail line.

Clyde Park Coal Pty Ltd owns the EPC 1250 and EPC 1260, which are located on the north eastern edge of the Galilee Basin. The permian coal seams are known to outcrop in this location and were previously mined in the old Oxley Creek coal mine (located entirely within EPC 1250). The Clyde Park Project is formerly known as the White Mountain Project. Guildford Coal recently acquired EPCs 2503 and 2504 which occur directly below EPC 1260.

There is one coal bearing stratigraphic horizon within the Clyde Park Project area, the Permian aged Betts



## Exploration Activity

Guildford Coal has drilled 36 boreholes within EPC 1260 as part of the Clyde Park exploration program and of these, 26 boreholes have been included in the most recent geological model. Drill hole spacing varies across the project area and ranges from 0.3 km to 3.4 km.

Eight coal seams and their seam splits have been intersected. Coal quality analysis for three main seams showing a moderate ash (15% adb), moderate calorific value (5,800 kcal/kg adb) and low sulphur (0.5% adb) suggesting export thermal coal potential.

## Pentland Project

### Key highlights:

- No JORC resource has been completed.
- Known Galilee Basin Coal Formations at varying depths across all EPCs in the Project.
- Potential mining by open cut and/or underground methods.

The Pentland deposit is located approximately 25 km west of the township of Pentland in North Queensland. Guildford's wholly owned subsidiary Orion Mining Pty Ltd (Orion Mining) has a 100% interest in the Pentland Project, which includes tenements EPCs 1890, 1892, 1893, 1962, 1963 and 1964. Previous studies have been used to generate an Exploration Target estimate of 0.3 Bt to 2.89 Bt for the project. This estimate includes coal seams within four formations contained within the Eromanga Basin (Ronlow Beds, Mackunda Formation, Birkhead Formation, Blantyre Sandstone) and two within the Galilee Basin (Warang Sandstone and Betts Creek Beds).

The Pentland Project will benefit from the same strategic opportunities as its sister projects at Hughenden and Clyde Park with its location relative to existing infrastructure.

### Location and Background

The Pentland Project is located at the northern end of the Eromanga and Galilee Basins in Queensland. The area is approximately 25 km west of the town of Pentland and approximately 240 km from the Port of Townsville. The Pentland Project covers 4,278 km<sup>2</sup> of the North Eastern Eromanga and Galilee Basins with a variety of coal targets of both the Permian coal bearing Betts Creek Beds and the Jurassic coal bearing Blantyre and Ronlow Beds. These targets offer the opportunity for potential open cut and underground mining.

## Exploration Activity

A number of geophysical surveys have been conducted over the project area and subsequently interpreted, these include: magnetic, radiometric, gravity and seismic. The project area is overlain by the 1997 Drummond-Galilee airborne magnetic and radiometric survey flown by the Queensland Department of Mines and Energy. During the period from 1978 to 1982, the Shell Company of Australia (SCOA) drilled 81 open holes and 11 cored within Authority to Prospect 249 to delineate the Pentland and Milray deposits. In general, the Independent Geologist's Report identifies 16 coal bearing holes in the project area. Approximately 94% of these holes have multiple coal intercepts.

An exploration scout drilling program is planned. The objective of this drill program is to further explore coal occurrences within the project area targeting Jurassic Ronlow Beds and Permian Betts Creek Beds within the Galilee Basin.

## Kolan Project

### Key highlights:

- Potential coking and PCI coal products.
- There is currently no JORC resource for this project.
- Potentially amenable to thin seam open cut mining.

The Kolan Project consists of EPC 1872 and EPC 2003, located near the regional city of Bundaberg in the Maryborough basin. The exploration targets the Burrum Coal measures to produce a high value, modest tonnage, high CSN, low ash, low moisture coking product.

The Project is expected to host coal from the Burrum and Maryborough Coal Measures and may potentially be amenable to open cut mining methods.

### JORC Resources and Reserves

There is currently no JORC Resource for this project.

### Coal Seams

The exploration target was the Burrum coal measures which are comprised of three main sequences. The upper and lower sequences contain interbedded sandstones and siltstones with no coal seams. The middle sequence contains mostly shale with thin coal seams. In the south these coal seams are split into thirteen distinct seams, six of which have been mined.

## Sierra Project

### Key highlights:

- There has been minimal historic and current exploration activity carried out within EPC 1822.
- Further drilling is planned to develop a better understanding of the geological conditions on the eastern side of the tenement.
- Potential hard coking coal open cut mine.
- No JORC resource has been estimated.

### Location and Background

The Sierra Project is located around a hard coking coal target in the Fair Hill, Burngrove and Crocker Formations within the Bowen Basin. The EPC 1822 tenure lies within an area of numerous historic and working mines located in the Blackwater region of Central Queensland.

Some of the nearby mining and exploration activities include Ensham, Curragh and Blackwater, targeting the Rangal Coal Measures and Aquila's Washpool and Mount Crocker exploration projects, and Stanmore Coal's Mackenzie Project. EPC 1822 lies to the south of the Capricorn Highway and Central Queensland Railway, approximately 20 km west of Blackwater and 260 km west of Rockhampton in Central Queensland (see Figure 10.1). The Central Queensland railway provides access to the coal port at Gladstone, on the east coast of Queensland.

The physiography of EPC 1822 is a largely dissected tableland with a general relief of approximately 80 m. The tableland is formed by deeply weathered laterised sediments, overlying mainly Permian formations. The area contains significant areas of the Amaroo State Forest and minor areas of the endangered regional ecosystems.

### Exploration

Recent coal exploration drilling occurred in the tenement to the south of the Sierra Project area and intersected the Fairhill Seams at shallow depth. This indicates the formation subcrops to the south of EPC 1822.

Guildford Coal commenced drilling within EPC 1822 in November 2011, completing four open holes and three cored holes. and all seven drill holes were barren. Historic evidence suggests that the coal bearing units of the Crocker Formation are not well developed within EPC 1822.

A further drilling program is planned, targeting the deeper stratigraphic units to ascertain a better understanding of the geological conditions.

### Coal Seams

The six coal seams of the Fairhill Formation have been regionally identified, but only the basal Fairhill Seam has been intersected.

The five seams of the Upper German Creek Formation's equivalent Crocker Formation (Pleiades, Aquila, Tieri, Corvus and German Creek Seams) thin in the region of EPC 1822. The Crocker Formation is noted to contain several thin coal seams but is not of any economic significance.

No resources and reserves have been calculated for EPC 1822.

## Disclaimer

### Exploration Target

References to Exploration Targets in this document 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.

### 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.

### Coal resources and Competent Person Statements

The estimates of the Coal Resources presented in this announcement are considered to be a true reflection of the Coal Resources as at 31st July 2015 and are available to view on [www.guildfordcoal.com.au](http://www.guildfordcoal.com.au). The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

### 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 the Hughenden Project 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).

The information in this report relating to the exploration target tonnage range and coal resources of 12600x is based on information reviewed by Mr Troy Turner who is a member of the Australasian Institute of Mining and Metallurgy and is a full time employee of Xenith Consulting Pty Ltd. Mr Turner is a qualified geologist 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 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Turner consents to the inclusion in the report of the matters based on the information, in the form and context in which it appears.

### BNU North

Technical information in this presentation that relates coal resource estimates for the BNU North Deposit is based on information compiled and reviewed by Mr Craig Williams, who is a member of the Australasian Institute of Mining & Metallurgy. Mr Williams, Principal Consultant – Geology and a fulltime employee of HDR | Salva, has sufficient experience that is relevant to the style of mineralisation under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC Code (2012). Craig Williams consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

### South Gobi North

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 2012 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. Goodman is 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.

The information provided by Salva Resources in this report to which this statement is attached that relates to Exploration Results is based on information compiled by Dr Aldo Van Heeswijck, who is a Member of The Australasian Institute of Mining and Metallurgy. Dr Van Heeswijck is employed by Salva Resources 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 2012 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.

#### **South Gobi and Middle Gobi**

Technical information in this presentation in relation to the exploration targets and JORC Resources for South Gobi and Middle Gobi Projects has been compiled by Mr. Mark Biggs, previously Principal Geologist of Moultrie Database and Modelling. Mr Biggs now works for ROM Resources Pty Ltd. Mr. Biggs is a member of the Australasian Institute of Mining and Metallurgy and has over 25 years of experience relevant to the style and type of coal deposit under consideration and to the activity which is being undertaken to qualify as a Competent Person as defined by the Australasian Code for Reporting of Minerals Resources and Reserves (JORC) 2012. 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.

#### ***Khar Servegen (12600X)***

Technical information in this presentation in relation to the exploration target tonnage range and coal resources of 12600X - Khar Servegen, is based on information reviewed by Mr Troy Turner who is a member of the Australian Institute of Mining and Metallurgy and is a full time employee of Xenith Consulting Pty Ltd. Mr Turner is a qualified geologist 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 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Turner consents to the inclusion in the report of the matters based on the information, in the form and context in which it appears.







# DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2015



# GUILDFORD COAL

## 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 subsidiaries for the financial year ended 30 June 2015 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 mineral exploration 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 Group 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:

Names	Position	Appointed/Resigned
The Hon Craig Wallace	Non-Executive Chairman	Appointed 29/04/2015
The Hon Craig Wallace	Non-Executive Director	Resigned 29/09/2014
		Appointed 12/12/2014
Mr Michael Avery	Group Managing Director	Appointed 15/12/2014
Mr Michael Avery	Non-Executive Director	Appointed 19/11/2014
Mr David Stone	Executive Director	Appointed 12/05/2015
	Non-Executive Director	Appointed 05/05/2015
Mr Tsogt Togoo	Non-Executive Director	
Mr Philip Forrest	Independent Director	Appointed 09/04/2015
Ms Loo Hwee Fang	Independent Director	Appointed 09/04/2015
Mr Craig Ransley	Non-Executive Chairman	Appointed 19/11/2014
		Resigned 29/04/2015
The Hon Alan Griffiths	Acting Non-Executive Chairman	Resigned 19/11/2014
Mr Peter Kane	Group Managing Director	Resigned 12/12/2014
Mr Kon Tsiakis	Non-Executive Director & Company Secretary	Resigned 13/11/2014

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

#### The Hon Craig Wallace

#### Non-Executive Chairman

Appointed : 29 April 2015

Non-Executive Director

Resigned : 29 September 2014

Appointed : 12 December 2014

#### Qualifications

Bachelor of Arts

#### Experience

Mr Wallace served as the Queensland 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

Member of the Audit and Remuneration Committees

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

Nil

**Mr Michael Avery****Group Managing Director**

Appointed : 15 December 2014

Non-Executive Director

Appointed : 19 November 2014

**Qualifications**

Masters of Business Administration

Bachelor of Engineering (Mining) (First Class Hons)

**Experience**

Michael has been involved in the establishment and management of a number of successful public and private companies in mining, exploration and development, mining consulting services and mining contractor services.

Michael is a 30 year plus mining industry veteran with BE Mining (1st Class Honours) from UNSW and an MBA from Mt Eliza Business School. Michael is also a qualified Coal Mine Manager and a member of the Australian Institute of Mining and Metallurgy.

Michael has extensive experience in the mining sector working in senior management and technical roles for a number of blue-chip mining companies (mostly Rio Tinto and BHP Billiton) at operations in Australia and around the world. These roles covered the full life cycle of open cut and underground mines from resource exploration and evaluation, through conceptual design, pre-feasibility, feasibility, construction, operation and management.

**Special Responsibilities**

Member of the Remuneration Committee

**Interest in Contracts**

Nil

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

Nil

**Mr Tsogt Togoo****Non-Executive Director****Qualifications**

Masters of Business Administration

Master of Economics

Bachelor of Economics (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, overseeing commercial and operational functions, including petroleum product imports and internal distribution to filling stations.

Mr Tsogt also led 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 16.13% 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\$2m in respect of a potential purchase of all the shares of MPC.

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

Nil



**Mr David Stone****Executive Director**

Appointed : 12 May 2015

Non-Executive Director

Appointed : 5 May 2015

**Qualifications**

Bachelor of Mining Engineering

Diploma in Risk Management

Diploma from the Australian Institute of Company Directors

**Experience**

David Stone is a highly successful leader in mining businesses for global corporations. His impressive career spans over 20 years with expertise in operating resources businesses, either in senior management, project development, operations or closure. He has repeatedly demonstrated transformational ability within these businesses with a sole focus of creating shareholder value and has operated successfully across diverse geographical locations and environments.

He has progressed through the mining industry performing most roles within a business including, operations, technical and management. This is in conjunction with being appointed to numerous government and industry committees and boards. He also holds a Mine Managers, Senior Site Executive and statutory qualifications.

**Interest in Contracts**

Nil

**Special Responsibilities**

Nil

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

Nil

**Mr Philip Forrest****Independent Director**

Appointed : 9 April 2015

**Qualifications**

Fellow of the Australian Institute of Company Directors

Certified Public Accountant

**Experience**

For over 33 years, Philip Forrest has lived in South East Asia and contributed to the Australia/Asia commercial relationship. He is reinforcing that contribution through directorships, involvement in not for profit organisations, and the provision of consultation and advice. Since arriving in Singapore in 1991, he has headed three international banks (Westpac, NatWest and ANZ), with wide-ranging regional responsibilities. His most recent banking position was Asia Head for ANZ Bank, with responsibility for all of the Bank's activities in eleven countries from Japan to Indonesia.

Philip's current non-executive directorships include: EA Consulting, Voyager Estate (Singapore), SEA Resources, and SEA Resources (Thailand), Barterfii Pte Ltd and EVOLVE Agribusiness Pte Ltd.

He is currently a Director of The Australian Chamber of Commerce, Singapore, and a Member of the Governing Council of the Singapore Institute of Directors.

Philip is a Fellow of the Australian Institute of Company Directors, a Fellow of CPA Australia, and a Fellow of the Australian Institute for Business and Economics. He is a Member of the Thai Institute of Directors and of the Singapore Mining Club. He received an award in 2014 for forty years of membership of CPA Australia.

**Interest in Contracts**

Nil

**Special Responsibilities**

Member of Audit and Remuneration Committees

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

Nil

**Loo Hwee Fang**

## Qualifications

## Experience

## Interest in Contracts

## Special Responsibilities

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

**Independent Director**

Appointed: 9 April 2015

University of Sheffield, England (LLB Hons)

Barrister-at-law, Gray's Inn, England and Wales

Loo Hwee Fang is an experienced legal practitioner. She graduated from the University of Sheffield, England, with an LLB (Hons) Degree in 1996 and is also a qualified Barrister-at-Law. Ms Loo was Partner in Singapore law firm, Lee and Lee, specialising in corporate finance, capital markets and fund management. Since 2013, Ms Loo has been Group General Counsel of Yoma Strategic Holdings Ltd which is listed on the main board of the Singapore Exchange.

Nil

Member of the Audit Committee

HL Global Enterprises Limited (Singapore)

**Hon Alan Griffiths**

## Qualifications

## Experience

## Interest in Contracts

## Special Responsibilities

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

**Acting Non-Executive Chairman**

Resigned: 19 November 2014

Degree in Law, Economics/Politics at Monash University

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's 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.

The Hon Alan Griffiths was a shareholder in TheChairmen1 Pty Ltd which had 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.

Member of Audit and Remuneration Committees

## Craig Ransley

### Non-Executive Chairman

Appointed: 19/11/2014

Resigned: 29/04/2015

#### Experience

Craig Ransley was born in Tasmania and his early working life was spent in the Royal Australian Navy where during an eight year career he became a qualified fitter and machinist.

In 1999, Craig identified the need for a human resources company specialising in providing highly skilled workers to large companies undertaking major infrastructure and maintenance projects. As a result, he founded TESA Group Pty Limited (TESA) in 2000, developing TESA over a five year period into one of Australia's top five blue collar labour hire companies. TESA was the premier supplier to the coal mining industry in NSW and Queensland when it was acquired by Skilled Group Limited in 2006.

Post 2006, Mr Ransley co-founded Resco Services Pty Ltd, which was an acquisitive play in mining services in black coal on the eastern seaboard, acquiring and integrating eight companies over an eighteen month period. The culmination was the only true privately owned pit to port mining services provider in black coal, employing some 1000 miners.

In 2010, Mr Ransley formed a company called The Chairmen1 Pty Ltd (TheChairmen1), which acquired and pegged a diverse portfolio of coal exploration tenements in Queensland across the Bowen, Maryborough, Galilee and Surat basins. TheChairmen1 then vended its assets into a wholly owned subsidiary, Guildford Coal Limited which listed on the ASX in July 2010.

Craig Ransley has served Guildford Coal in various roles during the past five years, including inaugural Chairman, Executive Deputy Chairman and Non-Executive Director. He has served on all major Committees of the Board, including Audit.

Mr Ransley has championed supply chain infrastructure improvements in the North Galilee Basin in Australia. He served on the Queensland Government's North Queensland Resources Supply Steering Committee and was instrumental in securing Australian Government funding for the North and North West Queensland Resources Feasibility Study.

In 2014-15 Mr Ransley was heavily involved in the push to ramp up production at the South Gobi's Baruun Noyon Uul (BNU) coal mine via Guildford's wholly owned subsidiary, Terra Energy Limited.

Mr Ransley was persuaded by key shareholders and financiers to come back on to the Guildford board in the role as interim Chairman in 2014, to provide strong leadership to the Company during its transitional period. This move provided the impetus for major financiers to provide critical financial backing for the Company. He also made a commitment to undertake a comprehensive review of the Company's Board, management team and operations. A strategic review was completed in February, 2015 and is now being implemented with the full support of the directors of the Company.

Mr Ransley has been actively involved in a number of Guildford's subsidiary entities and he is currently a director of Australian companies Clyde Park Coal Pty Ltd and Terra Energy Ltd and Singapore based Tellus Marketing Pte Ltd and Tellus Commodities Pte Ltd.

Mr Ransley announced his resignation from the Guildford board in April 2015 to pursue other interests.

#### Interest in Contracts

Craig Ransley is a 0.09% 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 which was terminated during the financial year. Refer to Note 28 of notes to financial statements.

#### Special Responsibilities

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

Nil

Humanis Group Limited



**Mr Peter Kane****Group Managing Director**

Resigned: 12 December 2014

## Qualifications

Bachelor of Engineering (Mining)

Member of the Australasian Institute of Mining &amp; 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 three 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 General Manager 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 Audit and Remuneration Committees

## 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 Kon Tsiakis****Non- Executive Director**

Resigned: 13 November 2014

## Qualifications

Master of Laws

Bachelor of Laws

Bachelor of Commerce

## Experience

Kon 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

Kon is one of two directors of Nooava Pty Ltd and is a shareholder. Nooava is a Trustee Company for the Tsiakis Family Trust of which Kon 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 which was terminated during the financial 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

**2 (b) Directors Interests**

The direct 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	Ordinary shares	Options over ordinary shares
The Hon Craig Wallace <sup>(1)(2)</sup>	-	-
Mr Michael Avery <sup>(3)</sup>	-	-
Mr Tsogt Togoo <sup>(4)</sup>	-	-
Mr David Stone	-	-
Mr Philip Forrest	500,000	-
Ms Loo Hwee Fang	-	-

Notes:

- (1) Craig Wallace is the sole shareholder of Auspicious Future Ventures Ltd (AFV) which holds 30,000,000 shares of the Company as at 30 June 2015. He is able, as the sole director of AFV, to control the exercise of a right to vote attached to the shares in the Company held by AFV. He disposed of 30,000,000 shares on 21 July 2015.
- (2) Craig Wallace is also a 16.52% shareholder of C1 Commodities Pty Ltd, which holds 100,000,000 ordinary shares of the Company as at the date of this report.
- (3) Michael Avery is a beneficiary of Omaroo Pty Ltd and Crem Pty Ltd who are trustee companies for Omaroo Family Trust and Crema Family Trust respectively. Omaroo Pty Ltd and Crem Pty Ltd hold 7,362,397 and 7,444,620 shares respectively as at the date of this report. In addition, both Omaroo Pty Ltd as trustee for the Omaroo Family Trust and Crem Pty Ltd as trustee for Crema Family Trust have 6.31% and 7.60% interests in C1 Commodities Pte Ltd and TheChairmen1 Pty Ltd respectively. Both of whom are shareholders of the Company, holding 100,000,000 and 60,593,156 shares respectively as at the date of this report.
- (4) 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 16.13% (2014: 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:

	Directors' Meetings		Audit Committee		Remuneration Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Mr Michael Avery	16	13	1	1	1	0
Mr Phillip Forrest	4	4	-	-	1	1
The Hon Alan Griffiths	8	8	4	4	1	1
Mr Peter Kane	13	13	4	4	1	1
Ms Hwee Fang Loo	4	4	-	-	-	-
Mr Craig Ransley	14	14	-	-	-	-
Mr David Stone	3	3	-	-	-	-
Mr Kon Tsiakis	8	6	4	4	1	1
Mr Tsogt Togoo	26	23	-	-	-	-
The Hon Craig Wallace	21	19	1	0	1	1

3 OTHER

## 3 (a) Dividends

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

## 3 (b) Share options

### Shares issued on exercise of options

During the financial year, the following options were exercised:

- As announced on 7 July 2014, the Company offered a fully underwritten pro rata non-renounceable entitlement offer on the basis of one new share and one attaching new option for every 18.248 shares held at \$0.06. On 7 August 2014, 83,333,334 new shares were issued, with the Company receiving \$5,000,000. Subsequently 72,422,327 options were exercised, resulting in the Company receiving a further of \$4,345,340.

### 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 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 Since July 2014, 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 seven business days prior to the maturity date
  - 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 one share. Principle terms are:
    - 66,762,962 detachable warrants
    - Expiry date: five 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
  - 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. Refer to Events Subsequent to Reporting Date for proposed changes to the convertible notes and warrants above.

### 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 financial year.

### 3 (d) Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditor, 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 financial year Ernst & Young, 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.

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

<i>In AUD</i>	<b>Consolidated</b>	Consolidated
<b>Non-audit services</b>	<b>2015</b>	2014
Taxation services and other non-audit services	<b>10,300</b>	265,632



### 3 (f) Auditors independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2015 has been received and can be found on page 57 of the financial report.

## 4 OPERATING AND FINANCIAL REVIEW

### REVIEW OF FINANCIAL PERFORMANCE

Before analysing the operating performance of the Group for the year it is important to highlight the following:

- i. **\$15.9 million of cash was contributed by shareholders into the Company through rights issues.** This support from shareholders shows the value proposition the Company has to offer within its existing asset portfolio.
- ii. **US\$7.0 million (converted to AU\$8.75 million) working capital facility established by Noble.** This support from one of the Company's principle financiers shows the value proposition the Company has to offer within its existing asset portfolio.
- iii. **\$9.1 million sales revenue received from customers during the year.** The ability for the Company to generate this sales revenue with customers including Jiuquan Iron & Steel (Group) Co Ltd (JISCO) and Jiuquan Haohai Coal Chemical Co Ltd (Haohai) recognises the high quality and excellent value in use of the BNU brand of coking coal.
- iv. **\$25.0 million non-cash unrealised foreign exchange losses on its USD denominated loans.** The functional reporting currency is Australian dollars (AUD) and therefore there is the requirement under Australian Accounting Standards to convert all foreign currency loans using the closing exchange rate at balance date. The loan outstanding at 30 June 2015 in its issued currency is US\$106.0 million, compared to 30 June 2014 of US\$102.7 million. The movement in the amount outstanding is the US\$7.0 million new working capital facility issued by Noble and the repayment of US\$3.7 million.
- v. **\$20.6 million increase in trade and other payables.** This increase is as a result of the following:
  1. **\$7.7 million increase in interest accrued.** The Company's financiers have demonstrated their continued support to the Company by deferring interest payments during the year. This is interpreted to be that the financiers support the Company as they recognise the value proposition within the existing asset portfolio.
  2. **\$10.8 million increase in Mongolian trade and other payables.** This increase as the production at the BNU Mine works to finalise development activities and ramp up to commercial production. This can be easily demonstrated by comparing the June 2015 quarter's production to June 2014. In June 2015 quarter there was 2,414,359 of waste BCM removed; 123,679 ROM tonnes mined; and 134,588 trucked to Ceke Border. This contrasts to June 2014 quarter where there was no production.
- vi. **\$0.3 million non-cash impairment loss.** The value proposition of the Company's asset portfolio is demonstrated by its limited impairment loss recognised in the year.

### NET ASSET MOVEMENT ANALYSIS

The total net assets of the Group as at 30 June 2015 were \$26.5 million. This represents a decrease of \$20.8 million when compared to the net assets of the Consolidated Company as at 30 June 2014. Management has summarised items below which contribute to the movement of the net assets.

The key contributors to the decline in the net assets of the Group are principally non-cash items, namely unrealised foreign exchange loss recognised on borrowings (\$25.0 million). This item is a non-cash accounting adjustment and will not have any bearing on the future cash outflows of the Group.

	\$ million	\$ million
<b>Net Assets as at 30 June 2014</b>		<b>47.34</b>
<i>Non-Cash Items</i>		(33.73)
Unrealised foreign exchange loss recognised on borrowings	(24.98)	
Finance expense on amortising notes and convertible notes	(5.87)	
Interest expense on interest bearing loans	(1.58)	
Loss of control in Springsure Mining Pty Ltd	(1.00)	
Impairment of assets (Recognised at 31 December 2014)	(0.30)	
<i>Cash Items</i>		15.89
Shareholder contributions through rights issues <sup>(1)</sup>	15.89	
<i>Balance of net asset movement – operational spend</i>		(3.00)
<b>Net Assets as at 30 June 2015</b>		<b>26.50</b>

Note:

(1) Primarily used to fund payment for property, plant and equipment, and exploration and evaluation assets additions.

## INCOME STATEMENT ANALYSIS

The Group's loss for the year was \$43.3 million compared to the prior year Group's loss of \$65.6 million. A range of factors negatively impacted the result. These include:

- A total foreign currency loss of \$22.3 million (2014: foreign currency gain of \$2.9 million). Refer to previous discussion with reference to revaluation of USD borrowings.
- A net impairment of \$0.3m (2014: impairment of \$44.2 million to the Australian coal assets). Refer to previous discussion on this point.
- Interest and finance costs of \$8.2 million (2014: \$6.5 million).
- A withholding tax expense of nil (2014: \$3.0 million).
- A loss of \$1.0 million as a result of loss of control in the subsidiary Springsure Mining Pty Ltd. As part of the termination of the management agreement with TheChairmen 1 Pty Ltd, the Group had to relinquish 15% of its shareholder in Springsure Mining Pty Ltd. Therefore, during the year the shareholding reduced from 50.78% to 35.78%.

## CASH FLOWS AND CAPITAL MANAGEMENT

	FY2015	FY2014
	\$ million	\$ million
<b>Cash flows</b>		
Operating cash flows	(2.8)	(17.5)
Investing cash flows	(19.5)	(41.4)
Financing cash flows	12.4	42.7
Net decrease in cash and cash equivalents	(9.9)	(16.2)
Cash and cash equivalents at beginning of the year	9.1	25.7
Effect of foreign exchange rate changes	1.5	(0.4)
Cash and cash equivalents at end of the year	0.7	9.1
<b>Capital management &amp; balance sheet</b>	<b>30 June 2015</b>	<b>30 June 2014</b>
	\$ million	\$ million
Cash on hand	0.7	9.1
Interest bearing liabilities	137.9	104.2
Net debt	137.2	95.1
Net assets	26.5	47.3

## CASH FLOW COMMENTARY

### *Operating cash flows*

Operating cash outflow of \$2.8 million has improved significantly compared to the operating cash outflow of \$17.5 million in the prior year. During financial year ended 30 June 2015, the Company started selling coal from its recommissioned Baruun Noyon Uul ("BNU") mine in South Gobi, Mongolia. Cash receipts for the year totalled \$9.1 million.

### *Investing cash flows*

Investing cash outflows have decreased to \$19.5 million in the year to 30 June 2015 from \$41.4 million in the prior year. The principal driver in the reduction is the BNU mine becoming operationally commissioned; with commercial production to be achieved in the first quarter of next financial year.

### *Financing cash flows*

Financing cash inflows have decreased to \$12.4 million in the year to 30 June 2015 from \$42.7 million in the prior year mainly due to the following factors:

- Continued shareholder support. Proceeds from share issues amounted to \$15.9 million (2014 nil) for the Company.
- Continued funding support from the Company's financiers to enable the Company to re-commence production at its BNU mine. Net proceeds from new funding facilities amounted to \$3.9 million (2014: \$48.6 million).
- The increase in finance costs of \$1.2 million, which is attributable to the additional funding provided by the Company's financiers to enable the Company to sufficiently re-commence production at its BNU mine.

## CAPITAL MANAGEMENT AND BALANCE SHEET COMMENTARY

Cash on hand at 30 June 2015 was \$0.7 million which is \$8.4 million less than the 30 June 2014 balance of \$9.1 million.

Total interest bearing liabilities at 30 June 2015 were \$137.9 million (US\$106.0 million). This represents an increase of \$33.7 million relative to the balance at 30 June 2014 (\$104.2 million; US\$102.7 million). The increase of \$33.7 million comprises cash (\$3.9 million) and non-cash items (\$29.8 million) which are explained in detail below. The movement in the amount outstanding is the US\$7 million new working capital facility issued by Noble International Pte Ltd ("Noble") and the repayment of US\$3.7 million.

### *Cash Items*

- i. Additional funding of US\$7 million provided by Noble through an additional working capital facility. The agreement was entered on 6 February 2015 and the facility bears an annual interest rate of LIBOR + 10.5%. This was primarily utilised to fund the Group's BNU mine development expenditure along with financing repayments due on the Group's finance facilities.
- ii. Repayment of US\$3.7 million to Noble under the Fuel Exclusivity Agreement Facility.

### *Non-Cash Items*

- i. Unrealised foreign exchange losses of \$25.0 million. This unrealised loss has come about as Australian Accounting Standards requires the Company to revalue its foreign currency loans held with Noble and OCP Asia Limited ("OCP") to AUD equivalent at each reporting date.
- ii. Amortisation interest rate expense on OCP Amortising Notes Facility and interest expense on convertible notes of \$5.9 million. This is an accounting, non-cash adjustment. The principal outstanding year on year has not changed from the amortising notes of US\$55 million and convertible notes of US\$10 million.

During the year the Company's principal financiers, Noble International Pte Ltd ("Noble") and OCP Asia Limited ("OCP Asia") continued to demonstrate their commitment to Guildford Coal.

*Facilities held with Noble* – Noble's deferral of principal repayments on its facilities has allowed the Company to align the principal repayments with the BNU mine being in commercial production. This ensures that the Company can focus its working capital to BNU Mine development activities, which ultimately improves shareholders returns in the long run.

- i. Working capital facility: The Company agreed with Noble to defer the due date for the principle repayment and facility interest payments to 30 September 2015.
- ii. Additional working capital facility: On 6 February 2015, the Company entered into an additional working capital facility agreement for US\$7,000,000 which was fully drawn down. The facility bore an annual interest rate of LIBOR + 10.5%. The Company has agreed with Noble to extend the due date for the principle repayment and facility interest payments to 30 September 2015.
- iii. Debt facility: Effective 31 December 2014, the Company agreed with Noble to revise principal repayment to US\$2,222,222. The Company agreed with Noble to extend the due date for principle repayment and facility interest payments to 30 September 2015.
- iv. Additional debt facility: Effective 31 December 2014, the Company agreed with Noble to revise principal repayment to US\$3,111,111. The Company has agreed with Noble to extend the due date for principle repayment and facility interest payments to 30 September 2015.

Between 15 August 2015 (principal and interest due date) and 29 September 2015 (date formal approval of deferral received) there were no payment demands issued by Noble.

*Facilities held with OCP Asia* – OCP Asia's deferral of principal repayments on its facilities has allowed the Company to align the principal repayments with the BNU mine being in commercial production. This ensures that the Company can focus its working capital on BNU mine development activities, ultimately improving shareholders returns in the long term.

- i. Convertible notes: Prior to year-end, the Company was in negotiations with OCP Asia to defer the convertible note maturity date and interest payments which became due on 8 July 2015. Following successful negotiations with OCP Asia, on 22 July 2015 the Company submitted a formal waiver request for note holder's formal approval of the deferral request. This was subsequently formally approved by the note holders on 21 August 2015 on the following terms:
  - a. Convertible note maturity date extended to 8 December 2015 (from 8 July 2015);
  - b. Payment of accrued interest which was due 8 July 2015 deferred to the earlier of 30 September 2015 or the date of completion of any future capital raising; and
  - c. Adjustments to Convertible Notes and Amortising Notes detachable warrants previously issued by the Company to OCP Asia subject to shareholders' approval. (Refer to Events Subsequent to Reporting Date for proposed changes to the convertible notes and warrants.)



Subsequent to this, an in principle agreement has been reached to defer all payments due on 30 September 2015 to 31 October 2015. (Refer to Events Subsequent to Reporting Date for more details.)

Between 8 July 2015 (convertible note maturity date) and 21 August 2015 (date formal approval of deferral received) there were no payment demands issued by OCP Asia, the trustee of the notes or the note holders themselves.

- ii. Amortising notes: Prior to year end the Company was in negotiations with OCP Asia to defer the principal and interest payments which became due on 8 July 2015. Following successful negotiations with OCP Asia, on 22 July 2015 the Company submitted a formal waiver request for note holder's formal approval of the deferral request. This was subsequently formally approved by the note holders on 21 August 2015 on the following terms:
  - a. Payment of US\$11.0 million principal repayment deferred from 8 July 2015 to the earlier of 30 September 2015 or the date of completion of any future capital raising; and
  - b. Payment of accrued interest which was due 8 July 2015 deferred to the earlier of 30 September 2015 or the date of completion of any future capital raising.
  - c. Adjustments to Convertible Notes and Amortising Notes detachable warrants previously issued by the Company to OCP Asia subject to shareholders' approval. (Refer to Events Subsequent to Reporting Date for proposed changes to the convertible notes and warrants.)

Between 8 July 2015 (principal and interest due date) and 21 August 2015 (date formal approval of deferral received) there were no payment demands issued by OCP Asia, the trustee of the notes or the note holders themselves.

Subsequent to this, an in principle agreement has been reached to defer all payments due on 30 September 2015 to 31 October 2015. (Refer to Events Subsequent to Reporting Date for more details.)

The total net assets of the Group as at 30 June 2015 were \$26.5 million. This represents a decrease of \$20.8 million. The Group considers the reduction of its net assets as primarily the result of the unrealised foreign exchange loss of \$25.0 million it has recognised, due to the revaluation of foreign currency loans held with Noble and OCP.

## REVIEW OF OPERATIONS – CORPORATE

### *Strategic review*

During the year, a strategic review of the Company was completed. A summary of the actions and outcomes include the following:

- Engaged UOB Kay Hian Holdings Limited ("UOB") to determine the merits and mechanisms for a potential listing on an Asian Stock Exchange.
- As part of the corporate cost reduction strategy the Brisbane Corporate Office was closed and it was relocated to Townsville with a reduced workforce, sufficient to meet the current needs of the Company.
- Strategic establishment of a regional office in Singapore to be closer to operations, customers, financiers and the majority of shareholders.

The Company continues to assess all possible avenues and options which will ultimately benefit shareholders. As these are crystallised it will make the necessary announcements.

### *Capital raising*

During the year, the Company successfully completed two rights issues resulting in an additional \$15.9 million cash being made available to the Company for working capital purposes. The details of the rights issues are as follows:

- i. On 7 July 2014, the Company offered a fully underwritten pro rata non-renounceable entitlement offer of new fully paid ordinary shares at an offer price of \$0.06. Existing shareholders were offered one new share (Rights issue) and one attaching new option for every 18.284 existing fully paid ordinary shares in the Company. On 7 August 2014, 83,333,334 shares were issued with the Company receiving \$5,000,000. Subsequently, 72,422,327 options were exercised resulting in the Company receiving a further \$4,345,340.
- ii. On 27 January 2015, the Company offered a partially underwritten pro rata renounceable entitlement offer of new fully paid shares at an offer price of \$0.037. Existing shareholders were offered one new share for every 4.85 existing fully paid ordinary shares in the Company. On 26 February 2015, the Company issued 178,315,842 shares in connection with the offer receiving \$6,597,686.

## REVIEW OF OPERATIONS - MONGOLIA

The Company has continued its pre-mining activities at the BNU mine in South Gobi, Mongolia. Progress has included the transition of the BNU mine from explorer to miner following the completion of the first commercial shipment of 6,000t of

coal to Baotou Iron & Steel (Group) Co. Ltd. This transition has been successfully overseen by the senior management team which was appointed in prior year.

Further FY2015 highlights at the BNU mine, include:

- On 2 July 2014, the Company was granted a haulage permit by the Mongolian Ministry of Roads and Transport to transport coal from the BNU mine (South Gobi) to Shivee Khuren (adjacent to the Ceke border – a point of entry into China). The permit was the final step in allowing the exportation of coal into China.
- On 14 August 2014, the first coal sales contract was executed for 8,000t of coal. In addition to allowing Chinese customers to provide feedback on BNU coal, the sale was also used for supply chain and washability product testing.
- The first trucks left the BNU mine on 25 August 2014. A second shipment to China followed on 15 October 2014.
- On 27 November 2014, the Company received approval from the Mineral Resource Authority of Mongolia to increase allowable mining capacity to 1.5 million tonnes (Mt) in 2015 and 2 Mt in 2016.
- Following the successful completion of the mine's trial batches, all major equipment was recommissioned in December 2014.
- On 20 December 2014, blasting commenced with the first confined shot fired in the BNU pit. This has resulted in improved equipment productivity and performance, thereby helping to achieve production targets.
- 9 January 2015 saw the first train shipment of 3,000t of low ash hard coking coal from Ceke Border Station to Jiuquan Iron & Steel (Group) Co Ltd (JISCO). Established in 1958, JISCO is the largest steel producer in Western China.

Following the first washing trial in FY2014, on 27 November 2014, the results from the second trial coal test results were finalised. The results were exceptional and demonstrated an end user product which is highly desirable amongst Chinese steel makers. BNU coal can be washed to produce a low ash premium quality hard coking coal with low sulphur. The results of the testing included:

- i. Wash: 80% yield; 8.6% ash; 0.46% sulphur
- ii. Bypass: 100% yield; 10.8% ash; 0.41% sulphur

In February 2015, a benchmarking study was completed allowing the BNU coal product to be classified as a:

- i. Semi-hard to hard coking coal;
- ii. Product which is positioned either within or immediately adjacent to the BHP Target Blend Quality "window"; and
- iii. Product within a select global group that are highly sought after as a blend of coals for coke oven feeds.

Following the successful coal washability and logistics testing, the Company was able to secure offtake agreements with two end users in China. This represents a significant milestone as it will allow the subsidiary to position itself in the Chinese market. The agreements are:

1. Jiuquan Iron & Steel (Group) Co Ltd (JISCO)
  - Agreed to purchase 15,000t of clean coking coal in May 2015 at approximately a 30% premium to the Platts Hard Coking Coal 64 Mid Vol Costed and Freight (CFR) China Index.
  - As of June 2015, an agreement to purchase 35,000t  $\pm$  5,000t of clean coking coal per month for 12 months.
2. Jiuquan Haohai Coal Chemical Co Ltd (Haohai)
  - Agreed to purchase 45,000-50,000t of clean coking coal from May to July 2015 at a similar price to the JISCO deal.
  - Commencing in August 2015, agreed to purchase 25,000  $\pm$  5,000t of clean coking coal per month for a term of nine months.

On the 22 June 2015, the Company announced the release of a JORC code (2012) compliant resource estimate by Independent mining consultants Xenith Consulting Pty Ltd in relation to the 12600 exploration licence, now known as Khar Servegen (KS), Coking Coal Resource which adjoins the Baruun Noyon Uul (BNU) mine as part of the strategic development of the South Gobi Coking Coal region in Mongolia. This resource estimate increased the South Gobi Coking Coal region total resources as follows:

#### South Gobi

- JORC Code (2012) resource of 83 Mt (Previously at 25 June 2014: 27 Mt).
- JORC Code (2012) resource confidence increase with 15 Mt Measured, 9 Mt Indicated and 59 Mt inferred resource (Previously at 25 June 2014: 15 Mt Measured, 9 Mt Indicated and 3 Mt inferred resource).
- JORC Code (2012) exploration target of between 26 Mt (Lower) and 45 Mt (Upper).

#### Mid Gobi

- JORC Code (2012) resource of 221Mt.

- JORC Code (2012) resource of 32 Mt Indicated and 189 Mt inferred resource.

The Company's Mongolian subsidiary Terra Energy LLC was recognised for its positive contribution with three awards:

- The 2014 Mongolian Health and Safe Workplace Award from the Ministry for Labor.
- Excelled Miner Award from the Ministry of Mining.
- Recognition from the local government authority for the Company's contribution to the community.

In addition, in March 2015 the Company reached one million man-hours Lost Time Incident free. The milestone reinforces the Company's commitment to the health, safety and welfare of all of its employees and contractors.

During FY2015, Terra Energy LLC was granted a number of new exploration licences, complementing the current portfolio of mining and exploration licences the Company already holds. This includes:

- On 27 April 2015, Terra Energy LLC was granted the Baruun Termes exploration licence ID NE-025374 for three years by the Minerals Resource Authority of Mongolia (MRAM). Covering an area of 111.7 km<sup>2</sup>, it is located in the Karkhira coking coal basin, in close proximity to the Huden and Huwtiin coal mining licences.
- On 27 May 2015, Terra Energy LLC was granted the South Gobi exploration licence ID XV-018111 for three years by MRAM. Covering an area of 21.05 km<sup>2</sup>, it is located 60 km east of the Company's BNU coking coal mine.
- On 22 June 2015, the Company agreed to the acquisition of 100% equity interest in Enkhtunkh Orchlon LLC (EO) from Noble Resources International Pte Ltd (Noble). EO holds the highly prospective 12600 exploration licence, now known as Khar Servegen (KS), Coking Coal Resource and associated mining application, which is adjacent to Guildford's BNU mine in the South Gobi. This proximity is of high strategic importance due to potential capital and operating cost synergies. The acquisition will be completed post 30 June 2015 and consideration for this acquisition has been deferred until the 2016 financial year.

These licences support the Company's commitment to acquire opportunities in Mongolia, allowing it to utilise existing infrastructure and bolster medium term production.

### *Strategic Direction for Mongolian Assets*

The Company has a clear strategic direction for its Mongolian assets. This includes achievable objectives it plans to implement during the next five years:

- Position the BNU hard coking coal brand as a leading value in use coal in Asian markets, particularly China.
- Cost effectively expand the production profile in the South Gobi region by utilising existing infrastructure to achieve 1.5 Mt in 2016, 3 Mt in 2017 and target a sustainable 5 Mt per annum by 2020.
- Extend the life of the South Gobi Project to greater than 12 years.
- Investigate strategic acquisitions that complement the existing portfolio, are accretive to shareholders and support these objectives.

## REVIEW OF OPERATIONS - QUEENSLAND

Due to the BNU mine in Mongolia being commissioned during FY2015, there has been limited expenditure on the Queensland projects. Despite this, there has been a number of key activities completed during the period. As outlined in the strategic review of February 2015, the Company is looking to source an equity joint venture partner for its Australian assets. This outcome will secure the continued development of key Queensland projects and also allow the Company to focus current investment on its revenue producing asset, the BNU mine.

The strategic review also identified two priority projects within the Company's Queensland portfolio – the large thermal coal North Galilee Project and the PCI/thermal coal Springsure Project. As a result of this assessment, and to ensure the most effective use of capital, the Company relinquished all sub-blocks in EPCs 1870 (Monto Project), 2057 and 2058 (Sunrise Projects).

### *Springsure Project*

Drilling and site rehabilitation work on the Springsure Project (EPC 1674) exploration program was completed in November 2014. This exploration program culminated in the Springsure Projects Stage 2 coal quality testing results being finalised in June 2015. The results were very promising and demonstrated why this project is of economic significance to Guildford:

- High volatile thermal coal with a rank similar to the coals of the upper Hunter Valley.
- Low in situ ash giving rise to the possibility of "bypass" production.
- Less environmental impact due to its low total sulphur content.
- Simple coal processing (dense medium cyclone, spirals) creating a commercially acceptable yield (CF1.60) range of 77-93%, ash range 6.4-11%.

As part of Guildford Coal's strategic objective to invest in revenue producing assets and reduce corporate operating costs in the short-term – the Company relinquished 15% of its shareholding in Springsure Mining Pty Ltd on 28 November 2014. The relinquishment came about from the termination of the Management Agreement effective from 12 September 2014. The termination of this agreement will provide annual cost savings of \$2.5 million.



A significant milestone in the development of the Springsure Project occurred on 18th February 2015. The Company, on behalf of its subsidiary Springsure Mining Pty Ltd, lodged with the Department of Mines and Natural Resources (DNRM) a Mineral Development Lease (MDL) application (MDL3002) within the Springsure Project's Exploration Permit for Coal (EPC) No. 1674. Once awarded, the MDL will enable the Company to confirm feasibility of mining options for the Project through its submitted 5 year program of exploration and development. Subsequent to year end Springsure Mining Pty Ltd was granted the MDL over a portion of EPC 1674 effective from 1 August 2015.

#### *North Galilee Project*

The North Galilee Project is crossed by an existing underutilised rail line which connects to the Port of Townsville, as well as being strategically located to supply the potential base load coal fired power station discussed as part of the government funded North Queensland Sustainable Resource Feasibility Study.

In April 2015, the DNRM approved the consolidation of the Hughenden and Pentland Projects into the North Galilee Project.

Continuing its strategic partnering with stakeholders in North and North West Queensland, the company continued to be actively involved in Mount Isa to Townsville Economic Development Zone (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.

#### 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 15 July 2015, the Company advised the market that their operational strategy at the Mongolian Baruun Noyon Uul (BNU) mine should enable the company to ramp up to 125,000t coal per month production which was confirmed on 31 July 2015 when the company provided further operational guidance on the mine.
- Additionally on 15 July 2015, the Company announced the granting of two new exploration licences by the Mineral Resources Authority of Mongolia (MRAM). The Baruun Termes exploration licences NE-025961 and NE-025966 are prospective for potash and complement Terra Energy's existing assets in Mongolia.
- On 21 July 2015 the results of ongoing resource definition and mine planning uncovered a shallow coking coal 'micro basin' at the Mongolian BNU mine and that the operations were commencing in the area of the pit.
- The grant of the MDL over part of the Springsure Project was announced on 30 July 2015 along with coal quality wash results confirming the high CV prime thermal product nature of the resource.
- The Company completed the share transfer on the acquisition of 100% of the equity interest in Enkhtunkh Orchlon LLC from Noble Resources International Pte. Ltd ("Noble"). The purchase consideration of US\$6.0 million is payable to Noble. Subsequent to year end, Noble agreed to defer the receipt of the purchase consideration to 30 September 2015.
- On 21 August 2015, the Company provided an update on the lack of progress with the Tsaidam Project and advised that action to recover this US\$2.0 million deposit paid for the acquisition of Mongolian Petroleum Corporation LLC is ongoing.
- Subsequent to year end the Group reached agreement with Noble to defer certain debt requirements to 30 September 2015. The Group is working to restructure the Noble debt via a listed fund raising process. Refer to Note 15 borrowings for further details on agreements reached with financiers. Although the repayment date is 30 September 2015, the Company is working with Noble to repay the principle repayments as part of the debt restructuring.
- To manage funding requirements the Company utilised existing facility capacity resulting from debt repayments made up to 30 June 2015 and agreed for Noble to make additional funding available to the entity during October 2015.
- Following successful negotiations with OCP Asia, on 22 July 2015 the Company submitted a formal waiver request for note holder's formal approval of the deferral request. This was subsequently formally approved by the note holders on 21 August 2015 on the following terms:
  - i. Convertible note maturity date extended to 8 December 2015 (from 8 July 2015);
  - ii. Amortising note payment of US\$11 million principal deferred from 8 July 2015 to the earlier of 30 September 2015 or the date of completion of any future capital raising;
  - iii. Payment of accrued interest which was due 8 July 2015 deferred to the earlier of 30 September 2015 or the date of completion of any future capital raising; and
  - iv. Adjustments to Convertible Notes and Amortising Notes detachable warrants previously issued by the Company to OCP Asia subject to shareholders' approval. (refer below)
- On 28 September 2015, the Company advised the market that it will hold an extraordinary general meeting on 30 October 2015, to approve, amongst other matters and subject to Shareholder Approval and Noteholder approval in

relation to OCP convertible notes and OCP amortising notes, the following:

- v. An extension of time for making certain payments under the OCP convertible notes and OCP amortising notes previously due on 8 July 2015 to no later than 31 October 2015, as well as an extension of the maturity date of the OCP convertible notes to 8 December 2015.
- vi. Amortising note payment of US\$11 million principal deferred from 8 January 2016 to 8 July 2016;
- vii. Adjustments to OCP convertible notes previously issued by the Company to OCP Asia. In particular changes to the conversion price (from A\$0.06 per share to the lower of A\$0.037 and the average volume weighted average prices of shares for 30 days prior to conversion- subject to previously agreed adjusting events).
- viii. Cancellation of the existing detachable warrants previously issued by the Company to OCP Asia and issuance of new and replacement detachable warrants. 126,308,306 warrants will have a term of 5 years from the earlier of 31 October 2015 or the date of additional capital raising with a conversion price based on the trading price of the Company's shares for the first month of issuance.

The note trustee has requested requisite noteholder consent to sign the waiver letter dated 8 September 2015, and agree to the deferral of certain payments and adjustments to the OCP convertible notes and OCP amortising notes as outlined above. The Company has received written confirmation from the note trustee that approximately 50% of noteholders who hold convertible notes, and 55% of the noteholders who hold amortising notes, are supportive of the waiver letter and intend to vote in favour of the note trustee signing the waiver letter. The Company has also been informed that the remaining noteholders intend to vote in favour of the note trustee signing the waiver letter. For details on the notice of meeting, please refer to the Company's announcement dated 28 September 2015.

## OUTLOOK AND LIKELY DEVELOPMENTS

- The Company is developing a growth strategy which includes progressing cash generating acquisition options to augment and ensure the financial capacity to service the restructured debt requirements and continue the strategic development of the South Gobi region in Mongolia.
- Continued assessing of various options for optimising the Company's capital structure and assessing its future requirements. The Company is currently in advanced discussions with established financiers and considers additional capital can be secured in a timely manner if required.

## ENVIRONMENTAL REGULATION

The Group holds licences issued by the relevant environmental protection authorities of the various countries in which it operates. There have been no significant known breaches of the consolidated entities' licence conditions or any environmental regulations.

## 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 the construction 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 ongoing 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 and OCP Asia to defer certain principal payment obligations (refer Note 15).

### **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 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 arrangements 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 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. As at the date of signing this report, the Company has not breached any environmental laws in jurisdictions in which it operates during the financial year and up to the date of signing this report.

### **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.

## 5 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
<b>Non-Executive Directors</b>		
The Hon Craig Wallace	Non-Executive Chairman	Appointed 29/04/2015
The Hon Craig Wallace	Non-Executive Director	Appointed 12/12/2014 Resigned 29/09/2014
Mr Philip Forrest	Independent Director	Appointed 09/04/2015
Ms Loo Hwee Fang	Independent Director	Appointed 09/04/2015
Mr Tsogt Togoo	Non-Executive Director	
Mr Craig Ransley	Non-Executive Chairman	Appointed 19/11/2014 Resigned 29/04/2015
The Hon Alan Griffiths	Acting Non-Executive Chairman	Resigned 19/11/2014
Mr Kon Tsiakis	Non-Executive Director and Company Secretary	Resigned 13/11/2014
<b>Executives</b>		
Mr Michael Avery	Group Managing Director	Appointed 15/12/2014
Mr Michael Avery	Non-Executive Director	Appointed 19/11/2014
Mr David Stone	Executive Director	Appointed 12/05/2015
Mr David Stone	Non-Executive Director	Appointed 05/05/2015
Mr Julien Lawrence	Chief Operating Officer Mongolia	
Mr Mark Reynolds	Chief Financial Officer	Appointed 18/05/2015
	Project Director North Queensland	
Mr Tony Mooney	General Manager Stakeholder Relations and Company Secretary	
Mr Peter Kane	Group Managing Director	Resigned 12/12/2014
	Chief Executive Officer	Appointed 12/12/2014 Resigned 02/03/2015
Mr Chris Munday	Chief Financial Officer	Appointed 08/10/2014 Resigned 19/06/2015
Mr Michael Majendie	Chief Financial Officer	Resigned 03/10/2014

### 2. Remuneration at a glance

This remuneration report for the year ended 30 June 2015 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), General Manager Stakeholder Relations and the term "director" refers to non executive directors only.

At the 2014 Annual General Meeting, a majority of shareholders voted against the remuneration report prepared as part of the Annual Report. In other words, the Company received a 'First Strike' against the 2014 remuneration report.

It should be noted that the First Strike arose from votes cast by a relatively small number of shareholders. The Company's response to the First Strike is as follows:

- Mr Craig Ransley accepted the role as Interim Chairman in December 2014 to oversee a strategic review of the Company, its Board and management team which was undertaken in early 2015. Mr Michael Avery was appointed Group Managing Director in December, 2014. A number of changes were made to the Board: two new independent directors were appointed, an executive director with extensive coal mining experience was appointed and the Hon Craig Wallace accepted the role as Chairman.

- There has been no increase to base remuneration in 2014 for directors or key management personnel.
- The Company has suspended implementation of its proposed short-term and long term incentive schemes until after the finalisation of the strategic review.
- Overheads have been significantly reduced during 2015 due in part to a reduction in Australian-based staff numbers and the closure of the Brisbane corporate office.

The Board strongly believes these outcomes to be an appropriate response to the First Strike while still retaining a highly capable management team capable of responding to opportunities and continuing the transition of the Company from explorer to miner.

### **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 on two occasions 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 this 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.
- 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, no equity instruments performance based remuneration were granted.

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 were attached to Mr Kane's Performance Rights were subject to:

- Mr. Kane remaining continually employed with the Company from October 2013 until 31 October 2016 (Employment Condition); and
- The Company achieving 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).



As both Performance Conditions were not met, the Performance Share Rights lapsed.

## 6. Relationship between performance conditions and Company performance

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

	2015	2014	2013	2012
Loss attributable to the Group (\$'000's)	(43,326)	(65,593)	(1,452)	(23,871)
Share price at year end	0.03	0.06	0.13	0.55
Basic EPS (cents per share)	(4.57)	(9.21)	(0.06)	(4.99)
Diluted EPS (cents per share)	(4.57)	(9.21)	(0.06)	(4.99)

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. During the financial year, no bonuses were paid.

The Board and the Remuneration Committee have 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 but will not be implemented until after the strategic review has been finalised.

## 7. Employment details of directors and key management personnel

The following table provides employment details of persons who were, during the financial year, 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.

	Position	Salary, non cash based incentives %	Non salary, cash based incentives %	Non salary, non cash based incentive %	Fixed Salary/ fees %	Share Based Payment %	Total %
<b>Non Executive Directors</b>							
The Hon Craig Wallace	Non-Executive Chairman	-	-	-	100	-	100
Mr Philip Forrest	Independent Director	-	-	-	100	-	100
Ms Loo Hwee Fang	Independent Director	-	-	-	100	-	100
Mr Tsogt Togoo	Non-Executive Director	-	-	-	100	-	100
Mr Craig Ransley	Non-Executive Chairman	-	-	-	100	-	100
The Hon Alan Griffiths	Acting Non-Executive Chairman	-	-	-	100	-	100
Mr Kon Tsiakis	Non-Executive Director and Company Secretary	-	-	-	100	-	100
<b>Executives</b>							
Mr Michael Avery	Group Managing Director	-	-	-	100	-	100
Mr David Stone	Executive Director	-	-	-	100	-	100
Mr Mark Reynolds	Project Director North Queensland and Chief Financial Officer	-	-	-	100	-	100
Mr Julien Lawrence	Chief Operating Officer Mongolia	-	-	-	100	-	100
Mr Tony Mooney	General Manager Stakeholder Relations and Company Secretary	-	-	-	100	-	100
Mr Peter Kane	Group Managing Director	-	-	-	100	-	100
Mr Chris Munday	Chief Financial Officer	-	-	-	100	-	100
Mr Michael Majendie	Chief Financial Officer	-	-	-	100	-	100

The employment terms and conditions of directors, key management personnel and group executives are formalised in letter agreements or 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. Remuneration details for the year ended 30 June 2015

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.

	Short-term				Pension and superannuation	Share based payments	Total
	Salary, fees and leave	Salary non cash incentives	Non salary cash incentives	Non salary non cash incentives			
	\$	\$	\$	\$	\$	\$	\$
<b>For the year ended 30 June 2015</b>							
<b>Non Executive Directors</b>							
The Hon Craig Wallace	53,120	-	-	-	-	-	53,120
Mr Philip Forrest (appointed 09/04/2015)	13,070	-	-	-	-	-	13,070
Ms Loo Hwee Fang (appointed 09/04/2015)	13,070	-	-	-	-	-	13,070
Mr Tsogt Togoo	83,035	-	-	-	-	-	83,035
Mr Craig Ransley (resigned 29/04/2015)	53,260	-	-	-	-	-	53,260
The Hon Alan Griffiths (resigned 19/11/2014)	38,052	-	-	-	3,615	-	41,667
Mr Kon Tsiakis (resigned 13/11/2014)	23,613	-	-	-	2,243	-	25,856
	<b>277,220</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,858</b>	<b>-</b>	<b>283,078</b>
<b>Executives</b>							
Mr Michael Avery (appointed 15/12/2014)	289,181	-	-	-	4,110	-	293,291
Mr David Stone (appointed 05/05/2015)	24,039	-	-	-	2,284	-	26,323
Mr Mark Reynolds	320,000	-	-	-	18,783	-	338,783
Mr Julien Lawrence	622,880	-	-	-	-	-	622,880
Mr Tony Mooney	227,197	-	-	-	19,720	-	246,917
Mr Peter Kane (resigned 02/03/2015)	343,499	-	-	-	24,215	-	367,714
Mr Chris Munday (resigned 19/06/2015)	247,205	-	-	-	-	-	247,205
Mr Michael Majendie (resigned 03/10/2014)	113,270	-	-	-	5,384	-	118,654
	<b>2,187,271</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>74,496</b>	<b>-</b>	<b>2,261,767</b>

	Short-term				Pension and superannuation	Share based payments	Total
	Salary, fees and leave	Salary non cash incentives	Non salary cash incentives	Non salary non cash incentives			
	\$	\$	\$	\$	\$	\$	\$
<b>For the year ended 30 June 2014</b>							
<b>Non Executive Directors</b>							
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
	<b>231,702</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,882</b>	<b>-</b>	<b>247,584</b>
<b>Executives</b>							
Mr Tsogt Togoo	114,104	-	74,099 <sup>1</sup>	-	-	-	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 <sup>2</sup>	-	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
-----------	---	--------	---	--------	--------	-----------

<sup>1</sup> Non salary cash based bonus award.

<sup>2</sup> Non salary cash based incentives paid relates to sign on bonuses provided to new employees .

## 8.1. Loans to key management personnel and their related parties

During the current financial year, no loans were provided to key management personnel and their related parties.

During the prior financial 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.

## 9. Movement of equity instruments

The table below discloses the number of share rights granted to executives as remuneration during FY15 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 2014	Granted	Granted value	Vested (number)	Vested (value)	Lapsed (number)	Lapsed (value)	Balance as at 30 June 2015
Mr P. Kane (resigned 12/12/2014)	Performance Rights	4,758,444	-	-	-	-	(4,758,444)	(42,066)	-

## 10. Additional disclosures relating to shares and options and rights over equity instruments

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

	Held at 1 July 2014	Received as remuneration	Other net change	Held at 30 June 2015
<b>Directors</b>				
The Hon Craig Wallace <sup>(1)(2)</sup>	-	-	-	-
Mr Michael Avery <sup>(3)</sup>	-	-	-	-
Mr David Stone	-	-	-	-
Mr Tsgot Togoo <sup>(4)</sup>	-	-	-	-
Mr Phillip Forrest	-	-	500,000	500,000
Ms Loo Hwee Fang	-	-	-	-
The Hon Alan Griffiths (Resigned 19/11/2014)	490,056	-	(490,056)	-
Mr Kon Tsiakis <sup>(5)</sup> (Resigned 13/11/2014)	-	-	-	-
Mr Craig Ransley <sup>(6)</sup> (Resigned 29/04/2015)	86,646	-	-	86,646
<b>Executives</b>				
Mr Mark Reynolds	1,000,000	-	(972,654)	27,346
Mr Julien Lawrence	142,500	-	1,986,895	2,129,395
Mr Peter Kane (Resigned as CEO on 02/03/2014)	100,000	-	-	100,000

Notes:

- (1) Craig Wallace is the sole shareholder of Auspicious Future Ventures Ltd (AFV) which holds 30,000,000 shares of the Company as at 30 June 2015. He is able, as the sole director of AFV, to control the exercise of a right to vote attached to the shares in the Company held by AFV. He disposed of the 30,000,000 shares on 21 July 2015.
- (2) Craig Wallace is also a 16.52% shareholder of C1 Commodities Pty Ltd, which holds 100,000,000 ordinary shares of the Company as at the date of this report.
- (3) Michael Avery is a beneficiary of Omaroo Pty Ltd and Crem Pty Ltd who are trustee companies for Omaroo Family Trust and Crema Family Trust respectively. Omaroo Pty Ltd and Crem Pty Ltd hold 7,424,897 and 7,444,620 shares respectively as at the date of this report. In addition, both Omaroo Pty Ltd as trustee for the Omaroo Family Trust and Crem Pty Ltd as trustee for Crema Family Trust have 6.31% and 7.60% interests in C1 Commodities Pte Ltd and TheChairmen1 Pty Ltd respectively. Both of these entities are shareholders of the Company, holding 100,000,000 and 60,593,156 shares respectively as at the date of this report.
- (4) 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 16.13% (2014: 30%) interest in Mongolian subsidiary Guildford Coal (Mongolia) Pty Ltd.
- (5) Mr. Kon 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 4,965,921 shares directly in Guildford as at the date of this report. 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 60,593,156 and 100,000,00 Shares respectively as at the date of this report.



(6) Craig Ransley is a 0.09% shareholder of TheChairmen1 Pty Ltd, which holds 60,593,156 ordinary shares of the Company as at the date of this report. Mr Ransley is a 50% shareholder of MAOR Investments Pty Ltd which is a 0.49% shareholder of Springsure Mining Pty Ltd.

The movement during the year 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 2014	Granted / (Forfeited)	Exercised	Held at 30 June 2015	Vested during the year	Vested and exercisable at 30 June 2015
<b>Executive</b>						
Mr Peter Kane (resigned on 12/12/2014)	4,758,444	(4,758,444)	-	-	-	-

## 11. 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 Craig Wallace  
Non-Executive Chairman  
Dated 30 September 2015

## 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 four non executive directors and two executive directors), small corporate teams in Townsville and Singapore 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 six directors with four holding their positions in a non executive capacity and two of these are considered to be independent. The appointment date of each director is disclosed in the directors' report.

Mr Phillip Forrest and Ms Hwee Fang Loo are considered to be independent directors. No materiality threshold has been applied due to the absence of any relationship affecting their independent status.

The Interim Chairman is a non executive director. 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 established a Nomination Committee during the year and this is made up of all directors. If vacancies arise on the Board, all directors are therefore 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, Compliance, 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 Group's 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.

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 including a female director appointed in April 2015, 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 31 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 The Hon Craig Wallace (Committee Chair), Mr Phillip Forrest and Ms Hwee Fang Loo and met five times during the reporting year. The Hon Craig Wallace is an indirect shareholder in Guildford and therefore is not considered to be independent. As such ASX principle 4 of good governance was not met however the Board is of the view that the inclusion of this director in no way impeded the Audit Committee in discharging its mandate effectively. Both Mr Forrest and Ms Hwee Fang Loo are independent directors. 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 2015 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.

## **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 the 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 Group 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**

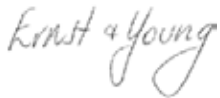
The Company has established a Remuneration Committee. The Remuneration Committee currently comprises Mr Michael Avery, Mr Phillip Forrest and The Hon Craig Wallace and met two times during the year. The Committee charter and remuneration policy have been approved by the Board.

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



## 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 2015, 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.



Ernst & Young



Kellie McKenzie  
Partner  
Brisbane

30 September 2015



# AUDITED ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2015

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2015

		2015	2014
	Note	\$	\$
Other income	2	21,652	5,654,617
Employee benefits expense	3	(2,914,910)	(2,838,790)
Depreciation and amortisation expense		(104,921)	(346,696)
Legal and professional fees	3	(1,389,458)	(2,545,875)
Management fees	28	(413,074)	(2,500,000)
Rent expense	3	(923,853)	(1,009,097)
Consulting fees		(873,159)	(789,229)
Travel expense		(326,823)	(371,133)
Withholding tax expense		-	(3,034,251)
Impairment losses	12	(284,448)	(44,220,177)
Exploration deposit write-off	9	-	(2,066,867)
Other operating expenses	3	(26,967,040)	(5,009,660)
Finance costs	3	(8,246,912)	(6,493,737)
Loss on disposal of subsidiary	22	(1,000,313)	-
Share of profit of an associate	13	98,350	-
<b>Loss before income tax</b>		<b>(43,324,909)</b>	<b>(65,570,895)</b>
Income tax expense	6	(950)	(22,538)
<b>Loss from continuing operations</b>		<b>(43,325,859)</b>	<b>(65,593,433)</b>
<b>Loss for the year</b>		<b>(43,325,859)</b>	<b>(65,593,433)</b>

## Other comprehensive income

### Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):

Exchange differences on translating foreign subsidiaries	8,014,137	(10,719,635)
<b>Other comprehensive income for the year, net of tax</b>	<b>8,014,137</b>	<b>(10,719,635)</b>
<b>Total comprehensive income for the year, net of tax</b>	<b>(35,311,722)</b>	<b>(76,313,068)</b>

Loss attributable to:

Equity holders of the Company	(43,089,610)	(62,819,804)
Non controlling interests	(236,249)	(2,773,629)
<b>Total loss</b>	<b>(43,325,859)</b>	<b>(65,593,433)</b>

Total comprehensive income attributable to:

Equity holders of the Company	(35,015,699)	(72,907,049)
Non controlling interests	(296,023)	(3,406,019)
<b>Total comprehensive income</b>	<b>(35,311,722)</b>	<b>(76,313,068)</b>

## Earnings per share

Basic, loss for the year attributable to members of the parent entity (cents)	5	(4.57)	(9.21)
Diluted, loss for the year attributable to members of the parent entity (cents)	5	(4.57)	(9.21)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Note	2015 \$	2014 \$
<b>ASSETS</b>			
CURRENT ASSETS			
Cash and cash equivalents		686,987	9,140,971
Trade and other receivables	8	21,671	750,969
Other assets	9	2,226,820	2,004,359
<b>TOTAL CURRENT ASSETS</b>		<b>2,935,478</b>	11,896,299
NON-CURRENT ASSETS			
Trade and other receivables	8	5,887,350	2,289,436
Property, plant and equipment	10	129,140,549	70,770,041
Intangible assets	11	417,256	330,810
Exploration and evaluation assets	12	58,573,488	79,392,258
Investment in an associate	13	1,390,404	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>195,409,047</b>	152,782,545
<b>TOTAL ASSETS</b>		<b>198,344,525</b>	164,678,844
<b>LIABILITIES</b>			
CURRENT LIABILITIES			
Trade and other payables	14	32,919,590	12,329,974
Short-term provisions	17	53,695	130,151
Borrowings	15	93,519,349	38,216,560
<b>TOTAL CURRENT LIABILITIES</b>		<b>126,492,634</b>	50,676,685
NON-CURRENT LIABILITIES			
Borrowings	15	44,340,796	65,978,178
Long-term provision	17	1,015,548	660,152
Other liabilities	16	-	28,300
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>45,356,344</b>	66,666,630
<b>TOTAL LIABILITIES</b>		<b>171,848,978</b>	117,343,315
<b>NET ASSETS</b>		<b>26,495,547</b>	47,335,529
<b>EQUITY</b>			
Issued capital	19	186,354,850	170,466,514
Reserves	18	(31,590,252)	(32,612,791)
Retained earnings		(132,933,210)	(89,843,600)
<b>Total equity attributable to equity holders of the Company</b>		<b>21,831,388</b>	48,010,123
Non-controlling interests		4,664,159	(674,594)
<b>TOTAL EQUITY</b>		<b>26,495,547</b>	47,335,529



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2015

	Note	Issued capital	Accumulated losses	Acquisition reserve	Foreign currency translation reserve	Option reserve	Share based payments reserve	Total, attributable to equity holders of the Company	Non-controlling interests	Total Equity
<b>Balance at 1 July 2014</b>		\$ 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
Loss attributable to equity holders of the Company		-	(43,089,610)	-	-	-	-	(43,089,610)	-	(43,089,610)
Loss attributable to non-controlling interests		-	-	-	-	-	-	-	(236,249)	(236,249)
Purchase of non-controlling interest		-	-	(6,957,024)	-	-	-	(6,957,024)	6,957,024	-
Other comprehensive income for the year		-	-	-	8,073,911	-	-	8,073,911	(59,774)	8,014,137
Shares issued during the year	19	15,888,336	-	-	-	-	-	15,888,336	-	15,888,336
Share based payments	21	-	-	-	-	-	(42,066)	(42,066)	-	(42,066)
Disposal of subsidiary	22(c)	-	-	(52,282)	-	-	-	(52,282)	(1,322,248)	(1,374,530)
<b>Balance at 30 June 2015</b>		<b>186,354,850</b>	<b>(132,933,210)</b>	<b>(36,684,681)</b>	<b>(2,864,418)</b>	<b>7,958,847</b>	<b>-</b>	<b>21,831,388</b>	<b>4,664,159</b>	<b>26,495,547</b>
<b>Balance at 1 July 2013</b>		168,806,514	(27,023,796)	(29,683,414)	(851,084)	4,744,027	-	115,992,247	2,253,078	118,245,325
Loss attributable to members of the parent entity		-	(62,819,804)	-	-	-	-	(62,819,804)	-	(62,819,804)
Loss attributable to non-controlling interests		-	-	-	-	-	-	-	(2,773,629)	(2,773,629)
Other comprehensive income for the year		-	-	-	(10,087,245)	-	-	(10,087,245)	(632,390)	(10,719,635)
Shares issued during the year	19	1,660,000	-	-	-	-	-	1,660,000	-	1,660,000
Share based payments	21	-	-	-	-	-	42,066	42,066	-	42,066
Additional share capital from non-controlling interest		-	-	-	-	-	-	-	486,386	486,386
Recognition of non-controlling interest		-	-	8,039	-	-	-	8,039	(8,039)	-
Fair valuation adjustment of options and warrants	15(d)	-	-	-	-	3,214,820	-	3,214,820	-	3,214,820
<b>Balance at 30 June 2014</b>		<b>170,466,514</b>	<b>(89,843,600)</b>	<b>(29,675,375)</b>	<b>(10,938,329)</b>	<b>7,958,847</b>	<b>42,066</b>	<b>48,010,123</b>	<b>(674,594)</b>	<b>47,335,529</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2015

	2015 \$	2014 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	9,068,458	-
Payments to suppliers and employees	(11,908,116)	(17,696,471)
Interest received	20,464	112,068
Net cash used in operating activities	(2,819,194)	(17,584,403)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Payments for property, plant and equipment	(18,653,518)	(37,001,690)
Payments for exploration and evaluation expenditure	(731,210)	(4,084,274)
Payments for acquisition of intangible assets	(93,564)	(296,110)
Net cash flow from disposal of subsidiary	(101)	-
Net cash used in investing activities	(19,478,393)	(41,382,074)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from non-controlling interest share contribution	-	486,386
Proceeds from issuing of shares	15,888,336	-
Repayment of borrowings	(4,825,236)	(44,246,086)
Proceeds from borrowings	8,747,245	92,799,755
Finance costs	(7,448,617)	(6,296,364)
Net cash provided by financing activities	12,361,728	42,743,691
Net decrease in cash and cash equivalents held	(9,935,859)	(16,222,786)
Cash and cash equivalents at beginning of year	9,140,971	25,681,908
Net foreign exchange difference	1,481,875	(318,151)
Cash and cash equivalents at end of financial year	686,987	9,140,971

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

The financial report of Guildford Coal Limited ("Guildford" or "Company") and its subsidiaries (collectively, the "Group") for the year ended 30 June 2015 was authorised for issue in accordance with a resolution of the directors on 30 September 2015. Guildford Coal Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the ASX. The address of the Company's registered office is Level 7, 370 Flinders Street, Townsville QLD 4810. The Company is a for-profit entity, and the principal activities are the transition from developer to producer in Mongolia and minerals exploration in a number of mining tenements held across Australia.

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 30.

## 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 requirements of 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

The financial report has been prepared on the going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

As the Group completes the transition of the Baruun Noyon Uul (BNU) mine to producer and achieves commercial production the historical operating losses results reported by the Group are anticipated to change to operating profits and over time it is expected the Group will generate positive cash flows.

As at 30 June 2015 the Group's current liabilities exceed the current assets by \$123,557,156 due substantially to the current nature of the Group's USD denominated debt repayments which total \$93,519,349 (US\$71,822,860). Of this amount, \$66,243,252 (US\$50,874,999) was originally due in July, August and September 2015.

Subsequent to year end the Group reached the following agreements with OCP Asia and Noble to defer the \$66,243,252 originally due in July, August and September as follows:

- An in principle agreement has been made with OCP Asia to defer principle repayments on the amortising notes of \$14,322,286 (US\$11,000,000) to the earlier of 31 October 2015 or the date of a future capital raising. In addition, this in principle agreement also deferred the \$13,020,787 (US\$10,000,000) principle repayment on the convertible notes to 8 December 2015. The associated unpaid interest and deferral fees on these facilities were also deferred to these revised dates.
- An agreement with Noble to defer \$36,071,666 (US\$27,702,701) in debt repayments to 30 September 2015. Unpaid interest charges on the Noble facilities have also been deferred.
- An agreement with Noble to repay \$2,828,513 (US\$2,172,298) between 31 October 2015 and 30 June 2016.

To this end the Group is in the process of restructuring its current debt via a listed bond raising process (refer below). Refer Note 15 Borrowings for further details on current arrangements with financiers.

For the Group to meet its debt repayment requirements, minimum exploration, development and administrative costs, provide the necessary funding to the BNU mine and continue to operate as a going concern, the following must occur:

- Renegotiate the terms of the Noble debt facilities beyond 30 September 2015. To this end the Group is in discussion

with Noble and believe it likely that renegotiation will occur on acceptable terms and does not expect Noble to call the debt on 30 September 2015, nor issue a default notice;

- Utilise existing facility capacity to manage current funding requirements (redraw debt repayments previously made after negotiations with financiers);
- Renegotiate payment terms with creditors to manage working capital and short term funding requirements;
- Restructure the current debt through a bond raising for at least US\$100m within the time frames agreed with Noble and OCP;
- Raise additional funds through additional loans, equity and/or convertible debt arrangements; and
- Operate the BNU North project to generate cash inflows from coal sales (including the use of prepayment facilities to manage credit and liquidity risk) and develop other mining operations in the South Gobi region to ensure the financial capacity to service the restructured debt requirements.

The directors are undertaking the following actions to achieve the above outcomes:

- Holding ongoing discussions with Noble and OCP regarding the terms of the facility agreements and repayment dates;
- Redrawing on facility capacity to meet short term creditor repayments and renegotiating payment terms with creditors to manage working capital requirements as required;
- Commenced the process of issuing on the Singapore Exchange (SGX) a US\$100 million five year interest-only bond with the following anticipated terms (i) semi-annual interest payments, (ii) a bullet repayment at the end of the term, (iii) an option to capitalise a pre-agreed portion of the interest payments and (iv) a variable component of the interest payments linked to actual coal sales, all of which should give the Group significantly greater flexibility to manage its cash flows going forward;
- Continued assessment of various options for optimising the Company's capital structure and assessing its future requirements. In this regard the Company is in advanced discussions with established financiers and considers additional capital can be secured in a timely manner if required; and
- In Mongolia worked to complete the acquisition of the Khar Servegen (KS) Coking Coal Resource which adjoins the BNU mine as part of the strategic development of the South Gobi Coking Coal region in Mongolia.

In addition, the Group has also progressed the acquisition of cash flow positive assets to augment and ensure the financial capacity to service the restructured debt requirements and continue the strategic development of the South Gobi Coking Coal region in Mongolia.

While there is uncertainty as to whether the above will occur, the accounts have been prepared on a going concern basis as the directors believe there are reasonable grounds such actions will be successful and the additional funding required will be obtained. On this basis, the directors believe the going concern basis of presentation is appropriate. In the event the entity is unable to continue as a going concern it may be required to realise assets and extinguish liabilities at amounts other than those recorded in the financial statements. 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 the Group and its subsidiaries as at 30 June 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption, and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over



the subsidiary and ceases when the Group loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

#### *d) Business combinations*

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

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 circumstances and 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, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of AASB 139 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of AASB 139, it is measured in accordance with the appropriate Australian Accounting Standard. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

#### *e) Investment in associates and joint ventures*

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the

Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss as 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

#### f) *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.

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.

### *g) 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.

### *h) 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.

### *i) 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.

### j) *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.

## 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.

### **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 from 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.

#### **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 corporate 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 – commercial production start date**

The Group assesses the stage of each mine development to determine when a mine moves into the production phase. This being when the mine is substantially complete and ready for its intended use. The criteria used to assess the start date are determined based on the unique nature of each mine development project, such as the complexity of the project and its location. The Group considers various relevant criteria to assess when the production phase is considered to have commenced. Some of the criteria used to identify the production start date include, but are not limited to:

- i. Level of capital expenditure incurred compared with the original construction cost estimate;
- ii. Completion of a reasonable period of testing of the mine plant and equipment;
- iii. Ability to produce coal in saleable form (within specifications); and
- iv. Ability to sustain ongoing production of coal.

When a mine development moves into the production phase, the capitalisation of certain mine development ceases and costs are either regarded as forming part of the cost of inventory or expensed, except for costs that qualify for capitalisation relating to mining asset additions or improvements, underground mine development or mineable reserve development. It is also at this point that depreciation/amortisation commences.

## **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.

## **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 judgements – Valuation of financial instruments**

When the fair values of financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Black Scholes option pricing model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The assumptions applied in the determination of the valuation of these financial instruments are described in more detail in Note 15.



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.

v) *Adoption of new and revised accounting standards*

The Group applied, for the first time, certain standards and amendments which are effective for periods beginning on or after 1 January 2014. Unless otherwise stated, the application of these amendments does not have a material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements:

Reference	Title	Application date of standard	Application date for Group
AASB 2012-3	Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities	1 January 2014	1 July 2014
Interpretation 21	Levies	1 January 2014	1 July 2014
AASB 2012-3	Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets  The adoption of the amendments to AASB 136 will require additional disclosures to be included in the Group's consolidated financial statements.	1 January 2014	1 July 2014
AASB 2013-4	Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]	1 January 2014	1 July 2014
AASB 2013-5	Amendments to Australian Accounting Standards – Investment Entities [AASB 1, AASB 3, AASB 7, AASB 10, AASB 12, AASB 107, AASB 112, AASB 124, AASB 127, AASB 132, AASB 134 & AASB 139]	1 January 2014	1 July 2014
AASB 2013-7	Amendments to AASB 1038 arising from AASB 10 in relation to consolidation and interests of policyholders [AASB 1038]	1 January 2014	1 July 2014
AASB 1031 AASB 2013-9	Materiality	1 January 2014	1 July 2014

w) *New Accounting Standards and Interpretations*

The following standards and interpretations have been issued by the AASB but are not yet effective for the year ending 30 June 2015. For new, but not yet adopted standards, the Group has not yet assessed the impact of these new standards.

Reference	Title	Application date of standard	Application date for Group
AASB 9	Financial Instruments	1 January 2018	1 July 2018
AASB 14	Regulatory deferral accounts	1 January 2016	1 July 2016
AASB 2014-3	Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]	1 January 2016	1 July 2016
AASB 2014-4	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)	1 January 2016	1 July 2016
AASB 15	Revenue from Contracts with Customers	1 January 2018*  *The International Accounting Standards Board (IASB) in its July 2015 meeting decided to confirm its proposal to defer the effective date of IFRS 15 (the international equivalent of AASB 15) from 1 January 2017 to 1 January 2018. The amendment to give effect to the new effective date for IFRS 15 is expected to be issued in September 2015. At this time, it is expected that the AASB will make a corresponding amendment to AASB 15, which will mean that the application date of this standard for the Group will move from 1 July 2017 to 1 July 2018	1 July 2018
AASB 1056	Superannuation Entities	1 July 2016	1 July 2016
AASB 2014-9	Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements	1 January 2016	1 July 2016
AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016	1 July 2016
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	1 January 2016	1 July 2016
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	1 January 2016	1 July 2016
AASB 2015-3	Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality	1 July 2015	1 July 2015

## Note 2 Other Income

	2015 \$	2014 \$
Interest received	20,465	112,068
Mark to market valuation on conversion option (refer to Note 15 c)	-	1,028,430
Gain on Terra Energy Limited acquisition deferred consideration	-	940,000
R&D concessions	-	665,278
Foreign currency gain	-	2,908,841
Others	1,187	-
	<b>21,652</b>	<b>5,654,617</b>

## Note 3 Expenses

	2015 \$	2014 \$
Finance costs:		
- Interest expense on interest bearing loans	1,577,148	760,115
- Finance expense on convertible notes and amortising notes (refer to Note 15(c) and (d))	5,865,505	5,668,671
- Finance costs	804,259	64,951
	<b>8,246,912</b>	<b>6,493,737</b>

Interest and Finance expenses are net of \$13,941,067 (2014: \$12,092,549) capitalised to Mining Development, at the capitalisation rate of 65% (2014: 72%)

	2015 \$	2014 \$
Legal and professional fees:		
- Legal fees	726,325	2,003,595
- Accounting fees	314,759	445,006
- Other professional fees	348,374	97,274
	<b>1,389,458</b>	<b>2,545,875</b>
Rent expense:		
- Exploration permits for coal rent	784,850	800,492
- Office and car park rent	139,003	208,605
	<b>923,853</b>	<b>1,009,097</b>
Employee benefits expense:		
- Salaries and wages	2,464,767	2,018,750
- Bonuses	-	94,099
- Directors' fees	277,220	231,702
- Payroll tax	48,281	60,775
- Other employee expenses	166,708	391,398
- Share-based payments (refer to Note 21)	(42,066)	42,066
	<b>2,914,910</b>	<b>2,838,790</b>



	2015	2014
	\$	\$
Other operating expenses:		
- Listing fees and charges	80,153	90,273
- Donations and community sponsorship	112,645	318,475
- Mongolian administration and operating expenses	2,227,084	3,329,150
- Insurance costs	130,562	183,001
- Project costs	1,576,622	693,702
- Foreign currency loss	22,261,852	-
- Other expenses	578,122	395,059
	<b>26,967,040</b>	<b>5,009,660</b>

#### **Note 4 Remuneration of auditors**

	2015	2014
	\$	\$
Remuneration of the auditor of the parent entity for:		
- Auditing or reviewing the financial statements	370,768	178,789
- Tax compliance services and other non-audit services	10,300	265,632
	<b>381,068</b>	<b>444,421</b>

#### **Note 5 Earnings per share**

##### a) Reconciliation of earnings to profit or loss from continuing operations

	2015	2014
	\$	\$
Loss after income tax	(43,325,859)	(65,593,433)
Loss attributable to non-controlling equity interest	236,249	2,773,629
Loss after income tax attributable to equity holders of the Company	<b>(43,089,610)</b>	<b>(62,819,804)</b>

##### b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS

	2015	2014
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	943,354,220	681,970,441
Adjustments for calculation of diluted EPS	-	-
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	<b>943,354,220</b>	<b>681,970,441</b>

#### **Note 6 Income tax expense**

	2015	2014
	\$	\$
Current tax	950	22,538

a) *Reconciliation of income tax to accounting loss:*

	2015	2014
	\$	\$
Tax at the domestic rates applicable to profits in the countries where the Group operates	(12,846,961)	(19,671,269)
Add (less) tax effect of:		
- Non deductible expenses	9,209,600	8,165
- Black hole project	(71,720)	(71,720)
- Unrealised gains on financial liabilities	-	(579,429)
- Income not subject to tax	(1,578,087)	-
- Deferred tax assets not recognised	5,288,118	20,336,791
<b>Income tax attributable to entity</b>	<b>950</b>	<b>22,538</b>

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction. The Australia, Singapore and Mongolia corporate tax rates were 30% (2014: 30%), 17% (2014: 17%) and 25% (2014: 25%) respectively for the year ended 30 June 2015.

b) *Accumulated tax losses*

The Group had accumulated tax losses as at 30 June 2015 of \$60,804,814 and \$12,053,482 for Australia and Mongolia respectively (2014: Australia - \$51,877,165 and Mongolia - \$10,916,312). 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:

- 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;
- the Group continues to comply with the conditions for deductibility imposed by the law; and
- 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.

d) Segment performance

	Australia		Mongolia		Unallocated		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Reconciliation of segment net loss to consolidated net loss after tax:</b>								
Administration and operating costs	-	-	(2,227,084)	(2,401,442)	-	-	(2,227,084)	(2,401,442)
Exploration permits for coal rent	(784,850)	(800,492)	-	-	-	-	(784,850)	(800,492)
Interest revenue	10,967	93,865	9,498	18,203	-	-	20,465	112,068
Other revenue	1,187	665,278	-	-	-	4,877,271	1,187	5,542,549
Withholding tax expense	-	(1,034,251)	-	(2,000,000)	-	-	-	(3,034,251)
Employee costs	-	-	-	-	(2,914,910)	(2,838,790)	(2,914,910)	(2,838,790)
Exploration deposit write-off	-	-	-	(2,066,867)	-	-	-	(2,066,867)
Other costs	-	-	2,422,186	(927,708)	(38,655,492)	(14,935,785)	(36,233,306)	(15,863,493)
Reversal of impairment/(Impairment) of exploration and evaluation assets	563,353	(44,220,177)	(847,801)	-	-	-	(284,448)	(44,220,177)
Loss on disposal of subsidiary	(1,000,313)	-	-	-	-	-	(1,000,313)	-
Share of profit of associated company	98,350	-	-	-	-	-	98,350	-
Income taxes	-	-	(950)	(22,538)	-	-	(950)	(22,538)
<b>Net loss after tax per Statement of Comprehensive Income</b>	<b>(1,111,306)</b>	<b>(45,295,777)</b>	<b>(644,151)</b>	<b>(7,400,352)</b>	<b>(41,570,402)</b>	<b>(12,897,304)</b>	<b>(43,325,859)</b>	<b>(65,593,433)</b>



e) Segment assets and liabilities

	Australia		Mongolia		Unallocated		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	\$	\$	\$	\$	\$	\$	\$	\$
Segment assets								
Plant and equipment	153,100	200,665	128,987,449	70,569,376	-	-	129,140,549	70,770,041
Exploration and evaluation assets	48,984,850	52,000,000	9,588,638	27,392,258	-	-	58,573,488	79,392,258
Trade and other receivables	297,542	983,885	5,611,479	2,056,520	-	-	5,909,021	3,040,405
Cash and cash equivalents	189,847	8,800,284	497,140	340,687	-	-	686,987	9,140,971
Intangible assets	32,797	37,280	384,459	293,530	-	-	417,256	330,810
Investment in an associate	1,390,404	-	-	-	-	-	1,390,404	-
Other assets	418,707	556,790	1,808,113	1,447,569	-	-	2,226,820	2,004,359
<b>Total assets per Statement of Financial Position</b>	<b>51,467,247</b>	<b>62,578,904</b>	<b>146,877,278</b>	<b>102,099,940</b>	<b>-</b>	<b>-</b>	<b>198,344,525</b>	<b>164,678,844</b>
Segment Liabilities								
Trade and other payables	16,319,663	6,517,182	16,599,927	5,812,792	-	-	32,919,590	12,329,974
Borrowings	42,819,386	25,629,895	95,040,759	78,564,843	-	-	137,860,145	104,194,738
Other liabilities	-	168	-	28,132	-	-	-	28,300
Provisions	53,696	-	1,015,547	660,152	-	130,151	1,069,243	790,303
<b>Total liabilities per Statement of Financial Position</b>	<b>59,192,745</b>	<b>32,147,245</b>	<b>112,656,233</b>	<b>85,065,919</b>	<b>-</b>	<b>130,151</b>	<b>171,848,978</b>	<b>117,343,315</b>

f) Cash flow information

	Australia		Mongolia		Total	
	2015	2014	2015	2014	2015	2014
	\$	\$	\$	\$	\$	\$
Payments for acquisition of property, plant and equipment	(19,503)	-	(18,634,015)	(37,001,690)	(18,653,518)	(37,001,690)
Payments for acquisition of exploration, and evaluation	(335,849)	(1,461,772)	(395,361)	(2,622,502)	(731,210)	(4,084,274)
Total	(355,352)	(1,461,772)	(19,029,376)	(39,624,192)	(19,384,728)	(41,085,964)

**Note 8 Trade and other receivables**

	2015	2014
	\$	\$
CURRENT		
GST receivable	14,561	74,253
Other receivables	7,110	676,716
Total	21,671	750,969
NON CURRENT		
VAT receivable	5,654,434	2,056,520
Loan receivable	232,916	232,916
Total	5,887,350	2,289,436

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.

At 30 June 2015, the ageing analysis of receivables is as follows:

	Gross amount	< 30	31-60	>61 and impaired	>61 and not impaired
	\$	\$	\$	\$	\$
<b>2015</b>					
GST receivable	14,561	11,359	3,202	-	-
Other receivables	7,110	7,110	-	-	-
Total	21,671	18,469	3,202	-	-
<b>2014</b>					
GST receivable	74,253	74,253	-	-	-
Other receivables	676,716	676,716	-	-	-
Total	750,969	750,969	-	-	-

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

	2015 \$	2014 \$
CURRENT		
Prepayments	360,725	1,896,076
Deposits	1,866,095	108,283
Total	2,226,820	2,004,359

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 30 June 2014, 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. Subsequent to year end, following a due diligence process, the Company has decided not to proceed with the transaction. Notwithstanding the impairment the Company is seeking to recover the deposit. The Company advises that action to recover US\$2 million is ongoing.

## Note 10 Property, plant and equipment

	2015 \$	2014 \$
LAND AND BUILDINGS		
At cost	165,128	165,128
Accumulated depreciation	(102,969)	(78,601)
	62,159	86,527
CAPITAL WORKS IN PROGRESS		
At cost	12,328,921	9,611,500
PLANT AND EQUIPMENT		
At cost	4,753,676	3,863,214
Transfer to Mine Development	(440,568)	-
Accumulated depreciation	(582,192)	(547,138)
	3,730,916	3,316,076
MINE DEVELOPMENT		
At cost*	113,018,553	57,755,938
TOTAL	129,140,549	70,770,041

\*Amount after off-set with proceeds from sales of coal of AU\$9,068,458.

## 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 2014	9,611,500	86,527	3,316,076	57,755,938	70,770,041
Additions	1,100,795	-	792,561	29,404,819	31,298,175
Effects of foreign exchange on opening balance	1,624,288	-	513,931	7,604,569	9,742,788
Disposal	(7,662)	-	(416,030)	-	(423,692)
Transfer from other assets	-	-	(440,568)	18,253,227	17,812,659
Depreciation expense	-	(24,368)	(35,054)	-	(59,422)
<b>Balance at 30 June 2015</b>	<b>12,328,921</b>	<b>62,159</b>	<b>3,730,916</b>	<b>113,018,553</b>	<b>129,140,549</b>
	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
Effect 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)
<b>Balance at 30 June 2014</b>	<b>9,611,500</b>	<b>86,527</b>	<b>3,316,076</b>	<b>57,755,938</b>	<b>70,770,041</b>

## Note 11 Intangible Assets

	2015 \$	2014 \$
Computer software		
Cost	460,716	328,771
Accumulated amortisation	(69,588)	(24,089)
	<b>391,128</b>	<b>304,682</b>
Other intangible assets		
Cost	29,128	29,128
Accumulated amortisation	(3,000)	(3,000)
	<b>26,128</b>	<b>26,128</b>
<b>Total</b>	<b>417,256</b>	<b>330,810</b>



## 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 2014	304,682	26,128	330,810
Additions	93,564	-	93,564
Disposal	(11,892)	-	(11,892)
Amortisation	(45,499)	-	(45,499)
Effect of foreign exchange on opening balance	50,273	-	50,273
<b>Balance at 30 June 2015</b>	<b>391,128</b>	<b>26,128</b>	<b>417,256</b>
Balance at 1 July 2013	14,613	28,939	43,552
Additions	296,110	-	296,110
Amortisation	(6,041)	(2,811)	(8,852)
<b>Balance at 30 June 2014</b>	<b>304,682</b>	<b>26,128</b>	<b>330,810</b>

## Note 12 Exploration and evaluation assets

	2015	2014
	\$	\$
Exploration and evaluation assets - at cost	58,573,488	79,392,258

### a) Movements in carrying amounts of exploration and evaluation assets

During the year ended 30 June 2015, the Group capitalised \$731,210 (2014: \$4,084,274) 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:

	2015	2014
	\$	\$
Balance at 1 July	79,392,258	128,769,092
Exploration expenditure	731,210	4,084,274
Disposals	(734,021)	-
Disposal of subsidiary (Note 22(c))	(3,611,111)	-
Transfer to development assets	(17,812,659)	(4,799,583)
Write-off	(227,871)	-
Impairment losses (refer below)	(284,448)	(44,220,177)
Effects of foreign exchange on opening balance	1,120,130	(4,441,348)
<b>Balance at 30 June</b>	<b>58,573,488</b>	<b>79,392,258</b>

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.

Impairment testing for exploration and evaluation assets occurs when impairment indicators are identified. During the period certain exploration and evaluation assets have been impaired to fair value less cost of disposal and other impairment reversals have occurred as a result of the Independent Technical Specialist's Report (ITSR) prepared by Xenith Consulting Pty Ltd which was included in the Company Target's Statement released on 24 December 2014. 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.

Based on the ITSR, a net impairment loss of \$284,448 was recognised in the financial statements. The impairment loss is made up as follows:

Exploration and Evaluation Asset	Impairment/ (Impairment Reversal)
Australian Tenements	(563,353)
Mongolian Tenements	847,801
Net Impairment	284,448

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. The exploration assets at 30 June 2015 are carried at their recoverable amount and are sensitive to future changes to commodity prices and foreign exchange movements.

In FY2014, a review of the exploration and evaluation assets, in part, was precipitated by the unsolicited and non-binding offer by Sino Construction Limited which 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.

#### b) Interest in mining tenements

Tenure number	Location	2015	2014
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%
1574	Charters Towers, Queensland Australia	100%	100%
1576	Mount Isa, Queensland Australia	-	100%
1674	Emerald, Queensland Australia	35.78%	50.78%
1822	Rockhampton, Queensland Australia	100%	100%
1870	Rockhampton, Queensland Australia	-	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%
2047	Mount Isa, Queensland Australia	100%	100%
2048	Charters Towers, Queensland Australia	-	100%
2049	Charters Towers, Queensland Australia	100%	100%
2057	Dalby, Queensland Australia	-	100%
2058	Dalby, Queensland Australia	-	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	83.87%	70%
5264X	South Gobi, Mongolia	100%	100%
17163X	South Gobi, Mongolia	100%	100%
17162	South Gobi, Mongolia	100%	100%
16971	South Gobi, Mongolia	83.87%	70%
25374NE	Baruun Termes, Mongolia	100%	-
18111XV	South Gobi, Mongolia	100%	-

### **Note 13**      **Investment in an associate**

The Group has a 35.78% interest in Springsure Mining Pty Ltd ("Springsure"), which is involved in exploration for minerals in Australia. The Group's interest in Springsure is accounted for using the equity method in the consolidated financial statements. The following table illustrates the summarised financial information of the Group's investment in Springsure:

	2015	2014
	\$	\$
Current assets	213,544	-
Non current assets	4,753,247	-
Current liabilities	(53,054)	-
<b>Net assets</b>	<b>4,913,737</b>	-
<b>Summarised consolidated statement of profit or loss and other comprehensive income</b>		
Revenue	307,996	-
Expenses	(44,828)	-
<b>Total comprehensive income</b>	<b>263,168</b>	-

### **Movement in the carrying amount of investment in an associate**

As at 1 July 2014	-	-
Recognition as equity investment in an associate (Note 22c)	1,292,054	-
Share of profit of an associate	98,350	-
As at 30 June 2015	<b>1,390,404</b>	-

As at 30 June 2014, the Group held a 50.78% interest in Springsure, for details on disposal of a subsidiary that results in loss of control, please refer to Note 22(c) for further details.

The associate requires the shareholder's consent to distribute its profits. The Group does not foresee the shareholders giving such consent at the reporting date.

The associate had no contingent liabilities or capital commitments as at 30 June 2015.

### **Note 14**      **Trade and other payables**

	2015	2014
	\$	\$
CURRENT		
Unsecured liabilities		
Trade payables	258,982	1,710,126
Interest accrued	12,113,173	4,403,842
Accrued expenses	20,547,435	6,216,006
<b>Total</b>	<b>32,919,590</b>	12,329,974

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

## **Note 15**      **Borrowings**

		<b>2015</b>	2014
		<b>\$</b>	<b>\$</b>
<b>CURRENT</b>			
Working capital facility	(a)	<b>22,135,418</b>	10,615,711
Interest bearing loans	(b)	<b>31,249,999</b>	27,600,849
Convertible notes	(c)	<b>13,020,787</b>	-
Amortising notes	(d)	<b>27,113,145</b>	-
		<b>93,519,349</b>	38,216,560
<b>NON-CURRENT</b>			
Interest bearing loans	(b)	-	1,769,285
Convertible notes	(c)	-	10,059,396
Amortising notes	(d)	<b>44,340,796</b>	54,149,497
<b>Total</b>		<b>44,340,796</b>	65,978,178
<i>Amount expressed in USD</i>			
Current		<b>71,822,860</b>	35,999,999
Non-current		<b>34,053,731</b>	62,151,443
<b>Total borrowings in USD</b>		<b>105,876,591</b>	98,151,442

### **a) Working capital facilities**

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. On 4 February 2015, the Company agreed with Noble to defer the principal repayment until 1 June 2015. On 27 May 2015, the Company agreed with Noble to extend the principle repayment from 1 June 2015 to 15 August 2015. Subsequent to year end, the Company has received formal confirmation from Noble it has further extended the due date for the principle repayment and facility interest payments to 30 September 2015.

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 2015, the entire US\$10,000,000 facility had been drawn down, with AU\$2,405,122 in unrealised foreign exchange losses being recognised.

Additional working capital facility: On 6 February 2015, the Company entered into an additional working capital facility agreement for US\$7,000,000 with Noble International Pte Ltd ("Noble") which was fully drawn down. The facility bore an annual interest rate of LIBOR+10.5%. On 27 May 2015, the Company agreed with Noble to extend the principle repayment from 1 June 2015 to 15 August 2015. Subsequent to year end, on 15 August 2015, the Company has received formal confirmation from Noble it has further extended the due date for the principle repayment and facility interest payments to 30 September 2015.

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 2015, the entire US\$7,000,000 facility had been drawn down, with AU\$127,983 in unrealised foreign exchange losses being recognised.

Between 15 August 2015 (principal and interest due date) and 29 September 2015 (date formal approval of deferral received) there were no payment demands issued by Noble.

### **b) Interest bearing loans**

Debt facility: 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 plus a margin of 7.25% however from June 2014 this was increased to 10.5% after commencement of negotiations to defer principle repayments. As at 30 June 2015, the entire US\$10,000,000 facility has been drawn down.

Effective 31 December 2014, the Company agreed with Noble to revise principal repayment to US\$2,222,222 in 4 equal instalments made in each quarter from 1 June 2015 to 4 March 2016. On 27 May 2015, the Company agreed with Noble

to extend the principle repayment of US\$2,222,222 from 1 June 2015 to 15 August 2015. Subsequent to year end, the Company redrew US\$1,111,111 and the Company agreed with Noble to further extend the due date for the principle repayments of US\$5,555,555 and facility interest payments to 30 September 2015.

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 2015, the entire US\$10,000,000 facility had been drawn down, with AU\$2,137,886 in unrealised foreign exchange losses being recognised.

Fuel Exclusivity agreement: On 14 November 2013, the Company entered into a Fuel Exclusivity agreement with 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 2015, the entire US\$8,000,000 facility had been drawn down, US\$5,333,334 of principle repayments were made to date, of which US\$3,666,667 were made during the financial year.

The Company has capitalised interest to the extent that funds were used in developing a qualifying asset in accordance with accounting policies. AU\$641,366 in unrealised foreign exchange losses have been recognised.

On 27 May 2015, the Company agreed with Noble to extend the principle repayment from 1 June 2015 to 15 August 2015. Subsequent to year end, Noble agreed to allow the Company to redraw US\$4,890,313. On 18 September 2015, the Company agreed with Noble to repay the principle repayment of US\$7,556,979 and facility interest payments of US\$1,276,354 on a monthly basis from 31 October 2015 to 31 December 2016.

Additional debt facility: 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. As at 30 June 2015, US\$14,000,000 facility had been drawn down.

Effective 31 December 2014, the Company agreed with Noble to revise principal repayment to US\$3,111,111 in four equal instalments made in each quarter from 1 June 2015 to 4 March 2016. On 27 May 2015, the Company agreed with Noble to extend the principle repayment of \$3,111,111 from 1 June 2015 to 15 August 2015. Subsequent to year end, the Company redrew US\$1,555,556 and the Company agreed with Noble to further extend the due date for the principle repayment of US\$7,777,778 and facility interest payments to 30 September 2015.

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 2015, the entire US\$14,000,000 facility had been drawn down, with AU\$2,993,041 in unrealised foreign exchange losses being recognised.

During the financial year, the Group did not fulfil the following requirements as stipulated in the Noble Facilities Agreement:

- financial ratios calculated on the most recent calculation date on 25 February 2015;
- Mr Craig Ransley ceased to be a director of the Company as a result of his resignation on 29 April 2015; and
- opening of the Singaporean Proceeds Account by 13 February 2015.

On 27 May 2015, the Company obtained waivers from Noble in relation to the above requirements.

Between 15 August 2015 (principal and interest due date) and 29 September 2015 (date formal approval of deferral received) there were no payment demands issued by Noble.

### **c) Convertible notes**

On 8 January 2014, the Group entered into a debt facility with "OCP Asia" to issue convertible notes with a face value of USD\$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)
  - During the financial year, 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 seven business days prior to the maturity date

At 30 June 2014, the option was fair valued to \$683. 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



At 30 June 2015, the option was fair valued to nil therefore, a gain of \$683 has been recorded in other income in the consolidated statement of comprehensive income to reverse the previously booked financial liability. 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	0.02 years
Share Price	\$0.06

The Company has capitalised interest to the extent that funds were used in developing a qualifying asset in accordance with accounting policies, and unrealised foreign exchange losses of AU\$2,279,082 is being recognised.

During the financial year, the Group was in breach of certain covenants as stipulated in the debt facility agreement. Through negotiations with OCP Asia, waivers were obtained prior to the year end, waiving the Group of these requirements until 8 July 2015. The Group was therefore in compliance with the terms of the debt facility agreement as at 30 June 2015.

Prior to year end the Company was in negotiations with OCP Asia to defer the convertible note maturity date and interest payments which became due on 8 July 2015. Following successful negotiations with OCP Asia, on 22 July 2015 the Company submitted a formal waiver request for note holder's formal approval of the deferral request. This was subsequently formally approved by the note holders on 21 August 2015 on the following terms:

- i. Convertible note maturity date extended to 8 December 2015 (from 8 July 2015);
- ii. Payment of accrued interest which was due 8 July 2015 deferred to the earlier of 30 September or the date of completion of any future capital raising; and
- iii. Adjustments to Convertible Notes and Amortising Notes detachable warrants previously issued by the Company to OCP Asia subject to shareholders' approval. (Refer to Note 29 for further details).

Subsequent to this, in principle agreement has been reached to defer all payments due on 30 September 2015 to 31 October 2015. (Refer to Note 29 for further details).

Between 8 July 2015 (convertible note maturity date) and 21 August 2015 (date formal approval of deferral received) there were no payment demands issued by OCP Asia, the trustee of the notes or the note holders themselves.

#### **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 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. Each warrant entitles the holder to one share. Principle terms are:

- 66,762,962 detachable warrants
- Expiry date: five 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

The warrants have been recognised in equity (refer Note 18 (c)) 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%
Risk free interest rate	2.76%
Expected life	5 years
Share Price	\$0.09

The Company has capitalised interest to the extent that funds were used in developing a qualifying asset in accordance with accounting policies, and unrealised foreign exchange losses of AU\$12,268,246 is being recognised.

During the financial year, the Group was in breach of certain covenants as stipulated in the debt facility agreement. Through negotiations with OCP Asia, waivers were obtained prior to the year end, waiving the Group of these requirements

until 8 July 2015. The Group was therefore in compliance with the terms of the debt facility agreement as at 30 June 2015. Prior to year end the Company was in negotiations with OCP Asia to defer the principal and interest payments which became due on 8 July 2015. Following successful negotiations with OCP Asia, on 22 July 2015 the Company submitted a formal waiver request for note holder's formal approval of the deferral request. This was subsequently formally approved by the note holders on 21 August 2015 on the following terms:

- i. Payment of US\$11,000,000 principal repayment deferred from 8 July 2015 to the earlier of 30 September 2015 or the date of completion of any future capital raising;
- ii. Payment of accrued interest which was due 8 July 2015 deferred to the earlier of 30 September or the date of completion of any future capital raising; and
- iii. Adjustments to Convertible Notes and Amortising Notes detachable warrants previously issued by the Company to OCP Asia subject to shareholders' approval. (Refer to Note 29 for further details).

Subsequent to this, in principle agreement has been reached to defer all payments due on 30 September 2015 to 31 October 2015. (Refer to Note 29 for further details).

Between 8 July 2015 (principal and interest due date) and 21 August 2015 (date formal approval of deferral received) there were no payment demands issued by OCP Asia, the trustee of the notes or the note holders themselves.

#### **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 other securities provided include:

- Singapore law charges of proceeds accounts (Tellus Commodities Pte. Ltd.); and
- Singapore law assignments of contracts (from Tellus Marketing Pte. Ltd. and Tellus Commodities Pte. Ltd.); and
- New South Wales law guarantee and indemnity (from Tsagaan Uvulijuu).

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.

**Note 16 Other liabilities**

	2015	2014
	\$	\$
NON-CURRENT		
Convertible option on convertible notes (refer to Note 15(c))	-	683
Other liabilities	-	27,617
	-	28,300

**Note 17 Provisions**

	Employee entitlements	Environmental rehabilitation	Total
	\$	\$	\$
At 1 July 2014	130,151	660,152	790,303
Arising/(utilised) during the year	(76,456)	355,396	278,940
At 30 June 2015	53,695	1,015,548	1,069,243
Current	53,695	-	53,695
Non-current	-	1,015,548	1,015,548
	53,695	1,015,548	1,069,243
	Employee entitlements	Environmental rehabilitation	Total
	\$	\$	\$
At 1 July 2013	48,999	-	48,999
Arising during the year	81,152	660,152	741,304
At 30 June 2014	130,151	660,152	790,303
Current	130,151	-	130,151
Non-current	-	660,152	660,152
	130,151	660,152	790,303

**Note 18 Reserves**

	2015	2014
	\$	\$
Foreign currency translation (a)	(2,864,418)	(10,938,329)
Acquisition reserve (b)	(36,684,681)	(29,675,375)
Share option and warrant reserve (c)	7,958,847	7,958,847
Share based payments reserve (d)	-	42,066
	(31,590,252)	(32,612,791)

**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. The exchange differences on intercompany loans amounted to a foreign currency gain of \$9,464,128.

	2015	2014
	\$	\$
Balance at start of period	(10,938,329)	(851,084)
Foreign currency gain/(loss) during the period	8,073,911	(10,087,245)
<b>Balance at end of period</b>	<b>(2,864,418)</b>	<b>(10,938,329)</b>

**b) Acquisition reserve**

Acquisition reserve records the difference between consideration paid and the proportionate book value of the non-controlling interest acquired by the Company. Refer to Note 22 (b) for additional details.

	2015	2014
	\$	\$
Balance at start of period	(29,675,375)	(29,683,414)
Increase during the period	-	8,039
Decrease during the period	(7,009,306)	-
<b>Balance at end of period</b>	<b>(36,684,681)</b>	<b>(29,675,375)</b>

**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 to Note 15 (d) for additional details.

	2015	2014
	\$	\$
Balance at start of period	7,958,847	4,744,027
Increase during the period	-	3,214,820
<b>Balance at end of period</b>	<b>7,958,847</b>	<b>7,958,847</b>

**d) Share based payments reserve**

The Group issued performance rights to the Group Managing Director, Mr Peter Kane for the financial year ended 30 June 2014. As Mr Peter Kane resigned on 12 December 2014, the performance rights granted to him lapsed consequently.

	2015	2014
	\$	\$
Balance at start of period	42,066	-
Increase during the period	-	42,066
Decrease during the period	(42,066)	-
<b>Balance at end of period</b>	<b>-</b>	<b>42,066</b>

## Note 19 Issued capital

	2015 \$	2014 \$
1,095,928,523 (2014: 761,857,020) Ordinary Shares	<b>186,354,850</b>	170,466,514

### a) Ordinary shares

	No.	\$
Balance at 1 July 2014	<b>761,857,020</b>	<b>170,466,514</b>
Rights issue on 7 August 2014	<b>83,333,334</b>	<b>5,000,000</b>
Exercise of options on 11 November 2014 in relation to rights issue on 7 August 2014	<b>72,422,327</b>	<b>4,345,340</b>
Rights issue on 26 February 2015	<b>178,315,842</b>	<b>6,597,686</b>
Share issuances expenses	-	<b>(54,690)</b>
<b>Balance at 30 June 2015</b>	<b>1,095,928,523</b>	<b>186,354,850</b>

	No.	\$
Balance at 1 July 2013	635,046,899	168,806,514
Shares issued for acquisition of 25% ownership in Terra Energy Ltd	20,000,000	1,660,000
Springsure Mining Pty Limited Indicative Resource Settlement	106,810,121	-
<b>Balance at 30 June 2014</b>	<b>761,857,020</b>	<b>170,466,514</b>

The following transactions took place during the year ended 30 June 2015:

- On 7 July 2014, the Company offered a fully underwritten pro rata non-renounceable entitlement offer of new fully paid ordinary shares at an offer price of \$0.06. Existing shareholders were offered one New Share (Rights Issue) and one attaching New Option for every 18.284 existing fully paid ordinary shares in the Company. On 7 August 2014, 83,333,334 shares were issued with the Company receiving \$5,000,000. Subsequently, 72,422,327 options were exercised resulting in the Company receiving a further \$4,345,340.
- On 27 January 2015, the Company offered a partially underwritten pro rata renounceable entitlement offer of new fully paid shares at an offer price of \$0.037. Existing shareholders were offered one New Share for every 4.85 existing fully paid ordinary shares in the Company. On 26 February 2015, the Company issued 178,315,842 shares in connection with the offer receiving \$6,597,686.

### 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 20 Cash flow Information****a) Reconciliation of cash balances**

	2015	2014
	\$	\$
Cash and cash equivalents	686,987	9,140,971
Balance per Statement of Cash Flows	686,987	9,140,971

**b) Reconciliation of result for the year to cash flows from operating activities**

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

	2015	2014
	\$	\$
<b>Loss for the year</b>	<b>(43,325,859)</b>	<b>(65,593,433)</b>
<b>Non cash flows in profit:</b>		
- income tax	950	22,538
- depreciation and amortisation	104,921	346,696
- Finance costs reclassified under financing activities	-	6,296,364
- non cash interest	-	4,049,731
- Interest expense on interest bearing loans	1,577,148	-
- Finance expense on convertible notes and amortising notes	5,865,505	-
- gain on shares settled for deferred consideration	-	(940,000)
- mark to market revaluation	-	(1,028,430)
- unrealised currency loss/(gain)	22,261,852	(4,331,812)
- share based payments	(42,066)	42,066
- research and development income	-	(665,278)
- impairment losses	284,448	44,220,177
- withholding tax expense	-	3,034,251
- loss on disposal of subsidiary	1,000,313	-
- share of profit of associates company	(98,350)	-
- receipts from customers reclassified under investing activities	9,068,458	-
<b>Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:</b>		
- (increase)/decrease in trade and other receivables	(2,868,616)	(851,502)
- (increase)/decrease in other assets	(222,461)	2,249,801
- increase/(decrease) in trade and other payables	3,323,923	(3,793,848)
- increase/(decrease) in provisions	278,940	81,152
- increase/(decrease) in other liabilities	(28,300)	(722,876)
<b>Cash flow used in operating activities</b>	<b>(2,819,194)</b>	<b>(17,584,403)</b>

**Note 21 Share-based payments**

At 30 June 2014, the Group issued performance rights to the Group Managing Director, Mr Peter Kane. As Mr Peter Kane resigned on 12 December 2014, the performance rights granted to him forfeited consequently.

## Note 22 Subsidiaries

### a) Subsidiaries

	Country of incorporation	Percentage owned (%) <sup>*</sup> 2015	Percentage owned (%) <sup>*</sup> 2014
<b>Parent entity:</b>			
Guildford Coal Limited	Australia		
<b>Subsidiaries:</b>			
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 (Note 22(b))	Australia	83.87	70
Springsure Mining Pty Limited (Note 22(c))	Australia	-	50.78
<b>Subsidiaries of Terra Energy Limited:</b>			
Tellus Commodities Pte Ltd	Singapore	100	100
<b>Subsidiaries of Guildford Coal (Mongolia) Pty Limited:</b>			
Tellus Marketing Pte Ltd	Singapore	100	100
<b>Subsidiaries of Tellus Marketing Pte Ltd:</b>			
Alag Tvesh LLC**	Mongolia	100	100
<b>Subsidiaries of Tellus Commodities Pte Ltd:</b>			
Terra Energy LLC**	Mongolia	100	100
<b>Subsidiaries of Terra Energy LLC:</b>			
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) Increase in interest in a subsidiary

On 15 April 2015, the Company entered into a subscription agreement with its subsidiary, Guildford Coal (Mongolia) Pty Ltd ("Guildford Mongolia"). Under the agreement, Guildford Mongolia agreed to issue 86 new ordinary fully paid shares in the capital of Guildford Mongolia to the Company through the conversion of the amount owing to the Company of US\$13,900,000 pursuant to the Loan Agreement dated May 2012 ("Inter-company loan facility") into shares. As a result of this conversion, the Company increased its equity interest from 70% to 83.87%.

### c) Disposal of a subsidiary that result in loss of control

Guildford entered into a management agreement with TheChairmen1 Pty Ltd ("TheChairmen1") dated 26 May 2010 (which was varied on 20 Jul 2010) ("Management Agreement"). Under the terms of the management agreement, TheChairmen1 agreed to provide certain management services to the Company for a fee of \$2,500,000 per annum (excluding GST).

On 28 November 2014, the Company received shareholder approval to terminate the management agreement effective 12 September 2014 in return for transferring 15% of the Company's shareholding in Springsure Mining Pty Ltd ("Springsure") to TheChairmen1.

As at 30 June 2014, the Company held 50.78% interest in Springsure and accounted for the investment as a consolidated subsidiary as it was deemed to control Springsure. On termination of the management agreement, Guildford's shareholding in Springsure decreased to 35.78% and it was deemed to hold significant influence over Springsure. The Company has accounted for the remaining 35.78% interest as an investment in an associate whose fair value at the date of disposal was \$1,292,054. This transaction has resulted in the recognition of a loss in profit or loss, calculated as follows:

	\$
Consideration received	-
Net assets derecognised	(3,666,897)
Carrying amount of non-controlling interests	1,322,248
Pre-acquisition reserves derecognised	52,282
Net asset disposed of	(2,292,367)
Investment retained after disposal (Note 13)	1,292,054
Loss on disposal	(1,000,313)

**(a) Analysis of assets and liabilities over which control was lost**

**Assets**

Cash and cash equivalents	101
Trade and other receivables	131,275
Exploration assets (Note 12a)	3,611,111

**Liabilities**

Trade and other payables	75,590
--------------------------	--------

<b>Net assets derecognised</b>	<b>3,666,897</b>
--------------------------------	------------------

**(b) Net cash outflow on disposal of subsidiary**

Consideration received in cash and cash equivalent	-
Less: cash and cash equivalents disposal of	(101)
	(101)

**d) 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 subsidiaries	Clyde Park Pty Limited		Guildford Coal (Mongolia) Pty Limited		Springsure Mining Pty Limited	
	2015	2014	2015	2014	2015	2014
Ownership held by NCI	<b>35.6%</b>	35.6%	<b>16.1%</b>	30.0%	<b>64.4%</b>	49.2%
Profit / loss allocated to NCI	<b>(10,523)</b>	(35,733)	<b>(219,281)</b>	(2,484,288)	-	(253,609)
Purchase of NCI	-	-	<b>6,957,024</b>	-	-	-
Accumulated NCI of subsidiary	<b>3,337,213</b>	3,347,736	<b>1,326,946</b>	(5,410,797)	-	1,328,695

**Summarised consolidated statement of financial positions**

Current assets	<b>4,873</b>	4,322	<b>1,789</b>	136,223	-	2,242
Non-current assets	<b>3,722,977</b>	3,716,170	<b>1,516,759</b>	2,405,816	-	2,255,106
Current liabilities	<b>(390,637)</b>	(3,989)	<b>(2,652)</b>	(605,475)	-	(16,932)
Non-current liabilities	-	(368,767)	<b>(188,950)</b>	(5,539,150)	-	(278,856)
	<b>3,337,213</b>	3,347,735	<b>1,326,946</b>	(3,602,586)	-	1,961,560

Name of subsidiaries	Clyde Park Pty Limited		Guildford Coal (Mongolia) Pty Limited		Springsure Mining Pty Limited	
	2015	2014	2015	2014	2015	2014
	\$	\$	\$	\$	\$	\$
Revenue	-	-	<b>92</b>	70	-	243
Expenses	<b>(29,558)</b>	(35,733)	<b>(703,492)</b>	(2,484,428)	-	(254,095)
Profit / loss allocated to NCI	<b>(29,558)</b>	(35,733)	<b>(703,400)</b>	(2,484,358)	-	(253,852)

**Summarised consolidated statement of cash flows**

Cash flows from/(used in) operating activities	-	-	-	-	-	-
Cash flows from/(used in) investing activities	<b>(19,121)</b>	(17,009)	<b>(958,153)</b>	(1,825,176)	-	525,361
Cash flows from/(used in) financing activities	<b>19,817</b>	16,415	<b>930,012</b>	1,794,660	-	(509,177)
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>696</b>	<b>(594)</b>	<b>(28,141)</b>	<b>(30,516)</b>	-	<b>16,184</b>

## Note 23 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	Level 4	Total
		\$	\$	\$	\$	\$
<b>30 June 2015</b>						
<b>Recurring fair value measurements</b>						
Options on convertible notes	15(c)	-	-	-	-	-

		Level 1	Level 2	Level 3	Level 4	Total
		\$	\$	\$	\$	\$
<b>30 June 2014</b>						
<b>Recurring fair value measurements</b>						
Options on convertible notes	15(c)	-	-	683	-	683

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 15 (c).

The fair value of the convertible notes and amortising notes is based on the present value of expected cash flows determined using current estimates of market interest rates. Based on this, and the short-term maturity dates of these instruments, the fair value approximates the carrying value at 30 June 2015.

The fair value of the interest bearing loans and working capital facility also approximates their present value at 30 June 2015 due to their short-term nature.

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



**Note 24 Capital and leasing commitments****a) Finance leases**

The Group has no finance lease commitments as at 30 June 2015 (2014: nil).

**b) Operating leases**

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

	<b>2015</b>	2014
	\$	\$
Payable minimum lease payments:		
- not later than one year	<b>1,736,228</b>	1,749,900
- later than one year, not later than five years	<b>226,306</b>	9,587
	<b>1,962,534</b>	1,759,487

**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:

	<b>2015</b>	2014
	\$	\$
Payable:		
- not later than one year	<b>657,451</b>	6,624,365
- later than one year, not later than five years	<b>9,584,284</b>	7,823,194
	<b>10,241,735</b>	14,447,559

Guildford has entered into a range of arrangements with Noble in respect of Exploration Licence 12600X, the Khar Servegen (KS) Coking Coal Resource, 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.

On 19 June 2015, Guildford entered into a 12600 share sale agreement with Noble to purchase all the shares in EO for an aggregate purchase consideration of US\$6,000,000 by 15 August 2015. Subsequent to year end it was agreed this amount was deferred to 30 September 2015. In addition, a royalty is payable to Noble by Guildford pursuant to the Royalty Deed dated 18 December 2013 upon the mining of the tenement. As at 30 June 2015, certain conditions precedent of the transaction had not been met.

## Note 25 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:

		2015	2014
		\$	\$
<b>Financial assets</b>	<b>Note</b>		
Cash and cash equivalents		686,987	9,140,971
Trade and other receivables	8	5,909,021	3,040,405
		<b>6,596,008</b>	12,181,376
<b>Financial liabilities</b>			
Trade and other payables	14	32,919,590	12,329,974
Financial borrowings	15	137,860,145	104,194,738
		<b>170,779,735</b>	116,524,712

### 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.

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		Total	
	2015	2014	2015	2014	2015	2014
	\$	\$	\$	\$	\$	\$
<b>Financial liabilities due for payment</b>						
Trade and other payables	32,919,590	12,329,974	-	-	32,919,590	12,329,974
Borrowings (excluding finance lease)*	93,519,349	38,216,560	44,340,796	65,978,178	137,860,145	104,194,738
Total contractual outflows	126,438,939	50,546,534	44,340,796	65,978,178	170,779,735	116,524,712
Total expected outflows	126,438,939	50,546,534	44,340,796	65,978,178	170,779,735	116,524,712
<b>Financial assets - cash flows realisable</b>						
Cash and cash equivalents	686,987	9,140,971	-	-	686,987	9,140,971
Trade and other receivables	21,671	750,969	5,887,350	2,289,436	5,909,021	3,040,405
Total anticipated inflows	708,658	9,891,940	5,887,350	2,289,436	6,596,008	12,181,376
Net inflow (outflow) on financial instruments	(125,730,281)	(40,654,594)	(38,453,446)	(63,688,742)	(164,183,727)	(104,343,336)

\*Does not include interest on borrowings payable with 1 year of USD10,640,559 and 1 to 5 years of USD2,268,570.

### 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 2015, the Group holds borrowings to the value of AU\$138 million (US\$105.9 million).

#### 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 significant exposure to commodity price risk as it is not yet in production.

#### 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 reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	2015		2014	
	+1%	- 1%	+1%	- 1%
<b>Cash and cash equivalents</b>				
Net results	6,870	(6,870)	91,410	(91,410)
Equity	6,870	(6,870)	91,410	(91,410)
<b>Borrowings</b>				
Net results	1,378,601	(1,378,601)	1,043,607	(1,043,607)
Equity	1,378,601	(1,378,601)	1,043,607	(1,043,607)

### 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:

	2015 \$	2014 \$
Change in profit		
- Increase in US Dollar by 1%	<b>1,364,952</b>	1,033,274
- Decrease in US Dollar by 1%	<b>(1,392,527)</b>	(1,054,148)
Change in equity		
- Increase in US Dollar by 1%	<b>1,364,952</b>	1,033,274
- Decrease in US Dollar by 1%	<b>(1,392,527)</b>	(1,054,148)

### 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 23, are not materially different to the carrying value of these assets and liabilities.

## Note 26 Directors and key management personnel disclosures

### a) Details of directors and key management personnel

Names	Position	Appointed/Resigned
<b>Non-Executive Directors</b>		
The Hon Craig Wallace	Non-Executive Chairman	Appointed 29/04/2015
The Hon Craig Wallace	Non-Executive Director	Appointed 12/12/2014 Resigned 29/09/2014
Mr Philip Forrest	Independent Director	Appointed 09/04/2015
Ms Loo Hwee Fang	Independent Director	Appointed 09/04/2015
Mr Tsogt Togoo	Non-Executive Director	
Mr Craig Ransley	Non-Executive Chairman	Appointed 19/11/2014 Resigned 29/04/2015
The Hon Alan Griffiths	Acting Non-Executive Chairman	Resigned 19/11/2014
Mr Kon Tsiakis	Non-Executive Director and Company Secretary	Resigned 13/11/2014
<b>Executives</b>		
Mr Michael Avery	Group Managing Director	Appointed 15/12/2014
Mr Michael Avery	Non-Executive Director	Appointed 19/11/2014
Mr David Stone	Executive Director	Appointed 12/05/2015
Mr David Stone	Non-Executive Director	Appointed 05/05/2015
Mr Julien Lawrence	Chief Operating Officer Mongolia	
Mr Mark Reynolds	Chief Financial Officer	Appointed 18/05/2015
	Project Director North Queensland	
Mr Tony Mooney	General Manager Stakeholder Relations and Company Secretary	
Mr Peter Kane	Group Managing Director	Resigned 12/12/2014
	Chief Executive Officer	Appointed 12/12/2014 Resigned 02/03/2015
Mr Chris Munday	Chief Financial Officer	Appointed 08/10/2014 Resigned 19/06/2015
Mr Michael Majendie	Chief Financial Officer	Resigned 03/10/2014

### b) Totals of remuneration paid

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

	2015	2014
	\$	\$
Short-term employee benefits	2,464,491	2,417,291
Post-employment benefits	80,354	89,428
	<b>2,544,845</b>	<b>2,506,719</b>

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 2015.



## **Note 27      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 2015.

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 10 Mt of JORC (Joint Ore Reserves Committee) Indicated Resource and \$1,800,000 ("Final additional consideration") for each of the next five tranches of 10 Mt 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 43 Mt 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 ("TheChairmen1"). Resco's assignment of the Springsure agreement to TheChairmen1 extinguished the corresponding liability that Resco had to TheChairmen1, stemming from Resco's agreement to purchase shares in Springsure from TheChairmen1. 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 50 Mt of JORC Indicated Resource). However, The Company would only make payments for four 10 Mt tranches (totalling \$8.8m) as TheChairmen1 had agreed to forego, after negotiations with Guildford, any settlements for the fifth 10 Mt tranche;
- The Company was released from any obligation to pay the fifth 10 Mt tranche; and
- Payment was made by the issue to TheChairmen1 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 10 Mt Milestones to Gleneagle Securities Nominees Pty Ltd.

As announced on 5 April 2010, Guildford has granted 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 AU\$25 million. The option expires immediately prior to a qualifying IPO, otherwise there is no expiration date.

Guildford has entered into a range of arrangements with Noble in respect of Exploration Licence 12600X, the Khar Servegen (KS) Coking Coal Resource, located adjacent to the South Gobi Project. The arrangements are linked to the Noble Facility Agreement and include a Royalty Deed. Under the Royalty Deed royalty is payable to Noble based on the number of tonnes of coal produced and sold from the KS Project, as follows:

- for the first 5 million tonnes of coal produced and sold, US\$7.50 per tonne;
- for the next 5 million tonnes of coal produced and sold, US\$4.25 per tonne;
- thereafter, US\$1.25 per tonne of coal produced and sold, until such time as the aggregate royalty amount paid to Noble equals US\$65m.

## **Note 28      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 ("TheChairmen1") dated 26 May 2010 (which was varied on 20 July 2010) ("Management Agreement"). Under the terms of the Management Agreement TheChairmen1 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 2015, the Group paid TheChairmen1 management fees totalling \$413,074 (2014: \$2,500,000).

The Company and TheChairmen1 agreed to forego from September 2014 payment of all remaining management fees totalling \$2,086,926 in consideration for the Company transferring 15% of its shareholding in Springsure Mining Pty Ltd to TheChairmen1. Refer to Note 22(c).

On the 29 November 2013 the Company announced a Maiden JORC Indicated Resource of 43 Mt in Exploration Permit for Coal (EPC) 1674, Springsure Project, with a remaining 148 Mt 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. Resco's assignment of the Springsure agreement to TheChairmen1 extinguished the corresponding liability that Resco had to TheChairmen1, stemming from Resco's agreement to purchase shares in Springsure from TheChairmen1. 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 TheChairmen1 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 TheChairmen1 of fully paid ordinary shares in The Company, not a cash settlement.

### Transactions with director

On 2 January 2015, the Company announced it received notification that Non-Executive Chairman Craig Ransley (resigned on 2 January 2015) had entered into an agreement with Orchard Capital Partners ("OCP") for him or his nominee to acquire the US\$10 million convertible notes issued by the Company to OCP.

### Transactions with key management personnel

#### *Other directors' interests*

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 16.13% (2014: 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.

## **Note 29      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 15 July 2015, the Company advised the market that its operational strategy at the Mongolian Baruun Noyon Uul (BNU) mine should enable the company to ramp up to 125,000 tonne coal per month production which was confirmed on 31 July 2015 when the Company provided further operational guidance on the mine.
- Additionally on 15 July 2015, the Company announced the granting of two new exploration licences by the Mineral Resources Authority of Mongolia (MRAM). The Baruun Termes exploration licences NE-025961 and NE-025966 are prospective for potash and complement Terra Energy's existing assets in Mongolia.
- On 21 July 2015, the results of ongoing resource definition and mine planning uncovered a shallow coking coal 'micro basin' at the Mongolian Baruun Noyon Uul (BNU) mine and operations were commencing in the area of the pit.
- The grant of the MDL over part of the Springsure Project was announced on 30 July 2015 along with coal quality wash results confirming the high CV prime thermal product nature of the resource.
- The Company completed the share transfer on the acquisition of 100% of the equity interest in Enkhtunkh Orchlon LLC from Noble Resources International Pte. Ltd ("Noble"). The purchase consideration of US\$6 million is payable to Noble. Subsequent to year end, Noble agreed to defer the receipt of the purchase consideration to 30 September 2015.
- On 21 August 2015, the Company provided an update on the lack of progress with the Tsaidam project and advised that action to recover the US\$2 million deposit paid for the acquisition of Mongolian Petroleum Corporation LLC is ongoing.
- Subsequent to year end the Group reached agreement with Noble to defer certain debt repayments to 30 September 2015. The Group is working to restructure the Noble debt via a listed bond raising process. Refer Note 15 borrowings for further details on agreements reached with financiers. Although the repayment date is 30 September 2015, the Company is working with Noble to repay the principle repayment as part of the debt restructuring.
- To manage funding requirements the Group utilised existing facility capacity resulting from debt repayments made up to 30 June 2015 and agreed for Noble to make additional funding available to the entity during October 2015.
- Following successful negotiations with OCP Asia, on 22 July 2015 the Group submitted a formal waiver request for note holder's formal approval of the deferral request. This was subsequently formally approved by the note holders on 21 August 2015 on the following terms:
  - i. Convertible note maturity date extended to 8 December 2015 (from 8 July 2015);
  - ii. Amortising note payment of US\$11 million principal deferred from 8 July 2015 to the earlier of 30 September 2015 or the date of completion of any future capital raising;
  - iii. Payment of accrued interest which was due 8 July 2015 deferred to the earlier of 30 September 2015 or the date of completion of any future capital raising; and
  - iv. Adjustments to Convertible Notes and Amortising Notes detachable warrants previously issued by the Company to OCP Asia subject to shareholders' approval. (refer below)
- On 28 September 2015, the Company advised the market that it will hold an extraordinary general meeting on 30 October 2015, to approve, amongst other matters and subject to Shareholder Approval and Noteholder approval in relation to OCP convertible notes and OCP amortising notes, the following:
  - v. An extension of time for making certain payments under the OCP convertible notes and OCP amortising notes previously due on 8 July 2015 to no later than 31 October 2015, as well as an extension of the maturity date of the OCP convertible notes to 8 December 2015.
  - vi. Amortising note payment of US\$11 million principal deferred from 8 January 2016 to 8 July 2016.
  - vii. Adjustments to OCP convertible notes previously issued by the Company to OCP Asia. In particular changes to the conversion price (from A\$0.06 per share to the lower of A\$0.037 and the average volume weighted average prices of shares for 30 days prior to conversion- subject to previously agreed adjusting events).
  - viii. Cancellation of the existing detachable warrants previously issued by the Company to OCP Asia and issuance of new and replacement detachable warrants. 126,308,306 warrants will have a term of 5 years from the earlier of 31 October 2015 or the date of additional capital raising, with a conversion price based on the trading price of the Company's shares for the 1st month of issuance.

The note trustee has requested requisite noteholder consent to sign the waiver letter dated 8 September 2015, and agree to the deferral of certain payments and adjustments to the OCP convertible notes and OCP amortising notes as outlined above. The Company has received written confirmation from the note trustee that approximately 50% of noteholders who hold convertible notes, and 55% of the noteholders who hold amortising notes, are supportive of the waiver letter and intend to vote in favour of the note trustee signing the waiver letter. The Company has also been informed that the remaining noteholders intend to vote in favour of the note trustee signing the waiver letter. For details on the notice of meeting, please refer to the Company's announcement dated 28 September 2015.

**Note 30      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.

	2015 \$	2014 \$
<b>Statement of Financial Position</b>		
<b>Assets</b>		
Current assets	1,367,466	8,948,884
Non current assets	156,185,705	126,451,357
Total Assets	157,553,171	135,400,241
<b>Liabilities</b>		
Current liabilities	56,739,145	34,031,502
Non-current liabilities	74,318,479	65,978,861
Total Liabilities	131,057,624	100,010,363
<b>Net assets</b>	<b>26,495,547</b>	<b>35,389,878</b>
<b>Equity</b>		
Issued capital	186,354,850	170,466,514
Retained earnings	(167,818,150)	(143,077,549)
Option Reserve	7,958,847	8,000,913
<b>Total Equity</b>	<b>26,495,547</b>	<b>35,389,878</b>
<b>Consolidated Statement of Comprehensive Income</b>		
Total profit or loss for the year	(24,740,601)	(19,898,246)
Total comprehensive income	(24,740,601)	(19,898,246)

**Note 31      Company details**

With effect from 1 July 2015, the registered office of and principal place of business of the Company is:  
Level 7, 370 Flinders Street  
Townsville QLD 4810  
AUSTRALIA

## DECLARATION BY DIRECTORS

---

The directors of the Company declare that:

1. the financial statements and notes for the year ended 30 June 2015 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 Craig Wallace  
Non-executive Chairman

Dated 30 September 2015



## 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 2015, 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.

### 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 2015 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

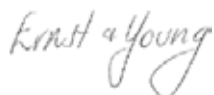
Without qualifying our opinion, we draw attention to Note 1b in the financial report which describes the principal conditions that raise doubt about the entity's ability to continue as a going concern. In particular the consolidated entity's current liabilities exceed current assets by \$123,557,156 and the entity's ability to continue as a going concern is reliant on obtaining additional funding and renegotiating current debt arrangements. In order for this to occur a number of outcomes must be successfully achieved. As a result of these matters there is significant uncertainty whether the entity will continue as a going concern, 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 entity 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 2015. 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 2015, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



Kellie McKenzie  
Partner  
Brisbane

30 September 2015

## 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 2015.

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

Holding	Ordinary shares	
	Number of Holders	Number of Units
1 - 1,000	112	59,693
1,001 - 5,000	322	981,867
5,001 - 10,000	285	2,333,206
10,001 - 100,000	817	29,620,294
100,001 and over	349	1,062,933,463
	1,885	1,095,928,523

There were 913 holders of less than a marketable parcel of ordinary shares.

Twenty largest shareholders

	Ordinary shares	
	Number held	% of issued shares
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	186,468,099	17.01
J P MORGAN NOMINEES AUSTRALIA LIMITED	166,674,040	15.21
EQUITAS NOMINEES PTY LIMITED	100,000,000	9.12
THE SUMMIT HOTEL BONDI BEACH PTY LTD	90,977,026	8.30
MAIORA SPECIAL SITUATIONS FUND	54,054,054	4.93
NATIONAL NOMINEES LIMITED	47,923,564	4.37
CITICORP NOMINEES PTY LIMITED	33,338,295	3.04
HAYMAKER INVESTMENT PTY LTD	30,021,250	2.74
CAPRI TRADING PTY LTD	29,000,000	2.65
MRS CONNIE LO LIN SYE	28,790,447	2.63
GLENEAGLE SECURITIES (AUST) PTY LTD	27,463,684	2.51
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 3	12,419,626	1.13
MR KEVIN TAY HAK-LEONG	10,419,095	0.95
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	9,437,541	0.86
MRS SARAH HATHWAY	8,505,000	0.78
SUPER PROPERTIES PTY LTD	8,437,981	0.77
MYRA NOMINEES PTY LIMITED	7,831,892	0.71
QUALITY LIFE PTY LTD	6,754,631	0.62
MR STEVEN DUCHEN	6,062,260	0.55
MR ANDREW ROBERT VERNON	5,555,184	0.51
	870,133,669	79.40

Securities exchange

The Company is listed on the Australian Securities Exchange.





# GUILDFORD COAL

Guildford Coal  
[www.guildfordcoal.com.au](http://www.guildfordcoal.com.au)