GUILDFORD COAL

QUARTERLY ACTIVITES REPORT

QUARTERLY REPORT TO 31 DECEMBER 2010

ASX: GUF

SHARE INFORMATION

Issued Shares: 412m
Listed Options: N/A
Unlisted Options: N/A

BOARD OF DIRECTORS

Chairman: T. Bellas
Dep. Chairman: C. Ransley
MD: M. Avery
Non-Exec: M. Chester
Director: N. St George
Non-Exec: A. Griffith

WEBSITE

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REGISTERED OFFICE

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Newcastle, NSW, 2300

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KEY PROJECTS

HUGHENDEN (80%)
Location:
Galilee Basin, QLD

SIERRA (100%)
Location:
Bowen Basin, QLD

KOLAN (100%)
Location:
Maryborough Basin, QLD

QUARTER HIGHLIGHTS

HUGHENDEN

- An updated geological and exploration data compilation for the Hughenden Project in the Galilee Basin has allowed the development of a geological model for the target Permian coal measures across the Project area
- Based on this model an Exploration Target# is being finalised which is expected to confirm the substantial project resource potential
- Historical coal quality data indicates a potential thermal product
- Unseasonal wet weather significantly affected drilling activities during December quarter 2010
- Despite recent extreme rain events in Queensland, drilling re-commenced on EPC1477 on 14 January 2011 with two drill rigs currently operating

KOLAN (FORMERLY KNOWN AS MARYBOROUGH)

- Guildford has completed an updated geological evaluation based on drill data from 2010 and further historical geological data studies
- This updated geological data compilation has highlighted a target area for the Burrum coal measures totaling 37 square kilometres
- Historical coal quality data indicates seam thickness of up to 3m with a potential hard coking product with CSN of 8, low ash and low moisture
- Unseasonal wet weather adversely affected drilling activities during the December quarter
- The Kolan Project is a proponent for 1Mtpa of capacity in the Wiggins Island Coal Expansion Terminal Stage 2 at Gladstone

CORPORATE

- Cash reserves as at 31 December were $48.7m
- Appointment of two independent directors to augment the Board

 # References to Exploration Targets in this document are in accordance with the requirements of the JORC Code. As such it is important to note that in relation to any stated Exploration Targets any referencesto quality and quantity are conceptual in nature. Exploration carried out to date is inadequate to be able to estimate resources to JORC compliant resource categories and furthermore it is uncertain if further exploration will result in the determination of a Mineral Resource.

GUILDFORD COAL

HUGHENDEN PROJECT

PROJECT OVERVIEW

- Located in the northern end of the coal bearing Galilee Basin in Queensland, Australia
- Covers approximately 16,500 square kilometres of exploration permit applications for coal of which an estimated 11,500 square kilometres have been granted as at 31 December 2010
- Targeting substantial export thermal coal resources with open cut and underground mining potential
- Located in close proximity to infrastructure with the Mt Isa to Townsville rail line running across the project area
- Relatively uncomplicated geology of the Galilee Basin allows less intensive drilling required to define mineral resources and reserves.

EXPLORATION UPDATE

- Guildford controls one of the largest coal exploration tenement portfolios in the Galilee Basin.
- Guildford has recently completed a comprehensive update of recent and historical geological and exploration data for the northern end of the Galilee Basin. This includes a detailed examination of all Government and public domain exploration drilling. This information has been incorporated into the Company's geological model.
- Once current exploration results have been incorporated into the geological model, a JORC compliant Exploration Target[#] Range will be released to the market and is expected to confirm the substantial project resource potential. This work should be complete by the end of February.
- Historical coal quality data indicates a thermal product potential with washing required to remove stone partings.
- The following diagram clearly demonstrates the well developed continuity of the host formation and associated coal seams along the eastern and northern margins of the Basin as well as the down dip depth extensions for over 400 kilometres based on historical data.

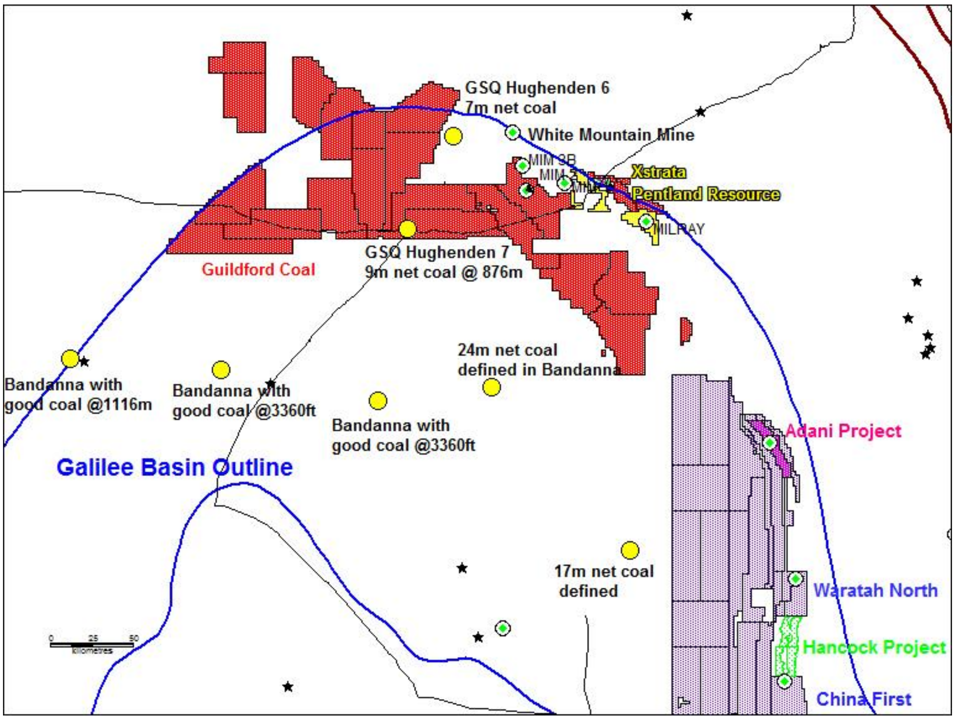

Figure 1: Hughenden tenement location map overlaid with historical drilling results

GUILDFORD
COAL

- The following diagram shows the current granted tenements on the Hughenden Project as well as the location of historic and current exploration holes contained in and around the project area.

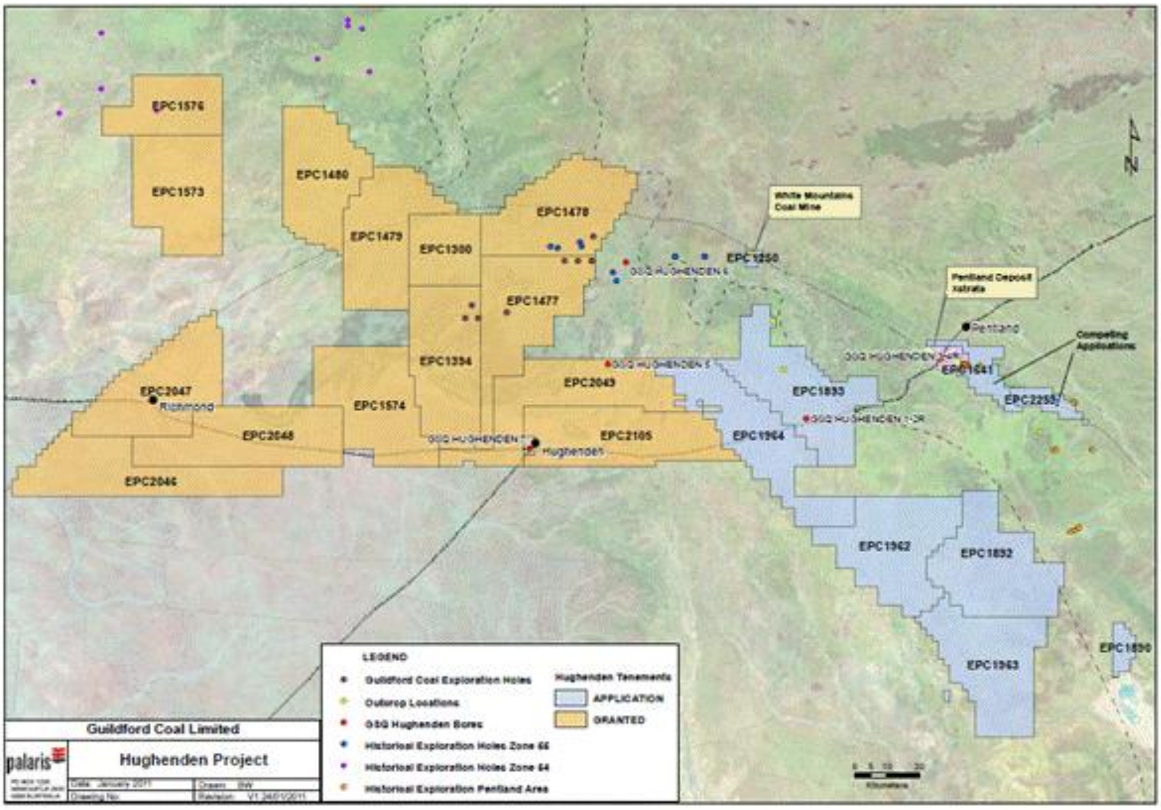

Figure 2: Hughenden tenement exploration hole locations

- The Queensland Geological Survey cored drill hole, GSQ Hughenden 6 (GSQ6) is located 9km to the east of EPC1477 and recorded coal intersections of approximately 7 metres net across four separate seams of the Betts Creek Beds in the Galilee Basin at a vertical depth of 200 metres to 300 metres. Importantly, two of these seams are of sufficient thickness to enable high volume underground extraction once the lateral extent is confirmed.
- The Hughenden Project - Oxley Creek (EPC1250) located at the old White Mountains Coal Mine is a further 40km east of GSQ6 on the north eastern edge of the Galilee Basin and contains seams of up to 5 metres of coal from the Betts Creek Beds at or near the surface highlighting the potential for large scale open cut mining along the Galilee Basin edges once lateral extent is confirmed along the almost 200km of projected basin edge held under Guildford tenements. The following photo shows one of the outcropping coal seams on EPC1250:

➢ Additional significant intersections in water bores to the north west outside the modelled Galilee Basin edge are most likely Cretaceous sediments. This geological target remains untested and represents potential further upside and will be explored in 2011 to confirm the prospectivity.

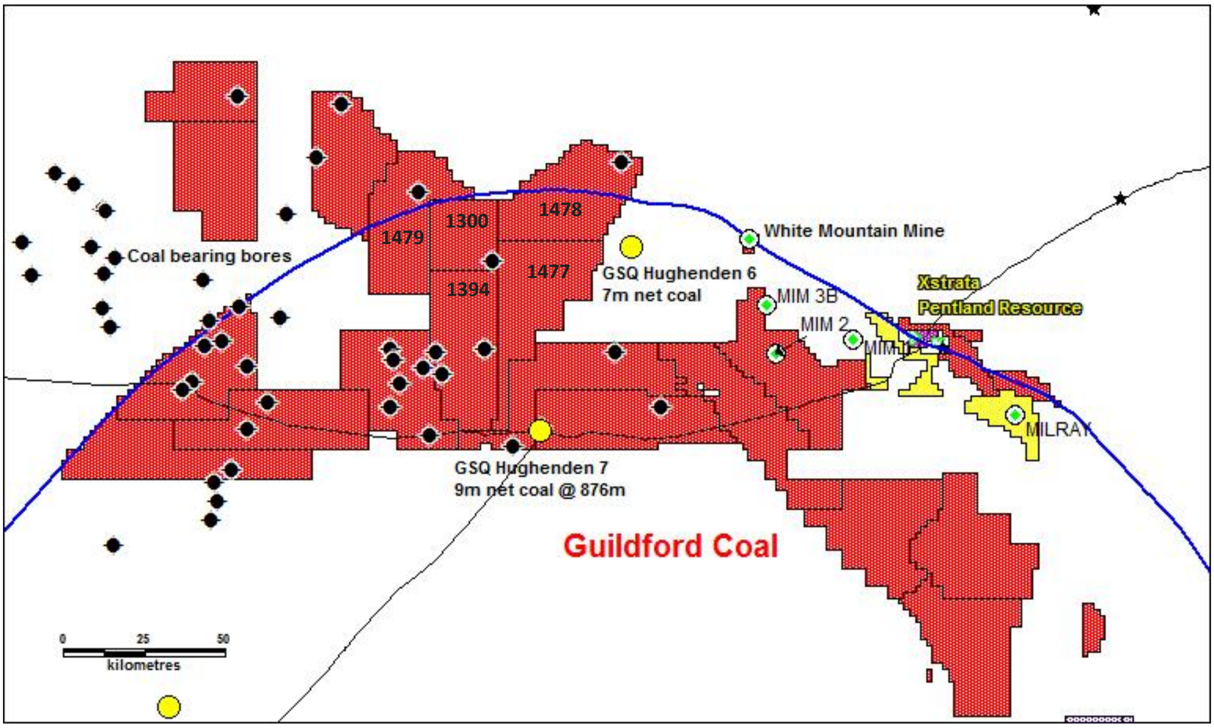

Figure 3: Hughenden tenement location map overlaid with historical water bore and drilling results

➢ A basement high in the southern part of EPC1478 and northern part of EPC1477 has been identified by drilling in late 2010 and appears to have disrupted deposition of the host Permian formation in a localised area confirmed by geophysics to affect approximately 3% of the total Hughenden Project area.

➢ Advice has been received from the Queensland Government that the Guildford Coal Limited Secondary EPC Applications 1726, 1727 and 1728 will be granted in favour of the primary applicant and not Guildford Coal Limited which effectively reduces the Guildford controlled project area to just under 16,500 square kilometres.

➢ The impact of adverse weather conditions in the last quarter of 2010 has delayed the progress of the exploration work required to potentially define a JORC resource by an estimated 3 months but could be further delayed if the wet weather continues in the March quarter.

➢ However, despite recent extreme rain events in Queensland, drilling re-commenced on higher ground located on EPC1477 on 14 January 2011 with two drill rigs in operation. Nevertheless, drilling continues to be adversely affected by frequent rain events associated with the wet season.

➢ Following the wet season, the drill rigs will move to potential open cut targets on EPC 1300, EPC1479 and the northern edge of EPC1478. These areas are lower lying and therefore more affected by the wet season.

➢ The following diagram depicts the Hughenden exploration strategy:

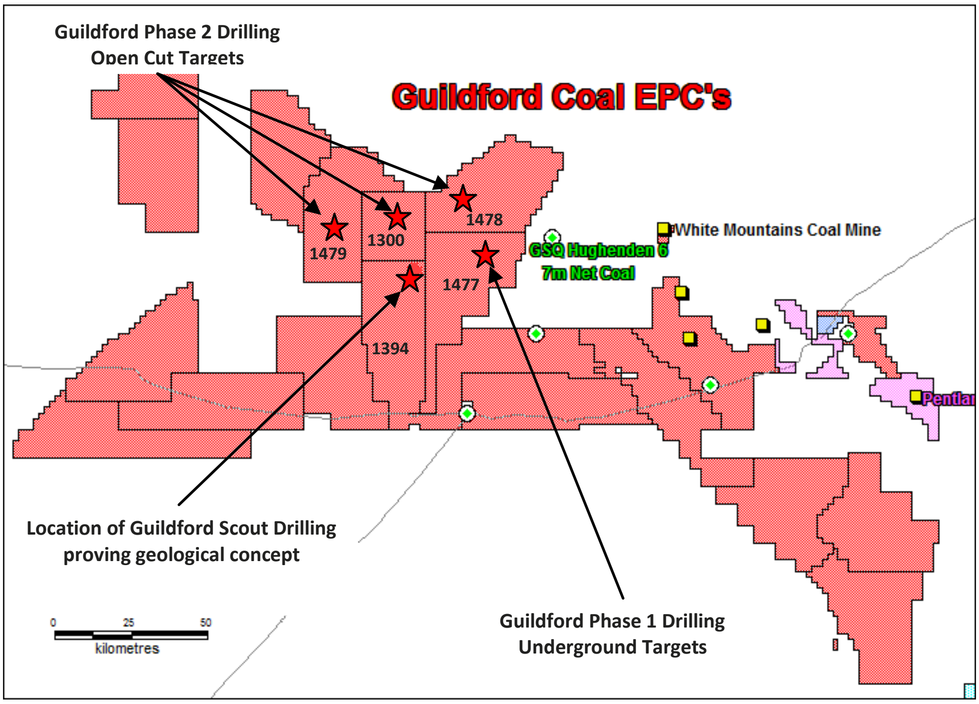

Figure 4: Hughenden Project Location Map – Guildford Exploration Strategy

- A Scoping Paper is being prepared for the Hughenden Project by Flanagan Consulting Group as a prelude for the preparation of an Initial Advice Statement, Terms of Reference and Environmental Impact Statement in line with the Company's strategy of fast tracking project advancement.
- Background hydrology studies have also commenced.

GUILDFORD COAL

KOLAN PROJECT

PROJECT OVERVIEW

- Located in the potential hard coking coal bearing Maryborough Basin in Queensland, Australia
- Estimated 23,700 hectares of exploration permit applications for coal with an estimated 14,400 hectares granted
- Connected to the port of Gladstone via the Maryborough Northern Rail System which runs adjacent to the project

EXPLORATION UPDATE

- An updated geological and exploration data compilation based upon recent and historical information has revealed that the coal seams of the Burrum Coal Measures in the Kolan region attain seam thickness up to 3metres, are banded but have yields in of the range 60% to 70%. Importantly, a high priority target area totalling some 37 square kilometres of Burrum coal measures has been identified.
- Based on historical coal quality data, the Exploration Target# comprises a high value, modest tonnage, coking product with a CSN of 8, low ash and low moisture content.

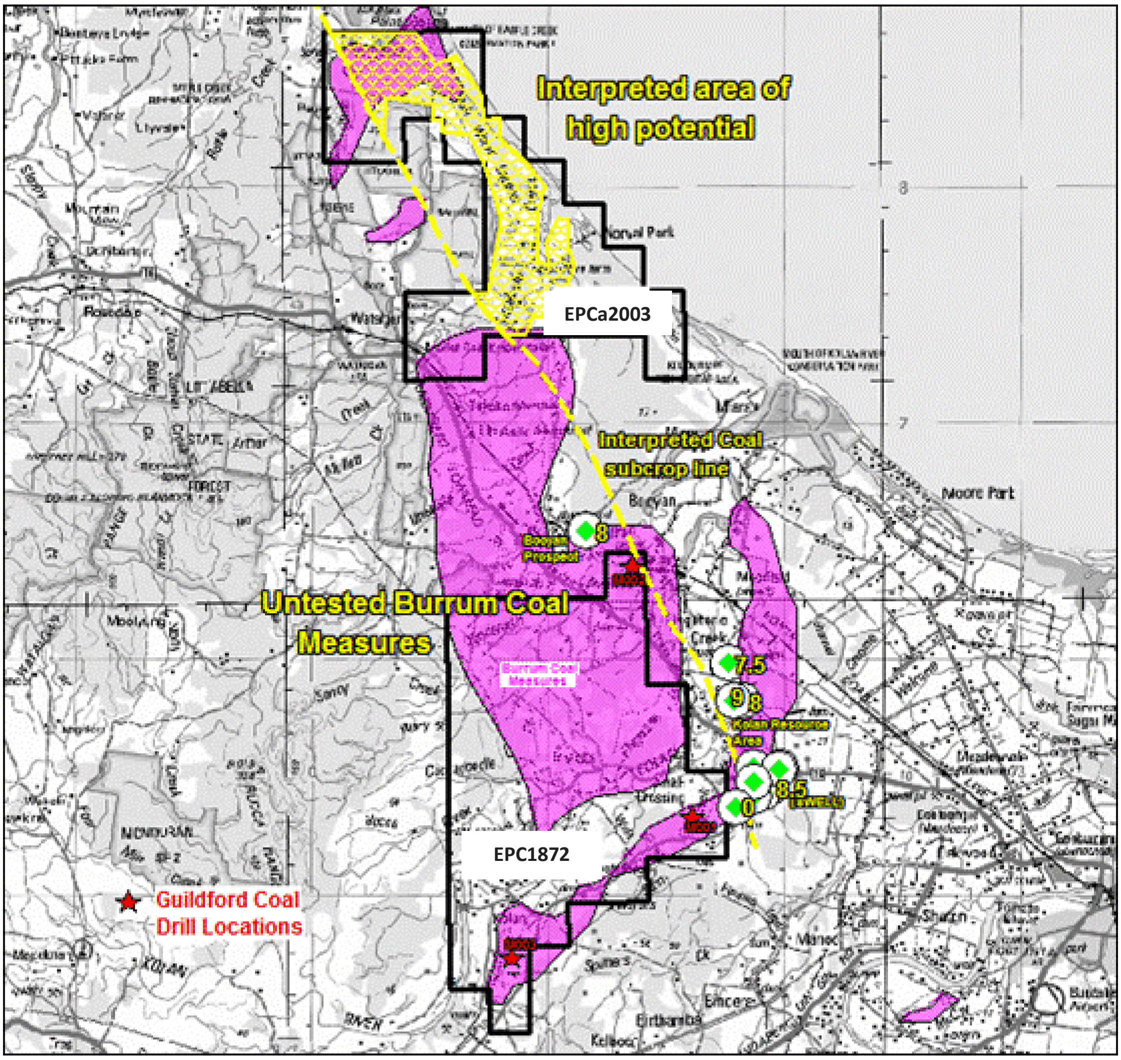

Figure 5: Kolan Project Location Map highlighting untested Burrum Coal Measures and past exploration results

- Drilling by Guildford to date (EPC1872 only) has tested only 150 metres of targeted sequence stratigraphy from a total of over 400 metres. Drill hole locations were not ideally located due to ERE exclusion zone restrictions which have been lifted following a successful submission to the Queensland DERM in late December 2010.
- This drilling by Guildford indicated that the overall dip of the sequence is very flat at an estimated 2 to 3 degrees to the east based on bedding to core axes.
- No drilling has been carried out on the potential western extensions of mapped Burrum Coal Measures in EPC1872 which represents untested upside to be confirmed by a future drill program.
- Drilling in 2011 will be focused on the topographically elevated regions on the western side of EPC 1872 as well as the high potential EPC 2003 when granted and when the wet season ends.
- The impact of wet weather in the last quarter of 2010 combined with the ERE exclusion zone restrictions delayed the progress of the exploration work required to potentially identify and declare a JORC resource by an estimated 3 months but could be further delayed if the wet weather continues for an extended period.
- A Scoping Paper is being prepared for the Kolan Project by Flanagan Consulting Group as a prelude for the preparation of an Initial Advice Statement, Terms of Reference and Environmental Impact Statement.

  The Kolan Project is a proponent for 1Mtpa of capacity in the Wiggins Island Coal Expansion Terminal Stage 2 at Gladstone.

CORPORATE

FINANCIAL

- Cash reserves were $48.7M as at 31 December 2010.

BOARD

- The appointment of Mr Griffith and Mr Bellas as independent directors will also serve to expand the Company's business, industry and Government networks and experience and complement the skill base of the current Board in order to advance Guildford's coal project portfolio to mineral resource status and potential development.

ABOUT GUILDFORD COAL

Guildford Coal has established a portfolio of coal exploration tenement areas in Queensland, Australia. Guildford Coal's tenements cover an estimated area of 20,000 square kilometres and are defined within project areas as follows:

- Hughenden Project (Galilee / Eromanga Basins):
  - FTB (Qld) Pty Ltd (Guildford 80%)
  - Orion Mining Pty Ltd (Guildford 80%)
  - Old White Mountains Coal Mine – EPC1250 (Guildford 100%)
- Kolan Project (Maryborough Basin);
- Sierra Project (Bowen Basin);
- Comet Project (Bowen Basin);
- Sunrise Project (Surat/Bowen Basin);

  Monto Project (Nagoorin Graben).

Guildford Coal's key objective is to create shareholder value through the identification, securing and exploration and potential development of coal deposits. In order to achieve this objective, Guildford Coal intends to:

- Drill and assess existing exploration permits with the aim of establishing JORC compliant resources;
- Complement and diversify Guildford Coal's existing portfolio through application for and acquisition of additional coal assets;
- Undertake project development for high priority targets where economic coal deposits are proven; and
- Ultimately produce and sell a variety of coal products into export markets if successful in exploration objectives.

MICK AVERY
Managing Director
T: +61(2) 4914 5910

Competent Person Statement

The information in this report is based on information compiled by Mr Cameron Switzer, who is a Member of the Australasian Institute of Mining and Metallurgy (112798) and the AIG (3384) and has had sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activities which are being undertaken to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' . Mr Switzer is the Exploration Manager for Guildford Coal Limited and consents to the inclusion of the matters based on his information in the form and context in which it appears. Mr Switzer is an exploration geologist with in excess of 23 years experience spanning numerous commodities including coal, copper and gold.

Rule 5.3

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

Guildford Coal Ltd

ABN	Quarter ended ("current quarter")
35 143 533 537	31/12/2010

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date (6 months) $A'000
1.1	Receipts from product sales and related debtors		
1.2	Payments for (a) exploration & evaluation @	(1,808)	(3,573)
	(b) development	Nil	Nil
	(c) production	Nil	Nil
	(d) administration #	(576)	(989)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	422	704
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other (provide details if material)		
	Net Operating Cash Flows	(1,962)	(3,858)
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a) prospects	(42)	(42)
	(b) equity investments		
	(c) other fixed assets	(13)	(24)
	(d) formation expenses	(35)	(436)
1.9	Proceeds from sale of: (a) prospects		
	(b) equity investments		
	(c) other fixed assets		
1.10	Loans from other entities	1	40
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)		
	Net investing cash flows	(89)	(462)
1.13	Total operating and investing cash flows (carried forward)		

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)		
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	23,900	23,900
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows	23,900	23,900
	Net increase (decrease) in cash held	21,849	19,580
1.20	Cash at beginning of quarter/year to date	26,882	29,151
1.21	Exchange rate adjustments to item 1.20	n/a	n/a
1.22	**Cash at end of quarter**	48,731	48,731

@ Item 1.2 (a) Exploration and Evaluation includes an allocation of the Management Fee paid to TheChairmen1 Pty Ltd as set out in the prospectus

 # Item 1.2 (d) Administration includes an allocation of the Management Fee paid to TheChairmen1 Pty Ltd as set out in the prospectus

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter $A'000
1.2	Aggregate amount of payments to the parties included in item 1.2	707
1.2	Aggregate amount of loans to the parties included in item 1.10	Nil

1.2 Explanation necessary for an understanding of the transactions

Item 1.23 includes directors fees, net wages of directors and includes the Management Fee paid to TheChairmen1 Pty Ltd as set out in the prospectus

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Not applicable

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

+ See chapter 19 for defined terms.

Not applicable

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available $A'000	Amount used $A'000
3.1	Loan facilities	Nil	Nil
3.2	Credit standby arrangements	Nil	Nil

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation @	2,775
4.2	Development	
4.3	Production	
4.4	Administration #	975
	Total	**3,750**

@ Item 4.1 Exploration and Evaluation includes an allocation of the Management Fee paid to TheChairmen1 Pty Ltd as set out in the prospectus

 # Item 4.4 Administration includes an allocation of the Management Fee paid to TheChairmen1 Pty Ltd as set out in the prospectus

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter $A'000	Previous quarter $A'000
5.1	Cash on hand and at bank	8,953	11,882
5.2	Deposits at call	39,778	15,000
5.3	Bank overdraft		
5.4	Other (provide details)		
	Total: cash at end of quarter (item 1.22)	48,731	26,882

Changes in interests in mining tenements

		Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	Nil			
6.2	Interests in mining tenements acquired or increased	Nil			

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	**Preference +securities** *(description)*	Nil	Nil	Nil	Nil
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	Nil	Nil	Nil	Nil
7.3	**+Ordinary securities**	412,083,334	212,083,334	Fully paid	Fully paid
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs		52,083,334	Fully paid	Fully paid
7.5	**+Convertible debt securities** *(description)*	N/A	N/A	N/A	N/A

+ See chapter 19 for defined terms.

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	N/A	N/A	N/A	N/A
7.7	**Options** *(description and conversion factor)*	Nil	Nil	*Exercise price*	*Expiry date*
7.8	Issued during quarter	Nil	Nil	N/A	N/A
7.9	Exercised during quarter	Nil	Nil	N/A	N/A
7.10	Expired during quarter	Nil	Nil	N/A	N/A
7.11	**Debentures** *(totals only)*	Nil	Nil		
7.12	**Unsecured notes** *(totals only)*	Nil	Nil		

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does give a true and fair view of the matters disclosed.

Sign here: .... Date: 31/1/2011
Managing Director

Print name: Michael Ross Avery..

+ See chapter 19 for defined terms.

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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