



## **FINANCING AND OPERATIONAL UPDATE, ORGANIZATIONAL CHANGES AND FORWARD PLAN**

### **HIGHLIGHTS**

- Celsius has reached an agreement with Blumont to receive a final payment of US\$750,000 (approximately A\$798,300) under the Convertible Note with a minimum conversion price of A\$0.025 per share
- Subject to receipt of the full US\$750,000 in the timeframe agreed, Celsius has agreed to waive receipt of the further approximately A\$701,700 available under the Blumont facility
- Initial coke strength CSR and CRI results have been received with CSR values in the range of 3.9 to 22.1 and CRI values in the range of 51.6 to 76.4
- Construction of a new north-south highway link in the Kyrgyz Republic has commenced
- Work on non-core thermal coal assets in Southern Kyrgyz Republic will be discontinued to focus exclusively on the Uzgen Basin Coking Coal Project
- The Company has initiated a reassessment of its nickel projects in light of the meaningful revaluation of the nickel sector
- Management roles are being streamlined, with Alistair Muir promoted to the role of Managing Director and Alex Molyneux transitioning from his executive role to take the role of Non Executive Chairman

### **Financing update**

**Celsius Coal Limited (ASX Code: CLA) (Celsius or the Company)** announces that it has reached an agreement to receive a further US\$750,000 (approximately A\$798,300) from Blumont Group ("Blumont") pursuant to the Convertible Note Deed (the "Note"). As a result (but subject to the terms of the agreement with Blumont), Celsius will only draw A\$4.3 million of the A\$5 million available under the terms of the Note.

Celsius has conditionally agreed to waive receipt of the balance of approximately A\$701,700 available under the terms of the Note through an undertaking not to make further draws under the facility. The Company understands that the requirement not to make further draws was requested as a condition by Blumont's financier Wintercrest LLC under the loan facility that party has provided to Blumont. Celsius accepted the requirement as a condition for the receipt of the US\$750,000 as a commercial reality given the continued harsh funding environment for junior minerals exploration and development companies.

The Company further notes that the Note converts at a minimum price of \$0.025 per share (ie, a 317% premium to the current share price).



## Operational update

### Receipt of preliminary coke strength testing results

Initial data has been received on Coke Strength after Reaction (CSR) and Coke Reactivity Index (CRI) testing conducted at ALS Richlands laboratories in Australia. The tests were performed on the larger diameter PQ core taken during the 2013 exploration season. Results of the samples are:

Sample 3351 (Kargasha):	CSR 22.1	CRI 51.6	Yield 67.6%
Sample 267 (Kokkia):	CSR 3.9	CRI 76.4	Yield 67.5%
Sample 267 (Kokkia/Kargasha blend)	CSR 13.2	CRI 62.9	Yield 70.9%

The coke strength testing results are preliminary in nature and other coking coal indicator properties for the Uzgen Basin Coking Coal Project are generally very good. However, the preliminary CSR results are below the minimum level specified in the memorandum of understanding (MOU) signed with two Chinese companies and announced in the Company's press release of 5 March 2014 (note: the MOU specified a minimum CSR of 60). As a result, Celsius will spend some time focusing on any implications in establishing the market for, or impacting the value of, its coal. In particular, the Company will seek to investigate:

- whether the preliminary results are truly representative of the regional trend, or whether certain coal seams / geographic locations would perform better;
- the availability of appropriate blend coals both in the Kyrgyz Republic and in Xinjiang, China; and
- looking at processing options that could improve coke strength.

### Infrastructure

On May 2<sup>nd</sup>, 2014 the President of the Kyrgyz Republic, Almazbek Atambayev, officially opened the construction of the new north-south road between the capital of Bishkek in the north and Jalal-Abad near Osh in the south of the country at a ceremony in Kazarman in Jalal-Abad oblast nearby the Company's Uzgen Basin Coking Coal Project. During Q4, 2013, the Government of the Kyrgyz Republic announced that Chinese funding of US\$400m had been approved and made available for the construction of the first phase of this road. China Road and Bridge Corporation will carry out construction of the road, with funding being provided by the Export-Import Bank of China.

### Nickel assets

Celsius owns two nickel assets in Western Australia, being:

- 30% interest in the recently producing Carnilya Hill Joint Venture with Mincor Resources NL; and
- 100% interest in the Abengo Hill Nickel Project to the south and west of Minara Resources' Murrin Murrin nickel mine.

Celsius has initiated a reassessment of its nickel assets in light of the substantial (more than 50%) increase in nickel price since the start of 2014. The Company notes its JV partner Mincor Resources NL is currently undertaking an extensive regional exploration campaign (please refer to Mincor's March 2014 Quarterly Report for further details) and any relevant results from the Carnilya Hill Project will be released as they are received. While mining operations at Carnilya Hill ceased in the first quarter of 2012 access to the decline and other mine infrastructure was maintained so that the opportunity to recommence mining remains intact.



Celsius is also finalizing a data compilation and target generation exercise on its Abengo Hill Project for both laterite and sulphide nickel. Once this is completed the Company will consider options for resuming exploration activity or seeking to monetize its nickel assets.

### Thermal coal assets

Celsius has determined not to proceed with any further works at its non-core thermal coal property in Southern Kyrgyz Republic, namely Sary Mogol. The Company has made the decision to explore opportunities for the sale of this asset and to preserve financial resources to focus on an optimized plan for the Uzgen Basin Coking Coal Project and also to evaluate potential increased activity on its nickel assets.

## **Management streamlining**

With 2014 being a year where the prior physical exploration work on the Uzgen Basin Coking Coal Project is being analyzed and development studies considered, the Company has been aggressively cutting back expenses. In light of this, it has streamlined its management structure and also revised packages for remaining managers. The aim has been to keep key leadership involved with the Company but reduce overall cost and particularly cash outflow. The streamlining is estimated to save the company approximately A\$1,100,000 annually in overall cash compensation and associated overhead cost. Details of executive and non-executive compensation are shown in Appendix 1 of this release.

### Key management changes

Effective immediately Alistair Muir will take over executive leadership of the Company, becoming Managing Director. Executive Chairman Alex Molyneux will move to be the Non Executive Chairman. Alex is pleased to continue his involvement with the Company and will continue to focus his attention on its corporate strategy and transaction opportunities.

### Revised compensation structure

Subject to shareholder approval, the Company intends to compensate its Board in shares rather than cash payments, and key management 50% per cent in cash with the balance paid in shares. Shares will be issued monthly based on a 10% discount to the prior months volume weighted average price (VWAP). The shares issued will not be escrowed.

## **Forward plan**

In the space of less than two years, Celsius has established its Uzgen Basin Coking Coal Project as one of significant value, with the following key elements:

- *One of the largest contiguous coking coal resources in a pure play coking coal development company* – Uzgen Basin Coking Coal Project now contains 295 million tonnes of Inferred Resource.
- *Very good general coal quality parameters* – Free Swell Index (FSI) indicators consistent with premium coking coal, whilst ash and moisture are low and deleterious elements are within marketing norms.



- *Established customer relationships* – As announced on 5 March 2014, Celsius has signed an MOU with two key high-quality Chinese customers. The MOU is evidence of the substantial interest in the Uzgen Basin Coking Coal Project and advanced dialogue between the Company and potential coal purchasers.
- *Advancing infrastructure options* – In the last two years the Kyrgyz Republic has advanced work on the Trans Asia Railway, which will be key to increasing the scale of future coal exports. In the meantime, real progress has been made on improving road routes to market, including the commencement of the north-south national road link noted in the operational update section of this release.

Despite the Company's positive progress, market valuations for coking coal explorers and developers have continued to fall along with the falling benchmark coking coal prices and general lack of investor interest in the junior minerals space. As a result, Celsius aims to manage value for its shareholders by: (a) quickly establishing the best route to monetize its Uzgen Basin Coking Coal Project through development, sale or other means; and (b) minimizing any waste of financial resources beyond its primary objective.

In addition, Celsius' nickel assets could be considered to have substantially more value now that the nickel sector has re-rated. This creates additional optionality that the Company's board and management will seek to benefit from.

## **ABOUT CELSIUS COAL**

Celsius Coal Ltd is an Australian-based exploration company focused on exploring and developing coking and thermal coal deposits in the Kyrgyz Republic.

Celsius has a 90% interest in the Sary Mogol coal license located in the Alai Range region in the south of the Kyrgyz Republic and also has an 80% interest in the Kargasha, Kokkia and Min Teke licences in the Uzgen Basin. Celsius' main focus is on its Uzgen Basin Coking Coal Project. In addition to its existing assets, the Company continues to actively pursue new projects in the resources sector, not only in Australia and the Kyrgyz Republic, but elsewhere in the world, with the hope of subsequently developing mining operations on those projects.

For more information, please visit [www.celsiuscoal.com.au](http://www.celsiuscoal.com.au) or contact Mr Ranko Matic, Company Secretary on +61 (08) 9226 4500.





**APPENDIX 1 – DIRECTOR AND EXECUTIVE COMPENSATION:**

<b>Celsius Coal Director and Executive Compensation Details</b>			
<b><u>Name and title</u></b>	<b><u>Total Annual Compensation</u></b>	<b><u>Cash Portion</u></b>	<b><u>Non Cash Portion (Shares)</u></b>
Alex Molyneux - Chairman	A\$75,000	A\$0	A\$75,000
Bill Oliver – Non Executive Director	A\$60,000	A\$0	A\$60,000
Ranko Matic – Non Executive Director	A\$42,000	A\$0	A\$42,000
Alistair Muir – Managing Director	A\$300,440	A\$150,220	A\$150,220
Matthew O’Kane - CFO	US\$250,000	US\$125,000	US\$125,000

Note: Compensation above is subject to shareholder approval and establishment of an appropriate share plan.