



QUARTERLY ACTIVITIES REPORT

JUNE 2014

HIGHLIGHTS

- On July 10th the Company announced a prospectus had been issued for a Share Purchase Plan and a General offer. The aim of the offer is to issue up to 603,441,250 shares at an issue price of \$0.0008 per share to raise up to \$482,753
- Celsius announced it 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
- Reported 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
- Announced construction of a new north-south highway link in the Kyrgyz Republic has commenced
- Announced 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 were 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

Exploration and Development – Uzgen Basin Coking Coal Project

At the Company's 80% owned flagship Uzgen Basin Coking Coal Project the Company has a JORC compliant resource of 295Mt (Inferred), which comprises 235Mt at Kargasha and 60Mt at Kokkia.

The Uzgen Basin Coking Coal Project is ideally located to supply the expanding steel industry in Xinjiang Province, Western China. Xinjiang Province has been highlighted as a special case for economic development. Kashgar, Xinjiang's second city, has been designated as a new Special Economic Zone as a trade gateway to Central Asia.



Receipt of preliminary coke strength testing results

Initial data was received during the quarter 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.

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.

On-going Testing Program and Mine planning

The initial coal testing program from the 2013 drilling campaign has been completed, however this work has identified the need for further CSR testing based on the initial results. A review of the core from the 2013 drilling program is being undertaken to identify the most suitable samples for this additional CSR testing. It is possible that further samples may need to be collected to allow this work to be completed..

The Company is still working on potential open cut pit designs. It is expected that this work and additional review of auger mining options will continue over the upcoming quarter.

Financing update

On July 10th the Company announced a prospectus had been issued for a Share Purchase Plan and a General offer. The aim of the offer is to issue up to 603,441,250 shares at an issue price of \$0.0008 per share to raise up to \$482,753. Any shares not issued under the SPP may be issued under a General Offer to the general public. The issue price of \$0.0008 per share represents a 20% discount to the 5-day volume weighted average price (VWAP) at the date the offer was announced.



The net proceeds of the raising will be applied towards the following:

- To conduct further reviews of coking properties, blending opportunities and other options for the Uzgen Basin Coking Coal Project
- Assessment of the Company's Nickel Assets and searches for complimentary assets
- Working Capital

The SPP is not subject to shareholder approval, nor is the General Offer.

During the quarter the Company also announced that it 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.

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).

Corporate

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 aggressively cut back expenses to preserve cash. To support this cost reduction initiative the Company 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 \$1.1 million annually in overall cash compensation and associated overhead cost. Further details of executive compensation can be found below and in Appendix one of the Company's press release made on May 26th, 2014.

Key management changes previously announced

Alistair Muir took over executive leadership of the Company during the quarter, becoming Managing Director, with Executive Chairman Alex Molyneux moving to the role of Non Executive Chairman.

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 are proposed to be issued monthly at a 10% discount to the prior months volume weighted average price (VWAP). The shares issued will not be escrowed.

At the end of the quarter, Celsius had cash of \$0.1 million, and access to a further \$US0.6 million pursuant to a convertible note with its major shareholder. Post June 30th an additional \$US0.1 million has been received leaving a balance of \$US0.5 to be paid to the Company.



Infrastructure

Celsius continues to monitor the progress of the Trans-Asia Railway, which is currently anticipated to be completed by the end of 2016. The current mapped route comes within 10 kilometers of Celsius' Uzgen Basin Coking Coal Project (Figure 2) and will connect to the existing Chinese railway network at Kashgar (Kashi) in Xinjiang.

In addition Celsius also continues to review the existing transport options available to facilitate coal export prior to completion of the Trans-Asia Railway. For the Uzgen Basin coking coal projects, the Company has identified a route for export to China via Osh and then the Irkeshtam border crossing between the Kyrgyz Republic and China that uses generally paved and rehabilitated roads (Figure 2). This route is approximately 385km in length and the Company has estimated a transport cost of approximately \$10 per tonne to the Kyrgyz Republic-China border utilizing this route. A more detailed transport study will provide more accurate cost estimates and identify potential bottlenecks on the route.

On May 2nd, 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 located 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. The road will ultimately form part of a link between the Kyrgyz Republic, China, Kazakhstan and Russia. This new road infrastructure will open up new markets for Celsius by creating a much shorter and more efficient transport corridor to Bishkek in the north, as well as additional options for transporting coal into the south of the Kyrgyz Republic and into Uzbekistan. In addition, coal once on this new road will be able to link to other existing roads that provide transport options for export via road to Xinjiang Province in China.



Figure 2 – Location of Celsius’ projects and export routes including the proposed Trans-Asia Railway and new North – South link road



West Australian Nickel Assets

Celsius owns two nickel assets in Western Australia. Celsius (through View Nickel Pty Ltd) owns a 30% joint venture interest in the Carnilya Hill Joint Venture in Western Australia with Mincor Resources NL (**Joint Venture**). Mincor Resources NL (**Mincor**, ASX:MCR) is the operator of the Carnilya Hill JV. The tenements covered by the Carnilya Hill Joint Venture (JV) include Mining Licences M26/47, M26/48, M26/49 and M26/453. Additionally the Company has a 100% interest in the Abengo Hill Nickel Project to the south and west of Minara Resources’ Murrin Murrin nickel mine. The tenements are located near to Minara Resources’ Murrin Murrin mine and the NiWest operation currently under development by GME Resources Ltd and are believed to have potential for both nickel laterite and nickel sulphide mineralisation.

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.



Competent Person's Statement

The information in this announcement that relates to resource estimates reported to the ASX on 24th March 2014 is based on information compiled by Dr Gavin Springbett, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy. Dr Springbett is acting as a consultant to Celsius Coal Limited and is an employee of G&S Resources. Dr Springbett has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity 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. Dr Springbett consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears.

The information in this report that relates to exploration results initially reported to the ASX on 24th October 2013, 17th January 2014 and 22nd January 2014 is based on information compiled by Mr Alistair Muir, who is a member of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr Muir is the Technical and Operations Director of Celsius Coal Limited and has sufficient experience that 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 Muir consents to the inclusion in this announcement of the matters based on this information in the form and context in which it appears.

Further the company confirms it is not aware of any new information, or data which materially affects the resource announcement and that all material assumptions and technical parameters underpinning the resource estimates are unchanged. In addition the company confirms that the form and context in which the CP's findings are presented have not been materially modified.

ABOUT CELSIUS COAL

Celsius Coal Ltd is focused on developing coking and thermal coal deposits in the Kyrgyz Republic.

Celsius owns 80% of its Uzgen Basin Coking Coal Project (comprising: Kargasha; Kokkia; and Min Teke), which cover an established Soviet-era coking coal resource. It also owns 90% of its Alai Range Projects (comprising: Sary Mogol and Bel Alma).

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