CELSIUS COAL LIMITED

ASX RELEASE | 30th April 2014

QUARTERLY ACTIVITIES REPORT

MARCH 2014

HIGHLIGHTS

- **Updated JORC compliant Resource released. Total Inferred Resources increased by 40Mt to 295Mt of coal at the Uzgen Basin Coking Coal Project comprising a 35Mt increase at Kokkia and a 5Mt increase at Kargasha.**

- **Announced the signing of a non-binding MOU with two potential Chinese off-take customers: Bayi Steel and China Minmetals. The primary goals of the MOU are to facilitate trial shipments of coking coal for metallurgical testing, and trials of logistics arrangements between the Uzgen Basin Coking Coal Project and customer facilities in Xinjiang, China.**

- **Announced the extension until Dec 31st 2015 of the exploration licenses for the Kargasha and Kokkia tenements, which together comprise the Uzgen Basin Coking Coal Project in the Kyrgyz Republic.**

- **First ever coal quality tests for the Kokkia tenement show FSI results in the range of 7.5 to 9.5, higher than the Kargasha tenement and improving the overall coking properties of the Uzgen Basin Coking Coal Project.**

Exploration and Development (Uzgen Basin Coking Coal Project)

At the Company's 80% owned flagship Uzgen Basin Coking Coal Project the Company announced a revised JORC compliant resource of 295Mt (Inferred), which comprises 235Mt at Kargasha and 60Mt at Kokkia. This represents an increase in Inferred Resource of 40Mt from the prior Resource level. For further details, including JORC 2012 Table 1, please refer to the Company's press release dated March 24th, 2014.

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.

On February 11th, 2014 the Company reported that the licenses for its Kargasha and Kokkia tenements, which together comprise the Uzgen Basin Coking Coal Project, were successfully extended by a meeting of the

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licensing committee of the Kyrgyz Republic's State Agency for Geology on January 16th. The two licenses have had their expiration dates extended to the 31st of December 2015.

On March 5th, 2014 the Company announced the signing of a non-binding memorandum of understanding ("MOU") with Xinjiang Bayi Iron and Steel Group ("Bayi Steel") and China Minmetals Group ("China Minmetals"). Both of these tier-one Chinese companies have operations in the Chinese province of Xinjiang neighbouring the Kyrgyz Republic. The purpose of the MOU is to establish a working arrangement between Celsius, Bayi Steel and China Minmetals, to undertake preliminary investigations for the export, testing and supply of coking coal from Celsius' projects in the Kyrgyz Republic. The commencement for the delivery of the trial shipments is yet to be agreed, but will occur no earlier than Q2 2014, and will expire on 31 December 2014.

During the quarter the Company received further coal quality test results for both the Kargasha and Kokkia tenements in the Uzgen Basin Coking Coal Project. Results from the Kokkia area compared with laboratory results from the Kargasha area consistently show FSI's higher than Kargasha by 1.0 to 1.5 points, with FSI results in the range of 7.5 to 9.5. The testing was undertaken in the internationally accredited SGS laboratory in Novokuznetsk Russia. Results of these tests are discussed further below, and also in the ASX releases dated January 17th and 22nd, 2014.

Further detailed metallurgical analysis, including Coke Strength after Reaction (CSR) analysis, is expected to be available during Q2. These results will assist the Company with its ongoing mining studies and in discussions with potential off-take partners.

In addition to coal quality testing, desktop studies continue focusing on interpretation of drilling results, modelling of geology and correlation of coal seams.

Table 1: Inferred JORC Code Resources at Uzgen Basin Coking Coal Project

Project Area	Inferred Resource Mt	Ash % (ad)	Inherent Moisture %	Volatile Matter % (ad)	Total Sulphur % (db)
Kargasha	235	14.2	1.2	31.4	0.64
Kokkia**	60	18.8	0.9	30.5	0.83
Total (rounded)	295	15.1	1.2	31.2	0.68

** Note: For Kokkia, 25Mt of the estimated Resource is derived from areas outside the last points of observation but has been included in the Resource Statement because of the strong evidence of geological continuity based on adits, trenching and comprehensive geological mapping.

KOKKIA

The 2013 exploration programme included the first drilling work undertaken by the Company at the Kokkia tenement within the Uzgen Basin Coking Coal Project. The results of the drilling intercepts and coal quality testing results have previously been reported in ASX releases made on October 24th 2013 and January 22nd 2014. Please refer to those releases for further details.

Results of the raw coal sample testing on the core from drill holes DDKK0001, DDKK0002, DDKK0003 and DDKK0005 undertaken in the internationally accredited SGS laboratory in Novokuznetsk, Russia, confirm that all drill holes tested from the Kokkia area have returned intercepts with good coking coal potential.

Coking coal potential is demonstrated by the results from Free Swell Index (FSI) coking tests which returned results generally in the range of 7.5 to 9.5, with 60 of 63 coal samples from drill holes DDKK0001, DDKK0002, DDKK0003 & DDKK0005 submitted for FSI tests returning results greater than 4.5, which is generally considered a threshold for coking coals.

All coal samples also show very good thermal characteristics with high GCV^{ad} (air dried gross calorific value), very low inherent moisture (IM), and acceptable total sulphur (TS^{d}). Coking coals with low concentrations of deleterious elements such as phosphorus and total sulphur are preferred by steel producers.

Results from the Kokkia area compared with laboratory results from the Kargasha area consistently show FSI's higher than Kargasha by 1.0 to 1.5 points, and slightly elevated sulphur when compared to Kargasha. Previous wash data for Kargasha though indicated that float/sink testing could reduce sulphur levels, which suggests that coal washing may reduce sulphur levels in the coal. Given the locations of the drill holes (Figure 1) it suggests that the majority of the north of the Kokkia area has coking coal potential and trends suggest that coals to the south of Kokkia will produce similar results.

KARGASHA

The results of the drilling intercepts and coal quality testing results for the 2013 exploration programme for Kargasha have previously been reported in ASX releases made on October 24th 2013 and January 17th 2014. Please refer to those releases for further details.

Results of the raw coal sample testing on the core from drill holes DDTK0008, DDTK0009, DDTK0010 and DDTK0011 undertaken in the internationally accredited SGS laboratory in Novokuznetsk, Russia, confirm that all drill holes tested from the Kargasha area have returned intercepts with good coking coal potential.

Coking coal potential is demonstrated by the results from Free Swell Index (FSI) coking tests which returned results generally in the range of 6.5 to 8.5, with 46 of 49 coal samples from drill holes DDTK0008 to DDTK0011 submitted for FSI tests returning results greater than 4.5, which is generally considered a threshold for coking coals.

As with the results from Kokkia, all coal samples also show very good thermal characteristics with high GCV^{ad} (air dried gross calorific value), very low inherent moisture (IM), and acceptable total sulphur (TS^{d}). Coking coals with low concentrations of deleterious elements such as phosphorus (confirmed in 2012 programme laboratory analysis) and sulphur are preferred by steel producers.

Results from DDTK0008 to DDTK0011 are consistent with the 2012 laboratory results and continue to show a consistently high FSI and a low to moderate total sulphur trend. Given the spacing of the drill holes (Figure 1) it suggests that most of the Kargasha area has coking coal potential.

On-going Testing Program and Mine planning

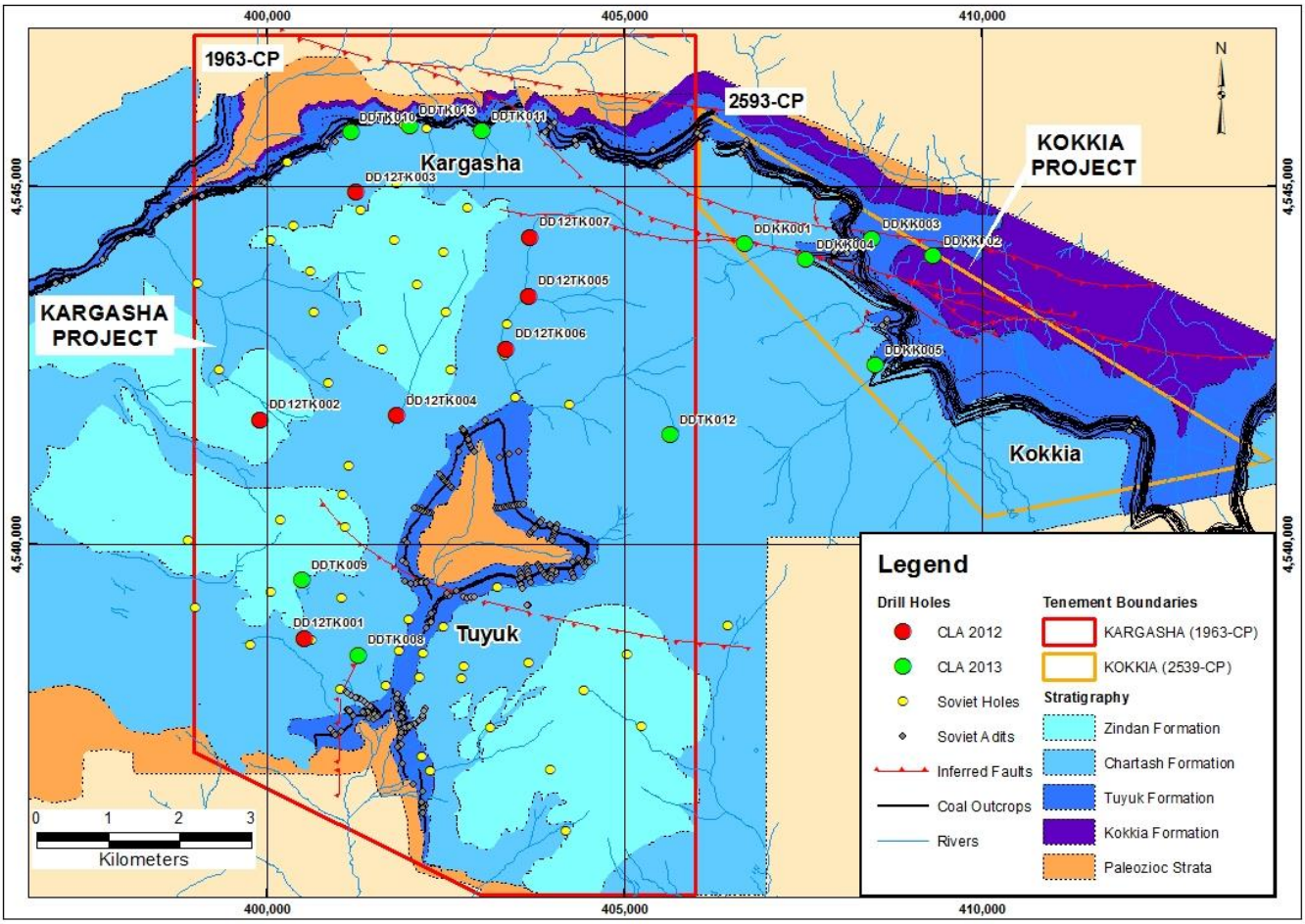
Samples for DDTK0012, located in the previously untested eastern side of Kargasha where significant coal intercepts have been returned in the recent drilling campaign, have been tested at SGS Novokuznetsk laboratory. This has added to the analysis already received from the laboratory for Kargasha drill holes DDTK0008 to DDTK0011, as well as Kokkia drill holes DDKK0001, DDKK0002, DDKK0003 & DDKK0005.

Samples from PQ drill holes DDTK0013 & DDKK0004 have been received at ALS Richlands laboratory in Australia and work has commenced on Coke Strength after Reaction (CSR) analysis.

The Company expects to receive the results from the ongoing test work during Q2 2014. These results will assist the Company with its mining studies and in discussions with potential off-take partners.

To complement the drilling works the Company also collected additional environmental and geotechnical data to be used to further mine plan studies. Open cut and auger mining studies are planned for Q2 2014 once laboratory testing is completed.

Figure 1: ***Geology Map of Kargasha and Kokkia showing Celsius 2012 & 2013 drilling and historical Soviet-era drilling***



Corporate

On October 9th, 2013, the Company announced that it's Executive Chairman, Mr Alex Molyneux, in cooperation with Pacific Advisers Pte Ltd ("Pacific Advisers"), had conditionally agreed to acquire 135,000,000 Blumont Group ("Blumont") shares, representing approximately 5.2% of the total outstanding issued shares of Blumont, post rights issue. Mr Molyneux also agreed, subject to completion of the share purchase, to join Blumont as its Chairman.

Due to certain technical issues preventing the transfer of the shares to be acquired, and with no resolution of the issue foreseeable in the near future, the proposed transaction has now been cancelled. Mr. Molyneux and Blumont are continuing discussions regarding his potential involvement with that company.

At the end of the quarter, Celsius had cash of $0.1 million, and access to a further $1.5 million pursuant to a convertible note with its major shareholder. Importantly, the convertible note can be converted to equity at Celsius' election 12 months after draw-down with a floor price of 2.5 cents (see ASX announcement 7 Feb 2013 - Celsius Secures A$10m in Strategic Funding from Blumont).

Mining – Sary Mogol (Alai Range Project)

During the third quarter of 2013 the company decided to idle mine operations at the Sary Mogul site. This decision was taken after efforts to secure sales contracts at positive cash margins were not successful. An internal review determined that there was currently insufficient demand for the coal products from Sary Mogul, which in turn created a negative cash margin for coal sales. As management were unable to determine a future period where this market environment may change to produce a positive economic outcome for Sary Mogul a decision has been made to place the site on care and maintenance and to impair the assets associated with this license. The mine remains on care and maintenance pending further management review.

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 is also continuing 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.

Further, during Q4, 2013, the Government of the Kyrgyz Republic announced that Chinese funding of US$400m is now available for the construction of the first phase of a new north-south road between the capital of Bishkek and Jalal-Abad near Osh in the south of the country. The road will pass through Kazarman, which was Celsius' operational base for the 2012 exploration season, and will therefore allow easier access to the Company's Kokkia and Kargasha deposits in the Uzgen Basin Coking Coal Project.

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



Carnilya Hill Joint Venture

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 Camilya Hill Joint Venture (JV) include Mining Licences M26/47, M26/48, M26/49 and M26/453.

The Carnilya Hill site is currently on care and maintenance. The Joint Venture will incur nominal running costs to ensure the site is kept secure, safe and well maintained. Exploration continues on the tenements comprising the Joint Venture, and is managed by Mincor as the Operator of the Joint Venture. Results from exploration programmes will be released as they become available.

West Australian Regional Nickel Exploration

The Company continues to compile all data relevant to E39/1641 and E39/1684 in the Eastern Goldfields region of Western Australia. 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. In due course, the Company may consider divesting its nickel interests, either through a partial or outright sale, or by spinning out the assets into a new public vehicle.

Competent Person's Statement

The information in this announcement that relates to resource estimates eported 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.