CELSIUS COAL LIMITED

ASX RELEASE | 31st October 2014

QUARTERLY ACTIVITIES REPORT

SEPTEMBER 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 was to issue up to 603,441,250 shares at an issue price of $0.0008 per share to raise up to $482,753**

- **On 14th August 2014 Celsius advised that a total of 227,062,500 shares had been allotted under the SPP and general offers, providing the company with AU$181,650.00 in funds. Total ordinary shares on issue following the above allotments was then 2,238,533,747.**
- **In May 2014 Celsius announced that it had reached an agreement with Blumont to receive a final payment of US$750,000 under the Convertible Note with a minimum conversion price of A$0.025 per share. The first payment of US$200,000 was received by the Company on 19 May 20014. On 2 July 2014 Celsius received a further payment of US$100,000, providing total drawings of US$300,000 under this facility; negotiations are continuing with Blumont for the outstanding amount.**
- **Celsius has commenced the sale of it's non-core thermal coal assets in Southern Kyrgyz Republic but has suspended further test and design work on it's Uzgen Basin assets until funding issues with Blumont are resolved.**
- **The Company has continued the reassessment of its nickel projects in light of the meaningful revaluation of the nickel sector.**

Level 1, 12 Kings Park Road
West Perth
WA 6005 Australia

P: +61 8 9226 4500
F: +61 8 9226 4300
E: info@celsiuscoal.com.au
www.celsiuscoal.com.au

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.

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 has been 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 has suspended further work until its funding position with Blumont is resolved.

Thermal coal assets

Celsius has decided not to proceed with any further works at its non-core thermal coal property in Southern Kyrgyz Republic, namely Sary Mogol. The Company is progressing with 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.

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 was not subject to shareholder approval, nor was the General Offer.

On 14th August 2014 Celsius advised that a total of 227,062,500 shares had been allotted under the SPP and general offers, providing the company with AU$181,650.00 in funds. Total ordinary shares on issue following the above allotments is now 2,238,533,747.

During the last 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.

To date Celsius has received US$300,000 under this US$750,000 facility. The Company has therefore reserved its rights to the full amount of $5m amount under the original agreement with Blumont.

Corporate

The company has successfully completed its proposed restructure. It has aggressively cut back expenses to preserve its cash position. 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.

Key management changes previously announced

Alistair Muir has taken 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 $US0.45 million pursuant to a convertible note with its major shareholder, pursuant to the agreement made in May 2014. Alternatively, with the Company reserving its right under the original A$5m agreement, there is approximately total funds available to the Company of A$1.18m.

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 Camilya 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 September 2014 Quarterly Report for further details). This campaign includes a further phase of drilling at the Carnilya Hill Project, which is anticipated to take place in coming months with any relevant results to 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 Managing 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).

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