

ASX RELEASE**15 September 2015****Entitlement Offer Cleansing Notice under section 708AA(2)(f) Corporations Act (Notice)**

Malabar Coal Limited (**Malabar**) has announced today that it will undertake a non-renounceable entitlement offer of, subject to rounding, 75,000,000 fully paid ordinary Malabar shares to its shareholders on the basis of an entitlement to subscribe for 15 ordinary Malabar shares (**New Share**) for every 17 ordinary Malabar shares held at 7.00pm (AEST) on 21 September 2015 (**Record Date**) at an issue price of \$0.08 per New Share to raise approximately \$6,000,000 (**Offer**).

The Company states that it will offer the New Shares for issue without disclosure to investors under section 708AA(2)(f) of the *Corporations Act 2001* (**Corporations Act**) as notionally modified by ASIC Class Order 08/35 (**CO 08/35**).

Further details regarding the Offer are set out in the investor presentation and information and entitlement offer booklet to be lodged today with the ASX.

For the purposes of section 708AA(7) Corporations Act, Malabar advises:

- (a) the New Shares will be offered for issue without disclosure under Chapter 6D of the Corporations Act as notionally modified by CO 08/35;
- (a) this Notice is given under section 708AA(2)(f) Corporations Act as notionally modified by CO 08/35;
- (b) as at the date of this Notice, Malabar has complied with the provisions of:
 - (i) Chapter 2M Corporations Act as they apply to Malabar; and
 - (ii) section 674 Corporations Act,
- (c) as at the date of this Notice, there is no excluded information of the type referred to in section 708AA(8) and 708AA(9) Corporations Act as notionally modified by CO 08/35; and
- (d) information regarding the potential effect of the issue of New Shares pursuant to the Offer on the control of Malabar, and the consequences of that effect is set out below.

Three of the Company's major shareholders (being shareholders associated with Simon Keyser and Wayne Seabrook directors of the Company) have committed to take up entitlements (**Committed Shareholders**). The Offer is also fully underwritten by four existing shareholders, Brisbane Investments II Ltd, HFTT Pty Ltd ACN 100 848 842 as trustee for the Haggarty Family Trust, Brisbane Investments I Ltd an entity associated with director Hans Mende and Ranamok Pty Ltd ACN 079 167 829 as trustee for Plummer Family Trust an entity associated with director Andy Plummer,

each of whom will also take up their own entitlement. Further details regarding the Offer are set out in the investor presentation.

Effect of the Offer on control

It is not possible to predict the effect of the Offer on the control of Malabar. There are a number of possible outcomes that may arise which will, largely, depend on the extent to which Eligible Shareholders take up their entitlement (**Entitlement**) and apply for top up shares.

If all Eligible Shareholders take up their Entitlement, each Eligible Shareholder's ownership interest (and voting power) in Malabar will remain largely unchanged and the effect on the control of Malabar will be negligible.

To the extent that any Eligible Shareholder fails to take up their Entitlement, that Eligible Shareholder's percentage holdings in Malabar will be diluted by those other Eligible Shareholders who take up some, all or more than their Entitlement.

The voting power of ineligible foreign shareholders will be diluted.

If no Eligible Shareholders (other than the underwriters and Committed Shareholders) take up their Entitlement (which the board considers unlikely), then the underwriters will be required to subscribe, or procure subscriptions from others, for the shortfall shares. If this occurs, the increase in voting power of the underwriters is set out in the table below:

Underwriter	Shares held before the Offer	Shareholding % before Offer	Pro-rata entitlement shares	Underwriting Proportion	Shares after Offer	Shareholding % after Offer
Brisbane Investments I Ltd ¹	10,859,789	12.78%	9,528,167	25.99%	8,448,968	18.06%
Brisbane Investments II Ltd ²	10,859,789	12.78%	9,528,167	22.29%	8,448,968	18.06%
HFTT Pty Ltd ACN 100 848 842 as trustee for the Haggarty Family Trust ³	10,748,660	12.65%	9,484,112	25.73%	8,364,446	17.87%
Ranamok Pty Ltd ACN 079 167 829 as trustee for Plummer Family Trust ⁴	9,313,757	10.96%	8,218,021	25.99%	8,364,446	15.49%

1 An entity associated with Hands Mende a director of Malabar

2 An entity associated with substantial holder Fritz Kundrun

3 An entity associated with substantial holder Anthony Haggarty and MEM Consultants Pty Ltd

4 An entity associated with Andrew Plummer a director of Malabar

The table above shows the impact on the entitlement offer on each of the underwriter's voting power.

Each other shareholder (except the underwriters and Committed Shareholders) will have their voting power diluted.

The board considers that the increase in the voting power of the underwriters is likely to have a marginal effect on the control of Malabar. This conclusion could be reached because each of those shareholders would likely have no greater degree of influence when voting on resolutions to be considered at shareholder meetings (albeit the voting power of those entities has increased).

By way of example, Brisbane Investments II Ltd, HFTT Pty Ltd ACN 100 848 842 as trustee for the Haggarty Family Trust, Brisbane Investments I Ltd and Ranamok Pty Ltd ACN 079 167 829 as trustee for Plummer Family Trust, together with their associates, would each still have a shareholding in Malabar of greater than 10% which would constitute a "blocking stake" for the purposes of a Chapter 6 takeover bid (as a bidder needs to acquire 90% of all shares on issue under a takeover bid to be able to compulsorily acquire the remaining shares). As Brisbane Investments II Ltd, HFTT Pty Ltd ACN 100 848 842 as trustee for the Haggarty Family Trust, Brisbane Investments I Ltd and Ranamok Pty Ltd ACN 079 167 829 as trustee for Plummer Family Trust, together with their associates, each already have an interest in more than 10% of Malabar issued shares, the board considers that there is no material change to the control of Malabar from this perspective.

The board considers the possible effect on control as acceptable in the circumstances as this would only occur where all Eligible Shareholders have had an equitable opportunity to participate in the Offer (including the ability to increase their holding through the top up facility).

Yours sincerely



Wayne Seabrook
Chairman
Malabar Coal Limited

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