

**INVESTMENT HIGHLIGHTS**

- Large underground coking coal project
- High quality products, from well-known coal seams
- Proximity to infrastructure
- Competitive operating costs
- Experienced board and management

**BOARD OF DIRECTORS**

**Wayne Seabrook**  
Chairman

**Hans Mende**  
Non-executive Director

**Andy Plummer**  
Non-executive Director

**Simon Keyser**  
Non-executive Director

**Tony Galligan**  
Independent Non-executive  
Director

**Grant Polwarth**  
Alternate Director

**Malabar Coal Limited**

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# QUARTERLY ACTIVITIES REPORT

For the quarter ended  
31 December 2013

**ACHIEVEMENTS FOR THE QUARTER:**

- ✳ **Updated Resources Estimate for the Spur Hill Underground Coking Coal Project (“Project”) of 626 million tonnes. This included an increase in Indicated Resources from 334 million tonnes to 394 million tonnes.**
- ✳ **Maiden Probable Reserves Estimate of 91 million tonnes.**
- ✳ **The Resources and Reserves Estimates are prepared to JORC Code (2012).**
- ✳ **The Gateway Application for the Project was finalised, submitted and accepted as complete by the Gateway Panel secretariat.**

Malabar Coal Limited (“**Malabar**” or the “**Company**”) is pleased to provide its Quarterly Activities Report for the three month period ended 31 December 2013.

## Project Activities

### ✱ Resource definition

- Malabar completed the necessary technical, engineering and other studies to support the maiden Reserves Estimate. Please see the ASX Release dated 11 November 2013<sup>1</sup> and Table 1 below.
- The Probable Reserves Estimate of 91 million tonnes is calculated for the Whynot and Bowfield seams, which are two of the seams targeted for initial mining.
- Concurrently with the release of the maiden Reserves Estimate, the Resources Estimate was updated to 626 million tonnes following further drilling results. Of particular importance is the increase in Indicated Resources from 334 million tonnes to 394 million tonnes, which reflects increased geological confidence.
- Further exploration and technical studies are expected to progressively convert an increasing proportion of the remaining Resources to Reserves.

**Table 1: Reserves and Resources as at November 2013**

100% BASIS	RESERVES		RESOURCES				Total
	Western (Underground) Zone		Western (Underground) Zone			Eastern Zone	
Seam	Probable Coal Reserve (Mt)	Probable Marketable Coal Reserve (Mt)	Indicated (Mt)	Inferred (Mt)	Total (Mt)	Inferred (Mt)	Mt
WL2			0.0	46.8	46.8	0.0	46.8
WL1			0.0	22.0	22.0	0.0	22.0
Whybrow			58.5	1.2	59.7	1.8	61.5
Redbank Creek Upper			0.0	0.0	0.0	3.8	3.8
Redbank Creek Middle			0.0	0.0	0.0	3.7	3.7
Redbank Creek Lower			51.3	0.7	52.0	6.2	58.2
Wambo			38.1	4.3	42.4	16.0	58.4
Whynot	78	59	104.5	5.3	109.8	23.0	132.8
Glen Munro			14.7	0.5	15.2	1.6	16.8
Arrowfield			14.6	0.0	14.6	0.0	14.6
Bowfield	13	10	34.0	2.5	36.5	21.7	58.2
Warkworth			78.7	26.6	105.3	23.4	128.7
Mount Arthur			0.0	9.3	9.3	11.1	20.4
<b>Total</b>	<b>91</b>	<b>69</b>	<b>394.4</b>	<b>119.2</b>	<b>513.6</b>	<b>112.3</b>	<b>625.9</b>

- *The Resources and Reserves Estimates have been prepared in accord with the JORC Code 2012*
- *The Reserves Estimate has been prepared by MineCraft Consulting Pty Ltd.*

<sup>1</sup> The Company confirms that it is not aware of any new information or data that materially affects the information included in this market announcement and that all material assumptions and technical parameters underpinning the estimates in this market announcement continue to apply and have not materially changed.

- *The Resources Estimate has been prepared by Geological and Mining Services Australia Pty Ltd.*
- *The Resources in the above Table are inclusive of Reserves*
- *The Probable Marketable Coal Reserve is derived from the Probable Coal Reserve based on an average yield of 76% from the Whynot seam and 79% from the Bowfield seam. These average yields are derived from laboratory yields ranging from 80% to 85% adjusted for mining dilution and moisture adjustments.*

Exploration expenditure connected with geological consulting and coal analyses totalled \$119k for the quarter.

## ✱ Mine design and infrastructure

During the quarter, Malabar completed pre-feasibility studies to support the Reserve Estimate and the Gateway Application, including;

- Underground mine design and scheduling;
- Design and costing for coal handling and preparation facilities; and
- Design of mine surface infrastructure.

Engineering related expenditure connected with the above work totalled \$88k for the quarter.

## ✱ Environmental and Project approvals

Following completion of Coal Resource and Reserve Estimates, and sufficient environmental and engineering studies, the Spur Hill Joint Venture lodged a Gateway Application for the Project.

The Gateway Application is supported by;

- i. an Agricultural Impact Assessment;
- ii. a Subsidence Assessment;
- iii. a Groundwater Assessment; and
- iv. an Agricultural Resource (Soil) Assessment.

The Project is the first new coal project in NSW to lodge a Gateway Application, demonstrating that Malabar is progressing the Project approvals as quickly as the applicable regulatory framework will allow.

On issue of a Gateway certificate, a Development Application and Environmental Impact Statement submission will be made as soon as practicable thereafter.

Environmental baseline studies advanced during the quarter include:

- Surface water monitoring;
- Ambient noise monitoring;
- Ground water monitoring;
- Aboriginal cultural heritage surveys;
- Flora and fauna surveys;
- Transport surveys; and
- Soils and agricultural land capability studies.

Environmental expenditure connected with the Gateway Application and the aforementioned environmental baseline studies totalled \$589k for the quarter.

## Corporate

### ✱ Management Restructure

The Board has undertaken an assessment of the senior management tasks and roles for Malabar in 2014 and the executive structure that meets those demands.

As a result, a restructure (effective 3 February 2014) will be undertaken whereby Wayne Seabrook will take the position of Executive Chairman whilst the company advances through the consenting process. This role will absorb the responsibilities of the office of CEO.

Peter Doyle will focus on key project and stakeholder matters essential for the progression of the Spur Hill Underground Coking Coal Project through the Gateway and Environmental Impact Statement and Development Application processes.

Wayne Seabrook's remuneration structure is unchanged as per Section 11.9.5 of Malabar's Prospectus. (An extract from that section is appended to this quarterly report).

### ✱ Appointment of Alternate Director

With effect from 30 January 2014, Grant Polwarth has been appointed as an Alternate Director to Hans Mende. Hans remains keenly involved with Malabar but given Hans' extensive travel commitments it is practical to appoint an Australia-based alternate.

Grant is a qualified Mining Engineer with over 10 years' experience in engineering and operational roles at underground coal sites in New South Wales and Queensland. As an executive officer within the AMCI Australia group, he has specialised in greenfields project approvals, community and stakeholder consultation and project pre-development. His experience is directly relevant to Malabar and the board welcome his involvement.

## Financial

Cash on hand was \$8.98 million as at 31 December 2013.

## Mining Tenement

In accordance with the Project Farm-In agreement, Malabar has earned an additional 0.99% interest in the Project<sup>2</sup> through the expenditure of \$1.74m on Project related activities and studies during the quarter. Hence, as at 31 December 2013 Malabar has a 34.39% interest in the Project and the right to increase its stake in the Project to 80%.

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<sup>2</sup> Means Malabar's coal development Project (the 'Spur Hill Underground Coking Coal Project') in the Hunter Valley, New South Wales, based on Exploration Licence 7429.

## Other

In connection with Listing Rule 5.3.2 there have been no activities relating to mining production and development.

## Contact details

For media inquiries please call:

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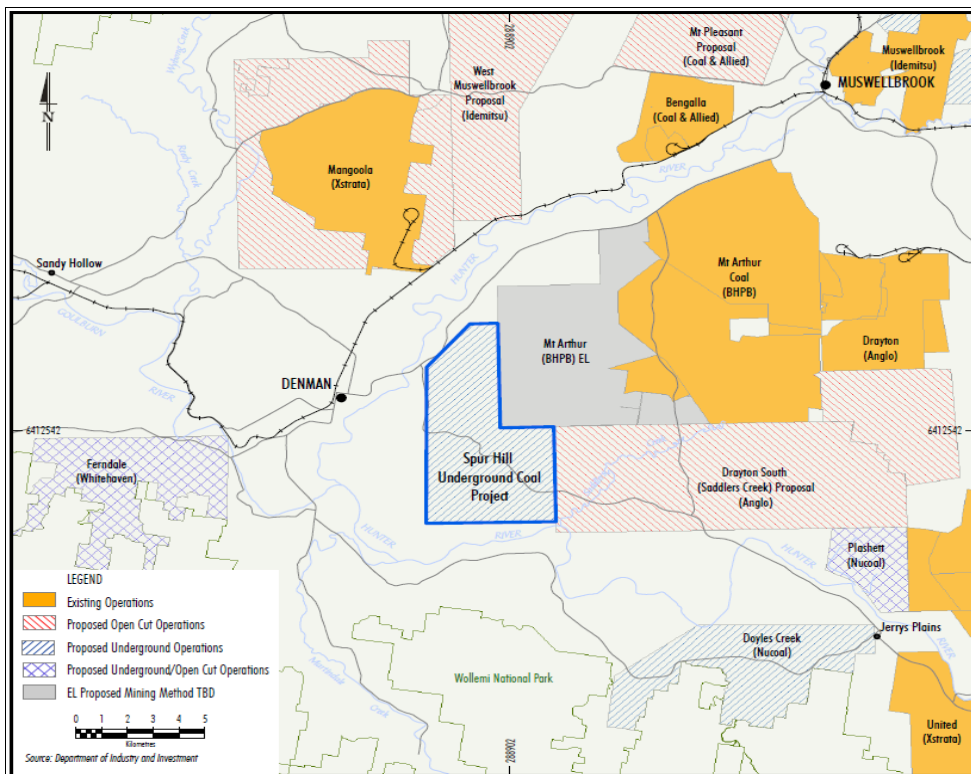
## ✱ About the Spur Hill Underground Coking Coal Project



The Project is located in the Upper Hunter Valley coal corridor in NSW and has the potential to become a major underground coking coal mine.

The Directors of Malabar believe that an underground mine can produce approximately 6 to 8 Mtpa Run of Mine coal for more than 20 years.

The target seams are likely to produce: soft coking coal, semi-soft coking coal, PCI and export thermal coal.



## ✱ Competent Persons Statements

The information in this ASX Release that relates to JORC Mineral Resources for the Spur Hill Underground Coking Coal Project is based on information compiled by Mr Darryl Stevenson. Mr Darryl Stevenson is the Principal Geologist and employee of Geological and Mining Services Australia Pty Ltd, an independent consultancy group specialising in mineral resource estimation, evaluation and exploration. Mr Darryl Stevenson is a Member of The Australasian Institute of Mining and Metallurgy. He has sufficient experience which 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". The relationship between the Estimator and the Project owner is that of independent consultant. Mr Darryl Stevenson consents to the inclusion in ASX Release of the matters based on his information in the form and context in which it appears.

The information in this ASX Release that relates to JORC Mineral Reserves for the Spur Hill Underground Coking Coal Project is based on a Reserves Estimate that has been prepared by Mr Jeremy Busfield, Principal Mining Consultant of MineCraft Consulting Pty Ltd. Mr Busfield holds a Bachelor of Mining Engineering degree from the University of Queensland, is a Chartered Professional Member of the Australasian Institute of Mining and Metallurgy (AusIMM) and is a Registered Professional Engineer of Queensland (Mining) (RPEQ 10285). Mr Busfield has worked in various planning, operational and consulting roles for the underground coal industry for 27 years and as such qualifies as Competent Person under the JORC Code 2012. The relationship between the Estimator and the Project owner is that of independent consultant. Mr Busfield consents to the inclusion in this report of the matters based on his information and in the form and context in which it appears.

## ✱ Extract from Section 11.9.5 of the Malabar Coal Prospectus of 1 March 2013

### **Seabrook Consultancy Arrangement**

The Company has entered into an appointment letter with the Chairman which includes a consultancy arrangement whereby he (or his associated entity) will be paid a consulting fee of \$2,500 per day for any work done for the Company which is not related to his role as Chairman.