

MALABAR COAL TO ACQUIRE DRAYTON ASSETS

5th May 2017

Malabar Coal today announced an agreement to acquire the Anglo American plc group's ("Anglo American") 88.17% interest in the Drayton mine assets. This includes the recently closed Drayton mine and Exploration Licence ("EL") 5460 known as Drayton South.

The Drayton assets provide infrastructure suitable for use by Malabar Coal's Spur Hill Underground Coking Coal Project (Spur Hill). This includes a coal preparation plant, coal stockpiling facilities, a rail loop, administration offices, workshops and other services.

The purchase of this infrastructure significantly reduces the capital cost required to bring Spur Hill into production and avoids the need to construct major new infrastructure.

Malabar Coal's Chairman, Wayne Seabrook, said that by using the existing infrastructure the company can realise efficiencies and, most importantly, reduce the impact of its operations on the local community, neighbours and the environment. It is also Malabar's intent to use reject stone and rock from washing underground coal from Spur Hill to fill open cut voids remaining at Drayton, subject to regulatory approval. This would greatly improve the final rehabilitated landforms at Drayton.

In the coming months, Malabar Coal will commence detailed technical studies to prepare a development application which incorporates the acquisition of the Drayton assets.

"While this transaction delivers substantial efficiencies and environmental benefits for Malabar's Spur Hill operation, there may also be an opportunity in future to develop an underground mine within EL 5460."

"There is a lot of technical work that must be completed before a firm development plan can be produced, but the local community should be in no doubt that any development within EL 5460 would reflect recent community concerns and perspectives. In particular, Malabar confirms our commitment to investigate solely an underground mine. To reinforce this commitment, we will accept conditions imposed on EL5460 that prevent any open-cut development. We are also willing to relinquish that portion of the EL that is south of the Golden Highway.

As part of the acquisition, Malabar Coal will replace Anglo American's environmental bond and will take full responsibility for rehabilitating the former Drayton mine site. Malabar Coal is fully funded to meet these obligations.

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About Malabar Coal:

Malabar owns and is progressing the development of the Spur Hill Underground Coking Coal Project in the Hunter Valley, NSW. The project is located 3 km east of Denman and 15 km south-west of Muswellbrook. Spur Hill Underground is within the Upper Hunter Valley coal corridor which contains several operating coal mines and development projects. Malabar's key employees and investors have proven track records of developing and operating high productivity underground mines in NSW.