

Malabar Resources Limited

ABN 29 151 691 468

Interim Financial Report for half-year ended
31 December 2021



Successful rehabilitation of prior open cut mining. Trees grown from seeding in 2019.

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DIRECTORS' REPORT

Your directors present their report, together with the consolidated financial statements of Malabar Resources Limited ('the Company' or 'Malabar') and its controlled entities ('the Group') for the half year ended 31 December 2021.

DIRECTORS

The directors of the Company during or since the end of the financial year are:

Wayne Seabrook	Executive Chairman
Brian Beem	Non-Executive Director
Anthony (Tony) Galligan	Non-Executive Director
Anthony (Tony) Haggarty	Non-Executive Director (appointed 24 September 2021)
Allan Davies	Non-Executive Director (appointed 24 September 2021)

REVIEW OF OPERATIONS

Board of Directors

Allan Davies and Tony Haggarty were appointed to the Board of Malabar on 24 September 2021.

Tony and Allan are key shareholders of Malabar and have been involved with the company since its inception in 2011. They joined the Board at an important time as Malabar transitions from exploration and approvals through to the construction and operation of the Maxwell Underground Mine and as we escalate our renewable energy developments.

Maxwell Underground Mine

The following progress and milestones were achieved in the half year ended 31 December 2021:

- Mining Lease (ML 1820 and ML 1822) for constructing and operating the Maxwell Underground Mine were issued by the NSW State Government.
- The NSW Government approved modifications to SSD 9526 sought by Malabar. These were in relation to improved designs and layout to make the mine safer during operation and more efficient during construction. The modifications will also improve water management outcomes, reduce disturbance to previously rehabilitated areas, and optimise the timing and costs associated with the mine's development.
- Continued rehabilitation of Maxwell Infrastructure (previously known as Drayton Mine) which involved reshaping overburden and exposed areas then seeding with native woodland or pasture seed mixes and tree planting. To date greater than 200,000 trees have been planted.
- Construction-related activities during the period included inviting and reviewing tenders for major critical path items.

DIRECTORS' REPORT

Malabar Renewables

- The strategic importance of the substantial transmission network in Upper Hunter provides the opportunity to substantially increase renewable energy generation beyond Malabar's already 25MW approved Maxwell Solar Farm.
- In September 2021, Malabar entered into a memorandum of understanding with EDF Renewables (EDF-R), a major global energy company, to develop large scale renewable energy projects in the Upper Hunter Valley.

Spur Hill Underground Project ("Spur Hill Project")

- Malabar holds Exploration Licence (EL) 7429. Activities over the period included a 2D Seismic program to better define a geological feature called the "Eastern Boundary Fault".

Community Engagement

- Malabar entered into a long-term Planning Agreement (PA) with the Muswellbrook Shire Council (MSC) for the Maxwell Underground Mine that will help fund important community services and projects in the Muswellbrook Shire. The mine has a development approval for 26 years, meaning the PA is likely to generate in excess of \$10 million allowing MSC to fund vital infrastructure and community services for decades to come.
- Malabar received approval to combine its Maxwell Infrastructure and Underground Mine Community Consultative Committee (CCC) and Spur Hill CCC into a single CCC. Benefits of this include streamlining the information provided to the community and allowing the enlarged community representatives to hear questions and issues raised by other community members. CCC meetings continue to be held on a quarterly basis.
- Malabar continues to engage actively with the community through its on-going sponsorship programs.

Health and Safety

- Malabar is committed to the health and safety of its people and achieving zero harm. No notifiable incidents have been recorded to date in the 2022 financial year. Malabar has implemented policies and procedures to address the on-going risks of COVID-19 and continues to monitor government websites for compliance. During the lockdown period, essential staff attended site on a rotational basis to ensure operations at site continued. To date, no cases of COVID-19 have been reported on site.

Retail Entitlement Offer

- On 9 June 2021, Malabar invited existing shareholders to participate in a 1 for 10 pro rata non-renounceable issue of ordinary shares in Malabar (New Shares) at a price of \$1.00 per New Share (Entitlement Offer) to raise approximately \$2.8 million. Together with each New Share acquired under the Entitlement Offer, shareholders also received three (3) (New Options) for free. Each New Option entitles the holder to subscribe for one ordinary share at an exercise price of \$1.25. All the shares were taken up either by existing shareholders or placed in terms of the Prospectus.
- 2,838,140 New Shares and 8,514,420 New Options were issued in July 2021.

DIRECTORS' REPORT

Debt Facilities

Revolving Bill Facilities of \$15,355,000 expire on 30 April 2022. These facilities have been successfully renewed in the past, and management is in the process of negotiating an extension to these for a further term. These facilities are secured by the real property of the Group.

The Group has a Bonding Facility for US \$55 million which was extended to 15 November 2022. The facility is secured by the Maxwell Mine and Maxwell Infrastructure assets. The purpose of the Facility is to provide bonds, guarantees, and financial assurances including the provision of environmental bonding guarantees to the NSW Government. As at 31 December 2021 AUD \$65,598,009 of this facility was drawn.

These existing facilities will be incorporated into a new finance facility currently being structured for the development and construction of the Maxwell Underground Project.

Long-term coal off-take agreement

Malabar secured a long-term coal off-take agreement for up to 25% of production on market-based terms. These arrangements include prepayments to Malabar of US \$55 million.

FINANCIAL OVERVIEW

Financial Performance

The consolidated profit after tax for the half year ended 31 December 2021 of the Group amounted to \$769,402 (31 December 2020: profit of \$120,849).

The net assets of the Group have increased by \$4,169,218 during the period, from \$95,605,548 as at 30 June 2021 to \$99,774,766 at 31 December 2021. This related predominately to the proceeds from the retail entitlement offer and capitalising of Exploration & Evaluation Expenditure.

The Group's cash position, which includes financial assets, decreased from \$27,517,924 as at 30 June 2021 to \$24,892,285 as at 31 December 2021.

Performance Rights

In terms of Malabar's Long-Term Incentive Share Plan, 254,034 performance rights ("Rights") were awarded to employees on 4 September 2021 as part of an Employee Bonus Share Issue. The Rights were granted at zero cost and vested on acceptance of the Rights awarded. The holders will be allocated one ordinary share for each Right when exercised. The Performance Rights have been accounted for in accordance with AASB 2 *Share-based Payment*.

Dividends

There were no dividends paid to members during the current or prior financial years.

DIRECTORS' REPORT

EVENTS SUBSEQUENT TO REPORTING DATE

Malabar entered into an agreement with AMCI Group LLC, an entity which has common significant shareholders to those in Malabar, for AMCI to provide a corporate guarantee to a third party. An issuance fee of US \$183,333 was paid for this guarantee, which is accepted to be at a market rate.

The impact of the Coronavirus (COVID-19) is ongoing. It is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is continually developing and is dependent on measures imposed by the Australian Government and other countries, such as quarantine, travel restrictions and any economic stimulus that may be provided.

Aside from the above, in the interval between the end of the financial period and the date of this report there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under s 307C of the *Corporations Act 2001* is set out on page 7. This Directors' Report is signed in accordance with a resolution of the Board of Directors.



Wayne Seabrook
Chairman

Dated: 10 March 2022

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF
MALABAR RESOURCES LIMITED

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2021, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Malabar Resources Limited and the entities it controlled during the half year.



PKF BRISBANE AUDIT



LIAM MURPHY
PARTNER

10 MARCH 2022
BRISBANE

PKF Brisbane Audit ABN 33 873 151 348

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PKF Brisbane Pty Ltd. is a member firm of the PKF International Limited family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

	Note	31 December 2021	31 December 2020
		\$	\$
Continuing operations			
Revenue			
Wayleave income		687,536	581,483
Share in profits from associates		1,330,200	1,300,600
Interest income		22,795	10,108
Other income		350,829	409,936
Total income		<u>2,391,360</u>	<u>2,302,127</u>
Expenses			
Finance costs	2	564,853	555,530
Directors' fees		60,569	57,500
Depreciation and amortisation		464,742	477,618
Other expenses		531,794	191,530
Impairment		-	899,100
Total expenses		<u>1,621,958</u>	<u>2,181,278</u>
Profit before income tax		769,402	120,849
Income tax expense		-	-
Profit for the period		<u>769,402</u>	<u>120,849</u>
Other comprehensive income		-	-
Total comprehensive income for the period		<u>769,402</u>	<u>120,849</u>
Total comprehensive profit attributable to members of the parent entity		<u>769,402</u>	<u>120,849</u>

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Note	31 December 2021	30 June 2021
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents		12,392,285	13,182,779
Financial assets		12,500,000	14,335,145
Trade and other receivables	3	786,040	1,166,533
Other assets		198,535	772,046
Total Current Assets		25,876,860	29,456,503
Non-Current Assets			
Property, plant and equipment	4	30,146,982	30,596,730
Intangible assets		4,800,869	4,800,869
Capitalised exploration and evaluation costs	5	75,201,505	67,670,675
Investments in associates		16,087,884	16,087,884
Other assets		95,686	95,686
Total Non-Current Assets		126,332,926	119,251,844
Total Assets		152,209,786	148,708,347
LIABILITIES			
Current Liabilities			
Trade and other payables	6	1,480,249	1,477,734
Lease liabilities		200,320	223,916
Provisions	7	576,760	848,461
Borrowings		15,355,000	15,355,000
Total Current Liabilities		17,612,329	17,905,111
Non-Current Liabilities			
Lease liabilities		-	74,997
Provisions	7	34,822,691	35,122,691
Total Non-Current Liabilities		34,822,691	35,197,688
Total Liabilities		52,435,020	53,102,799
Net Assets		99,774,766	95,605,548
EQUITY			
Share capital		124,210,079	121,467,738
Reserves		10,744,658	10,087,183
Retained earnings (accumulated losses)		(35,179,971)	(35,949,373)
Total Equity		99,774,766	95,605,548

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

Note	Share Capital \$	Reserves \$	Retained Earnings (Accumulated Losses) \$	Total \$
Balance at 1 July 2020	93,060,087	8,698,718	(36,773,531)	64,985,274
Total comprehensive income for the period	-	-	120,849	120,849
Transactions with owners in their capacity as owners:	-	-	-	-
Share based payment expense	-	711,228	-	711,228
Balance at 31 December 2020	93,060,087	9,409,946	(36,652,682)	65,817,351
Balance as at 1 July 2021	121,467,738	10,087,183	(35,949,373)	95,605,548
Total comprehensive income for the period	-	-	769,402	769,402
Transactions with owners in their capacity as owners:	-	-	-	-
Share based payment expense	-	657,475	-	657,475
Issues of shares	2,838,140	-	-	2,838,140
Share issue costs	(95,799)	-	-	(95,799)
Balance at 31 December 2021	124,210,079	10,744,658	(35,179,971)	99,774,766

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

	Note	31 December 2021	31 December 2020
		\$	\$
Cash flows from operating activities			
Receipts from customers		1,849,571	2,137,614
Payments to suppliers and employees		(957,413)	(2,115,679)
Interest received		29,784	5,968
Interest paid		(625,852)	(713,365)
Net cash provided by/(used in) by operating activities		296,090	(685,462)
Cash flows from investing activities			
Proceeds for investment in short term deposits		1,835,145	498,453
Payments for property, plant and equipment		(14,994)	(23,990)
Payments for intangible assets		-	(1,620,144)
Payments for exploration expenditure	5	(6,880,683)	(5,579,254)
Dividend received from associate		1,330,200	1,300,600
Net cash provided by investing activities		(3,730,332)	(5,424,335)
Cash flows from financing activities			
Payments for lease liabilities		(98,593)	(52,867)
Proceeds from share issue		2,838,140	-
Payment of share issue costs		(95,799)	-
Proceeds from borrowings		-	3,930,309
Net cash provided by financing activities		2,643,748	3,877,442
Net decrease in cash held		(790,494)	(2,232,355)
Cash and cash equivalents at beginning of financial period		13,182,779	6,704,254
Cash and cash equivalents at the end of financial period ¹		12,392,285	4,471,899

¹ "Cash and cash equivalents" does not include financial assets (term deposits) held.

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

These consolidated interim financial statements and notes represent those of Malabar Resources Limited (the "Company" or "Malabar") and its controlled entities (the "Group").

The separate financial statements of the parent entity, Malabar Resources Limited, have not been presented within this financial report as permitted by the *Corporations Act 2001*.

The interim financial statements were authorised for issue on 10 March 2022 by the Directors of the company.

1. Summary of significant accounting policies

1.1. Basis of preparation

The half-year financial report is a general-purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Malabar Resources Limited and its controlled entities (referred to as the "Consolidated Group" or "Group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2021 together with any public announcements made during the half-year.

1.2. Going concern principle

The financial statements have been prepared on a going concern basis that presumes the realisation of assets and the discharge of liabilities in the normal course of operations for the foreseeable future.

During the half-year ended 31 December 2021, the Group made a profit before tax of \$769,402 (2020: \$120,849). Net cash outflows from operating and exploration-related investing activities during the period were \$6,584,593 (31 December 2020: \$6,264,716) with closing cash on hand (including financial assets) of \$24,892,285 (30 June 2021: \$27,517,924). Net current assets of the Group as at 31 December 2021 were \$99,774,766 (30 June 2021: \$95,605,548).

The Directors consider the going concern basis of preparation to be appropriate for this financial report and are confident the Group will be able to pay its debts as and when they fall due. In reaching this opinion, the Directors have considered the Group's maturing debt facilities, requirements under the exploration and mining licences, operational and cash flow requirements for the next 12 months and are confident that the Group can actively manage cash flow as part of its capital management process.

The Group retains the ongoing support of shareholders and financiers as evidenced by the extension of the US\$55 million facility in November 2021 and the recent successful Institutional Offer in April 2021 raising \$25 million and Retail Entitlement offer in July 2021 raising an additional \$2.8 million. These shares were issued with 3 options each, with the ability to convert one option into one ordinary share for an exercise price of \$1.25. As at 31 December 2021, 94,042,611 of these options have been granted.

Negotiations for the financing of the Maxwell Underground Mine are well underway and are expected to be finalised in the near term.

These financial statements do not give effect to any adjustments which could be necessary should the Company be unable to continue as a going concern and therefore be required to realise its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

1. Summary of significant accounting policies (continued)

1.3. Significant accounting policies, critical estimates and judgements

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements. No new or amended standards were adopted by the Group.

2. Profit for the period

	31 December 2021	31 December 2020
	\$	\$
Profit before income tax from continuing operations includes the following:		
Finance costs	10,861	70,582
Interest expense – borrowings	549,546	477,120
Interest expense – lease liabilities	4,446	7,828
Total Finance costs	<u>564,853</u>	<u>555,530</u>
Share-based payment expense ¹	7,328	4,950

¹Share-based payment expenses of \$657,476 (2020: \$706,278) were capitalised as exploration and evaluation costs during the period.

3. Trade and other receivables

	31 December 2021	30 June 2021
	\$	\$
CURRENT:		
Trade receivables	86,772	479,270
Port and rail costs recoverable	567,202	606,749
Other receivables	125,077	77,943
Interest receivable	6,989	2,571
	<u>786,040</u>	<u>1,166,533</u>

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

4. Property, Plant and Equipment

	Freehold Land	Buildings	Subtotal Land & Buildings	Plant & Equipment	Right-of-use Asset	Total
	\$	\$	\$	\$	\$	\$
At Cost						
Cost	25,683,265	1,518,572	27,201,837	13,000,645	410,367	40,612,849
Impairment	(5,769,832)	(692,189)	(6,462,021)	-	-	(6,462,021)
Accumulated depreciation	-	(216,661)	(216,661)	(3,167,623)	(169,814)	(3,554,098)
Balance at 30.06.2021	19,913,433	609,722	20,523,155	9,833,022	240,553	30,596,730
Cost	25,683,265	1,536,588	27,219,853	13,000,645	410,367	40,630,865
Impairment	(5,769,832)	(692,189)	(6,462,021)	-	-	(6,462,021)
Accumulated depreciation	-	(226,422)	(226,422)	(3,540,719)	(254,721)	(4,021,862)
Balance at 30.12.2021	19,913,433	617,977	20,531,410	9,459,926	155,646	30,146,982

Movements in Carrying Amounts

	Freehold Land	Buildings	Subtotal Land & Buildings	Plant and Equipment	Right-of-use Asset	Total
	\$	\$	\$	\$	\$	\$
Consolidated Group:						
Balance at 01.07.2020	22,683,432	629,267	23,312,699	10,626,697	410,367	34,349,763
Additions	-	-	-	6,490	-	6,490
Disposals	(2,206,986)	(19,545)	(2,226,532)	-	-	(2,226,532)
Depreciation expense	-	-	-	(800,164)	(169,814)	(969,978)
Impairment	(563,013)	-	(563,013)	-	-	(563,013)
Balance at 30.06.2021	19,913,433	609,722	20,523,155	9,833,022	240,553	30,596,730
Opening Balance	19,913,433	609,722	20,523,155	9,833,022	240,553	30,596,730
Additions	-	18,016	18,016	-	-	18,016
Depreciation expense	-	(9,761)	(9,761)	(373,096)	(84,907)	(467,764)
Balance at 31.12.2021	19,913,433	617,977	20,531,410	9,459,926	155,646	30,146,982

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

5. Capitalised exploration and evaluation costs

	31 December 2021	30 June 2021
	\$	\$
Capitalised exploration and evaluation cost consist of:		
Mining information	1,732,848	1,732,848
Exploration licences	37,543,905	37,543,905
Exploration & evaluation expenditures – EL5460 & EL7429	54,870,389	47,339,559
Reserves & resources acquired	4,486,000	4,486,000
Impairment	(21,401,846)	(21,401,846)
R&D tax incentive	(2,029,791)	(2,029,791)
	75,201,505	67,670,675

The capitalised exploration and evaluation expenditure carried forward above has been determined as follows:

	31 December 2021	30 June 2021
	\$	\$
Opening balance	67,670,675	57,429,607
Exploration & evaluation expenditures incurred during the year	7,530,830	10,241,068
	75,201,505	67,670,675

6. Trade and other payables

	31 December 2021	30 June 2021
	\$	\$
CURRENT:		
Trade creditors	395,513	642,132
Other creditors	1,023,737	774,588
Interest Payable	60,999	61,014
	1,480,249	1,477,734

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

7. Provisions

CURRENT:	Employee entitlements \$	Other provisions \$	Deferred consideration \$	Total \$
Balance as at 1 July 2020	264,594	1,126,988	-	1,391,582
Additional provisions recognised	186,669	252,636	-	439,305
Reduction based on payments during the year	(114,396)	(3,786,479)	-	(3,900,875)
Reallocation from non-current	-	2,918,449	-	2,918,449
Balance as at 30 June 2021	336,867	511,594	-	848,461
Opening balance 1 July 2021	336,867	511,594	-	848,461
Additional provisions recognised	295,231	-	-	295,231
Reduction based on payments during the year	(283,836)	(583,096)	-	(866,932)
Reallocation from non-current	-	300,000	-	300,000
Closing as at 31 December 2021	348,262	228,498	-	576,760

NON-CURRENT:

	Employee entitlements \$	Other provisions \$	Deferred consideration \$	Total \$
Opening balance 1 July 2020	-	32,150,140	5,891,000	38,041,140
Additional provisions recognised	-	-	-	-
Reallocation to current	-	(2,918,449)	-	(2,918,449)
Balance as at 30 June 2021	-	29,231,691	5,891,000	35,122,691
Opening balance 1 July 2021	-	29,231,691	5,891,000	35,122,691
Additional provisions recognised	-	-	-	-
Reallocation to current	-	(300,000)	-	(300,000)
Balance as at 31 December 2021	-	28,931,691	5,891,000	34,822,691

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

8. Contingent liabilities

Facilities and Guarantees

The Group has a USD\$55m (AUD \$75,799,338 converted at A\$1 = USD\$0.7256) facility in place to provide bonds, guarantees, and financial assurances including the provision of guarantees to the NSW Government. This agreement was amended during the period to extend the termination date from 21 November 2021 to 15 November 2022. As at 31 December 2021, AUD \$65,598,009 of the facility has been utilised for these purposes.

This facility is secured by a guarantee from AMCI Euro Holdings (AMCI). The guarantee is secured by AMCI holding general security over all the assets of the Group and its guarantors, mortgages over all real property holdings, water licences and security over project accounts.

The Group has revolving bill facilities of \$15,355,000 expiring on 30 April 2022. These facilities have been successfully renewed in the past, and management is in the process of negotiating an extension to these for a further term. These facilities are secured by the real property of the Group.

Litigation

There is currently no legal proceedings or potential claims against the Group that have arisen in the ordinary course of business.

Contingent liabilities

The Group has entered into an operating lease arrangement with a third party. As part of the lease arrangement the tenant (lessee) constructs approved leasehold improvements on the leased asset, however if the Group terminates the lease arrangement prior to its expiry on 1 July 2023, it is liable to repay the lessee for the capital improvements based on the terms in the agreement. As at 31 December 2021, the respective contingent liability is \$1,291,625.

Deferred Consideration

Spur Hill Project (EL 7249)

Deferred consideration in relation to the SHUT acquisition which concluded in 2015 includes milestone payments, participating option payments for land purchases and royalties on the coal sales. The fair value is calculated using a discounted cashflow model and included the milestone payments and participating option payments discounted at 8%. The royalties on coal sales were not included in the calculation as the timing of actual coal production could not be reasonably assessed at this point.

Maxwell Underground Mine (ML 1820, ML 1821 and EL5460)

Deferred consideration on the Drayton Mine and Maxwell Project acquisition includes an agreement to pay a royalty of \$0.50/t of the first 50 million tonnes of coal produced from either the Maxwell Mine or Spur Hill Project. The fair value is calculated using a discounted cashflow model, the forecast coal production which commences in 2023 and discounted at the weighted average cost of capital of 8.9% which has resulted in a deferred consideration fair value of \$12,299,564.

The Group has a USD\$55m facility in place to provide bonds, guarantees, and financial assurances including the provision of guarantees to the NSW Government. This facility is provided by a third party and secured by a guarantee from AMCI Euro Holdings (AMCI). AMCI is a related party to Malabar. Malabar is required to pay AMCI a 1.5% guarantee fee on tonnes of coal sold to the provider of the bond facility. The minimum tonnes subject to the guarantee fee is 25% of tonnes produced by the Maxwell Mine.

Malabar is obligated to pay a finance fee of 1.5% of revenue to a Corporate Guarantor once the mine is operational. Given the number of input assumptions, Malabar believes it provides better presentation to the users not to calculate this contingency at this point.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

9. Events after the interim reporting period

Malabar entered into an agreement with AMCI Group LLC, an entity which has common significant shareholders to those in Malabar, for AMCI to provide a corporate guarantee to a third party. An issuance fee of US \$183,333 was paid for this guarantee, which is accepted to be at a market rate.

The impact of the Coronavirus (COVID-19) is ongoing. It is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is continually developing and is dependent on measures imposed by the Australian Government and other countries, such as quarantine, travel restrictions and any economic stimulus that may be provided.

Aside from the above, in the interval between the end of the financial period and the date of this report there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

10. Company details

The registered office and principal place of business of the Company as at 31 December 2021 was:

Level 26, 259 George Street
Sydney, NSW, 2000
Tel.: 02 8248 1272

<https://malabarresources.com.au/>

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Malabar Resources Limited, in the opinion of the Directors of the Company:

1. the financial statements and notes, as set out on pages 8 to 18, are in accordance with the *Corporations Act 2001* including:
 - a. complying with Australian Accounting Standard AASB 134: *Interim Financial Reporting*; and
 - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date;
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



Wayne Seabrook
Director

Date: 10 March 2022

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF MALABAR RESOURCES LIMITED

Conclusion

We have reviewed the accompanying half-year financial report of Malabar Resources Limited ("the company"), which comprises the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the half-year's end or from time to time during the financial half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Malabar Resources Limited is not in accordance with the *Corporations Act 2001* including:-

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021, and of its financial performance for the half-year ended on that date; and
- (b) complying with the Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the consolidated entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Independence

In conducting our review, we have complied with the auditor independence requirements of the *Corporations Act 2001*. In accordance with the *Corporations Act 2001*, we have given the directors of the company a written Auditor's Independence Declaration.

Responsibility of the Directors for the Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with the Australian Accounting Standards and the *Corporations Regulations 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

PKF Brisbane Audit ABN 33 873 151 348

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Auditor's Responsibilities for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



PKF BRISBANE AUDIT



LIAM MURPHY
PARTNER

10 MARCH 2022
BRISBANE

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CORPORATE DIRECTORY

Company

Malabar Resources Limited
Level 26, 259 George Street
SYDNEY NSW 2000
+61 2 8248 1272

www.malabarresources.com.au

Directors

Wayne Seabrook (Chairman)
Anthony Galligan (Non-Executive Independent Director)
Brian Beem (Non-Executive Director)
Allan Davies (Non-Executive Director)
Tony Haggarty (Non-Executive Director)

Company Secretary

Lindi-May Lochner
+61 2 8036 0785

Share Registry

Link Market Services Limited
Level 12, 680 George Street
SYDNEY NSW 2000
1300 554 474 (within Australia)
+61 2 8280 7100 (outside Australia)
www.linkmarketservices.com.au

Auditor

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