

15 September 2015

Dear Shareholder

Malabar Coal Limited fully underwritten entitlement offer – notice to shareholders

Today Malabar Coal Limited ACN 151 691 468 (**Malabar** or **Company**) announced a 15 for 17 pro rata non-renounceable entitlement offer of fully paid ordinary shares in Malabar (**Malabar Shares**) at an issue price of \$0.08 to raise approximately \$6 million (**Entitlement Offer**). The Entitlement Offer is fully underwritten by four existing shareholders, including two associated with the directors of Malabar.

The proceeds of the Entitlement Offer will be applied principally to fund the \$3 million payment to our joint venture partner for the Spur Hill Underground Coking Coal Project as part consideration for the restructure of the Spur Hill joint venture. Further, details about the joint venture restructure and use of funds raised by the Entitlement Offer is included in the investor presentation lodged with the ASX today.

Terms of the Entitlement Offer

Under the Entitlement Offer, eligible shareholders will be able to subscribe for 15 new ordinary shares in the Company for every 17 existing shares (**New Shares**) held at 7.00pm (AEST) on 21 September 2015 (**Record Date**) at an offer price of \$0.08 (**Entitlements**). The information booklet and notice given in accordance with section 708AA(2)(f) *Corporations Act 2001* (Cth) (**Corporations Act**) have been lodged with ASX and are available to view on the ASX website at www.asx.com.au.

Fractional Entitlements will be rounded up to the nearest whole number of New Shares.

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

Eligible shareholders may also apply for additional New Shares in excess of their Entitlement at the same price as under the Entitlement Offer (**Top-Up Facility**). Additional New Shares will only be available under the Top-Up Facility where there is a shortfall between applications for New Shares received from eligible shareholders and the number of New Shares proposed to be issued under the Entitlement Offer.

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 representing 5,625,000 New Shares or 13.6% of the New Shares to be issued under the Entitlement Offer. The Entitlement Offer is also fully underwritten by four existing shareholders, including two associated with the directors, Hans Mende and Andy Plummer, each of whom will also take up their own

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Entitlement.¹ The underwriters will receive an aggregate fee of 1% of the proceeds raised from the Entitlement Offer not including the proceeds raised from the underwriters taking up their Entitlement.

Proposed timetable

Malabar expects the Entitlement Offer to be conducted according to the following timetable:

Activity	Date
Announcement of the Entitlement Offer	15 September 2015
Ex date	17 September 2015
Record Date for Entitlement Offer (7.00pm)	21 September 2015
Information Booklet and Entitlement and Acceptance Form despatched	23 September 2015
Entitlement Offer opens	23 September 2015
Closing date for acceptances under Entitlement Offer (5.00pm)	8 October 2015
New Shares quoted on deferred settlement basis	9 October 2015
Announcement of results of Entitlement Offer and under-subscriptions	9 October 2015
Settlement of New Shares under the Entitlement Offer	12 October 2015
Allotment of New Shares issued under the Entitlement Offer	13 October 2015
Despatch of transaction confirmation statements for New Shares issued under the Entitlement Offer	14 October 2015
Normal ASX trading for New Shares issued under the Entitlement Offer commences	14 October 2015

This timetable is indicative only. The directors may vary these dates, in consultation with the Underwriters, subject to the Listing Rules. An extension of the closing date will delay the anticipated date for allotment and issue of the New Shares.

Capital structure

The capital structure of Malabar following the issue of New Shares, assuming the maximum number of New Shares is issued under the Entitlement Offer, will be as follows²:

Existing shares on issue as at 15 September 2015 (announcement of the Entitlement Offer)	85,000,000
Approximate New Shares issued under the Entitlement Offer	75,000,000
Approximate total number of shares after the Entitlement Offer	160,000,000

The New Shares will be fully paid and rank equally with existing Malabar Shares.

Eligibility of shareholders to participate in the Entitlement Offer

The Entitlement Offer is only available to Eligible Shareholders. An **Eligible Shareholder** means a registered holder of Malabar Shares as at 7.00pm (AEST) on the Record Date who:

(a)

¹ The underwriters can terminate the underwriting agreement if the major shareholders do not apply for their full commitment

² Ignores the effect of rounding Entitlements.

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- (b) has a registered address in Australia or New Zealand or is a Shareholder that Malabar has otherwise determined is eligible to participate;
- (c) subject to a determination by Malabar as outlined in (a), is not in the United States and is not a nominee or custodian acting for the account or benefit of a person in the United States; and
- (d) is eligible under all applicable securities laws to receive an offer under the Entitlement Offer.

Eligible Shareholders will receive an information booklet and personalised entitlement and application form.

Ineligible Shareholders

If you are not an Eligible Shareholder you cannot participate in the Entitlement Offer. Malabar will notify those shareholders who are not Eligible Shareholders.

Further information

If you have any queries, please contact Malabar on +61 2 8248 1272 (within Australia) between 8.30 am and 5.30 pm (AEST) Monday to Friday during the offer period or, alternatively, consult your stockbroker, solicitor, accountant or other professional financial adviser.

On behalf of the directors, I thank you for your continued support of Malabar.

Yours sincerely



Wayne Seabrook
Chairman
Malabar Coal Limited

This notice does not constitute an offer to sell or the solicitation of an offer to buy, any securities in the United States. No action has been or will be taken to register, qualify or otherwise permit a public offering of the Entitlements or New Shares in any jurisdiction outside Australia or New Zealand. In particular, the Entitlements and New Shares have not been, and will not be, registered under the US Securities Act of 1933 or the securities laws of any state or other jurisdiction of the United States. Accordingly, the Entitlements may not be taken up by, and the New Shares may not be offered or sold to, persons in the United States, except in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act and any applicable securities laws of any state or other jurisdiction of the United States.