MALABAR COAL

Malabar Coal Limited

ABN 29 151 691 468

Interim Financial Report for half-year ended 31December 2019

CONTENTS

DIRECTORS' REPORT

Your directors present their report, together with the consolidated financial statements of Malabar Coal Limited ('the Company' or 'Malabar') and its controlled entities ('the Group') for the half year ended 31 December 2019.

DIRECTORS

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

Wayne Seabrook	Chairman
Brian Beem	Non-Executive Director
Anthony (Tony) Galligan	Non-Executive Director

OPERATING AND FINANCIAL REVIEW

The consolidated profit after tax for the half year ended 31 December 2019 of the Group amounted to $707,928 (31 December 2018: profit of $444,004).

REVIEW OF OPERATIONS

In the period ended 31 December 2019, the Group has made substantial progress on the following projects:

- Maxwell Underground Project ("Maxwell Project"):
  - Lodged the EIS with the NSW Department of Planning and Environment (DPIE) for the Maxwell Underground Project;
  - EIS went on public display for 6 weeks from 14 August to 25 September 2019;
  - Response to Submissions was lodged with the DPIE on 20 November 2019;
  - Completed the recruitment of the Maxwell Project's General Manager, Development and Operations (James Johnson). This position is responsible for all site activities including construction, development and operation of the Maxwell Project.
- Progressed with rehabilitation on the old Drayton open-cut mine, using best practice techniques, completing 90.8 hectares for the calendar year 2019, exceeding the target of 86 hectares.
- Maxwell Solar Farm
  - Lodged the Maxwell Solar Farm Environmental Impact Statement (EIS) with the DPIE;
  - The EIS was placed on public display for 7 weeks from 13 December 2019 to 3 February 2020.

Maxwell Project

The Maxwell Project is a proposed underground coal mining operation located south-southwest of Muswellbrook in the Upper Hunter Valley region of New South Wales. Malabar's EIS and DA proposes an underground mining operation for a period of approximately 26 years and extracting up to 8 million tonnes per annum (mtpa) of run-of-mine (ROM) coal. At least 75% (by tonnes) of the coal produced by the Project would be capable of being used in the steel making process (metallurgical /coking coals). The balance would be export thermal coal suitable for the new generation High Efficiency, Low Emission power generators.

DIRECTORS' REPORT

Maxwell Project (continued)

The Maxwell Project is progressing through the approval process with the EIS pubic exhibition period closing on 25 September 2019. The DPIE received 245 submissions; 187 from the community; 44 from organisations and 14 from government agencies.

Malabar is pleased with the strong endorsement of our Project, with approximately 75% of submissions in support. The community's confidence in the Project recognises the many and real benefits the Maxwell Underground Project offers and the long-term engagement we have had with our communities.

Malabar remains engaged with the DPIE while they prepare its Assessment Report on the Maxwell Project. The Assessment Report will be used by the NSW Independent Planning Commission (IPC) to complete its review of the Project and makes its final determination.

Concurrent to the approval process the Maxwell Project team has been advancing engineering design work in relation to mine construction and operation. This work is being undertaken to ensure upon receiving the grant of a Mining Licence construction can commence shortly thereafter.

Drayton Mine Rehabilitation

Malabar formally took control of the former Drayton Open-Cut Mine on 26 February 2018 and commenced rehabilitation in March 2018. To date there have been over 30 people working on site to progress the rehabilitation and there are 700 hectares of rehabilitated pasture and woodland.

Malabar is using best practice to rehabilitate the former open-cut mine including:

- Development of techniques to design, place and monitor overburden capping layers;
- Development of fit-for-purpose drainage landforms on final low-wall rehabilitation;
- Deep ripping to maximise water infiltration and lessen the need for drainage;
- Use of biosolids and recycled gypsum to improve soils;
- Employing an experienced ecologist to monitor performance, adjust rehabilitation techniques and manage quality control;
- Seed mixes optimised by an agronomist and the ecologist; and
- Introduction of cattle to improve rehabilitation outcomes.

Maxwell Solar Farm

Malabar lodged the EIS with the DPIE on 13 December 2019. The proposal includes the construction, operation and decommissioning of a photovoltaic solar farm that would have an installed capacity of approximately 25 megawatts (MW) (AC) of electricity. Associated infrastructure would include an on-site switch station and overhead transmission lines.

Subsequent to 31 December 2019, the DPIE provided feedback on the EIS public submission responses. No objections were lodged.

Spur Hill Underground Project

Malabar is committed to the Spur Hill Underground Coking Coal Project (Exploration Licence (EL) 7429). In the current reporting period, the following activities were performed:

- Lodged an application for the renewal of EL7429;
- On-going engineering work in relation to the integration with the Maxwell Underground Project; and
- Ongoing agricultural activities in relation to Merton Vineyard, cropping and cattle grazing of properties owned by Malabar.

DIRECTORS' REPORT

Advisory Engagement

On 6 November 2019 Malabar entered into an arrangement with XLX Pty Ltd (XLX) to assist Malabar with the implementation and processing of the Maxwell Underground Project and other ancillary projects.

XLX is a proven coal project developer and operator with a strong track record in managing projects from approval through to operation. The XLX team has over 150 years extensive experience in mining approvals, underground mine construction and operation, coal logistics, coal sales and marketing.

Malabar's Chairman Wayne Seabrook is a director of XLX. The shareholders of XLX are entities connected to Wayne Seabrook, Tony Haggarty, Simon Keyser, Allan Davies and Andy Plummer. They are all minority shareholders in XLX and are also shareholders in Malabar.

As consideration for the services provided by XLX, Malabar has agreed to issue 10,000,000 fully paid ordinary shares to XLX (the Completion Fee Shares), payable on the Maxwell Underground Project being approved and proceeding or earlier on a change of control or other similar event occurring. In certain circumstances, Malabar may elect to substitute the issue of all or part of the Completion Fee Shares with a cash amount of $5 per Completion Fee Share. The Completion Fee Shares have been accounted for in accordance with AASB 2 *Share-based Payment*.

Performance Rights

In terms of the Long-Term Incentive Share Plan that was approved by the Board in June 2019, Malabar awarded 1,300,000 performance rights ("Rights") to key management. The Rights were granted at zero cost and included vesting conditions attached to each individual offer. On vesting, the Right can then be exercised. The holder will be allocated one ordinary share for each Right that is vested and exercised. The Performance Rights have been accounted for in accordance with AASB 2 *Share-based Payment*.

Community Engagement

Throughout the period Malabar continued its local community engagement program by participating in four Community Consultative Committee meetings and made contributions to a number of local organisations.

FINANCIAL POSITION

The net assets of the Group have increased by $874,199 during the period, from $62,417,799 at 30 June 2019 to $63,291,998 at 31 December 2019.

The Group's cash position, which includes financial assets, decreased from $25,190,293 at 30 June 2019 to $14,147,819 as at 31 December 2019.

DIVIDENDS

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

EVENTS AFTER THE FINANCIAL YEAR END

Performance Rights

On 16 January 2020, 350,000 performance rights were granted to key management personnel. These rights are conditional on certain performance obligations being met.

Apart from the matter noted above, no other matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

DIRECTORS' REPORT

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.

The Company was not a party to any such proceedings during the financial year.

NON-AUDIT SERVICES

There were no non-audit services provided by the auditor during the financial year.

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: 12 March 2020

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

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2019, 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 Coal Limited and the entities it controlled during the half year.

PKF BRISBANE AUDIT

LIAM MURPHY
PARTNER

12 MARCH 2020
BRISBANE

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Note	31 December 2019	31 December 2018
		$	**$**
Continuing operations			
Revenue			
Wayleave income		562,318	550,410
Share in profits from associates	9	1,280,984	1,264,974
Interest income		160,075	969,771
Other income		475,843	287,194
Total income		2,479,220	3,072,349
Expenses			
Legal and professional fees		51,842	228,106
Finance costs	3	631,697	1,393,067
Directors fees		57,500	57,500
Depreciation and amortisation		534,523	786,668
Other expenses		495,730	163,004
Total expenses		1,771,292	2,628,345
Profit (loss) before income tax		707,928	444,004
Income tax expense		-	-
Profit (loss) for the period		**707,928**	**444,004**
Other comprehensive income		**-**	-
Total comprehensive income for the period		**707,928**	**444,004**
Total comprehensive profit (loss) attributable to members of the parent entity		**707,928**	**444,004**
Earnings per share			
From continuing operations:			
- Basic earnings per share (cents)	16	0.27	0.13
- Diluted earnings per share (cents)	16	0.27	0.13

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	31 December 2019 $	30 June 2019 $
ASSETS			
Current Assets			
Cash and cash equivalents		5,016,670	13,059,144
Financial Assets	4	9,131,149	12,131,149
Trade and other receivables	5	1,151,470	1,441,199
Other assets	6	576,312	710,715
Total Current Assets		15,875,601	27,342,207
Non-Current Assets			
Property, plant and equipment	7	34,981,854	34,933,620
Intangible assets		3,490,873	3,400,600
Capitalised exploration and evaluation costs	8	51,641,804	46,208,387
Investments in associates	9	16,090,474	16,087,890
Other assets	6	95,686	95,686
Total Non-Current Assets		106,300,691	100,726,183
Total Assets		**122,176,292**	**128,068,390**
LIABILITIES			
Current Liabilities			
Trade and other payables	10	1,301,371	3,254,790
Lease liabilities	11	183,682	-
Provisions	12	3,632,860	8,974,854
Borrowings	13	16,140,000	16,140,000
Total Current Liabilities		21,257,913	28,369,644
Non-Current Liabilities			
Lease liabilities	11	345,434	-
Provisions	12	37,280,947	37,280,947
Total Non-Current Liabilities		37,626,381	37,280,947
Total Liabilities		58,884,294	**65,650,591**
Net Assets		**63,291,998**	**62,417,799**
EQUITY			
Share capital	14	93,060,087	93,060,087
Reserves	17	8,080,657	7,888,459
Retained earnings (accumulated losses)		(37,848,746)	(38,530,747)
Total Equity		**63,291,998**	**62,417,799**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Note	Share Capital $	Reserves $	Retained Earnings (Accumulated Losses) $	Total $
Balance as at 1 July 2018		**142,749,021**	**7,933,523**	**(40,568,088)**	**110,114,456**
Total comprehensive income for the period		-	-	444,004	444,004
Transactions with owners in their capacity as owners:					
Shares redeemed		(49,999,998)	-	-	(49,999,998)
Share options exercised		266,000	-	-	266,000
Reserves transferred to issued capital upon exercise of options	17	45,064	(45,064)	-	-
Balance as at 31 December 2018		**93,060,087**	**7,888,459**	**(40,124,084)**	**60,824,462**
Total comprehensive income for the period		-	-	1,593,337	1,593,337
Transactions with owners in their capacity as owners:					
Share options exercised		-	-	-	-
Balance at 30 June 2019		**93,060,087**	**7,888,459**	**(38,530,747)**	**62,417,799**
Adjustment for change in accounting policy	2	-	-	(25,927)	(25,927)
Balance at 1 July 2019 - restated		**93,060,087**	**7,888,459**	**(38,556,674)**	**62,391,872**
Total comprehensive income for the period		-	-	707,928	707,928
Transactions with owners in their capacity as owners:					
Share based payment expense	15	-	192,198	-	192,198
Balance at 31 December 2019		**93,060,087**	**8,080,657**	**(37,848,746)**	**63,291,998**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Note	31 December 2019	31 December 2018
		$	$
Cash flows from operating activities			
Receipts from customers		1,796,455	3,936,853
Payment to suppliers and employees		(8,218,756)	(6,633,582)
Interest received		120,352	1,301,691
Interest paid		(415,665)	(246,449)
Net cash (used in)/provided by operating activities		(6,717,614)	(1,641,487)
Cash flows from investing activities			
Payments on purchase of Drayton tenements		-	(2,268,481)
Proceeds /(Payments) for investment in short term deposits		3,000,000	56,434,501
Payments for property, plant and equipment		(2,560)	(189,335)
Payments for intangible assets		(90,273)	-
Payments for exploration expenditure	8	(5,433,417)	(5,487,350)
Dividend received from associate	9	1,278,400	1,264,000
Net cash (used in)/provided by investing activities		(1,247,850)	49,753,335
Cash flows from financing activities			
Payments for lease liabilities	11	(77,010)	-
Proceeds from options exercised		-	266,000
Payments for redemption of share capital		-	(49,999,998)
Net cash (used in)/provided by financing activities		(77,010)	(49,733,998)
Net decrease in cash held		(8,042,474)	(1,622,150)
Cash and cash equivalents at beginning of financial period		13,059,144	30,011,994
Cash and cash equivalents at the end of financial period [1]		**5,016,670**	**28,389,844**

[1] *"Cash and cash equivalents" does not include financial assets (term deposits) held. Refer to Note 4 for more information.*

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

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

The separate financial statements of the parent entity, Malabar Coal 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 12 March 2020 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 Coal 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 2019 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 2019, the Group made a profit before tax of $707,928 (2018: $444,004). Cash outflows from operating and exploration-related investing activities during the period were $12,151,031 (31 December 2018: $7,128,837) with closing cash on hand (including financial assets) of $14,147,819 (30 June 2019: $25,190,293). At 31 December 2019, the Group had a net current asset deficiency of $5,382,312 (30 June 2019: $1,027,437).

Notwithstanding the above, the Directors are confident the Group is a going concern and will be able to pay its debts as and when they fall due. In reaching this opinion, the Directors have considered the Groups operations 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 and retains the ongoing support of shareholders and financiers to raise additional funds, should the need arise. The Directors are also confident that the banking facilities that expire within the year will be renewed and rolled for a further two years improving the net current asset deficiency by $16.14 million.

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.

1.3. Significant accounting estimates and judgements

Estimates and judgements are consistent of those disclosed in the 30 June 2019 Annual Report, in addition the following estimates were made with respect to the Share Based Payments.

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments may impact profit or loss, equity, and the carrying amounts of assets within the next reporting period.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

1.4. Accounting policies

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 except for those as described in note 1.5 below.

1.5. New and amended standards adopted by the Group

The Group has considered the implications of new or amended Accounting Standards which have become applicable for the current financial reporting period. No retrospective adjustments were required as a result of changes in accounting policies and adoption of AASB 16: *Leases.*

The impact of the adoption of these standards and the respective accounting policies are disclosed in Note 2.

2. Adoption of new and revised standards

2.1. AASB 16 Leases

Impact of the new definition of a lease

In the current year, the Group has applied AASB 16 Leases that is effective for annual periods that begin on or after 1 January 2019. AASB 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

The impact of the adoption of AASB 16 on the Group's consolidated financial statements is described below.

The date of initial application of AASB 16 for the Group is 1 July 2019.

The Group has applied AASB 16 using the cumulative catch-up approach which:

- Requires the Group to recognise the cumulative effect of initially applying AASB 16 as an adjustment to the opening balance of retained earnings at the date of initial application.
- Does not permit restatement of comparatives, which continue to be presented under AASB 117 and IFRIC 4.

Impact on Lessee Accounting

Former operating leases

AASB16 changes how the Group accounts for leases previously classified as operating leases under AASB 117, which were off balance sheet.

Applying AASB 16, for all leases (except as noted below), the Group:

- Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with AASB 16:C8(b)(ii)
- Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under AASB 117 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under AASB 16, right-of-use assets are tested for impairment in accordance with AASB 136. For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes tablets and personal computers, small items of office furniture and telephones), the Group has opted to recognise a lease expense on a straight-line basis as permitted by AASB 16. This expense is presented within 'other expenses' in profit or loss.

The Group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying AASB 117.

- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Group has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Group has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.

Financial impact of initial application of AASB 16

The weighted average lessees incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 July 2019 is 4%.

The Group has recognised $580,214 of right-of-use assets (Finance Lease Asset) and $606,126 of lease liabilities upon transition to AASB 16. The difference of $25,912 is recognised in retained earnings.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

3. Profit for the period

	31 December 2019	31 December 2018
	$	$
Profit before income tax from continuing operations includes the following:		
Facility fees	6,821	1,118,353
Interest expense – borrowings	613,967	274,714
Interest expense – operating lease	10,909	-
Total Finance costs	631,697	1,393,067
Employee costs	4,719	21,038
Share based payment expense	2.370	-

4. Financial assets

	31 December 2019	30 June 2019
	$	$
Short term deposit	9,131,149	12,131,149

Financial assets represent short term deposits with original maturity dates of greater than 3 months.

5. Trade and other receivables

	31 December 2019	30 June 2019
	$	$
CURRENT:		
Trade receivables	465,540	294,846
Port and rail costs recoverable	565,101	761,511
Other receivables	120,829	384,842
	1,151,470	1,441,199

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

6. Other assets

	31 December 2019	30 June 2019
	$	$
CURRENT:		
Interest receivable & or prepaid and borrowing costs	39,723	42,909
Prepayments	536,589	667,806
	576,312	710,715
NON-CURRENT:		
Security bond	95,686	95,686
	95,686	95,686

7. Property, plant and equipment

	Freehold Land	Buildings	Subtotal Land & Buildings	Plant and Equipment	Right-of-use asset	Total
	$	$	$	$	$	$
At Cost						
Cost	32,562,316	2,276,073	**34,838,389**	12,578,797	-	**47,417,186**
Impairment	(9,407,066)	(1,421,282)	**(10,828,348)**	-	-	**(10,828,348)**
Accumulated depreciation	-	(203,303)	**(203,303)**	(1,451,915)	-	**(1,655,218)**
Balance at 30 June 2019	**23,155,250**	**651,488**	**23,806,738**	**11,126,882**	**-**	**34,933,620**
Cost	32,562,316	2,276,073	**34,838,389**	12,581,356	849,070	**48,268,815**
Impairment	(9,407,066)	(1,421,282)	**(10,828,348)**	-	-	**(10,828,348)**
Accumulated depreciation	-	(214,413)	**(214,413)**	(1,890,404)	(353,796)	**(2,458,613)**
Balance at 31 Dec 2019	**23,155,250**	**640,378**	**23,795,628**	**10,690,952**	**495,274**	**34,981,854**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

7. Property, plant and equipment (continued)

Movements in Carrying Amounts

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Freehold Land	Buildings	Subtotal Land & Buildings	Plant and Equipment	Right-of-use asset	Total
	$	$	$	$	$	$
Consolidated Group:						
Balance at 1 July 2018	23,155,250	673,788	**23,829,038**	12,191,908	-	**36,020,946**
Additions	-	-	**-**	197,663	-	**197,663**
Disposals	-	-	**-**	(8,327)	-	**(8,327)**
Depreciation expense	-	(22,300)	**(22,300)**	(1,254,362)	-	**(1,276,662)**
Impairment expenses	-	-	**-**	-	-	**-**
Balance at 30 June 2019	**23,155,250**	**651,488**	**23,806,738**	**11,126,882**	**-**	**34,933,620**
Additions	-	-	**-**	2,560	-	**2,560**
Disposals	-	-	**-**	-	-	**-**
AASB 16 recognition	-	-	**-**	-	580,198	**580,198**
Depreciation expense	-	(11,110)	**(11,110)**	(438,490)	(84,924)	**(534,524)**
Impairment expenses	-	-	**-**	-	-	**-**
Balance at 31 Dec 2019	**23,155,250**	**640,378**	**23,795,628**	**10,690,952**	**495,274**	**34,981,854**

8. Capitalised exploration and evaluation costs

	31 December 2019	30 June 2019
	$	$
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	31,310,688	25,877,271
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)
	51,641,804	46,208,387

8. Capitalised exploration and evaluation costs (continued)

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

	31 December 2019	30 June 2019
	$	$
Opening balance	46,208,387	34,706,791
Mining information	-	-
Exploration licences	-	-
Exploration & evaluation expenditures incurred during the year	5,433,417	11,501,596
	51,641,804	46,208,387

9. Investment in associates

Name of associate	Principal activity	Place of incorporation	Proportion of ownership interest 31 December 2019	Proportion of ownership interest 30 June 2019
			$	$
Newcastle Coal Shippers Pty Ltd ('NCS')	Investment in Port Waratah Coal Services ('PWCS')	Australia	20%	20%

	31 December 2019	30 June 2019
	$	$
Opening balance investment in Newcastle Coal Shippers	16,087,890	15,901,138
Profits attributable post acquisition	1,280,984	2,729,152
Less dividends received	(1,278,400)	(2,542,400)
Carrying amount of investment	**16,090,474**	**16,087,890**

Associates have been accounted for on the equity method.

10. Trade and other payables

	31 December 2019	30 June 2019
	$	$
CURRENT:		
Trade creditors	671,765	2,808,185
Other creditors	629,606	446,605
	1,301,371	**3,254,790**

11. Lease liabilities

	31 December 2019	30 June 2019
	$	$
Lease liabilities included in Statement of Financial Position:		
Current	183,682	-
Non-current	345,434	-
Total	**529,116**	**-**

Lease liabilities are recognised as a result of changes in accounting policies upon adoption of AASB 16: *Leases.* No adjustments were made to comparative balances as part of the implementation process.

12. Provisions

CURRENT:	Employee entitlements $	Other provisions $	Deferred consideration $	Total $
Balance as at 1 July 2018	55,938	9,682,000	-	9,737,938
Additional provisions recognised	101,228	-	-	101,228
Reduction based on payments during the year	(10,012)	(12,050,468)	-	(12,060,480)
Reallocation from Non-current	-	11,196,168	-	11,196,168
Balance as at 30 June 2019	147,154	8,827,700	-	8,974,854
Opening balance 1 July 2019	147,154	8,827,700	-	8,974,854
Additional provisions recognised	66,679	-	-	66,679
Reduction based on payments during the year	(25,572)	(5,383,101)	-	(5,408,673)
Closing as at 31 December 2019	**188,261**	**3,444,599**	**-**	**3,632,860**

12. Provisions (continued)

NON-CURRENT:

	Employee entitlements $	Other provisions $	Deferred Consideration $	Total $
Opening balance 1 July 2018	-	42,586,115	5,891,000	48,477,115
Additional provisions recognised	-	-	-	-
Reallocation to current	-	(11,196,168)	-	(11,196,168)
Balance as at 30 June 2019	-	31,389,947	5,891,000	37,280,947
Opening balance 1 July 2019	-	31,389,947	5,891,000	37,280,947
Additional provisions recognised	-	-	-	-
Reallocation to current	-	-	-	-
Balance as at 31 December 2019	**-**	**31,389,947**	**5,891,000**	**37,280,947**

At each reporting date, management reviews the key assumptions used in estimating its provisions and have determined that no material adjustment was required at 31 December 2019. The Current Other provisions which contains obligations in relation to bonding, rehabilitation and other commercial matters was not required to be increased as the rehabilitation is progressing ahead of schedule and below estimated costs. The balance in current has therefore been accepted as reasonable.

13. Borrowings

	31 December 2019 $	30 June 2019 $
CURRENT:		
Revolving bill facility	16,140,000	16,140,000
	16,140,000	16,140,000

The Group has revolving bill facilities of $16,140,000 which are secured by the real property of the Group which expire within the year. An average interest rate of 3.6% is being paid on these facilities. The Directors have no reason to believe that these facilities will not be rolled for a further two years.

14. Share Capital

a) Issued share capital consists out of the following:

	31 December 2019 $	30 June 2019 $
Issued share capital consists out of the following:		
259,817,798 fully paid ordinary shares (30 June 2019: 259,817,798)	93,060,087	93,060,087
	93,060,087	93,060,087

b) Movements in ordinary share capital during the year

Date	Details	Note	#	Issue Price $	$
1 July 2019	Closing balance		259,817,798		93,060,087
	Options exercised		-	-	-
31 Dec 2019	Closing balance		259,817,798		93,060,087

15. Share based payments

In terms of the Long-Term Incentive Share Plan that was approved by the Board in June 2019, Malabar awarded 1,300,000 performance rights ("Rights") to key management during the period. The Rights were granted at zero cost and included vesting conditions attached to each individual offer. On vesting, the Right can then be exercised. The holder will be allocated one ordinary share for each Right that is vested and exercised.

Malabar engaged XLX Pty Ltd for advisory services in relation to the Maxwell Underground Project and will be remunerated by Malabar issuing 10,000,000 Completion Fee Shares once certain performance conditions are met. Malabar has the right to settle this transaction by paying $5 per share.

a) Summary of Performance Rights

Performance Rights	Number	Grant Date	Expiry Date	Exercise Price	Fair Value at Grant Date
Employee Performance Rights type 1	500,000	29/07/2019	29/07/2029	$ -	$0.35
Employee Performance Rights type 2	800,000	2/09/2019	2/09/2029	$ -	$0.38
Advisory Services Completion fee rights	10,000,000	06/11/2019	-	$-	$0.38

15. Share based payments (continued)

b) Movement of Performance Rights during the year

	31 December 2019		30 June 2019	
	Performance Rights	**Average weighted price**	**Performance Rights / Options**	**Average weighted price**
Rights / options outstanding opening balance	-	-	950,000	$0.28
Granted	11,300,000	$0.38	-	-
Forfeited	-	-	-	-
Exercised	-	-	(950,000)	$0.28
Expired	-	-	-	-
Rights outstanding closing balance	11,300,000	$0.38	-	-

c) Performance Right valuation model

The fair value of the Performance Rights is measured using the Black-Scholes option pricing model incorporating the probability of the performance obligations being met and a discount for lack of marketability of the right due to the shares trading on the low volume market.

The following table lists the inputs used in the valuation of rights granted in 2019.

	Employee performance rights type 1	**Employee performance rights type 2**	**Advisory Services Completion fee rights**
Performance obligation	As per individual contract	As per individual contract	As per individual contract
Grant date	29/07/2019	2/09/2019	6/11/2019
Vesting date	When performance obligations are met	When performance obligations are met	When performance obligations are met
Fair value at grant date	$0.35	$0.38	$0.38
Share price	$0.50	$0.55	$0.55
Expected volatility	58%	74%	74%
Risk-free interest rate	0.93%	1.22%	1.22%
Performance Right Life	10 years	10 years	-

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

16. Earnings per share

Basic earnings per share (EPS)		**31 December 2019**	**31 December 2018**
Net Income/(loss) attributable to ordinary shareholders			
Net Income (loss) attributable to ordinary shareholders	($)	707,928	444,004
Weighted average number of ordinary shares			
Issued ordinary shares at 1 July	#	259,817,798	359,877,896
Effect of share issues during the period		-	170,380
Effect of share buy-back during the period		-	(7,685,551)
Weighted average number of ordinary shares at 31 December		**259,817,798**	**352,362,725**
Basic EPS attributable to ordinary shareholders	**(cents)**	**0.27**	**0.13**

The calculation for basic earnings per share is based on the loss attributable to ordinary shareholders for the period and the weighted average number of ordinary shares outstanding.

Diluted earnings per share (EPS)		**31 December 2019**	**31 December 2018**
Net Income/(loss) attributable to ordinary shareholders (diluted)			
Net Income /(loss) attributable to ordinary shareholders (diluted)	($)	707,928	444,004
Weighted average number of ordinary shares (diluted)			
Weighted average number of ordinary shares (basic)	#	259,817,798	352,362,725
Effect of performance rights granted		3,932,065	-
Weighted average number of ordinary shares at 31 December (diluted)		**263,749,863**	**352,362,725**
Diluted EPS attributable to ordinary shareholders	**(cents)**	**$0.27**	**0.13**

17. Reserves

	31 December 2019	30 June 2019
	$	$
Share based payments reserve		
Opening Balance	-	45,064
Share based payments – performance rights	192,198	-
Reserve transferred to issued capital upon exercise of options	-	(45,064)
Closing Balance	192,198	-
Capital Reserves	7,888,459	7,888,459
Total Reserves	**8,080,657**	**7,888,459**

18. Related Parties

Transactions between related parties are on normal commercial terms and on conditions no more favourable than those available to other parties unless otherwise stated.

Ironstone Capital provision of services to Malabar and the Spur Hill and Maxwell Projects

Ironstone Capital Partners Pty Ltd '(Ironstone Capital') is a boutique corporate advisory business partially owned by a current Director – Wayne Seabrook. Ironstone Capital provides consulting services to the Project and the Company in connection with project development and corporate activities. Ironstone Capital is paid at market related rates or less for work conducted by its executives. During the period ended 31 December 2019, a total of $473,539 accrued to Ironstone Capital.

19. Contingent liabilities

Facilities and Guarantees

The Group has an USD$55m (AUD $78,504,139, converted at A$1 = USD$0.7006) facility in place to provide bonds, guarantees, and financial assurances including the provision of guarantees to the NSW Government. As at 31 December 2019, AUD $65,503,009 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 amount of any contingency is uncertain by its nature and due to the long-term nature of the arrangement.

Litigation

A number of former employees of the Drayton Mine have issued subpoenas or claims in relation to workers compensation against the Group. The Group has not raised any provisions for these as it believes any adverse outcomes would not be material based on the information currently available to the Group.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

20. Events after the interim reporting period

Performance Rights

On 16 January 2020, 350,000 performance rights were granted to key management personnel. These rights are conditional on certain performance obligations being met.

Apart from the matter noted above, no other matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

21. Company details

The registered office and principal place of business of the Company as at 31 December 2019 was:

Level 26, 259 George Street
Sydney, NSW, 2000
Tel.: 02 8248 1272
HTTPS://MALABARCOAL.COM.AU/

DIRECTORS' DECLARATION

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

1. the financial statements and notes, as set out on pages 8 to 25, 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 2019 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: 12 March 2020

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF MALABAR COAL LIMITED

Conclusion

We have reviewed the accompanying half-year financial report of Malabar Coal Limited ("the company"), which comprises the consolidated statement of financial position as at 31 December 2019, 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 Coal 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 2019, 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*.

Independence

In conducting our review, we have complied with the 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.

Directors' Responsibility for the Half-Year 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us

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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 2019 and its performance for the half year ended on that date, and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Malabar Coal Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

12 MARCH 2020
BRISBANE

Malabar Coal Limited and controlled entities

Interim Financial Report for the half-year ended 31 December 2019