



Malabar Coal Limited  
(ACN 151 691 468)

# PROSPECTUS

For the fully underwritten offer of 20,000,000 shares at an offer price of \$1.00 each to raise \$20,000,000

This is a replacement prospectus dated 1 March 2013.

It replaces a prospectus dated 15 February 2013 relating to the Shares of Malabar Coal Limited.

Lead Arranger, Joint Lead Manager,  
Bookrunner and Underwriter



Joint Lead Manager, Bookrunner  
and Underwriter



**AN INVESTMENT IN THE COMPANY'S SHARES SHOULD BE  
CONSIDERED SPECULATIVE**

This Prospectus is an important document and should be read in its entirety. If after reading this Prospectus you have any questions about the Shares being offered for subscription under the Prospectus, then you should consult your professional adviser.

# Important Information

## OFFER

This Prospectus is issued by Malabar Coal Ltd (ACN 151 691 468) (the “Company”) and relates to an offer of fully paid ordinary shares (“Shares”) in the Company.

## LODGEMENT

This is a replacement prospectus dated 1 March 2013 (“Prospectus”) and a copy of this Prospectus was lodged with ASIC on that date. It replaces a prospectus dated 15 February 2013 that was lodged with ASIC on that date. The expiry date of the Prospectus is 13 months after 15 February 2013 being the date of the original prospectus.

## ALLOTMENT OF SHARES

No Shares will be issued or allotted on the basis of this Prospectus later than 13 months after the date of this Prospectus. Neither ASIC nor the ASX and their respective officers take any responsibility for the content of this Prospectus or for the merits of the investment to which this Prospectus relates. The fact that the ASX may admit the Company to the Official List is not to be taken in any way as an indication of the merits of the Company or the Shares offered under this Prospectus.

## APPLICATION FOR LISTING

The Company has made an application to the ASX for the Shares offered pursuant to this Prospectus to be listed and quoted on the ASX.

## NOTE TO APPLICANTS

The information in this Prospectus is not financial product advice and does not take into account your investment objectives, financial situation or particular needs.

It is important that you read this Prospectus carefully and in its entirety before deciding whether to invest in the Company. In particular, you should consider the risk factors that could affect the performance of the Company. You should carefully consider these risks in light of your personal circumstances (including financial and tax issues) and seek professional guidance from your stockbroker, solicitor, accountant or other independent professional adviser before deciding whether to invest in Shares.

Some of the key risk factors that should be considered by prospective investors are set out in Section 1 (Investment Overview) and Section 3 (Risk Factors). There may be risk factors in addition to these that should be considered in light of your personal circumstances. No person named in this Prospectus, nor any other person guarantees the performance of the Company or the repayment of capital or any return on investment made pursuant to this Prospectus.

## FORWARD LOOKING STATEMENTS

Various statements in this Prospectus constitute statements relating to intentions, future acts and events. Such statements are generally classified as forward looking statements and involve known and unknown risks, uncertainties and other important factors that could cause those future acts, events and circumstances to differ from the way or manner in which they are expressly or implicitly portrayed in this Prospectus. Such factors include, but are not limited to:

- uncertainties related to historical resources estimates;
- work expenditure commitments;
- the ability to raise sufficient capital to fund future exploration or development programmes;
- changes in economic conditions or financial markets;
- changes in input prices;
- litigation;
- legislative, environmental and other judicial, regulatory, political and competitive developments;

- technological or operational difficulties or an inability to obtain permits required in connection with maintaining, or advancing projects;
- labour relations matters; and
- coal qualities.

## SPECIFIC RISKS AS AN EXPLORATION AND CONCEPTUAL DEVELOPMENT PLAN STAGE COMPANY

Applicants should carefully consider the risk factors that affect the Company specifically and the resources, mining and mineral exploration and development industry in which it operates. Applicants should note that coal exploration and development is a high risk endeavour. Applicants should understand that mineral exploration and mining development is both speculative and subject to a wide range of risks and that, even if the Company makes a commercial discovery, Applicants may lose the entire value of their investment. The key risk factors of which investors should be aware are described in more detail in Section 3 (Risk Factors).

## SUITABILITY OF INVESTMENT AND GENERAL RISK FACTORS

This Prospectus provides information to help investors decide whether they wish to invest in the Company. Before deciding to invest in the Company, potential investors should read this Prospectus in its entirety and in particular the technical information and the risk factors that could affect the future operations and activities of the Company. The Offer contained in this Prospectus does not take into account the investment objectives, financial situation and particular needs of individual investors. Please read the Application Form carefully. Professional advice should be sought before deciding to invest in any Shares the subject of this Prospectus.

## PHOTOGRAPHS

Unless otherwise stated, assets and property portrayed in photographs in this Prospectus are not owned by the Company.

The inclusion of photographs supplied by persons or entities other than the Company does not constitute an endorsement or recommendation by those persons or entities of the Offer under this Prospectus.

## MAPS AND DIAGRAMS

As part of the preparation of this Prospectus the Company has commissioned and produced maps and diagrams to identify the Company’s Tenement and its drilling and Exploration Targets in relation to the Tenement. The maps and diagrams included in this Prospectus, and the drilling and Exploration Targets identified, should only be considered as an indication of the Company’s current intentions. These intentions may change at the Directors’ discretion.

Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this Prospectus.

## FINANCIAL AMOUNTS

The financial amounts in this Prospectus are expressed in Australian dollars unless otherwise stated. Any discrepancies between the totals and sums of components in tables contained in this Prospectus are due to rounding.

## DEFINED TERMS AND ABBREVIATIONS

Terms and abbreviations used in this Prospectus are defined in the Glossary in Section 12.

## DISCLAIMER

No person is authorised to give any information or to make any representation in connection with the Offer that is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied upon as having been authorised by the Company in connection with the Offer. Neither the Company nor any other person warrants the future performance of the Company or any return on any investment made under this Prospectus except as required by law and then only to the extent so required. The Company, the Joint Lead Managers and the Share Registry disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statement. Investors should be aware of the risks associated with an investment in the Company. Section 3 (Risk Factors) sets out details of the key risk factors.

## FOREIGN JURISDICTIONS

The Offer under this Prospectus does not constitute a public offer in any jurisdiction outside Australia. This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and any person who comes into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. This Prospectus has been prepared to conform to the securities laws of Australia. No action has been taken to register or qualify the Shares or the Offer, or otherwise to permit a public offering of the Shares, in any jurisdiction outside Australia.

This Prospectus may not be released or distributed in the United States or otherwise outside Australia. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States, and may not be offered or sold in the United States, or to, or for the account or benefit of a US Person, except in a transaction exempt from the registration requirements of the US Securities Act and applicable United States state securities laws. This Prospectus is not being provided to any investor outside Australia. This Prospectus does not constitute an offer or invitation to potential investors to whom it would not be lawful to make such an offer or invitation.

## EXPOSURE PERIOD

In accordance with Chapter 6D of the Corporations Act, the Prospectus is subject to an exposure period of 7 days from the date of lodgement of the Prospectus with ASIC. This exposure period was extended by ASIC for a further period of 7 days. The purpose of the exposure period is to allow this Prospectus to be examined by market participants prior to the acceptance of Applications. If this Prospectus is found to be deficient, Applications received during the exposure period will be dealt with in accordance with section 724 of the Corporations Act. Any Applications received prior to the expiration of the exposure period will not be processed until after the expiry of the exposure period. No preference will be conferred on Applications received during the exposure period. This replacement Prospectus is not subject to an additional exposure period due to ASIC Class Order 00/169.



# Contents

## ELECTRONIC FORM PROSPECTUS

This Prospectus will be issued in paper form and as an electronic prospectus, which may be viewed online at the Company's website at [www.malabarcoal.com.au](http://www.malabarcoal.com.au). The Offer is available to persons receiving an electronic version of this Prospectus in Australia. Applications can only be submitted on an Application Form accompanying this Prospectus or in its paper copy form downloaded in its entirety from [www.malabarcoal.com.au](http://www.malabarcoal.com.au). By making an Application, you declare that you were given access to the Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing the Application Form on to another person, unless it is attached to, or accompanied by, a complete and unaltered version of this Prospectus. The Offer constituted by this Prospectus in electronic form is available only to Australian residents accessing the website from Australia. It is not available to persons in the United States. Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus.

## OBTAINING A COPY OF THIS PROSPECTUS

During the Offer period, any person may obtain a hard copy of this Prospectus free of charge by contacting the Share Registry by telephone on 1800 128 092.

## PRIVACY

By completing an Application Form, you are providing personal information to the Company, and the Share Registry, which is contracted by the Company to manage Applications. The Company, and the Share Registry on their behalf, collect, hold and use that personal information to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration.

Once you become a Shareholder, the Corporations Act and Australian taxation legislation require information about you (including your name, address and details of the Shares you hold) to be included in the Company's public register. The information must continue to be included in the Company's public register if you cease to be a Shareholder. If you do not provide all the information requested, your Application Form may not be able to be processed. The Company and the Share Registry may disclose your personal information for purposes related to your investment to their agents and service providers including those listed below or as otherwise authorised under the *Privacy Act 1988* (Cth):

- The Share Registry for ongoing administration of the Shareholder register;
- The Joint Lead Managers in order to process your Application;
- Printers and other companies for the purpose of preparation and distribution of documents and for handling mail;
- Market research companies for the purpose of analysing the Company's shareholder base and for product development and planning;
- Legal and accounting firms, auditors, management consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions; and
- The Company's related bodies corporate, agents, contractors and third party service providers, including mailing houses, the ASX, ASIC and other regulatory authorities.

You may request access to your personal information held by or on behalf of the Company. You can request access to your personal information or obtain further information about the Company's privacy practices by contacting the Share Registry or the Company. The Company aims to ensure that the personal information it retains about you is accurate, complete and up to date. To assist with this, please contact the Company or the Share Registry if any of the details you have provided change.

In accordance with the requirements of the Corporations Act, information on the Shareholder register will be accessible by members of the public.

Information contained in the Company's registers is also used to facilitate dividend payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its security holders) and to comply with legal and regulatory requirements.

## ENQUIRIES REGARDING THE OFFER

If you have any queries about the terms of the Offer or how to apply for Shares, you should contact your financial adviser or the Company offer information line on 1800 128 092.

The Company is unable to advise you on the suitability or otherwise of an investment in the Company, and for such advice you must contact your own independent professional adviser.

**This document is important and should be read in its entirety.**

Important Information	IFC
Key Offer Information	2
Letter from the Chairman	3
1. Investment Overview	4
2. Company Overview	20
3. Risk Factors	40
4. Key People	50
5. Offer Details	54
6. Coal Marketability and Market Outlook Report	62
7. Independent Technical Report	86
8. Solicitor's Report on the Tenement	118
9. Investigating Accountant's Report	139
10. Material Contracts	156
11. Additional Information	173
12. Glossary	192
Annexure A	199
Application Form	205
Corporate Directory	IBC

## Key Offer Information

### Key dates<sup>1</sup>

Opening Date of Offer	2 March 2013
Closing Date of Offer	15 March 2013
Expected date for allotment of Shares	20 March 2013
Expected date for despatch of holding statements	20 March 2013
Expected date for quotation of the Company's Shares on the ASX	26 March 2013

NOTE:

- 1 These dates are indicative only and are subject to change. The Directors reserve the right to vary the Offer dates and to extend the Offer or to close it at an earlier date, without notice.

### Key Offer Statistics<sup>1</sup>

Offer Price per Share <sup>2</sup>	\$1.00
Total number of Shares on issue (other than Shares offered under this Prospectus)	65,000,000
Shares offered under this Prospectus	20,000,000
Total number of Shares on issue upon listing on ASX	85,000,000
Options agreed to be granted <sup>3</sup>	450,000
Amount to be raised under the Offer	\$20,000,000
Undiluted market capitalisation at the Offer Price	\$85,000,000

NOTE:

- 1 Key Offer Statistics presented post Subdivision of Shares and conversion of Converting Preference Shares ("CPS") to Shares.  
 2 Shares may not trade at the Offer Price post listing.  
 3 The Company has agreed to grant these Options on the business day immediately prior to the ASX Quotation Date.

## HOW TO INVEST

Applications for Shares can only be made by completing and lodging the Application Form contained in this Prospectus.

Instructions on how to apply for Shares are set out in Section 5 (Offer Details) and on the back of the Application Form.

## Letter from the Chairman

### Dear Investor

On behalf of the Board of Directors, I am pleased to offer you the opportunity to become a shareholder in Malabar Coal Limited (“**Malabar Coal**” or the “**Company**”). Malabar Coal has a 27.7% interest in the Spur Hill Underground Coal Project (the “**Project**” or the “**Spur Hill Project**”), and has the right to increase its interest up to 80%. The Spur Hill Project is located in the established coal fields of the Upper Hunter Valley in New South Wales.

Malabar Coal provides an excellent opportunity to invest in a high quality, large-scale, Australian coal development project. Investment highlights include:

- **Large resource:** 586Mt JORC Mineral Resources (100% basis) comprising 117Mt Indicated Mineral Resources and 469Mt Inferred Mineral Resources.
- **High quality, well-known coal seams:** expected products include ultra-low ash soft coking coal and benchmark semi-soft coking coal.
- **Proximity to infrastructure:** adjacent to established coal mines and less than 5 km from the Hunter Valley Rail Network.
- **Experienced Board and management team:** with an established track record of successfully developing coal projects in New South Wales.

This Prospectus offers a total of 20,000,000 shares in Malabar Coal at a price of \$1.00 per share (the “**Offer**”). Funds raised from the Offer will be used to fund continued development of the Spur Hill Project including drilling, environmental studies and monitoring, engineering studies, development approvals and strategic land acquisitions. Offer proceeds will also provide general working capital and fund the expenses of the Offer and the costs of listing the Company on the ASX.

This is a replacement prospectus (“**Prospectus**”) to the prospectus dated 15 February 2013. Amongst other things, this Prospectus provides some additional clarity regarding the conceptual development plan for the Project.

You should read the entire Prospectus and seek advice relevant to the Shares offered under this Prospectus and your individual circumstances before investing in the Company.

An investment in Malabar Coal is subject to risks. These risks include changes in coal supply and demand and coal prices, development risks (including gaining the necessary regulatory approvals to develop the Project), operational risks, changes in foreign exchange rates, agreements to access infrastructure or funding necessary to complete the Project’s development, and the impact of any changes to Australian taxation and State royalties.

You should note that mining exploration and mine development are high risk endeavours and that the Shares to be issued pursuant to the Offer in this Prospectus carry no guarantee with respect to the payment of dividends, return of capital, their market value or future performance. You should understand that any development of the Spur Hill Project, and any subsequent mining on a commercially successful basis may not eventuate, which would have the effect of substantially reducing the value of your investment. Further details of the risks affecting the Company are set out in Section 3 (Risk Factors).

This Prospectus contains details of the exciting investment opportunity available to you to invest in Malabar Coal. On behalf of the Board of Directors, I look forward to welcoming you as a shareholder, and to the ongoing success of Malabar Coal.

Yours sincerely,



**Mr Wayne Seabrook**  
Chairman  
Malabar Coal Limited



# 1. Investment Overview



## 1.1 IMPORTANT NOTICE

This Section is not intended to provide all information for investors intending to apply for Shares offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety. The Shares offered under this Prospectus carry no guarantee in respect of return of capital, return on investment, payment of dividends or future value.

Topic	Summary	For more information
-------	---------	----------------------

## 1.2 THE COMPANY

<b>Who is the issuer of this Prospectus?</b>	Malabar Coal Limited (ACN 151 691 468).	
<b>What is the nature of Malabar Coal's business?</b>	<p>Malabar Coal owns 27.7% of the Spur Hill Project, located in the Upper Hunter Valley region of New South Wales, Australia. Malabar Coal has entered into the Farm-In Agreement which gives it the right to increase its interest in the Project up to 80%. More details on the farm-in structure and the Farm-In Agreement can be found in Sections 2 (Company Overview) and 10 (Material Contracts).</p> <pre> graph TD     MC[Malabar Coal Limited] -- 100% --&gt; SHN2[Spur Hill No.2 Pty Limited]     SHN2 -- 27.7% Participating Interest --&gt; SHJV[Spur Hill Joint Venture - EL 7429]     SHN2 -- "Right to increase to 80%" --&gt; SHJV     SHUT[Spur Hill Unit Trust "SHUT"] -- 72.3% Participating Interest --&gt; SHJV     SHUT -- "Reducing to 20%" --&gt; SHJV   </pre> <p>Malabar Coal's primary long term objective is to develop the Spur Hill Project into an operating underground coal mine. In addition to the Spur Hill Project, Malabar Coal may seek to acquire other coal assets in Australia.</p>	Sections 2 and 10

### 1.2.1 Large resource

<b>What are the key Investment Highlights?</b>	<ul style="list-style-type: none"> <li>JORC Mineral Resources of 586Mt (100% basis) comprising 117Mt of Indicated Mineral Resources and 469Mt of Inferred Mineral Resources;</li> </ul> <p>The viability of the conceptual development plan for the Spur Hill Project is based on the following features:</p> <ul style="list-style-type: none"> <li>a dual longwall operation;</li> <li>total production of 6-8Mtpa of ROM coal over a mine life exceeding 20 years (100% basis);</li> <li>production from the first longwall commencing in late 2017 and from the second longwall in 2020;</li> <li>the first longwall unit producing 3-5Mtpa ROM coal of soft and semi-soft coking coal products; and</li> <li>the second longwall unit increasing total ROM coal production to 6-8Mtpa (100% basis).</li> </ul>	Section 2
--	---	-----------

Topic	Summary	For more information
<p><b>What are the key Investment Highlights?</b> <i>continued</i></p>	<p><b>Production Target Disclaimer</b></p> <ul style="list-style-type: none"> <li>• The viability of the conceptual development plan (including the production target) is based on the following material assumptions: <ul style="list-style-type: none"> <li>– JORC Mineral Resources of 586Mt including 117Mt of Indicated Mineral Resources and 372Mt of Inferred Mineral Resources within the Underground Resource Area;</li> <li>– Two longwall units operating at 3-5 Mtpa ROM per unit;</li> <li>– Further geotechnical test work confirming the structural suitability of the coal seams for longwall mining;</li> <li>– Further geological test work confirming coal seam gas content at levels suitable for longwall mining; and</li> <li>– Coal clearance infrastructure constructed to a sufficient scale to handle 6-8 Mtpa ROM to the rail line.</li> </ul> </li> <li>• There are no Proved or Probable Ore Reserves or an exploration target which underpins the production target.</li> <li>• It should be noted that there is a low level of geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration work will result in a further determination of Indicated Mineral Resources or that the production target itself will be realised.</li> </ul>	
1.2.2 High quality, well-known coal seams		
	<ul style="list-style-type: none"> <li>• The Project is expected to produce three key export quality products over the life of the mine, namely: <ul style="list-style-type: none"> <li>– An ultra-low ash, premium soft coking coal;</li> <li>– A standard/typical semi-soft coking coal; and</li> <li>– A benchmark export thermal coal comparable in quality to most major high rank bituminous thermal coal brands.</li> </ul> </li> <li>• Saleable output for the first 10-12 years of the Project is expected to be mostly soft coking coal produced from the Whynot seam.</li> <li>• According to the independent report on coal quality and marketability by MinAxis Pty Ltd (“MinAxis”), the ultra-low ash soft coking coal is likely to demand a premium to the semi-soft coking coal benchmark price. Refer to the Coal Marketability and Market Outlook Report in Section 6.</li> <li>• Internationally recognised coal seams, with the same seams being mined at the Wambo mine (Peabody), Mt Thorley/Warkworth mine (Coal &amp; Allied) and Bulga mine (Xstrata Coal).</li> </ul>	
1.2.3 Proximity to infrastructure		
	<ul style="list-style-type: none"> <li>• The Spur Hill Project is located in an established coal producing region in the Upper Hunter Valley of NSW, adjacent to BHP Billiton’s Mt Arthur North mine, Anglo Coal’s Drayton mine and in close proximity to Xstrata Coal’s Mangoola mine.</li> <li>• The Ulan to Muswellbrook line of the Hunter Valley Rail Network is less than 5km from the Spur Hill Project area.</li> <li>• Approximately 120-140km by rail to the Port of Newcastle, depending on which coal transport option is pursued.</li> <li>• The Company has no current right to use the rail and port infrastructure, however the Directors expect to be able to secure access and expect to nominate for port capacity in 2013.</li> <li>• Access to a large, local and highly skilled labour resource.</li> </ul>	



Topic	Summary	For more information
<b>1.2.4 Competitive operating cost base</b>		
	<ul style="list-style-type: none"> <li>The viability of the conceptual development plan for the Spur Hill Project is based on an average life of mine operating cost of approximately \$60/product tonne FOB<sup>1</sup> (excluding royalties).</li> </ul>	
<b>1.2.5 Experienced Board &amp; Management Team</b>		
	<ul style="list-style-type: none"> <li>The Malabar Coal Board has extensive industry experience with a proven track record of developing greenfield coal projects into operating coal mines.</li> <li>Board members include Wayne Seabrook (Chairman); Andrew (Andy) Plummer (Non-Executive Director (“NED”)); Hans Mende (NED); Simon Keyser (NED) and Anthony (Tony) Galligan (NED).</li> <li>Director experience includes Excel Coal Limited, Whitehaven Coal Limited, and Alpha Natural Resources.</li> <li>Peter Doyle (CEO) has over 25 years experience in the coal sector. As a former Project Manager for Excel Coal, Peter managed the approval process and pre-development activities for the large greenfield Wilpinjong Coal Mine as well as upgrades to the Wambo Coal Mine and construction of the Wambo Coal Terminal.</li> </ul>	
<b>Have any independent experts opined on the Company’s plans?</b>	<p>An independent expert, BDA, has produced an Independent Technical Report on the Project. See Section 7 (Independent Technical Report).</p> <p>In addition, MinAxis has provided a report on the expected coal quality and marketability of the coal seams targeted by the Company. In the Coal Marketability and Market Outlook Report, MinAxis has provided commentary on the outlook for the thermal and coking coal markets. For more see Section 6 (Coal Marketability and Market Outlook Report).</p>	Sections 6 and 7
<b>1.3 KEY RISKS</b>		
<b>What are the key risks faced by investors in Malabar Coal?</b>	<p>Investors should carefully consider the risk factors that affect the Company specifically and the resource, mining and exploration industry in which it operates. Investors should note that coal exploration and development is a high-risk endeavour.</p> <p>Details of the risk factors of which investors should be aware are disclosed in Section 3 (Risk Factors) and include risks relating to:</p> <ul style="list-style-type: none"> <li><b>Exploration risk:</b> There can be no guarantee that the Company’s exploration and evaluation work will successfully identify sufficient economically recoverable coal reserves. The current drilling programme may encounter unforeseen faulting or dipping of seams, or higher gas content than expected, which could negatively impact project economics.</li> <li><b>Coal quality risks:</b> Actual coal qualities produced during the life of the mine may vary from those expected currently, which are based on resource drilling to date.</li> <li><b>Licences and approvals:</b> The Company will require a number of approvals, including the granting of a Mining Lease by the NSW Government, to permit the mining of coal. Malabar Coal may not receive such approvals.</li> </ul>	Section 3

<sup>1</sup> +/-15% for accuracy. Stated on a real basis, in 2012 dollar terms.

Topic	Summary	For more information
<p><b>What are the key risks faced by investors in Malabar Coal?</b></p> <p><i>continued</i></p>	<ul style="list-style-type: none"> <li>• <b>Tenement renewal and compliance:</b> The Tenement is scheduled to expire in December 2014. Whilst there can be no guarantee that the Tenement will be renewed, or that the area of land over which the Tenement renewed remains the same, Directors believe that all of the Tenement conditions have been met, that the Project has a strong probability of being developed by the Company and as a result, there is a high likelihood that the Tenement will be renewed. The Directors are not aware of any issues that would compromise the likelihood of a renewal, or the validity of the Tenement, nor have they received any notification of a failure to comply with any of the Tenement conditions.</li> <li>• <b>Land constraints:</b> There are a number of areas of potential constraint to exploration and mining of the Spur Hill Project, such as native title land and the recently announced NSW Strategic Regional Land Use Policy. Such potential constraints may have an adverse impact on Malabar Coal's ability to progress the development of the Spur Hill Project in a timely manner.</li> <li>• <b>Construction and operational cost risks:</b> The capital expenditure required to develop the Spur Hill Project may differ from the expectations of the Company set out in Section 2 (Company Overview). In addition, actual operational costs may differ from current estimates. Variations in capital or operating expenditure may result in material impacts on the profitability of the Project.</li> <li>• <b>Operational risks:</b> The Project is exposed to material operating risks including potential risk of sub-standard coal quality specifications, outbursts or spontaneous combustion from gas within the coal seam, mining and processing technical difficulties encountered in commissioning and operating plant and equipment, mechanical failure and industrial and environmental accidents.</li> <li>• <b>Labour risks:</b> There is a risk that the Spur Hill Project is unable to attract the skilled labour force necessary for an underground coal project of this nature.</li> <li>• <b>Infrastructure risk:</b> There is no guarantee that suitable and affordable rail and port capacity will be available to commercially export coal.</li> <li>• <b>Access corridor:</b> The Company does not own all of the surface land between the Spur Hill Project area and various potential points of access to the rail corridor. As such, although there are a number of options, there is a risk that the Company may not secure an economically feasible access corridor to the rail line.</li> <li>• <b>Joint Venture risks:</b> As the Spur Hill Project is held in a joint venture structure, any failure by the Company, or the Company's Spur Hill Joint Venture partner to act in a manner consistent with the Farm-In Agreement and the Joint Venture Agreement may have a material adverse impact on the Company.</li> <li>• <b>Future financing:</b> There can be no assurance that any future financing required by the Company to support proposed development plans will be available on satisfactory terms or at all. The inability to obtain funding could adversely affect the Company and result in a default in Tenement obligations and forfeiture of permits or licences if not remedied.</li> <li>• <b>Coal prices:</b> Substantial changes to coal markets, coal prices and other macroeconomic factors including foreign exchange rates, could have an adverse impact on the commercial viability of exploiting coal reserves.</li> </ul>	<p>Section 3</p>

Topic	Summary	For more information
<b>What are the key risks faced by investors in Malabar Coal?</b> <i>continued</i>	<ul style="list-style-type: none"> <li>• <b>Key personnel:</b> The Company may be adversely affected if any of the Directors or management leaves the Company. This is because the Company might not be able to replace them with persons of equivalent expertise and experience within a reasonable period of time or at all and the Company may incur additional expenses to recruit, train and retain personnel.</li> <li>• <b>Major Shareholders:</b> Following the Offer, 31.2% of the Company's issued share capital will be held by the Directors and senior management. As such, new investors may have limited ability to influence the management, operation and control of the Company.</li> <li>• <b>Environmental risks:</b> Despite efforts to conduct its activities in an environmentally responsible manner and in accordance with all applicable laws, there is a risk of an adverse environmental event occurring which could delay the Spur Hill Project development timetable and may subject the Company to substantial penalties including fines, damages, clean-up costs or other penalties.</li> <li>• <b>Political and regulatory:</b> The possibility exists that new legislation and/or new regulations may be adopted that adversely affect the Company's current and proposed mining operations, cost structure and/or the ability of its customers to use coal.</li> <li>• <b>General risks:</b> Financial markets, changes in laws and government policy, taxation, insurance risks and other unforeseen events may adversely impact the Company.</li> </ul>	Section 3

## 1.4 THE OFFER

<b>What is being offered?</b>	Pursuant to this Prospectus, Malabar Coal invites investors to apply for 20,000,000 Shares at an issue price of \$1.00 per Share to raise a total of \$20,000,000. All Shares issued pursuant to this Prospectus will be fully paid and will rank equally in all respects with the Shares currently on issue.	Section 5																
<b>How do I apply?</b>	<p>By completing and submitting a valid Application Form, a blank copy of which accompanies and forms part of this Prospectus (including the electronic version of this Prospectus), in accordance with the instructions set out on the Application Form.</p> <p>Applications must be for a minimum of 2,000 Shares (i.e. \$2,000) and thereafter in multiples of 500 Shares (i.e. \$500). Applications for less than the minimum accepted application of 2,000 Shares will not be accepted.</p> <p>Applicants under the Broker Firm Offer must pay their Application Monies in accordance with instructions from their broker.</p>	Application form																
<b>What are the key offer statistics?</b>	<p>The key terms of the Offer are set out in Table 1:</p> <p><i>Table 1: Key Offer Terms</i></p> <table border="1"> <thead> <tr> <th colspan="2">Key Offer Terms</th> </tr> </thead> <tbody> <tr> <td>Offer Price per Share</td> <td>\$1.00</td> </tr> <tr> <td>Total number of Shares on issue (other than Shares offered under this Prospectus)</td> <td>65,000,000</td> </tr> <tr> <td>Shares offered under this Prospectus</td> <td>20,000,000</td> </tr> <tr> <td>Total number of Shares on issue upon listing on ASX</td> <td>85,000,000</td> </tr> <tr> <td>Options agreed to be granted<sup>2</sup></td> <td>450,000</td> </tr> <tr> <td>Amount to be raised under the Offer</td> <td>\$20,000,000</td> </tr> <tr> <td>Undiluted market capitalisation at the Offer Price</td> <td>\$85,000,000</td> </tr> </tbody> </table> <p><sup>2</sup> The Company has agreed to grant these Options on the business day immediately prior to the ASX Quotation Date.</p>	Key Offer Terms		Offer Price per Share	\$1.00	Total number of Shares on issue (other than Shares offered under this Prospectus)	65,000,000	Shares offered under this Prospectus	20,000,000	Total number of Shares on issue upon listing on ASX	85,000,000	Options agreed to be granted <sup>2</sup>	450,000	Amount to be raised under the Offer	\$20,000,000	Undiluted market capitalisation at the Offer Price	\$85,000,000	Section 5
Key Offer Terms																		
Offer Price per Share	\$1.00																	
Total number of Shares on issue (other than Shares offered under this Prospectus)	65,000,000																	
Shares offered under this Prospectus	20,000,000																	
Total number of Shares on issue upon listing on ASX	85,000,000																	
Options agreed to be granted <sup>2</sup>	450,000																	
Amount to be raised under the Offer	\$20,000,000																	
Undiluted market capitalisation at the Offer Price	\$85,000,000																	

Topic	Summary	For more information																		
<p><b>What are the key offer statistics?</b> <i>continued</i></p>	<p>Note: The key Offer statistics are presented post conversion of Converting Preference Shares (“CPS”) to Shares and post the Subdivision of Shares approved by the holders of Shares of Malabar Coal on 7 February 2013.</p> <p>As at the date of this Prospectus, there were 18,382,822 Shares and 20,000,000 Converting Preference Shares outstanding. Under the Subdivision, the issued Shares in the Company will increase from 18,382,822 Shares to 40,999,979 Shares, to be applied pro rata between all holders of Shares of the Company. The CPS will convert into 24,000,021 Shares on the date on which the ASX confirms the Company’s listing on ASX.</p> <p>In general terms, the number of Shares and Options in this Prospectus are presented post the Subdivision and conversion of CPS.</p>																			
<p><b>What is the purpose of the Offer and how will the funds raised be used?</b></p>	<p>The primary purpose of the Offer is to:</p> <ul style="list-style-type: none"> <li>• fund continued development of the Project;</li> <li>• fund the expenses of the Offer and the costs of listing the Company on the ASX; and</li> <li>• provide general working capital for the Company.</li> </ul> <p>Following the close of the Offer and upon admission to the Official List, the Company expects to have received a total of \$20,000,000 from subscribers for Shares under the Offer. The Company had approximately \$3,900,000 in cash as at 31 December 2012. The Company intends to apply these funds as follows:</p> <p><i>Table 2: Use of funds from the Offer and existing cash reserves</i></p> <table border="1" data-bbox="580 1196 1316 1545"> <thead> <tr> <th data-bbox="580 1196 1214 1240">Use of Funds</th> <th data-bbox="1214 1196 1316 1240">\$ million</th> </tr> </thead> <tbody> <tr> <td data-bbox="580 1240 1214 1279">Exploration programme</td> <td data-bbox="1214 1240 1316 1279">5.0</td> </tr> <tr> <td data-bbox="580 1279 1214 1317">Environmental studies &amp; approvals</td> <td data-bbox="1214 1279 1316 1317">3.2</td> </tr> <tr> <td data-bbox="580 1317 1214 1355">Project management &amp; corporate costs</td> <td data-bbox="1214 1317 1316 1355">3.0</td> </tr> <tr> <td data-bbox="580 1355 1214 1393">IPO costs</td> <td data-bbox="1214 1355 1316 1393">1.7</td> </tr> <tr> <td data-bbox="580 1393 1214 1431">Land &amp; related costs (after debt financing)<sup>3</sup></td> <td data-bbox="1214 1393 1316 1431">6.2</td> </tr> <tr> <td data-bbox="580 1431 1214 1469">Milestone Payment to SHUT<sup>4</sup></td> <td data-bbox="1214 1431 1316 1469">2.5</td> </tr> <tr> <td data-bbox="580 1469 1214 1507">Additional working capital &amp; contingency</td> <td data-bbox="1214 1469 1316 1507">2.3</td> </tr> <tr> <td data-bbox="580 1507 1214 1545"><b>Total</b></td> <td data-bbox="1214 1507 1316 1545"><b>23.9</b></td> </tr> </tbody> </table> <p>Table 2 above outlines the Company’s intended use of funds through to June 2014. This may be subject to change as the Project progresses and new circumstances arise (such as acquiring land that may become available during the period). The Company has the ability to alter its planned expenditure to meet the requirements of the Project such as altering drilling programme or accelerating engineering and environmental studies.</p> <p>On completion of the Offer, the Board believes the Company will have sufficient capital to achieve its stated objectives. Refer to Section 2.2.</p>	Use of Funds	\$ million	Exploration programme	5.0	Environmental studies & approvals	3.2	Project management & corporate costs	3.0	IPO costs	1.7	Land & related costs (after debt financing) <sup>3</sup>	6.2	Milestone Payment to SHUT <sup>4</sup>	2.5	Additional working capital & contingency	2.3	<b>Total</b>	<b>23.9</b>	Section 5
Use of Funds	\$ million																			
Exploration programme	5.0																			
Environmental studies & approvals	3.2																			
Project management & corporate costs	3.0																			
IPO costs	1.7																			
Land & related costs (after debt financing) <sup>3</sup>	6.2																			
Milestone Payment to SHUT <sup>4</sup>	2.5																			
Additional working capital & contingency	2.3																			
<b>Total</b>	<b>23.9</b>																			

<sup>3</sup> The Company has \$1.9 million in debt available for draw-down which will be used to partially finance the land acquisitions. Total land costs including stamp duty and other land related costs are expected to be approximately \$8.1 million.

<sup>4</sup> Assumes one Milestone Payment is made per the Farm-in Agreement. Refer to Sections 2.15.1 and 10.1.

Topic	Summary	For more information												
<b>How many Shares will be issued under the Offer?</b>	Malabar Coal is inviting investors to apply for 20,000,000 Shares. The Shares to be issued represent approximately 23.5% of the Shares on issue following completion of the Offer and listing of the Company on the ASX (after conversion of CPS into Shares).	Section 5												
<b>How will the Subdivision of Shares affect the Offer?</b>	On 7 February 2013 the holders of Shares of Malabar Coal approved the Subdivision of all of the issued Shares in the Company from 18,382,822 Shares to 40,999,979 Shares, to be applied pro rata between all holders of Shares of the Company. The approval is conditional upon the Company receiving \$20,000,000 from subscribers under the Offer. The Prospectus indicates Share numbers following the Subdivision even though the Subdivision is not effective until this condition is satisfied. The number of Shares offered for issue under the Offer and the Offer Price are shown on the basis that the Subdivision has occurred.													
<b>What are the total proceeds of the Offer?</b>	The total proceeds of the Offer will be \$20,000,000.	Section 5												
<b>Who can apply under the Offer?</b>	Institutional Investors under the Institutional Offer and other investors who have received a firm allocation from their broker under the Broker Firm Offer. You should contact your broker to determine whether they may allocate Shares to you under the Broker Firm Offer.  No Shares are being offered to the general public.	Section 5												
<b>What will the market capitalisation of Malabar Coal be at the Offer Price?</b>	The market capitalisation of the Company upon listing is \$85,000,000, based on 85,000,000 Shares on issue and the Offer Price.	Section 5												
<b>What are the key dates of the Offer?</b>	<p>The key dates for the Offer are as follows:</p> <p><i>Table 3: Key Dates of the Offer</i></p> <table border="1" data-bbox="327 1400 1066 1659"> <thead> <tr> <th colspan="2">Key Dates</th> </tr> </thead> <tbody> <tr> <td>Opening Date</td> <td>2 March 2013</td> </tr> <tr> <td>Closing Date</td> <td>15 March 2013</td> </tr> <tr> <td>Expected date for allotment of Shares</td> <td>20 March 2013</td> </tr> <tr> <td>Expected date for despatch of holding statements</td> <td>20 March 2013</td> </tr> <tr> <td>Expected date for the quotation of the Company's Shares on ASX</td> <td>26 March 2013</td> </tr> </tbody> </table> <p>The above dates are indicative only and may change without notice. The Company reserves the right to extend the Closing Date or close the Offer early without notice.</p>	Key Dates		Opening Date	2 March 2013	Closing Date	15 March 2013	Expected date for allotment of Shares	20 March 2013	Expected date for despatch of holding statements	20 March 2013	Expected date for the quotation of the Company's Shares on ASX	26 March 2013	Section 5
Key Dates														
Opening Date	2 March 2013													
Closing Date	15 March 2013													
Expected date for allotment of Shares	20 March 2013													
Expected date for despatch of holding statements	20 March 2013													
Expected date for the quotation of the Company's Shares on ASX	26 March 2013													

Topic	Summary	For more information																																			
<b>Who will own the shares in Malabar Coal on completion of the Offer and listing upon ASX?</b>	<p>Details of the expected ownership of Shares on issue immediately prior to the Offer and on listing on the ASX following completion of the Offer are set out in Table 4 and in Section 5 (Offer Details):</p> <p><i>Table 4: Ownership of Shares in Malabar Coal<sup>5</sup></i></p> <table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="2">Pre-Offer</th> <th colspan="2">Upon admission to the Official List</th> </tr> <tr> <th>Shares</th> <th>%</th> <th>Shares</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Directors/ Promoters/ Related Parties</td> <td>24,616,235</td> <td>37.9%</td> <td>26,916,235<sup>6</sup></td> <td>31.7%</td> </tr> <tr> <td>Other Pre-IPO Investors</td> <td>40,383,765</td> <td>62.1%</td> <td>40,383,765</td> <td>47.5%</td> </tr> <tr> <td>Issued under this Offer (excluding Directors)</td> <td>–</td> <td>–</td> <td>17,700,000</td> <td>20.8%</td> </tr> <tr> <td><b>Total</b></td> <td><b>65,000,000</b></td> <td><b>100.0%</b></td> <td><b>85,000,000</b></td> <td><b>100.0%</b></td> </tr> </tbody> </table>		Pre-Offer		Upon admission to the Official List		Shares	%	Shares	%	Directors/ Promoters/ Related Parties	24,616,235	37.9%	26,916,235 <sup>6</sup>	31.7%	Other Pre-IPO Investors	40,383,765	62.1%	40,383,765	47.5%	Issued under this Offer (excluding Directors)	–	–	17,700,000	20.8%	<b>Total</b>	<b>65,000,000</b>	<b>100.0%</b>	<b>85,000,000</b>	<b>100.0%</b>	Section 5						
	Pre-Offer		Upon admission to the Official List																																		
	Shares	%	Shares	%																																	
Directors/ Promoters/ Related Parties	24,616,235	37.9%	26,916,235 <sup>6</sup>	31.7%																																	
Other Pre-IPO Investors	40,383,765	62.1%	40,383,765	47.5%																																	
Issued under this Offer (excluding Directors)	–	–	17,700,000	20.8%																																	
<b>Total</b>	<b>65,000,000</b>	<b>100.0%</b>	<b>85,000,000</b>	<b>100.0%</b>																																	
<b>Will existing shareholders be subject to escrow?</b>	<p>The determination of which securities of the Company will be escrowed is subject to the discretion of the ASX. However the Shares held (and Options to be held) by the Directors and persons who are classified as related parties or promoters (for the purposes of the ASX Listing Rules) as detailed in Table 5 will be escrowed for a period of 2 years from the date of quotation of the Company's Shares on the ASX.</p> <p><i>Table 5: Restricted securities schedule<sup>7</sup></i></p> <table border="1"> <thead> <tr> <th>Name of Investor</th> <th>Relevant Individuals</th> <th>Reason for Restrictions</th> <th>No. of Shares<sup>8</sup></th> <th>No. of Options<sup>9</sup></th> </tr> </thead> <tbody> <tr> <td>Brisbane Investments I Ltd</td> <td>Hans Mende (Director)</td> <td>Related Party/ Promoter/ Seed Capitalist</td> <td>8,059,789</td> <td>–</td> </tr> <tr> <td>Westbrook Coal Pty Ltd</td> <td>Andy Plummer (Director)</td> <td>Related Party/ Promoter/ Seed Capitalist</td> <td>5,660,684</td> <td>–</td> </tr> <tr> <td>Ironstone Capital Partners Pty Ltd</td> <td>Simon Keyser (Director)/ Wayne Seabrook (Director)</td> <td>Promoter</td> <td>5,483,590</td> <td>–</td> </tr> <tr> <td>Mast Capital Pty Ltd (ATF Keyser Family Trust)</td> <td>Simon Keyser (Director)</td> <td>Related Party/ Promoter/ Seed Capitalist</td> <td>2,467,342</td> <td>–</td> </tr> <tr> <td>Westmark Investments Pty Ltd (ATF Westbrook Investment Trust)</td> <td>Wayne Seabrook (Director)</td> <td>Related Party/ Promoter/ Seed Capitalist</td> <td>2,467,342</td> <td>–</td> </tr> <tr> <td>Aldo Dal Pozzo</td> <td>Aldo Dal Pozzo</td> <td>Related Party/ Promoter/ Seed Capitalist</td> <td>255,967</td> <td>–</td> </tr> </tbody> </table>	Name of Investor	Relevant Individuals	Reason for Restrictions	No. of Shares <sup>8</sup>	No. of Options <sup>9</sup>	Brisbane Investments I Ltd	Hans Mende (Director)	Related Party/ Promoter/ Seed Capitalist	8,059,789	–	Westbrook Coal Pty Ltd	Andy Plummer (Director)	Related Party/ Promoter/ Seed Capitalist	5,660,684	–	Ironstone Capital Partners Pty Ltd	Simon Keyser (Director)/ Wayne Seabrook (Director)	Promoter	5,483,590	–	Mast Capital Pty Ltd (ATF Keyser Family Trust)	Simon Keyser (Director)	Related Party/ Promoter/ Seed Capitalist	2,467,342	–	Westmark Investments Pty Ltd (ATF Westbrook Investment Trust)	Wayne Seabrook (Director)	Related Party/ Promoter/ Seed Capitalist	2,467,342	–	Aldo Dal Pozzo	Aldo Dal Pozzo	Related Party/ Promoter/ Seed Capitalist	255,967	–	Section 5
Name of Investor	Relevant Individuals	Reason for Restrictions	No. of Shares <sup>8</sup>	No. of Options <sup>9</sup>																																	
Brisbane Investments I Ltd	Hans Mende (Director)	Related Party/ Promoter/ Seed Capitalist	8,059,789	–																																	
Westbrook Coal Pty Ltd	Andy Plummer (Director)	Related Party/ Promoter/ Seed Capitalist	5,660,684	–																																	
Ironstone Capital Partners Pty Ltd	Simon Keyser (Director)/ Wayne Seabrook (Director)	Promoter	5,483,590	–																																	
Mast Capital Pty Ltd (ATF Keyser Family Trust)	Simon Keyser (Director)	Related Party/ Promoter/ Seed Capitalist	2,467,342	–																																	
Westmark Investments Pty Ltd (ATF Westbrook Investment Trust)	Wayne Seabrook (Director)	Related Party/ Promoter/ Seed Capitalist	2,467,342	–																																	
Aldo Dal Pozzo	Aldo Dal Pozzo	Related Party/ Promoter/ Seed Capitalist	255,967	–																																	

<sup>5</sup> Pre-Offer Shares presented are after Subdivision and conversion of CPS.

<sup>6</sup> The level of Director participation under the Offer will be \$2,300,000.

<sup>7</sup> Shares presented are after Subdivision and conversion of CPS.

<sup>8</sup> Being Shares held (or to be held) by each investor or their related entities.

<sup>9</sup> Being Options held (or to be held) by each investor or their related entities.

Topic	Summary	For more information																														
<p><b>Will existing shareholders be subject to escrow?</b> <i>continued</i></p>	<table border="1"> <thead> <tr> <th data-bbox="331 360 491 421">Name of Investor</th> <th data-bbox="499 360 651 421">Relevant Individuals</th> <th data-bbox="659 360 858 421">Reason for Restrictions</th> <th data-bbox="866 360 970 421">No. of Shares<sup>8</sup></th> <th data-bbox="978 360 1066 421">No. of Options<sup>9</sup></th> </tr> </thead> <tbody> <tr> <td data-bbox="331 432 491 566">Belltrees Investments Pty Ltd (ATF Cassidy Doyle Family Trust)</td> <td data-bbox="499 432 651 488">Peter Doyle (CEO)</td> <td data-bbox="659 432 858 510">Related Party/ Promoter/ Seed Capitalist</td> <td data-bbox="866 432 970 454">120,000</td> <td data-bbox="978 432 1066 454">–</td> </tr> <tr> <td data-bbox="331 577 491 633">Brian Douglas Beem, Jr</td> <td data-bbox="499 577 651 633">Brian Douglas Beem, Jr</td> <td data-bbox="659 577 858 656">Related Party/ Promoter/ Seed Capitalist</td> <td data-bbox="866 577 970 600">101,521</td> <td data-bbox="978 577 1066 600">–</td> </tr> <tr> <td data-bbox="331 667 491 790">Belltrees Investments Pty Ltd (ATF Cassidy Doyle Family Trust)</td> <td data-bbox="499 667 651 723">Peter Doyle (CEO)</td> <td data-bbox="659 667 858 768">Related Party/ Promoter/ Options under ESOP</td> <td data-bbox="866 667 970 689">–</td> <td data-bbox="978 667 1066 689">250,000<sup>10</sup></td> </tr> <tr> <td data-bbox="331 801 491 824">Tony Galligan</td> <td data-bbox="499 801 651 824">Tony Galligan</td> <td data-bbox="659 801 858 880">Related Party/ Options under ESOP</td> <td data-bbox="866 801 970 824">–</td> <td data-bbox="978 801 1066 824">200,000<sup>11</sup></td> </tr> <tr> <td data-bbox="331 891 491 913"><b>Total</b></td> <td data-bbox="499 891 651 913"></td> <td data-bbox="659 891 858 913"></td> <td data-bbox="866 891 970 913"><b>24,616,235</b></td> <td data-bbox="978 891 1066 913"><b>450,000</b></td> </tr> </tbody> </table> <p data-bbox="323 947 1070 1059">It is expected that all Shares identified in Table 5 will be escrowed for 24 months either by way of ASX mandatory escrow or voluntary escrow. Any Shares acquired by these investors under the Offer will not be subject to escrow.</p> <p data-bbox="323 1081 1070 1193">The anticipated number of Shares subject to a 24 month escrow period is 24,616,235 (as outlined in Table 5) which accounts for approximately 29.0% of the Shares on issue following completion of the Offer.</p> <p data-bbox="323 1216 1070 1328">A further 16,510,195 shares or 19.4% of Shares on issue following completion of the Offer will be subject to a voluntary escrow period of 6 months from the date of quotation of the Company's Shares on the ASX.</p> <p data-bbox="323 1350 1070 1429">Therefore, for the first 6 months from the date of Official Quotation, the Company expects 48.4% of Shares will be escrowed, after which 29.0% will continue for the duration of the 24 month period.</p>	Name of Investor	Relevant Individuals	Reason for Restrictions	No. of Shares <sup>8</sup>	No. of Options <sup>9</sup>	Belltrees Investments Pty Ltd (ATF Cassidy Doyle Family Trust)	Peter Doyle (CEO)	Related Party/ Promoter/ Seed Capitalist	120,000	–	Brian Douglas Beem, Jr	Brian Douglas Beem, Jr	Related Party/ Promoter/ Seed Capitalist	101,521	–	Belltrees Investments Pty Ltd (ATF Cassidy Doyle Family Trust)	Peter Doyle (CEO)	Related Party/ Promoter/ Options under ESOP	–	250,000 <sup>10</sup>	Tony Galligan	Tony Galligan	Related Party/ Options under ESOP	–	200,000 <sup>11</sup>	<b>Total</b>			<b>24,616,235</b>	<b>450,000</b>	Section 5
Name of Investor	Relevant Individuals	Reason for Restrictions	No. of Shares <sup>8</sup>	No. of Options <sup>9</sup>																												
Belltrees Investments Pty Ltd (ATF Cassidy Doyle Family Trust)	Peter Doyle (CEO)	Related Party/ Promoter/ Seed Capitalist	120,000	–																												
Brian Douglas Beem, Jr	Brian Douglas Beem, Jr	Related Party/ Promoter/ Seed Capitalist	101,521	–																												
Belltrees Investments Pty Ltd (ATF Cassidy Doyle Family Trust)	Peter Doyle (CEO)	Related Party/ Promoter/ Options under ESOP	–	250,000 <sup>10</sup>																												
Tony Galligan	Tony Galligan	Related Party/ Options under ESOP	–	200,000 <sup>11</sup>																												
<b>Total</b>			<b>24,616,235</b>	<b>450,000</b>																												
<p><b>What is the minimum and maximum Application amount under the Offer?</b></p>	<p data-bbox="323 1440 1070 1496">The minimum Application under the Offer is \$2,000, and in multiples of \$500 thereafter.</p> <p data-bbox="323 1507 1070 1563">There is no maximum value of Shares that may be applied for under the Offer.</p>	Section 5																														
<p><b>What is the allocation policy? Will I be guaranteed a minimum allocation under the Offer?</b></p>	<p data-bbox="323 1653 1070 1765">The allocation of Shares between the Broker Firm Offer (for allocation to their Australian resident retail clients) and the Institutional Offer is to be determined by the Joint Lead Managers in consultation with Malabar Coal.</p> <p data-bbox="323 1776 1070 1832">For Broker Firm Offer participants, brokers will decide as to how they allocate Shares among their retail clients.</p> <p data-bbox="323 1843 1070 2020">Malabar Coal and the Joint Lead Managers reserve the right, in their absolute discretion, to allot the Shares applied for under any Application in full or to allot any lesser number or to decline any Application for any or no reason. Malabar Coal and the Joint Lead Managers may in their absolute discretion give preference to certain investors in accepting Applications under the Offer.</p>	Section 5																														

8 Being Shares held (or to be held) by each investor or their related entities.

9 Being Options held (or to be held) by each investor or their related entities.

10 To be granted on the business day immediately prior to the ASX Quotation Date.

11 To be granted on the business day immediately prior to the ASX Quotation Date.

Topic	Summary	For more information
<b>Will dividends be paid? If so, when?</b>	The Directors intend to give priority to the development of the Company's projects towards production and, as such, do not currently have any plans to pay dividends. The payment and amount of any potential future dividends declared by the Company are subject to the discretion of the Directors and will depend upon, among other things, the Company's earnings, financial position, tax position, restrictions in its financing arrangements, capital requirements and availability of profits.	Section 5
<b>What are the costs of the Offer?</b>	The total costs of the Offer are estimated at approximately \$2.1 million (including GST), of which, \$0.4 million has been paid as at 31 December 2012. The remaining \$1.7 million will be paid by the Company out of the proceeds of the Offer.	Section 5
<b>Is there any brokerage, commission or stamp duty payable?</b>	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer.	Section 5
<b>What are the tax implications of investing in the Shares?</b>	A summary of the Australian tax consequences for investors who acquire new Shares under the Offer is set out in Section 11 (Additional Information). However, the tax consequences of any investment in Shares will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to investing.	Section 5
<b>Is the Offer Underwritten?</b>	Yes, the Offer is underwritten by the Joint Lead Managers for the full amount of the Offer.	Section 10.12
<b>Can the Offer be withdrawn?</b>	<p>The Company reserves the right not to proceed with the Offer at any time before the issue of Shares to successful Applicants.</p> <p>If the Offer does not proceed, Application Monies will be refunded.</p> <p>No interest will be paid on any Application Monies refunded as a result of the Offer being withdrawn.</p>	Section 5
<b>How much money will the Company need to increase its project interest to 80% and how will this be funded?</b>	<p>The Company can increase its interest in the Spur Hill Project through a series of Milestone Payments, funding Project Expenditure and exercising a Call Option.</p> <p>To achieve an 80% interest in the Project, the Company will require total funding of \$87.8 million made up of:</p> <ul style="list-style-type: none"> <li>• \$10 million in Milestone Payments to acquire a further 10% interest;</li> <li>• \$30 million to exercise a Call Option to acquire a further 15% interest; and</li> <li>• Provide \$47.8 million in Project Expenditure to earn a further 27.3% interest.</li> </ul> <p>The \$10 million in Milestone Payments consists of four separate payments of \$2.5 million, payable on achieving each of the following Milestones:</p> <ol style="list-style-type: none"> <li>a. Proved JORC Reserves of at least 80Mt;</li> <li>b. submission of an environmental assessment for the Project;</li> <li>c. completion of a detailed feasibility study into the development of the Project; and</li> <li>d. grant of a Mining Lease.</li> </ol> <p>The total Project Expenditure remaining under the Farm-in Agreement is \$47.8 million, however the Company retains 80% of the value of that Expenditure, hence the net cost to the Company is \$9.6 million. This results in a total net cost of \$49.6 million to achieve an 80% interest in the Project.</p>	Section 5



Topic	Summary	For more information
<p><b>How much money will the Company need to increase its project interest to 80% and how will this be funded?</b></p> <p><i>continued</i></p>	<p>Based on the current project development timeline these funds will be required over the next 3 years. Sources of finance include capital raisings, introduction of another project partner, project equity or debt or a combination of some or all of these.</p> <p>Refer to Section 2.15 for further details of the expenditure that relates to the acquisition of an 80% interest in the Spur Hill Project.</p> <p>Separate to acquiring the 80% interest, the expected total capital cost to develop the first longwall is approximately \$800 million (100% basis)<sup>12</sup> including pre-development costs and a 15% contingency. To develop the second longwall, Malabar Coal expects an additional cost of \$400 million (100% basis)<sup>13</sup>. Funding for this expenditure may come from various sources, including further capital raisings, future operating cash flows, joint ventures, debt funding or other such financing options.</p>	
<p><b>Where can I find more information about this Prospectus or the Offer?</b></p>	<p>Further information can be obtained by reading this Prospectus in its entirety. For advice on the Offer you should speak to your stockbroker, accountant or other professional adviser. If you require assistance or additional copies of this Prospectus please contact the Share Registry on 1800 128 092 (within Australia).</p>	Section 5
<p><b>Contact details</b></p>	<p>For further contact details refer to the Corporate Directory.</p>	Corporate Directory

## 1.5 FINANCIAL INFORMATION

<p><b>What is the key financial information of the Company?</b></p>	<p>Table 6 summarises the Company's pro forma consolidated statement of financial position at 31 December 2012, assuming completion of the Offer and the pro forma adjustments which are set out in Section 9 (Investigating Accountant's Report) and should be read together with the Investigating Accountant's Report in Section 9.</p> <p><i>Table 6: Pro forma consolidated Statement of Financial Position</i></p> <table border="1"> <thead> <tr> <th></th> <th>Audited as at 30 June 2012 \$'000</th> <th>Reviewed as at 31 Dec 2012 \$'000</th> <th>Pro forma as at 31 Dec 2012 \$'000</th> </tr> </thead> <tbody> <tr> <td>Cash and cash equivalents</td> <td>22,425</td> <td>3,897</td> <td>22,231</td> </tr> <tr> <td>Other current and non-current assets</td> <td>14,731</td> <td>46,239</td> <td>46,457</td> </tr> <tr> <td>Total assets</td> <td>37,156</td> <td>50,136</td> <td>68,688</td> </tr> <tr> <td>Total liabilities</td> <td>849</td> <td>14,229</td> <td>14,229</td> </tr> <tr> <td>Net assets</td> <td>36,307</td> <td>35,907</td> <td>54,459</td> </tr> <tr> <td>Issued capital</td> <td>36,230</td> <td>36,570</td> <td>55,434</td> </tr> <tr> <td>Accumulated profits/(losses)</td> <td>(256)</td> <td>(914)</td> <td>(963)</td> </tr> <tr> <td>Share-based payment reserves</td> <td>333</td> <td>263</td> <td>-</td> </tr> <tr> <td>Non-controlling interest</td> <td>-</td> <td>(12)</td> <td>(12)</td> </tr> <tr> <td><b>Total equity</b></td> <td><b>36,307</b></td> <td><b>35,907</b></td> <td><b>54,459</b></td> </tr> </tbody> </table> <p>The Directors have considered the matters outlined in ASIC Regulatory Guide 170. Given the Company's limited operating history and focus on the evaluation and exploration of its interest in the Project, the Company considers that it is unable to provide potential investors with any reliable revenue, profit or cash flow projections or forecasts.</p>		Audited as at 30 June 2012 \$'000	Reviewed as at 31 Dec 2012 \$'000	Pro forma as at 31 Dec 2012 \$'000	Cash and cash equivalents	22,425	3,897	22,231	Other current and non-current assets	14,731	46,239	46,457	Total assets	37,156	50,136	68,688	Total liabilities	849	14,229	14,229	Net assets	36,307	35,907	54,459	Issued capital	36,230	36,570	55,434	Accumulated profits/(losses)	(256)	(914)	(963)	Share-based payment reserves	333	263	-	Non-controlling interest	-	(12)	(12)	<b>Total equity</b>	<b>36,307</b>	<b>35,907</b>	<b>54,459</b>	Section 9
	Audited as at 30 June 2012 \$'000	Reviewed as at 31 Dec 2012 \$'000	Pro forma as at 31 Dec 2012 \$'000																																											
Cash and cash equivalents	22,425	3,897	22,231																																											
Other current and non-current assets	14,731	46,239	46,457																																											
Total assets	37,156	50,136	68,688																																											
Total liabilities	849	14,229	14,229																																											
Net assets	36,307	35,907	54,459																																											
Issued capital	36,230	36,570	55,434																																											
Accumulated profits/(losses)	(256)	(914)	(963)																																											
Share-based payment reserves	333	263	-																																											
Non-controlling interest	-	(12)	(12)																																											
<b>Total equity</b>	<b>36,307</b>	<b>35,907</b>	<b>54,459</b>																																											

<sup>12</sup> Stated on a real basis, in 2012 dollar terms.

<sup>13</sup> Stated on a real basis, in 2012 dollar terms.

Topic	Summary	For more information
<b>Where can I find financial information in relation to the Company?</b>	Financial information in relation to the Company is included in the Investigating Accountant's Report contained in Section 9.	Section 9

## 1.6 DIRECTORS AND THE SENIOR MANAGEMENT TEAM

<b>What is the expertise of the Directors and senior management?</b>	<p>Malabar Coal's Board and management team bring a diversified range of skills to the Company. The Board possesses extensive experience in ASX-listed coal companies with former directorships including Excel Coal Limited and Whitehaven Coal Limited. For more information on each of the Directors and senior management team, refer to Section 4.</p> <p><b>Wayne Seabrook, Chairman</b> <i>BE Hons (Chem), MAusIMM, F Fin</i></p> <p>Wayne is the non-executive Chairman of the Company. Wayne has more than 30 years of resources sector and corporate finance experience. He has broad project development experience from previous roles with Alcoa, Macraes Mining, Minproc Engineers and Barclay-Mowlem. Wayne has also held senior corporate finance roles with Macquarie Bank, Challenger and Wilson HTM. He has managed transactions for many coal companies including Felix Resources, Whitehaven Coal, Excel Coal, Cleveland-Cliffs, and AMCI.</p> <p><b>Hans Mende, Non-Executive Director</b> <i>MBA</i></p> <p>Hans has been President of AMCI since he co-founded the company in 1986. Hans has served as a director of Alpha Natural Resources (Inc) USA ("ANR") and as Chairman of ANR Holdings from 2003 to 2005. He was a founder and non-executive director of Whitehaven Coal. Hans is currently a director of White Energy Ltd in Australia, and MMX Mineracao in Brazil, both publicly traded entities.</p> <p><b>Andrew (Andy) Plummer, Non-Executive Director</b> <i>BSc Mining Eng</i></p> <p>Andy has over 35 years experience in the investment banking and mining industries. He was most recently an Executive Director of Whitehaven Coal and prior to that was an Executive Director of Excel Coal.</p> <p><b>Simon Keyser, Non-Executive Director</b> <i>BBus, CA</i></p> <p>Simon has over 20 years of finance sector experience, specialising in the resources and energy sectors. Simon held senior investment banking positions with Wilson HTM and Chase Securities (now JPMorgan Chase) and has managed transactions for coal companies including Felix Resources, Whitehaven Coal and Austral Coal. Simon is currently a director of ASX-listed Titan Energy Services Limited.</p>	Section 4
--	--	-----------

Topic	Summary	For more information
<p><b>What is the expertise of the Directors and senior management?</b></p> <p><i>continued</i></p>	<p><b>Anthony (Tony) Galligan, Non-Executive Director</b> <i>BSc (Geology)</i></p> <p>Tony has more than 40 years experience in the Australian coal industry. He has held senior positions in the areas of geology, project approvals and development, mine safety, and mine-related infrastructure. His most recent position was General Manager Infrastructure with Whitehaven Coal. He was Chairman of Newcastle Coal Infrastructure Group (“NCIG”).</p>	Section 4
	<p><b>Peter Doyle, Chief Executive Officer</b> <i>BSc BE (Mining), MEngSci, MBA (Exec), Coal Mine Managers Certificate</i></p> <p>Peter has over 25 years experience in the coal sector including specific expertise in coal mine approvals and operations. Peter’s work history includes Project Manager at Excel Coal where he managed the approval process and pre-development activities for the large greenfield Wilpinjong Coal Mine, expansion design and approvals for the Wambo Coal Mine, and the Wambo Coal Terminal. More recently, Peter was Peabody Energy Australia’s General Manager for Corporate &amp; Operations Support.</p>	
	<p><b>Ian Morgan, Company Secretary</b> <i>BBus, MComLaw, Grad Dip App Fin, CA, ACIS, ACSA, MAICD, F Fin</i></p> <p>Ian is a Chartered Accountant and Chartered Company Secretary, with over 30 years of experience. He provides secretarial and advisory services to a range of companies, and is company secretary of other publicly listed companies.</p>	

## 1.7 INTERESTS, BENEFITS AND RELATED PARTY TRANSACTIONS

<p><b>What significant benefits and interests are payable to Directors and other persons connected with the Company or the Offer?</b></p>	<table border="1"> <thead> <tr> <th data-bbox="331 1270 730 1310">Key People</th> <th data-bbox="738 1270 1067 1310">Interest or Benefit</th> </tr> </thead> <tbody> <tr> <td data-bbox="331 1317 730 1368">Chief Executive Officer</td> <td data-bbox="738 1317 1067 1368">Remuneration/ CEO Options/ Bonuses</td> </tr> <tr> <td data-bbox="331 1375 730 1413">Management</td> <td data-bbox="738 1375 1067 1413">Remuneration</td> </tr> <tr> <td data-bbox="331 1420 730 1471">Non-Executive Directors and Chairman</td> <td data-bbox="738 1420 1067 1471">Directors’ Fees/ Director Options/ Consultation Fees</td> </tr> <tr> <td data-bbox="331 1478 730 1516">Advisers and other service providers</td> <td data-bbox="738 1478 1067 1516">Fees for services</td> </tr> <tr> <td data-bbox="331 1523 730 1574">Joint Lead Managers, Joint Bookrunners and Underwriters</td> <td data-bbox="738 1523 1067 1574">Fees for services</td> </tr> </tbody> </table>	Key People	Interest or Benefit	Chief Executive Officer	Remuneration/ CEO Options/ Bonuses	Management	Remuneration	Non-Executive Directors and Chairman	Directors’ Fees/ Director Options/ Consultation Fees	Advisers and other service providers	Fees for services	Joint Lead Managers, Joint Bookrunners and Underwriters	Fees for services	Sections 11.3 and 11.8
	Key People	Interest or Benefit												
	Chief Executive Officer	Remuneration/ CEO Options/ Bonuses												
	Management	Remuneration												
	Non-Executive Directors and Chairman	Directors’ Fees/ Director Options/ Consultation Fees												
Advisers and other service providers	Fees for services													
Joint Lead Managers, Joint Bookrunners and Underwriters	Fees for services													

Topic	Summary	For more information
<p><b>Are there any significant related party transactions?</b></p>	<p>The Group has entered into a number of transactions with related parties which have either fallen within an exception under Chapter 2E of the Corporations Act or have been approved by shareholders in general meetings. The transactions are:</p> <p><b>Transactions with Ironstone Capital</b></p> <ul style="list-style-type: none"> <li>• Ironstone Capital is a boutique corporate advisory business owned by two of the Directors – Wayne Seabrook and Simon Keyser. Ironstone Capital provides advice to energy and resource companies on mergers and acquisitions, divestments, capital raisings and corporate strategy.</li> <li>• Ironstone Capital established Malabar Coal in June 2011 for the purpose of acquiring an interest in the Project.</li> <li>• Malabar Coal had an investment management arrangement with Ironstone Capital for the provision of corporate advisory and investment management services, on commercial, arms-length terms. An aggregate of 1,188,375 Shares (post Subdivision) have been issued to Ironstone Capital for investment management services provided to the Company up to the date of this Prospectus. This investment management arrangement terminates on the Opening Date.</li> </ul> <ul style="list-style-type: none"> <li>• The Company has also entered into the Ironstone Secondment Arrangement with Ironstone Capital. Under this arrangement, Ironstone Capital second its staff to the Project to assist with Project-based activities such as land acquisitions, community, government and landowner liaison, financial modelling, accounting, engineering design and commercial negotiations with third parties. Work performed by Simon Keyser or Wayne Seabrook has not been charged to the Company. From 15 July 2011 to 31 December 2012, an aggregate of \$563,473 (excluding GST) has been paid to Ironstone Capital for the secondment of its staff to the Company under the Ironstone Secondment Arrangement. Refer to Section 10 (Material Contracts) for a summary of the Ironstone Secondment Arrangement.</li> </ul> <p><b>Other Transactions</b></p> <ul style="list-style-type: none"> <li>• Entry into a consultancy arrangement with Wayne Seabrook for work performed that is not related to his role on the Board. No consultancy fees have been incurred by the Company under this consultancy arrangement prior to the date of this Prospectus. Refer to Section 11 for a summary of material terms of the appointment letter of which this consultancy arrangement forms a part.</li> <li>• Entry into a consultancy arrangement with Dal Pozzo Consulting Pty Ltd (an entity associated with Aldo Dal Pozzo, an alternate Director of the Company who resigned on 23 January 2013) for provision of accounting services. Refer to Section 10 (Material Contracts) for a summary of the Ironstone Secondment Arrangement of which this arrangement forms a part.</li> <li>• Entry into the XLX Sub-Lease with XLX (an entity associated with Simon Keyser, Andy Plummer and Wayne Seabrook, Directors of the Company) for head-office premises under which the XLX Sub-Lease Rent will be paid each month. The rent is charged by XLX to Malabar Coal on a pass through cost basis. Refer to Section 10 (Material Contracts) for a summary of the XLX Sub-Lease.</li> <li>• Entry by Spur Hill Management into a lease with XLX under which rent was paid to XLX. This lease has now expired.</li> </ul>	

Topic	Summary	For more information																																			
<p><b>Are there any significant related party transactions?</b></p> <p><i>continued</i></p>	<ul style="list-style-type: none"> <li>• Issue (and conversion) of converting preference shares in the Company to certain investors which include Wayne Seabrook, Simon Keyser, Hans Mende and Andy Plummer, Directors of the Company. These converting preference shares were acquired on the same terms as third party investors.</li> <li>• Issue of Options to Tony Galligan, a Director of the Company, under the Company's Executive Share Option Plan ("ESOP").</li> <li>• Payment of Directors' fees. No Directors' fees have been paid up to the date of this Prospectus. Refer to Section 11 (Additional Information) for a summary of the appointment letters under which these fees are to be paid.</li> </ul> <p>The Company also issued Shares for consideration to the Directors before it became a public company. The consideration paid for these Shares were on the same terms as other third party investors. Refer to Section 11 (Additional Information) for details of Shares held directly or indirectly by the Directors and their Associates. The Company has also paid \$445,000 to Ironstone Capital for capital raising services on an arms length basis, prior to the Company becoming a public company.</p>																																				
<p><b>Significant shareholders</b></p>	<p>Details of shareholders who directly or indirectly beneficially hold 5% or more of the Company's Shares on issue as at the date of this Prospectus, and who will directly or indirectly beneficially hold more than 5% after completion of the Offer, are set out in Table 7.</p> <p><i>Table 7: Significant shareholders<sup>14</sup></i></p> <table border="1" data-bbox="328 1133 1070 1883"> <thead> <tr> <th data-bbox="328 1133 480 1294">Beneficial Shareholder</th> <th data-bbox="488 1133 655 1294">Shares beneficially held as at the date of this Prospectus</th> <th data-bbox="663 1133 783 1294">% of total Shares as at date of this Prospectus</th> <th data-bbox="791 1133 943 1294">Shares beneficially held after completion of the Offer<sup>15</sup></th> <th data-bbox="951 1133 1070 1294">% of total Shares after completion of the Offer</th> </tr> </thead> <tbody> <tr> <td data-bbox="328 1305 480 1335">Hans Mende</td> <td data-bbox="488 1305 655 1335">8,059,789</td> <td data-bbox="663 1305 783 1335">12.4%</td> <td data-bbox="791 1305 943 1335">9,859,789</td> <td data-bbox="951 1305 1070 1335">11.6%</td> </tr> <tr> <td data-bbox="328 1346 480 1375">Fritz Kundrun</td> <td data-bbox="488 1346 655 1375">8,059,789</td> <td data-bbox="663 1346 783 1375">12.4%</td> <td data-bbox="791 1346 943 1375">9,859,789</td> <td data-bbox="951 1346 1070 1375">11.6%</td> </tr> <tr> <td data-bbox="328 1386 480 1514">Westmark Investments Pty Ltd (ATF Westbrook Investment Trust)<sup>16</sup></td> <td data-bbox="488 1386 655 1415">7,950,932</td> <td data-bbox="663 1386 783 1415">12.2%</td> <td data-bbox="791 1386 943 1415">7,950,932</td> <td data-bbox="951 1386 1070 1415">9.4%</td> </tr> <tr> <td data-bbox="328 1525 480 1603">Mast Capital Pty Ltd (ATF Keyser Family Trust)<sup>17</sup></td> <td data-bbox="488 1525 655 1554">7,950,932</td> <td data-bbox="663 1525 783 1554">12.2%</td> <td data-bbox="791 1525 943 1554">7,950,932</td> <td data-bbox="951 1525 1070 1554">9.4%</td> </tr> <tr> <td data-bbox="328 1615 480 1693">HFTT Pty Ltd (ATF Haggarty Family Trust)</td> <td data-bbox="488 1615 655 1644">5,660,684</td> <td data-bbox="663 1615 783 1644">8.7%</td> <td data-bbox="791 1615 943 1644">6,160,684</td> <td data-bbox="951 1615 1070 1644">7.2%</td> </tr> <tr> <td data-bbox="328 1704 480 1883">Westbrook Coal Pty Ltd (ATF Yuanmi Superannuation Fund and Ranamok Family Trust)<sup>18</sup></td> <td data-bbox="488 1704 655 1733">5,660,684</td> <td data-bbox="663 1704 783 1733">8.7%</td> <td data-bbox="791 1704 943 1733">6,160,684</td> <td data-bbox="951 1704 1070 1733">7.2%</td> </tr> </tbody> </table> <p>For more information, including the expected ownership structure of the Company upon listing on the ASX, please refer to Section 11 (Additional Information).</p>	Beneficial Shareholder	Shares beneficially held as at the date of this Prospectus	% of total Shares as at date of this Prospectus	Shares beneficially held after completion of the Offer <sup>15</sup>	% of total Shares after completion of the Offer	Hans Mende	8,059,789	12.4%	9,859,789	11.6%	Fritz Kundrun	8,059,789	12.4%	9,859,789	11.6%	Westmark Investments Pty Ltd (ATF Westbrook Investment Trust) <sup>16</sup>	7,950,932	12.2%	7,950,932	9.4%	Mast Capital Pty Ltd (ATF Keyser Family Trust) <sup>17</sup>	7,950,932	12.2%	7,950,932	9.4%	HFTT Pty Ltd (ATF Haggarty Family Trust)	5,660,684	8.7%	6,160,684	7.2%	Westbrook Coal Pty Ltd (ATF Yuanmi Superannuation Fund and Ranamok Family Trust) <sup>18</sup>	5,660,684	8.7%	6,160,684	7.2%	Section 11.1
Beneficial Shareholder	Shares beneficially held as at the date of this Prospectus	% of total Shares as at date of this Prospectus	Shares beneficially held after completion of the Offer <sup>15</sup>	% of total Shares after completion of the Offer																																	
Hans Mende	8,059,789	12.4%	9,859,789	11.6%																																	
Fritz Kundrun	8,059,789	12.4%	9,859,789	11.6%																																	
Westmark Investments Pty Ltd (ATF Westbrook Investment Trust) <sup>16</sup>	7,950,932	12.2%	7,950,932	9.4%																																	
Mast Capital Pty Ltd (ATF Keyser Family Trust) <sup>17</sup>	7,950,932	12.2%	7,950,932	9.4%																																	
HFTT Pty Ltd (ATF Haggarty Family Trust)	5,660,684	8.7%	6,160,684	7.2%																																	
Westbrook Coal Pty Ltd (ATF Yuanmi Superannuation Fund and Ranamok Family Trust) <sup>18</sup>	5,660,684	8.7%	6,160,684	7.2%																																	

<sup>14</sup> Number of Shares is post Subdivision and conversion of CPS.

<sup>15</sup> These significant shareholders will subscribe for an aggregate of \$4,600,000 under the Offer.

<sup>16</sup> An entity associated with Wayne Seabrook, includes 5,483,590 Shares held by Ironstone Capital and 2,467,342 Shares held by an associate of Wayne Seabrook (Wayne Seabrook and Simon Keyser are both directors and shareholders of Ironstone Capital).

<sup>17</sup> An entity associated with Simon Keyser, includes 5,483,590 Shares held by Ironstone Capital and 2,467,342 Shares held by an associate of Simon Keyser (Wayne Seabrook and Simon Keyser are both directors and shareholders of Ironstone Capital).

<sup>18</sup> An entity associated with Andrew Plummer.

# 2. Company Overview



## 2.1 MALABAR COAL

Malabar Coal owns 27.7% of the Spur Hill Project, located in the Upper Hunter Valley region of New South Wales, Australia. Malabar Coal has entered into the Farm-In Agreement which gives it the right to increase its interest in the Spur Hill Project up to 80%. More details on the Farm-In Agreement can be found in Section 10 (Material Contracts).

In addition to the Spur Hill Project, Malabar Coal may also seek to acquire other Australian coal assets as part of the Company's strategy of becoming a large-scale coal developer and producer.

## 2.2 BUSINESS OBJECTIVES

The Company's immediate business objectives include:

- Progress the current exploration programme to further delineate Indicated Mineral Resources across the Spur Hill Project area;
- Progress coal quality analyses;
- Progress the detailed environmental assessment being undertaken within and around the Project area;
- Continue strengthening relationships with landowners in the Project area and local community members; and
- Secure land that may be necessary for locating surface infrastructure.

Table 8 outlines how the Company will apply the Offer proceeds and existing funds to achieve these objectives:

*Table 8: Use of Funds*

Use of Funds	\$ million
Exploration programme	5.0
Environmental studies & approvals	3.2
Project management & corporate costs	3.0
IPO costs	1.7
Land & related costs (after debt financing) <sup>19</sup>	6.2
Milestone Payment to SHUT <sup>20</sup>	2.5
Additional working capital & contingency	2.3
<b>Total</b>	<b>23.9</b>

Table 8 above outlines the Company's intended use of funds through to June 2014. This may be subject to change as the Project progresses and new circumstances arise (such as acquiring land that may become available during the period). The Company has the ability to alter its planned expenditure to meet the requirements of the project such as altering drilling programmes or accelerating engineering and environmental studies.

The Directors are satisfied that, upon successful completion of the Offer and from the application of existing funds, the Company will have sufficient working capital to meet its stated objectives.

While the current intention of the Company is not to raise additional funds to complete its stated objectives, it reserves the right to do so if it considers it to be in the best interests of the Company.

## 2.3 SPUR HILL PROJECT

The Spur Hill Project is a coal development project focusing on the production of ultra-low ash soft coking coal, semi-soft coking coal and export thermal coal products. The viability of the conceptual development plan for the Spur Hill Project is based on production of up to 6–8Mtpa ROM<sup>21</sup> coal (100% basis) from two longwall units, with the first longwall coal commencing in late 2017 and the second in 2020.

See Section 2.8 for further discussion of the conceptual development plan.

19 The Company has \$1.9 million in debt available for draw-down which will be used to partially finance the land acquisitions. Total land costs including stamp duty and other land related costs are expected to be approximately \$8.1 million.

20 Assumes one Milestone Payment is made per the Farm-in Agreement. Refer to Sections 2.15.1 and 10.1.

21 See cautionary statement on page 6.

## 2.4 LOCATION

The Spur Hill Project is located in the Upper Hunter Valley of New South Wales. The boundary of the Tenement is approximately 3 kilometres (km) east of Denman and 15 km south-west of Muswellbrook. It is less than 5 km from the Hunter Valley Rail Network leading to the Port of Newcastle which is 120–140 km from the Spur Hill Project area, depending on which coal transport option is pursued.

Figure 1: Location of Spur Hill Project

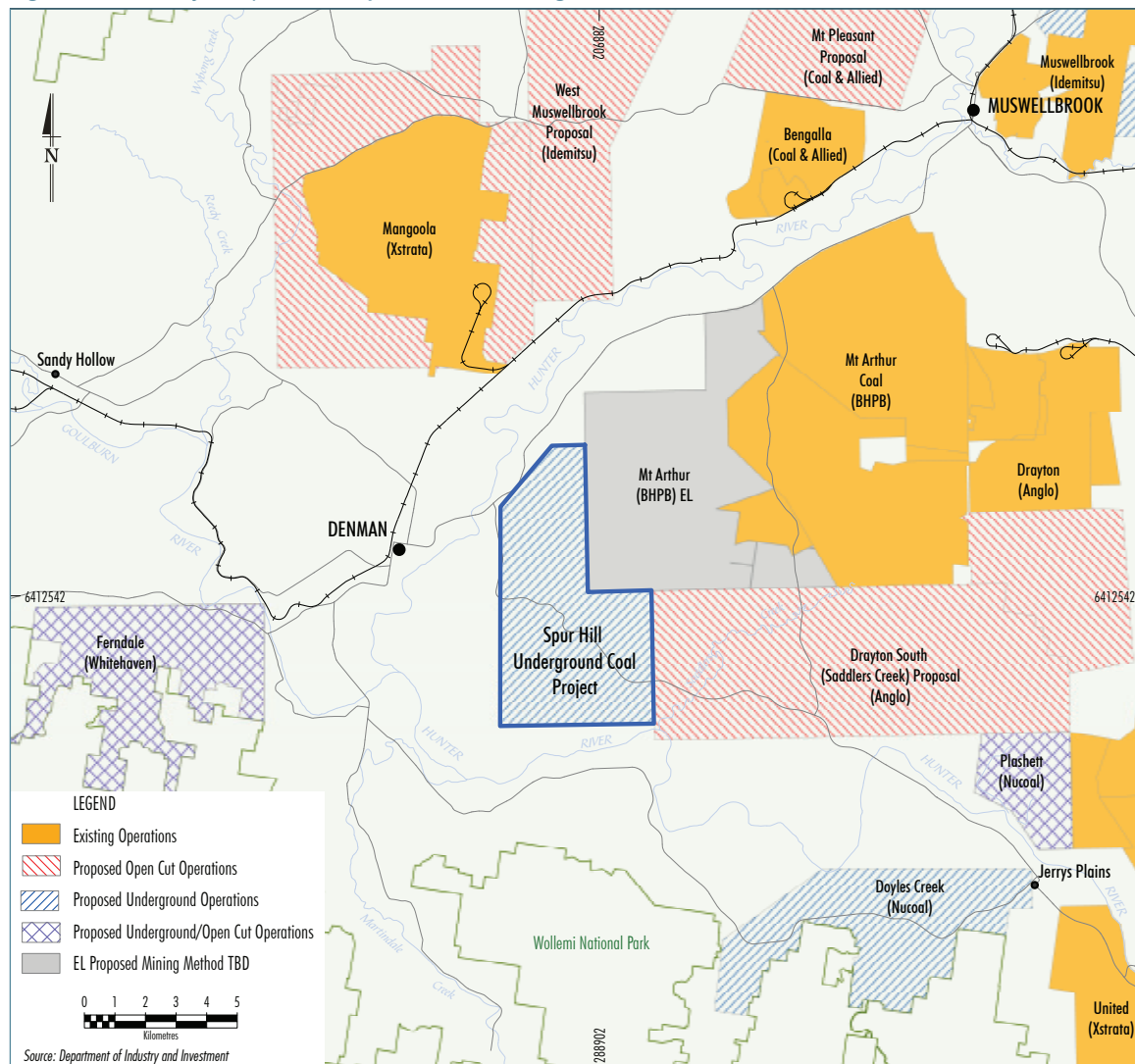


Source: BDA, Independent Technical Report, see Section 7.



The Spur Hill Project is within the Upper Hunter Valley coal corridor which contains a number of operating coal mines and development projects. Significant coal operations that are in close proximity to the Spur Hill Project include: BHP Billiton's Mt Arthur mine, Anglo Coal's Drayton mine and Xstrata Coal's Mangoola mine.

Figure 2: Proximity of Spur Hill Project to surrounding mines



Source: Department of Industry and Investment, Malabar Coal.

## 2.5 EXPLORATION

### 2.5.1 Past exploration

Significant drilling has been conducted on the Tenement and on adjacent properties providing considerable data for the Spur Hill Project. Several drilling programmes were conducted between 1949 and 1983 by companies including Bridge Oil and Carpentaria Exploration (Mount Isa Mines), as well as the NSW Government.

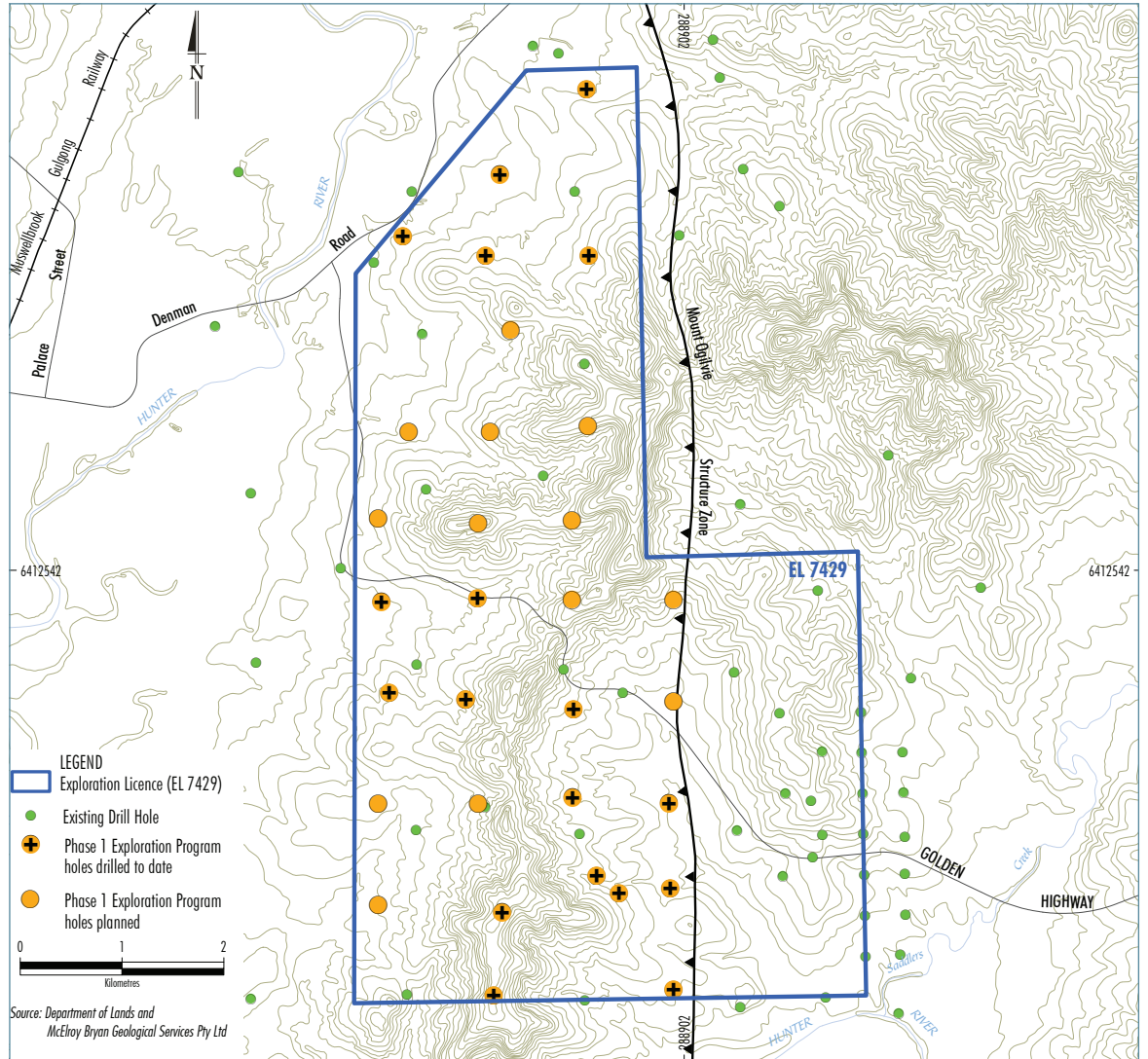
In addition, two separate seismic surveys have also been conducted across the Tenement.

### 2.5.2 Current exploration and resource definition programme

Phase 1 of a new drilling programme is currently underway, involving up to 30 fully cored bore holes (see Figure 3). The Phase 1 programme aims to further delineate Indicated Mineral Resources across the Tenement and will provide the necessary inputs for detailed mine design.

An independent expert, BDA has issued the Independent Technical Report which, amongst other things, reviews and summarises past exploration data and part of the current Phase 1 drilling programme, see Section 7 (Independent Technical Report). Mr Darryl Stevenson, as Competent Person, has confirmed the JORC Mineral Resources statements based on this information, set out in the Prospectus, in the form and context in which it appears.

Figure 3: Past exploration and current exploration programme



Source: Department of Lands, McElroy Bryan Geological Services Pty Ltd.

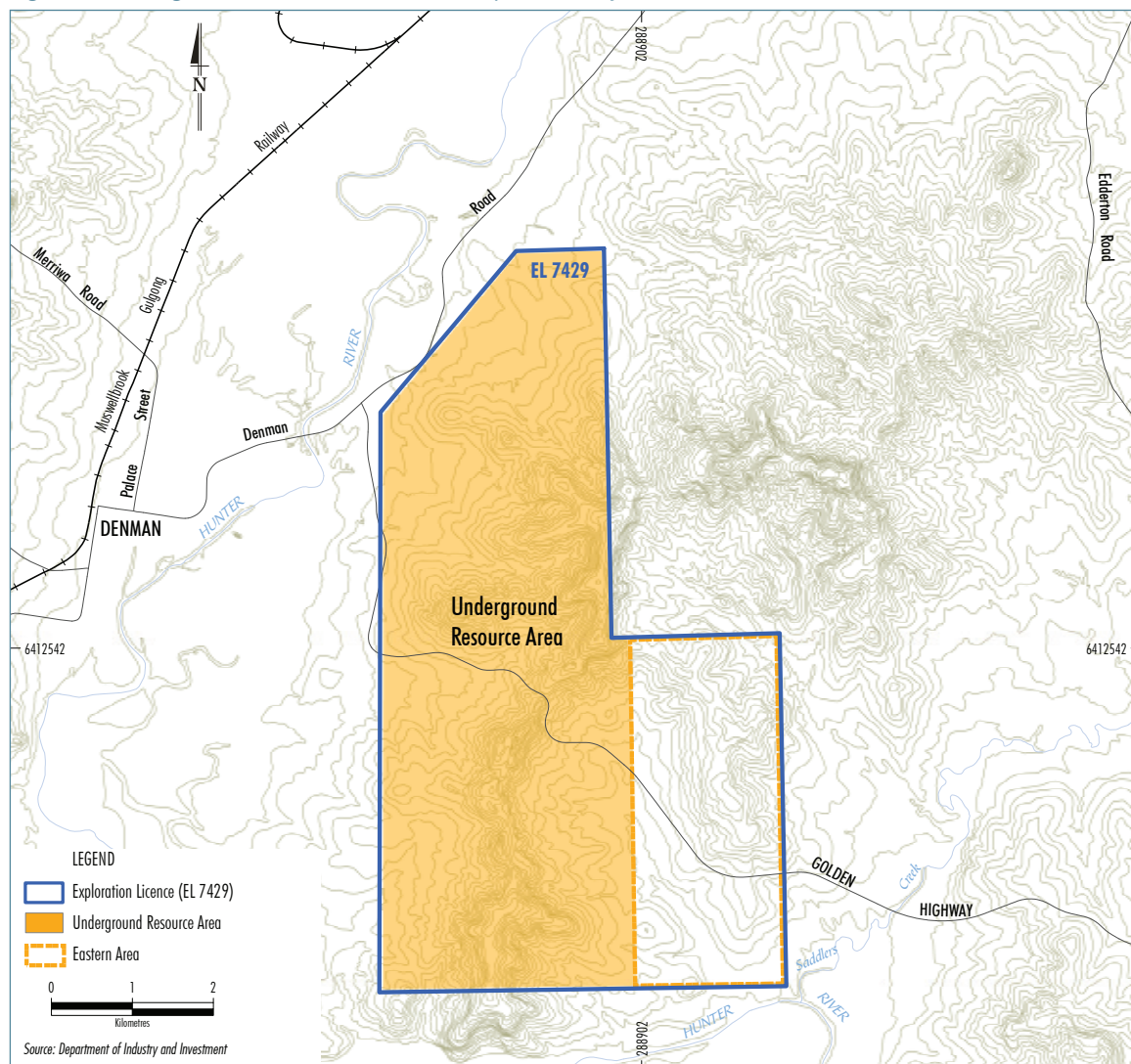
### 2.5.3 Resources

The Spur Hill Project has a total JORC Mineral Resources of 586Mt (100% basis), comprising two distinct resource blocks. The Underground Resource Area contains 489Mt and covers the majority of the Tenement; this resource is between 130 to 450m deep and demonstrates characteristics expected to be favourable to longwall mining. The Eastern Area contains 97Mt of Inferred Mineral Resources; it is located on the eastern flank of the Tenement and is between 20 to 280m below the surface. Malabar Coal only intends to apply for a Mining Lease for the Underground Resource Area.

Table 9: JORC Mineral Resources for the Spur Hill Project

Area	Indicated Mineral Resources (Mt)	Inferred Mineral Resources (Mt)	Total Mineral Resources (Mt)
Underground Resource Area (100% basis)	117.1	371.5	488.6
Eastern Area (100% basis)	–	97.1	97.1
<b>Total</b>	<b>117.1</b>	<b>468.6</b>	<b>585.7</b>

Figure 4: Underground Resource Area of the Spur Hill Project



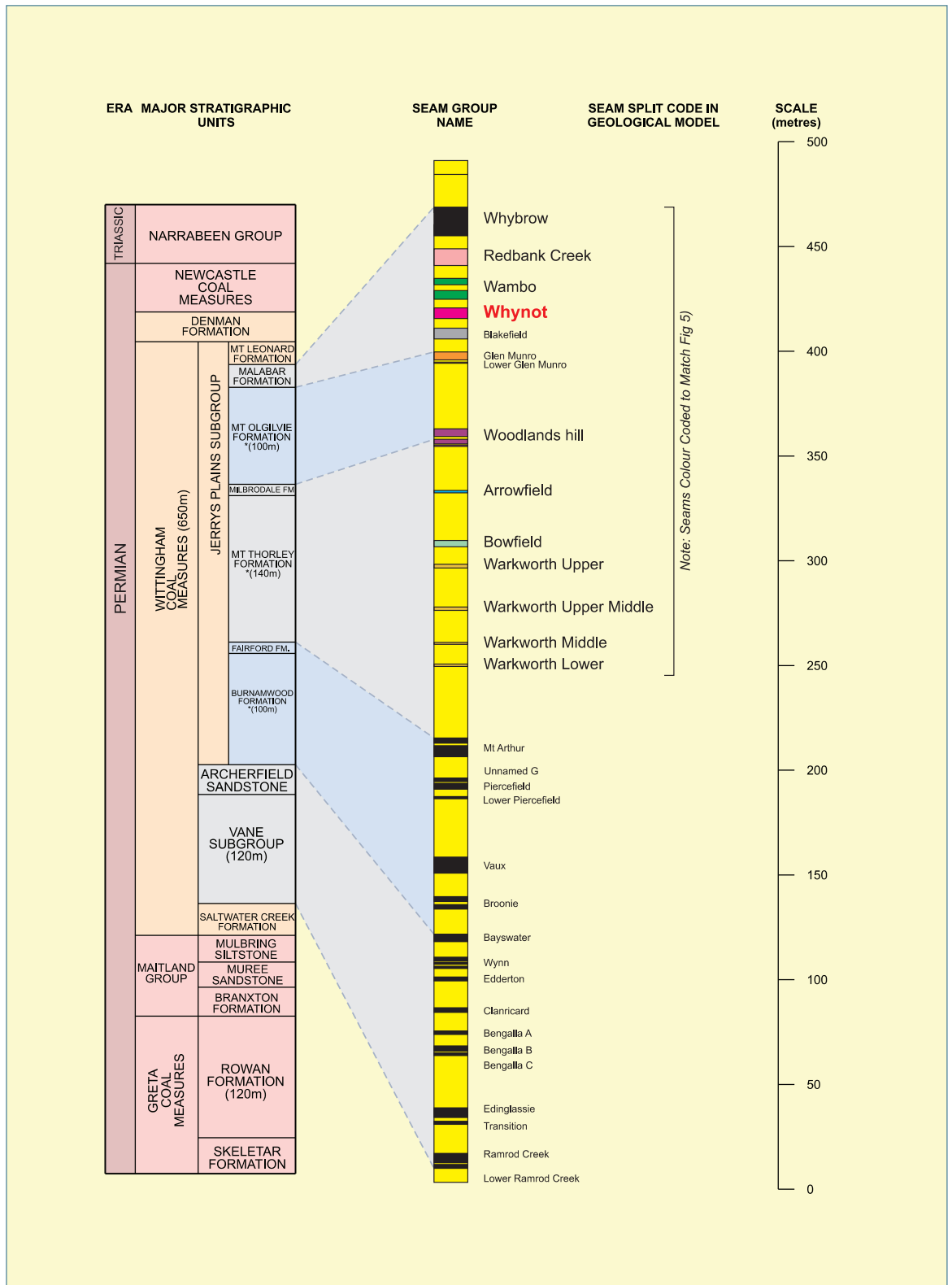
Source: Department of Industry and Investment, Malabar Coal.

## 2.6 GEOLOGY

The Spur Hill Project is located within the Hunter Coalfield in the northern part of the Sydney Basin, which is the southernmost part of the Sydney-Gunnedah-Bowen Basin system. The Hunter Coalfield is one of the major coal producing regions of Australia and has been mined for over 100 years.

Three coal measure sequences are developed within the Hunter Coalfield, namely the Greta, Wittingham and Newcastle Coal Measures. The Spur Hill Project is targeting key seams within the Wittingham Coal Measures. The stratigraphy of the Wittingham measures is shown below in Figure 5.

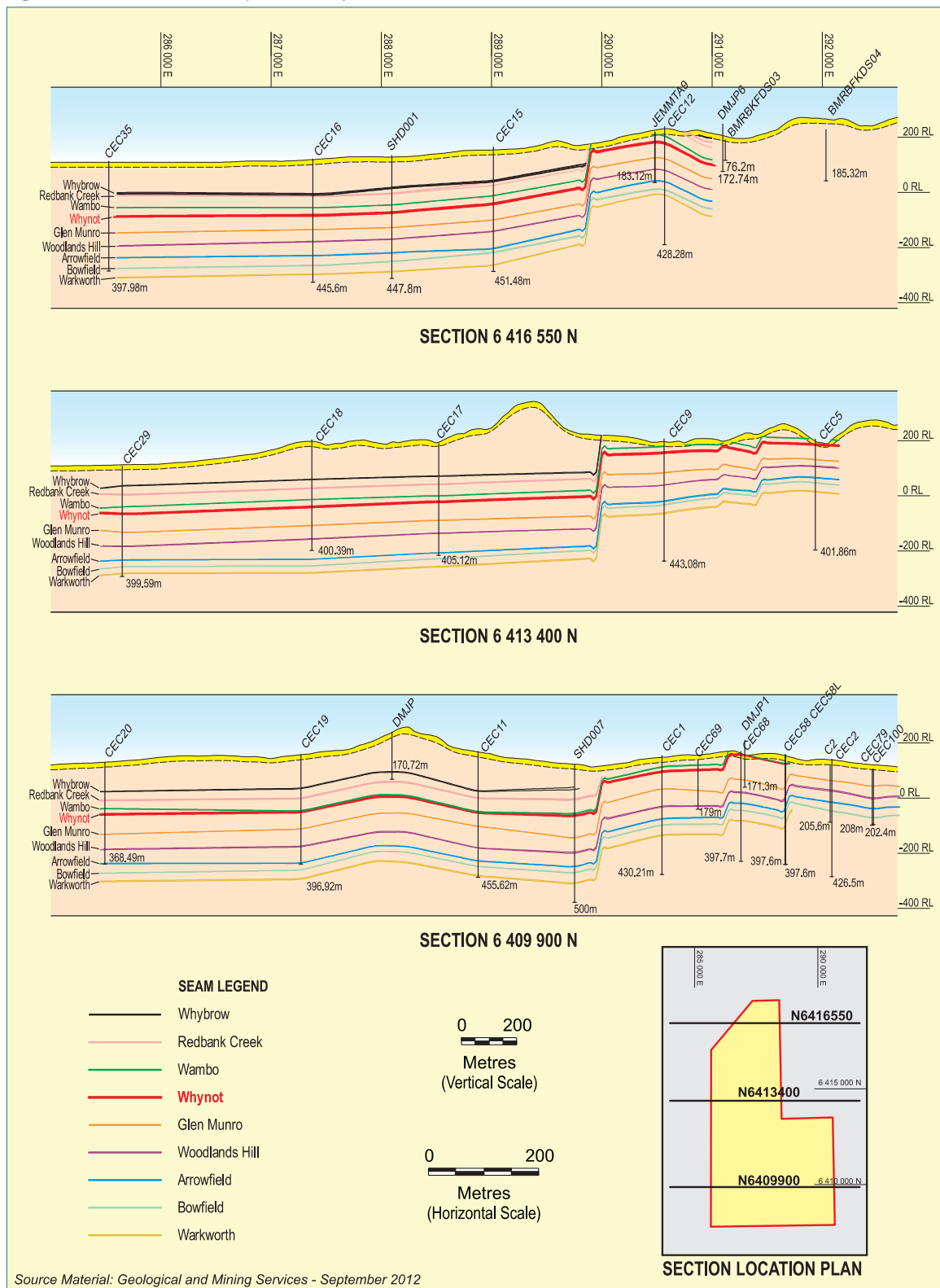
Figure 5: Stratigraphy of the Hunter Coalfields



Source: BDA, Independent Technical Report, see Section 7.

The seams within the Underground Resource Area appear to be flat lying, dipping slightly to the west between 2 and 5 degrees. This flat-lying characteristic is suited to extraction by the longwall mining method. In addition, the shape of the Tenement is expected to make it conducive to lengthy, north-south running longwall panels in the conceptual development plan.

Figure 6: Cross section of Spur Hill Project



Source: GMSA, extracted from Independent Technical Report, see Section 7.

### 2.6.1 Targeted seams

Malabar Coal will target seams within the Wittingham coal measures, initially targeting the Whynot seam. The Whynot seam is expected to produce both ultra-low ash soft and semi-soft coking coal products. In certain locations, the Whynot seam merges with the Wambo seam providing an opportunity to mine either, or both seams to optimise coal quality and yield.

There are at least another three seams within the Wittingham coal measures that are potentially mineable in addition to the Whynot and Wambo, namely the Whybrow, Bowfield and Warkworth seams. These seams are expected to produce both a standard/typical semi-soft coking coal and an export quality thermal coal product.

These target seams have been mined at various locations throughout the Hunter Valley and produce brands of coal that are well known in international markets. The operations at which the targeted seams are mined are outlined in Table 10.

Table 10: Seams from the Wittingham coal measures mined throughout the Hunter Valley

Target Seam	Operating Mine (Ownership)
<b>Whybrow</b>	<ul style="list-style-type: none"> <li><b>Wambo</b> (Peabody Energy Ltd 75%, Sumiseki Materials Co Ltd 25%)</li> <li><b>Bulga/Beltana</b> (Xstrata Coal Pty Ltd 68.25%, Nippon Steel Australia Pty Ltd 12.5%, Nippon Oil (Australia) Pty Ltd 13.3%, Tomen Tsusho Corporation 4.375%, JFE Shoji Trade Corporation 1.575%)</li> </ul>
<b>Wambo</b>	<ul style="list-style-type: none"> <li><b>Wambo</b> (Peabody Energy Ltd 75%, Sumiseki Materials Co Ltd 25%)</li> <li><b>Bulga/Beltana</b> (Xstrata Coal Pty Ltd 68.25%, Nippon Steel Australia Pty Ltd 12.5%, Nippon Oil (Australia) Pty Ltd 13.3%, Tomen Tsusho Corporation 4.375%, JFE Shoji Trade Corporation 1.575%)</li> <li><b>Mount Thorley</b> (Rio Tinto Limited 64%, Mitsubishi Development Pty Ltd 16%, Posco 20%)</li> </ul>
<b>Whynot</b>	<ul style="list-style-type: none"> <li><b>Wambo</b> (Peabody Energy Ltd 75%, Sumiseki Materials Co Ltd 25%)</li> <li><b>Bulga/Beltana</b> (Xstrata Coal Pty Ltd 68.25%, Nippon Steel Australia Pty Ltd 12.5%, Nippon Oil (Australia) Pty Ltd 13.3%, Tomen Tsusho Corporation 4.375%, JFE Shoji Trade Corporation 1.575%)</li> <li><b>Mount Thorley</b> (Rio Tinto Limited 64%, Mitsubishi Development Pty Ltd 16%, Posco 20%)</li> <li><b>Mount Arthur</b> (BHP Billiton Limited 100%)</li> </ul>
<b>Bowfield</b>	<ul style="list-style-type: none"> <li><b>Hunter Valley Ops</b> (Rio Tinto Limited 80%, Mitsubishi Development Pty Ltd 20%)</li> <li><b>Warkworth</b> (Rio Tinto Limited 44.46%, Mitsubishi Development Pty Ltd 46.01%, Nippon Steel 9.53%)</li> </ul>
<b>Warkworth</b>	<ul style="list-style-type: none"> <li><b>Bengalla</b> (Rio Tinto Limited 32%, Mitsubishi Development Pty Ltd 8%, Wesfarmers Ltd 40%, Taiwan Power Company 10%, Mistui &amp; Co 10%)</li> <li><b>Warkworth</b> (Rio Tinto Limited 44.46%, Mitsubishi Development Pty Ltd 46.01%, Nippon Steel 9.53%)</li> </ul>

Source: 2001 – 2010 New South Wales Coal Industry Profiles, NSW Department of Primary Industries.

Table 11: JORC Mineral Resources – targeted coal seams<sup>22</sup>

Seam	Average Depth of Cover (m)	Average Seam Thickness (m)	JORC Indicated Resources (Mt)	JORC Inferred Resources (Mt)	JORC Total Resources (Mt)
Whybrow	134	2.6	22.8	27.5	50.3
Wambo	218	1.6	2.5	39.4	41.9
Whynot	215	3.6	28.8	89.6	118.4
Bowfield	396	2.7	21.4	18.4	39.8
Warkworth	437	2.3	9.2	114.8	124.0
<b>TOTAL (100% basis)</b>			<b>84.7</b>	<b>289.7</b>	<b>374.4</b>

Source: BDA Independent Technical Report, table 2.1, see Section 7.

## 2.7 COAL SPECIFICATIONS

### 2.7.1 Product Coal Specifications

An independent analysis of the marketability of the coal from the Spur Hill Project has been conducted by MinAxis (see Coal Marketability and Market Outlook Report in Section 6). MinAxis states in its report that the Spur Hill Project is expected to produce three key products over the life of the mine:

1. An ultra-low ash, premium soft coking coal;
2. A standard/typical semi-soft coking coal; and
3. A benchmark export thermal coal.

Based on the conceptual development plan, the Company expects to produce mostly soft coking coal and semi-soft coking coal products from the Whynot seam for the first 10–12 years of the Project.

#### 2.7.1.1 Spur Hill Ultra-Low Ash Soft Coking Coal

Spur Hill ultra-low ash soft coking coal is expected to be produced principally from the Whynot seam. The key advantage of this coal is that it has a typical ash content of less than 6% (air dried), which is lower than typical ash levels of major semi-soft coking coal brands shipped from the port of Newcastle (approximately 8.5–9.5%).

According to MinAxis, this coal product is expected to demand a premium of approximately 3% to the semi-soft coking coal benchmark. See Section 6 for the Coal Marketability and Market Outlook Report.

#### 2.7.1.2 Spur Hill Semi-Soft Coking Coal

Coal mined from the subsequent seams (Whybrow, Bowfield and Warkworth) is expected to be combined to produce a Spur Hill semi-soft coking coal product and export quality thermal coal. The Spur Hill semi-soft coking coal product is expected to be comparable to standard semi-soft coking coal products currently in the export market.

MinAxis believes the Spur Hill semi-soft coking coal is expected to attract a price at parity with the Hunter Valley semi-soft coking coal benchmark price. See Section 6 for the Coal Marketability and Market Outlook Report.

#### 2.7.1.3 Spur Hill Thermal Coal

Thermal coal produced from the Spur Hill Project is expected to be comparable to established seaborne export thermal brands from Australia, Indonesia, and South Africa. The Spur Hill thermal coal is expected to have a nominal ash content of 14% and a specific energy of ~6,725 kcal/kg (gross air dried) which is within the typical range of major benchmark export thermal coal brands.

MinAxis believes that Spur Hill thermal coal product is expected to sell approximately in line with Australia-Japan benchmark price, based on 13% contract ash content. See Section 6 for the Coal Marketability and Market Outlook Report.

## 2.8 CONCEPTUAL DEVELOPMENT PLAN

### 2.8.1 Strategy

Malabar Coal's strategy is to develop the Spur Hill Project into a dual-longwall underground coal mining operation. The viability of the conceptual development plan for the Spur Hill Project is based on the following features:

- production from the first longwall unit commencing in Q4 2017;
- the first longwall unit ramping up to a production rate of 3-5Mtpa ROM coal; and
- a second longwall unit commencing in 2020 and increasing total ROM production to 6-8Mtpa (100% basis).

Further features of the conceptual development plan include:

- The first longwall unit commencing in the northern section of the Whynot seam.
- The second longwall unit commencing in the southern section of the Whynot seam.
- Once the reserves have been depleted in the Whynot seam, the longwall units being moved to another target seam. The Independent Technical Expert, BDA, has reviewed the current conceptual development plan and believes this to be reasonable subject to further technical information becoming available as the Project is further defined. Refer to Independent Technical Report in Section 7.

### 2.8.2 Timing

Phase 1 of the drilling programme commenced in early 2012 with the intention of increasing Indicated Mineral Resources across the Tenement. Follow-on drilling programmes are expected to continue through to the end of 2014, with infill drilling improving the resource definition targeting further Indicated and Measured Mineral Resources.

Detailed environmental studies commenced in January 2012 and will continue through to 2015. A preliminary environmental assessment was lodged in mid-September 2012. The Company will be required to pass through the "Gateway" process (see Section 2.13.3 for more information on this process) which is expected to commence in 2013. The Company is aiming to have been awarded a Mining Lease by mid-2015, with construction at the Spur Hill Project expected to commence shortly thereafter.

The viability of the conceptual development plan for the Spur Hill Project is also based on production of development coal by late 2016 with the first longwall coal commencing in late 2017.

Key milestones for the Spur Hill Project development schedule are shown in Figure 7. This schedule is indicative and subject to risks as set out in Section 3 (Risk Factors).

Figure 7: Indicative development schedule for the Spur Hill Project

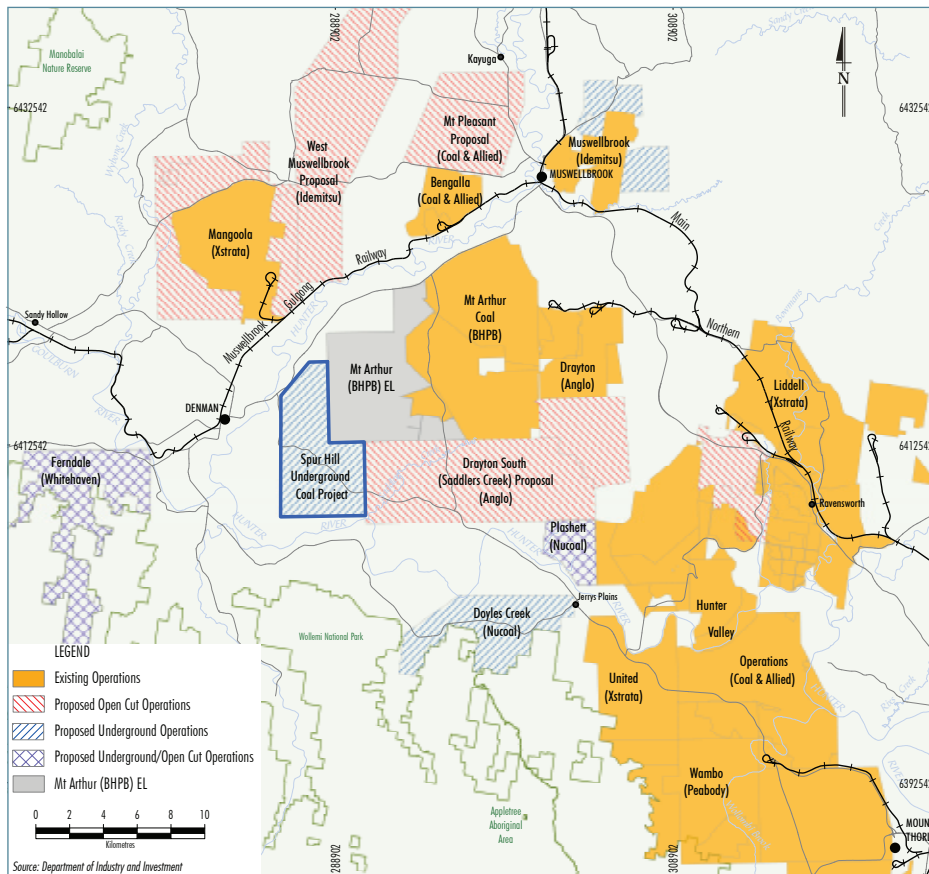
Activities	2013				2014				2015				2016				2017			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Phase 1 drilling programme																				
Ongoing infill drilling and resource definition																				
Environmental studies and approval																				
Feasibility studies and planning																				
Mining Lease approval																				
Construction																				
Development coal																				
Longwall coal																				

### 2.8.3 Transport corridor

The Company is considering multiple options for transporting product coal to the existing rail network. The options include; a corridor to the northwest of the Tenement (Ulan to Muswellbrook rail line is less than 5 km from the Tenement boundary), and, a corridor through to the Muswellbrook to Newcastle rail line to the east (15 to 20 km from the Tenement boundary). Malabar Coal does not currently have an interest in all of the land between the Spur Hill Project and the various potential points of access to the rail line.

The final location and method of transportation will be determined following completion of detailed mine planning and engineering studies.

Figure 8: Existing rail infrastructure in the region



Source: Department of Industry and Investment, Malabar Coal.



## 2.9 CAPITAL EXPENDITURE

### 2.9.1 Development capital expenditure

The viability of the conceptual development plan for the Spur Hill Project is based on an estimated capital cost of the development of the first longwall of approximately \$800 million (100% basis)<sup>23</sup>. This includes pre-development costs as well as a 15% contingency. Subject to the viability of the conceptual development plan, funding for this capital expenditure may come from various sources, including further capital raisings, joint ventures, debt funding or other such financing options.

The viability of the conceptual development plan is also based on an estimated additional cost of \$400 million (100% basis)<sup>24</sup> to develop the second longwall once the first longwall is in operation.

BDA has reviewed these capital cost estimates and has concluded that they are reasonable based on average costs for comparable longwall projects in Australia. See Section 7 for the Independent Technical Report.

### 2.9.2 Operating expenditure

The viability of the conceptual development plan for the Spur Hill Project is based on an average life of mine operating cost of \$60 / product tonne FOB<sup>25</sup> (excluding royalties). This cost includes indicative washing and handling costs, indicative rail and port costs and other costs such as overheads and marketing.

BDA considers that this is a reasonable estimate of the likely operating costs given the information available at this early stage of the Spur Hill Project. See Section 7 for the Independent Technical Report.

## 2.10 INFRASTRUCTURE

### 2.10.1 Rail

Once Malabar Coal commences production, it intends to transport coal to the Port of Newcastle via the Hunter Valley Rail Network (the “**Rail Network**”). The Rail Network is managed by the Australian Rail Track Corporation (“**ARTC**”), which has a long term lease over the Rail Network. The Spur Hill Project is located within close proximity to the Rail Network, which consists of four main sections – Newcastle to Muswellbrook, Muswellbrook to Ulan, Muswellbrook to Narrabri and Maitland to Gloucester. Malabar Coal may seek access to enter the Muswellbrook to Ulan line to the northwest of the Tenement or the ‘Main Northern’ line (Muswellbrook to Newcastle).

The haulage distance between the targeted location of the rail loop and the Port of Newcastle is 120 to 140 km, depending on which coal transport option is pursued.

Current coal raiiling demand at Muswellbrook is approximately 50Mtpa, this is expected to reach approximately 130Mtpa by 2017<sup>26</sup>. Given the expected increase in demand, the ARTC is planning a \$1 billion upgrade to the Rail Network. Current upgrades/expansions are expected to be completed in advance of Malabar Coal requiring access in 2017 on the basis of the conceptual development plan. Malabar Coal has not yet nominated for access to the Rail Network and as such does not currently have a legal right to access this infrastructure. To secure access to the Rail Network, Malabar Coal must sign a long-term contract 2–3 years in advance of the Spur Hill Project commencing production. This enables the ARTC to complete any necessary expansion works. Malabar Coal intends to apply for capacity with the ARTC immediately following its application for capacity at the Port of Newcastle.

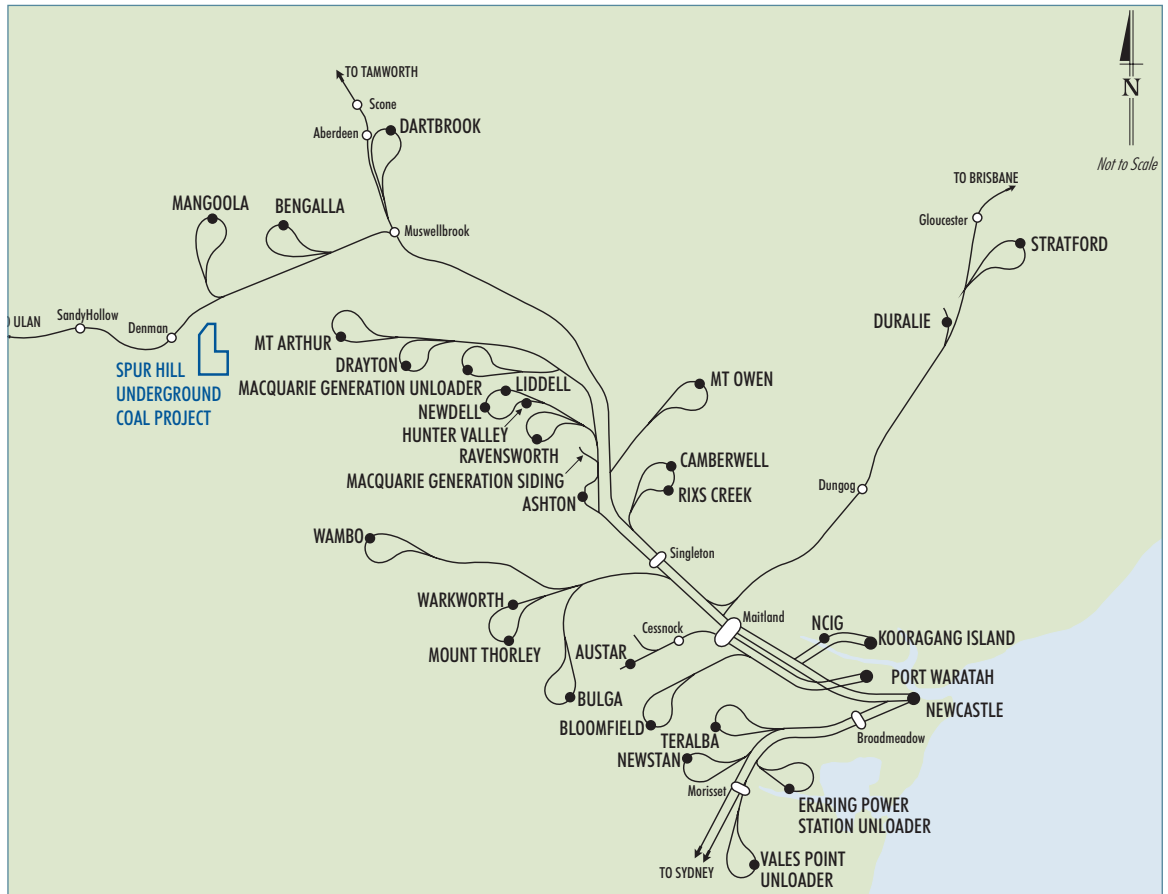
23 Stated on a real basis, in 2012 dollar terms.

24 Stated on a real basis, in 2012 dollar terms.

25 +/- 15% for accuracy, stated on a real basis in 2012 dollar terms.

26 ARTC 2012-2021 Hunter Valley Corridor Capacity Strategy Consultation Document.

Figure 9: Hunter Valley Rail Network



Source: Hunter Valley Coal Chain Coordinator, Malabar Coal. Note, Figure 9 is not to scale.

### 2.10.2 Port

Malabar Coal intends to export product coal from the Spur Hill Project via the Port of Newcastle. There are currently two operators at the Port of Newcastle:

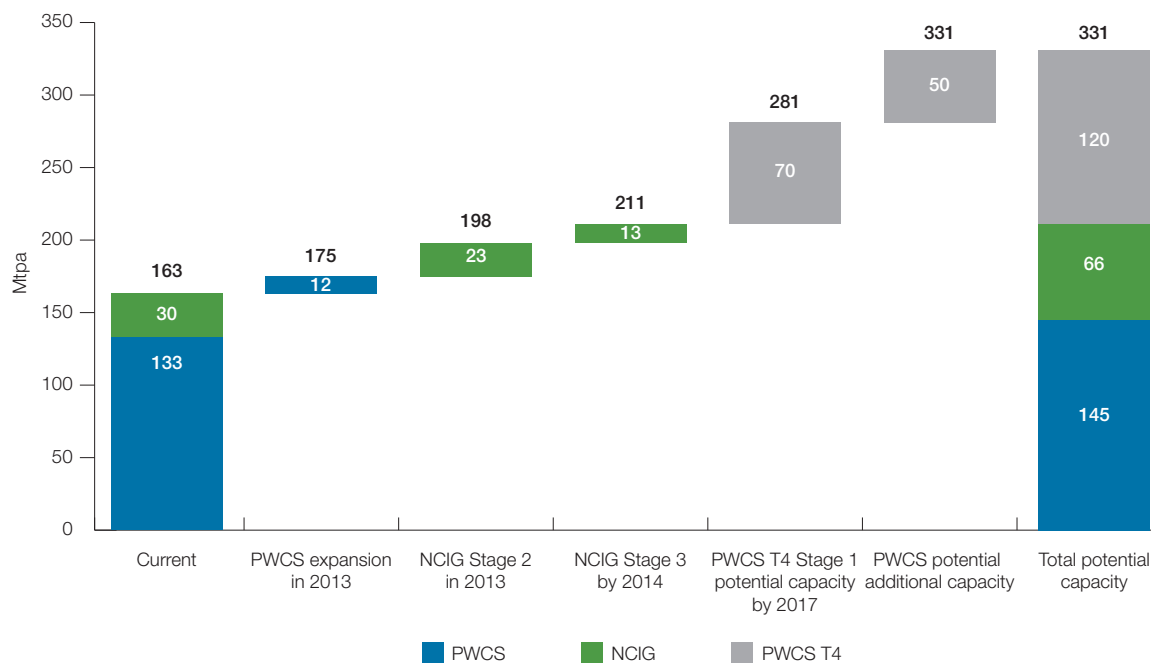
- Port Waratah Coal Services (“**PWCS**”); and
- Newcastle Coal Infrastructure Group (“**NCIG**”).

The Directors believe the following in relation to both PWCS and NCIG:

- they are planning significant expansions to cater for the projected increase in export coal production in NSW;
- NCIG is currently completing its Stage 2 expansion, ramping up from 30Mtpa to 53Mtpa capacity by 2013;
- construction of the Stage 3 expansion has also commenced, which aims to increase NCIG’s total capacity to 66Mtpa by 2014;
- PWCS, which operates the Kooragang Island Coal Terminal and the Carrington Coal terminal, is currently expanding from 133Mtpa to 145Mtpa in 2013;
- PWCS is planning the construction of a new terminal, Terminal 4 (“**T4**”), with first coal currently expected from mid-2017;
- T4 has the potential for handling up to 120Mtpa in staged developments and the first stage of development for T4 is expected to add up to 70Mtpa of capacity;
- PWCS is planning incremental expansions beyond stage 1 which may add a further 50Mtpa in total; and
- to date, coal producers have entered into contracts with PWCS totalling 34Mtpa through T4.

The allocation of port capacity at the Port of Newcastle is regulated within the Capacity Framework Agreement between coal producers and the port operators. Under this Agreement, if there is insufficient capacity, PWCS is obliged to provide the capacity required by new users. The Company has commenced discussions with PWCS and expects to nominate for capacity in 2013. The Company expects to secure sufficient capacity at the port to support its stated production targets.

Figure 10: Port of Newcastle coal capacity forecast



Source: Malabar Coal.

## 2.11 LAND OWNERSHIP & ACCESS

### 2.11.1 Land acquisitions

As the Project is being developed as an underground mine, the Company does not need to acquire all of the properties within the mining area. The Company will only acquire properties that may be of strategic importance to the Project, such as providing:

- transport to the Rail Network;
- possible location of a rail loop;
- access to ongoing exploration activities;
- possible location for mine surface infrastructure; and/or
- location for site offices.

To date, Malabar Coal has acquired one property and exchanged contracts to acquire two additional properties within and/or around the Tenement. The Company has entered into call option deeds over another two properties.

Prior to finalising mine plans and approvals, these properties will continue to be operated as agricultural enterprises. Once the Project is in operation, the Company expects that the majority of land within the Tenement area will continue to be operated as agricultural enterprises.

Refer to Section 10 (Material Contracts) for a summary of material and uncompleted Land Acquisition Agreements.

### 2.11.2 Existing land use

Existing land uses within the Tenement are predominantly cattle grazing with some small areas of irrigated pastures on the south east and south west margins and a small vineyard on the north western edge. Nearby land uses outside of the Tenement include a horse stud to the south east, the township of Denman, intensive irrigation and other cropping along the Hunter River floodplain, a gravel quarry on the flood plain to the southwest and an aquaculture development to the north.

There are various operating and proposed mines in the vicinity of the Tenement including Mt Arthur Mining Complex, Mangoola Mine and the Drayton Mine.

### 2.11.3 Landforms & topography

The land within the Tenement boundary is generally low grade grasslands with scattered trees mainly along the main ridgelines. The Tenement is dominated by a prominent ridge that trends north-east to south-west across the Tenement. This ridge gives way to a series of valleys and gently sloping hills.

#### 2.11.4 Land Access Arrangements

The Company has agreed Land Access Arrangements with the majority of landowners within the Tenement. These Arrangements provide the Company with access to private land for the purpose of exploration and environmental studies and monitoring activities. Refer to Section 10 (Material Contracts) for a summary of the material Land Access Arrangements.

The Company has initiated an arbitration process under the Mining Act in order to seek to finalise the terms of a potential Land Access Arrangement in respect of a parcel of land included within an area encompassed by the Tenement. Refer to Sections 3.2.24 and 11.5 for details on the arbitration process.

### 2.12 MARKETING

MinAxis has provided a Coal Marketability and Market Outlook Report on the marketability of the coal produced from the Spur Hill Project. You are encouraged to read this Report included in Section 6.

MinAxis states in its report that the Spur Hill Project is expected to sell three key products over the life of the mine:

1. An ultra-low ash, premium soft coking coal;
2. A standard/typical semi-soft coking coal; and
3. A benchmark export thermal coal.

#### 2.12.1 Spur Hill Ultra-Low Ash Soft Coking Coal

Spur Hill ultra-low ash soft coking coal is expected to be produced principally from the Whynot seam for the first 10-12 years of the Spur Hill Project. The low ash content of Spur Hill ultra-low ash soft coking coal (less than 6%) is likely to provide the market penetration to establish the Spur Hill brand, which will be important for the sales development of subsequent coking coal brands produced from other seams at the Spur Hill Project.

The main target markets for Spur Hill ultra-low ash soft coking coal will be China, India, Japan, South Korea and Taiwan.

#### 2.12.2 Spur Hill Semi-Soft Coking Coal

Spur Hill semi-soft coking coal product is expected to possess relatively low ash, low sulphur and other characteristics typical of other semi-soft coking coals being sold into the international market.

The main target markets for Spur Hill semi-soft coking coal will be China, India, Japan, South Korea and Taiwan.

#### 2.12.3 Spur Hill Thermal Coal

Spur Hill thermal coal quality indicates that it is expected to perform reasonably efficiently in coal-fired power plants and is expected to be in general compliance with major Asian import market environmental standards. It is reasonably comparable in quality to most major high rank bituminous thermal coal brands from Newcastle, Hunter Valley, Western and Gunnedah Coalfields, and compares well against current major bituminous brands from Indonesia, South Africa and Colombia. MinAxis is of the view that there are no significant technical barriers to future export market entry.

The target market for Spur Hill thermal coal will be China, India, Japan, South Korea and Taiwan.

Refer to Section 6 (Coal Marketability and Market Outlook Report) for further information.

### 2.13 TENEMENTS AND PERMITS

#### 2.13.1 Tenement

Exploration Licence 7429 (the “**Tenement**”) was granted by the NSW Government in December 2009. The holder of an Exploration Licence is permitted to carry out works on and remove samples from the within the Tenement boundaries for the purpose of testing its mineral bearing qualities. The Tenement allows for prospecting of Group 9 minerals, being coal and oil shale. The Tenement has a five year term and will be due for renewal in December 2014.

The Tenement is owned by the Spur Hill Joint Venture, which comprises Malabar Coal, through its subsidiary company SH2, and SHUT. Malabar Coal currently owns 27.7% of the Spur Hill Joint Venture, and thus owns a 27.7% interest in the Tenement. Through the Farm-in Agreement, Malabar Coal has the right to increase its Participating Interest up to 80%.

The Directors believe that all of the Tenement conditions have been met.

### 2.13.2 Approval process

As the Spur Hill Project is located in NSW, the proposed mining operations will be assessed under the *Environmental Planning and Assessment Act 1979 (NSW)* as amended by the *Environmental Planning and Assessment Amendment (Part 3A Repeal) Act 2011 (NSW)* (“**EP&A Act**”). The EP&A Act establishes an environmental assessment framework for two broad categories of major development, namely State Significant Development (“**SSD**”) and State Significant Infrastructure (“**SSI**”). Projects that fall under either of these two categories will be assessed for approval by the Minister for Planning and Infrastructure (or one of his delegates – the Department of Planning and Infrastructure or the Planning Assessment Commission), while projects that do not qualify as state significant under these two categories will be assessed by the relevant local council. The Spur Hill Project is classified as a SSD and, as such, will be dealt with under Part 4 of the EP&A Act by the Minister for Planning and Infrastructure (or his delegates).

A Referral will be prepared for the Spur Hill Project under the *Environment Protection and Biodiversity Conservation Act 1999 (Cth)* (“**EPBC Act**”) to determine whether the development is a “controlled action”, that is, whether it is likely to have a significant impact on matters of national environmental significance. If the Spur Hill Project is declared a “controlled action”, the development could be assessed through bilateral provisions under the EP&A Act process. Following the assessment and determination of the development under the EP&A Act process, the Federal Minister for Sustainability, Environment, Water, Population and Communities (or his delegate) will determine the development of the Spur Hill Project under the EPBC Act.

Malabar Coal is currently undertaking work in preparation for an Environmental Impact Statement (“**EIS**”) which will accompany a Development Application under the EP&A Act approval process. The approval process for the development of the Spur Hill Project pertains to NSW planning legislation and Federal environmental protection legislation. Malabar Coal estimates a time period of approximately 24 months is required for preparation, lodgement, assessment and approval of the application.

Separate to the Development Application, Mining Lease Application(s) will be lodged for areas of underground mining and infrastructure for the development of the Spur Hill Project under the Mining Act. If consent for the development of the Spur Hill Underground Project is granted under the SSD provision of the EP&A Act, the Mining Lease Application(s) cannot be refused and must be substantially consistent with the consent under the EP&A Act.

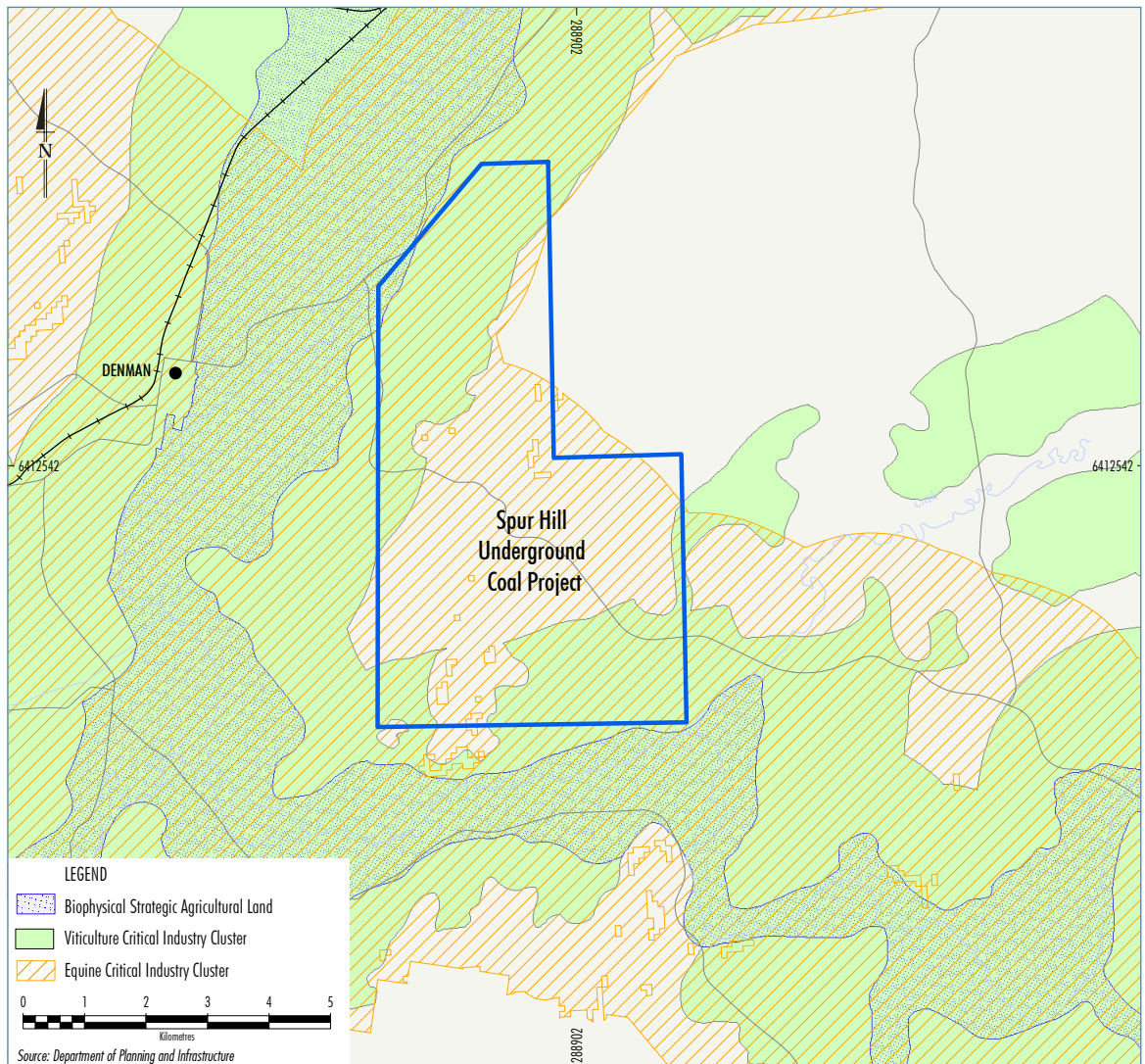
### 2.13.3 NSW Strategic Land Use Policy

On the 11th September 2012, the NSW Government released its Strategic Regional Land Use Plan. The Plan details a “Gateway” process that will now apply to state significant mining projects that are located within any of the following areas identified as Strategic Agricultural Land (“**SAL**”):

- Biophysical Strategic Agricultural Land (“**BSAL**”): There is a small area of mapped BSAL on the north-west boundary of the Tenement;
- Viticulture ‘Critical Industry Cluster’: The Tenement falls within the mapped Viticulture Cluster, and there is one small vineyard on the north-east corner of the Tenement; and
- Equine ‘Critical Industry Cluster’: Although the Tenement falls within the mapped Equine Cluster, there are no horse studs within the Tenement boundaries.

Given that SAL is mapped within the Tenement, the Spur Hill Project will be required to pass through the Gateway process.

Figure 11: Location of Spur Hill Project relative to Strategic Agricultural Land



Source: Department of Planning and Infrastructure, Malabar Coal.

The Gateway will consist of an independent panel of experts (“**Gateway Panel**”) who will make an assessment of the potential impacts of coal mining proposals. The Gateway Panel will either issue an:

- unconditional certificate: where the panel considers that the proposal meets the Gateway criteria, or
- a certificate subject to conditions: where the panel considers that the proposal has not demonstrated that it meets some or all of the Gateway criteria. The conditions of the certificate will comprise requirements that must be addressed by the applicant in its Development Application.

At the date of this Prospectus, final Gateway criteria have not been released for public review. However, the indicative criteria presented in the Strategic Regional Land Use Plan require consideration of whether the proposal would significantly reduce the agricultural productivity of the BSAL land, and/or, lead to significant impacts on the Equine and/or Viticulture Critical Industry Cluster.

Malabar Coal is comfortable with how the principles of the Gateway process may be applied to the Spur Hill Project because, from the outset of the Farm-In Agreement, Malabar Coal has focussed on the Underground Resource Area of the Spur Hill Project which Malabar Coal expects will meet the Gateway criteria and thus continue through the EIS process.

### 2.13.4 Native title

A search of the registers administered by the National Native Title Tribunal (“**NNTT**”) was conducted on 21 January 2013. Searches of the Tenement in the NNTT register indicate that there are no registered native title claims or applications for any native title claims within the Tenement area. The search results also show that there are no current native title determinations or registered Indigenous Land Use Agreements within the Tenement area. This search does not indicate whether native title has been extinguished over all parcels of land within the Tenement area.

Searches were also conducted with respect to all of the underlying tenure within the Tenement owned by the Crown and not contained within a Crown Road with the Office of the Registrar, *Aboriginal Land Rights Act 1983* (“**ALR Act**”). The search results dated 21 January 2013 indicate that one property is affected by an Aboriginal land claim pursuant to sections 36 or 37 of the ALR Act. Further enquiries have confirmed that the claim was lodged on 7 February 2007 by the NSW Aboriginal Land Council and this claim is still undetermined by the Minister for Lands.

The Tenement is subject to the provisions of the *Aboriginal and Torres Strait Islanders Heritage Protection Act (1984)* (Cth) (“**ATSIHP Act**”) and the *National Parks and Wildlife Act 1974* (“**NP&W Act**”). The Spur Hill Joint Venture must ensure that its activities comply with the provisions of the ATSIHP Act and NP&W Act. Cultural heritage surveys will be conducted to ensure such compliance and as part of the approvals process for the Project.

Further information on native title and Aboriginal land claims is contained in the Solicitor’s Report on the Tenement in Section 8.

## 2.14 FINANCE ARRANGEMENTS

Spur Hill Agricultural, a subsidiary company of Malabar Coal, has a \$5.35 million debt facility in place with the National Australia Bank (“**NAB**”) (“**SHA Facility**”). Refer to Section 10.7 for a summary of the SHA Facility. As at the date of this Prospectus, \$1.9 million remains undrawn. The remaining facility will be drawn down in 2013 in order to complete the settlements of two properties over which Spur Hill Agricultural has exchanged contracts. Refer to Section 10.5 for a summary of such contracts.

Malabar Coal may raise additional debt to finance any future property purchases. No such arrangements are in place at the date of this Prospectus, beyond the SHA Facility outlined above. Malabar Coal expects the Loan to Value Ratio of any future debt for land acquisitions to be between 50–70%.

Following the close of the Offer and upon admission to the Official List, the Company expects to have received a total of \$20,000,000 from subscribers for Shares under the Offer. The Company has approximately \$3,900,000 in cash as at 31 December 2012. The Board expects that this funding, in addition to the SHA Facility, is sufficient to achieve its stated objectives.

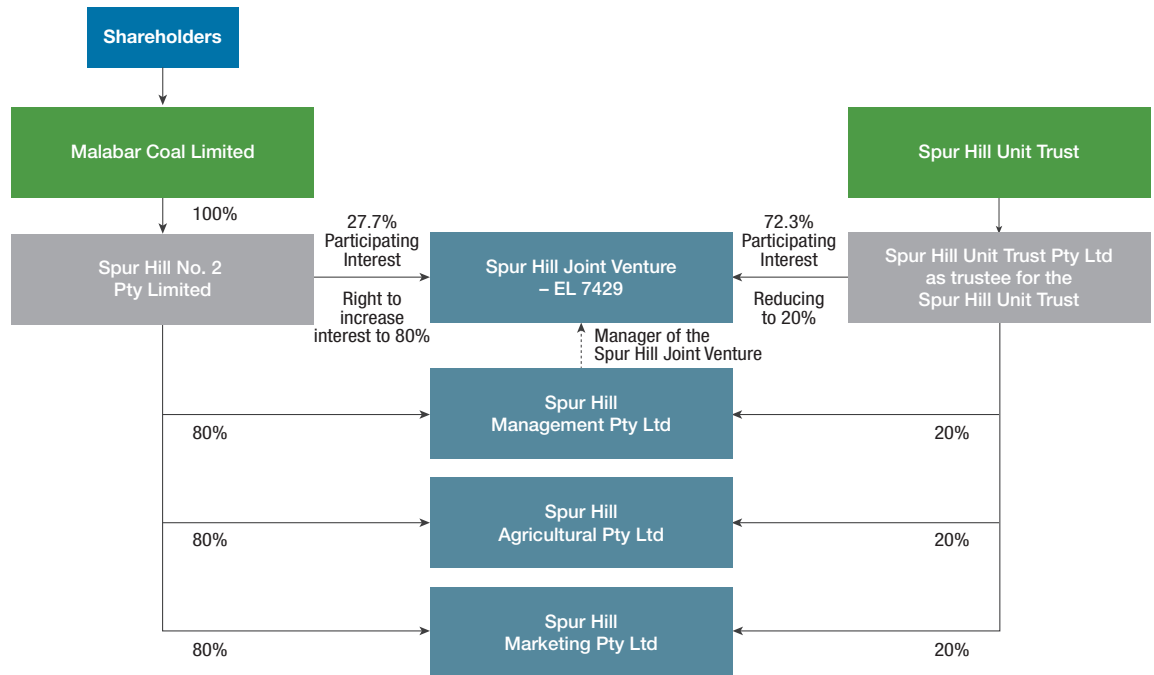
To advance the Project through to an operating mine, the Company will need to raise additional funding beyond the amount raised under the Offer. This funding may come from various sources of finance including capital raisings, introduction of another project partner, project equity or debt or a combination of some or all of these.

## 2.15 FARM-IN STRUCTURE

In July 2011, Malabar Coal entered into the Farm-In Agreement with SHUT and SH2, the owners of the Spur Hill Joint Venture. Under the Farm-In Agreement, on 15 July 2011, the Company paid \$10 million to SHUT to acquire SH2, the vehicle which then held a 15% Participating Interest in the Spur Hill Project. The Farm-In Agreement gives Malabar Coal the right to earn up to an 80% Participating Interest through a series of milestone payments, funding project expenditure and exercising a call option. As at 31 December 2012, Malabar Coal had a 27.7% Participating Interest in the Spur Hill Project via the initial acquisition of SH2 and funding of project expenditures under the Farm-In Agreement. Refer to Section 10 (Material Contracts) for a summary of the Farm-In Agreement.

Figure 12 below is an illustration of the current ownership structure for the Spur Hill Project. It includes references to each of the Joint Venture companies which undertake various activities for the Spur Hill Joint Venture. Refer to Section 10 (Material Contracts) for a summary of those material contracts to which each Joint Venture company is a party.

Figure 12: Ownership Structure for the Spur Hill Project



An overview of how Malabar Coal, through its Subsidiary SH2, may acquire additional Participating Interests under the Farm-In Agreement is set out below. Refer to Section 10.1 for a more comprehensive summary of the Farm-In Agreement.

### 2.15.1 Milestone payments (10%)

Table 12 below shows the milestone payments for the Spur Hill Project:

Table 12: Milestone payments for the Spur Hill Project

Milestone	Payment to SHUT (\$ million)	Participating Interest earned (%)
JORC proved underground ROM reserves of not less than 80Mt	2.5	2.5%
Submission of Spur Hill Environmental Assessment	2.5	2.5%
Detailed Feasibility Study completed	2.5	2.5%
Mining Lease granted	2.5	2.5%
<b>Total</b>	<b>10.0</b>	<b>10.0%</b>

As at the date of this Prospectus, no Milestone Payments have been made to SHUT.

### 2.15.2 Sole funding project expenditure (40%)

Through its wholly-owned Subsidiary SH2, Malabar Coal has the right to invest up to \$70 million into the Spur Hill Project which would earn a total Participating Interest of up to 40%. As at 31 December 2012, Malabar Coal, had spent a total of \$22.2 million on project Expenditure to earn a 12.7% Participating Interest and giving it, through SH2, a total Participating Interest of 27.7%.

### 2.15.3 Call option (15%)

Through its wholly-owned Subsidiary SH2, Malabar Coal has a call option to acquire an additional 15% Participating Interest in the Spur Hill Project for \$30 million<sup>27</sup>. This option will be exercised either at the time of reaching a 65% Participating Interest or prior to commencement of construction of the Project. As at the date of this Prospectus, the call option has not been exercised.

### 2.15.4 Acceleration

Through its wholly-owned Subsidiary SH2, Malabar Coal has the right to move to an 80% Participating Interest (inclusive of the call option discussed at Section 2.15.3) at any time by depositing any remaining Sole Funding Expenditure, Milestone Payments and Call Option exercise price amounts into the Spur Hill Project account.

27 This assumes there is no Eastern Development. As per the terms of the Farm-in Agreement, if there is an Eastern Development included in the Mining Lease (or if not granted, in the Mining Lease Application) for the Spur Hill Project at the time that the call option is being exercised, then the call option will be exercisable at \$3 million per 1% Participating Interest, or \$45 million for 15.0% Participating Interest. As outlined in Section 2.5.3, Malabar Coal only intends to apply for a Mining Lease for the Underground Resource Area.



### 2.15.5 Stamp Duty on transfer of Participating Interest

Stamp duty has already been paid on quarterly transfers of interests in the Tenement transferred to Malabar Coal's Subsidiary, SH2 for the period commencing 15 July 2011 until 30 September 2012 and which represent interests in the Tenement in addition to the initial 15% interest. The additional interests transferred in aggregate over that period are approximately 11.2%. Stamp duty of \$392,985 has been paid on transfers of those interests.

The Company expects that from 1 October 2012 until 30 June 2013, stamp duty will continue to be payable on the quarterly transfers of interests in the Tenement to SH2. Based on the expenditure budget for that period it is expected that there will be transfers of 3.79% in the Tenement to SH2 which, applying the current valuation of the Tenement, will give rise to an additional stamp duty liability of about \$278,000.

The Company expects that from 1 July 2013, stamp duty on transfers of exploration licences and some other property is to be abolished. If that does not happen then over time stamp duty will be payable on the transfer of a 50.0% interest in the Tenement assuming SH2 ends up holding a maximum percentage interest of 80% in the Tenement. Stamp duty on those transfers based on a valuation of \$140,000,000 (100% asset value implied by Offer Price) will, in aggregate, be approximately \$3,835,000. The Company expects therefore that the additional stamp duty payable on the transfers of interests in the Tenement to SH2 over time could be an amount which is anywhere between \$278,000 and \$4,113,000 applying the current valuation of the Tenement. The Company also expects that this stamp duty estimate will increase as the value of the Tenement increases from time to time and may further increase if the consideration paid for any transfer exceeds the value of the Tenement at the relevant time.

### 2.15.6 Farm-in rights – summary

Table 13: Earn-in structure for the Spur Hill Project

Earn-in Structure	Spur Hill Project Interest (%)	Payments	
		SHUT Payments	Project Funding
Spur Hill Project Interest as at 31 December 2012	27.7%	Completed	
<b>Milestone payments to SHUT</b>			
<i>Proved JORC Reserves of at least 80Mt</i>	+2.5%	\$2.5 million	
<i>Submission of Spur Hill Environmental Assessment</i>	+2.5%	\$2.5 million	
<i>Detailed Feasibility Study (to enable Decision to Mine) completed</i>	+2.5%	\$2.5 million	
<i>Mining Lease granted</i>	+2.5%	\$2.5 million	
<b>Spur Hill Project expenditure (project expenditure remaining)</b>	27.3%	\$47.8 million	
<b>Call option<sup>28</sup></b>	+15%	\$30 million	
<b>Total interest</b>	<b>80%</b>	<b>\$40 million</b>	<b>\$47.8 million</b>

The total Project Expenditure remaining under the Farm-in Agreement is \$47.8 million, however the Company retains 80% of the value of that Expenditure, hence the net cost to the Company is \$9.6 million. This results in a total net cost of \$49.6 million to achieve an 80% interest in the Project.

## 2.16 NO FORECASTS IN PROSPECTUS

The Directors believe that they do not have a reasonable basis to forecast future earnings for the Company as its development activities are subject to a number of inherently uncertain influences. Although the Company will seek to ensure that strategies are pursued to further the success of its exploration and development programmes, revenue generation cannot be reliably predicted.

Accordingly, any forecast or projected financial information would contain such a broad range of potential outcomes and possibilities that it is not possible to provide a reliable estimate, forecast or prediction in this Prospectus.

Notwithstanding the above statement, to the extent that there may be matters discussed in this Prospectus that are forward-looking, such statements are only predictions and actual events or results may differ materially. In addition, there are statements in this Prospectus concerning the envisaged operations of the Company following completion of the Offer.

These forward-looking statements are subject to a number of risks. For a discussion of the risk factors which could cause actual events or results to differ materially from such forward-looking statements, please refer to Section 3 (Risk Factors).

28 This assumes there is no Eastern Development. As per the terms of the Farm-in Agreement, if there is an Eastern Development included in the Mining Lease (or if not granted, in the Mining Lease Application) for the Spur Hill Project at the time that the call option is being exercised, then the call option will be exercisable at \$3 million per 1% Participating Interest, or \$45 million for 15.0% Participating Interest. As outlined in Section 2.5.3, Malabar Coal only intends to apply for a Mining Lease for the Underground Resource Area.

# 3. Risk Factors



### 3.1 OVERVIEW

This Section identifies the areas that are believed to be the major risks associated with an investment in the Company. Applicants should consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether or not to apply for Shares under this Prospectus.

The future prospects of the Company and the value of its Shares may be affected by a number of risks and uncertainties, both specific to the Company and of a general nature. While some risks may be mitigated by the Company, many risks are beyond control of the Company's Directors and management team.

Prospective investors should note that this Section is not an exhaustive list of the risks associated with an investment in the Company and it should be considered in conjunction with other information disclosed in this Prospectus. Additional risks and uncertainties that the Company is unaware of, or that it currently does not consider to be material, may also become important factors that may have an adverse effect on the Company's future financial performance and financial position.

Investors should note that the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, return of capital or the market value of those Shares.

### 3.2 SPECIFIC BUSINESS RISKS

Investors should be aware of the risks specific to an investment in the Company described below.

#### 3.2.1 Exploration, evaluation and development risk

Exploration, evaluation and development of natural resources are high risk endeavours. There are a number of factors that influence the successful development of mineral deposits into economically viable mining operations. There is also no guarantee that, should the Company evaluate a potentially commercial coal resource, the Company will be able to produce and transport those resources to commercially viable markets or sell the resources to customers to achieve a commercial return.

The Company's exploration, development and appraisal activities are also dependent upon the retention of appropriate licences, permits, resource consents and access arrangements which may not be granted, may be withdrawn or delayed or made subject to limitations or material changes by the relevant granting authority, including dilution of the Company's interest in, or even loss of, the relevant licence or consent.

#### 3.2.2 Estimation of Mineral Resources

Estimating the quantity and quality of Mineral Resources is an inherently uncertain process and the Mineral Resources stated in this Prospectus and any Mineral Resources or Reserves that the Company states in the future are, and will be, estimates and may not prove to be an accurate indication of the quantity and/or quality of coal that the Company has identified or that it will be able to extract. Mineral Resources estimates (including the Indicated and Inferred Mineral Resource estimates contained in this Prospectus) are expressions of judgement based on knowledge, experience and industry practice. Mineral Resources estimates are necessarily imprecise and depend upon many factors including interpretations and geological assumptions, the application of sampling techniques, estimates of coal prices, cost assumptions, and statistical inferences which may ultimately prove to have been unreliable. There are also risks that any coal ultimately mined may be of a different or inferior grade, quality, or volume from the Mineral Resources estimates.

The inclusion of a Mineral Resources estimate in this Prospectus should not be regarded as a representation that these amounts can be economically exploited and investors are cautioned not to place undue reliance on Mineral Resources estimates, particularly Inferred Mineral Resources estimates, which, as discussed in this Section, are highly uncertain. As a result, Mineral Resources estimates are regularly revised based on actual production experience or new data and are therefore expected to change. If the Company encounters mineralisation or formations which are not consistent with those predicted by past drilling, sampling and similar examinations, the Company's coal Mineral Resources estimates may have to be adjusted. Moreover, a decline in the price of coal, stabilisation at a price lower than recent levels, increases in production costs in the future, decreases in recovery rates or changes in applicable laws and regulations, including environmental, permitting, title or tax regulations, that are adverse to the Company, may mean the volumes of coal that the Company can reasonably extract may be significantly lower than the Mineral Resources estimates presented in this Prospectus.

#### 3.2.3 Inferred Mineral Resources

The Company does not have any Reserves under the JORC Code, and a significant proportion of its Mineral Resources are in the Inferred Mineral Resources category, which is the lowest of the three Mineral Resources categories under the JORC Code, reflecting limited sampling and a relatively low degree of geological certainty. While material may only be included in a Mineral Resources calculation if there are reasonable prospects of eventually economically extracting it, investors should be aware that the inclusion of a material in a Mineral Resources estimate does not require a conclusion that the material may be economically extracted at the yield indicated or at all. Mineralisation only qualifies to be categorised as a Reserve once it has been demonstrated to be economically recoverable.

Mineral Resources are delineated, in order of increasing confidence, into Inferred, Indicated and Measured Resources. Under the JORC Code, an Inferred Mineral Resource is defined as: “that part of a Mineral Resource for which quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade (or quality) continuity. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes”.

According to the commentary accompanying the JORC Code: “the Inferred category is intended to cover situations where a mineral concentration or occurrence has been identified and limited measurements and sampling completed, but where the data are insufficient to allow the geological and/or grade continuity to be confidently interpreted. While it would be reasonable to expect that the majority of Inferred Mineral Resources would upgrade to Indicated Mineral Resources with continued exploration, due to the uncertainty of Inferred Mineral Resources, it should not be assumed that such upgrading will always occur. Confidence in the estimate of Inferred Mineral Resources is not sufficient to allow the results of the application of technical and economical parameters to be used for detailed planning in pre-feasibility or feasibility studies. For this reason, there is no direct link from an Inferred Mineral Resource to any category of Reserves. Caution should be exercised if this category is considered in technical and economic studies such as scoping studies”.

Only Mineral Resources in the Measured or Indicated Mineral Resources categories can be converted to the status of a Reserve. As a result, any future development of the Tenement in respect of Inferred Mineral Resources will depend on the Company being able to further upgrade the Inferred Mineral Resources to the Measured or Indicated categories, and/or discover additional resources in the Measured or Indicated categories, and subsequently convert them to Reserves by demonstrating that they can be economically extracted under reasonably assumed operating conditions.

#### **3.2.4 Coal Quality Risk**

Coal quality is known to vary. As such, there is a risk that any coal identified may not be of sufficient quality to develop commercial mining operations, which could have an adverse impact on the Company.

#### **3.2.5 Coal Product Risk**

There is a risk that actual coal products produced and sold will differ from the Company’s expectations. Final product types are not known with certainty at this stage of the Project’s development. Variables include ash levels, coal washability, coking characteristics, and market demand for various product types. Refer to the Coal Marketability and Market Outlook Report in Section 6.

#### **3.2.6 Commercialisation Risks**

There is a high degree of risk associated with the development and commercialisation of coal resources, and at completion of construction of any projects the market price of the coal could be less than the cost of production. The Company may be forced to defer or suspend some or all of its planned exploration and/or mining activities. Further, obtaining necessary regulatory and environmental approvals may be delayed, more expensive than expected or may not be obtained at all.

#### **3.2.7 Commodity Price Risk**

Commodity prices fluctuate and are affected by a number of factors beyond the Company’s control including:

- world demand and consumption for coal;
- forward selling by producers;
- speculation by financial investors;
- production costs in major coal-producing regions;
- changes in global coal mining capacity and output; and
- macro-economic factors such as expectations regarding inflation, interest rates and global and regional demand for, and supply of, coal as well as general global economic conditions.

These factors may have an adverse effect on the Company’s exploration, development and production activities, as well as on its ability to fund those activities.

#### **3.2.8 Competition and Substitution**

Competition in the coal industry is based on many factors, including but not limited to, price, production capacity, coal quality and characteristics, transport capability, costs, and brand name. The Company faces competition from other Australian and international producers of coal. Increases in production or reduction of price of competing coals from both Australia and overseas may adversely impact the Company’s ability to sell its coal products at prices desirable to the Company. Increased competition in the future, including from new competitors, may emerge.

The development of new steel making and power generation technologies or practices may also lead to greater use of lower quality coals or other carbon sources in substitution for the coals produced by the Company. This could lower demand for the Company’s coal resources and potentially lower the price received for coal product.

### 3.2.9 Foreign Exchange Rate Risk

As the Company's coal sales revenue will predominantly be derived in US Dollars and costs denominated in Australian dollars, the revenues, profits, and assets and liabilities of the Company may be exposed adversely to foreign exchange rate fluctuations. If the Australian Dollar strengthens in value relative to the value of the US Dollar, then all other factors being equal, the Company's financial results will be adversely affected due to the resultant lower Australian Dollar receipts. The Board will consider whether to manage currency fluctuation risk by hedging the US Dollars which it expects to receive under export contracts from Australia. However, there can be no assurance that the Company will hedge its exchange rate exposure, that it will be able to hedge such exposure on acceptable terms in the future, or that any exchange rate hedging conducted by the Company will be effective or will not result in an adverse financial impact arising from the inability to benefit from a favourable movement in exchange rates.

### 3.2.10 Key Personnel Risk

The success of the Company is related to the Directors' and management's capabilities in governing and managing the Company's performance. Accordingly, the Company may be adversely affected if any of the Directors or management leaves the Company. This is because the Company might not be able to replace them with persons of equivalent expertise and experience within a reasonable period of time or at all and the Company may incur additional expenses to recruit, train and retain personnel.

### 3.2.11 Shortage of Skilled Labour

The successful development and commercialisation of the Company's assets will require a large number of personnel not currently employed by the Company. The resources sector has recently experienced significant shortages of skilled workers in mining regions, and high demand for skilled underground workers from competing operators. As such, there is a risk that the Company may not be able to identify and employ the skilled workers required for its future operations and this may adversely impact the Company's financial performance.

### 3.2.12 Contracted Labour

The Company may in the future depend on a large number of contracted personnel. There is a risk that contracted personnel fail to perform their contractual obligations and that the Company is unable to find suitable replacement contractors.

Through the potential use of contractors and other third parties for exploration, mining and other services, the Company is reliant on a number of third parties for development of the Spur Hill Project. While the situation is normal for the mining and exploration industry, problems caused by third parties may arise which have the potential to impact on the Company. Should contracted personnel fail to perform their contractual obligations, this may have the effect of delaying the development timetable, increasing operating costs and negatively impacting the economics of the Spur Hill Project.

### 3.2.13 Infrastructure Access

Coal produced from the Company's proposed mining operations is intended to be transported to customers by rail and sea. A number of factors could disrupt these transport services, including any failure of the Spur Hill Project's proposed rail or port infrastructure providers to increase capacity in order to meet future export requirements, key equipment and infrastructure failures, weather-related problems and industrial action, thereby impairing the Company's ability to supply coal to customers.

The Company would need to secure capacity on the rail and port systems from existing operators or these systems would need to be increased in order for the Company to secure sufficient capacity to meet its potential transport requirements. There is a possibility that the Company may not secure capacity from existing operators or that a capacity increase may not occur on either the rail system or the port system or both.

To date, no definitive agreements have been entered into for port and rail access and there is a risk that the Company will not enter into arrangements with existing rail providers and port owners for use of services or will not be able to enter into arrangements on terms acceptable to the Company. The Company will need to satisfy all relevant application criteria under or in respect of the Capacity Framework Agreement in order to obtain access to suitable and affordable infrastructure (e.g. port and rail capacity). If the Company cannot gain access to such infrastructure, it would have a material negative impact on the value of the Company.

Development and commercialisation of the Company's assets will require the use of both power and water infrastructure. Due to demand for power and water access, there is a risk that the Company may not be able to procure access to power and water on a commercially acceptable and timely basis which could have a material adverse impact on the Company. This may result in higher than expected operating or capital costs and would therefore be likely to impact on the commercial feasibility of the Project.

### 3.2.14 Transport Corridors

The Company does not have a relevant interest in all of the surface land between the Spur Hill Project and the various potential points of access to the rail system. The Company will need to enter into arrangements with the owners of the relevant land in relation to access, development and use of the land that the Company does not have a relevant interest in. The Company has commenced discussions with respect to such arrangements,

but no arrangement has yet been agreed. There is a risk that the Company will not reach agreement with one or more of the owners of the relevant parcels of land. This could have the effect of delaying the Project's development and potentially increasing the operating and/or capital costs of the Spur Hill Project, which could negatively impact the value of the Company.

### **3.2.15 Environmental Risk**

The coal mining sector operates under Australian State and Federal environmental laws. The Company's operations may use hazardous materials and produce hazardous waste which may have an adverse impact on the environment or cause exposure to hazardous materials. Despite efforts to conduct its activities in an environmentally responsible manner and in accordance with all applicable laws, the Company may be subject to claims for toxic torts, natural resource damages and other damages. In addition the Company may be subject to the investigation and clean-up of contaminated soil, surface water, groundwater and other media. This may delay the Spur Hill Project development timetable and may subject the Company to substantial penalties including fines, damages, clean-up costs or other penalties. The Company is also subject to environmental protection legislation, which may affect the Company's access to certain areas of its properties and could result in unforeseen expenses and areas of moratorium. Refer to the Solicitor's Report on the Tenement set out in Section 8 for further information on environmental risks.

### **3.2.16 Future Financing**

There can be no assurance that any future financing required by the Company to support proposed development plans will be available on satisfactory terms or at all. The inability to obtain funding could adversely affect the Company and result in a default in Tenement obligations and forfeiture of permits or licences if not remedied.

The Company, through its Subsidiary, Spur Hill Agricultural, currently has a debt facility of approximately \$5.35 million relating to land acquisitions it has made to the date of this Prospectus and will make in the future. There is a risk that Spur Hill Agricultural could default on these obligations which would result in the loss of control over these properties. Refer to Section 10 (Material Contracts) for a summary of the SHA Facility.

### **3.2.17 Operational Risk**

The potential operations of the Company, including mining and processing, are exposed to material risks. These include, amongst others, sub-standard coal quality specifications, outbursts or spontaneous combustion from gas within the coal seam, mining and processing technical difficulties encountered in commissioning and operating plant and equipment, mechanical failure, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant or equipment.

These risks and hazards may result in delays and other business interruptions, increased costs, personal injury, damage to or destruction of properties or production facilities, environmental damage, possible legal liability, damage to the Company's business reputation and corporate image and, in severe cases, fatalities.

### **3.2.18 Joint Venture Risk**

The Spur Hill Project is held in a joint venture with a third party, SHUT. Any failure by the Company, or the Company's Spur Hill Joint Venture partner to act in a manner consistent with the Farm-In Agreement or the Joint Venture Agreement may have a material adverse impact on the Company.

### **3.2.19 Inclement Weather**

Inclement or adverse weather may require the Company to evacuate personnel or curtail operations and may cause damage to its mine site, transportation roads and loading facilities. This could result in the temporary suspension of operations or generally reduce the Company's productivity. Any damage to the Company's future mine site, transportation roads and loading facilities caused by prolonged periods of inclement or adverse weather could materially and adversely affect the Company's business, prospects, financial condition and results of operations.

### **3.2.20 Contractual Risks**

No assurance can be given that all contracts will be fully performed by all contracting parties and that the Company will be successful in securing compliance with the terms of each contract by the relevant third party.

Failure by any of the Company's contractors to perform pursuant to their respective contractual obligations or the loss of their services, could materially and adversely affect the Company's business, prospects, financial condition and results of operations. There can be no assurance that replacement contractors could be found in a timely manner or at all, or would be able to perform at the same levels or at the same prices as the Company's current contractors.

The Company's ability to receive payment for coal sold and delivered depends on the continued creditworthiness of its potential customers. Furthermore, the bankruptcy of any of the Company's potential customers could materially and adversely affect the Company's business. In addition, competition with other coal suppliers could force the Company to extend credit to customers and on terms that could increase the risk of payment default. If the Company is unable to collect payment from its potential customers, its business, prospects, financial condition and results of operations will be materially and adversely affected.

### 3.2.21 Capital Expenditure Risk

There is a risk that the capital expenditure required to develop the Spur Hill Project may differ from the expectations of the Company set out in Section 2 (Company Overview). Should the actual capital cost incurred exceed the expectations of the Company, this could have a negative impact on the value of the Project and the Company.

### 3.2.22 Operating Expenditure Risk

There is a risk that the operating cost estimates outlined in the Prospectus will differ from actual operating costs achieved. Should the actual operating cost incurred exceed the expectations of the Company, this could negatively impact the profitability of the Project and have a negative impact on the value of the Company.

### 3.2.23 Internal Systems

The Company had operated as a private company from its date of incorporation (24 June 2011) until 11 June 2012 and thereafter as an unlisted public company and, as a result, it is continuing to develop and enhance some of the management structures and systems that will be necessary for it to operate as a listed public company and conduct its business on the scale anticipated by the Directors. As a listed public company, the Company will need to continue to enhance its governance, risk, management and information technology systems as it implements its plans for the Spur Hill Project and begins to increase its scale of operations, and it will have reporting obligations as a public company listed on ASX. If the Company is not able to further develop and enhance these systems, it may not be able to operate its business as planned.

### 3.2.24 Land Access

Under the Mining Act, prior to accessing privately-owned land for exploration or surface development activities, the Company must reach agreement (or proceed through an arbitration process) regarding compensation and access arrangements with private landholders. The Company has agreed Land Access Arrangements with the majority of landowners within the Tenement and is currently in an arbitration process with one Landowner. There is a risk that access cannot be achieved through the arbitration process and that the arbitration ruling is appealed through the NSW Land and Environment Court. There is also a risk that existing Land Access Arrangements cannot be renewed. This could have the effect of delaying exploration activities and potentially delaying the project development timeline.

Private landholders also have the ability to object to the grant of Mining Leases over the surface of their land within the vicinity of a dwelling-house, garden or significant improvement under the Mining Act. Private landholders do not have the ability to object to the grant of the subsurface Mining Leases that will be required for underground mining activities. The Company will seek to locate surface infrastructure to minimise any risk of an objection to the grant of a Mining Lease.

Refer to the Solicitor's Report on the Tenement set out in Section 8 for further information on land access risks.

### 3.2.25 Native Title

Exploration activities in Australia are subject to the *Native Title Act 1993* (Cth) and as such Aboriginal land rights may affect the Company's ability to secure prospective exploration areas and therefore may negatively impact the Company's planned development activities. The Company may also be required to settle native title claims lodged over any area of the Tenement.

In addition, any Mining Lease Application(s) lodged for the development of the Spur Hill Project would be subject to the *Native Title Act 1993* (Cth) and may require negotiation with registered native title claimants prior to grant of the Mining Lease.

Such risks may impact on the Company's ability to progress through the approvals process in the expected timeframe.

Native title is discussed in further detail in the Solicitor's Report on the Tenement set out in Section 8.

### 3.2.26 Aboriginal Cultural Heritage

Within Australia, Commonwealth and State legislation allows for the protection of Aboriginal cultural heritage and sites that are significant to Aboriginal custom and tradition. The Company is aware of its obligations in this respect and will carry out Aboriginal cultural heritage surveys as part of the environmental assessment programme to assess the potential impact of future development works on any heritage issues.

The Company's Tenement may potentially contain some sites of significance. If such sites exist, this may impact on the Company's ability to progress through the approvals process in the expected timeframe and/or impact the development and operation of the Project.

A detailed discussion of Aboriginal cultural heritage is contained in the Solicitor's Report on the Tenement set out in Section 8.

### 3.2.27 Licences and Permits

At the date of this Prospectus, the Company does not have all of the approvals, permits and easements required for operation of the Spur Hill Project. There is a risk that necessary land use approvals, including approval under Part 4 of the EP&A Act, renewals of Exploration Licences and the grant of a Mining Lease may not be granted, may be granted on terms not satisfactory to the Company, or may be granted but not within the timeframes anticipated by the Company. The Company may be unable to obtain and renew permits and licences necessary for its exploration, development or mining of specific coal deposits.

Mining companies must obtain a number of permits issued by various governmental agencies and regulatory bodies that impose strict regulations on various environmental and safety matters in connection with coal mining. The permitting rules are complex and may change over time, which may make Malabar Coal's ability to comply with the applicable requirements more difficult or even impossible, in such a case precluding continuing or future mining operations.

Private individuals and the public have certain rights to comment upon and otherwise engage in the permitting process, including through court intervention. Accordingly, the licences and permits the Company needs may not be issued, maintained or renewed, or may not be issued or renewed in a timely fashion, or may involve requirements that restrict the Company's ability to conduct its mining operations. An inability to conduct the Company's mining operations pursuant to applicable licences and permits could reduce the Company's production, cash flow, and profitability.

Another factor affecting future developments is successfully obtaining the grant of mining leases to recover coal from current or future exploration projects. No assurance can be given that current or future development and exploration will lead to mining operations.

Environmental regulation of mining activities in New South Wales imposes significant obligations on mining companies in relation to pollution control during mining operations and rehabilitation on completion of them. Changes to environmental regulation or circumstances beyond the control of the Company, such as drought or flood, may impact on the cost of meeting the Company's environmental obligations.

Refer to the Solicitor's Report on the Tenement set out in Section 8 for further information on licences and permits.

### 3.2.28 Tenement renewal and compliance

The Tenement was granted to the Spur Hill Joint Venture on 18 December 2009 following a call for expressions of interest by the NSW Department of Resources and Energy in September 2008. The Tenement is scheduled to expire in December 2014. Whilst there can be no guarantee that the Tenement will be renewed, or that the area of land over which the Tenement renewed remains the same, Directors believe that all of the Tenement conditions have been met, that the Project has a strong probability of being developed by the Company and as a result, there is a high likelihood that the Tenement will be renewed.

As at the date of this Prospectus, the Directors are not aware of any issues that would compromise the likelihood of the Tenement being renewed or the validity of the Tenement, nor have they received any notification of a failure to comply with any of the Tenement conditions.

In early 2011, the NSW Department of Resources and Energy advised all existing Exploration Licence holders that a new condition would be imposed at the time of the renewal of all existing Exploration Licences which requires the Minister's approval to a change in control of the Exploration Licence holder or a foreign acquisition of substantial control in the Exploration Licence holder. This condition will be imposed under any renewal of the Tenement.

Refer to the Solicitor's Report on the Tenement set out in Section 8 for further information on renewal and compliance.

### 3.2.29 Overlapping tenements

The Tenement overlaps with two other tenements: Petroleum Exploration Licence 4 held by AGL Upstream Investments Pty Ltd, and Exploration Licence 7509 held by Granite Power Limited. Condition 48 of the Tenement obliges the holder to make every reasonable attempt to enter into a cooperation agreement with the holder of any overlapping titles and to demonstrate those attempts. The Spur Hill Joint Venture has signed a confidentiality agreement with the holder of Petroleum Exploration Licence 4 to share certain exploration data although no formal cooperation agreement has been entered into. Whilst the Spur Hill Joint Venture has taken steps to enter into a cooperation agreement, no such agreement has been reached. No agreement has yet been reached with the holder of Exploration Licence 7509.

There is a risk that the Spur Hill Joint Venture is unable to reach a cooperation agreement with the holders of these overlapping titles. This could lead to a risk of uncertainty regarding the mutual development of the resources the subject of such titles and the Tenement.

Refer to the Solicitor's Report on the Tenement set out in Section 8 for further information on overlapping tenement risks.



### 3.2.30 Regional Land and Exploration Licence Issues

The NSW Government has announced their Strategic Regional Land Use Policy. This policy is aimed at addressing any conflicts that arise in regional areas between differing uses of land.

On 11 September 2012, the NSW Government released its Strategic Regional Land Use Plan. The Plan details a "Gateway" process that will now apply to state significant mining projects that are located within either BSAL; Viticulture 'Critical Industry Cluster'; or Equine 'Critical Industry Cluster'. The Tenement is located within the NSW Government mapping for each of the categories of Strategic Agricultural Land and as such, the Company will be required to go through the Gateway process.

The Gateway will consist of an independent panel of experts ("**Gateway Panel**") who will make an assessment of the potential impacts of coal mining proposals. The Gateway Panel will either issue an unconditional certificate where the panel considers that the proposal meets the Gateway criteria, or a certificate subject to conditions, where the panel considers that the proposal has not demonstrated that it meets some or all of the Gateway criteria. The conditions of the certificate will comprise requirements that must be addressed by the applicant in its Development Application.

There are various risks for the Spur Hill Project associated with the Strategic Regional Land Use Policy, including the risk that the Spur Hill Project is subjected to onerous development conditions and the risk that the process may cause delays in the project timeline.

### 3.2.31 Climate Change Policy and Carbon Tax

On 13 September 2011 the Australian government introduced a package of legislation to implement the policy set out in "Securing a clean energy future: The Australian Government's Climate Change Plan". The Clean Energy Future legislation package has now been passed by the Commonwealth Senate. From July 2012, the Company may be required to pay a carbon price, depending on the level of emissions produced. The Australian carbon pricing scheme began on 1 July 2012 at \$23 per tonne of carbon and is proposed to rise to \$24.15 per tonne in 2013-14 and to \$25.40 per tonne in 2014-15. From 1 July 2015 the price will be set by the market.

As the Company is currently a coal explorer and developer a carbon tax is not likely to have an immediate impact. However, it is difficult to accurately determine how the carbon price mechanism may affect the Company and its business activities in the future. If the Company does have increased input and other costs, and if the Company cannot successfully offset the effect of the carbon price, it may have an adverse effect on its financial position and cash flow.

### 3.2.32 Mineral Resource Rent Tax and State Royalties

From 1 July 2012, the Minerals Resource Rent Tax ("**MRRT**") applies to new and existing coal and iron ore projects in Australia. MRRT may be payable on group mining profits of more than \$75 million per year. The basic MRRT rate is 30%, which is reduced by a 25% extraction allowance, making the effective tax rate 22.5%. The Company expects to pay MRRT in the future during the later production/operations phase.

The State or Federal governments may amend the existing taxation and royalties legislation in a way that could adversely impact the future profitability of the Company. Under existing MRRT rules, the impact of any increase in State royalties would be partially offset by a reduction in any MRRT payable. Should MRRT and royalties legislation change in the future, the impact on the Company's profitability may be greater than currently anticipated.

### 3.2.33 Other Regulatory Factors

Extensive government regulations impose significant costs on the Company's mining operations, and future additional regulations could increase those costs or limit the Company's ability to produce and sell coal. The Australian coal industry is subject to strict regulation by Australian law with respect to such matters as limitations on land use, employee health and safety, mine permitting and licensing requirements, reclamation and restoration of mining properties, air quality standards, water pollution, protection of human health, plant life and wildlife, discharge of materials into the environment, surface subsidence from underground mining and the effects of mining on groundwater quality and availability.

Australian health and safety regulation in the coal mining industry is a comprehensive and pervasive system designed for protection of employee safety and health. Complying with existing or new regulations may delay commencement or continuation of exploration or production operations or adversely affect the Company's mining operations or cost structure, any of which could harm its future results.

The Company may incur costs and liabilities resulting from claims by employees for work-related injuries, and the Company must make adequate provision for its workers' compensation liabilities.

### 3.2.34 Majority Shareholders and Liquidity

Investors issued Shares under this Prospectus will hold approximately 23.5% of the aggregate Share capital of the Company after the Offer. As such, these investors will be able to influence the management, operation and control of the Company only to the extent of such aggregating holding.

Table 7 in Section 1 (Investment Overview) provides details of significant shareholders of the Company. These significant shareholders may be in a position to exert influence over the outcome of matters related to the Company. The interests of these significant shareholders may be different from those investors who subscribe for Shares under the Offer.

As at the date of this Prospectus, the Company believes that approximately 48.4% of Shares on issue following the Offer will be subject to some form of escrow restriction for at least 6 months, after which 29.0% will continue to be escrowed for an additional 18 months. Such a large proportion of escrowed Shares may impact upon the liquidity of the Company's Shares.

In addition, there is a risk of sell downs of restricted securities on expiry of the relevant escrow periods, which may affect the price of the Shares and market for the Shares in such a case.

### **3.2.35 Single Project Risk**

The Company does not have an ownership interest in any project other than the Spur Hill Project. As such, currently the profitability of the Company is entirely reliant on the Spur Hill Project. Any negative development on the Project may have a negative impact on the value of the Company.

### **3.2.36 Future Payment Risk**

As outlined in Section 10, the Company has entered into a Farm-in Agreement which allows the Company to increase its Participating Interest in the Project up to 80% through a series of milestone payments, funding project expenditure and exercising a call option. If the Company does not make these payments, it may not achieve an 80% Participating Interest. For more on the obligations under the Farm-in Agreement, see Section 10.

## **3.3 GENERAL RISKS**

Most of the general risks discussed below are outside the control of the Company and the Directors and cannot be mitigated.

### **3.3.1 Share Market Risk**

The market value of the Company's Shares may change depending upon a range of factors beyond the Company's control and which are unrelated to the Company's operational performance. The price of Shares listed on the ASX may also be affected by a range of factors including the Company's financial performance, and by changes in the business environment specifically affecting the Australian resources sector and coal development companies.

National and international market factors may also affect the Share price, including movements in international stock markets, general economic conditions and outlook, interest rates, exchange rates, inflation, commodity supply and demand, government taxation and royalties, legislation, monetary and other policy changes, and general investor perception. As the Company and its Directors have little or no control over any of these factors, no guarantee can be made that the price of Shares will not be affected by one or more of these factors. Furthermore, the Shares are not guaranteed in respect to profitability, dividends, return on capital, or market price.

### **3.3.2 General Economic Conditions**

General economic conditions such as economic activity, inflation, interest rates, commodity pricing and the general level of activity within the resources industry affect the performance of the Company. As these factors are beyond the control of the Company, their potential impact cannot be predicted.

### **3.3.3 Changes in Laws and Government Policy**

Government regulations and policies may adversely affect the financial performance and/or the current and proposed operations of the Company.

The possibility exists that new legislation and/or new regulations or orders may be adopted that may materially adversely affect the Company's current and proposed mining operations, cost structure and/or the ability of its customers to use coal. New legislation or administrative regulations (or new judicial interpretations or administrative enforcement of existing laws and regulations), including proposals related to the protection of the environment that further regulate and tax the Australia coal industry, may also require the Company or its customers to change operations significantly or incur increased costs.

### **3.3.4 Taxation**

There are tax implications arising from purchasing and selling Shares, receiving dividends from the Company, and participation in any on-market Share buy-backs. Accordingly, investors should seek their own independent taxation advice before applying for Shares in the Offer.

### 3.3.5 Insurance Risks

Although insurance is maintained by the Company, no assurance can be given that adequate insurance will continue to be available to the Company in the future on commercially acceptable terms.

In addition, the Company may incur liabilities to third parties (in excess of any insurance cover or statutory reserves) arising from negative environmental impacts or other damages or injury. There is a risk of an occurrence of a significant event leading to losses that are not fully covered by insurance.

### 3.3.6 Government Actions and Other Events

The impact of actions by domestic and international governments may affect the Company's activities, including in relation to access to infrastructure, compliance with environmental regulations, export and general trade regulations, taxation and royalties.

Events may occur within or outside Australia that could impact on the world economy, the market for coal, the operations of the Company and the price of the Shares. These events include war, acts of terrorism, civil disturbance, political intervention and natural events such as earthquakes, floods, fires and poor weather affecting roadways, mining and transport of coal. The Company has only a limited ability to insure against some of these risks.

### 3.3.7 Maps and Diagrams

This Prospectus contains a number of maps and diagrams to help identify and describe the Spur Hill Project and the Tenement and indicate existing and possible drill holes. Maps and diagrams should only be considered as indicating the Directors' current intentions, which may change in the future.

### 3.3.8 Unforeseen Expenses

The proposed expenditure on the Company's projects may be adversely affected by any unforeseen expenses which arise in the future and which have not been considered in this Prospectus.

# 4. Key People



## 4.1 BOARD OF DIRECTORS

---



**Wayne Seabrook,**  
**Chairman**

BE Hons (Chem),  
MAusIMM, F Fin

Wayne is the non-executive Chairman of the Company. Wayne has more than 30 years of resources sector and corporate finance experience. He has broad project development experience from previous roles with Alcoa, Macraes Mining, Minproc Engineers and Barclay-Mowlem. Wayne has also held senior corporate finance roles with Macquarie Bank, Challenger and Wilson HTM. He has managed transactions for many coal companies including Felix Resources, Whitehaven Coal, Excel Coal, Cleveland-Cliffs, and AMCI. Wayne was a founding director of ASX-listed Apollo Gas and ASX-listed Titan Energy Services Ltd. Wayne is currently a director of XLX, an investment company focused on the resource and energy sectors, and Ironstone Capital, a corporate advisory business. As Chairman, Wayne will be responsible for leadership of the Board, for efficient organisation and conduct of the Board's function and the briefing of all Directors in relation to issues arising at Board meetings. Wayne is also responsible for shareholder communication and arranging Board performance evaluation.

Wayne holds a Bachelor of Engineering (Chemical – 1st Hons) from the University of Canterbury, New Zealand and a Graduate Diploma from FINSIA. He is a fellow of FINSIA and a member of AUSIMM.

Wayne is also a member of the Company's Environmental, Risk and Occupational Health and Safety and Audit Committees.

---



**Hans Mende,**  
**Non-Executive Director**

MBA

Hans has been President of AMCI since he co-founded the company in 1986. Prior to founding AMCI, Hans was with the Thyssen Group, in various senior executive positions including President of Thyssen Carbometal Inc. from 1968 to 1986. Hans has served as a director of Alpha Natural Resources (Inc) USA (ANR) and as Chairman of ANR Holdings from 2003 to 2005. He was a founder and non-executive director of Whitehaven Coal. Hans is currently a director of White Energy Ltd in Australia, and MMX Mineracao in Brazil, both publicly traded entities.

Hans holds an MBA from University of Cologne, Germany.

---



**Andrew (Andy)**  
**Plummer,**  
**Non-Executive Director**

BSc Mining Eng

Andy has over 35 years experience in the investment banking and mining industries. He holds a BSc Mining Engineering from the Colorado School of Mines, USA. He was most recently an executive director of Whitehaven Coal and prior to that was an Executive Director of Excel Coal. During his tenure at both Whitehaven Coal and Excel Coal he was responsible for business development activities. He has worked in the Australian banking and finance industry since 1985 with Eureka Capital Partners, Resource Finance Corporation and Westpac. Prior to that, he was employed in a variety of management and technical positions with ARCO Coal, Utah International and Consolidation Coal. He is currently the Chairman of Ranamok Glass Prize Ltd and a director of XLX.

Andy is also a member of the Company's Environmental, Risk and Occupational Health and Safety Committee and Chairman of the Remuneration & Nominations Committee.

---



**Simon Keyser,**  
**Non-Executive Director**

BBus, CA

Simon has over 20 years of finance sector experience, specialising in the resources and energy sectors. Simon held senior investment banking positions with Wilson HTM and Chase Securities (now JPMorgan Chase) and has advised companies on capital raisings and mergers and acquisitions in Australia and Europe. Simon has managed transactions for coal companies including Felix Resources, Whitehaven Coal and Austral Coal. Simon is currently a director of XLX, an investment company focused on the resource and energy sectors, and Ironstone Capital, a corporate advisory business. Simon is also a director of ASX-listed Titan Energy Services Ltd.

Simon holds a Bachelor of Business from the Queensland University of Technology, Graduate Diploma from FINSIA and is a Chartered Accountant.

Simon is also a member of the Company's Remuneration & Nominations Committee and Chairman of the Audit Committee.

---



**Anthony (Tony) Galligan,**  
**Non-Executive Director**  
BSc (Geology)

Tony has more than 40 years experience in the Australian coal industry. He has held senior positions in the areas of geology, project approvals and development, mine safety, and mine-related infrastructure. His most recent position was General Manager Infrastructure with Whitehaven Coal. He was Chairman of NCIG for more than 3 years during the feasibility, financing and construction of the new coal terminal and also played a pivotal role in the upgrade of the rail line to the Gunnedah Basin. Previous positions include Exploration Manager for Agip Coal, Chief Coal Geologist, Director Coal and Director Development with the NSW Government.

Tony holds a Bachelor of Science (Geology) from the University of Queensland.

Tony is also Chairman of the Company's Environmental, Risk and Occupational Health and Safety Committee.

## 4.2 SENIOR MANAGEMENT TEAM



**Peter Doyle,**  
**Chief Executive Officer**  
BSc BE (Mining),  
MEngSci, MBA (Exec),  
Coal Mine Managers  
Certificate

Peter has over 25 years experience in the coal sector including specific expertise in coal mine approvals and operation. He holds a Bachelor of Science and Bachelor of Engineering from the University of Sydney and an MBA from the Australian Graduate School of Management. Peter's work history includes Project Manager at Excel Coal where he managed the approval process and pre-development activities for the large greenfield Wilpinjong Coal Mine, expansion design and approvals for the Wambo Coal Mine, and the Wambo Coal Terminal. More recently, Peter was Peabody Energy Australia's General Manager for Corporate & Operations Support responsible for front-end activities for its NSW coal assets. Prior to working for Excel Coal and Peabody, Peter worked for Oakbridge and Powercoal at their NSW underground mining operations, including periods of time as Mine Manager, Deputy Mine Manager and Technical Services Manager at Clarence Colliery and Angus Place Colliery.



**Ian Morgan,**  
**Company Secretary**  
BBus, MComLaw,  
Grad Dip App Fin, CA,  
ACIS, ACSA, MAICD,  
F Fin

Ian is a Chartered Accountant and Chartered Company Secretary, with over 30 years of experience. He provides secretarial and advisory services to a range of companies, and is company secretary of other publicly listed companies.

Ian holds a Bachelor of Business from the NSW Institute of Technology and a Master of Commercial Law from Macquarie University.

## 4.3 EMPLOYMENT AGREEMENTS

### 4.3.1 Chief Executive Officer Employment Agreement

The Company and Peter Doyle entered into an employment agreement appointing Peter Doyle as Chief Executive Officer of the Company and "Project Director" of Spur Hill Management. Peter Doyle reports to the Board.

Peter Doyle is entitled to the following remuneration package, which is subject to annual review:

- a. an annual base salary of \$270,000 including superannuation and car parking;
- b. on the award of a Mining Lease for the Spur Hill Project which allows a decision to construct the mine to proceed, a bonus of \$1,000,000 in cash; and
- c. discretionary bonuses in the form of any one or more of the following:
  - i. grants of options in the Company; or
  - ii. cash.

Whilst there is no limit on the amount of the bonus payment, the Company will only pay a bonus amount that is in accordance with the Corporations Act, Listing Rules and the Company's remuneration policies and which is appropriate having regard to the Company's size, operations and industry practice, to ensure bonus payments are aligned with the achievement of individual and Company-related performance targets.

Peter Doyle will also be granted 250,000 CEO Options<sup>29</sup>. The CEO Options to be issued to Peter Doyle have been valued at \$106,750. For the terms of the CEO Options, see Section 11 (Additional Information).

The Company may terminate the employment agreement at any time without prior notice in the event of any serious or persistent breach of the material provisions of the employment agreement or serious misconduct or gross neglect or incompetence in the discharge of duties by Peter Doyle. Either party can terminate the agreement at any time with three month's written notice.

#### 4.4 NON-EXECUTIVE DIRECTOR APPOINTMENT LETTERS

The Company has entered into non-executive appointment letters with each of Andy Plummer, Hans Mende, Simon Keyser, Tony Galligan and Wayne Seabrook, under which each is appointed to act as a Director of the Company. Under these letters the Company has agreed to pay each non-executive Director the annual fees outlined in Section 11 (Additional Information).

#### 4.5 BENEFITS AND INTERESTS

Summaries of the interests of Directors, remuneration paid to Directors and related party transactions are set out in Section 11 (Additional Information).

#### 4.6 LEGAL OR DISCIPLINARY ACTION

None of the persons below have, in the 10 year period ending on the date of this Prospectus, had any legal or disciplinary action against the person (or any company that the person was a director of at the relevant time) that is relevant to the person's role in the Company and a potential investor's decision to apply for Shares.

*Table 14: Prior legal or disciplinary action for Directors and senior management*

Person	Prior legal or disciplinary action
Wayne Seabrook	Nil
Simon Keyser	Nil
Hans Mende	Nil
Andy Plummer	Nil
Tony Galligan	Nil
Peter Doyle	Nil
Ian Morgan	Nil

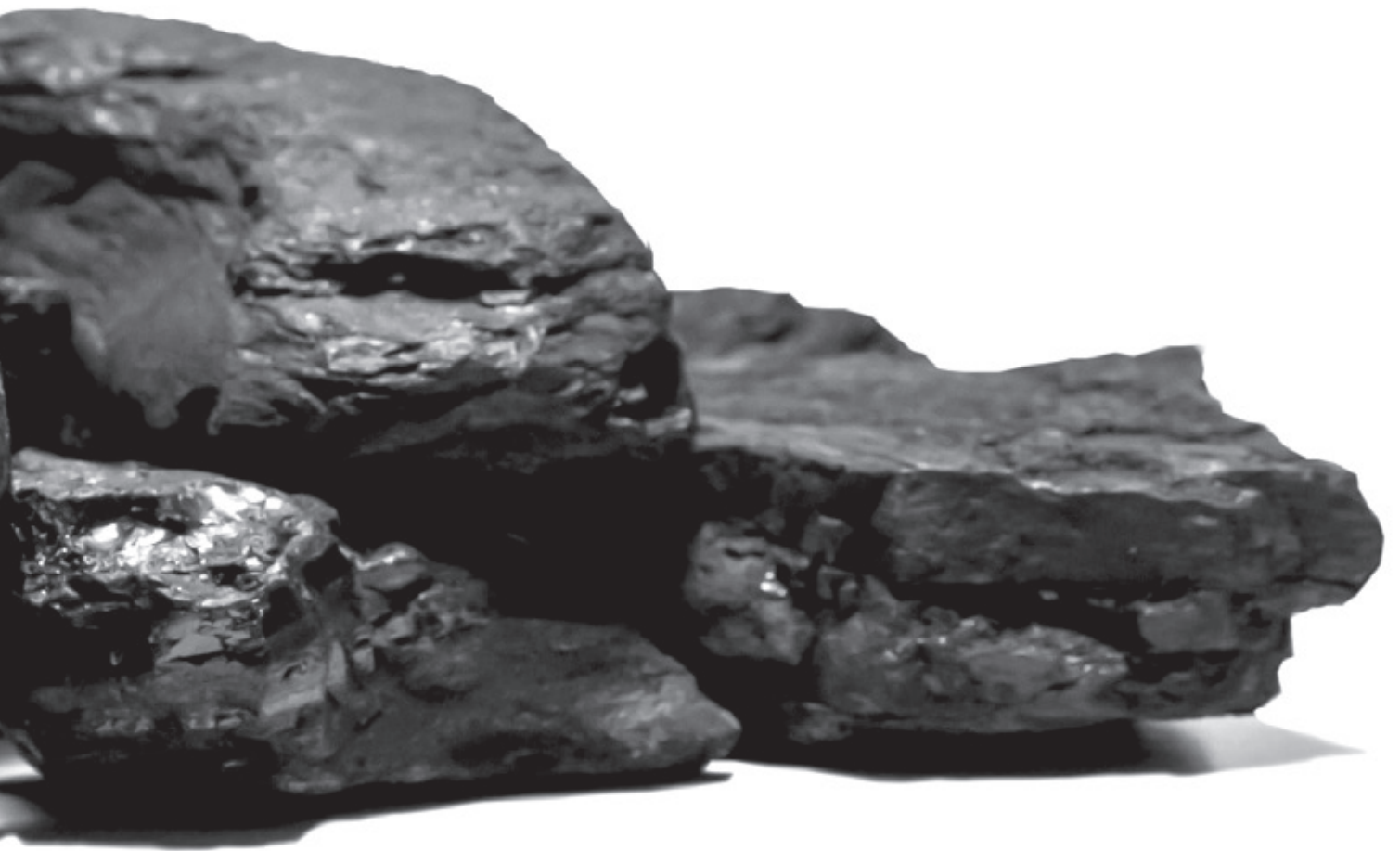
#### 4.7 INSOLVENT COMPANIES

None of the persons below have been an officer of a company that entered into a form of external administration because of insolvency while the person was an officer of the company or within 12 months of the person ceasing to be an officer of the company.

*Table 15: Directors' and senior management's association with insolvent companies*

Person	Association with insolvent companies
Wayne Seabrook	Nil
Simon Keyser	Nil
Hans Mende	Nil
Andy Plummer	Nil
Tony Galligan	Nil
Peter Doyle	Nil
Ian Morgan	Nil

# 5. Offer Details





This Section provides an overview of the Offer and should be read in conjunction with the remainder of this Prospectus.

## 5.1 THE OFFER

This Prospectus invites Applications for 20,000,000 Shares at the Offer Price of \$1.00 per Share to raise a total of \$20,000,000. All Shares issued pursuant to this Prospectus will be fully paid and will rank equally in all respects with the Shares currently on issue.

The Offer includes Shares offered under the Broker Firm Offer and the Institutional Offer. The total number of Shares on issue upon the admission of the Company to the Official List following the completion of this Offer will be 85,000,000.

No general public offer will be made. The allocation of Shares will be made under a Broker Firm Offer and Institutional Offer, and will be determined by the Joint Lead Managers in consultation with Malabar Coal, having regard to the allocation policy outlined in this Section.

Applications can only be made by completing the Application Form accompanying this Prospectus.

**Applications must be for a minimum of 2,000 Shares (i.e. \$2,000) and thereafter in multiples of 500 Shares (i.e. \$500). Applications for less than the minimum accepted application of 2,000 Shares will not be accepted.**

### 5.1.1 Key terms<sup>30</sup>

The key terms of the Offer are set out as follows:

*Table 16: Key terms of the Offer*

Key Terms	
Offer Price per Share	\$1.00
Total number of Shares on issue (other than Shares offered under this Prospectus)	65,000,000
Shares offered under this Prospectus	20,000,000
Total number of Shares on issue upon listing on ASX	85,000,000
Options agreed to be granted <sup>31</sup>	450,000
Amount to be raised under the Offer	\$20,000,000
Undiluted market capitalisation at the Offer Price	\$85,000,000

### 5.1.2 Purpose of the Offer and use of funds

The primary purpose of the Offer is to:

- fund continued development of the Spur Hill Project;
- fund the expenses of the Offer and the costs of listing the Company on the ASX; and
- provide general working capital for the Company.

<sup>30</sup> Key Offer Statistics presented are after Subdivision of Shares and conversion of CPS to Shares.

<sup>31</sup> The Company has agreed to grant these Options on the business day immediately prior to the ASX Quotation Date.

Following the close of the Offer and upon admission to the Official List, the Company expects to have received a total of \$20,000,000 from subscribers for Shares under the Offer. The Company had approximately \$3,900,000 in cash as at 31 December 2012. The Company intends to apply these funds as follows:

*Table 17: Use of funds from the Offer and existing cash*

Use of Funds	\$ million
Exploration programme	5.0
Environmental studies & approvals	3.2
Project management & corporate costs	3.0
IPO costs	1.7
Land & related costs (after debt financing) <sup>32</sup>	6.2
Milestone Payment to SHUT <sup>33</sup>	2.5
Additional working capital & contingency	2.3
<b>Total</b>	<b>23.9</b>

Table 17 above outlines the Company's intended use of funds through to June 2014. This may be subject to change as the Project progresses and new circumstances arise (such as acquiring land that may become available during the period). The Company has the ability to alter its planned expenditure to meet the requirements of the Project such as altering drilling programmes or accelerating engineering and environmental studies.

On completion of the Offer, the Board believes the Company will have sufficient capital to achieve its stated objectives. Refer to Section 2.2.

### 5.1.3 Capital structure

Malabar Coal's capitalisation and indebtedness as at 31 December 2012, before and following completion of the Offer and listing upon ASX is set out in Section 9 (Investigating Accountant's Report).

The shareholding structure of the Company will be as follows:<sup>34</sup>

*Table 18: Shareholdings of key shareholder groups*

	Pre-Offer		Upon admission to the Official List	
	Shares	%	Shares	%
Directors/ Promoters/ Related Parties <sup>35</sup>	24,616,235	37.9%	26,916,235	31.7%
Other Pre-IPO Investors	40,383,765	62.1%	40,383,765	47.5%
Issued under this Offer (excl. Directors)	–	–	17,700,000	20.8%
<b>Total</b>	<b>65,000,000</b>	<b>100.0%</b>	<b>85,000,000</b>	<b>100.0%</b>

On 7 February 2013, the holders of Shares of Malabar Coal approved the Subdivision of all of the issued Shares in the Company from 18,382,822 Shares to 40,999,979 Shares, to be applied pro rata between all holders of Shares of the Company. The approval is conditional upon the Company receiving \$20,000,000 from subscribers under the Offer. As such, the Subdivision will be effective upon satisfaction of this condition. The Prospectus indicates Share numbers following the Subdivision even though the Subdivision is not effective until this condition is satisfied. The number of Shares offered for issue under the Offer and the Offer Price are shown on the basis that the Subdivision has occurred.

### 5.1.4 Current and pro-forma financial position

Malabar Coal's pro-forma balance sheet following completion of the Offer including details of the pro-forma adjustments is set out in Section 9 (Investigating Accountant's Report).

32 The Company has \$1.9 million in debt available for draw-down which will be used to partially finance the land acquisitions. Total land costs including stamp duty and other land related costs are expected to be approximately \$8.1 million.

33 Assumes one Milestone Payment is made per the Farm-in Agreement. Refer to Sections 2.15.1 and 10.1.

34 Number of Shares is presented after Subdivision and conversion of CPS. The CPS will automatically convert into Shares on the date on which the ASX confirms the Company's listing. See Section 11 (Additional Information) for further information.

35 The level of Director participation under the Offer will be \$2,300,000.

### 5.1.5 Group structure

An outline of the Company's group structure is set out in Section 2 (Company Overview).

## 5.2 TERMS AND CONDITIONS OF THE OFFER

Topic	Summary
<b>What is the consideration payable for each Share being offered?</b>	The Offer Price is \$1.00 per Share.
<b>What is the Offer period?</b>	The key dates, including details of the Offer period, are set out on page 2. No Shares will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.
<b>What are the cash proceeds to be raised?</b>	\$20,000,000 will be raised under the Offer.
<b>What is the minimum and maximum Application size under the Offer?</b>	The minimum Application under the Offer is \$2,000, and in multiples of \$500 thereafter.  There is no maximum value of Shares that may be applied for under the Offer.
<b>What is the allocation policy?</b>	The Offer is open to certain retail and institutional investors who receive a firm allocation from the Joint Lead Managers and Underwriters or participating brokers to the Offer. The allocation of Shares between the Broker Firm Offer and the Institutional Offer is to be determined by the Joint Lead Managers in consultation with Malabar Coal having regard to the allocation policy outlined in this Section. No Shares are being offered to the general public.  For further information on the Broker Firm Offer, see Section 5.2.1 For further information on the Institutional Offer, see Section 5.2.2.
<b>Will the Shares be listed?</b>	Malabar Coal will apply for admission to the official list of ASX and quotation of Shares on ASX under the code MBC. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.
<b>When are the Shares expected to commence trading?</b>	It is expected that trading of the Shares on ASX will commence on or about 26 March 2013.
<b>Is the Offer underwritten?</b>	Yes. The Joint Lead Managers have underwritten the Offer to \$20,000,000. Details are provided in Section 10.12.
<b>Are there any escrow arrangements?</b>	Yes. Details are provided in Section 11 (Additional Information).
<b>Are there any taxation considerations?</b>	The tax treatment and consequences of the Offer will vary depending on the particular circumstances of the Applicant. Information on taxation issues for Applicants is provided in Section 11 (Additional Information). However, Malabar Coal accepts no liability or responsibility in relation to any taxation consequences connected to the Offer. Therefore, it is your responsibility to determine the appropriate tax treatment for you.
<b>Are there any brokerage, commission or stamp duty considerations?</b>	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer.
<b>What should you do with any enquiries?</b>	If you are unclear in relation to any matter or are uncertain as to whether Malabar Coal is a suitable investment for you, you should seek professional guidance from your solicitor, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest.

### 5.2.1 Broker Firm Offer

If you participate in the Broker Firm Offer, you must lodge your Application with your broker in accordance with that broker's directions and your broker will be responsible for ensuring that your Application Form and Application Monies are submitted before the date the Broker Firm Offer closes at 5.00pm (AEDT) on the Closing Date.

Applicants under the Broker Firm Offer should make payments in accordance with the directions of the broker from whom you received a firm allocation.

Topic	Summary
<b>Who can apply?</b>	Persons who have received a firm allocation from their broker and who have a registered address in Australia. If you have been offered a firm allocation by a broker, you will be treated as an Applicant under the Broker Firm Offer in respect of the allocation. You should contact your broker to determine whether they will allocate Shares to you under the Broker Firm Offer.
<b>How to apply for Shares under the Broker Firm Offer</b>	<p>Applications for Shares may only be made on an Application Form attached to or accompanying this Prospectus, or in its electronic form which may be downloaded in its entirety from <a href="http://www.malabarcoal.com.au">www.malabarcoal.com.au</a>.</p> <p>If you are an investor applying under the Broker Firm Offer, you should complete and lodge the Application Form with the broker from whom you received your firm allocation. Application Forms must be completed in accordance with the instructions given to you by your broker and the instructions set out on the reverse of the Application Form. Applicants under the Broker Firm Offer must not send their Application Forms to the Share Registry.</p> <p>By making an Application, you declare that you were given access to the Prospectus, together with an Application Form.</p> <p><b>The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.</b></p>
<b>Minimum application amount</b>	If you apply for Shares under the Broker Firm Offer, you must apply for a minimum value of \$2,000 worth of Shares and in multiples of \$500 thereafter. There is no maximum value of Shares that may be applied for under the Broker Firm Offer.
<b>What is the Offer period?</b>	<p>The Broker Firm Offer is expected to open at 9.00am (AEDT) on 2 March 2013 and is expected to close at 5.00pm (AEDT) on 15 March 2013.</p> <p>Malabar Coal in consultation with the Joint Lead Managers may elect to close the Offer or any part of it early, extend the Offer or any part of it, or accept late Applications either generally or in particular cases. The Offer or any part of it may be closed at any earlier date and time, without further notice. Your broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible. Please contact your broker for instructions.</p>

### 5.2.2 Institutional Offer

Topic	Summary
<b>Who can apply?</b>	The Joint Lead Managers have separately advised Institutional Investors of the Application procedures for the Institutional Offer.
<b>How to apply for Shares under the Institutional Offer</b>	The allocation of Shares among Applicants in the Institutional Offer was determined by the Joint Lead Managers in consultation with Malabar Coal. The Joint Lead Managers have separately advised Institutional Investors of the Application procedures for the Institutional Offer.

### 5.3 UNDERWRITING AND OVERSUBSCRIPTIONS

The Offer is underwritten by the Joint Lead Managers to the full amount of the Offer, being \$20,000,000. A summary of the Underwriting Agreement are set out in Section 10.12 (Material Contracts).

The Board will not accept oversubscriptions under the Offer pursuant to this Prospectus.

### 5.4 APPLICATION MONIES HELD ON TRUST

All Application Monies will be held on trust in a separate bank account opened only for this purpose, until the Shares are issued and allotted under the Offer or the Application Monies are returned to Applicants.

### 5.5 ARRANGEMENTS WITH BROKERS

Malabar Coal has appointed Wilson HTM as Lead Arranger to the Offer. Wilson HTM and RBS Morgans have been appointed as Joint Lead Managers, Joint Bookrunners and Underwriters to the Offer. The Joint Lead Managers will be paid fees in relation to the Offer in accordance with the Underwriting Agreement summarised in Section 10.12 (Material Contracts). Malabar Coal will not pay any lodgement fee to any broker on Applications lodged bearing a stamp representing a licenced broker. Each third party broker has made or will make its own arrangements for payment of any fees directly with Wilson HTM and RBS Morgans.

### 5.6 ACTION BY APPLICANTS

Accompanying and forming part of this Prospectus is an Application Form for use by Applicants in applying for Shares.

To participate in the Offer, the Application Form must be completed and received, together with the Application Monies, in accordance with the instructions on its reverse side.

Applications must be for a minimum of 2,000 Shares (i.e. \$2,000) and thereafter in multiples of 500 Shares (i.e. \$500).

Applications for less than the minimum accepted Application of 2,000 Shares will not be accepted.

### 5.7 ALLOCATION POLICY

Shares which have been allocated to brokers under the Broker Firm Offer (for allocation to their Australian resident retail clients) will be issued to the Applicants nominated by those brokers (subject to the right of Malabar Coal and the Joint Lead Managers to reject or scale back Applications). Further and subject to the right of Malabar Coal and the Joint Lead Managers to reject or scale back Applications, it will be a matter for the brokers how they allocate firm stock among their retail clients, and they (and not Malabar Coal nor the Joint Lead Managers) will be responsible for ensuring that retail clients who have received a firm allocation from them receive the relevant Shares.

### 5.8 ALLOTMENT

Malabar Coal and the Joint Lead Managers reserve the right, in their absolute discretion, to allot the Shares applied for under any Application in full or to allot any lesser number or to decline any Application for any or no reason. Malabar Coal and the Joint Lead Managers may in their absolute discretion give preference to certain investors in accepting Applications under the Offer.

Allotment of the Shares under this Prospectus will take place as soon as practicable after the Closing Date. Application Monies will be held on trust in a subscription account until allotment.

Application Monies will be kept by the Company in trust for Applicants. Any interest earned on the Application Monies will be for the benefit of the Company and will be retained by the Company irrespective of whether allotment takes place.

Where the number of Shares allotted is less than the number applied for, the surplus monies will be returned by cheque within 30 days of the Closing Date. Where no allotment is made, the amount tendered on Application will be returned in full by cheque within 30 days of the Closing Date. Interest will not be paid on monies refunded.

No Shares will be allotted or issued under this Prospectus later than 13 months after the date of this Prospectus.

## 5.9 ASX LISTING

The Company has made an application to the ASX for admission to the Official List and for Official Quotation of its Shares.

The fact that the ASX may admit the Company to the Official List is not to be taken in any way as an indication of the value or merit of the Company or the Shares offered under this Prospectus. Official Quotation, if granted, will commence as soon as practicable after the issue of holding statements to successful Applicants.

If the Company has not been admitted for Official Quotation within 3 months of the date of this Prospectus, then the Company will refund all Application Monies received pursuant to this Prospectus in full. Interest will not be paid on Application Monies refunded.

## 5.10 APPLICATIONS OUTSIDE AUSTRALIA

The Offer under this Prospectus does not constitute a public offer.

This Prospectus does not, and is not intended to constitute, an Offer in any place or jurisdiction in which, or to any person to whom it would not be lawful to make such an Offer or issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

The Company has not taken (nor will it take) any action to provide this Prospectus in any jurisdiction outside Australia.

It is the responsibility of non-Australian resident investors to obtain all necessary approvals for the allotment and issue of Shares pursuant to this Prospectus. The return of a completed Application Form by an Applicant outside Australia will be taken by the Company to constitute a representation and warranty by the Applicant that all approvals have been obtained. Applicants who are nominees or persons proposing to act as nominees should seek independent advice as to how they should proceed.

## 5.11 CLEARING HOUSE ELECTRONIC SUB-REGISTER SYSTEM (CHESS)

The Company will apply to be admitted to participate in the Clearing House Electronic Sub-register System, known as CHESS. ASX Settlement, a wholly owned subsidiary of the ASX, operates CHESS in accordance with the ASX Listing Rules and ASX Settlement Rules.

On admission to CHESS, the Company will operate an electronic issuer-sponsored sub-register and electronic CHESS sub-register. The two sub-registers together will make up the Company's principal register of Shares.

The Company will not issue certificates to shareholders. Shareholders who are allotted Shares under this Prospectus will be provided with a transaction confirmation statement that sets out the number of Shares allotted to the Shareholder.

Shareholders who elect to hold Shares on the issuer-sponsored sub-register will be provided with a holding statement (similar to a bank account statement), that sets out the number of Shares allotted to the shareholder under this Prospectus.

For shareholders who elect to hold their Shares on the CHESS sub-register, the Company will issue an advice that sets out the number of Shares allotted to the Shareholder under this Prospectus. At the end of the month of allotment, CHESS, acting on behalf of the Company, will provide shareholders with a holding statement that confirms the number of Shares held and any transactions executed by the Shareholder during that month.

A holding statement (whether issued by CHESS or the Company) will also provide details of a shareholder's Holder Identification Number in the case of a holding on the CHESS sub-register or Shareholder Reference Number in the case of a holding on the issuer-sponsored sub-register. Following distribution of these initial holding statements to all shareholders, a holding statement will also be provided to each shareholder at the end of any subsequent month during which the balance of that shareholder's holding of Shares changes.

A shareholder may request a holding statement at any other time. However, a charge may be made by the Share Registry for additional statements.

## 5.12 TAXATION

The acquisition and disposal of Shares will have taxation consequences which will differ depending on the individual circumstances of each investor. All potential investors in the Company should seek their own independent advice in relation to taxation matters.

Please see Section 11.7 (Additional Information) for a general summary of the Australian tax consequences for investors who acquire new Shares in the Company under this Prospectus.

It is not necessary for Applicants to quote their tax file number on the Application Form. However, Applicants should read the instructions in the Application Form regarding the provision of their tax file number.

## 5.13 ELECTRONIC PROSPECTUS

This Prospectus may be viewed online at [www.malabarcoal.com.au](http://www.malabarcoal.com.au). Applicants using the Application Form attached to the electronic version of this Prospectus must be resident in Australia.

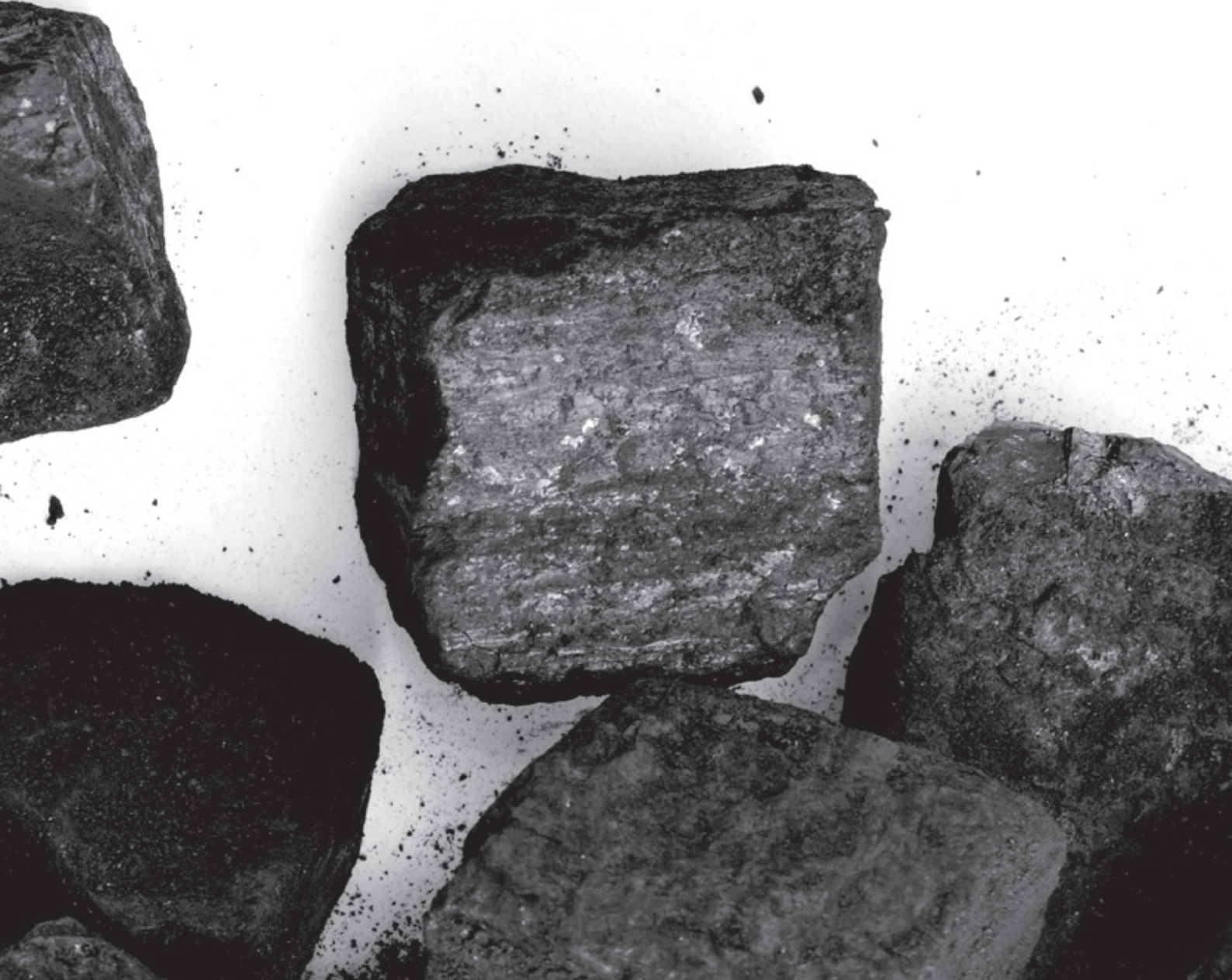
Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus. A paper copy of this Prospectus will be provided free of charge to any person who requests a copy by contacting the Share Registry.

## 5.14 ENQUIRIES REGARDING THE OFFER

Applicants with queries about the terms of the Offer or how to complete the Application Form or who require additional copies of the Prospectus should contact the broker from whom you received a firm allocation or the Share Registry on 1800 128 092.

The Company is unable to advise Applicants on the suitability or otherwise of an investment in the Company, and for such advice Applicants must contact their own independent professional advisers.

# 6. Coal Marketability and Market Outlook Report





# Spur Hill Underground Coal Project

## Quality Assessment and Market Outlook



An independent report prepared by

**MinAxis Pty Ltd**

for

**Malabar Coal Limited**

18 January 2013

## MinAxis Pty Ltd

A.B.N. 91 132 604810

1 Knowlman Avenue, Pymble, NSW 2073 Australia

T +61 2 9144 2871 Mobile 61 (0)407 443 126. Email: gwailes@minaxis.com



18 January 2013

The Board of Directors,  
Malabar Coal Limited,  
Level 1, 12 Creek St,  
Brisbane QLD 4000 Australia

Dear Sirs,

### **Spur Hill Underground Coal Project – Quality Assessment and Market Outlook**

#### **Capability & Independence**

MinAxis Pty Ltd (MinAxis) provides independent analysis on coal quality and marketability to coal exploration and mining companies.

MinAxis does not have a direct or indirect financial interest in, or association with Malabar Coal Limited (Malabar), nor the properties and tenements of Malabar apart from standard contractual arrangements for the preparation of the enclosed report. MinAxis has been paid for the preparation of this report.

#### **Scope of Work**

MinAxis was commissioned by Malabar to provide an independent Market Report on the Spur Hill Underground Coal Project, specifically making comments and estimates concerning the following:

- (i) A review of future Spur Hill semi-soft coking coal and thermal coal quality
- (ii) A review of the marketability of future Spur Hill semi-soft coking coal and thermal coal products including benchmarking specifications against major benchmark brands
- (iii) A summary of the international market outlook for semi-soft coking coal and thermal coal

Our report is set out in the balance of this document. Readers are encouraged to read the whole of this report.

#### **Purpose**

This report has been prepared for inclusion in a prospectus for the ASX-listing of Malabar and may only be used for this purpose.

In preparing this report, MinAxis has relied not only on its in-house expertise but also information derived from its databases and a wide range of data sources including, but not limited to, industry and public domain sources for which assessment cannot be made in regard to accuracy. Further, MinAxis has produced tables of historical

## MinAxis Pty Ltd

A.B.N. 91 132 604810

1 Knowlman Avenue, Pymble, NSW 2073 Australia

T +61 2 9144 2871 Mobile 61 (0)407 443 126. Email: gwailes@minaxis.com



and current data, assessed potential coal products by compiling, interpreting and analysing engineering, production, economic, statistical and technical data from not only its databases but also from many industry and public domain sources for which assessment cannot be made in regard to accuracy.

Coal industry data as reported in the public domain and industry data sources may contain inconsistencies or be otherwise unreliable. Consequently, MinAxis makes no warranty regarding historical or forecast statistics, or demand projections in this report and the information which at least in part forms the basis of this report and as such should not be relied upon.

However, MinAxis has made all inquiries that it believes are desirable and appropriate in order to prepare the report (including relation to data and information derived from industry and public domain sources) and this report does not omit any matter that MinAxis regards as material to the conclusions of the report (including with respect to data and information derived from industry and public domain sources).

Although forward-looking statements contained in this report (including but not limited to expectations regarding prices and markets) do reflect MinAxis' views at the time of writing, they are only predictions, and accordingly actual events or results may differ materially. It is not possible to forecast the effect of changes in government, company policies, future events, natural disasters and the like on economic outcomes. These forecasts are subject to changes in many factors (including but not limited to economic, environmental, political and subjective factors) over which MinAxis has no control.

### MinAxis Pty Limited

Graham L. Wailes

Executive Director



## Table of Contents

Executive Summary .....	2
The Project .....	2
Preliminary Spur Hill coal quality assessment .....	2
Spur Hill Coal marketability assessment .....	2
(1) Spur Hill product quality review .....	4
Introduction .....	4
Spur Hill ULA Soft CC .....	4
Spur Hill SSCC produced from other seams .....	4
Spur Hill Thermal Coal quality review .....	4
(2) Marketability and value of Spur Hill coal .....	6
Spur Hill ULA Soft CC .....	6
Spur Hill SSCC .....	6
Spur Hill Thermal Coal .....	6
(3) The International Metallurgical Coal Market .....	7
Steel Production – Demand driver for metallurgical coal .....	7
Metallurgical coal types .....	7
International Metallurgical Coal Trade .....	7
Classification of SSCC & Soft Coking Coal in the international market .....	8
Semi Soft Coking Coal Market .....	9
Supply-Demand trend .....	11
(4) The International Thermal Coal Market .....	13
Demand for Thermal Coal .....	13
Thermal Coal Supply .....	16
Appendix 1 – Metallurgical coal types and requisite properties for coking coals. ....	19
Metallurgical Coal Type Classification .....	19
Coking coal .....	19
PCI coal .....	19
Specification Definitions .....	19

## Tables

Table 1: Internationally Traded Metallurgical Coal Demand .....	8
Table 2: Internationally Traded Semi-Soft Coking Coal Imports 2006-2025 .....	9
Table 3: Internationally Traded Semi-Soft Coking Coal Exports 2006-2025 .....	10
Table 4: Chinese Thermal Coal Consumption .....	14
Table 5: Thermal Coal Imports .....	15
Table 6: Internationally traded Thermal Coal Exports .....	18
Table 7: Metallurgical Coal Type Classification .....	19

## Figures

Figure 1: Major Metallurgical Coal Importing Countries CY2011 & 2025f .....	7
Figure 2: Major country importers of semi-soft coking coal CY2011 & 2025f .....	10
Figure 3: Coking coal component imp. Trends 1990-2012 .....	11
Figure 4: Major Thermal Coal Country Exporters 2011 and 2025 .....	16



## Executive Summary

### The Project

The Spur Hill Underground Coal Project ('Spur Hill') is an underground coal development in the Upper Hunter Valley of New South Wales.

Under the conceptual development plan, the majority of saleable output during the first 10-12 years of operation will be a unique quality soft coking coal ("Soft CC") produced from the Whynot seam.

Following mining of the Whynot seam, Spur Hill will target other seams including the Bowfield, Whybrow and Warkworth seams. It is expected that benchmark thermal coal and benchmark SSCC will be produced from these seams.

### Preliminary Spur Hill coal quality assessment

It is likely that Spur Hill will produce principally three key products over the life of the mine, namely;

1. An ultra-low ash, premium Soft CC principally from the Whynot seam "**Spur Hill ULA Soft CC**"
2. A standard/typical semi-soft coking coal ("SSCC") from other seams "**Spur Hill SSCC**", and
3. A benchmark export thermal coal "**Spur Hill Thermal Coal**".

The *Spur Hill ULA Soft CC* is expected to be highly sought after by consumers due to its very low ash content of less than 6%, and therefore will be readily absorbed by the market.

The *Spur Hill SSCC* product is likely to possess relatively low ash, low sulphur and other characteristics typical of other semi-soft coking coals being sold into the international market.

The *Spur Hill Thermal Coal* is likely to be comparable in quality to most major high rank bituminous thermal coal brands exported from; Newcastle, Hunter Valley, the Western and Gunnedah Coalfields, and compares well against current major bituminous brands from Indonesia, South Africa and Colombia. *Spur Hill Thermal Coal* is likely to have a nominal ash content of 14% and should perform reasonably efficiently in coal-fired power plants, and will be in general compliance with major Asian import market environmental standards.

### Spur Hill Coal marketability assessment

MinAxis believes that the *Spur Hill ULA Soft CC* is likely to be considered as an "ultra-low-ash soft coking coal". Hence, (combined with the low sulphur content) the *Spur Hill ULA Soft CC* is likely to demand a price premium of approximately 3% to the SSCC benchmark.



MinAxis believes the blended *Spur Hill SSCC* will attract a price at parity with the Hunter Valley SSCC benchmark price.

*Spur Hill Thermal Coal* will be readily saleable to the international power market. Based on a 13% contract ash content, *Spur Hill Thermal Coal* product should sell at about the Australia-Japan benchmark price.



## (1) Spur Hill product quality review

### Introduction

A metallurgical coal is generally categorized as a semi-soft coking coal if its ash content falls between 6.5% and 11.0% (air dried basis), volatile matter is within the range 25-42%, CSN 2-7, Gieseler Maximum Fluidity 100-30,000ddpm, and rank as measured by its Mean Maximum Reflectance of vitrinite (MMR) 0.65-0.90%.

Based on the specification parameters reviewed, future Spur Hill semi-soft coking coals produced from the target seams will be comfortably within these guidelines.

### Spur Hill ULA Soft CC

Under the current production plan, saleable output during the first 10-12 years of the Spur Hill Underground mine will be mostly *ULA Soft CC* from the Whynot seam.

The preliminary indications are that the *Spur Hill ULA Soft CC*'s typical ash level of less than 6% (air dried) is unique and superior to typical ash levels of major semi-soft coking coal brands shipped out of the port of Newcastle (mostly 8.5-9.5%).

The ultra-low ash content increases its value-in-use (to a coke maker), making the product highly saleable in the international market.

Other *Spur Hill ULA Soft CC* quality positives are its relatively low sulphur content (0.43% air dried), upper range reactivities (85%), ash chemistry and low Basicity Index (0.41 in coal). Mid-range SSCC caking parameters are its 4.5 CSN and Gray King Index (G), and maximum fluidity of 100-200ddpm.

*Spur Hill ULA Soft CC* rank of 0.68% MMR is within the typical range for a SSCC, and while its phosphorus content of ~0.057% is upper range for a Hunter Valley/Newcastle SSCC, it will be acceptable for the international SSCC market.

### Spur Hill SSCC produced from other seams

Coal mined from other seams that may be mined subsequent to the Whynot seam will be combined to produce a blended *Spur Hill SSCC* product and a varying proportion of thermal coal.

A strong quality positive of *Spur Hill SSCC* from the deeper seams (e.g. Bowfield) are CSNs of 6-7, and relatively high rank (for a SSCC) of 0.83% MMR.

### Spur Hill Thermal Coal quality review

Thermal coal produced from Spur Hill will compete in international markets against established and future seaborne export thermal brands from Australia, Indonesia, and South Africa. The majority of thermal coals exported from Australia are of high rank and are fired in pulverised fuel (PF) fired boilers. Some thermal coals are also used in stokers and fluidised bed boilers.

The major coal quality properties used to determine efficient application in PF power plants and compliance with environmental standards are; specific energy, moisture, ash, volatile matter, fixed carbon, sulphur, grindability (hardness), ash chemistry and ash fusion temperature.



---

#### *Specific Energy (Calorific Value)*

*Spur Hill Thermal Coal* has a specific energy of ~6725 kcal/kg gross air dried – equivalent to ~6345kcal/kg gross as received and ~8150 kcal/kg dry ash free – which is reasonably typical for 14% thermal coals shipped out of the port of Newcastle, and compares well against many non-Australian bituminous thermal coal brands.

#### *Ash*

Typical ash values for high rank bituminous thermal coals traded in the international market range primarily between 8.5%-22% (air dried basis), while Indonesian sub-bituminous coals typically range 1%-5%. A typical range for major benchmark Australian bituminous coal brands is 12-14% (air dried). The *Spur Hill Thermal Coal* at a nominal 14% (air dried) ash is within the typical range for major benchmark brands and many other Australian bituminous coal brands.

#### *Sulphur*

Total sulphur can be used to estimate SO<sub>x</sub> emissions. Coals with sulphur levels above 1.0% (air dried) are generally disadvantaged in international markets. The *Spur Hill Thermal Coal* sulphur at 0.46% (air dried) is below the typical 0.50-0.65% sulphur range for export thermal coals from the Newcastle, Hunter Valley, and Western Coalfields.

In addition to acceptance in North Asia, the coal's 0.46% sulphur content makes it well suited for the Indian market.

#### *Other characteristics*

*Spur Hill Thermal Coal* complies with the other quality criteria demanded by customers including; moisture, volatile matter, fixed carbon, hardness, ash chemistry, and ash fusion temperature.





---

## **(2) Marketability and value of Spur Hill coal**

### **Spur Hill ULA Soft CC**

The main target markets for *Spur Hill ULA Soft CC* will be the North Asian countries of Japan, South Korea and Taiwan, as well as China and India. In 2011, these countries collectively accounted for 70% of the total seaborne SSCC market (into which future *Spur Hill ULA Soft CC* will be sold), and their global market share is projected to increase to approximately 75% by 2025.

The premium nature of the *Spur Hill ULA Soft CC* is likely to provide the market penetration necessary to establish the Spur Hill brand, which will be important for the sales development of subsequent Spur Hill coking coal brands produced from other seams.

It is also worth noting the growing demand projected for ultra-low ash Soft CC and SSCC for use in blending with hard coking coal (HCC). Seaborne HCC (particularly those of premium quality) is becoming increasingly scarce and the relative supply-demand balance has tightened, forcing consumers to make concessions on HCC ash levels (average ash levels are rising). As such, ultra-low ash SSCC is becoming increasingly sought after by buyers seeking to 'blend-down' the ash levels in their coke blends. This trend has important implications for the future marketability of Spur Hill soft and semi-soft coking coals.

### **Spur Hill SSCC**

*Spur Hill SSCC* product is likely to possess relatively low ash, low sulphur and other characteristics typical of other semi-soft coking coals being sold into the international market.

### **Spur Hill Thermal Coal**

Primary consumers of high rank bituminous lower range ash thermal coal are the North Asian countries of Japan, South Korea and Taiwan, as well as China, India and Germany. Consumers in the Asian growth markets listed above will be the target outlets for future Spur Hill Thermal Coal.

*Spur Hill Thermal Coal* quality indicates that it should perform reasonably efficiently in coal-fired power plants and will be in general compliance with major Asian import market environmental standards. It is reasonably comparable in quality to most major high rank bituminous thermal coal brands from Newcastle, Hunter Valley, Western and Gunnedah Coalfields, and compares well against current major bituminous brands from Indonesia, South Africa and Colombia. As such, MinAxis is of the view that there are no significant technical barriers to future export market entry.



### (3) The International Metallurgical Coal Market

#### Steel Production – Demand driver for metallurgical coal

Demand for metallurgical coal is driven by steel production. A major component of metallurgical coal – coking coal, is the raw material used to produce coke, which provides most of the energy and reductants that blast furnaces utilize to reduce and smelt iron ore to pig iron – known in its molten form as “hot metal”. Blast furnace hot metal (pig iron) is then processed to steel in BOF (basic oxygen furnace) converters by removing excess carbon and unwanted elements. The blast furnace/BOF process is still the lowest-cost steelmaking route, and currently accounts for approximately 70% of world crude steel production.

#### Metallurgical coal types

Metallurgical coal is classified into three major categories; hard coking coal (HCC), SSCC, and coal for pulverized coal injection (PCI).

The category of semi-hard coking coal (SHCC) is also used, but is less common, and generally applies to lower-grade hard coking coal.

The term “soft coking coal” generally refers to high volatile coking coal with specification parameters superior to SSCC (for example, low ash content).

HCC is divided into premium and standard grades, the former being of higher quality and value in use to steelmakers as compared with the latter.

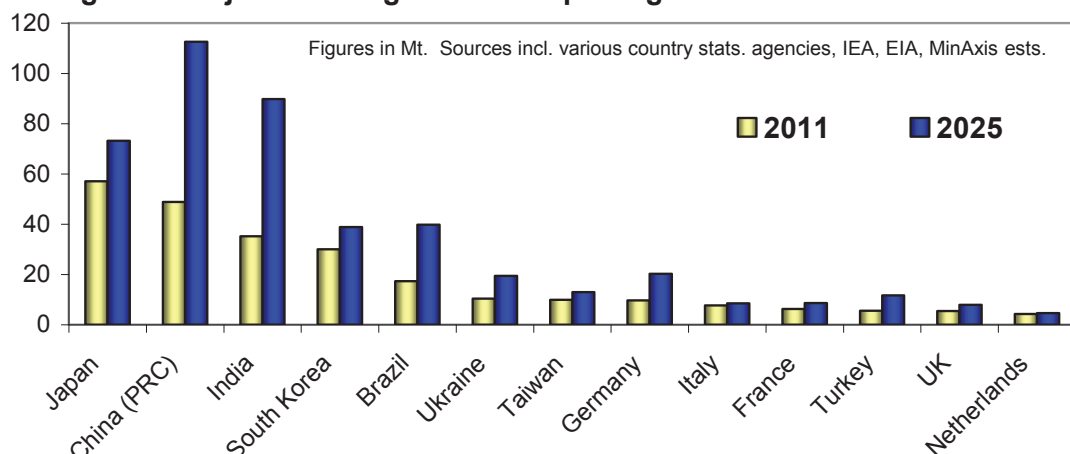
Metallurgical coal type specifications (including premium HCC, standard HCC, SSCC and PCI) are explained further in Appendix 1.

#### International Metallurgical Coal Trade

In CY2011, MinAxis estimates that 285Mt of metallurgical coal was supplied (exported) through international trade (248Mt seaborne plus 37Mt by overland delivery), comprised of 242Mt of coking coal and 44Mt of PCI coal.

Major metallurgical coal importing countries in CY2011 and forecast CY2025 are shown in the chart below.

**Figure 1: Major Metallurgical Coal Importing Countries CY2011 & 2025f**





Despite a relatively flat 2012, metallurgical coal import (combined seaborne and overland across border delivery) growth in absolute terms during the next five years is projected to outstrip that of the last five years. Imports are forecast to grow by 86Mt (5.4% CAGR) in the period 2011-2016 as compared with 60Mt during the previous five years (4.8% CAGR 2006-2011), primarily driven by the major growth markets India and China, and to a lesser extent Brazil, Germany and a recovering Japanese market.

Longer term – In the period to 2025, total metallurgical coal imports (combined seaborne and overland across border delivery) are projected to increase from 285Mt in 2011 to 516Mt by 2025 – a demand increase of 230Mt (4.3% CAGR 2011-2025). In that period, seaborne demand is forecast to lift by 188Mt to 437Mt in 2025.

A summary of internationally traded metallurgical demand in the years 2006 to 2011, and forecast 2012-2025 is shown in the table below.

**Table 1: Internationally Traded Metallurgical Coal Demand**

Category	2006	2007	2008	2009	2010	2011	2012	2016	2020	2025
<b>Demand (Million Tonnes)</b>										
Hard Coking	140.9	148.8	153.7	144.7	178.0	172.5	176.5	226.2	271.6	313.9
Semi-Soft Coking	49.3	53.1	54.6	49.2	69.4	69.2	63.2	83.9	102.5	119.8
Coking*	190.2	201.9	208.2	193.9	247.4	241.6	239.7	310.1	374.1	433.7
PCI	35.6	37.7	37.1	35.5	45.7	43.8	43.5	61.0	73.0	81.8
Total MetCoal	225.7	239.6	245.4	229.4	293.0	285.4	283.3	371.1	447.1	515.5
<b>Period</b>	<b>2000-2006</b>	<b>2006-2011</b>	<b>2011-2016f</b>	<b>2011-2020f</b>	<b>2011-2025f</b>					
<b>Incremental Demand (million tonnes)</b>										
Hard Coking	21.3	31.6	53.8	99.1	141.5					
Semi-Soft Coking	-1.7	19.9	14.7	33.4	50.6					
Coking*	19.5	51.5	68.5	132.5	192.1					
PCI	6.4	8.3	17.2	29.2	38.0					
Total MetCoal	25.9	59.7	85.7	161.6	230.1					
<b>Compound Annual Growth Rate (CAGR)</b>										
Hard Coking	2.8%	4.1%	5.6%	5.2%	4.4%					
Semi-Soft Coking	-0.6%	7.0%	3.9%	4.5%	4.0%					
Coking*	1.8%	4.9%	5.1%	5.0%	4.3%					
PCI	3.4%	4.3%	6.8%	5.8%	4.6%					
Total MetCoal	2.1%	4.8%	5.4%	5.1%	4.3%					

Intl. traded figures are seaborne + overland across-border import deliveries. Figures in million tonnes

Metcoal est. incl. coking and PCI coal. \*Coking = HCC + SHCC + SSCC + Soft Coking Coal

Hard coking (HCC) est. includes superior grades of semi-hard coking coal

SSCC=semi-soft coking coal, and includes some lower quality SHCC

PCI figures represent combined medium & high volatile PCI

Sources incl. ABS, various country stats. agencies & institutions, EIA, WSA, IEA, MinAxis estimates

### Classification of SSCC & Soft Coking Coal in the international market

In the 1970's, most high volatile coking coal with an ash content of less than or equal to 7.0% (air dried) and of low rank, measured by Ro Maximum or MMR of less than or equal to 0.90%, was termed in the market as "coking coal". These coking coals were high volatile in nature, and were generally renamed through most of the 1980's as "soft coking coal".



In the late 1980s, in an effort to reduce their metallurgical coal purchasing prices, the Japanese Steel Mills, through their Joint Purchase System (JPS), created a category of “cheaper” coals (semi soft coals – SSCC) by allowing the coking coal producers to increase their ash content.

As the price gap between coking coal qualities/types increased, for the purposes of differentiating their higher valued product with SSCC, many producers of high volatile coking coals with lower ash, higher fluidity and superior caking properties unilaterally termed their brands in the market as “high volatile coking coal”, or simply “coking coal”, and in some cases as “soft coking coal”.

The current-day market term “weak coking coal” refers primarily to semi-soft coking coal (SSCC), but may contain some high volatile coking coals with coking properties superior to typical SSCC grades, as well as some lower quality semi-hard coking coals.

### Semi Soft Coking Coal Market

Total SSCC imports (combined seaborne and overland delivery) are forecast to increase from 69Mt in 2011 to 120Mt in 2025 – a demand increment of 51Mt (4.0% CAGR). This compares with incremental semi-soft coking coal import demand of 18Mt in the period 2000-2011.

**Table 2: Internationally Traded Semi-Soft Coking Coal Imports 2006-2025**

Country/Region	2006	2007	2008	2009	2010	2011	2012f	2016f	2020f	2025f	YOY Change		CAGR			
											2011	2012	06-11	11-16	11-20	11-25
Austria	0.8	0.8	0.8	0.7	0.5	0.7	0.7	0.8	0.8	0.8	31%	-0.3%	-3.4%	3.1%	1.5%	0.6%
Belgium	1.2	1.2	1.1	0.5	1.0	0.7	0.5	0.8	0.9	0.9	-33%	-19.2%	-11.3%	3.9%	2.6%	1.7%
France	1.4	1.7	2.8	0.2	0.5	0.2	0.5	0.5	0.6	0.6	-59%	125%	-32%	19.7%	12.0%	7.8%
Germany	1.5	1.0	0.9	1.5	0.4	0.9	0.5	2.1	2.2	2.3	111%	-40%	-9.8%	19.6%	11.1%	7.3%
Italy	2.7	2.7	1.1	0.8	0.3	0.7	0.6	0.7	0.7	0.7	138%	-13.4%	-23%	-1.4%	-0.7%	-0.4%
Netherlands	0.3	0.2	0.5	0.3	0.9	0.5	0.5	0.5	0.5	0.5	-44%	-1.4%	9.4%	-1.9%	-1.1%	-0.7%
Spain	0.5	0.7	0.7	0.1	0.2	0.3	0.3	0.3	0.3	0.3	32%	-14.4%	-11.0%	-0.7%	0.8%	0.5%
Sweden	0.4	0.3	0.3	0.2	0.4	0.4	0.3	0.3	0.3	0.3	-13%	-15.8%	1.8%	-3.7%	-1.2%	-0.8%
United Kingdom	0.2	0.8	0.3	1.1	0.3	0.2	0.4	0.3	0.4	0.4	-38%	108%	3.1%	7.8%	9.0%	5.8%
<b>EU-15</b>	<b>9.3</b>	<b>9.7</b>	<b>8.9</b>	<b>5.7</b>	<b>5.0</b>	<b>4.9</b>	<b>4.6</b>	<b>6.6</b>	<b>7.0</b>	<b>7.1</b>	-2.7%	-5.8%	-12.1%	6.2%	4.1%	2.7%
Poland	0.6	1.1	1.5	0.9	1.3	0.9	0.8	1.4	1.6	1.6	-28%	-12.5%	7.9%	9.6%	6.5%	4.2%
Slovakia	1.0	1.0	1.0	0.9	0.9	0.9	0.8	1.0	1.1	1.1	-6.5%	-3.7%	-3.5%	3.1%	2.8%	2.3%
<b>EU-12</b>	<b>3.0</b>	<b>3.0</b>	<b>3.5</b>	<b>2.6</b>	<b>3.3</b>	<b>3.2</b>	<b>2.9</b>	<b>3.8</b>	<b>4.4</b>	<b>4.8</b>	-3.1%	-9.5%	1.5%	3.6%	3.4%	2.9%
<b>EU-27</b>	<b>12.3</b>	<b>12.7</b>	<b>12.4</b>	<b>8.4</b>	<b>8.3</b>	<b>8.1</b>	<b>7.5</b>	<b>10.4</b>	<b>11.4</b>	<b>11.9</b>	-2.8%	-7.3%	-8.0%	5.2%	3.9%	2.8%
Turkey	1.9	1.6	1.8	2.3	1.3	1.9	1.8	2.3	2.3	2.5	45%	-6.0%	0.4%	3.1%	1.9%	1.7%
<b>Europe – Total</b>	<b>14.3</b>	<b>14.5</b>	<b>14.7</b>	<b>10.8</b>	<b>10.0</b>	<b>10.4</b>	<b>9.7</b>	<b>13.1</b>	<b>14.1</b>	<b>14.8</b>	4.1%	-7.2%	-6.1%	4.7%	3.4%	2.5%
Russia	1.8	1.9	1.5	0.2	0.2	1.2	0.9	1.1	1.2	1.3	575%	-30%	-7.7%	-2.6%	-0.6%	0.3%
Ukraine	1.8	2.7	2.4	1.5	2.2	3.2	3.0	1.8	1.8	1.9	50%	-7.0%	13.1%	-11.2%	-6.6%	-3.6%
<b>C.I.States (CIS)</b>	<b>3.6</b>	<b>4.6</b>	<b>3.9</b>	<b>1.7</b>	<b>2.4</b>	<b>4.5</b>	<b>3.9</b>	<b>2.9</b>	<b>2.9</b>	<b>3.2</b>	90%	-13.4%	4.5%	-8.5%	-4.6%	-2.3%
<b>North America</b>	<b>1.1</b>	<b>0.9</b>	<b>0.3</b>	<b>0.3</b>	<b>0.4</b>	<b>0.5</b>	<b>0.7</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>	35%	24%	-13.7%	11.8%	6.4%	4.5%
Brazil	1.8	3.6	4.3	2.2	2.2	1.5	0.9	3.6	4.7	5.7	-31%	-39%	-3.5%	19.0%	13.5%	9.9%
<b>Sth&amp;Cent. Amer.</b>	<b>2.0</b>	<b>3.9</b>	<b>4.4</b>	<b>2.2</b>	<b>2.3</b>	<b>1.6</b>	<b>1.0</b>	<b>3.7</b>	<b>4.9</b>	<b>5.8</b>	-28%	-37%	-3.7%	18.1%	13.0%	9.6%
<b>Africa</b>	<b>0.3</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.1</b>	<b>0.2</b>	<b>0.2</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>	79%	-13.0%	-5.3%	2.8%	2.2%	1.7%
<b>Middle East</b>	<b>0.3</b>	<b>0.2</b>	<b>0.4</b>	<b>0.2</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.3</b>	<b>0.3</b>	<b>0.4</b>	-16.8%	30%	-22.2%	23.9%	14.7%	9.4%
China (PRC)	2.0	2.9	4.6	11.1	22.9	25.1	20.0	30.3	39.3	46.5	9.5%	-20.3%	66%	3.8%	5.1%	4.5%
India	3.5	3.9	4.6	4.1	4.7	3.1	3.7	5.2	8.6	12.8	-34.1%	19.3%	-2.2%	11.0%	11.9%	10.7%
Japan	17.6	16.8	19.1	15.9	17.5	16.4	16.4	17.7	19.1	20.8	-6.2%	0.0%	-1.4%	1.6%	1.7%	1.7%
Korea, South	1.1	1.1	1.2	1.9	5.0	4.4	4.7	4.7	5.2	5.6	-12.0%	6.5%	31.9%	1.6%	1.9%	1.8%
Taiwan (ROC)	3.3	3.4	0.2	0.4	2.6	2.2	2.4	2.7	2.6	3.0	-13.7%	5.4%	-7.4%	3.7%	1.8%	2.1%
Vietnam	0	0	0	0.1	0	0	0	0.9	2.6	3.3						
<b>Asia</b>	<b>27.6</b>	<b>28.8</b>	<b>30.7</b>	<b>33.9</b>	<b>54.1</b>	<b>51.7</b>	<b>47.6</b>	<b>62.6</b>	<b>79.0</b>	<b>94.2</b>	-4.4%	-7.9%	13.4%	3.9%	4.8%	4.4%
<b>World SSCC Imports</b>	<b>49.3</b>	<b>53.1</b>	<b>54.6</b>	<b>49.2</b>	<b>69.4</b>	<b>69.2</b>	<b>63.2</b>	<b>83.9</b>	<b>102.5</b>	<b>119.8</b>	<b>-0.3%</b>	<b>-8.6%</b>	<b>7.0%</b>	<b>3.9%</b>	<b>4.5%</b>	<b>4.0%</b>
Change Mt	-6.4	3.8	1.5	-5.4	20.2	-0.2	-5.9	4.9	3.4	2.6						
Change %	-11.4%	7.7%	2.8%	-9.8%	41.0%	-0.3%	-8.6%	6.2%	3.4%	2.2%						

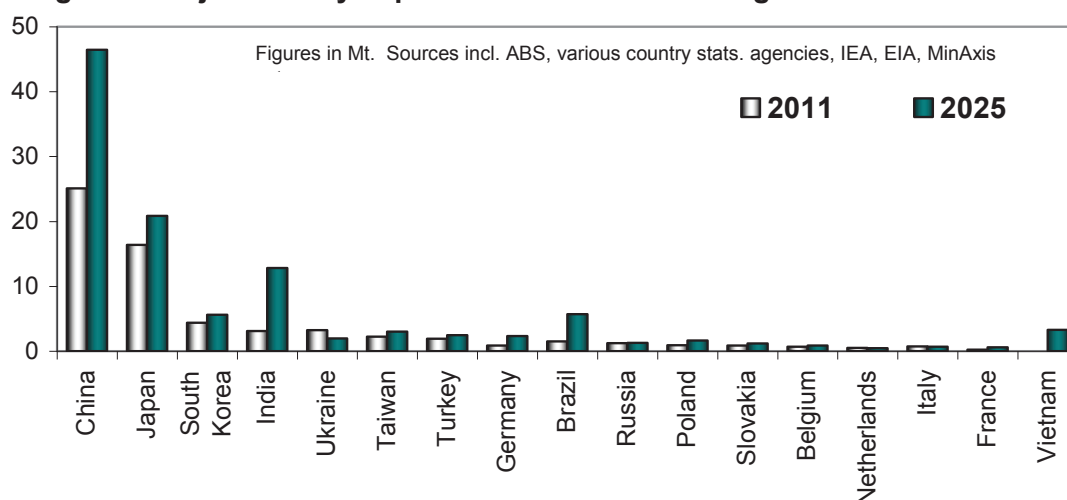
Semi-soft coking coal import ests. incl. some lower grades of SHCC. Internationally traded covers both seaborne+overland across border deliveries  
 Figures in Mt. Sources include ABS and various country statistical agencies & institutions, EIA, WSA, IEA, MinAxis estimates



- Projected seaborne SSCC demand by 2025 is 89Mt, representing an increase of 42Mt in the period 2011-2025 (4.7% CAGR).
- For SSCC, the proportion of seaborne deliveries to total SSCC import demand (combined seaborne and overland delivery) is forecast to increase from 68% last year to 75% by 2025.

China (+21Mt), India (+10), Japan (+4.5Mt), Brazil (+4Mt) and Vietnam (+3Mt) are forecast to collectively account for approximately 85% (33Mt) of the 51Mt of total SSCC import demand growth to 2025.

**Figure 2: Major country importers of semi-soft coking coal CY2011 & 2025f**



**Table 3: Internationally Traded Semi-Soft Coking Coal Exports 2006-2025**

Country/Region	2006	2007	2008	2009	2010	2011	2012f	2016f	2020f	2025f	YOY Change		CAGR			
											2011	2012	06-11	11-16	11-20	11-25
Czech Republic	3.4	3.7	3.2	3.1	2.7	2.0	1.8	2.8	2.7	2.7	-29%	-7.2%	-10.8%	7.6%	3.8%	2.4%
Poland	2.7	1.7	0.7	0.7	0.7	0.7	0.6	0.6	0.6	0.6	-8.0%	-9.5%	-24%	-1.3%	-1.5%	-1.0%
<b>Europe – Total</b>	<b>6.3</b>	<b>5.5</b>	<b>4.0</b>	<b>4.2</b>	<b>3.5</b>	<b>2.6</b>	<b>2.4</b>	<b>3.5</b>	<b>3.3</b>	<b>3.3</b>	<b>-24%</b>	<b>-8.7%</b>	<b>-15.9%</b>	<b>5.6%</b>	<b>2.7%</b>	<b>1.7%</b>
Kazakhstan	2.1	0.2	0.0	0.5	0.5	0.5	0.2	0.6	1.3	1.4	-0.4%	-70%	-25%	1.9%	10.7%	7.6%
Russia	1.5	0.0	0.9	0.2	2.4	0.7	0.8	5.1	8.2	8.1	-72%	24.8%	-15.5%	51%	32%	19.6%
Ukraine	0.5	0.4	0.0	0.1	0.1	0.2	0.2	0.2	0.3	1.4	52%	1.4%	-14.2%	-1.1%	4.1%	14.1%
<b>C.I.States (CIS)</b>	<b>4.2</b>	<b>0.6</b>	<b>0.9</b>	<b>0.8</b>	<b>3.0</b>	<b>1.4</b>	<b>1.2</b>	<b>5.9</b>	<b>9.7</b>	<b>10.9</b>	<b>-54%</b>	<b>-13.2%</b>	<b>-19.8%</b>	<b>34%</b>	<b>24%</b>	<b>15.9%</b>
Canada	1.0	1.2	1.5	1.0	1.4	1.2	1.5	2.3	2.7	3.9	-11.6%	24%	4.0%	13.7%	9.4%	8.6%
United States	3.7	4.2	8.7	6.8	13.1	21.3	18.1	15.9	18.2	20.6	62%	-15.0%	42%	-5.7%	-1.7%	-0.2%
<b>North America</b>	<b>4.7</b>	<b>5.3</b>	<b>10.2</b>	<b>7.8</b>	<b>14.5</b>	<b>22.5</b>	<b>19.6</b>	<b>18.2</b>	<b>21.0</b>	<b>24.5</b>	<b>55%</b>	<b>-12.9%</b>	<b>36%</b>	<b>-4.1%</b>	<b>-0.8%</b>	<b>0.6%</b>
<b>Sth&amp;Cent. Amer.</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>	<b>0.5</b>	<b>0.2</b>	<b>0.3</b>	<b>0.2</b>	<b>0.5</b>	<b>0.5</b>	<b>0.7</b>	<b>11.1%</b>	<b>-24%</b>	<b>46%</b>	<b>14.3%</b>	<b>8.6%</b>	<b>7.7%</b>
Mozambique	0	0	0	0	0	0	0	1.1	3.5	4.4						
South Africa	1.0	1.0	0.8	0.9	0.8	0.7	0.6	0.9	1.6	1.7	-10.2%	-22%	-7.7%	5.7%	9.6%	6.5%
<b>Africa</b>	<b>1.1</b>	<b>1.0</b>	<b>0.8</b>	<b>0.9</b>	<b>0.8</b>	<b>0.7</b>	<b>0.6</b>	<b>2.0</b>	<b>5.1</b>	<b>6.1</b>	<b>-10.2%</b>	<b>-22%</b>	<b>-9.4%</b>	<b>23%</b>	<b>25%</b>	<b>16.7%</b>
China (PRC)	2.1	0.9	1.9	0.8	0.3	0.6	0.1	0.9	1.0	1.0	82%	-79%	-23%	9.3%	6.3%	4.0%
Indonesia	2.5	2.4	2.4	3.5	3.0	2.5	2.0	3.9	6.5	8.5	-16.3%	-23%	0%	8.9%	11.1%	9.1%
Mongolia	2.0	2.6	3.4	3.6	13.7	18.2	13.0	16.2	17.7	20.9	33%	-29%	56%	-2.3%	-0.4%	1.0%
<b>Asia</b>	<b>6.9</b>	<b>6.8</b>	<b>7.7</b>	<b>8.0</b>	<b>17.0</b>	<b>21.3</b>	<b>15.1</b>	<b>21.0</b>	<b>25.2</b>	<b>30.7</b>	<b>25%</b>	<b>-29%</b>	<b>25%</b>	<b>-0.3%</b>	<b>1.9%</b>	<b>2.6%</b>
Australia	25.8	33.8	30.8	26.8	30.2	20.2	24.0	31.9	36.7	42.2	-33%	19.0%	-4.8%	9.6%	6.9%	5.4%
New Zealand	0.2	0.1	0.1	0.1	0.2	0.2	0.2	0.9	1.0	1.3	0%	0%	0%	34%	19.6%	14.4%
<b>Oceania</b>	<b>26.0</b>	<b>33.9</b>	<b>30.9</b>	<b>26.9</b>	<b>30.4</b>	<b>20.4</b>	<b>24.2</b>	<b>32.8</b>	<b>37.7</b>	<b>43.6</b>	<b>-33.0%</b>	<b>18.8%</b>	<b>-4.8%</b>	<b>10.0%</b>	<b>7.1%</b>	<b>5.6%</b>
<b>World SSCC Exports</b>	<b>49.3</b>	<b>53.1</b>	<b>54.6</b>	<b>49.2</b>	<b>69.4</b>	<b>69.2</b>	<b>63.2</b>	<b>83.9</b>	<b>102.5</b>	<b>119.8</b>	<b>-0.3%</b>	<b>-8.6%</b>	<b>7.0%</b>	<b>3.9%</b>	<b>4.5%</b>	<b>4.0%</b>
Change Mt	-6.4	3.8	1.5	-5.4	20.2	-0.2	-5.9	4.9	3.4	2.6						
Change %	-11.4%	7.7%	2.8%	-9.8%	41.0%	-0.3%	-8.6%	6.2%	3.4%	2.2%						

Semi-soft coking coal export ests. incl. some lower grades of SHCC. Internationally traded covers both seaborne+overland across border deliveries  
Figures in Mt. Sources include ABS and various country statistical agencies & institutions, EIA, WSA, IEA, MinAxis estimates



During the last decade, Australia was world's dominant export supplier of semi-soft coking coal, accounting almost half of global exports. However, Australian semi-soft coking coal exports fell from 30.2Mt in 2010 to 20.2Mt in 2011 (-33% year-on-year) – partly in line with a corresponding 17% year-on-year drop in total Australian metallurgical coal shipments.

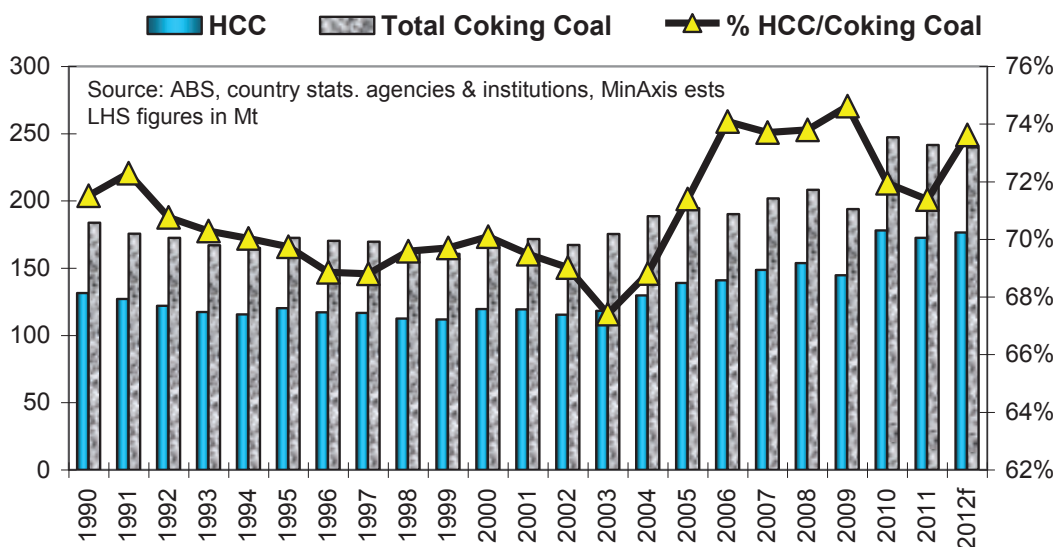
- In 2012, Australian semi-soft coking coal shipments are projected to lift by 19% year-on-year to 24.0Mt, representing 38% of global export supply (total 63.2Mt, by both seaborne and overland delivery), and 51% of total seaborne supply (46.8Mt).
- Australian SSCC shipments are forecast to grow to more than 42Mt by 2025 – an increase of 22Mt (5.4% CAGR) 2011-2025. This will take Australia's proportion of global seaborne deliveries from 43% in 2012 to 47% by 2025.

### Supply-Demand trend

During the last decade, the trend of replacing some HCC in the coke making blend with lower cost semi-soft and semi-hard coking coal peaked in 2003. The introduction of larger blast furnaces in Japan and other countries drove the estimated globally traded proportion of HCC to total coking coal from a low of 67.4% in 2003 to a record 74.6% in 2009.

The transformation of China into a major importer from early 2009 onwards had a major impact on the relative supply-demand balances for internationally traded HCC and SSCC.

**Figure 3: Coking coal component imp. Trends 1990-2012**



An important long-term driver of HCC demand growth is the increasing use of larger blast furnaces. Larger blast furnaces require higher strength coke to support larger and heavier volumes of blast furnace burden. To produce higher strength coke, a combination of higher quality coking coals (e.g. premium HCC) and/or higher proportions of the same in the coke making blend are required.



However, the proportion of HCC in the volumes of imported coking coal annually traded has declined since 2009, not because of waning demand, but almost entirely due to limited availability. HCC supply growth has been unable to match the overall demand growth of coking coal, forcing many consumers to modify blends to allow for increasing proportions of SSCC.

Australia, Mozambique and Mongolia, and to a lesser extent Canada and Russia are set to expand HCC export capacity over the next 10-15 years. However, we believe the planned expansion will not be sufficient to satisfy real demand growth for imported seaborne HCC, and as a result the proportion of seaborne SSCC to coking coal export supply will firm from 22.6% in 2011 to more than 24.0% by 2020 and 2025.

Imported seaborne HCCs that are at the higher end of the quality ladder (particularly those of higher coke strength) are becoming increasingly sought after, and in recent years as the relative supply-demand balance has tightened, consumers have been forced to make some concessions on HCC ash levels and some other quality parameters to facilitate an optimum or sufficient level of HCC supply for their coke making blends. This trend is set to continue over the forecast period to 2025. For example, future Mozambique HCC brands are being promoted at ash levels of 10.5% (air dried basis) or slightly higher.

We believe that the above coking coal demand and quality trend has important positive implications for the future marketability of ultra-low ash Spur Hill Soft CC.



## (4) The International Thermal Coal Market

The internationally traded thermal coal market (combined seaborne and overland delivery) is much larger than that for metallurgical coal. It reached an estimated 839Mt in CY2011, versus 285Mt for metallurgical coal in that same year. It is set to experience further major growth in coming years.

### Demand for Thermal Coal

Total demand for internationally traded thermal coal is forecast to expand from 839Mt in 2011 to 1.272 billion tonnes in 2025, growing at an average CAGR of 3.0% per annum over this period (2011-2025).

The largest importing region for thermal coal is Asia. The region imported 572Mt in 2011, representing 68% of total demand for imported thermal coal. This represented a large increase in world international market share, in view of the fact that the region only accounted for 50-54% of demand over the first half of the last decade.

Over the coming years, Asia will remain the main consumer of imported thermal coal. Its share of overall world imports over the next 15 years is projected to increase further to 73%, representing a step change from its position in the market hierarchy of the early part of the last decade. Asian consumption of imported thermal is forecast to grow from 572Mt in 2011 to 926Mt in 2025 (3.5% CAGR).

We note and project the following trends in thermal coal imports in selected Asian countries:

#### Japan

Japan, the world's largest importer of thermal coal up to 2010, was surpassed by China in 2011 (notwithstanding the impact of the Tohoku/Kanto earthquake and tsunami). Japan's projected thermal coal imports in CY2012 are 128Mt, representing approximately 14% of global trade. However, its importance is set to be further overtaken by India within a few years.

#### China

China's imports of thermal coal (including anthracite) increased sharply during the last decade, rising from 1.8Mt in 2000 to 114Mt in 2010, and then by a further 26.8% year-on-year to 134.1Mt in 2011 (32% CAGR 2006-2011). Import growth was driven by rising electricity demand due to strong economic growth and urbanisation, a high level of investment in new coal-fired power generation capacity, insufficient domestic coal production, increasing costs and transport constraints.

China's total installed power generating capacity at the end of 2011 was 1060GW, 72% (765GW) of which was in coal-fired generating capacity. China's total installed capacity is projected to reach 1935GW by 2020, including 1160GW of coal-fired coal capacity. This is roughly in line with the government's 12th Five-Year Plan period (2011-2015) target of reducing the proportion of coal in the primary energy mix by around 7% to 63%.





**Table 4: Chinese Thermal Coal Consumption**

CY	Electric Power Gen. Capacity GW		% Coal-fired/ Total Gen Capacity	Thermal Coal Consumption (Mt)		
	Coal-fired	Total		Coal-fired Power	Industrial Sector	Total
2008	601	792	76%	1,365	765	2,130
2009	628	837	75%	1,438	844	2,282
2010	683	970	70%	1,629	914	2,543
2011	765	1060	72%	1,950	910	2,860
2012f	824	1145	72%	2,100	958	3,058
2015f	933	1463	64%	2,333	1,180	3,513
2020f	1160	1953	60%	2,900	1,490	4,390
2025f	1272	2120	60%	3,180	1,900	5,080

Consumption figures in million tonnes, and include bituminous coal and anthracite, but not lignite

Sources include NRDC, NEA, CNCA, CEC, BP Energy, IEA, EIA, CCR, MinAxis estimates

MinAxis forecasts Chinese thermal coal imports (including anthracite) to grow by 7.0% CAGR to 2016 (to 188Mt), slowing to 2.3% in the four years to 2020, and then to 2.1% during to following period to 2025. Accordingly, we project China's imports will increase from 134Mt in 2011 to 229Mt in 2025 (3.9% CAGR 2011-2025).

#### India

India has greatly increased its thermal imports in recent years, from an estimated 28Mt in 2006 to 94Mt in 2011, as a result of firm industrial growth and constrained domestic supplies. The country's thermal coal imports are set to overtake those of Japan by 2013, primarily driven the country's increasing inability to service its rapidly expanding coal-fired generating capacity and other industry requirements from local production.

India's Planning Commission projections for FY16/17 – the final year of the 12th Five-Year Plan, were that total domestic coal production would increase to 795Mt, while total coal demand would reach 980.5Mt, generating a shortfall of 185Mt.

MinAxis believes India's thermal coal imports are forecast to grow from 94Mt in 2011 to 201Mt in 2020, and then to 244Mt by 2025. This represents 150Mt of incremental thermal coal import growth during 2011-2025 (7.0% CAGR).

#### Other Asia

Other Asian countries that are set to witness significant growth in imported coal in the forecast period include South Korea (+40Mt over 2011-2025), Vietnam (+26Mt), Taiwan (+21Mt), and Thailand (+8Mt).

Outside of Asia, the next most important region for thermal coal imports is Europe, which required an estimated 176Mt of thermal coal imports in 2011. Despite climate policy initiatives, Europe's thermal coal imports are projected to lift by 51Mt over the forecast period.

Outside of these regions, the most notable projected import growth over 2011-2025 will be in Mexico (+11Mt), Brazil (+9Mt), Chile (+7Mt), and Canada (+6Mt).



Table 5: Thermal Coal Imports

Country/Region	2006	2007	2008	2009	2010	2011	2012f	2016f	2020f	2025f	YOY Change		CAGR			
											2011	2012	06-11	11-16	11-20	11-25
Austria	2.3	2.6	2.1	1.5	1.8	1.6	1.7	3.8	4.5	5.9	-10.6%	3.2%	-6.6%	18%	11.8%	9.5%
Belgium	3.5	2.7	3.2	2.4	0.7	2.9	2.7	3.5	3.5	3.5	296%	-6.9%	-3.7%	3.8%	2.1%	1.3%
Denmark	8.6	7.9	7.4	6.6	4.5	6.1	4.7	2.4	2.4	2.4	36%	-23.4%	-6.5%	-17.1%	-9.9%	-6.5%
Finland	5.6	5.3	4.6	5.0	4.6	5.7	5.5	5.5	5.5	5.5	24%	-3.6%	0%	-0.7%	-0.4%	-0.3%
France	11.2	9.7	11.4	10.5	10.5	9.2	8.4	8.5	7.0	5.0	-12.1%	-8.6%	-3.8%	-1.7%	-3.0%	-4.3%
Germany	33.2	33.5	32.1	28.5	34.6	33.2	32.4	40.4	45.4	42.1	-4.0%	-2.5%	0.0%	4.0%	3.5%	1.7%
Ireland	2.6	2.2	2.6	2.1	1.6	2.3	1.9	2.0	2.0	2.0	46%	-17.0%	-2.3%	-2.7%	-1.5%	-1.0%
Italy	14.7	14.8	17.2	14.6	15.0	16.1	19.8	19.8	22.0	22.7	7.0%	23%	1.8%	4.3%	3.6%	2.5%
Netherlands	8.5	9.8	9.4	12.2	10.0	9.6	10.1	12.0	16.6	19.8	-3.6%	4.7%	2.6%	4.5%	6.2%	5.3%
Portugal	5.8	4.8	3.8	5.0	2.7	3.6	6.0	7.3	7.3	7.5	35%	67%	-9.1%	15.2%	8.2%	5.4%
Spain	19.6	20.0	16.9	14.7	9.4	13.3	17.3	16.0	20.5	22.0	42%	30%	-7.4%	3.8%	4.9%	3.7%
United Kingdom	43.7	35.5	37.3	32.7	20.5	27.2	37.0	21.0	15.0	14.0	33%	36%	-9.0%	-5.0%	-6.4%	-4.6%
<b>EU-15</b>	<b>160.5</b>	<b>150.3</b>	<b>149.5</b>	<b>136.6</b>	<b>117.1</b>	<b>132.2</b>	<b>148.8</b>	<b>143.5</b>	<b>153.0</b>	<b>153.7</b>	<b>12.9%</b>	<b>12.5%</b>	<b>-3.8%</b>	<b>1.7%</b>	<b>1.6%</b>	<b>1.1%</b>
Bulgaria	3.1	3.6	4.5	3.1	2.9	3.2	3.3	3.5	4.0	4.5	10.1%	0.5%	0.6%	1.6%	2.4%	2.4%
Czech Republic	1.0	1.5	1.2	1.1	1.1	1.2	1.2	1.2	1.2	1.2	5.4%	-1%	2.6%	0%	0%	0%
Latvia	0.9	0.5	3.3	5.2	2.8	2.8	2.8	3.0	3.0	3.0	-0.8%	-1.5%	25%	1.4%	0.8%	0.5%
Poland	3.5	3.3	6.8	8.5	10.4	12.5	8.9	11.0	12.0	12.0	19.3%	-29%	29%	-2.5%	0%	0%
Slovakia	1.3	1.9	1.6	1.6	1.0	1.2	1.5	2.0	2.1	3.4	24%	25%	-2.3%	10.8%	6.4%	7.7%
<b>EU-12</b>	<b>13.3</b>	<b>15.7</b>	<b>20.8</b>	<b>22.3</b>	<b>20.1</b>	<b>22.8</b>	<b>20.3</b>	<b>25.0</b>	<b>28.2</b>	<b>31.3</b>	<b>13.4%</b>	<b>-10.8%</b>	<b>11.4%</b>	<b>1.9%</b>	<b>2.4%</b>	<b>2.3%</b>
<b>EU-27</b>	<b>173.8</b>	<b>166.0</b>	<b>170.3</b>	<b>158.9</b>	<b>137.2</b>	<b>155.0</b>	<b>169.1</b>	<b>168.5</b>	<b>181.2</b>	<b>185.0</b>	<b>13.0%</b>	<b>9.1%</b>	<b>-2.3%</b>	<b>1.7%</b>	<b>1.8%</b>	<b>1.3%</b>
Turkey	14.4	17.1	13.0	14.7	16.4	18.2	20.8	26.0	31.9	39.0	10.8%	14.5%	4.7%	7.4%	6.5%	5.6%
Croatia	0.8	0.7	1.5	1.2	1.1	1.8	1.7	1.8	1.8	1.8	55%	-3.4%	16.0%	0.5%	0.3%	0.2%
<b>Europe – Other</b>	<b>16.0</b>	<b>18.8</b>	<b>15.3</b>	<b>16.6</b>	<b>18.4</b>	<b>20.8</b>	<b>23.4</b>	<b>28.7</b>	<b>34.7</b>	<b>41.9</b>	<b>13.0%</b>	<b>12.3%</b>	<b>5.3%</b>	<b>6.7%</b>	<b>5.9%</b>	<b>5.1%</b>
<b>Europe – Total</b>	<b>189.8</b>	<b>184.8</b>	<b>185.6</b>	<b>175.5</b>	<b>155.6</b>	<b>175.8</b>	<b>192.4</b>	<b>197.3</b>	<b>216.0</b>	<b>226.8</b>	<b>13.0%</b>	<b>9.5%</b>	<b>-1.5%</b>	<b>2.3%</b>	<b>2.3%</b>	<b>1.8%</b>
Russia	23.0	22.3	31.2	25.8	30.9	31.4	30.5	31.0	30.0	29.0	1.4%	-2.8%	6.4%	-0.3%	-0.5%	-0.6%
Ukraine	2.0	4.0	7.0	3.6	7.7	5.1	6.5	6.0	6.0	6.0	-34%	28%	21%	3.3%	1.8%	1.2%
<b>C.I.States (CIS)</b>	<b>27.3</b>	<b>27.5</b>	<b>41.4</b>	<b>31.6</b>	<b>38.9</b>	<b>36.6</b>	<b>37.2</b>	<b>37.3</b>	<b>36.3</b>	<b>35.3</b>	<b>-5.7%</b>	<b>1.5%</b>	<b>6.1%</b>	<b>0.3%</b>	<b>-0.1%</b>	<b>-0.3%</b>
Canada	16.4	15.1	17.3	10.8	9.5	5.6	7.5	10.0	12.0	12.0	-41%	34%	-19.3%	12.3%	8.8%	5.6%
Mexico	5.5	3.4	2.3	3.5	5.9	6.0	6.5	13.0	15.0	16.6	0.1%	9.2%	1.6%	16.9%	10.8%	7.6%
Puerto Rico	1.8	1.6	1.5	1.6	1.3	1.5	1.5	1.5	1.5	1.5	13.5%	1.8%	-3.5%	0.4%	0.2%	0.1%
United States	31.2	31.4	29.3	19.5	16.0	10.9	6.8	5.0	5.0	5.0	-32%	-38%	-18.9%	-14.5%	-8.3%	-5.4%
<b>North America</b>	<b>55.8</b>	<b>52.6</b>	<b>51.4</b>	<b>36.3</b>	<b>33.9</b>	<b>25.2</b>	<b>23.5</b>	<b>30.7</b>	<b>34.7</b>	<b>36.3</b>	<b>-25.6%</b>	<b>-6.6%</b>	<b>-14.7%</b>	<b>4.1%</b>	<b>3.6%</b>	<b>2.6%</b>
Brazil	0.8	0.5	1.2	0.5	1.4	2.7	1.0	5.0	9.0	11.5	94%	-63%	29%	13.2%	14.3%	10.9%
Chile	3.9	4.9	5.8	5.4	6.6	7.8	10.3	11.0	11.0	15.0	18.3%	32%	14.7%	7.1%	3.9%	4.8%
<b>Sth&amp;Cent. Amer.</b>	<b>6.4</b>	<b>7.6</b>	<b>9.3</b>	<b>7.8</b>	<b>10.0</b>	<b>12.6</b>	<b>13.3</b>	<b>18.3</b>	<b>22.6</b>	<b>29.4</b>	<b>25.4%</b>	<b>6.0%</b>	<b>14.4%</b>	<b>7.8%</b>	<b>6.7%</b>	<b>6.2%</b>
Morocco	3.6	4.2	3.6	2.7	3.2	3.3	4.8	6.2	6.2	6.2	2.6%	45%	-1.7%	13.4%	7.2%	4.6%
<b>Africa</b>	<b>4.9</b>	<b>5.3</b>	<b>4.6</b>	<b>3.7</b>	<b>4.4</b>	<b>4.5</b>	<b>6.3</b>	<b>8.9</b>	<b>9.2</b>	<b>9.5</b>	<b>1.6%</b>	<b>39%</b>	<b>-1.8%</b>	<b>14.6%</b>	<b>8.2%</b>	<b>5.4%</b>
Israel	12.4	12.4	12.8	11.7	12.2	12.2	13.8	10.5	9.0	9.0	0.3%	12.9%	-0.3%	-3.0%	-3.3%	-2.2%
<b>Middle East</b>	<b>12.4</b>	<b>12.4</b>	<b>12.8</b>	<b>11.7</b>	<b>12.2</b>	<b>12.2</b>	<b>13.8</b>	<b>10.5</b>	<b>9.0</b>	<b>9.0</b>	<b>0.3%</b>	<b>12.9%</b>	<b>-0.3%</b>	<b>-3.0%</b>	<b>-3.3%</b>	<b>-2.2%</b>
Bangladesh	1.7	1.5	1.5	1.5	1.5	1.6	1.6	1.8	0.8	0.5	6.7%	0%	-1.1%	2.4%	-7.4%	-8.0%
China (PRC)	33.5	44.7	33.9	85.9	114.2	134.1	170.0	188.1	206.0	229.0	17.4%	27%	32%	7.0%	4.9%	3.9%
Hong Kong	11.4	12.3	11.3	12.4	10.3	12.5	12.0	12.5	12.5	12.5	21%	-4.2%	1.9%	0%	0%	0%
India	28.4	35.1	36.2	60.7	75.6	94.0	109.0	181.0	201.0	244.0	24%	15.9%	27%	14.0%	8.8%	7.0%
Japan	115.4	123.0	127.8	110.2	123.5	118.5	127.8	128.0	126.0	124.0	-4.1%	7.9%	0.5%	1.6%	0.7%	0.3%
Korea, South	60.6	67.5	75.5	82.3	90.9	99.1	99.6	112.0	129.0	139.4	9.1%	0.5%	10.4%	2.5%	3.0%	2.5%
Malaysia	12.4	12.6	16.5	15.2	20.9	23.7	23.9	24.0	26.0	26.0	13.2%	1.0%	13.9%	0.3%	1.0%	0.7%
Pakistan	2.2	4.4	3.6	3.6	3.3	2.1	2.4	4.9	7.0	7.7	-37%	16.8%	-1.1%	19.0%	14.6%	9.9%
Philippines	7.8	7.8	7.7	8.3	11.2	11.4	11.2	12.2	12.3	13.5	2.3%	-2.1%	8.0%	1.3%	0.8%	1.2%
Taiwan (ROC)	52.7	56.4	58.9	54.8	53.9	56.6	56.6	62.0	75.5	78.0	5.1%	0.0%	1.5%	1.8%	3.2%	2.3%
Thailand	11.1	14.2	15.9	16.2	16.4	15.9	15.9	18.9	22.0	23.6	-3.1%	0.1%	7.5%	3.5%	3.7%	2.9%
Vietnam	0.5	0.7	0.6	0.7	0.9	1.2	1.4	8.7	25.2	27.0	38%	18.1%	18.7%	49%	40%	25%
<b>Asia</b>	<b>343.1</b>	<b>384.4</b>	<b>394.6</b>	<b>455.2</b>	<b>522.9</b>	<b>572.2</b>	<b>631.6</b>	<b>754.4</b>	<b>843.9</b>	<b>925.8</b>	<b>9.4%</b>	<b>10.4%</b>	<b>10.8%</b>	<b>5.7%</b>	<b>4.4%</b>	<b>3.5%</b>
<b>Oceania</b>	<b>1.4</b>	<b>0.8</b>	<b>0.6</b>	<b>0.8</b>	<b>0.3</b>	<b>0.1</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>-60%</b>	<b>7.1%</b>	<b>-37%</b>	<b>1.4%</b>	<b>0.8%</b>	<b>0.5%</b>
<b>World Thermal Coal Imports</b>	<b>641.2</b>	<b>675.4</b>	<b>700.3</b>	<b>722.6</b>	<b>778.2</b>	<b>839.3</b>	<b>918.2</b>	<b>1057</b>	<b>1172</b>	<b>1272</b>	<b>7.8%</b>	<b>9.4%</b>	<b>5.5%</b>	<b>4.7%</b>	<b>3.8%</b>	<b>3.0%</b>
Change Mt	61.2	34.2	24.9	22.3	55.7	61.1	78.9	30	26	21						
Change %	10.6%	5.3%	3.7%	3.2%	7.7%	7.8%	9.4%	2.9%	2.2%	1.6%						

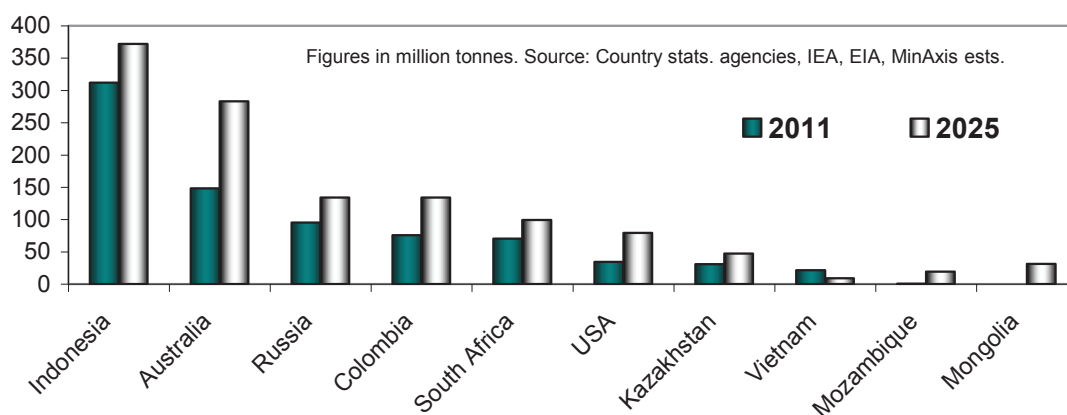
Thermal coal includes bituminous & sub-bituminous thermal coal, & anthracite, but does not include PCI. Figures in Mt Internationally traded covers both seaborne + overland across border deliveries. Sources include country stats. Agencies & inst., IEA, EIA, MinAxis ests.



## Thermal Coal Supply

In contrast to the metallurgical coal market, where Australia is the largest exporter, in the thermal coal market Indonesia is the world's largest exporter. Indonesia exported an estimated 312Mt in 2011 – 164Mt tonnes more than Australia (148Mt in 2011). Other large exporters include Russia (95Mt in 2011), Colombia (76Mt), South Africa (70Mt), USA (34Mt) and Kazakhstan (31Mt).

**Figure 4: Major Thermal Coal Country Exporters 2011 and 2025**



An increase in thermal coal prices during the latter part of the last decade encouraged interest in the development of many new export dedicated greenfield projects, such as Elga in Russia, Tavan Tolgoi in Mongolia, El Descanso and La Guajira in Colombia, Kevin's Corner and Alpha in Australia, a raft of brownfield expansions, and related infrastructure investment.

MinAxis is of the view that seaborne import demand growth will be export supply constrained from the latter part of the decade onwards, due to a slowing of seaborne export capacity expansion as a result of increasing regulatory, political and environmental hurdles, as well infrastructure, economic, capital, and sovereign risk issues.

Maximum thermal coal (including anthracite) export supply availability in 2020 is projected at 1.172 billion tonnes respectively (as compared with 839Mt in total world thermal coal exports, by both seaborne and overland delivery in 2011).

We note and project the following major country export thermal coal supplier trends:

### Indonesia:

After surging from 177Mt in 2006 to 312Mt in 2011 (12.0% CAGR), Indonesia's exports – which contain a relatively high proportion of low rank coals – are forecast to slow to a modest 3.1% CAGR over the next five years (to 363Mt by 2016), and then by less than 1% annually through to 2025.

The much slower rate of forecast Indonesian export growth is primarily attributed to rising domestic consumption as the country industrializes and expands its coal-fired power capacity, accompanied with the government's implementation of its domestic



market obligation (DMO) on coal producers. Accordingly, Indonesia's thermal coal exports are projected to increase to 372Mt by 2025, representing only 1.3% compound annual growth 2011-2025.

*Australia:*

While existing and committed Australian infrastructure expansion plans, and thermal coal production capacity build appears sufficient to meet short term demand (to 2016), timely regulatory and environmental approval for both mine development and infrastructure expansion during the latter part of the decade and longer term will be critical (and in our view, will sometimes be wanting) to enable sufficient export production growth to meet real demand.

Accordingly, Australia is forecast to provide approximately 31% (135Mt) of the 433Mt of world incremental export thermal coal supply through to 2025, and almost 40% of seaborne export supply growth.

Australian thermal coal shipments are projected to surge from 148Mt last year to 210Mt by 2016, to 248Mt in 2020, and then to 283Mt by 2025 (4.7% CAGR 2011-2025). At this rate of forecast export growth, Australia will remain the world's second largest exporter after Indonesia.

*Russia:*

Total Russian coal exports in 2011 were 110Mt, including more than 95Mt of thermal coal deliveries. In recent years, Russian coal exports have been primarily limited by undercapitalization of Russian Railways, as well as insufficient funding for many of the country's mine development projects and port loading capacity.

In April 2011, Russia's Energy Minister said that international demand for Russia's coal exports is expected to rise to 170Mt by 2030, with some of the growth achieved through cooperative agreements with Chinese governmental institutions. The Minister stated that in order to meet the goals set by the program, the country is "to de-bottleneck railroad infrastructure, secure (an expansion of) coal loading via sea ports and inland border crossings and establish additional capacities to increase coal exports, with the emphasis on the strategic Asian- Pacific region."

In March 2012, the Russian government approved plans to lift the country's total coal output from 334Mt in 2011 to 430Mt by 2030, facilitated by railroad and port upgrade and expansion, and a stronger emphasis on geological exploration, funded by both private and public capital investment of RUB3.69 trillion (US\$116 billion).

The de-bottlenecking of rail and port infrastructure will come at considerable additional cost, which in our view may in future challenge the marginal competitiveness of a large proportion of Russia's current export capacity.

MinAxis forecasts that Russia's thermal coal exports to increase by 39Mt between now and 2025 (to 134Mt), equivalent to 2.5% CAGR.



**Table 6: Internationally traded Thermal Coal Exports**

Country/Region	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2020	2025	YOY Change		CAGR			
														2011	2012	06-11	11-16	11-20	11-25
United Kingdom	0.4	0.5	0.5	0.6	0.7	0.5	0.6	0.8	0.9	1.0	1.2	1.2	1.2	-32%	23%	2.0%	19.7%	10.5%	6.6%
Czech Republic	2.1	2.0	1.9	2.6	2.8	3.7	2.8	2.8	2.8	2.8	2.8	2.8	2.8	34%	-25%	12.2%	-5.5%	-3.1%	-2.0%
Poland	13.1	9.5	6.8	6.6	8.6	5.1	3.0	3.5	4.7	5.0	5.1	5.1	5.1	-40%	-41%	-17.2%	-0.1%	0%	0%
<b>Europe – Total</b>	<b>16.7</b>	<b>15.7</b>	<b>12.8</b>	<b>13.2</b>	<b>15.2</b>	<b>12.0</b>	<b>8.8</b>	<b>9.6</b>	<b>10.9</b>	<b>11.3</b>	<b>11.1</b>	<b>10.6</b>	<b>10.6</b>	<b>-21.2%</b>	<b>-26.6%</b>	<b>-6.5%</b>	<b>-1.5%</b>	<b>-1.4%</b>	<b>-0.9%</b>
Kazakhstan	26.0	25.6	29.9	28.8	25.5	30.8	31.2	31.5	34.0	34.1	35.0	42.0	47.0	21%	1.4%	3.4%	2.6%	3.5%	3.1%
Russia	71.2	80.6	84.6	91.7	92.5	95.4	110.0	109.0	110.0	112.0	115.0	122.0	134.0	3.1%	15.3%	6.0%	3.8%	2.8%	2.5%
Ukraine	3.0	3.2	4.8	5.1	6.0	6.7	6.5	6.7	6.9	7.1	7.2	8.0	9.0	11.8%	-3.6%	17.6%	1.3%	1.9%	2.1%
<b>C.I.States (CIS)</b>	<b>100.2</b>	<b>109.4</b>	<b>119.2</b>	<b>125.6</b>	<b>124.0</b>	<b>132.9</b>	<b>147.7</b>	<b>147.2</b>	<b>150.9</b>	<b>153.2</b>	<b>157.2</b>	<b>172.0</b>	<b>190.0</b>	<b>7.2%</b>	<b>11.1%</b>	<b>5.8%</b>	<b>3.4%</b>	<b>2.9%</b>	<b>2.6%</b>
Canada	2.4	4.0	6.3	5.8	5.6	5.8	5.7	5.9	6.4	6.7	7.0	9.0	10.0	2.5%	-1.0%	19.5%	4.0%	5.1%	4.0%
United States	19.9	24.2	35.2	19.6	23.0	34.1	48.2	49.1	53.0	53.0	63.0	71.5	79.0	48%	42%	11.3%	13.1%	8.6%	6.2%
<b>North America</b>	<b>22.3</b>	<b>28.2</b>	<b>41.5</b>	<b>25.4</b>	<b>28.6</b>	<b>39.8</b>	<b>53.9</b>	<b>55.0</b>	<b>59.4</b>	<b>59.7</b>	<b>70.0</b>	<b>80.5</b>	<b>89.0</b>	<b>39.0%</b>	<b>35.4%</b>	<b>12.3%</b>	<b>11.9%</b>	<b>8.1%</b>	<b>5.9%</b>
Colombia	58.1	67.3	72.2	67.5	68.3	75.7	84.0	87.5	93.0	96.9	102.0	125.0	134.0	10.9%	10.9%	5.4%	6.1%	5.7%	4.2%
Venezuela	5.7	6.1	4.5	2.9	3.2	3.1	1.6	1.6	2.0	22.4	2.9	4.3	6.7	-3.4%	-48%	-11.8%	-1.1%	3.8%	5.7%
<b>Sth&amp;Cent. Amer.</b>	<b>63.8</b>	<b>73.4</b>	<b>76.7</b>	<b>70.7</b>	<b>71.7</b>	<b>79.0</b>	<b>85.9</b>	<b>89.4</b>	<b>95.3</b>	<b>119.6</b>	<b>105.2</b>	<b>129.6</b>	<b>141.0</b>	<b>10.2%</b>	<b>8.6%</b>	<b>4.4%</b>	<b>5.9%</b>	<b>5.6%</b>	<b>4.2%</b>
Mozambique	0.1	0.0	0.0	0.1	0.0	0.5	0.9	1.9	2.8	3.0	5.5	12.8	19.0	1095%	78%	44%	63%	44%	30%
South Africa	66.2	65.8	67.3	65.2	68.9	70.3	79.5	81.0	81.6	82.4	83.6	92.0	99.0	2.1%	13.1%	1.2%	3.5%	3.0%	2.5%
<b>Africa</b>	<b>66.3</b>	<b>65.8</b>	<b>67.3</b>	<b>65.3</b>	<b>68.9</b>	<b>70.8</b>	<b>80.4</b>	<b>82.9</b>	<b>84.3</b>	<b>85.4</b>	<b>89.1</b>	<b>104.8</b>	<b>118.0</b>	<b>2.7%</b>	<b>13.5%</b>	<b>1.3%</b>	<b>4.7%</b>	<b>4.5%</b>	<b>3.7%</b>
China (PRC)	54.4	47.4	39.0	20.4	16.2	10.9	7.3	7.0	7.0	7.0	7.0	7.0	7.0	-32%	-33%	-27%	-8.5%	-4.8%	-3.1%
Indonesia	176.8	189.7	194.5	228.3	284.1	311.9	332.9	347.5	356.0	356.0	363.0	368.0	372.0	9.8%	6.7%	12.0%	3.1%	1.9%	1.3%
Korea, North	2.6	3.8	2.6	3.0	4.6	11.0	12.8	14.0	15.6	17.9	19.3	23.0	20.0	140%	15.9%	34%	11.8%	8.5%	4.3%
Mongolia	0.2	0.1	0.4	2.0	1.5	0.1	2.0	3.6	7.3	7.4	12.0	18.0	31.0	-92%	1624%	-10.1%	153%	75%	49%
Vietnam	23.4	27.6	19.9	27.5	19.7	21.3	19.3	18.4	15.0	12.9	12.2	9.1	9.0	7.9%	-9.3%	-1.9%	-10.5%	-9.0%	-6.0%
<b>Asia</b>	<b>259.1</b>	<b>270.1</b>	<b>257.8</b>	<b>282.8</b>	<b>327.6</b>	<b>356.6</b>	<b>375.6</b>	<b>391.8</b>	<b>402.2</b>	<b>402.5</b>	<b>414.8</b>	<b>426.4</b>	<b>440.5</b>	<b>8.9%</b>	<b>5.3%</b>	<b>6.6%</b>	<b>3.1%</b>	<b>2.0%</b>	<b>1.5%</b>
Australia	112.8	112.6	124.8	139.5	142.1	148.2	166.0	182.3	193.6	195.8	210.1	247.8	283.0	4.3%	12%	5.6%	7.2%	5.9%	4.7%
<b>Oceania</b>	<b>112.9</b>	<b>112.7</b>	<b>124.9</b>	<b>139.6</b>	<b>142.2</b>	<b>148.2</b>	<b>166.1</b>	<b>182.3</b>	<b>193.7</b>	<b>196.0</b>	<b>210.2</b>	<b>247.9</b>	<b>283.2</b>	<b>4.2%</b>	<b>12%</b>	<b>5.6%</b>	<b>7.2%</b>	<b>5.9%</b>	<b>4.7%</b>
<b>World Thermal Coal Exports</b>	<b>641.2</b>	<b>675.4</b>	<b>700.3</b>	<b>722.6</b>	<b>778.2</b>	<b>839.3</b>	<b>918.2</b>	<b>958.1</b>	<b>996.7</b>	<b>1027.6</b>	<b>1057.5</b>	<b>1171.8</b>	<b>1272.2</b>	<b>7.8%</b>	<b>9.4%</b>	<b>5.5%</b>	<b>4.7%</b>	<b>3.8%</b>	<b>3.0%</b>
Change Mt	61.2	34.2	24.9	22.3	55.7	61.1	78.9	39.9	38.6	30.9	29.9	25.6	20.5						
Change %	10.6%	5.3%	3.7%	3.2%	7.7%	7.8%	9.4%	4.3%	4.0%	3.1%	2.9%	2.2%	1.6%						

Thermal coal includes bituminous & sub-bituminous thermal coal, & anthracite, but does not include PCI. Figures in Mt

Internationally traded covers both seaborne + overland across border deliveries. Sources include country stats. Agencies & institutions, IEA, EIA, MinAxis estimates



## Appendix 1 – Metallurgical coal types and requisite properties for coking coals

### Metallurgical Coal Type Classification

Metallurgical coals are generally classified in accordance to where they fit in relation to the following range of metallurgical coal property parameters.

**Table 7: Metallurgical Coal Type Classification**

Metallurgical Coal Type	Ash	Volatile Matter	Crucible Swelling Number	Gieseler Max. Fluidity	Coke Strength After Reaction*	Mean Maximum Reflection (Ro Max.)
	% ad	% ad		ddpm	%	%
<b>Coking Coal</b>						
Hard Coking Coal – Premium	<9.5	18-38	8-9	100-30,000	55-74	0.80-1.65
Hard Coking Coal – Standard	<10.5	17-38	6-9	10-20,000	>55	0.80-1.65
Semi-Hard Coking	8.0-11.3	17-40	4-8	10-20,000	50-62	0.76-1.70
Semi-Soft Coking ‡	6.5-11.0	25-42	2-7	100-30,000	30-50	0.65-0.90
<b>PCI Coal</b>						
Low Volatile PCI	6.0-10.5	10-19	1-2	NA	NA	1.20-3.0
High Volatile PCI	4.0-9.5	27-42	1-4	NA	NA	0.70-0.90

Coking coal is used for coke making. PCI is pulverized coal that is injected into the blast furnace

Premium grades of HCC may alternatively be referred to as prime HCC grades

† Max. Fluidity – For LV HCC grades, the lower end of the Mf range indicated may be up to 100ddpm less than shown

\* CSR – For high volatile HCC grades, the lower end of the CSR range indicated may be up to 5% CSR less

\* CSR – For low volatile premium HCC grades, a brand's CSR should be the upper half of the range indicated above

‡ Superior grades of semi-soft coking coal are also commonly referred to as "weak coking coals". Source: MinAxis

### Coking coal

The generic term “coking coal” refers to the aggregate of HCC, SHCC, Soft Coking Coal and SSCC, while metallurgical coal includes PCI coal in addition to coking coal.

HCC, SHCC, Soft coking coal and SSCC – which are different types of coking coal, are the basic ingredients for the manufacture of blast furnace coke.

### PCI coal

PCI coal is not used in coke making (and therefore not classified as a coking coal), but is injected directly into the lower region of blast furnaces to supply both energy and carbon for iron reduction, thus replacing some of the coke that may otherwise have been used.

### Specification Definitions

The following are the commonly used criteria for assessment of the qualities of coking coal, together with their definitions:

(a) Ash (% air dried): The percentage of ash in coal determined by testing of a coal sample after crushing and drying, without heating, in either a laboratory or humidity-controlled atmosphere. The ash component in coal is the non-combustible inorganic residue remaining after the coal is burned.



(b) Volatile Matter (% air dried): The percentage of components in the coal primarily representing organic compounds and mineral impurities, excluding inherent (dry) moisture, that are liberated at an elevated temperature (900°C) in an air free atmosphere.

(c) Crucible Swelling Number (also known as Free Swelling Index): The degree of free swelling of a 1 gram sample of crushed coal heated under elevated conditions (>800°C) in a specialised silica crucible. The coke button formed is measured against a standard profile chart and then classified in the range 1-9. Higher values equate to superior caking and/or swelling properties of the coal – required for coke-making.

(d) Gieseler Maximum Fluidity (ddpm – dial divisions per minute): The maximum turns (dial divisions) per minute by a spindle inserted into a crushed coal under specialised laboratory conditions, occurring during the plastic phase of carbonisation, as the temperature is increased from 300°C to 600°C. Gieseler maximum fluidity is a measure of a coal's plasticity/fluidity during carbonisation, where a coal changes from a solid material to a fluid (plastic) state, and then to a fused porous solid (coke) during cooling. High fluidity is beneficial in the coke-making process.

(e) Coke Strength after Reaction (%): A hot-coke evaluation test measuring the degree of resistance of coke, produced in a test pilot coke oven, to breakage after it has been reacted in a carbon dioxide atmosphere at a temperature of 1100°C. This test is a measure of the relative coke strength of coke located in the mid-region of a blast furnace. For a low-medium volatile premium hard coking coal the coke strength after reaction (CSR) should be at least 65% of that before the reaction occurred.

(f) Mean Maximum Reflectance (MMR): A measurement of the light reflected from the polished coal surface of vitrinite macerals (crystalline particles). The degree of reflectance of vitrinite is used as an index of coal rank (degree of metamorphism). Hard and Semi-Hard coking coals are high rank coals, while Semi-Soft coking coals are low-medium rank.

# 7. Independent Technical Report





BEHRE  
DOLBEAR  
AUSTRALIA

**BDA** Minerals Industry Consultants

ACN No. 065 713 724

ABN 62 065 713 724

Level 9, 80 Mount Street  
North Sydney, NSW 2060  
Australia

Tel: 612 9954 4988  
Fax: 612 9929 2549  
Email: bdaus@bigpond.com

25 February 2013

The Board of Directors  
Malabar Coal Ltd  
Level 1,  
12 Creek St,  
Brisbane QLD 4000

Dear Sirs,

**INDEPENDENT TECHNICAL EXPERT REPORT FOR IPO LISTING  
MALABAR COAL LIMITED  
BEHRE DOLBEAR AUSTRALIA PTY LIMITED**

**1.0 EXECUTIVE SUMMARY**

**1.1 Introduction**

Malabar Coal Limited (“**Malabar**”) has requested that Behre Dolbear Australia Pty Limited (“**BDA**”) conduct an independent technical review of the Spur Hill Coal Project (“**SHCP**”), located in the Hunter Valley in NSW, in connection with a proposed IPO in 2013 (see Figure 1). The purpose of the review is to prepare an Independent Technical Experts Report (“**ITER**”) for inclusion in Malabar’s prospectus.

This BDA ITER provides an independent technical review of the Assets and independent technical opinion as to the reasonableness of the information supporting the SHCP, including the conceptual mine plans and the identified opportunities and issues associated with development of the Assets. However, the ITER does not constitute an audit and BDA is unable to warrant the accuracy of the information provided by third parties.

The scope of work of the review is attached as Annexure B and included a preliminary review of the project based on a site visit to the SHCP by BDA specialists. The scope involved a full review of resource estimates and associated scoping studies, including conceptual mine plans, preliminary process test work and design, infrastructure, development plans and logistics, environmental and social issues and implementation plans.

Where appropriate, BDA’s review has assessed the resource estimates in accordance with Australian industry standards and for compliance with the Australasian Code for Reporting Identified Mineral Resources and Ore Reserves prepared by the Joint Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia, December 2004 (referred to herein as “the JORC Code”).

This report has been prepared in accordance with the relevant requirements under the Listing Rules of the ASX and the practice notes and policy statements issued by the Australian Securities and Investment Commission (“ASIC”) as they apply to the preparation of independent expert reports.

## 1.2 BDA Capability and Independence

The ITER is addressed to, and is for the benefit of, Malabar's Directors, and the BDA opinion expressed therein may be relied upon by each member of the Due Diligence Committee (and their representatives) to the extent that each member understands that BDA is not conducting an audit and does not warrant the accuracy of the information provided by Malabar, their consultants, employees or any associated parties.

This report has been prepared as advisory information to Malabar by the signatories, whose qualifications and experience are summarised in Annexure A to this report. The review of Mineral Resources estimates and methodology has been conducted by Competent Persons, as defined under the JORC Code. Each of the Competent Persons listed in Annexure A has consented to the presentation of the findings in the form and context in which it is presented in this report.

BDA provides a range of technical advisory services to the mineral resource industry, to mining operators, investors and financiers. The principal areas of activity include the management and preparation of technical due diligence studies and "fatal flaw" and project analyses. BDA is well established in the areas of operational management review/technical audit and project valuation and evaluation, commonly for third party financing arrangements and our clients include banks, financial institutions and mining companies.

The parent company, Behre Dolbear and Company Inc., has operated continuously as a mineral industry consultancy since 1911 and has offices or agencies in Beijing, Denver, Guadalajara, Hong Kong, London, New York, Santiago, Sydney, Toronto, Ulaanbaatar and Vancouver. Internationally, Behre Dolbear has worldwide coal experience spanning a broad spectrum of exploration, management, resource and reserve analysis, metallurgical studies, surface and underground mine design, technical due diligence, operations optimization and total project feasibility.

BDA has independently assessed the relevant Assets of Malabar on the basis of both specific information provided by Malabar and individual experience in relation to the estimation of resources, life of mine plans, production and productivity estimates, coal quality assessments, manpower estimates, environmental requirements and compliance, workforce and community issues and Health, Safety and Environmental standards and compliance.

A draft copy of this report has been provided to Malabar for review the accuracy of the data used and for the correction of any material errors of fact, omissions of relevant information, or inclusion of incorrect or unreasonable assumptions that have been relied upon in this ITER.

## 1.3 Scope of Work/Materiality/Limitations and Exclusions

BDA has reviewed the Malabar relevant Assets in accordance with the Scope of Work provided and the limitations and exclusions specified and set out in Annexure B to this Report.

## 1.4 Methodology of Assessment

Malabar has completed significant geological investigations into the SHCP and has commissioned a number of conceptual engineering studies into potential mining and infrastructure facilities for those projects.

BDA has been provided with the most recent reports and conceptual studies on the SHCP prepared by the geological, mining and infrastructure engineering consultants and has reviewed the reports and supporting data to form an opinion as to the reasonableness or otherwise of the methodology employed and preliminary conclusions reached by these consultants.

The BDA review has focussed on technical aspects of the deposit and plans. The parameters considered by BDA include the conceptual annual mining rates (coal and waste), underground development and extraction rates, washery yields and product coal quality, materials handling, logistics and transport, as well as capital and operating cost estimates. BDA did not consider financial issues such as project funding, cashflows, profit and loss, balance sheet, non-cash items and the valuation of the SHCP. This review specifically excludes review of commodity price and exchange rate forecasts.

---

In particular, the BDA review covered the following areas:

- **Resources:** BDA conducted a review of the Geological and Mining Services Australia Pty Ltd (“GMSA”) Geological Report and Resource Statement and conducted its own review of the geology and inputs to the resources estimates, including a site visit to the SHCP.
- **Conceptual Mine Plans:** BDA reviewed the projected mine plans against the resource base.
- **Infrastructure:** BDA reviewed the conceptual designs for the proposed infrastructure facilities, including transport infrastructure, for the SHCP.
- **Environmental Approvals and Compliance:** BDA reviewed the likely environmental, statutory and regulatory licensing and compliance requirements and timetable, including a Preliminary Environmental Assessment (“PEA”) for the project submitted to key State regulatory agencies.
- **Key Potential Risk Issues:** BDA has reviewed the project from the perspective of material potential issues that could jeopardise project implementation or operations.

### 1.5 Inherent Mining Risks

When compared with many industrial and commercial operations, coal mining carries a relatively higher risk, conducted in an environment where not all events are predictable. Each coal deposit is unique. The nature of the coal deposit, the occurrence and quality of the coal, and its behaviour during mining and processing can never be wholly predicted. Estimations of the tonnes, quality and characteristics of a coal deposit are not precise calculations but are based on interpretations and on samples from drilling which, even at close drill hole spacing, provide a very small sample of the whole coal deposit. Reconciliations of past production and reserves can confirm the reasonableness of past estimates, but cannot categorically confirm the accuracy of future predictions.

An experienced management team can identify the known risks and put in place measures to mitigate the potential for interruptions consequent to such risks. However, the extent of knowledge is limited and there is always the possibility that unexpected or unpredicted events may occur, to the extent that it is considered not possible to remove all risks or to state categorically that events that may have a material impact on the operation will not occur. Detailed planning and experienced management should mitigate the risks to a reasonable extent.

In the context of the conceptual studies that have been prepared on the SHCP, it is particularly important to note that these are studies designed to investigate the potential viability of the projects, and, in the absence of much of the detailed data that will progressively be acquired during the feasibility study process, to determine whether further studies and expenditures are warranted.

**2.0 SPUR HILL PROJECT SUMMARY****Location**

The SHCP is located in the Hunter Valley of NSW, approximately 15km south-west of Muswellbrook. The SHCP is located within Exploration Licence (“EL”) 7429 (refer Figures 1 and 2).

**Prior Exploration**

The area where the SHCP is located has been explored intermittently for over 60 years. There are 182 drill-holes in the area, with 47 within EL7429. The SHCP contains coal seams from the Newcastle and Wittingham Coal Measures, which are mined at a number of existing Hunter Valley coal mining operations.

**JORC Coal Resource**

A JORC coal resource report was prepared in September 2012 based on exploration to that time. Total JORC Indicated Resources are 117Mt and Inferred Resources are 469Mt in the Whybrow, Redbank Creek, Wambo, Whynot, Glen Munro, Woodlands Hill, Arrowfield, Bowfield and Warkworth seams. Total JORC Resources are 586 Mt. There are no JORC Reserves at this time.

**Further Exploration**

A programme of 30 further drill-holes is currently being undertaken on EL7429, with the aim being to better understand the resource base, and to further upgrade a portion of the Inferred Resources to Indicated Resources and to allow more detailed mine planning to take place. Seventeen (17) of these holes have been completed to date with the first nine (9) holes (SHD001 to 009) having sufficient data to be included in the JORC Resource estimate. Exploration is focussed on the western area of the EL with underground mining potential (refer Figure 3). Several studies are being conducted in conjunction with the drilling programme including geophysical logging of each hole, coal quality analyses, washability tests, gas content testing and groundwater monitoring.

**Target Underground Coal Seams JORC Resources**

Tables 2.1 shows the coal seams in the western area of EL7429 where Malabar is targeting for underground mining.

**Table 2.1****Spur Hill Coal Project (EL7429): Target Coal Seams For Underground Mining\***

<b>Seam**</b>	<b>Average Depth of Cover (m)</b>	<b>Average Seam Thickness (m)</b>	<b>JORC Indicated Resource (Mt)</b>	<b>JORC Inferred Resource (Mt)</b>	<b>JORC Total Resource (Mt)</b>
Whybrow	134	2.6	22.8	27.5	50.3
Wambo	218	1.6	2.5	39.4	41.9
Whynot	215	3.6	28.8	89.6	118.4
Bowfield	396	2.7	21.4	18.4	39.8
Warkworth	437	2.3	9.2	114.8	124.0
<b>TOTAL</b>			<b>84.7</b>	<b>289.7</b>	<b>374.4</b>

Note: \*Additional JORC Resources have been estimated for the Redbank Creek seam (48.1Mt), Woodlands Hill (37Mt), Glen Munro seam (14.2Mt) and the Arrowfield seam (14.5Mt); however due to the qualities and volumes respectively, these are currently not considered as viable development targets. Further, F1.60 parameters are as yet only referenced by the July 2010 database

\*\* All seam estimates cover only the western side of the Mt Ogilvie structure, Indicated resources



**Malabar Coal**

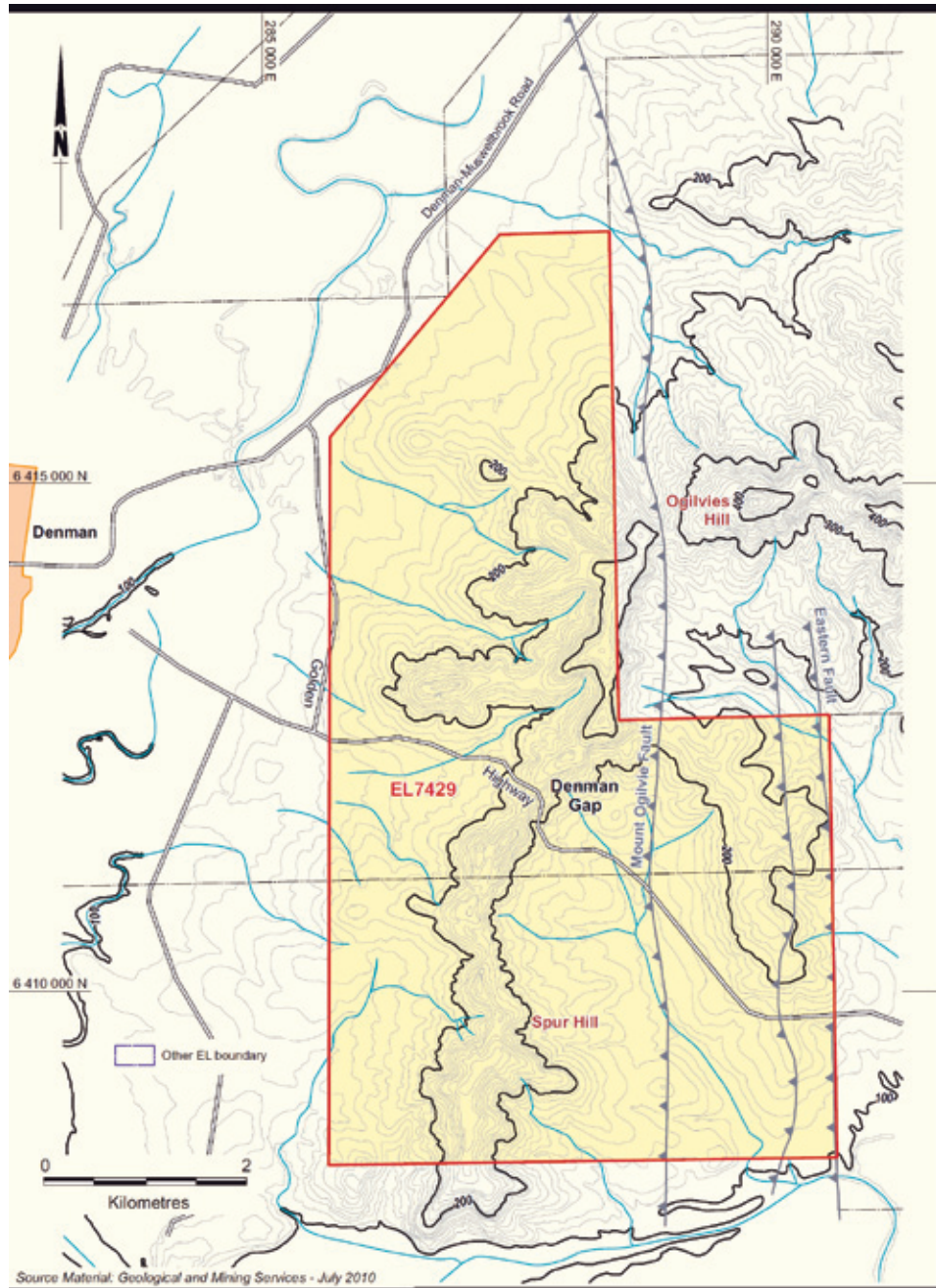
*Spur Hill Project*

**Figure 1**

804 - 0154 (P1) October 2012

**LOCATION PLAN**

Behre Dolbear Australia Pty Ltd



Malabar Coal

Spur Hill Project

Figure 2

804 - 0154 (01) October 2012

**SITE PLAN AND TOPOGRAPHY**

Behre Dolbear Australia Pty Ltd

**Target Underground Coal Seams – Preliminary Coal Quality**

The following table 2.2 provides a preliminary indication of the expected coal quality from the target seams.

**Table 2.2**  
**Spur Hill Coal Project (EL7429)**  
**Preliminary Coal Quality of Target Coal Seams for Underground Mining\***

<b>Seam</b>	<b>F1.60 Average Ash (%)</b>	<b>F1.60 Average Yield (%)</b>	<b>F1.60 Average CSN<sup>1</sup></b>
Whybrow	9.4	65	3.5
Wambo	5.2	87	4.5
Whynot	5.0	80	4.5
Bowfield	8.0	76	4.0
Warkworth	9.5	78	3.0

*Note: \* Washed coal parameters (F1.60 ash and yield) from the recent drilling have yet to be carried out, hence the F1.60 parameters above reflect the database as at July 2010. Composite washabilities done on seam cores from drillholes carried out between 2010 and 2012 are generally consistent with those composite washabilities reported earlier in the JORC2010 Report*

**Conceptual Mine Planning**

Early stage conceptual mine planning has been carried out on underground mining of some of the seams present in the western side of the EL. The basis of the conceptual development plan for the SHCP is mining of development coal within the Whynot and Wambo seam "package" potentially commencing in late 2016 and ROM production potentially at 3 to 5Mtpa for a single longwall. The conceptual development plan has used these bases given that depth of cover is low for these seams (200m) and preliminary indications that mining conditions will be conducive to industry average or better development and extraction rates.

Due to the size of the overall resource, the conceptual development plan is also based on commencing a second longwall by 2020 and total production from two longwall units potentially being in the range of 6 to 8Mtpa of ROM coal. These features are based on the potential for the second longwall unit to commence in another zone of the Whynot and Wambo seam package or in a different seam, such as the Warkworth, Whybrow, or Bowfield.

**Site Infrastructure and Land**

The current concept is for inclined drift access to the coal seams from a portal located centrally in the project area. Washplant and surface facilities would either be located nearby or to the north, possibly off the EL area in a topographically appropriate area.

Various options are under consideration for transport of product coal from Spur Hill to rail. These include cooperation with neighbouring mines to utilise existing coal clearance corridors and surface infrastructure. Alternative options include either pumping or conveying the coal approximately 5km, either under or over the Hunter River to a rail loader on the north of the Hunter River.

As the mining operations will be underground, it is not essential to acquire substantial freehold land within the EL. However, to become operational, Malabar will need to have in place sufficient land access agreements or land acquisition agreements to construct the surface infrastructure for the SHCP. Malabar is working with landowners within the EL to ensure strong relations are maintained, that access is achieved on equitable terms for all stakeholders and that Malabar and the landowners have a long-term co-operation agreement that will allow mining and agriculture to co-exist.

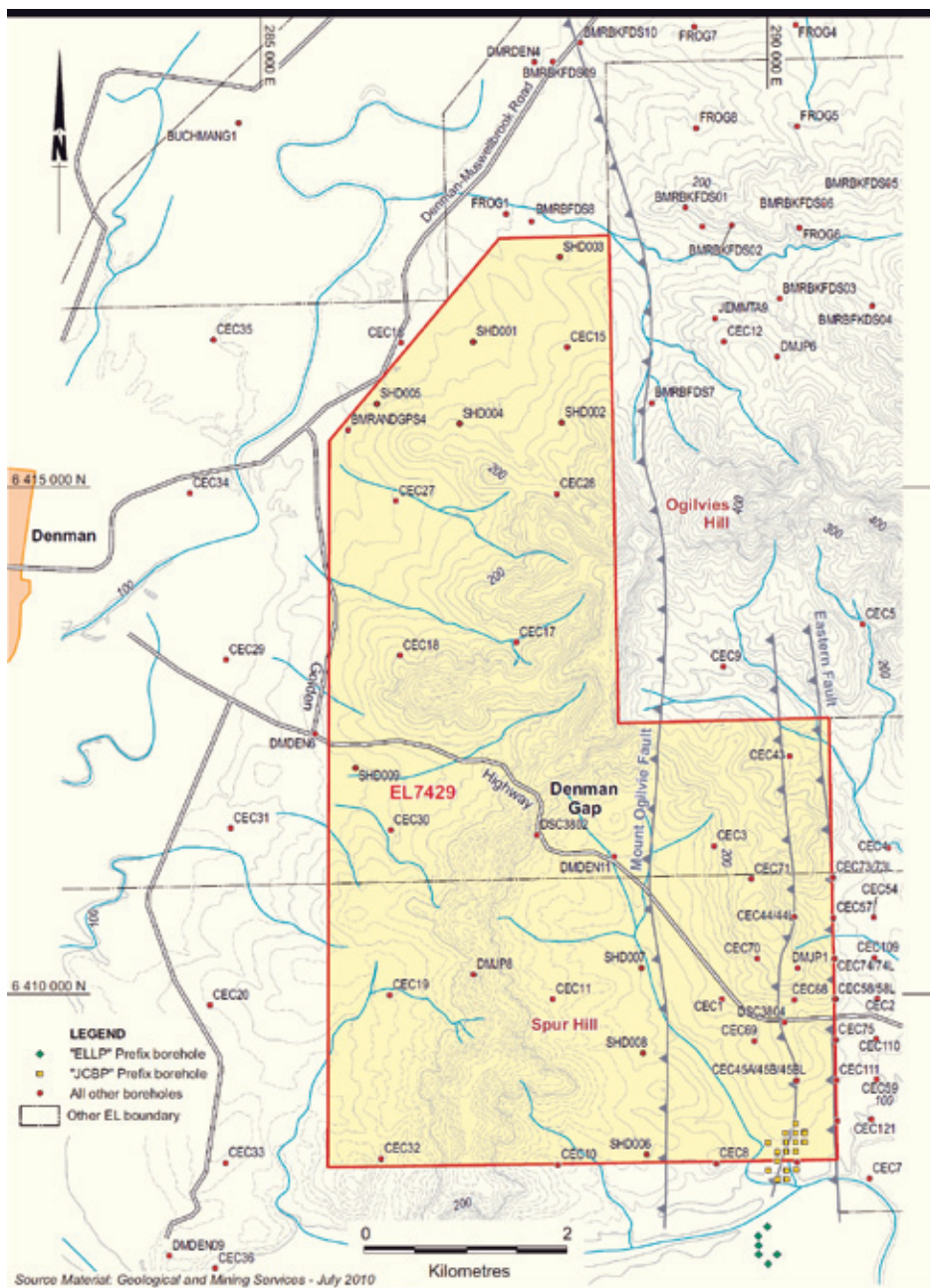
<sup>1</sup> CSN : Crucible Swell Number

### **Rail and Port**

Rail haul distance to the Port of Newcastle is 120 to 140km, depending on which rail loader option is pursued. ARTC has expansion plans for the Hunter Valley rail system to handle forecast future coal volumes. Currently there are four rail haulage operators on the Hunter Valley rail system.

The two port terminal companies in Newcastle, PWCS and NCIG, are both fully contracted for capacity from their currently approved and expanded terminals. PWCS has firm nominations for tonnage in excess of its current and approved expanded terminals, and is planning a new coal terminal, T4, which is currently in the development approval process. PWCS has recently announced that first coal through this terminal is now expected in 2017. Malabar will need to apply for a tonnage allocation in T4 for its exports. T4 is being planned for capacity up to 120Mtpa and the timing and size of T4 appear adequate and appropriate for the SHCP development timing.





Malabar Coal

Spur Hill Project

Figure 3

804-0134 (01) October 2012

**EXISTING DRILLHOLES**

Behre Dolbear Australia Pty Ltd

---

**Environmental Setting**

The SHCP is located on undulating land adjacent to the Hunter River. Main land use is cattle grazing, but there is also a vineyard in one corner of the EL. To the east of the EL are operating large open cut coal mines. The Golden Highway (Newcastle to Dubbo) passes east-west through the centre of the EL.

**SHCP Approvals**

The SHCP will need to pass through the State and Federal government project approval processes. These are expected to include the recent gateway process regarding competing land uses, the NSW State government Environmental Planning and Assessment Act (“EP&A Act”) and the Federal government Environment Protection and Biodiversity Act (“EPBC Act”). This process includes monitoring of local flora and fauna, community consultation and preparation of a comprehensive environmental impact statement, and can be expected to take 2-3 years.

**Coal Products**

The products planned to be produced at the SHCP are low-ash soft coking coal, semi-soft coking coal, thermal coal and PCI coal. Apart from the soft coking coal, these types of products have been produced and exported from the Hunter Valley for many years and are well known in coal export markets. The low-ash soft coking coal will be a product which should attract a premium price compared to semi-soft coking coal. A separate technical report focuses on product coal quality and marketing (MinAxis report).

**Project Costs**

The viability of the conceptual development plan developed by Malabar for the SHCP is based on the following features:

- indicative capital cost estimates for a single longwall mine of nearly \$200 per tonne of annual production capacity;
- introducing the second longwall reducing the capital cost to less than \$150 per tonne of production; and
- the FOB cost for unit cash costs of \$60 per tonne +/-15% (excluding royalties).

Such features would be similar to other comparable Hunter Valley longwall mines and should put the mine costs in a competitive position for the types of products planned. BDA considers that these capital cost features would place the SHCP within the expected range of capital costs for a “greenfield” underground project. Similarly, the operating cost features would indicate that the FOB costs would fall within the range of current comparable operations in the Hunter Valley area.

**Project Risks**

The SHCP is an early stage project, with exploration still in progress. Surface seismic surveys and drilling to date indicate that the EL is unlikely to contain significant faulting of a size to prevent economic longwall mining, but some intrusive occurrences may exist.

Conceptual planning of an underground mine indicates that a feasible mine may be able to be developed and operated after development consent is obtained. The development path for this project can be expected to take 4-5 years, and is subject to a number of site, regional, national and global risks which may alter the planning, development timeline, fundability, costs and competitiveness of the project.

### 3.0 SPUR HILL COAL PROJECT

#### 3.1 Project Location and Tenement

EL7429, known as the Spur Hill Coal Project area is located about 15km south-west of Muswellbrook and 3km east of Denman in the Upper Hunter Valley, NSW, as shown in Figure 1.

The EL is approximately 33km<sup>2</sup> in area, situated with operating mines to the east, north-east and south. It is traversed north-west through the centre by the Golden Highway (Denman-Singleton area).

Topography within the SHCP area is dominated by a prominent ridge that trends southwards through the area from near Ogilvie's Hill through Denman Gap to the south of Spur Hill, as shown in Figure 2. Through the eastern parts of EL7429 there is another less prominent north-south trending ridge. To the south and west, the ridges give way to a series of valleys and gently sloping hills on to the Hunter River floodplain. The Hunter River flood plain covers a very small section of the EL in the south east corner and possibly the north-west edge.

The SHCP deposit is situated within the EL7429 tenement which is held by Spur Hill No.2 Pty Ltd, which Malabar owns 100% and Spur Hill U.T. Pty Ltd, 100% owned by entities controlled by R. Turner and A. Morgan, the original holders of the EL. Malabar currently has a direct 28% ownership interest in EL7429, and has a farm-in agreement which gives it the right to earn up to an 80% interest. The exploration licence was granted on 18 December 2009 for a five year period.

#### 3.2 Regional and Local Geology

##### Regional Geology

The Upper Hunter region, as a northern section of the Sydney Basin, has been consistently mapped for over 200 years as hosting Permian stratigraphic sequences containing the Singleton Super Group of seam suites, including the Wittingham Coal Measures and Newcastle Coal Measures (previously called the Wollombi Coal Measures). There are remnant overlying sequences of Triassic Narrabeen Sandstone forming prominent cliff lines and patches of overlying relatively unconsolidated Cenozoic sands and gravels on the surface downs. Patches of Hunter River alluvials track along the river course, with the older patches generally under cultivation.

Beneath the Permian Singleton Super Group, in descending order are the Permian Maitland Group, Greta Coal Measures and Dalwood Group. The underlying basement in the region is generally regarded as Carboniferous.

Many operating mines in the region are mining the seams from the Wittingham Measures, including Wambo, Bulga, Mt Arthur, Mt Thorley and Warkworth mines.

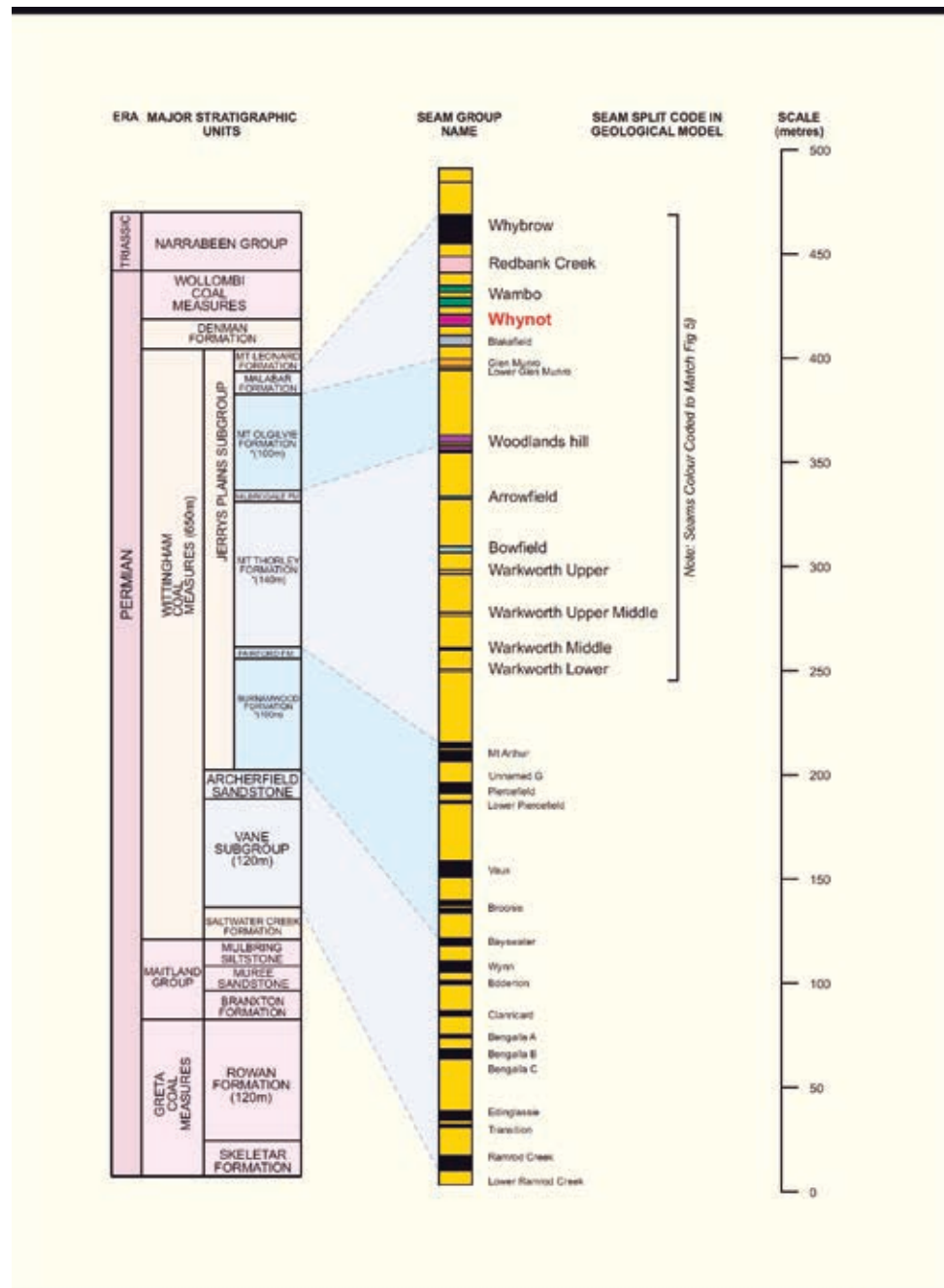
Broad geological structural elements of the Upper Hunter, east to west across the region, are generally listed as the Hunter Thrust, with various anticlinal folds west of the Thrust. Regional strikes are roughly north-south, obviously with many local variations and offset splinters. The anticlinal folds are known to be faulted in areas along strike of the various axes.

Three coal measures sequences are developed within the Hunter Coalfield, which are in chronological order, the Greta, Wittingham and Newcastle Coal Measures. The Wittingham Coal Measures are the age equivalent of the Tomago Coal Measures currently being mined in the Newcastle Coalfield, near East Maitland. The Newcastle Coal Measures are extensively mined in the Newcastle Coalfield and are also being mined in the Hunter Coalfield at Mangoola Mine about 10km north of Denman. The Newcastle Coal Measures within the Hunter Coalfield were previously termed the Wollombi Coal Measures.

Coal seams within both the Newcastle and Wittingham Measures are well developed in specific and large areas with qualities well attested by both continual exploration and actual mined products. The thermal and semi-soft coking properties specific to the seams are well understood from the regional exploration and mining activities.

##### Local Geology

EL7429 locally encompasses the Spur Hill area, so named after the prominent ridge noted above, as shown in Figure 2. Some remnant Newcastle Coal Measures seams are known to be preserved overlying this erosion-resistant feature on the east side of the EL but too little is known of their geological definition to be reliably considered.



Malabar Coal

Spur Hill Project

Figure 4

**STRATIGRAPHIC COLUMN**

804-0154 (01) October 2012

Behre Dolbear Australia Pty Ltd

Several regional-scale fault zones are known to trend N-S through the far-eastern segment of the EL. From east to west, these zones are named the Eastern Fault Zone, a smaller splinter from the Eastern Fault and the Mt Ogilvie Structure zone. Running parallel to each other, there is about a 1km horizontal separation between them. These zones have been drilled at relatively close spacing and also delineated with two surface seismic programmes, the most recent of which was re-interpreted as high-quality data in 2010. Throws on these zones are up to 150m to the west.

West of the Mt Ogilvie Structure Zone, the entire stratigraphic section of the Wittingham Coal Measures has been found, overlain by sparse remnant patches of apparent Newcastle Coal Measures. The sediments dip gently to the west at 2-5°.

Wittingham Coal Measures seams positively correlated, in descending order, are:

- Whybrow
- Redbank Creek Upper, Middle and Lower
- Wambo
- Whynot
- Glen Munro
- Woodlands Hill
- Arrowfield
- Bowfield
- Warkworth

These are shown in a stratigraphic column in Figure 4.

#### **Exploration History**

Existing drill-holes in and around EL7429 are shown in Figure 3. The first exploration in the Spur Hill area was in 1949 by the Joint Coal Board (“JCB”). Seventeen shallow boreholes were drilled in the Spur Hill area, with eleven of these boreholes located within the southeast corner of the current EL7429. These boreholes only intersected the Wambo to Whynot seams interval. During 1949, a further six shallow boreholes were drilled a few hundred metres south of the JCB boreholes.

The next phase of exploration within the Spur Hill area was carried out in 1953, with the Bureau of Mineral Resources (“BMR”) drilling the Andersons Gap and Blakefield series of boreholes. Both series were drilled in the north and northwest of the Spur Hill area. Only one BMR hole is located within EL7429. This hole comprised a stratigraphic interval from the lower seams of the Newcastle Coal Measures to the Redbank Creek seam.

Between 1971 and 1973, the Department of Mines’ Denman and Jerrys Plains drilling programmes included some boreholes located within the Spur Hill area. Three holes are located within EL7429.

In 1981, Bridge Oil Limited was granted title to Exploration Permit No. 6, an area to the west of the current licence area. This drilling programme, which comprised thirteen boreholes, was carried out to investigate the Wollombi and Wittingham Coal Measures. The results were not encouraging and Bridge Oil relinquished their title in 1983. The results of this drilling programme are summarised in several reports held by the NSW Department of Industry & Investment. There are no Bridge Oil boreholes located within EL7429.

From 1976 to 1983, Carpentaria Exploration Company Limited (“CEC”), a subsidiary of Mt Isa Mines Ltd, drilled 119 boreholes within the Denman area. The drilling area ranged from about 1.5km west of the western boundary of EL7429, about 1 km south of the northern boundary, 4km south of the southern boundary and about 2.5km east of the eastern boundary. Nineteen of these boreholes are located within EL7429. A large number of these boreholes intersected the entire Jerrys Plain Subgroup. The existing holes within EL7429 are shown in Figure 3.

Generally, all historical holes were slimcore diamond boreholes except for some of the CEC holes in the very east, where they were open holes down to the Arrowfield seam. The small number of DMR holes usually had comprehensive logs (including geophysics) and graphics available and the major seams were sampled and had raw coal and washability analysis data. Geophysics were not routinely undertaken on the CEC holes except for the open holes. Complete documentation on the CEC holes has been difficult to source. Only limited large diameter coring was done by CEC and only two of these holes are on or just east of the EL. No sized washability testing has been done on any samples to aid determination of practical washed coal ash and yield. Limited comprehensive analyses have been done to determine suitability of the coals for power generation, steel making or other markets. Some

information is quoted in reports for the upper seams in the east but no data was found for the western area. Due to inconsistent historical survey data on existing boreholes, Spur Hill management has commissioned surveyors to locate, verify and accurately survey all new and existing borehole locations.

Current Spur Hill management have implemented an ongoing all-core drillhole programme of up to thirty holes. As part of the current programme, all holes have been geologically and geotechnically logged. This programme is part complete, with coal core recoveries to date averaging greater than 95%.

### Local Structural Geology

The strata have a general trend of dipping to the west at less than 2°, steepening to about 5° at some locations. Structurally the area can be divided into two main regions by the Mount Ogilvie Structure Zone, which downthrows the strata to the west by between 80m and 150m. Another two large faults are located on the eastern side of the Mount Ogilvie Structure Zone. The un-named middle fault downthrows the strata to the west by between about 15 m to 50m. The named Eastern Fault down-throws the strata to the west by between about 10m and 50m.

Strata dips in the smaller east area are considerable, up to 30° from the two seismic programme results. There may be some opportunity for small-scale open-cut mining within this area, but the steep dips and fault splinters would seem to preclude underground operations.

The 27km<sup>2</sup> of the EL that is west of the Mt Ogilvie Zone offers a more benign environment for mining operations in that the dips are considerably flatter (2-3°, with some localised areas up to 5°). The high-quality seismic line (initially run by AGL) and re-interpreted in 2010, shows a quite consistent set of gently-dipping horizons, with faulting suggested west of the current EL but no significant faulting within it.

BDA has examined both the drillhole sections from the compiled database (GMSA, July 2010) and the seismic lines as re-interpreted (Velseis Pty Ltd, 2010) and confirms that significant faulting west of the Mt Ogilvie Structure Zone is not evident in the EL7429 data.

Further, close examination of existing core and core photographs by BDA has shown that the sedimentary beds and coal seams present in the EL sequence are quite flat-lying and structurally undisturbed, with very little cross-cutting fractures, bedding plane shears or breccia debris.

### Intrusives

Igneous intrusions are known in the region, and a number of drillholes have intersected either dykes or sills in most seams, excluding the Whynot seam. Although the evidence for large-scale sills or dykes is seen only for the Woodlands Hill and Arrowfield seams in the database, BDA considers that it may be prudent to commission an aero-magnetic survey of the EL, if testing of the few intrusive cores available in the Londonderry Core Library show that these intrusions are susceptible to magnetic detection.

### Seam Gas Measurements

A number of seam gas measurements have been done, with the results indicating gas levels of 1-3cubic metres of gas per tonne of coal (“m<sup>3</sup>/t”)<sup>2</sup> within the Whybrow seam and 2-6m<sup>3</sup>/t in the Whynot and Bowfield seams. While these are approximately equivalent to known gas levels from the district for these seams, it indicates that gas drainage may be required in the Whynot seam. For the Warkworth seam, gas levels are in the range 3-11m<sup>3</sup>/t, indicating that gas drainage will be required to mitigate outburst risk. Some of the measurements indicated higher levels of carbon dioxide (CO<sub>2</sub>) rather than mostly methane (CH<sub>4</sub>), suggesting that some intrusions may have affected the seams, so use of aero-magnetic techniques may be warranted to identify possible intrusions.

### 3.3 Coal Seams and Resource Estimates

The following table lists the seams in descending order, east and west of the Mt Ogilvie Structure Zone, for areas known from correlated drilling, average depth-of-cover and thickness. The Indicated

<sup>2</sup> m<sup>3</sup> of gas for each tonne of coal

and Inferred tonnages listed are discussed in the Resource section below. The JORC-compliant Resource estimates, as prepared by *Geological & Mining Services Australia Pty. Ltd September 2012* are summarised as shown in Table 3.1.

**Table 3.1**  
**Spur Hill Coal Project: Resource Estimates, September 2012**

Seam	Area (km <sup>2</sup> )	Average Depth (m)	Average Thickness (m)	Indicated Resource (Mt)	Inferred Resource (Mt)	Total JORC Resources (Mt)
<b>WESTERN AREA*</b>						
Whybrow	13.1	134	2.45	23	28	51
Redbank Creek L	17.2	162	1.84	14	34	48
Wambo	14.4	212	1.90	3	39	42
Whynot	26.0	220	3.14	29	90	119
Glen Munro	6.0	302	1.62	5	10	15
Woodlands Hill	9.2	335	2.50		37	37
Arrowfield	4.3	355	2.52	14	1	15
Bowfield	12.8	420	2.25	21	18	39
Warkworth	23.5	451	2.97	9	115	124
<b>Sub-total Western</b>			<b>21</b>	<b>117</b>	<b>371</b>	<b>490</b>
<b>EASTERN AREA**</b>						
Whybrow	0.02	18	5.06		0.1	0.1
Redbank Creek U	1.35	28	1.01		2.2	2.2
Redbank Creek M	1.35	29	0.95		2.0	2.0
Redbank Creek L	1.35	30	1.67		3	3
Wambo	5.55	48	2.38		18	18
Whynot	6.25	60	2.67		24	24
Glen Munro	0.7	138	1.65		2	2
Bowfield	6.80	245	2.06		20	20
Warkworth	4.53	283	3.92		26	26
<b>Sub-total Eastern</b>			<b>19</b>		<b>97</b>	<b>97</b>
<b>TOTAL</b>				<b>117</b>	<b>469</b>	<b>586</b>

Source: *Geological & Mining Services Pty. Ltd., September 2012*

\* Estimates of western zone only, including Indicated and Inferred

\*\* Estimates of eastern zone only, Inferred only

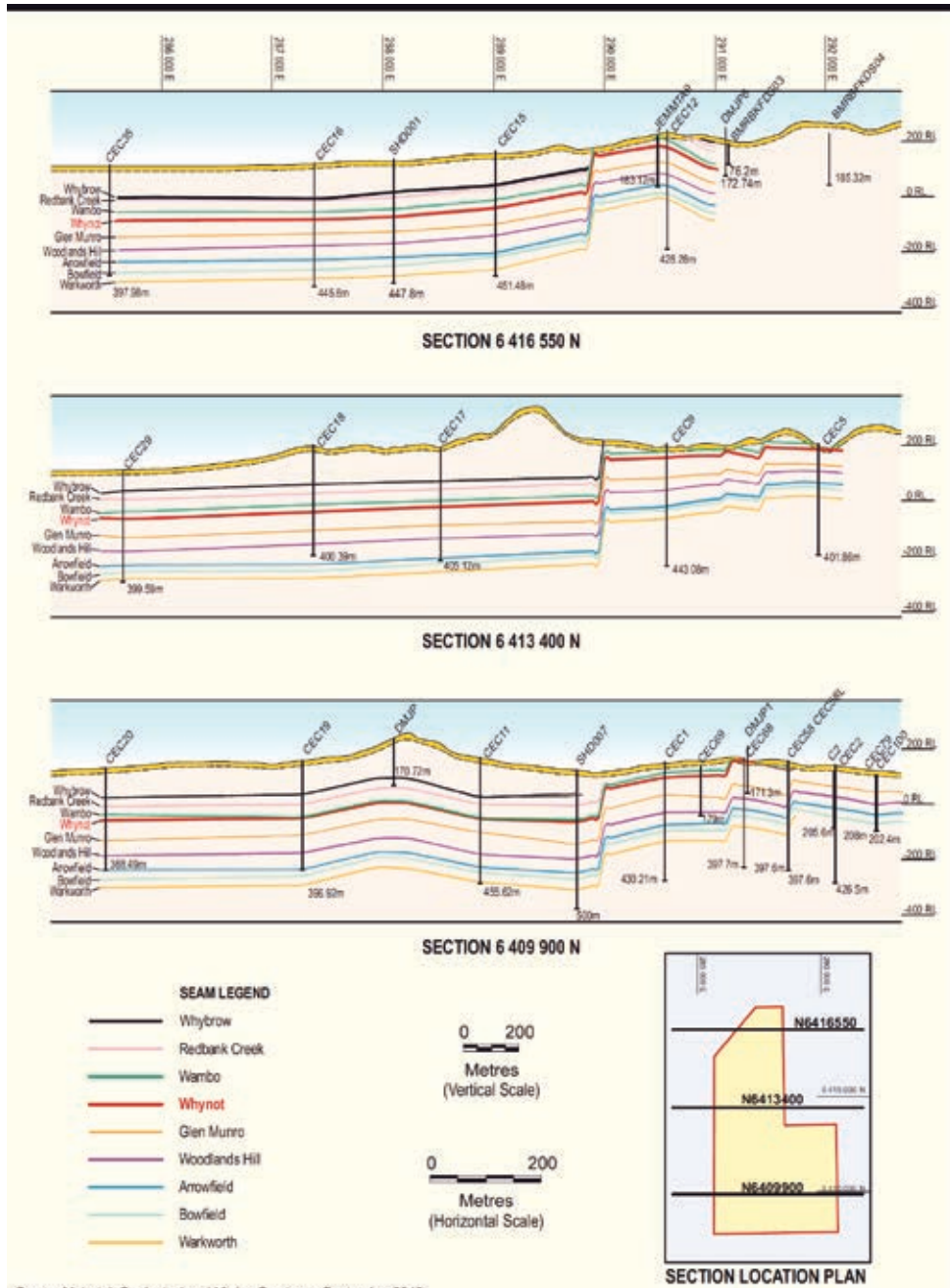
On the west, the Whynot seam offers a good thickness at an average 3.1m and average depth of 218m. This is about 80m below the Whybrow seam, however, at an average thickness of 2.4m and average depth of 134m, so care in planning extraction of the Whynot first would seem prudent. The Redbank Creek seam splits are regarded as too thin and too high in ash for economic underground mining. The following table lists the seams in descending order, east and west of the Mt Ogilvie Structure Zone, for areas known from correlated drilling, with assayed qualities:

**Table 3.2**  
**Spur Hill Coal Project EL7429: Seam Thickness and Raw Ash**

Seam*	Seam Thickness (m)			Raw Ash (%) (adb)		
	Min.	Max.	Average	Min.	Max.	Average
Whybrow	0.70	11.58	2.8	24.7	34.8	30
Redbank Creek U	0.18	1.83	1.2	20.6	36.0	30
Redbank Creek M	0.09	1.74	0.8	27.4	40.2	33
Redbank Creek L	0.11	2.08	1.6	22.2	32.9	27
Wambo	0.28	3.05	1.9	5.9	16.8	11
Whynot*	1.52	4.83	2.8	9.5	29.4	18
Glen Munro	0.21	2.21	1.0	12.3	23.7	17
Woodlands Hill	0.58	4.56	2.7	19.0	46.4	37
Arrowfield	0.05	3.29	2.1	7.5	23.6	13
Bowfield	0.04	4.10	2.2	9.3	16.9	14
Warkworth	0.36	6.96	3.8	14.4	45.0	26

Source: *Geological & Mining Services Pty. Ltd., September 2012; adb = air dried basis*

\* All seam estimates include east and west zones, Indicated & Inferred



Source Material: Geological and Mining Services - September 2012

**Malabar Coal** *Spur Hill Project*

**Figure 5** **CROSS SECTIONS**  
80A - 0194 (01) October 2012 Behre Dolbear Australia Pty Ltd



**Table 3.3**  
**Spur Hill Coal Project EL7429: Seam F1.60<sup>3</sup> Average Coal Properties<sup>4</sup> (adb)**

Seam	Ash (%)	IM <sup>5</sup> (%)	F1.60 Product				Sulphur (%)
			Yield (%)	Energy (MJ/kg)	VM <sup>6</sup> (%)	CSN <sup>7</sup>	
Whybrow	10.2	4.2	65	29	34	3.5	0.49
Redbank Creek U	16.0	4.4	60	27	32	3.0	0.43
Redbank Creek M	15.8	4.1	54	27	29	2.0	0.39
Redbank Creek L	12.9	4.6	71	28	31	3.0	0.43
Wambo	5.1	4.5	88	31	35	4.0	0.44
Whynot	5.2	4.4	79	31	35	4.5	0.40
Woodlands Hill	11.3	3.2	62	29	29	3.5	0.45
Arrowfield	5.8	3.5	86	31	32	4.0	0.37
Bowfield	8.0	3.1	87	31	32	4.0	0.43
Warkworth	10.1	2.9	81	30	29	4.0	0.42

Source: Geological & Mining Services, July 2010

Composite washabilities done on seam cores from drillholes carried out between 2010 and 2012 are generally consistent with those composite washabilities reported earlier in the JORC2010 Report

The Whynot and Whybrow seams F1.60 qualities are of economic interest as potential semi-soft coking coal. While the Wambo seam has some potential, it may be too small in area and too thin for economic underground mining, except where the interseam interval is thin enough to allow mining the two seams together.

Table 3.4 lists a simple number count of currently available data points (drillhole data) acceptable within the JORC requirements:

**Table 3.4**  
**Spur Hill Coal Project: Seam Data Points for JORC Resources**

Seam	Stratigraphic	Raw Coal Quality	Washed Coal Quality
Whybrow	36	11	10
Redbank Creek L	37	22	17
Wambo	58	26	21
Whynot	70	27	31
Glen Munro	66	6	0
Woodlands Hill	68	16	13
Arrowfield	66	21	33
Bowfield	60	23	37
Warkworth	55	27	33

Source: Geological & Mining Services Pty. Ltd., September 2012, plus 2010 results. Washed qualities from September 2012 are as yet unreported

The JORC Resource reports from Geological and Mining Services Pty Ltd, September 2012 and July 2010, have detailed the procedures for the Resource estimate, from original database accumulation and cross-checking to the Vulcan modelling done by Maptek and GMSA. BDA has examined this procedure as described and is satisfied it is of industry standard sufficient for JORC compliance. Spur Hill management is undertaking a drillhole programme designed to further delineate the resources.

<sup>3</sup> F1.60 is the float product at a density of 1.60

<sup>4</sup> Washed coal parameters (F1.60 ash and yield) from the recent drilling have yet to be carried out hence the F1.60 parameters shown in the table above reflect the database as at July 2010.

<sup>5</sup> IM : inherent moisture

<sup>6</sup> VM : volatile matter

<sup>7</sup> CSN : Crucible Swell Number

The essential elements used in forming the JORC Indicated and Inferred Resource estimates are: “...a combination of the 1.5m (underground) or 0.3m (open cut) contours, the 35% raw ash contour, barriers around intruded boreholes and the EL borders. For the Whybrow and Warkworth seams, the resource boundaries also included 0.7m thick seam split isopachs. The Vulcan Grid Reserves Function was then used to determine the resources contained within these polygons. Based on borehole spacing, quality intersections, faults and identified intrusions the resources have been given either Indicated or Inferred status.” BDA considers this to be an appropriate and consistent with JORC standards.

### 3.4 Potentially Mineable Coal Seams

A brief description of the structure and quality of the potentially mineable seams is presented below. It is noted that the summaries of minimum/maximum ranges for seam thicknesses and raw ashes are referred from the JORC Resource Statement “Spur Hill Coal Project Geological Report and Resource Statement EL7429”, *Geological and Mining Services Pty Ltd, September 2012*, while the comments on F1.60 quality characteristics are referred only from the JORC Resource Statement “Spur Hill Coal Project Geological Report and Resource Statement EL7429”, *Geological and Mining Services Pty Ltd, July 2010*, as the later Statement has not reported on any additional F1.60 data from the intervening period.

#### Whybrow Seam

On the eastern side of the Mount Ogilvie Structure Zone, depth of cover ranges from subcrop to about 25m. Depth of cover on the western side of the Mount Ogilvie Structure Zone ranges from about 20m near the fault to >260m under the central ridge line. Seam thickness ranges from a minimum recorded thickness of 0.7m on the eastern side of the Mount Ogilvie Structure Zone to a maximum recorded thickness of 11.6m. Raw ash ranges from <25% in the southern parts of the EL to a maximum recorded content of 35% in the north. From the 2010 JORC Report, recorded F1.60 ash ranges from 8% to 13% and yield from 60% to 69%. Intrusions or cindered coal within the Whybrow seam are only identified within two boreholes in the model area.

The western resource area comprises an estimated 51Mt between the base of weathering and 167m depth of cover. It is defined by a combination of the 1.5m thickness contour and an igneous intrusion in the south. The eastern resource area is estimated to comprise about 20,000t between the base of weathering and 22m depth of cover.

Structural continuity west of the Mt Ogilvie Structure Zone is demonstrated from both drillhole results and surface seismic reports. The seams dip gently to the west at about 1:50 (2°) with a slightly higher “dome” in the central south of the EL. Interburden thicknesses as seen from a series of E-W cross-sections are consistent.

#### Redbank Creek Seam

There are three splits of the Redbank Creek seam, termed RCU, RCM and RCL. Only the lower split (RCL) has a reasonable underground mineable thickness. Depth of cover on the eastern side of the Mount Ogilvie Structure Zone ranges from subcrop to about 55m. On the western side of the Zone, depth of cover ranges from about 50m to 290m. RCL seam thickness ranges from <1.0m at a number of locations to a maximum recorded thickness of 2.1m. Raw ash ranges from 22% to 33%, F1.60 ash 10% to 16% and yield from 58% to 86%. RCM seam thickness ranges from 0.1m to 1.7m. Raw ash increases to the south and east from a minimum recorded value of 27.4%. From the 2010 JORC Report, recorded F1.60 ash ranges from 12% to 18% and yield from 51% to 59%. RCU seam thickness ranges from 0.18m to 1.83m. Raw ash decreases to the south from a maximum recorded value of 36% to 20%. Recorded F1.60 ash ranges from 13% to 18% and yield from 51% to 80%. Intrusions or cindered coal within the Redbank Creek seam interval are only identified within four boreholes in the model area.

The western resource area comprises a mineable working section in the Lower Redbank Creek seam between 50m and 295m depth of cover. The resource, which is estimated to be 48Mt, is defined by 1.5m thickness contours in the north and igneous intrusions in the south. The eastern area comprises an estimated 3.0Mt between the base of weathering and 54m depth of cover. It is present within three splits of the seam and underlies the ridge line.

Structural continuity west of the Mt Ogilvie Structure Zone is demonstrated from both drillhole results and surface seismic reports. The seams dip gently to the west at about 1:50 (2°) with a slightly higher

“dome” in the central south of the EL. Interburden thicknesses as seen from a series of E-W cross-sections are consistent.

#### **Wambo Seam**

Depth of cover on the eastern side of the Mount Ogilvie Structure Zone ranges from subcrop to about 100m. On the western side of the fault, depth of cover ranges from about 100m to >330m. Seam thickness ranges from 0.3m to a maximum recorded thickness of 3.1m. Raw ash ranges from 5.9% to 17%, F1.60 ash 4% to 6% (from 2010 JORC Report) and yield from 78% to 97%. The western area Wambo seam resource is bounded by 1.5m thickness contours in the north and southwest and igneous intrusions in the south. It is estimated that 42Mt of Wambo seam is present on the western side of the Mount Ogilvie Structure Zone between 94m and 334m depth of cover. On the eastern side of the fault, the Wambo seam is estimated to comprise 18Mt of coal between the base of weathering and 97m depth of cover.

Structural continuity west of the Mt Ogilvie Structure Zone is demonstrated from both drillhole results and surface seismic reports. The seams dip gently to the west at about 1:50 ( $2^0$ ) with a slightly higher “dome” in the central south of the EL. Interburden thicknesses as seen from a series of E-W cross-sections are consistent.

#### **Whynot Seam**

Depth of cover on the eastern side of the Mount Ogilvie Structure Zone ranges from subcrop to about 120m. On the western side of the fault, depth of cover ranges from about 110m to >250m. Seam thickness ranges from 1.5m to a maximum recorded thickness of 4.8m. Raw ash ranges from 9.5% to 29%, F1.60 ash 4% to 7% (from 2010 JORC Report) and yield from 63% to 87%. There are no intrusions or cindered coal within the Whynot seam interval recorded in the borehole logs.

The entire EL from the base of weathering to 355m depth of cover is thought to contain coal resources within the Whynot seam. It is estimated that there are 118Mt west of the Mount Ogilvie Structure Zone and 24Mt east of the fault.

Structural continuity west of the Mt Ogilvie Structure Zone is demonstrated from both drillhole results and surface seismic reports. The seams dip gently to the west at about 1:50 ( $2^0$ ) with a slightly higher “dome” in the central south of the EL. Interburden thicknesses as seen from a series of E-W cross-sections are consistent.

#### **Glen Munro Seam**

Depth of cover on the eastern side of the Mount Ogilvie Structure Zone ranges from about 10m to > 140m. On the western side of the fault, depth of cover ranges from about 150 m to > 310 m. Seam thickness ranges from 0.2m to a maximum recorded thickness of 2.2m located outside the eastern boundary of the EL. Raw ash ranges from 12.3% to 24%, F1.60 ash 8% to 15% (from 2010 JORC Report) and yield from 53% to 86% (from 2010 JORC Report). There are fourteen boreholes with intrusions or cindered coal recorded within the Woodlands Hill seam in the model area. These boreholes are situated in the eastern and southern parts of the model area.

On the western side of the Mount Ogilvie Structure Zone there are estimated to be 14Mt of coal. The resource area is bounded by a 1.5m thickness contour and a 20% raw ash contour in the north and igneous intrusions in the south. Due to the presence of igneous intrusions east of the Mount Ogilvie Structure Zone no resources estimate has been determined for that area, although it is likely that some resource potential is present.

Structural continuity west of the Mt Ogilvie Structure Zone is demonstrated from both drillhole results and surface seismic reports. The seams dip gently to the west at about 1:50 ( $2^0$ ) with a slightly higher “dome” in the central south of the EL. Interburden thicknesses as seen from a series of E-W cross-sections are consistent.

#### **Woodlands Hill Seam**

Depth of cover on the eastern side of the Mount Ogilvie Structure Zone ranges from about 100m to >240m. On the western side of the fault, depth of cover ranges from about 270m to >470m. Seam thickness ranges from 0.6m to a maximum recorded thickness of 4.7m located outside the eastern boundary of the EL. Raw ash ranges from 19% to 46%, F1.60 ash 8% to 15% (from the 2010 JORC Report) and yield from 53% to 86% (from 2010 JORC Report). There are fourteen boreholes with

intrusions or cindered coal recorded within the Woodlands Hill seam in the model area. These boreholes are situated in the eastern and southern parts of the model area.

On the western side of the Mount Ogilvie Structure Zone there are estimated to be 37Mt of coal within a lower split of the Woodlands Hill seam between 273m and 472m depth of cover. The resource area is bounded by a 1.5m thickness contour and a 35% raw ash contour in the north and igneous intrusions in the south. Due to the presence of igneous intrusions east of the Mount Ogilvie Structure Zone, no resources have been estimated for that area, although it is likely that some resource potential is present.

Structural continuity west of the Mt Ogilvie Structure Zone is demonstrated from both drillhole results and surface seismic reports. The seams dip gently to the west at about 1:50 ( $2^0$ ) with a slightly higher “dome” in the central south of the EL. Interburden thicknesses as seen from a series of E-W cross-sections are consistent.

#### **Arrowfield Seam**

Depth of cover on the eastern side of the Mount Ogilvie Structure Zone ranges from about 140m to >280m. On the western side of the fault, depth of cover ranges from about 340m to >530m. Raw ash ranges from 7% to 24%, F1.60 ash 4% to 8% (from 2010 JORC Report) and yield from 75% to 93% (from 2010 JORC Report). There are twenty-one boreholes with intrusions or cindered coal recorded within the Arrowfield seam in the model area. These boreholes are located throughout the model area.

Due to extensive igneous intrusion intersections identified in the Arrowfield seam coal resources are confined to the north of the EL. In this area there are estimated to be 15Mt of coal between 305m and 446m depth of cover.

Structural continuity west of the Mt Ogilvie Structure Zone is demonstrated from both drillhole results and surface seismic reports. The seams dip gently to the west at about 1:50 ( $2^0$ ) with a slightly higher “dome” in the central south of the EL. Interburden thicknesses as seen from a series of E-W cross-sections are consistent.

#### **Bowfield Seam**

Depth of cover on the eastern side of the Mount Ogilvie Structure Zone ranges from about 170m to about 320m. On the western side of the fault depth of cover ranges from about 360m to 560m. Seam thickness ranges from 0.4m to a maximum recorded thickness of 7.0m. Raw ash ranges from 14% to 45%, F1.60 ash 6% to 12% (from 2010 JORC Report) and yield from 76% to 96% (from 2010 JORC Report). There are five boreholes with intrusions or cindered coal recorded within the Bowfield seam in the model area.

On the western side of the Mount Ogilvie Structure Zone there are estimated to be 40Mt of Indicated and Inferred resources present between 329m and 565m depth of cover. The boundaries are defined by 1.5m seam thickness contours. Although the modelled seam thickness is >1.5m towards the southern boundary of the EL, there is some doubt about the correctness of the Bowfield seam correlations in that area. It is therefore considered that this area should be omitted from any resource estimate until further work is done.

On the eastern side of the fault there are estimated to be 20Mt of coal with a seam thickness >1.5m present between 130m and 318m depth of cover.

Structural continuity west of the Mt Ogilvie Structure Zone is demonstrated from both drillhole results and surface seismic reports. The seams dip gently to the west at about 1:50 ( $2^0$ ) with a slightly higher “dome” in the central south of the EL. Interburden thicknesses as seen from a series of E-W cross-sections are consistent.

#### **Warkworth Seam**

Depth of cover on the eastern side of the Mount Ogilvie Structure Zone ranges from about 200m to >340m. On the western side of the fault, depth of cover ranges from about 400m to >580m. Seam thickness ranges from 0.4m to >6.5m in the southeast corner of the EL. Raw ash ranges from 14% to 45%, F1.60 ash 7% to 13% (from the 2010 JORC Report) and yield from 52% to 91% (from 2010 JORC Report). There are six boreholes with intrusions or cindered coal recorded within the Warkworth seam in the model area. These boreholes are mainly located on the eastern side of the Mount Ogilvie Structure Zone.

On the western side of the Mount Ogilvie Structure Zone there are estimated to be 124Mt of coal present between 343m and 586m depth of cover. One borehole has two references to cindered coal (0.21m thick) and coal cindered in parts (0.24m thick) within the Warkworth seam interval. However, the closest igneous intrusion identified in this borehole is located above the Arrowfield seam and there is no evidence of igneous activity in any other Warkworth seam intersections on the western side of the Mount Ogilvie Structure Zone. If the coal is correctly identified as being cindered it is likely to be the result of hot hydrothermal fluids from a dyke system that fed the intrusions identified in the stratigraphically higher Arrowfield seam interburden.

On the eastern side of the Mount Ogilvie Structure Zone there is a line of igneous activity in the southeast surrounded by non-intruded boreholes. Between the Mount Ogilvie Structure Zone and this line of intruded boreholes there are estimated to be 23Mt of Inferred resources present between 153m and 337m depth of cover.

Structural continuity west of the Mt Ogilvie Structure Zone is demonstrated from both drillhole results and surface seismic reports. The seams dip gently to the west at about 1:50 (2°) with a slightly higher “dome” in the central south of the EL. Interburden thicknesses as seen from a series of E-W cross-sections are consistent.

### 3.5 Conceptual Mine Planning

The viability of the current conceptual development plan for the SHCP is based on initial mining within the Whynot and Wambo seams, with mining of development coal potentially commencing in late 2016 and ROM production potentially at 3 to 5Mtpa for a single longwall. The conceptual development plan has used these bases given that depth of cover is low for these seams (200m) and preliminary indications that mining conditions will be conducive to longwall mining at Australian industry average or better development and extraction rates.

The current concept includes seam access via inclined tunnels (drifts) to the coal seams from a portal located centrally in the project area. Depth of cover to the Whynot seam here is approximately 200m, resulting in drift lengths of 1.5km. North-south oriented longwall blocks have been conceptually planned north and south of a set of east-west oriented main roadways. Longwall widths in conceptual planning are 250m to 300m, with panels to the north up to 4.5km long and to the south up to 3.5km long. Seam thickness in the Whynot seam at 2.5-3.5m is appropriate for longwall mining as are the generally low seam dips of 2° to 5°. The drilling, seismic and other interpretive work done to date do not show any significant structural impediments to longwall mining, such as faulting in the targeted longwall mining area. Further drilling and assessments are being undertaken.

Due to the size of the overall resource, Malabar’s current concept is to commence a second longwall 2-3 years later. The second longwall unit may commence in another zone of the Whynot/Wambo seam package or in a different seam, such as the Warkworth, Whybrow, or Bowfield. Sequencing of extraction, interactions between mining in different seams and surface subsidence will need careful and detailed investigation and planning. Malabar’s expectation is that total production from two longwall units could range up to 10Mtpa of ROM coal.

Gas levels present in the Whynot seam samples to date indicate similar gas levels comparable to other Hunter Valley underground operations, where gas is usually handled either with standard ventilation, or with some level of pre or post mining gas drainage. As mining progresses to deeper seams at Spur Hill, indications from the samples to date is that gas levels increase and that gas drainage will become necessary and that outburst potential will require assessment and mitigation. With regards to spontaneous combustion, the coal seams at Spur Hill are expected to have a medium propensity, similar to other Hunter Valley mines, and will therefore need to be mined using appropriate layouts and management control plans.

### 3.6 Site Infrastructure and Land Access

Based on the float-sink washability test work to date, and on similar practices at other Hunter Valley mines mining the seams planned to be mined at Spur Hill, all or most of the ROM production will require washing prior to sale. Table 3.3 shows the results of test work to date on washing of the potentially mineable seams. More test work and analysis is required to develop a process flowsheet and washplant design. The washplant and surface facilities would either be located nearby or to the north, possibly off the EL area in a topographically appropriate area.

Various options are under consideration for transport of product coal from Spur Hill to rail. These include cooperation with neighbouring mines to utilise existing coal clearance corridors and surface infrastructure. Other options under consideration include either pumping or conveying the coal approximately 5km either under or over the Hunter River to a rail loader on the north of the Hunter River. Requirements for the rail loader will be to be able to load a 7,000t train in less than 2 hours.

As the mining operations will be underground, there is no need to acquire substantial freehold land within the EL. However, to become operational, Malabar will need to have in place sufficient land access agreements or land acquisition agreements to construct the surface infrastructure for the SHCP. Malabar is working with landowners within the EL to ensure strong relations are maintained and that access is achieved on equitable terms for all stakeholders. Malabar is working with landowners on a long-term co-operation agreement that will allow mining and agriculture to co-exist.

### 3.7 Rail and Port

Rail haul distance to the Port of Newcastle is 120 to 140km, depending on which rail loader option is pursued. Australian rail track Corporation (“ARTC”) holds a 60 year lease on the Hunter valley rail lines in NSW. ARTC has expansion plans for the Hunter Valley rail system to handle forecast future coal volumes. In the latest plan (April 2012), ARTC shows current coal raiiling demand at Muswellbrook at 50Mtpa, increasing to 130Mtpa in 2017 and 142Mtpa in 2018. To meet the forecast extra throughput, ARTC is proposing additional passing loops between Muswellbrook and Mangoola, a third track from Minimbah to Branxton and Greta to Farley and holding roads at Hexham and re-signalling of certain sections. Total cost of these works is estimated at around \$1 billion and all are timed for completion in advance of possible Spur Hill production start. ARTC’s objective is to ensure capacity in line with contractual commitments and an indication of requirements for prospective volumes. Prospective rail users must sign long-term contracts 2-3 years in advance of use to enable adequate for the necessary expansion works to be completed.

Currently there are four rail haulage operators on the Hunter Valley system, with the largest haulers being Pacific National and QR National. Prospective rail users must sign long-term contracts 1-2 years in advance of use to enable adequate rolling stock to be available.

The two port terminal companies in Newcastle, PWCS and NCIG, are both fully contracted for capacity from their currently approved and expanded terminals. PWCS has firm nominations for tonnage in excess of its current and approved expanded terminals, and is planning a new coal terminal. This terminal, T4, is currently in the development approval process and is planned to have a capacity of up to 120Mtpa. PWCS has recently announced that first coal through this terminal is now expected in 2017. Malabar will need to apply for a tonnage allocation in T4 for its exports, and sign long-term take or pay contracts 2-3 years in advance of first planned shipments. The timing and capacity of T4 appear adequate and appropriate for the SHCP development timing. All terminals in Newcastle are designed to handle all the normal sized coal ships, namely Capes, Panamax and Handy-sized vessels.

### 3.8 Environmental Setting

The area currently covered by the SHCP and areas immediately adjacent to the project area have been covered or part covered by several authorisations and exploration licences targeting oil, gas and coal over about the past 40 years. All previous titles covering the SHCP area were relinquished in the 1990s. The current exploration licence (EL7429) was granted on December 2009 for a period of five (5) years to December 2014.

Adjacent current coal titles include the operating Drayton Mine (Anglo Coal) to the north-east, Drayton South development project (previously named Saddlers Creek, Anglo Coal) to the immediate east, Mt Arthur North and Bayswater (BHP – operating mines and development projects) to the north-east and the now operating Mangoola Coal Mine (Xstrata) to the north-west across the Hunter River.

Topography within the SHCP area is dominated by a prominent ridge that trends southwards through the area from near Ogilvie’s Hill through Denman Gap to the south of Spur Hill (refer to topography shown in Figure 2). Through the eastern parts of EL7429 there is another less prominent north-south trending ridge. To the south and west, the ridges give way to a series of valleys and gently sloping hills on to the Hunter River floodplain. The Hunter River flood plain covers a very small section on the edge of the EL.

Malabar has commenced preliminary environmental monitoring and baseline environmental data collection. As part of a recent approval for exploration drilling, a Review of Environmental Factors was prepared by JBA Planning in July 2011 and provides the following information about the EL7429 area.

As a first step in the development approval process, a Project Description and Preliminary Environmental Assessment was prepared in September 2012 and submitted to key State regulatory agencies. This step facilitates discussion of issues that will need to be addressed during the environmental assessment process and initiate the preparation of the Director-General's Requirements ("DGRs") under NSW Environmental planning and Assessment Regulation ("EP&A Regulation").

Muswellbrook and Singleton are the major urban centres of the Upper Hunter Region. There is a well-developed road and rail transport network through the Hunter Valley. The Golden Highway runs east-west through the EL and the Denman-Muswellbrook Road runs to the north-west of the EL.

The main vegetation is grasslands with scattered trees mainly along the main ridgelines. There are two small areas of irrigated pastures on the very east and central west edges (both south of Golden Highway). The site drains to the Hunter River to the immediate south and west via non-permanent (ephemeral) creeks.

The most significant geological feature identified to date is a southerly extension of the Denman Anticline, with fault zones on either edge (including the Mount Ogilvie Structure Zone on the western edge and the Eastern Fault on the eastern EL boundary). Elevated terrain within the EL include the Spur Hill Ridge running north and south of Denman Gap and the East Ridge running north-south in the very east of the area.

#### **Potential Environmental Impact Issues**

The PEA has identified key potential environmental issues which will require environmental assessment as part of the EIS process. These include; impacts on agricultural land resources, subsidence related impacts on key built infrastructure and residences, impacts on ecology, subsidence related impacts on groundwater and surface water resources, noise impacts, air quality impacts and impacts on visual amenity.

#### **Land Use and Ownership**

Malabar has acquired one property within the EL boundary that accounts for approximately 11% of the EL area. With the exception of a small state-owned 'travelling stock reserve', the properties within the EL boundaries are privately owned.

Existing land uses within the EL area are predominantly cattle grazing with some irrigated pastures on the south east and south west margins and a small vineyard on the north western edge on the corner of Denman Road and the Golden Highway.

BHP and Anglo Coal hold exploration and mining titles over the neighbouring areas to the north and east of EL 7429. Outside the EL, intensive farming is carried out on the lower slopes and river flats from the southeast through to the west. These neighbouring activities include irrigated pastures, dairying, horse studs, vineyards and fish farming. In addition the vegetated ridge top in the southern part of the EL area is used by the Denman Motorcycle Club for club riders and racing activities

Land uses near the EL include a horse stud to the south east, the Township of Denman, intensive irrigation and other cropping along the Hunter River floodplain, a gravel quarry on the flood plain to the southwest and an aquaculture development to the north. In addition, the Bayswater, Mt Arthur North, Drayton and Mangoola Coal mines are all located within a 10 to 15km radius.

Other existing infrastructure developments within or immediately surrounding the project area include; electrical infrastructure (66 kilovolt and low voltage power lines), telecommunications infrastructure (buried fibre optic cable and copper cables) and residential and rural buildings and farm dams.

#### **Climate**

Jerrys Plains weather station is the closest official weather station to the EL. Climate information for that area has been derived from the Bureau of Meteorology website. The region typically experiences warm summers with an average maximum temperature of 32°C in the hottest month (January) and cool to cold winters with an average minimum temperature of 4°C in the coolest month (July). The wettest

month in the region is January with an average rainfall of 77mm while the driest month (August) has an average rainfall of 36mm. The region receives on average 68 days of rain annually.

### Soils

The majority of the EL is covered by soils that have moderate to high susceptibility to erosion and poor fertility. The more fertile soils found to the north of the EL associated with the alluvial flats of the Hunter River, typically have low to moderate erosion hazards. The dominant land use within the EL is grazing, with some irrigated pastures in the south east and south west margins and a small vineyard on the north western edge.

### Flora and Fauna

The EL area comprises predominately grasslands with scattered trees mainly along the Spur Hill range of hills which includes a ridge running north and south of Denman Gap and the East Ridge running north-south in the very east of the area. There is a small area of irrigated pasture in the very south east and on the south west edge (south of Golden Highway). The majority of the area has been cleared for cattle grazing purposes.

A search by JBA Planning in 2011 of Department of Environment, Climate Change and Water (“DECCW”) atlas of NSW Wildlife found a total 27 threatened flora species and 50 fauna species within the Muswellbrook Local Government Area. Of those species none have been previously recorded within the EL Area.

A search of the Federal Department of Sustainability, Environment, Water, Population and Communities (“SEWPaC”) database by JBA Planning in 2011 which identifies the locations of places that may be relevant in determining obligations under EPBC Act, found 3 Threatened Ecological Communities, 45 threatened Species, 15 Migratory Species and 12 Marine Species within the Muswellbrook LGA.

Looking at the species preferred habitat and known distribution within NSW, the EL area could potentially contain some threatened and endangered flora species, according to JBA Planning.

A search of the SEWPaC database by JBA Planning in 2011 identified 3 potentially occurring Threatened Ecological Communities (“TEC”) and a search of DECCW atlas of NSW Wildlife identified 2 potentially occurring Endangered Ecological Communities (“EEC”). Flora and fauna studies will form part of the environmental assessment for the development application for the project.

### Hunter River Catchment

The Project area is within the Hunter River catchment. The Hunter River is located to the west and south of the proposed Project underground mining area. The Project area drains to the Hunter River via ephemeral drainage lines from the Spur Hill ridgeline. As part of the environmental studies for the EIS, SHM has commissioned site-specific studies to define the extent of any alluvial aquifers and the Hunter River floodplain at the periphery of the Project underground mining area.

### Aboriginal Archaeology

A search by JBA Planning in 2011 of the DECCW’s Aboriginal Heritage Information Management System (“AHIMS”) was undertaken, to identify any registered Aboriginal sites within the survey area. No previously recorded sites are shown within the EL. Surveys for Aboriginal heritage sites will form part of the environmental assessment for the development application for the project.

### Other Cultural Heritage

A search by JBA Planning in 2011 of the Australian Heritage Database (Commonwealth Department of Environment and Water Resources), the State Heritage Register and State Heritage Inventory (NSW Heritage Council), the Register of the National Trust (NSW), *Hunter Regional Environmental Plan 1989* and the *Muswellbrook Local Environment Plan 2009* identified a small number of items in the vicinity of the EL area with potential heritage significance. Underground mining is considered unlikely to affect any of these. These will be assessed as part of the environmental assessment for the development application for the project.

## 3.9 Approvals Framework and Process

The main legislation involved in the regulation of mining project assessments includes:



- NSW Environmental Planning and Assessment Act 1979 (administered by the NSW Department of Planning & Infrastructure) – The EP&A Act is the principal piece of legislation regulating the assessment, approval and operation of mining projects. In October 2011, the NSW Government repealed the Part 3A process and replaced it with the State Significant Development (“SSD”) process under Division 4.1 of Part 4 of the EP&A Act. Under the SSD process, the Minister for Planning and Infrastructure (or a delegate) determines whether a project is approved. The Minister has delegated all of his approval functions for mining projects to the NSW Department of Primary Industry (“DPI”) or the Planning Assessment Commission (“PAC”). If approval is granted, it is the primary approval instrument with which most other approvals must be consistent.
- NSW Mining Act 1992 (administered by the Department of Trade & Investment, Regional Infrastructure & Services (“DITRIS”), Division of Resources and Energy) – Mining leases are granted by DITRIS under the Mining Act. Mining leases provide the holder with the right to extract minerals once all environmental assessment processes and approvals have been approved by government. Mining leases require proponents to lodge rehabilitation security deposits that cover the full rehabilitation costs of activities on the lease to ensure the State does not incur financial liabilities in the event of a titleholder defaulting on their rehabilitation obligations. The Mining Act also provides the legal framework for the collection of royalties and further environmental protection measures.
- Protection of the Environment Operations Act (“POEO”) 1997 (administered by the NSW Office of Environment & Heritage) – The main objectives of the POEO Act are to protect, restore and enhance the quality of the environment in NSW through pollution prevention and cleaner production, the reduction of harmful discharges and wastes, the reduction in the use of materials and improved re-use, recovery and recycling of materials. Mining activities require Environment Protection Licences for air pollution, water pollution, noise pollution, blasting and waste management.

Some of the other legislation relevant during Project assessment and operation includes:

- Threatened Species Conservation Act 1995 (administered by the NSW Office of Environment & Heritage)
- National Parks and Wildlife Act 1974 (administered by the NSW Office of Environment & Heritage)
- Heritage Act 1977 (administered by the NSW Office of Environment & Heritage)
- Water Management Act 2000 and Water Act 1912 (administered by the NSW Office of Water)
- Environment Protection and Biodiversity Conservation Act 1999 (administered by the Commonwealth Department of Sustainability, Environment, Water, Population and Communities)

It is expected that the SHCP will be processed as a State Significant Development under Division 4.1 of Part 4 of the NSW EP&A Act. This will entail the steps of

- Request for the Director-General’s Requirements
- Director-General sets environmental assessment requirements
- Environmental Impact Statement (“EIS”) prepared
- Development Application
- Public exhibition, consultation and review
- Determination

The EIS will need to assess all of the standard issues for an underground mine, including flora, fauna, land ownership and uses, dust, noise, waste handling, coal transportation, subsidence, groundwater, surface water, employment, housing and benefits. It is likely that the assessment will be delegated by the Minister to the PAC, who will make the determination. SHM anticipates lodging the Development

Application and EIS in Q1 2014 following completion of baseline studies, impacts assessment studies and regulatory and public consultations. The Development Consent and Mining Leases are anticipated to be granted during Q3 2014.

The NSW Government released its Strategic Regional Land Use Plans (“SRLUP”) for the Upper Hunter and New England North West regions of the state in September 2012. The Upper Hunter SRLUP includes the SHCP area. The plans, which form part of the government's overall Strategic Regional Land Use Policy, are aimed to protect high-quality agricultural land and its water sources from ‘inappropriate’ mining and coal seam gas proposals. The SRLUPs identify strategic agricultural land in these regions and propose to apply a gateway process to State significant mining and coal seam gas proposals.

In March 2012 the NSW Government introduced a requirement for an Agricultural Impact Statement (“AIS”) for all SSD applications for mining and petroleum (including coal seam gas) projects (as well as applications for associated SSD infrastructure such as pipelines) which have the potential to affect agricultural resources or industries. The purpose of an AIS is to ensure a focused assessment of the potential impacts of these projects on agricultural resources or industries. The information will form a key component of the assessment process in terms of evaluating and avoiding impacts on and loss of agricultural lands.

The SHCP area includes land mapped as equine critical industry cluster, viticulture critical industry cluster and biophysical strategic agricultural land. The SHCP will be required to pass through the SRLUP gateway process. The gateway process is an independent, scientific assessment of how a mining or coal seam gas proposal will impact the agricultural values of the land. On passing through the gateway process the gateway certification will be either unconditional or may include conditions that must be addressed at the development application stage.

### **3.10 Project Capital and Operating Costs**

Malabar has built up capital cost estimates for the Spur Hill conceptual mine plan. These include estimates based on Malabar management estimates and have been cross checked against other future or current comparable longwall mine projects. Capital estimates, including 15% contingency, are \$800M for the first longwall and \$400M for the second longwall. These are typical levels for coal mine developments of this scale in Australia. BDA considers that these estimates give a reasonable estimate of likely costs for development, based on the early stage of the project and the mine concept as currently proposed.

Malabar has built up operating cost estimates for the Spur Hill conceptual mine plan. These are Malabar management estimates and have been based on manning levels and maintenance and consumables costs at other future or current comparable longwall mine projects, indicative washing and handling costs, indicative rail and port costs and overheads. The viability of the conceptual development plan for the SHCP is based on an FOB cash cost of \$60 per tonne +/-15% (excluding royalties). BDA considers this is a reasonable estimate of likely operating costs, based on the information available at this early stage of the project and the mine plan concept as currently proposed.

### **3.11 Risks**

BDA has reviewed the potential risks for the proposed Malabar project and considers that, in the short term, the principal risks at present relate to the ability to develop defined resources suitable for conversion to reserves and sufficient to justify capital development. Other immediate risks include resolution of the options available to transport the product coal and the associated infrastructure requirements to support that decision, possible delays due to permitting and approval processes, and the impact on sale price of variable ash levels or washplant yields to maintain lower ash levels.

In the longer term, BDA considers that the risks will include the ability to develop the mining operations within economically acceptable criteria, the progressive approval of the development applications, developing the specific capabilities required to deal with the logistics and construction challenges and the ability to ramp the projects up to design rates and performances quickly. While the projected coal recoveries appear to have been reasonably conservatively estimated, there is clearly an element of material uncertainty, in large part due to the early stage of exploration of the project. BDA would suggest that this progressive risk profile should be reflected in the treatment of the conceptual revenues in the ongoing assessment process.

Other than the foregoing identified risks, BDA considers the inherent risks associated with mining have been adequately addressed in the conceptual operations plans and there is no evidence at this stage of any additional material risks to the systematic development of mining operations at the site through further feasibility studies. While mining operations invariably pose some specific risks, BDA considers that Malabar management has demonstrated its awareness of these potential issues and has taken or planned established measures of good mining practice to mitigate such potential conditions.

#### 4.0 INFORMATION SOURCES

BDA has made use of internal reports covering seismic interpretations, maceral analysis, reflectance analysis, geological photo interpretation, seam gas content, rail feasibility, various presentations and a production and financial model, as well as the following reports:

Spur Hill Coal Project Geological Report and Resources Statement, by *Geological and Mining Services Australia Pty Ltd, July 2010*  
 Spur Hill Coal Project Geological Report and Resources Statement, by *Geological and Mining Services Australia Pty Ltd, September 2012*  
 Spur Hill Underground Coal Project – Project Description and Preliminary Environmental Assessment, *September 2012*  
 Submission to DPI on Land Use, by *Spur Hill Pty Ltd., April 2012*  
 Review of Environmental Factors, for Part 5 Drilling Application, by *JBA Planning, July 2011*  
 Terminal 4 Industry Communication, by *P.W.C.S October 2011*  
 Hunter Valley Corridor 2012-2021 Capacity Strategy Consultation Document, by *ARTC June 2012*  
 Spur Hill Underground Coal Project – Quality Assessment and Market Outlook, by *MinAxis Pty Ltd, November 2012*

#### 5.0 LIMITATIONS AND CONSENT

BDA consents to making the Report available to Malabar on the understanding that Malabar is aware and understands the scope of BDA's engagement as set out in Annexure A. Neither the whole nor any part of this report nor any reference thereto may be included in or with or attached to any document or used for any other purpose without written consent from BDA as to the form and context in which it appears.

This report does not constitute a technical or legal audit. This assessment in this report has been based on data, reports and other information made available to BDA by Malabar and its advisors and referred to in this report. Malabar has advised BDA that all relevant documentation relating to the project has been provided, that the information is complete as to material details and is not misleading. A draft copy of this report has been provided to Malabar for review as to any material errors of fact, omissions or incorrect or unreasonable assumptions.

BDA has reviewed the data, reports and information provided and has used consultants with appropriate experience and expertise relevant to the various aspects of the project. The opinions stated herein are given in good faith. BDA believes that the basic assumptions are factual and correct and the interpretations are reasonable. BDA's assessment of the conceptual development plans is based on technical reviews of project data and site visit to Spur Hill. However, these forecasts and projections cannot be assured and factors both within and beyond the control of Malabar could cause the actual results to be materially different from the assessments and projections contained in the conceptual studies.

BDA has independently analysed Malabar's data, but the accuracy of the conclusions of the review largely relies on the accuracy of the supplied data. BDA does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from third party use of it. BDA reserves the right to change its opinions on the Malabar coal mining studies expressed in this report should any of the fundamental information provided by Malabar be significantly or materially revised.

#### 6.0 CONCLUSIONS

BDA has reviewed the Malabar exploration and conceptual studies to assess their reasonableness and appropriateness for ongoing feasibility studies. BDA concludes that the resource estimates comply

Independent Technical Expert Report – Malabar Coal  
Behre Dolbear Australia Pty Limited

February 2013  
Page 28

---

with the JORC Code and considers that the conceptual studies have been diligently prepared, are compatible with experience in similar conditions elsewhere and that, subject to the results of further planning and investigations, provide a reasonable foundation for ongoing feasibility studies.

Yours faithfully

**BEHRE DOLBEAR AUSTRALIA PTY LIMITED**



**John McIntyre - Managing Director – BDA  
BEHRE BOLBEAR AUSTRALIA PTY LIMITED**

## ANNEXURES

Independent Technical Expert Report – Malabar Coal  
Behre Dolbear Australia Pty Limited

February 2013  
Page 1

---

### ANNEXURE A – QUALIFICATIONS AND EXPERIENCE

This report has been prepared by Behre Dolbear Australia Pty Ltd, a subsidiary of Behre Dolbear & Company Inc. Behre Dolbear has offices or agencies in Beijing, Denver, Guadalajara, Hong Kong, London, New York, Santiago, Sydney, Toronto, Ulaanbaatar and Vancouver. The parent company was founded in 1911 and is the oldest continuously operating mineral industry consulting firm in North America. The firm specialises in mineral evaluations, due diligence assessments, independent expert reports and strategic planning as well as technical geological, mining and process consulting.

BDA has undertaken site visits and has reviewed the technical and engineering data. The principal consultants engaged in the review are as follows:

**Mr John McIntyre** (BE (Min) Hon., FAusIMM, MMICA) is Managing Director of BDA. He is a qualified mining engineer, with over 40 years of experience in engineering, operations and management of mines and mining projects, in Australia, New Zealand, the Philippines and Ghana. His principal fields of expertise include technical audits, project feasibility, mine and project evaluation, mine development, open pit and underground operations in base and precious metals and coal, management reviews and operations optimisation. He is a qualified Registered Mine Manager; he has held senior management positions, including General Manager of Operations and CEO, and has been a professional consultant for over 20 years. Mr McIntyre has reviewed the mining aspects of the proposed projects.

**Dr Rob Yeates** (BE (Min) Hon., PhD (Mining), MBA, FAusIMM, MMICA) is a Senior Associate of BDA. He is a qualified mining engineer, with over 40 years' experience in engineering, operations and management of mines and mining projects, primarily in Australia and New Zealand. His principal fields of expertise include technical audit, project feasibility and development, mine and project evaluation, operating experience in the open pit and underground mining of coal, coal haulage and transport, ship-loading, management review and operations optimisation. He has held senior management positions, including Managing Director and General Manager Marketing of Oakbridge Coal. He is also currently CEO of NCIG, building and operating a new coal export terminal in Newcastle, and a director of Cockatoo Coal Ltd.

**Mr Ian Poppitt** (Dip.Tech.Sc. (Geology), M App. Sc. (Geology)), MAusIMM is a Senior Associate of BDA. He is a qualified coal geologist, with over 40 years of experience in coal mine geology and exploration in Australia. His principal fields of expertise include technical audit, resource and reserve estimation and assessment, operating experience in the underground mining of coal and resource evaluation. He has held senior management positions, including Group General Manager of Cyprus Australia Coal. He is familiar with the latest ore reserve terminology under the Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves ("the JORC Code") prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia, effective as at December 2004 and is a Qualified Person under the JORC Code. Mr Poppitt has reviewed the geology and coal quality aspects of the proposed Spur Hill coal project.

**Mr Adrian Brett** (BSc (Hon) Geology, MSc., M.Environmental Law, MAusIMM) is a Senior Associate of BDA with more than 25 years of experience in environmental and geo-science, including the fields of environmental planning and impact assessment, site contamination assessments, environmental audit, environmental law and policy analysis and the development of environmental guidelines and training manuals. He has worked in an advisory capacity with several United Nations, Australian and overseas government agencies. He has completed assignments in Australia, Indonesia, Thailand, Laos, the Philippines, the Middle East, Africa and South America. He has undertaken the environmental reviews for BDA on the project.

---

**BEHRE DOLBEAR**

## ANNEXURES

Independent Technical Expert Report – Malabar Coal  
Behre Dolbear Australia Pty Limited

February 2013  
Page 2

### ANNEXURE B - SCOPE OF WORK FOR BEHRE DOLBEAR AUSTRALIA OVERVIEW

The proposed Scope of Work for the technical review would include meetings with Malabar's project management team and consultants to fully understand Malabar's business plan, a site visit to review the resource drilling and estimate methodology, and review of all technical data relating to the IPO. BDA will provide an independent technical opinion as to the reasonableness of the information produced by Malabar and its technical consultants. The key elements of the technical review will be:

- Geology and Resources including review and assessment of:
  - Geological model, geological reports, resources, estimation methods, geotechnical factors and coal quality
  - Assessment of Resource Statements for JORC Code compliance and commenting on geological risk and implications for mining and coal product types.
- Mine Planning including review and assessment, at a conceptual level, of:
  - Mine development strategy and constraints, mine design and layouts, mining method
  - Mining schedules, equipment selection, mine infrastructure
  - Mine productivity assumptions (will exclude annualized tonnages forecasts)
  - Capital cost and operating cost assumptions.
- Coal Quality and Process Flow Sheet including review and assessment of:
  - Raw coal quality, forecast washplant configuration
  - Washplant yield, coal product specifications
  - Plant construction scheduling
  - Capital and operating cost assumptions.
- Coal Transportation options, including review and assessment of:
  - Rail, road and port access
  - Existing coal infrastructure availability, possible future infrastructure plans
  - Infrastructure capital cost assumptions
- Site Infrastructure Requirements, including review and assessment of:
  - Power and water supply, water management
  - Coal handling, product loading facilities
  - Infrastructure capital cost assumptions,
  - Construction schedule and project execution planning.
- Environmental and Approvals Process review and assessment, including:
  - Status of environmental approvals / development consents
  - Community impacts
  - Conditions of approvals
  - Permitting
  - Performance and required securities
- Capital and Operating Costs review and assessment of the relative positioning of the project in terms of costs, but excluding cost estimates.
- Identification of Key Project Drivers, Issues, Risks and Opportunities, review to provide independent opinion and comment on these factors.

The final ITER would be addressed to and for the benefit of Malabar's Directors and Due Diligence Committee established in connection with the IPO. BDA confirms that the BDA opinions expressed in the ITER as to the reasonableness of the information supporting the project, including the proposed life of mine production, cost profiles and the identified opportunities and issues associated with development, may be relied upon by each member of the Due Diligence Committee (and their representatives) to the extent that each member understands that BDA is not conducting an audit and does not warrant the accuracy of the information provided by Malabar, its consultants, employees or any associated parties.

## ANNEXURES

Independent Technical Expert Report – Malabar Coal  
Behre Dolbear Australia Pty Limited

February 2013  
Page 3

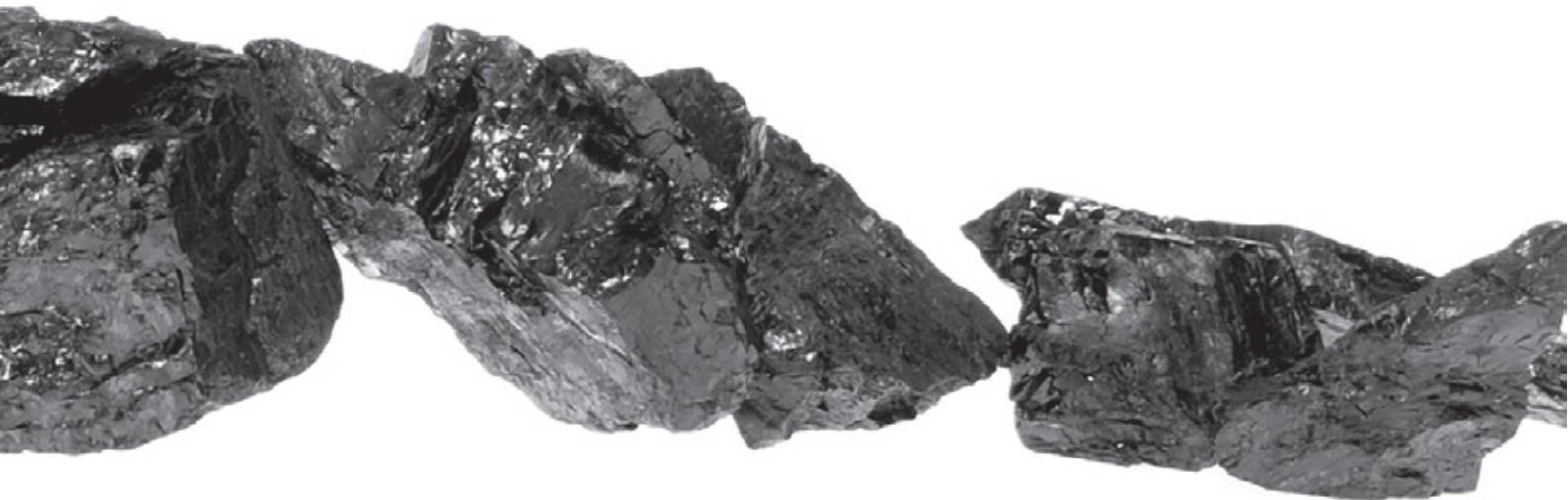
### ANNEXURE C - TABLE OF CONTENTS

<b>1.0 EXECUTIVE SUMMARY .....</b>	<b>1</b>
1.1 INTRODUCTION .....	1
1.2 BDA CAPABILITY AND INDEPENDENCE .....	2
1.3 SCOPE OF WORK/MATERIALITY/LIMITATIONS AND EXCLUSIONS .....	2
1.4 METHODOLOGY OF ASSESSMENT .....	2
1.5 INHERENT MINING RISKS .....	3
<b>2.0 SPUR HILL PROJECT SUMMARY .....</b>	<b>4</b>
<b>3.0 SPUR HILL COAL PROJECT .....</b>	<b>11</b>
3.1 PROJECT LOCATION AND TENEMENT .....	11
3.2 REGIONAL AND LOCAL GEOLOGY .....	11
3.3 COAL SEAMS AND RESOURCE ESTIMATES .....	14
3.4 POTENTIALLY MINEABLE COAL SEAMS .....	18
3.5 CONCEPTUAL MINE PLANNING .....	21
3.6 SITE INFRASTRUCTURE AND LAND ACCESS .....	21
3.7 RAIL AND PORT .....	22
3.8 ENVIRONMENTAL SETTING .....	22
3.9 APPROVALS FRAMEWORK AND PROCESS .....	24
3.10 PROJECT CAPITAL AND OPERATING COSTS .....	26
3.11 RISKS .....	26
<b>4.0 INFORMATION SOURCES .....</b>	<b>27</b>
<b>5.0 LIMITATIONS AND CONSENT .....</b>	<b>27</b>
<b>6.0 CONCLUSIONS .....</b>	<b>27</b>
<b>ANNEXURE A – QUALIFICATIONS AND EXPERIENCE .....</b>	<b>1</b>
<b>ANNEXURE B - SCOPE OF WORK FOR BEHRE DOLBEAR AUSTRALIA OVERVIEW .....</b>	<b>2</b>
<b>ANNEXURE C - TABLE OF CONTENTS .....</b>	<b>3</b>
<b>ANNEXURE D – TABLE OF FIGURES .....</b>	<b>3</b>

### ANNEXURE D – TABLE OF FIGURES

Figure 1:	Location Plan
Figure 2:	Site Plan and Topography
Figure 3:	Existing Drill-holes
Figure 4:	Stratigraphic Column
Figure 5:	Cross Sections

# 8. Solicitor's Report on the Tenement





---

## Tenement report

---

**Malabar Coal Limited ACN 151 691 468**

12 February 2013

Level 11 Central Plaza Two 66 Eagle Street Brisbane QLD 4000  
**Offices** Brisbane Newcastle Sydney

GPO Box 1855 Brisbane QLD 4001 Australia

ABN 42 721 345 951

Telephone 07 3233 8888

Fax 07 3229 9949

[www.mccullough.com.au](http://www.mccullough.com.au)

## Table of contents

Section	Page
<b>Section A – Definitions</b>	<b>1</b>
<b>Section B – Executive summary</b>	<b>4</b>
<b>1 Background</b>	<b>4</b>
<b>2 Overview of the Tenement</b>	<b>4</b>
<b>3 Registered agreement</b>	<b>5</b>
<b>4 Land access</b>	<b>5</b>
<b>5 Overlapping tenements</b>	<b>6</b>
<b>6 Environmental</b>	<b>6</b>
<b>7 Native title and Aboriginal land claims</b>	<b>7</b>
<b>Section C – Full report</b>	<b>8</b>
<b>8 Overview of the Tenement</b>	<b>8</b>
<b>9 Registered agreement</b>	<b>12</b>
<b>10 Land access</b>	<b>12</b>
<b>11 Overlapping tenements</b>	<b>14</b>

12	Environmental	16
13	Native title	18
14	Cultural heritage	20
	<b>Section D – Methodology and scope</b>	<b>23</b>
15	Purpose of Report	23
16	Scope of work	23
17	Qualifications and assumptions	26
18	Opinion only relates to Australian law	28
19	Benefit and reliance	29
20	Confidentiality	29
21	Date of Report	29

## Section A – Definitions

Term	Meaning
<b>Addressees</b>	Malabar, the Directors and the Committee.
<b>AGL</b>	AGL Upstream Investments Pty Ltd
<b>ALR Act</b>	<i>Aboriginal Land Rights Act 1983</i> (NSW).
<b>ASIC</b>	the Australian Securities and Investments Commission.
<b>ASX</b>	ASX Limited ACN 008 624 691 or the securities exchange operated by it (as the case requires).
<b>ATSIHP Act</b>	<i>Aboriginal and Torres Strait Islanders Heritage Protection Act 1984</i> (Cth).
<b>Committee</b>	the committee formed for the purpose of establishing and assisting the due diligence process for the Company before the issue of the Prospectus.
<b>Company</b>	Malabar Coal Limited ACN 151 691 468.
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cth).
<b>Directors</b>	the directors of the Company.
<b>DRE</b>	the Division of Resources and Energy within the New South Wales Department of Trade and Investment, Regional Infrastructure and Services.
<b>EIS</b>	Environmental Impact Statement.

Term	Meaning
<b>EL</b>	an exploration licence under the Mining Act.
<b>EP&amp;A Act</b>	<i>Environmental Planning and Assessment Act 1979</i> (NSW).
<b>EPBC Act</b>	<i>Environment Protection and Biodiversity Conservation Act 1999</i> (Cth).
<b>Farm-In Agreement</b>	farm-in agreement between SH2, SHUT and the Company dated 8 July 2011 and as amended on 18 June 2012.
<b>Joint Venture</b>	the unincorporated joint venture known as 'Spur Hill Joint Venture' between SHUT and SH2.
<b>Joint Venture Agreement</b>	the joint venture agreement between SH2 and SHUT dated 15 July 2011.
<b>Malabar</b>	Malabar Coal Limited ACN 151 691 468 and, where the context so requires, its subsidiaries.
<b>McCullough Robertson</b>	McCullough Robertson Lawyers of Level 11, Central Plaza 2, 66 Eagle Street, Brisbane, Queensland.
<b>Mining Act</b>	<i>Mining Act 1992</i> (NSW).
<b>Mining Regulation</b>	<i>Mining Regulation 2010</i> (NSW).
<b>ML</b>	a mining lease issued under the Mining Act.
<b>NNTT</b>	National Native Title Tribunal.
<b>NP&amp;W Act</b>	<i>National Parks and Wildlife Act 1974</i> (NSW).
<b>NSWALC</b>	New South Wales Aboriginal Land Council.

Term	Meaning
<b>NTA</b>	<i>Native Title Act 1993</i> (Cth).
<b>Offer</b>	the offer of shares in the Company under the Prospectus.
<b>PEL</b>	a Petroleum Exploration Licence granted under the Petroleum Act.
<b>PEL 4</b>	PEL 4 granted to AGL under the Petroleum Act.
<b>Petroleum Act</b>	<i>Petroleum (Onshore) Act 1991</i> (NSW).
<b>PL</b>	a Production Lease granted under the Petroleum Act.
<b>Prospectus</b>	the prospectus to be issued by Malabar.
<b>Report</b>	this tenement report.
<b>RMS</b>	the New South Wales Roads and Maritime Service.
<b>RTN</b>	Right to negotiate process under NTA.
<b>SH2</b>	Spur Hill No.2 Pty Limited ACN 139 147 667.
<b>SHUT</b>	Spur Hill UT Pty Ltd ACN 139 090 814 as trustee for the Spur Hill Unit Trust.
<b>SSD</b>	State Significant Development under Part 4.1 of the EP&A Act.
<b>Tenement</b>	EL 7429.

## Section B – Executive summary

### 1 Background

- 1.1 This Report has been prepared for inclusion in a prospectus to be issued by Malabar Coal Limited (ACN 151 691 468) to be dated on or about 1 March 2013 for the issue of 20,000,000 shares at an issue price of \$1.00 per share.
- 1.2 We have undertaken limited legal due diligence on behalf of the Company in relation to the Tenement granted under the Mining Act in respect of the matters raised in paragraph 1.4 below.
- 1.3 In completing this Report we have undertaken searches of the registers maintained by DRE and NNTT.
- 1.4 This Report considers the following matters:
  - (a) the mining related legislation and issues affecting the Tenement e.g. rights and obligations of the Tenement holders, mechanics of transferring participating interests, relevant conditions, renewal process, expenditure/security requirements and land access;
  - (b) relevant environmental related legislation and issues affecting the Tenement; and
  - (c) native title issues and Aboriginal cultural heritage matters.
- 1.5 The material issues identified in this Report in relation to the Tenement are summarised below.

### 2 Overview of the Tenement

Key issue	Report reference
<ul style="list-style-type: none"> <li>▪ The Company has advised that the Joint Venture is in compliance with the conditions of the Tenement. However, there are no public searches that can be undertaken to independently verify this.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Section 8</li> </ul>

Key issue	Report reference
<ul style="list-style-type: none"> <li>▪ If DRE is of the opinion that a condition of the Tenement has not been complied with, it may direct the holder of the Tenement to cease all operations or may not renew the Tenement at the time that any subsequent application for renewal may be made.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Section 8</li> </ul>

### 3 Registered agreement

Key issue	Report reference
<ul style="list-style-type: none"> <li>▪ There is one agreement registered against the Tenement which is a Deed of Cross Charge dated 15 July 2011 between Spur Hill Management Pty Ltd, SH2 and SHUT.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Section 9</li> </ul>

### 4 Land access

Key issue	Report reference
<ul style="list-style-type: none"> <li>▪ An access arrangement is required between the Tenement holder and landholder before the Joint Venture can undertake prospecting activities on any privately owned land. We are instructed that the Joint Venture has entered into 12 separate access arrangements over a significant proportion of the land covered by the Tenement.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Section 10</li> </ul>
<ul style="list-style-type: none"> <li>▪ The Joint Venture cannot prospect on land within 200m of a dwelling house, 50m of a garden or on land on which a significant improvement is located unless the holder of the EL has obtained prior written consent from the owner of the dwelling house, garden or improvement and the consent of any occupier of the dwelling house.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Section 10</li> </ul>

## 5 Overlapping tenements

Key issue	Report reference
<ul style="list-style-type: none"> <li>The Tenement overlaps with PEL 4 held by AGL. PEL 4 allows the holder to explore for petroleum within its tenement area. In July 2010, AGL and the Joint Venture signed a confidentiality agreement which provides for a protocol for the sharing of certain information which has subsequently occurred between the parties. The Joint Venture continues to discuss technical issues with AGL when necessary and has taken some steps to enter into a cooperation agreement with AGL as required by the conditions of the Tenement.</li> </ul>	<ul style="list-style-type: none"> <li>Section 11</li> </ul>
<ul style="list-style-type: none"> <li>The Tenement overlaps with EL 7509 held by Granite Power Limited. EL 7509 allows the holder to explore for Group 8 minerals, being geothermal energy. EL 7509 was granted subject to a number of other tenements, including the Tenement held by the Joint Venture, having priority over the holder of EL 7509 in respect of the exploration of any site subject to both tenements.</li> </ul>	<ul style="list-style-type: none"> <li>Section 11</li> </ul>

## 6 Environmental

Key issue	Report reference
<ul style="list-style-type: none"> <li>The Tenement holder has been granted approval by DRE to undertake Category 1 and Category 2 activities over the Tenement area. Further approval from DRE will be required before Category 3 activities can be undertaken.</li> </ul>	<ul style="list-style-type: none"> <li>Section 12</li> </ul>
<ul style="list-style-type: none"> <li>The Upper Hunter Strategic Regional Land Use Plan indicates that there is strategic agricultural land located within the Tenement area. Therefore, any future application for development consent over the Tenement area is likely to trigger the gateway process requiring additional assessment before the application for development consent can be lodged.</li> </ul>	<ul style="list-style-type: none"> <li>Section 12</li> </ul>

## 7 Native title and Aboriginal land claims

Key issue	Report reference
<ul style="list-style-type: none"> <li>Searches of the Tenement in the NNTT register indicate that there are no registered native title claims or applications for any native title claims within the Tenement area. The search results also show that there are no current native title determinations or registered Indigenous Land Use Agreements within the Tenement area. This search does not indicate whether native title has been extinguished over all parcels of land within the Tenement area. The 'right to negotiate' process will be triggered if the Tenement holder makes an application for an ML over any land where native title has not been extinguished.</li> </ul>	<ul style="list-style-type: none"> <li>Section 13</li> </ul>
<ul style="list-style-type: none"> <li>One parcel of land within the Tenement area is affected by an Aboriginal land rights claim which has not been determined yet. If this claim is determined in favour of the claimant, the NSW Aboriginal Land Council will become the owner of that parcel of land.</li> </ul>	<ul style="list-style-type: none"> <li>Section 14</li> </ul>

## Section C – Full report

### 8 Overview of the Tenement

#### The Tenement

- 8.1 A public search enquiry report was obtained from DRE on 21 January 2013 in relation to the Tenement. The results of that search and issues arising from it are summarised in Schedule 1 of this Report.
- 8.2 The holder of an EL may carry out works on and remove samples from land for the purpose of testing its mineral bearing qualities. The Tenement was granted to the Joint Venture on 18 December 2009.
- 8.3 The Tenement is an EL over 3344 hectares of land located in the Upper Hunter Valley in NSW. The boundary of the Tenement is approximately 3 kilometres east of Denman and 15 kilometres south-west of Muswellbrook.
- 8.4 The Tenement authorises the Joint Venture to prospect for Group 9 minerals, being coal and oil shale, within this Tenement area.
- 8.5 The term of an EL is determined by the Minister for Mineral Resources, however, it may not exceed five years. An EL may be renewed for up to five years. The Tenement was granted for a five year term expiring on 18 December 2014.
- 8.6 The holder of an EL in NSW is required to lodge annual reports and six-monthly interim reports. Airborne geophysical survey results must be lodged within six months of the completion. Final reports are required to be lodged on the expiry or early termination of an EL. Additional reports on surveys and other operations may be required by DRE from time to time and must be lodged as instructed. Compliance with applicable expenditure, work program and reporting requirements for a tenement are important because those matters are considered by the DRE when determining whether or not to renew an EL. We have sought and received confirmation from the Joint Venture that all reporting and other commitments under the Tenement have been complied with to date. The Company has instructed us that comprehensive annual reports have been submitted to DRE on time.

#### Tenement conditions

- 8.7 The Joint Venture's interest in or rights in relation to the Tenement is subject to the Joint Venture continuing to comply with the respective terms and conditions of the Tenement under the provisions of the Mining Act and Mining Regulation, together with the conditions specifically applicable to the

Tenement. The searches that we have carried out in relation to the Tenement do not reveal any failure to comply with the conditions in respect of the Tenement. None of the conditions in the Tenement are excessively onerous or unusual given the operation of the Company.

- 8.8 Pursuant to condition 33 of the Tenement, if DRE believes the holder is not complying with any provisions of the Mining Act or Mining Regulation, or any condition of the Tenement, DRE may direct the Tenement holder to:
- cease all prospecting operations and other activities authorised by the Tenement; or
  - cease those prospecting operations and other activities not complying,
- until in the opinion of DRE the situation has been corrected.
- 8.9 The Tenement is subject to the conditions specified in EL 7429 and addressed in further detail in Schedule 1 of this Report, including but not limited to conditions providing:
- exploration in exempted areas and/or areas where native title may exist will require the prior written consent of the Minister, the grant of which may attract a right to negotiate with Aboriginal persons;
  - condition 41 requires the holder of the Tenement to complete the work program nominated in the application for the Tenement. The key problem in determining compliance with the terms of the work program nominated arises from the non-specific nature of the work program submitted with the Form 3 application for an exploration licence. We are therefore unable to specifically advise on whether the work program and accordingly, condition 41, has been complied with. The Company has instructed us that 17 of the planned 30 boreholes have been completed to date in accordance with the Review of Environmental Factors (**REF**) and the Joint Venture intends to satisfy any remaining exploration and expenditure requirements under the work program before the end of the EL term. The Company believes that the obligations under the works program continue to be complied with at all times;
  - condition 34 requires the holder of the Tenement to establish a Landholder Liaison Program. A Community Liaison Plan was prepared in March 2011 to comply with this requirement and has since been implemented. Confirmation has also been provided by the Company that meetings have been held with all landholders within the area of the Tenement and selected adjacent landholders; and
  - condition 48 requires the holder of the Tenement to make every reasonable attempt and to be able to demonstrate those attempts to enter into a cooperation agreement with the holder of any overlapping titles. The Tenement overlaps with PEL 4 which is held by AGL. On 26 July 2010, the Joint Venture and AGL entered into a confidentiality agreement which sets out the protocol for sharing information between the parties. The Joint Venture and AGL have not entered into a cooperation agreement yet.

### Renewal and transfer of the Tenement

- 8.10 The holder of an EL may apply to renew that EL for a further term or terms but an EL may not be renewed for a period exceeding 5 years. To ensure the Tenement remains current, it will be necessary to lodge a renewal application within the two months prior to the expiry of the term of the Tenement.
- 8.11 In accordance with section 114(6) Mining Act, the area over which an EL can be renewed must not exceed half of the area of the tenement unless the Minister for Mineral Resources is satisfied that special circumstances exist justifying renewal of the EL over a larger area. This does not prevent the holder of an EL from making a renewal application in respect of an area that is greater than half of the current tenement area. It is in the Minister's discretion as to the area over which an EL will be renewed and whether special circumstances exist.
- 8.12 The Minister may refuse to renew the Tenement, on any of the grounds set out in clause 114(2) Mining Act, including:
- the applicant (including a director of a corporate applicant) has contravened the Mining Act or the Mining Regulation or a condition of the Tenement (regardless of whether the person has been prosecuted or convicted of any offence arising from the contravention) or has been convicted of any other offence relating to mining or minerals;
  - a person has contravened a condition of the Tenement (whether or not the person has been prosecuted or convicted of any offence arising from the contravention); or
  - that the decision-maker reasonably considers that the holder of the Tenement provided false or misleading information in or in connection with the application or any report provided under the Mining Act for or with respect to the Tenement.
- 8.13 On renewal of the Tenement the decision maker may amend any of the conditions imposed on the Tenement or include additional conditions.
- 8.14 In early 2011, DRE advised all existing EL holders that a new condition would be imposed at the time of the renewal of all existing EL's which requires the Minister's approval to a change in control of the EL holder or a foreign acquisition of substantial control in the EL holder. This condition will be imposed under any renewal of the Tenement.
- 8.15 The holder of an EL may apply to the Director-General at any time for approval to transfer the EL to another person. The decision maker may determine to accept or reject the application for transfer. In approving an application for transfer, the decision maker may, subject to the Mining Act, vary the conditions of the EL or include further conditions in the tenement.
- 8.16 However, under the current Tenement conditions and the Mining Act, ministerial approval is not required for incremental transfers of interests in the Tenement between the existing Joint Venture participants as may be permitted under the Farm-in Agreement.

### Mining lease application

- 8.17 Any person may apply for an ML and the application must specify the mineral for which the application is made. An ML application must be accompanied by a description of the land, an assessment of its mineral bearing capacity and the extent of any mineral deposits, particulars of the financial resources and technical advice available to the applicant and the program of work proposed to be carried out.
- 8.18 A ML application that relates to land in a mineral allocation area (which includes the Tenement area) may only be made by the holder of an EL or an assessment lease holder in respect of that area of land unless the ML applicant has obtained the prior consent of the Minister. This means that whilst the Tenement remains current, only the Joint Venture can make an application for an ML (in respect of coal), unless any other person making an ML application in respect of that area obtains the Minister's consent.
- 8.19 An ML is granted in respect of a mineral or minerals and authorises the prospecting and mining of the minerals specified in the ML. It also allows the holder to carry out any primary treatment operations necessary to separate the minerals from the ore.
- 8.20 The term of an ML is the period determined by the Minister which may not exceed 21 years unless the Premier concurs. Malabar has no interest in any MLs at this stage but may later apply for an ML in order to extract coal from the Tenement area.

### Royalties

- 8.21 The majority of mineral resources in NSW are owned by the Crown. Some mineral resources remain privately owned. ML holders are levied with a royalty payable to the Crown for all coal recovered. Two types of coal royalties apply in NSW.
- 8.22 The Ad Valorem Royalty for coal is charged as a percentage of the value of production (total revenue less allowable deductions). At the date of this Report, the coal ad valorem royalty rates are 6.2% for deep underground mines (coal extracted below 400 metres), 7.2% for underground mines and 8.2% for open cut mines
- 8.23 The Coal Reject Royalty is payable if the coal reject is used or disposed of for the purpose of producing energy. The rate of royalty on coal in coal reject is no more than half the rate applicable to coal.

## 9 Registered agreement

- 9.1 There is one agreement registered against the Tenement which is a Deed of Cross Charge dated 15 July 2011 between Spur Hill Management Pty Ltd, SH2 and SHUT and that Deed of Cross Charge secures obligations under the Farm-in Agreement and the Joint Venture Agreement.
- 9.2 In NSW it is not possible to seek confirmation from DRE regarding matters relating to the standing of the Tenement e.g. outstanding royalties, outstanding security payments, compliance with licence conditions etc. We have been advised by DRE that no public searches can be undertaken to confirm these matters.

## 10 Land access

### Access arrangements

- 10.1 An EL grants the tenement holder a right to access the land which is the subject to the EL. However, a number of restrictions apply to the exercise of those rights of access over privately-owned land. Pursuant to section 140 Mining Act, if the holder of an EL does not own the land, the holder of an EL may not carry out prospecting operations or other activities on the surface of the land otherwise than in accordance with an access and compensation arrangement either:
- agreed orally or in writing between the holder of the EL and each landholder; or
  - determined by a process of arbitration.
- 10.2 A 'landholder' is broadly defined in the dictionary to the Mining Act and includes all owners, native title holders, lessees under the *Crown Land Act 1989* (NSW), *Continued Tenures Act 1989* (NSW) or the *Western Lands Act 1901* (NSW), holders of any permissive occupancy over the land, mortgagees in possession, holders of a registered lease, a Minister or public authority having an interest in the land under a conservation, natural heritage or bio-banking agreement.
- 10.3 We have been instructed that meetings have been held with all landholders within the area of the Tenement and the Joint Venture has entered into 12 separate access arrangements over a significant proportion of the land covered by the Tenement.
- 10.4 In circumstances where access cannot be obtained by consent of the other party, the process of arbitration and review in the Land and Environment Court can take six to 12 months to obtain. Accordingly, there is uncertainty in relation to ensuring timely access to the land. Delays in obtaining land

access have the potential to delay exploration activities. The Joint Venture is currently participating in one arbitration with a landholder in order to gain access to their land for exploration purposes.

### Compensation

- 10.5 The Mining Act provides that once an EL, assessment lease or ML is granted, a landholder (whether or not subject to the tenement) becomes entitled to compensation for any compensable loss suffered, or likely to be suffered, by the landholder as a result of the exercise of the rights conferred by the tenement. The tenement holder is responsible for the payment of any such compensation. If an access arrangement is entered into with the landholder, compensation may be covered by that arrangement.
- 10.6 The holder of a ML is not authorised to exercise any rights under the lease on the surface of a particular parcel of land within the mining area until a compensation agreement has been agreed in writing with the landholder of that land or a determination has been made by the NSW Land and Environment Court.

### Restrictions on prospecting in certain areas

- 10.7 Section 31 Mining Act prevents the holder of an EL from exercising its rights under an EL over land:
- within 200m of a dwelling house;
  - within 50m of a garden; or
  - on which any significant improvements are located. We note this is a broad restriction as these improvements include most agricultural improvements including structure, dams and flood contours,
- unless the holder of the EL has obtained prior written consent of the owner of the dwelling house, garden or improvement and the consent of any occupier of the dwelling house.
- 10.8 Section 30 Mining Act and the conditions of the Tenement provide that the holder of an EL may not exercise its rights under the EL within land which is an 'exempted area' without the consent of the relevant Minister. 'Exempted areas' are areas of land which have been set aside for a public purpose and relevantly include travelling stock routes and State Forests. The Minister's consent requires assessment and determined under Part 5 EP&A Act.



## 11 Overlapping tenements

### Summary

- 11.1 The existence of overlapping tenements, particularly petroleum interests such as a PEL or other mineral leases under the Mining Act must be considered because they may have implications for the progression of the Tenement to an ML and may affect the undertaking of activities on a Tenement.
- 11.2 Details of tenements overlapping the Tenement are contained in Schedule 2.
- 11.3 PEL 4 held by AGL authorises the exploration for petroleum under the Petroleum Act and overlaps approximately 75% of the Tenement area.

### Overlapping PEL

- 11.4 In NSW there is no formal method for determining priority between overlapping coal and petroleum tenements. Historically, the policy position has always been to give preference to coal.
- 11.5 One of the methods adopted by coal miners to overcome the potential for overlapping tenements has been to make an application in accordance with section 78 Mining Act to include petroleum rights under the ML. This option is however not available to the Tenement holder as the Minister must refuse an application if the land to which the application relates is subject to a PEL granted under the Petroleum Act, such as PEL 4.
- 11.6 The existence of PEL 4 does not present any current concerns for the Tenement holder, but it will be relevant if the Tenement holder applies for an ML or if the holder of PEL 4 applies for a PL or wishes to undertake petroleum exploration within the area of the Tenement.

### PEL conditions

- 11.7 Conditions 28 and 29 of PEL 4 address interactions between the exercise of rights under the PEL and potential future coal mining. Condition 28 addresses bore location, logging of information and abandonment where bore holes are within potentially minable coal seams, as determined by the Executive Director, Mineral Resources. Condition 29 obliges the holder of PEL 4 to make and demonstrate reasonable attempts to enter into a cooperation agreement with the holders of any overlapping coal titles.
- 11.8 In practice, most ML applicants enter into a co-development agreement and coordination agreement with PEL holders because this:
- (a) sets out the procedures to be followed in the event of a dispute about the resource or a failure to give the relevant consent;

- (b) confirms any commercial terms agreed between the parties;
- (c) can include a pre-agreed coordination agreement which will be used if the PEL holder upgrades to a PL;
- (d) sets out the health and safety procedures or methods for agreeing those procedures; and
- (e) allows the applicant to establish the first plan in the development of a resource in the overlap area. (That is, the applicant puts down the first footprint in the overlap area).
- 11.9 On 26 July 2010, the Joint Venture and AGL entered into a confidentiality agreement which sets out the protocol for sharing between the parties. AGL and the Joint Venture have subsequently shared technical exploration data and seismic survey results in accordance with the confidentiality agreement and the parties maintain a regular dialogue on technical issues. The Joint Venture and AGL have not entered into a cooperation agreement yet.
- 11.10 PEL 4 provides that the exploration area is exclusive of 'the surface lands within or overlying the external boundaries of colliery holdings as recorded pursuant to section 163 of the Mining Act as at the date of the grant of the licence and as at the date of any subsequent renewals of this licence'.
- 11.11 PEL 4 is due for renewal on 10 November 2015. Accordingly, if the holder of the Tenement were able to successfully make an application for an ML and register a colliery holding under the Mining Act prior to 2015, the area of the ML may be excluded from PEL 4 on renewal.

### Other overlapping tenements

- 11.12 EL 7509 was granted to Granite Power Limited on 7 April 2010 pursuant to the Mining Act and is an exploration licence for Group 8 minerals – geothermal energy, overlaps the southern half of the Tenement. EL 7509 was granted after the date of grant of the Tenement.
- 11.13 Pursuant to condition 39 of EL 7509 this EL is expressed to have been granted subject to a number of authorisation numbers, including the Tenement, having priority over the holder of EL 7509 and the exploration of any site within the area of overlap. Disputes are to be determined by the Land and Environment Court.
- 11.14 The Joint Venture has not entered into a cooperation agreement with the holder of EL 7509.

## 12 Environmental

### Environmental management

- 12.1 Condition 11 of the Tenement provides that the environmental management of the operations must be carried out according to current best environmental practice or, alternatively, it must conform to a specific Environmental Management Plan prepared by the licence holder which is acceptable to DRE. We are instructed by the Joint Venture that their exploration activities are carried out according to current best environmental practices.

### EPBC Act – referral and protected matters

- 12.2 Commonwealth government approval requirements under the EPBC Act may apply to the Tenement or any future ML application made over the Tenement area. EPBC Act approval requirements will be triggered where the proposed activities constitute a 'controlled action' (which turns on whether or not the activities are likely to have a 'significant impact' on certain matters of national environmental significance).
- 12.3 We have not carried out an assessment of whether activities authorised under the Tenements may have a significant impact on matters of national environmental significance.
- 12.4 In addition, the EPBC Act provides that any coal mining development that is likely to have a significant impact on water resources is to be referred to the Independent Expert Scientific Committee on coal seam gas and large coal mining developments for advice, and the decision makers at both the State and Federal level must take into account the Independent Expert Scientific Committee's advice about the potential impacts of the development on water resources.

### Environmental approvals for exploration

- 12.5 Clause 6 of the *State Environmental Planning Policy (Mining, Petroleum Production and Extractive Industries) 2007* provides that mineral exploration is development permissible without consent and is therefore subject to assessment under Part 5 EP&A Act. DRE is the determining and approval authority for all exploration activities in NSW.
- 12.6 Depending upon the level of environmental impact of the proposed prospecting operations within the Tenement area, different levels of assessment and approval are required:
- (a) Category 1 activities – this includes certain types of low impact exploration activities which can be undertaken without the need for further approval.

- (b) Category 2 activities – tenement holders are required to submit a surface disturbance notice to DRE for approval prior to carrying out category 2 activities. DRE considers the surface disturbance notice and determines whether a REF is required.
- (c) Category 3 activities – authorisation holders are required to submit a surface disturbance notice and REF for approval prior to carrying out category 3 activities. The REF is required to address all potential impacts of the proposal, including potential impacts on the environment, water resources and the community. The amount of detail required in an REF is dependent upon the nature of the activity, the sensitivity of the environment and the proposed environmental safeguards and management methods. If the assessment process indicates that there is a likelihood of significant environmental impact, an Environmental Impact Statement must be prepared by the proponent.
- 12.7 In July 2011, the Tenement holders prepared an REF seeking approval to undertake Category 1 and 2 exploration activities within the Tenement area. Approval was granted by DRE on 14 September 2011 to undertake these Category 1 and 2 exploration activities.

### Environmental approvals for mining

- 12.8 Development consent granted by the Minister for Planning and Infrastructure under the EP&A Act is required before any mining operations can be undertaken within the Tenement area. Developments for the purpose of coal mining in NSW are generally categorised as SSD and require the preparation of a detailed EIS to assess the potential impacts of the project on the environment. The environmental assessment process for a SSD project will take between 18 months to 3 years for the preparation of reports, exhibition of the EIS, assessment and approval of the application.

### NSW Strategic Regional Land Use Policy

- 12.9 In September 2012, the NSW Government released its Strategic Regional Land Use Policy. This policy is aimed at addressing perceived conflicts that have arisen in regional areas between the use of land for agriculture versus mining and energy projects, particularly coal and coal seam gas.
- 12.10 The Strategic Regional Land Use Plan for the Upper Hunter details a gateway process that will now apply to SSD mining projects that are located within any of the following areas identified as strategic agricultural land:
- (a) biophysical strategic agricultural land: there is a small area of mapped biophysical strategic agricultural land on the north-west boundary of the Tenement area;
- (b) viticulture 'critical industry cluster': the Tenement falls within the mapped viticulture cluster;

- (c) equine 'critical industry cluster': although the Tenement falls within the mapped equine cluster, there are no horse studs within the Tenement boundaries.
- 12.11 Given that strategic agricultural land is mapped within the Tenement area, any future application for development consent will be required to pass through the gateway process.
- 12.12 The gateway will consist of an independent panel of experts who will make an assessment of the potential impacts of the coal mining proposal. The gateway panel will either issue an:
- (a) unconditional certificate: where the panel considers that the proposal meets the gateway criteria; or
  - (b) a certificate subject to conditions: where the panel considers that the proposal has not demonstrated that it meets some or all of the gateway criteria. The conditions of the certificate will comprise requirements that must be addressed by the applicant in its EIS.
- 12.13 At the time of writing, final gateway criteria have not been released for public review. However, the indicative criteria presented in the Strategic Regional Land Use Plan require consideration of whether the proposal would: significantly reduce the agricultural productivity of the biophysical strategic agricultural land; and/or lead to significant impacts on the equine and/or viticulture critical industry cluster.
- 12.14 There are various project risks associated with the Strategic Regional Land Use Policy, including the risk that any future application for development consent is subjected to onerous development conditions and the risk that the process causes significant delays in the project timeline.

### 13 Native title

#### Overview of NTA

- 13.1 The NTA provides for, among other things:
- (a) mechanisms for the recognition and protection of native title;
  - (b) the validation of certain acts (such as the grant of titles) which would otherwise be invalid because of their effect on native title;
  - (c) the extinguishing effect of certain acts;

- (d) the establishment of ways in which future dealings affecting native title may proceed (future act procedures including the right to negotiate process); and
  - (e) compensation for impairment of extinguishment of native title rights and interests.
- 13.2 The NTA only applies to land in respect of which native title rights and interests have not been extinguished by previous 'extinguishing acts'.
- 13.3 To ascertain whether native title is an issue, it is first necessary to ascertain if there is a current or former land tenure (e.g. freehold) or use made of the land (e.g. the construction of a sealed road) which has already extinguished native title. If there is such current or former land tenure or use made of the land, there is no further need to consider the provisions of the NTA. Conversely, in the absence of a current or former land tenure or use made of the land which would have already extinguished native title, it is necessary to comply with the provisions of the NTA.

#### Native title over the Tenement

- 13.4 We have undertaken a search of the register maintained by the NNTT in relation to the Tenement as at 22 January 2013. We have assumed the information in NNTT register is accurate.
- 13.5 Searches of the Tenement in the NNTT register indicate that there are no registered native title claims or applications for any native title claims within the Tenement area. The search results also show that there are no current native title determinations or registered Indigenous Land Use Agreements (ILUA) within the Tenement area. This search does not indicate whether native title has been extinguished over all parcels of land within the Tenement area. Condition 8 of the Tenement provides that the Tenement holder must not prospect on any land or waters on which native title exists without the prior written consent of the Minister.
- 13.6 Travelling Stock Reserve 40361 (being Lot 138 DP 727248) is located within the Tenement area. This Travelling Stock Reserve is a Crown reserve formed to provide for movement of stock and is managed by the Livestock Pest and Health Authority. The creation of these rights over Crown land does not extinguish native title and unless it has otherwise been excluded the potential for native title will continue.
- 13.7 To obtain the Minister's consent to prospect on any land or waters on which native title exists, the Tenement holder will need to undertake the Commonwealth RTN as set out under the NTA. We are not aware that the Minister's consent has been obtained to gain access to the parcel of land where native title has not necessarily been extinguished.
- 13.8 The RTN provisions in the NTA are special rights given to registered native title claimants to negotiate with companies and government with a view to obtaining an agreement to the grant of a right to mine (whether it be an exploration licence or a ML). Therefore, the RTN will be triggered if the Joint Venture seeks consent to explore or prospect on any land or waters on which native title exists.

- 13.9 In addition, if a future ML application is made with respect to the area within the Tenement, assuming the application area includes the parcel of land where native title has not been extinguished, the RTN process will apply. The applicant for the ML application will need to negotiate with any native title parties who obtain registration of their claim during the notification period.
- 13.10 The RTN process does not have to be pursued in cases where an ILUA is negotiated with the relevant Aboriginal people and registered with the NNTT. In such cases, the procedures prescribed by the ILUA must be followed to obtain the valid grant of the tenement sought. These procedures will vary depending on the terms of the ILUA.

#### Right to negotiate process

- 13.11 The RTN process involves the publishing or advertising of a notice of the proposed grant of a tenement (section 29 notice).
- 13.12 Following this, a native title claimant must lodge a claim over particular lands or waters (or both) which include the proposed tenement area over which a future act is proposed. The claim must pass a 'registration test' comprising certain procedural and substantive requirements. If the registration test is satisfied it is entered on the register of Native Title Claims administered by the NNTT. Alternatively, a native title claimant may already be registered on the NNTT as having a claim over the proposed tenement area.
- 13.13 Once all relevant native title claimants are identified, this is followed by a six month period of negotiation between the State Government, the tenement applicant and the relevant registered native title claimant. If agreement is not reached to enable the grant to occur, the matter may be referred to arbitration before the NNTT which has a further six months to reach a decision. The decision of the NNTT may be reviewed by the relevant Minister.

## 14 Cultural heritage

### Aboriginal sites

- 14.1 Within Australia, Commonwealth and State legislation provides for the protection of Aboriginal cultural heritage and sites that are significant to Aboriginal custom and tradition.
- 14.2 The Tenement is subject to the provisions of the ATSIHP Act. The ATSIHP Act contains provisions designed to preserve and protect from injury or desecration areas and objects which are of particular significance to Aboriginal people in accordance with Aboriginal tradition. An area or object is found to be desecrated if it is used or treated in a manner inconsistent with Aboriginal tradition.

- 14.3 In NSW an Aboriginal place is a place declared as such by the Minister under the NP&W Act, because that place is deemed to have special significance to Aboriginal culture. An Aboriginal place may or may not contain Aboriginal objects. It is an offence to destroy, deface or damage an Aboriginal object.
- 14.4 The Tenement may contain some sites of significance, which would need to be avoided during field exploration programs. It is possible that some areas containing an economic resource may also contain sacred sites, in which case they may remain unexploited. The Joint Venture must ensure that any interference with such sites is in strict conformity with the provisions of the ATSIHP Act and NP&W Act. If prospecting activities will harm any Aboriginal objects, the Tenement holder may need to apply for an Aboriginal Heritage Impact Permit under the NP&W Act or carry out due diligence investigations to determine the presence and potential impact on known or unknown Aboriginal objects.
- 14.5 If and when the Tenement holder applies for an ML application over the Tenement area, the application is likely to be an SSD Project which will be exempt from the NP&W Act and an alternative process will apply which will involve consultation with Aboriginal parties and the development of a Aboriginal Cultural Heritage Plan.

### Aboriginal land claims

- 14.6 Searches were conducted with respect to all of the underlying tenure within the Tenement owned by the Crown and not contained within a Crown Road with the Office of the Registrar, ALR Act. The updated search results dated 29 January 2013 indicate that Lot 138 DP 727248 is affected by an Aboriginal land claim pursuant to sections 36 or 37 of the ALR Act.
- 14.7 Inquiries have been made with the NSWALC on 21 January 2013 regarding the status of the claim over Lot 138 DP727248, when the claim was lodged and to confirm by whom the claim was lodged. The NSWALC verbally confirmed that the Aboriginal land claim (#15511) was lodged on 7 February 2007 by NSWALC and this claim is still undetermined by the Minister for Lands.
- 14.8 Section 36 ALR Act states that land is considered 'claimable crown lands' where it is vested in Her Majesty and:
- is able to be sold, leased or are reserved or dedicated for any purpose, under the *Crown Lands Consolidation Act 1913* (NSW) or the *Western Lands Act 1901* (NSW);
  - is not lawfully used or occupied;
  - does not comprise lands which are needed as residential lands in the opinion of the Minister administering the Crowns Lands Act;
  - is not needed, or likely to be needed for an essential public purpose; and

- (e) does not comprise lands that are the subject of an application for a determination of native title or an approved determination of native title (other than a non-claimant application that is an unopposed application).
- 14.9 Accordingly, unless one of the section 36 ALR Act factors can be established with respect to Lot 138 DP 727248, the land will be investigated and determined by the Minister for Lands as claimable crown land.
- 14.10 If the Minister refuses a land claim (i.e. determines it is not claimable crown land), the claimant NSWALC may appeal the decision in the Land and Environment Court.
- 14.11 Importantly, the Aboriginal land claim must be considered by the Minister as at the date the claim was made. If the Minister accepts the claim made, the land will be transferred to the NSWALC in accordance with the ALR Act. In those circumstances, NSWALC will be considered the 'owner' for the purposes of the Mining Act.
- 14.12 The concern is that it is unclear as to when a decision will be made by the Minister regarding the Aboriginal claim and to what extent this may affect or delay the grant of a future ML application.
- 14.13 We expect it would not delay the grant of an ML but may delay the reaching of a compensation agreement under section 265 Mining Act. The Minister administering the Crown Lands Act may be unwilling to enter into an agreement until the land claim (and any appeal) is determined.

## Section D – Methodology and scope

### 15 Purpose of Report

- 15.1 McCullough Robertson has been engaged by Malabar to prepare an independent solicitors' report for the Tenement.
- 15.2 Investigations have been conducted to identify and consider key legal issues relating to the grant, approval and ongoing compliance of the Tenement which could have a material impact on the Tenement. This Report does not highlight all matters which might operate to the prejudice of Malabar.
- 15.3 This Report does not comment on the commercial viability of the Tenement or other arrangements reviewed by McCullough Robertson.
- 15.4 In giving this Report, McCullough Robertson is not operating under an Australian financial services licence. McCullough Robertson has no direct or indirect interest in Malabar, any of its related bodies corporate, their businesses or the outcome of any potential capital raising by Malabar. McCullough Robertson has previously provided advice to Malabar in relation to native title agreements. However, McCullough Robertson does not consider that the provision of this advice affects McCullough Robertson's role as an independent solicitor. McCullough Robertson has received standard professional fees for all work performed for Malabar, including the preparation of this Report.

### 16 Scope of work

- 16.1 McCullough Robertson has conducted the investigations described in this Report, and in particular, has relied upon the results of public searches which could be obtained in the time period available in respect of:
- (a) tenement conditions;
  - (b) land access issues;
  - (c) the overlapping tenure regime;
  - (d) environmental issues;

- (e) native title issues; and
  - (f) cultural heritage issues,
- as they apply to the Tenement, in setting out the responses in Section C of the Report in relation to the matters described above.
- 16.2 In addition to the publicly available information, McCullough Robertson has reviewed material provided by Malabar.
- 16.3 The scope of our Report is limited to the matters listed in paragraph 16.1 and we have not been required to consider or provide any report on any other matters. We have not considered and do not provide any report on the following matters in relation to the Tenement:
- (a) corporate structure of Malabar;
  - (b) joint venture arrangements between Malabar, SH2 and SHUT and how this relates to the Tenement;
  - (c) commercial issues which may affect the Tenement (including royalty interests);
  - (d) litigation involving Malabar;
  - (e) financial, tax or accounting issues;
  - (f) technical, geotechnical and operational issues;
  - (g) intellectual property;
  - (h) information technology;
  - (i) employment; and
  - (j) trade practices.
- 16.4 This Report prepared by McCullough Robertson has also been limited to the results of searches which could be obtained in the relevant timeframe. We note that records disclosed by publicly available searches may not be complete or up to date and we have not made any independent investigations or enquiries in relation to such searches.

- 16.5 We express no opinion as to the accuracy of the public searches and have assumed all factual matters stated in the public searches are materially true and correct and the relevant registers have been properly and accurately recorded and maintained.
- 16.6 No additional work was performed except as specifically stated in this Report and we have not conducted enquiries in relation to legal matters beyond the limited scope of work described in this Report.
- 16.7 On the basis of that work, we have sought to identify any high level legal issues in relation to the Tenement. This means that we have not identified or reviewed all aspects or issues in relation to the Tenement. This Report only identifies those issues which are of material relevance and which, based upon their materiality, warrant identification to Malabar.
- 16.8 This Report relates only to the laws of the State of New South Wales and Commonwealth of Australia as at the date of this document and is given on the basis that it will be construed in accordance with those laws.
- 16.9 This Report is based upon information within the possession of McCullough Robertson at 12 noon (AEST) on 12 February 2013.
- 16.10 In this Report:
- (a) we have assumed the accuracy and completeness of all searches and other information obtained from public searches;
  - (b) we have assumed the continued holding of the Tenement is subject to compliance with the terms and conditions of the relevant legislation and any applicable agreements;
  - (c) we have assumed the accuracy and completeness of any instructions or information given to us by Malabar or any of its officers, agents or representatives;
  - (d) where compliance with the requirements necessary to maintain a tenement in good standing is not disclosed on the searches obtained, we express no opinion on such compliance;
  - (e) references to any area of land are taken from information we have received and the accuracy of any land area has not been verified by survey;
  - (f) we have assumed that all of the material contracts and documentation relevant to the Tenement have been validly authorised and executed by, and are binding upon, the parties to them; and

- (g) where Ministerial consent to any agreement or dealing in relation to the Tenement is required, we express no opinion as to whether such consent will be granted or the consequences of being refused. If any of the qualifications or assumptions set out in this Report are not correct, the opinions we have expressed will need to be re-examined and may need to be varied. Except where otherwise noted in this Report, nothing has come to our attention to lead us to believe that any of our assumptions are not correct but we have not made any independent investigation with respect to the matters the subject of such assumptions.

## 17 Qualifications and assumptions

- 17.1 The opinions which we have expressed in this Report are based on and qualified by the following matters.
- 17.2 We have not been engaged nor have we attempted to act as legal adviser in relation to the matters listed in paragraph 16.3 and are not responsible for any such advice about the Prospectus or the Offer.
- 17.3 We express no opinion on:
- (a) any financial, business, statistical, accounting or taxation information or other non-legal matters;
  - (b) any statements or opinions about future matters or prospects referred to in the Prospectus; and
  - (c) the adequacy of any assumption on which the statements or opinions referred to in paragraph 17.3(b) are based.
- 17.4 We have assumed:
- (a) the completeness and accuracy in relation to matters of fact and opinion of all material or information given to us by officers of Malabar, members of the Committee and experts engaged by the Committee;
  - (b) that the responses to the questions which have been put to officers of Malabar have been true and accurate in all material respects;
  - (c) that the persons interviewed have made complete and accurate disclosure of all material matters, including material matters of fact and opinion and of material assumptions in relation to the Prospectus of which the person interviewed has or ought to have knowledge or could find out by making reasonable enquiries;

- (d) that each of the Directors and, within their respective areas of responsibility, each expert or adviser involved in the due diligence process, has raised any questions and made all such enquires as can reasonably be expected of that person or entity;
  - (e) that all persons interviewed as part of the due diligence system were competent to answer questions and that there were no other persons who should have been interviewed in relation to those questions;
  - (f) the authenticity of all seals and signatures and of any stamp duty or marking and the completeness and the conformity to original documents or instruments of all copies examined by us and that any facts which may give reason to question the validity, continuing effectiveness or lawfulness of any document or instrument have been drawn to our attention;
  - (g) that the documents examined by us are within the capacity and powers of, and have been validly authorised, executed and delivered by and are binding on the signatories to them;
  - (h) that insofar as any obligations under any document examined by us are to be performed in any jurisdiction outside Australia, their performance will not be illegal nor ineffective by virtue of the law of that jurisdiction;
  - (i) the accuracy of all certificates and opinions given by external advisers of Malabar in relation to the documents examined by us;
  - (j) that all corporate records and other documents examined by us are genuine, complete, up to date and accurate and, without limitation, the minutes of the meetings of Malabar examined by us correctly record the business of, and resolutions passed at, such meetings and no relevant corporate records have been withheld from us (whether deliberately or inadvertently);
  - (k) that all factual matters stated in any document are materially true and correct;
  - (l) that there were no documents other than those which were disclosed to us which related to the items which we examined; and
  - (m) the details revealed in searches of registers kept by governmental departments or authorities have been properly and accurately recorded and maintained.
- 17.5 Except where otherwise noted in this Report, nothing has come to our attention to lead us to believe that the above assumptions are not correct but we have not made any independent investigation about the matters the subject of such assumptions.

- 17.6 We take no responsibility for the completeness or accuracy of the investigations of the officers of Malabar or of other advisers or experts engaged by the Committee (although we are not aware of any information which would cause us to believe that those investigations have not been complete or accurate).
- 17.7 If any of the qualifications or assumptions set out in this section are not correct, the opinions we have expressed in this Report will need to be re-examined and may need to be varied.
- 17.8 We have not conducted enquiries in relation to legal matters beyond the limited scope of work described in this Report.
- 17.9 The opinions in this Report:
- (a) relate only to the Prospectus and do not relate to:
    - (i) any document which may be issued in connection with any offer in any other jurisdiction (other than Australia) which the Company proposes to make contemporaneously with the issue of the Prospectus; or
    - (ii) additional documents or statements about the Company, the Offer or the Prospectus that may be made by any person or any other conduct that any person may engage in concerning the Prospectus; and
  - (b) are strictly limited to the matters stated in the Report and do not apply by implication to any other matters.
- 17.10 Except where specifically indicated to the contrary, the source of all of the information on which this Report is based is material provided by Malabar. We have not been able to independently verify the accuracy of that information. Similarly we have relied on Malabar to identify to us the potentially material contracts.

## 18 Opinion only relates to Australian law

- 18.1 This Report relates only to the laws of the Australian States and Territories and Commonwealth of Australia as at the date of this Report and is given on the basis that it will be construed as required by those laws.

## 19 Benefit and reliance

- 19.1 This Report has been prepared only for the purposes of the Prospectus to be issued by Malabar and is not to be relied on or used for any other purpose.

## 20 Confidentiality

- 20.1 The contents of this Report are confidential. No copy of or extract from this Report may be supplied to any person other than Malabar, the Directors or to members of the Committee without the prior written consent of McCullough Robertson. Neither the whole or any part of this Report, nor any reference to it, may be included in any other document without the prior written consent of McCullough Robertson to the form and context of the inclusion.

## 21 Date of Report

- 21.1 The Report is based on information within the possession of McCullough Robertson at 12 noon (AEST) on 12 February 2013.

Signed by:



**Brendan Tobin**  
Partner

Signed by:



**Damien Clarke**  
Partner

Dated: 12 February 2013



## Schedule 1

Exploration Licence 7429

Issue	Details
<b>Tenement number</b>	▪ EL 7429
<b>Status</b>	▪ Current
<b>Registered Holders</b>	▪ Spur Hill U.T. Pty Ltd (ACN 139 090 814) and Spur Hill No.2 Pty Limited (ACN 139 147 667)
<b>Date of grant</b>	▪ 18 December 2009
<b>Expiry date</b>	▪ 18 December 2014
<b>Term</b>	▪ 5 years
<b>Mineral</b>	▪ Group 9 (coal and oil shale)
<b>Overlapping tenements and applications for tenements</b>	▪ Refer to Schedule 2
<b>Whether validly granted (e.g. native title, landowner compensation, statutory processes etc)</b>	▪ In NSW there are no public searches that would enable us to confirm this.

Issue	Details
<b>Land included in/excluded from the tenement, including identification of surface and non-surface land</b>	<ul style="list-style-type: none"> <li>▪ 3344 hectares</li> <li>▪ Includes the surface and below to a depth of 900 metres below AHD.</li> <li>▪ Excludes certain land including land that is: <ul style="list-style-type: none"> <li>○ subject to any assessment lease, ML or mineral claim under the Mining Act at the date of grant of the Tenement;</li> <li>○ subject to any residence area or business area, granted under the Mining Act 1906, at the date of grant of the Tenement;</li> <li>○ subject to any pending application for a ML, mining purposes lease or claim under the Mining Act 1973, or any application for a coal lease under the Coal Mining Act 1973 made prior to 11.26am on the 25<sup>th</sup> day of September 2009;</li> <li>○ subject to any pending application for an assessment lease, ML or mineral claim under the Mining Act, made prior to 11.26am on the 25<sup>th</sup> day of September 2009;</li> <li>○ subject to any prospecting licence taken to be an EL pursuant to clause 31 of the Transitional Provisions and Savings to the Mining Act 1973;</li> <li>○ subject to any EL continuing to have effect pursuant to section 29(2) Mining Act by virtue of an application for an assessment lease, ML or mineral claim;</li> <li>○ on which mining operations are being carried out by the owner of a mineral or some other person with his consent and over which an EL may not be granted by virtue of the provisions of section 20 Mining Act;</li> <li>○ vested in the Commonwealth of Australia;</li> <li>○ subject to any national park, regional park, historic site, nature reserve, karst conservation reserve or Aboriginal Area as at the date of grant of the Tenement.</li> </ul> </li> </ul>

Issue	Details
Timing for grant of renewals and whether any impediments to or restrictions upon grant/renewal	<ul style="list-style-type: none"> <li>▪ EL 7429 expires on 18 December 2014.</li> <li>▪ Pursuant to section 114(6) Mining Act the area of an EL must be reduced by 50% on renewal unless special circumstances apply justifying renewal of the EL over a larger area. An EL may not be renewed for a period exceeding 5 years.</li> <li>▪ Accompanying the application for renewal must be: <ul style="list-style-type: none"> <li>○ the licence number and the date of expiry;</li> <li>○ contact details of the current licence holder;</li> <li>○ a rehabilitation cost estimate in relation to the EL; and</li> <li>○ a renewal justification statement including: <ul style="list-style-type: none"> <li>▪ details of the prospecting operations carried out during the current term of the Tenement;</li> <li>▪ a summary of the results of such prospecting operations and the conclusions reached in relation to the potential resources of the authorisation area;</li> <li>▪ the program of work proposed to be carried out in the authorisation area;</li> <li>▪ the estimated amount of money that the applicant proposes to spend on prospecting in the authorisation area;</li> <li>▪ the financial resources and relevant technical advice available; and</li> <li>▪ reasons why the applicant considers the renewal to be justified.</li> </ul> </li> </ul> </li> </ul>
Annual rental (including confirmation of payment)	<ul style="list-style-type: none"> <li>▪ Nil</li> </ul>

Issue	Details
Performance bond/Security guarantee	<ul style="list-style-type: none"> <li>▪ Security of \$65,000 required and secured by: <ul style="list-style-type: none"> <li>○ \$20,000 cash (receipt no. 219148 dated 22 October 2009 issued to Spur Hill U.T. Pty Ltd); and</li> <li>○ \$45,000 cash (direct deposit received 26 October 2011, SAP document 1049151).</li> </ul> </li> </ul>
Encumbrances and other notations on the register (if any)	<ul style="list-style-type: none"> <li>▪ Nil</li> </ul>
Minimum expenditure commitments/work programs/commitments	<ul style="list-style-type: none"> <li>▪ Condition 41 requires the holder of the Tenement to complete the work program nominated in the application or renewal application for the Tenement.</li> <li>▪ We are unable to comment on whether there has been compliance with the terms of the nominated work program.</li> <li>▪ In our past experience DRE has not taken an unduly strict approach to the requirement for compliance with the nominated program and a request to vary a nominated program can be made to DRE. However there is no guarantee a similar approach will be taken in the future in particular noting the recent changes to place more onerous requirements on parties making applications for new tenements or the transfer of existing tenements.</li> <li>▪ We are of the opinion that DRE will take into consideration the level of compliance with the Tenement and in particular the work program in considering any application for renewal. Where DRE is of the opinion that a condition of the Tenement has not been complied with in accordance with the Mining Act it may refuse an application for renewal or it may seek to impose additional conditions on the Tenement holder at the time of granting consent to a transfer or approving a renewal.</li> <li>▪ The details report received from DRE indicates no minimum amounts for labour or expenditure have been specified.</li> </ul>
Key terms and	<ul style="list-style-type: none"> <li>▪ Condition 2 requires that prospecting operations which are Category 2 or 3 operations (as defined in the</li> </ul>

Issue	Details
<p><b>conditions and whether there are any unusual or particularly onerous terms or conditions</b></p>	<p>Tenement) require additional approval prior to being conducted by the Tenement holder. In particular, Category 2 or 3 prospecting operations require assessment and approval by the DRE under Part 5 EP&amp;A Act which is applied for by the filing of a Surface Disturbance Notice. Additionally, Category 3 operations will require the preparation of a review of environmental factors. If the impact of prospecting operations on the environment is determined as likely to be significant in terms of Part 5 EP&amp;A Act, then DRE will require the Tenement holder to submit an Environmental Impact Statement.</p> <ul style="list-style-type: none"> <li>▪ Pursuant to condition 3, the holder of the Tenement must not commence prospecting operations in an 'exempted area' without obtaining the prior written consent of the Minister. 'Exempted areas' include travelling stock reserves, road reserves, water supply reserves, state forests and public reserves and permanent commons.</li> <li>▪ Pursuant to condition 8, the Tenement holder shall not prospect on any land or waters in which native title exists without the prior written consent of the Minister.</li> <li>▪ Conditions 12 to 14 require the holder of the Tenement to consider potential impacts and plan activities to minimise impacts on: <ul style="list-style-type: none"> <li>○ aboriginal cultural heritage;</li> <li>○ threatened species, populations and ecological communities and their habitats, and critical habitat; and</li> <li>○ items of heritage significance.</li> </ul> </li> <li>▪ Condition 33 provides that if DRE believes that the licence holder is not complying with any provisions of the Mining Act, Mining Regulation or any conditions of the licence the Minister may direct the holder of the Tenement to cease all operations or those prospecting operations not complying until in the opinion of DRE the situation has been corrected.</li> <li>▪ Condition 34 requires the holder of the Tenement to establish a Landholder Liaison Program.</li> <li>▪ Condition 44 requires: <ul style="list-style-type: none"> <li>○ summary exploration reports to be lodged within 28 days after the expiry of each 6 months during</li> </ul> </li> </ul>

Issue	Details
	<ul style="list-style-type: none"> <li>○ the term of the Tenement;</li> <li>○ an application for renewal report to accompany any application for renewal of the EL7429;</li> <li>○ airborne geophysical survey results to be lodged within 6 months of the survey being completed; and</li> <li>○ a final report to be lodged on expiry or termination of the Tenement.</li> </ul> <ul style="list-style-type: none"> <li>▪ Condition 48 requires the holder of the Tenement to make every reasonable attempt and to be able to demonstrate those attempts to enter into a cooperation agreement with the holder of any overlapping titles.</li> </ul>
<p><b>Royalty payments</b></p>	<ul style="list-style-type: none"> <li>▪ Nil.</li> </ul>
<p><b>Any agreements recorded on the title</b></p>	<ul style="list-style-type: none"> <li>▪ Registered Agreement – dated 15 July 2011 between Spur Hill Management Pty Ltd, Spur Hill No.2 Pty Ltd and Spur Hill U.T. Pty Ltd.</li> </ul>
<p><b>Other comments/recommendations</b></p>	<ul style="list-style-type: none"> <li>▪ Not applicable.</li> </ul>

## Schedule 2

### Overlapping Tenements

#### EL 7429 – granted 11.26am on 18 December 2009

Tenure type	Tenure number	Status	Date lodged or granted	Expiry date	Principal Holder	Status in relation Tenement
Petroleum Exploration Licence	PEL 4	Current	11 November 1993	10 November 2015	AGL Upstream Investments Pty Limited	Pre-dates the grant of the Tenement to the Joint Venture.
Exploration Licence for Group 8 Minerals (geothermal energy)	EL 7509	Current	7 April 2010	7 April 2013	Granite Power Limited	Granted after the date of the grant of the Tenement

# Investigating Accountant's Report 9.



1 March 2013

The Directors  
Malabar Coal Limited  
Level 1, 12 Creek Street  
Brisbane QLD 4000

Dear Sirs

## INVESTIGATING ACCOUNTANT'S REPORT

### 1. Introduction

The Directors of Malabar Coal Limited ("the Company") have requested Lawler Hacketts Audit ("Lawler Hacketts") to prepare an Investigating Accountant's Report ("Report" or "IAR") for inclusion in a prospectus to be lodged by the Company with the Australian Securities and Investments Commission (ASIC) on or about 1 March 2013 ("the Prospectus"). This is a replacement prospectus to the prospectus dated 15 February 2013 lodged with ASIC on that date. The Prospectus has been prepared in connection with an Offer of 20,000,000 Ordinary Shares at an issue price of \$1.00 per Share to raise \$20,000,000 ("the Offer"). The Offer is fully underwritten.

All amounts are expressed in Australian Dollars unless otherwise stated and expressions defined in the Prospectus have the same meaning in this report.

### 2. Background

As detailed in Section 2 of the Prospectus, the Company was incorporated on 24 June 2011 to raise sufficient funds to acquire 100% of the issued shares of Spur Hill No. 2 Pty Ltd (SH2) on 15 July 2011. SH2 is a business combination that includes the following subsidiaries of SH2 that now form part of the Group comprising the Company and the entities it controls ("Group").

	<b>Owned directly or indirectly</b>
Spur Hill Management Pty Ltd ("SHMgt")	80%
Spur Hill Marketing Pty Ltd ("SHMkt")	80%
Spur Hill Agricultural Pty Ltd ("SHA")	80%

On 8 July 2011, SH2 entered into an 'Acquisition and Exploration Farm-in Agreement for the Spur Hill Project' (Farm-in Agreement) and an 'Amended and Restated Joint Venture Agreement' (JV Agreement) with Spur Hill U.T. Pty Ltd (SHUT) in relation to the Spur Hill Underground Coal Project (the Project). The principal activity of the Project is the development of an underground coal mine in the Upper Hunter Valley Region of New South Wales. Under the Farm-in Agreement, the Group has the right, but no obligation, to increase its Project interest from 27.7% (as at 31 December 2012) to 80%. This will be achieved by funding up to a further \$47.8 million of project expenditure and making payments to SHUT totalling \$40 million. The Project is currently in a project development phase, with coal sales not expected to commence until 2017.



Details of the Offer are summarised in Section 5 of this Prospectus. Funds raised from the Offer will be used to fund continued development of the Project including drilling, environmental studies and monitoring, engineering studies, development approvals and strategic land acquisitions. Offer proceeds will also provide general working capital and fund the expenses of the Offer and the costs of listing the Company on the ASX.

### **3. Basis of Preparation of Our Report**

This report has been included in the Prospectus to assist investors and their financial advisors to make an assessment of the financial position of the Company. This report does not address the rights attaching to the securities to be issued in accordance with the Prospectus, nor the risks associated with the investment. Investors and their professional advisors should make their own inquiries and assessment in respect of the future prospects of the Company. We therefore disclaim any assumption of responsibility for any reliance on this report or other information to which it relates for any purpose other than that for which it was prepared.

### **4. Financial Information**

Lawler Hacketts have been engaged by the Directors of the Company to prepare a Investigating Accountants Report covering the Financial Information which comprises the Historical and Pro Forma Historical Financial Information as described below and set out in **Appendix A** of this report.

#### **4.1. Historical Financial Information**

The Historical Financial Information, as set out in **Appendix A** of this report, comprises the Consolidated Statements of Financial Position as at 30 June 2012 and 31 December 2012 (hereafter the "Historical Financial Information").

The Historical Financial Information as at 30 June 2012 has been extracted from the 30 June 2012 consolidated financial statements of Malabar Coal Limited and its controlled entities ("the Group"). The 30 June 2012 consolidated financial statements were audited by Lawler Hacketts Audit. The audit report on the consolidated financial report for the period ended 30 June 2012 did not contain any qualifications. The Historical Financial Information as at 31 December 2012 has been extracted from the 31 December 2012 consolidated financial statements of the Group that was reviewed by Lawler Hacketts Audit. The review report on the consolidated financial report for the 6 months ended 31 December 2012 did not contain any qualifications.

#### **4.2. Pro Forma Historical Financial Information**

The Pro Forma Historical Financial Information as at 31 December 2012 is set out in **Appendix A** of this report.

The Pro Forma Historical Financial Information comprises the Pro Forma consolidated statements of financial position as at 31 December 2012. The Pro Forma consolidated statements of financial position comprise the Consolidated Statement of Financial Position as at 31 December 2012 adjusted to include the financial effect of share issues and significant transactions which have occurred subsequent to 31 December 2012 and significant transactions contemplated by the prospectus. The pro forma adjustments are detailed in **Appendix B** to this report.

#### 4.3. Responsibility for the Financial Information

The Directors of the Company are responsible for the preparation and presentation of the Financial Information (including the determination of the Pro Forma adjustments set out in **Appendix B** to this report).

The Financial Information has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this Report or on the Financial Information to which it relates, for any purpose other than that for which it was prepared.

The Financial Information is presented in summarised form in that it does not include all of the disclosures required by Australian Accounting Standards applicable to interim financial reports prepared in accordance with the Corporations Act 2001.

This Report does not address the rights attaching to the Shares to be issued, the risks associated with the investment, nor form the basis of an independent expert's opinion with respect to a valuation of the company or a valuation of the Offer Price of \$1.00 per Share.

We have not been requested to consider the prospects for the Company, nor the merits and risks associated with becoming a shareholder and have not done so, nor purport to do so. Accordingly, we take no responsibility for those matters or for any matter or omission in the Prospectus, other than responsibility for our Report.

This Report should be read in conjunction with the full Prospectus.

#### 5. Scope

We have reviewed the Financial Information set out in **Appendix A** of this report in order to report on whether anything has come to our attention which causes us to believe that the Financial Information is not presented fairly in accordance with the basis of preparation as described in **Appendix C – Note 1** of this report.

Our review was conducted in accordance with Australian Standard on Review Engagements ASRE2405 "Review of Historical Financial Information Other than a Financial Report". We have made such enquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances including:

- Analytical procedures on the Financial Information;
- A review of work papers, accounting records and other documents;
- A review of Pro Forma adjustments and assumptions on which they are based as described in **Appendix B** of this report;
- A review of the application of the recognition and measurement principles in Australian Accounting Standards and the accounting policies adopted by the Company as disclosed in **Appendix C – Note 1** of this report;
- Enquiry of Directors, management and others of the Company.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. For the purposes of this Report, we have not performed an audit and, accordingly, we do not express an audit opinion on the Financial Information.





## 6. Review Statements

### 6.1. Historical Financial Information

Based on the scope of our review, which is not an audit, nothing has come to our attention which causes us to believe that the Historical Financial Information as set out in **Appendix A** of this report is not presented fairly in accordance with the basis of preparation as described in **Appendix C – Note 1** of this report.

### 6.2. Pro Forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that the Pro Forma Historical Financial Information as set out in **Appendix A** of this report, is not presented fairly on the basis of the Pro Forma transactions and adjustments described in **Appendix B** of this report and in accordance with basis of preparation described in **Appendix C – Note 1** of this report.

## 7. Subsequent Events

Apart from the matters dealt with in this report, and having regard to the scope of our report, to the best of our knowledge and belief, nothing has come to our attention that would cause us to believe that matters arising after 31 December 2012, other than matters dealt with in **Appendix B** of this report, would require comment on, or adjustment to, the information referred to in our report or that would cause such information to be misleading or deceptive.

## 8. Independence

Lawler Hacketts Audit is the auditor of the Company.

Lawler Hacketts Audit do not have any interest in the outcome of the Offer, nor any interest in any shares or other securities in the company or any pecuniary interests that could reasonably be regarded as being capable of affecting their ability to give an unbiased statement in relation to the Offer, Prospectus or financial report of the company.

Lawler Hacketts Audit will receive a fee for the preparation of this Report as set out in section 11.12 of the prospectus.

## 9. Other Important Considerations

This Report constitutes general financial product advice only and Lawler Hacketts Audit has not made, and will not make, any recommendation through the issue of this Report as to the merits of an investment in Shares issued by the company.

Before making any decision to acquire Shares, a prospective applicant should consider the appropriateness of the investment in light of their own personal circumstances. It is strongly recommended that all prospective applicants seek professional advice in regards to the appropriateness of an investment in Shares of the Company.

**10. Consent**

Consent for the inclusion of this report in the Prospectus in the form and context in which it appears has been given. At the date of this Report consent had not been withdrawn.

Yours faithfully

**LAWLER HACKETTS AUDIT**

**Liam Murphy**  
Partner

## APPENDIX A

**MALABAR COAL LIMITED**  
**INVESTIGATING ACCOUNTANT'S REPORT**  
**FINANCIAL INFORMATION**

	Appendix C Note	Audited 30 June 2012 \$	Reviewed 31 December 2012 \$	Pro-Forma 31 December 2012 \$
<b>Current Assets</b>				
Cash and cash equivalents	3	22,425,110	3,897,305	22,231,317
Trade and other receivables	5	99,348	56,468	56,468
Other financial assets	6	11,271	221,705	221,705
Other current assets	7	708,524	3,075,332	2,672,102
<b>Total Current Assets</b>		<b>23,244,253</b>	<b>7,250,810</b>	<b>25,181,592</b>
<b>Non-Current Assets</b>				
Trade and other receivables	5	35	35	35
Property, plant and equipment	8	1,082	14,713,792	14,713,792
Capitalised exploration and evaluation costs	9	13,580,269	27,841,556	27,841,556
Deferred tax assets	10	330,000	330,000	950,765
<b>Total Non-Current Assets</b>		<b>13,911,386</b>	<b>42,885,383</b>	<b>43,506,148</b>
<b>Total Assets</b>		<b>37,155,639</b>	<b>50,136,193</b>	<b>68,687,740</b>
<b>Current Liabilities</b>				
Trade and other payables	11	265,554	527,020	527,020
<b>Total Current Liabilities</b>		<b>265,554</b>	<b>527,020</b>	<b>527,020</b>
<b>Non-Current Liabilities</b>				
Trade and other payables	11	582,945	10,226,814	10,226,814
Borrowings	12	-	3,475,000	3,475,000
<b>Total Non-Current Liabilities</b>		<b>582,945</b>	<b>13,701,814</b>	<b>13,701,814</b>
<b>Total Liabilities</b>		<b>848,499</b>	<b>14,228,834</b>	<b>14,228,834</b>
<b>Net Assets</b>		<b>36,307,140</b>	<b>35,907,359</b>	<b>54,458,906</b>
<b>Equity</b>				
Share capital	4	36,230,002	36,570,002	55,433,921
Reserves	13	332,569	263,362	-
Retained profits/ (accumulated losses)	14	(255,473)	(914,072)	(963,082)
Parent interest		36,307,098	35,919,292	54,470,839
Non-controlling interests		42	(11,933)	(11,933)
<b>Total Equity</b>		<b>36,307,140</b>	<b>35,907,359</b>	<b>54,458,906</b>

The accompanying notes form part of this financial information.

**MALABAR COAL LIMITED**  
**PRO FORMA ADJUSTMENTS**

The pro forma statement of financial position reflects the proposed financial structure of the Company after completion of the Offer, on the basis of the following significant transactions which have occurred subsequent to 31 December 2012, and those assumptions and transactions contemplated by this Prospectus, having occurred at 31 December 2012.

Details on material agreements, deeds and other contracts are outlined in Material Contracts (Section 10) of this Prospectus.

**Pre Public Offering:**

- On 7 February 2013 the holders of Shares of Malabar Coal approved the subdivision of all of the issued shares in the Company from 18,382,822 Shares to 40,999,979 Shares, to be applied pro rata between all holders of Shares of the Company. The approval is conditional upon the Company receiving \$20,000,000 from subscribers under the Offer.
- The Company has in place an executive share option plan, being the Malabar Coal executive share option plan ("Plan") that is governed by the Plan rules ("Plan Rules"). The Plan was approved by the Board on 23 January 2013. As at the date of this report, the Company has agreed to grant 450,000 options (post subdivision) under the Plan on the business day immediately prior to the ASX Quotation Date. No options have been granted by the Company as at the date of this report.
- The terms of the converting preference shares provide for the conversion of 20,000,000 preference shares into 24,000,021 ordinary shares (post subdivision).
- The Company is a party to a Shareholders Agreement that provides for a management fee to be payable by the Company to Ironstone Capital Partners Pty Ltd ("Ironstone Capital"). The fee is 340,000 shares per annum payable based on services provided annually from 8 July each year. 162,569 shares (pre subdivision) (\$263,362) have been accrued as share based payments expense for the management fee payable for the period 9 July 2012 to 31 December 2012. As disclosed in section 1.7 of the Prospectus, the Shareholders Agreement terminates on the date of commencement of the initial public offering under the Prospectus. A pro rata number of shares have been issued to Ironstone Capital for settlement of the management fee payable from 8 July 2012 to 31 January 2013. The directors have resolved that 192,822 shares (pre subdivision) be issued in settlement of the final management fees payable. This includes the 162,569 shares (pre subdivision) accrued to 31 December 2012 noted above and 30,253 further shares (pre subdivision) adjusted to retained earnings as a pro forma adjustment.

**Initial Public Offering**

At the Annual General Meeting held on 7 February 2013, the members resolved to approve the initial public offering of the Company of 20,000,000 Ordinary Shares by way of a prospectus. The shares will be issued at an issue price of \$1.00 per Share to raise \$20,000,000 ("the Offer"). The Offer is fully underwritten.

The pro forma financial information includes the following transactions contemplated by the prospectus:

- a) Issue of 20,000,000 ordinary shares (post subdivision) at \$1 each to raise \$20,000,000; and
- b) The estimated cash issue expenses associated with the preparation for the Prospectus and capital raising are \$2,069,218 (\$1,448,453 net of tax) being offset against the share capital raised. \$620,765 of deferred tax asset has been taken to account with respect of the estimated capital raising costs as a pro forma adjustment. An amount of approximately \$403,230 had been paid and taken up as other current assets in the company's statement of financial position as at 31 December 2012. This has been offset against share capital in the pro forma statement of financial position. The remaining \$1,665,988 represents estimated capital raising costs to be incurred after the completion of the Initial Public Offering and has been included as a pro forma adjustment against cash proceeds from the offer and share capital.

The Company will use the funds raised from the Initial Public Offering to fund the continued development of the Project and provide general working capital for the Company. Until utilised, the funds will remain in the cash account as reflected by the increase in cash assets.

**MALABAR COAL LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL INFORMATION**

---

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The Financial Information has been prepared in accordance with the recognition and measurement principles, but not all of the disclosure requirements, prescribed in Australian Accounting Standards and other mandatory professional reporting requirements in Australia, including Australian Accounting Interpretations for the presentation of financial information in a Prospectus in Australia. In the view of the Directors of the Company, the omitted disclosures would provide no further relevant information to potential investors.

**Historical Cost Convention**

These financial statements have been prepared on an accruals basis and based on historical costs modified where applicable by the measurement of fair value of selected non-current assets, financial assets and financial liabilities.

**Critical accounting estimates**

The preparation of the financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

**Key judgments**

*Exploration and evaluation expenditure*

The Group has recognised exploration and evaluation expenditure of \$27,841,556 including \$25,636,233 in relation to the fair value of the exploration licences acquired by the Group. Exploration and evaluation costs are capitalised in accordance with the accounting policy set out in Note 1(d). Given exploration activities have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of recoverable resources and the difficulty in forecasting cash flows to assess the fair value of exploration and evaluation expenditure there is uncertainty as to the carrying value of exploration and evaluation expenditure. The ultimate recovery of the carrying value of exploration and evaluation expenditure is dependent upon the successful development and commercial exploitation or, alternatively, sale of the interest in the tenement. The Directors are of the opinion that the exploration and evaluation expenditure is recoverable for the amount stated in the financial report.

These estimates and associated assumptions are based on historic experience and various other factors, including expectations of future events that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgement about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and assumptions are reviewed and evaluated on an ongoing basis.

The following specific accounting policies have been adopted in the preparation of Financial Information. Unless otherwise stated, the accounting policies adopted are consistent with the accounting policies adopted for the preparation of the financial report of the Group for the period ended 31 December 2012.

**a) Principles of consolidation**

The consolidated statements of financial position incorporate the assets and liabilities of entities controlled by the legal parent, Malabar Coal Limited ("the Company") or ("parent entity").

A controlled entity is an entity over which the Group has the power to govern the financial and operating policies.

All inter-company balances and transactions between entities in the consolidated Group have been eliminated on consolidation. Accounting policies of subsidiaries are consistent with the policies adopted by the parent.

**b) Business combinations**

Business combinations are accounted for using the acquisition method. The consideration transferred by the acquiree in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer.

**MALABAR COAL LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL INFORMATION**

---

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**c) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand and deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**d) Exploration and development expenditure**

Expenditure is accumulated separately for each area of interest until such time as the area is abandoned or sold. The realisation of the value of the expenditure carried forward depends on any commercial results that may be obtained through successful development and exploitation of the area of interest or alternatively by its sale. If an area of interest is abandoned or is considered to be of no further commercial interest the accumulated exploration costs relating to the area are written off against income in the year of abandonment. Some exploration expenditure may also be written off where areas of interest are partly relinquished. In cases where uncertainty exists as to the value, provisions for possible diminution in value are established.

Exploration licences are recognised in accordance with AASB3: Business Combinations. Additions to Exploration Licences are recognised as the fair value of licences acquired at the time of each increase in the Groups participant interest in the Spur Hill Project.

**e) Other financial assets**

Financial assets are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie, trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

**f) Trade and other payables**

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

**g) Share Capital**

Ordinary shares and convertible preference shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**h) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

**Note 2: Pro-Forma Consolidated Statement of Financial Position**

The Pro Forma Consolidated Statement of Financial Position (Pro Forma) has been prepared to illustrate the effects of the Offer and significant transactions since 31 December 2012. The Pro Forma has been based on the reviewed statement of financial position of the Company as at 31 December 2012 and assumes completion of the Offer and is based on the assumption that the transactions and events contemplated in this Prospectus (Refer **Appendix B** to this report), referred to as the Pro Forma adjustments, which are to take place on or before the completion of the Offer or shortly thereafter as if they had occurred on or before 31 December 2012.

## APPENDIX C

**MALABAR COAL LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL INFORMATION**
**Note 3 - Reconciliation of Pro forma Cash**

	<b>Pro-Forma 31 December 2012 \$</b>
Cash as at 31 December 2012	3,897,305
Issued under the Prospectus (1)	20,000,000
Cash issue expenses	<u>(1,665,988)</u>
Pro forma Cash as at 31 December 2012	<u>22,231,317</u>

(1) Refer Appendix B for details of pro forma adjustments

**Note 4 – Share Capital**

	<b>Shares Number</b>	<b>Issue Price \$</b>	<b>Share Capital \$</b>
Ordinary shares (a)	18,190,000		17,340,002
Converting preference shares (b)	20,000,000		20,000,000
Capital raising costs	-		<u>(770,000)</u>
<b>Balance as at 31 December 2012</b>			<u><b>36,570,002</b></u>

a) **Movement in Ordinary Shares to 31 December 2012:**

• At establishment on 24 July 2011	1	1.00	1
• Ordinary Shares on 19 <sup>th</sup> July 2011 (1)	849,999	-	1
• Ordinary Shares on 19 <sup>th</sup> July 2011(2)	17,000,000	1.00	17,000,000
• Ordinary Shares on 4 <sup>th</sup> October 2012 (3)	<u>340,000</u>	1.00	<u>340,000</u>
Balance at 31 December 2012	<u><b>18,190,000</b></u>		<u><b>17,340,002</b></u>

- (1) On 19 July 2011, the Company has issued 849,999 ordinary shares to Ironstone Capital for total consideration of \$1. These shares were issued to Ironstone Capital when the Company was first established, prior to the 17,000,000 ordinary shares being issued to the ordinary shareholders in Malabar. The net tangible assets of the Company at that time was \$1 and the fair value of the shares has been determined by the directors on their assessment as to the fair value of the Company at 19 July 2011.
- (2) On 19 July 2011, following the above issue, the company issued 17,000,000 ordinary shares for \$1.00 per share in exchange for subscription monies received following a capital raising with sophisticated investors.
- (3) On 4 October 2012, the company issued 340,000 ordinary shares to Ironstone Capital for \$1.00 per share for annual management services provided in accordance with the Shareholders Agreement.

## APPENDIX C

**MALABAR COAL LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL INFORMATION**

	Shares Number	Issue Price \$	Share Capital \$
b) <b>Movement in Converting Preference Shares:</b>			
• At establishment on 24 July 2011	-		-
• Issue of 20,000,000 fully paid converting preference shares on 22 May 2012	20,000,000	1.00	20,000,000
Balance at 31 December 2012	<u>20,000,000</u>		<u>20,000,000</u>

On 2 May 2012 the company issued 20,000,000 converting preference shares at \$1 each to the sophisticated investors and/or professional investors.

The converting preference shares pay no dividend and are convertible to ordinary shares in the company on the date on which the ASX confirms the Company's ASX Listing. Pursuant to the terms of the CPS, the number of Shares in the Company into which each CPS will convert at that time will be determined by dividing the conversion value of \$1.20 (being the issue price for each CPS of \$1.00 multiplied by 120%) by the final price per Share under the offer.

	Shares Number	Issue Price \$	Share Capital \$
c) <b>Pro Forma Transaction post 31 December 2012 (1)</b>			
<i>Ordinary shares</i>			
As at 31 December 2012	18,190,000		16,570,002
Share based payment – management investment fee	192,822	1.62	312,372
Share split	22,617,157	-	-
Conversion of preference shares	24,000,021	0.83	20,000,000
Issued under the Prospectus	20,000,000	1.00	20,000,000
Cost of issue (net of tax)	-		(1,448,453)
Pro Forma Ordinary share capital as at 31 December 2012	<u>85,000,000</u>		<u>55,433,921</u>
<i>Preference shares</i>			
As at 31 December 2012	20,000,000		20,000,000
Conversion of preference shares	<u>(20,000,000)</u>		<u>(20,000,000)</u>
Pro Forma Preference share capital as at 31 December 2012	<u>-</u>		<u>-</u>

(1) Refer Appendix B for details on pro forma adjustments

	Audited 30 June 2012 \$	Reviewed 31 December 2012 \$	Pro-Forma 31 December 2012 \$
<b>Note 5. Trade and Other Receivables</b>			
Other receivables – current assets	99,348	56,468	56,468
Other receivables – non-current assets	35	35	35



## APPENDIX C

**MALABAR COAL LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL INFORMATION**

	Audited 30 June 2012 \$	Reviewed 31 December 2012 \$	Pro-Forma 31 December 2012 \$
<b>Note 6 Other financial assets</b>			
Security deposit	11,271	17,981	17,981
Prepaid interest and facility fee	-	203,724	203,724
	<u>11,271</u>	<u>221,705</u>	<u>221,705</u>
<b>Note 7 Other current assets</b>			
Prepayment on purchases of land	700,000	1,900,000	1,900,000
Call options acquired	-	420,001	420,001
Stamp duty prepaid	-	343,577	343,577
Deferred capital raising costs (1)	-	403,230	-
Other assets	8,524	8,524	8,524
	<u>708,524</u>	<u>3,075,332</u>	<u>2,672,102</u>
(1) Deferred capital raising costs are offset against share capital as a pro-forma adjustment. Refer Appendix B			
<b>Note 8 Property, plant &amp; equipment</b>			
Building, plant and equipment - at cost	1,283	284,247	284,247
Less: accumulated depreciation	(201)	(2,430)	(2,430)
	<u>1,082</u>	<u>281,817</u>	<u>281,817</u>
Land - at cost	-	14,431,975	14,431,975
	<u>1,082</u>	<u>14,713,792</u>	<u>14,713,792</u>
<b>Note 9 Capitalised exploration and evaluation cost</b>			
Mining information	377,782	377,782	377,782
Exploration licence	12,615,181	25,636,233	25,636,233
Exploration & evaluation expenditures	587,306	1,827,541	1,827,541
	<u>13,580,269</u>	<u>27,841,556</u>	<u>27,841,556</u>
The capitalised exploration and evaluation expenditure carried forward above has been determined as follows:			
Opening balance	-	13,580,269	13,580,269
Mining information	377,782	-	-
Exploration licence	232,651	-	-
Increase in participants interest in exploration licence during the period	12,382,530	13,021,052	13,021,052
Expenditures incurred during the period	587,306	1,240,235	1,240,235
	<u>13,580,269</u>	<u>27,841,556</u>	<u>27,841,556</u>
<b>Note 10 Deferred tax assets</b>			
Capital raising costs	330,000	330,000	950,765

## APPENDIX C

**MALABAR COAL LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL INFORMATION**

	Audited 30 June 2012 \$	Reviewed 31 December 2012 \$	Pro-Forma 31 December 2012 \$
<b>Note 11 Trade and Other Payables</b>			
<i>Current:</i>			
Other creditors	265,554	527,020	527,020
<i>Non Current:</i>			
Other creditor	4,324	6,387	6,387
Loan payable SHA to Spur Hill Joint Venture (1)	578,621	10,220,427	10,220,427
	582,945	10,226,814	10,226,814

- (1) As at 31 December 2012, one of the Company's subsidiaries, Spur Hill Agricultural Pty Ltd ("SHA"), had borrowed \$14,128,858 from the Spur Hill Joint Venture to purchase land and options. The Malabar Group has a 27.7% interest in the Spur Hill Joint Venture. The remaining 72.3% interest in the Spur Hill Joint Venture is held by a third party external to the Group, Spur Hill Unit Trust. In accordance with AASB 11: Joint Arrangements, the Group has incorporated the Joint Venture's assets and liabilities in proportion to its ownership interest in the Joint Venture. The loan payable disclosed above represents the loan payable by Spur Hill Agricultural to the Spur Hill Joint Venture after elimination on consolidation of the portion of the loan that relates to Malabar Group's 27.7% interest in the Joint Venture.

**Note 12 Borrowings***Non Current:*

Borrowings - Bank Loan	-	3,475,000	3,475,000
	-	3,475,000	3,475,000

Security on the facility consists of general security agreements, real property mortgages and water allocation licence mortgage over the assets of the subsidiary company that is the borrowing entity in the Group, Spur Hill Agriculture Pty Ltd. Malabar Coal Limited has guaranteed and indemnified the facility.

**Note 13 Reserves**

	Pro-Forma 31 December 2012 \$
Share based payments reserve as at 30 June 2012	332,569
Transfer to Share capital upon issue of shares	(332,569)
Accrual of share based payment as at 31 December 2012	263,362
Share based payments reserve as at 31 December 2012	263,362
Pro forma transfer of reserve to Share capital upon settlement of outstanding management fee payable	(263,362)
Pro forma Share based payments reserve as at 31 December 2012	-

At 30 June 2012, the balance represents \$332,569 ordinary shares reserve as a share based payment to Ironstone Capital for the services provided in accordance with the Shareholders Agreement. The value of the service could not be reliably determined by Ironstone Capital. As a result, the fair value of the share based payments has been determined by the directors on their assessment as to the fair value of the Company at 30 June 2012. Subsequently, in October 2012, the board has resolved the issuance of the 340,000 ordinary shares (pre subdivision) in settlement of the liability and at that time, resulting in this balance being transferred to share capital.



## APPENDIX C

**MALABAR COAL LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL INFORMATION**

**Note 13 Reserves (continued)**

Pursuant to the Shareholders Agreement, 162,569 ordinary shares (pre subdivision) were reserved for the period ended 31 December 2012 as a share based payment to Ironstone Capital. A fair value of \$1.62 per share has been determined by the directors based upon fair value of the Company at 31 December 2012 discounted by 27.5% for the additional risks associated with an illiquid asset. These shares have been issued as a pro forma adjustment in the pro forma statement of financial position resulting in \$263,362 being transferred to share capital.

**Note 14 Retained profits/ (Accumulated Losses)**

	<b>Pro-Forma 31 December 2012 \$</b>
Accumulated losses as at 30 June 2012	(255,473)
Profit (loss) for the half year ended 31 December 2012	<u>(658,599)</u>
Accumulated losses as at 31 December 2012	(914,072)
Pro forma share based payment expense (1)	<u>(49,010)</u>
	<u>(963,082)</u>

- (1) A further 30,253 ordinary shares (pre subdivision) have been issued at \$1.62 per share as a pro forma adjustment as share based payments in accordance with the Shareholder's Agreement for services provided by Ironstone Capital from 31 December 2012 to 31 January 2013.

**Note 15 Related Party Transactions****a. Transactions with related parties to the date of this report**

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

*Relationship with Ironstone Capital*

Ironstone Capital is a boutique corporate advisory business owned by two of the Directors – Wayne Seabrook and Simon Keyser. Ironstone Capital established Malabar for the purpose of acquiring an interest in the Project.

Malabar Coal has an investment management arrangement with Ironstone Capital for the provision of corporate advisory and investment management services, on commercial, arms-length terms. An aggregate of 532,822 Shares (pre subdivision) (1,188,375 Shares, post Subdivision) have been issued to Ironstone Capital for investment management services provided to the Company up to the date of this Report. This investment management arrangement terminates on IPO date.

Transactions with Ironstone Capital to the date of this report are detailed in sections 10 and 11 of the Prospectus.

*Other Related Party Transactions*

As at the date of this report the Group had been a party to other related party transactions. These transactions are detailed in sections 10 and 11 of the Prospectus

**MALABAR COAL LIMITED****NOTES TO AND FORMING PART OF THE FINANCIAL INFORMATION****Note 15 Related Party Transactions (continued)****b. Transactions with key management personnel**

Management has identified the following personnel as the Key Management Personnel (KMP) of the Company and the Group during the period and up to the date of this report:

- Wayne Seabrook, Non-Executive Chairman
- Hans Mende, Non-Executive Director
- Andy Plummer, Non-Executive Director
- Simon Keyser, Non-Executive Director
- Brian Beem, Alternate Director to Hans Mende (resigned 23 January 2013)
- Aldo Dal Pozzo, Alternate Director to Simon Keyser (resigned 23 January 2013)
- Anthony Galligan (appointed 23 January 2013)
- Peter Doyle, Chief Executive Officer
- Ian Morgan, Company Secretary

Remuneration paid to Director Key Management Personnel to the date of this report is detailed in section 10 and 11 of the Prospectus. Peter Doyle received remuneration of \$244,745 from the Spur Hill Joint Venture.

**Note 16 Capital and Leasing Commitments**

	<b>31 December 2012 \$</b>
<b>a. Operating Lease Commitments</b>	
Non-cancellable operating leases contracted for but not recognised in the financial statements	
Payable – minimum lease payments:	
– not later than 12 months	122,629
– between 12 months and 5 years	546,256
	668,885
<p>The property lease is a non-cancellable lease with a 5-year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments shall be increased by the lower of the change in the consumer price index (CPI) or 4% per annum.</p>	
<b>b. Capital Commitments</b>	
Commitments on the reporting date but not recognised as liability:	
Properties	5,700,000

On 13 July 2012, Spur Hill Agricultural Pty Ltd (SHA), entered into a contract to purchase a property related to the Project for a total consideration of \$2,700,000. A prepayment of \$675,000 was paid on that date and recorded under Other Current Asset account on the statement of financial position as at 31 December 2012.

On 10 August 2012, SHA entered into a contract to purchase a property related to the Project for a total consideration of \$4,900,000. A prepayment of \$1,225,000 was paid on that date and recorded under Other Current Asset account on the statement of financial position as at 31 December 2012.



## APPENDIX C

**MALABAR COAL LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL INFORMATION**

**Note 16 Capital and Leasing Commitments (continued)**

**c. Other Commitments**

**Project Commitments**

The Group has entered into various contracts in relation to its participation in the Spur Hill Joint Venture The Farm in Agreement provides for the Group to make payments to the other Joint Venture participant based on the achievement of Project milestones. On achievement of each of the following four Milestones, SH2 is obliged to pay the other participant \$2.5 million in exchange for a 2.5% Participating Interest:

- i. Proved JORC Reserves of at least 80 million tonnes;
- ii. submission of an environmental assessment for the Project;
- iii. completion of a detailed feasibility study into the development of the Project; and
- iv. grant of a Mining Lease.

As the Project develops, the Group will be required to make further contributions to the Project Joint Venture to continue to keep the Project viable. The Group may make discretionary prepayments of contributions to the Project to increase its participating interest.

**Note 17 Contingencies and Events after the Reporting Period ended 31 December 2012**

At the board meeting on the 23 January 2013 the board resolved:

1. to issue a total of 192,822 shares (pre subdivision) to Ironstone Capital under the shareholders agreement. This is for the pro-rata management fee through to 31 January 2013 and includes the 162,569 shares reserved as at 31 December 2012. The 192,822 shares will be cancelled if the proposed IPO does not go ahead.
2. to issue of 200,000 options (post subdivision) to directors under an employee share option plan. The options have a value of \$85,346 and will be expensed as share based payments over their vesting periods.
3. to issue of 250,000 options (post subdivision) to management under an employee share option plan. The options have a value of \$106,750 and will be expensed as share based payments over their vesting periods.

At the Annual General Meeting held on the 7 February 2013 the members resolved:

1. to approve the issue of shares under the initial public offering; and
2. to approve the subdivision of shares.

Both the above resolutions have been included as pro forma adjustments as noted in Appendix B to this report.

The Group is currently receiving quarterly transfers of interest in project tenements. Stamp duty is payable on the transfers of the tenement interest. Depending upon government policy, the group expects to pay between \$278,000 and \$4,113,000 in stamp duty on transfers of interest in tenements subsequent to 31 December 2012.

**Options**

The Group is a party to several put and call options in relation to land and certain assets located on or adjacent to the Project area. Fees paid for options are included in other current assets. A summary of options held or sold as at the date of the Prospectus is included in Section 10 of the Prospectus.

Other than the matters noted above or disclosed in the Prospectus, the directors are not aware of any other material matter or circumstance that has occurred subsequent to the end of the half-year that has significantly affected, or may significantly affect, the operations of the Company or economic entity, the results of those operations or the state of affairs of the Company or economic entity in subsequent financial years.

# 10. Material Contracts



## 10.1 FARM-IN AGREEMENT

On 8 July 2011, the Company, SH2 (a wholly owned Subsidiary of the Company) and SHUT (a third party) entered into the Farm-In Agreement for the Spur Hill Joint Venture and containing the following material terms and conditions:

- a. **(Initial Participating Interests)** SH2 held a Participating Interest of 15% as at the Commencement Date. The Company acquired 100% of SH2 from SHUT on the Commencement Date by payment of \$10 million (for the purposes of this Section, the **Initial Purchase Price**). SHUT held a Participating Interest of 85% on the Commencement Date.
- b. **(Acquiring Participating Interests)** SH2 may increase its Participating Interest from 15% up to 80% by:
  - a. making Milestone Payments;
  - b. making Sole Funding Expenditure;
  - c. exercising the Call Option; and
  - d. undertaking certain activities as described in the Farm-In Agreement.
- c. **(Milestone Payments)** On achievement of each of the following 4 Milestones, SH2 is obliged to pay SHUT \$2.5 million in exchange for a 2.5% Participating Interest:
  - a. Proved JORC Reserves of at least 80 million tonnes;
  - b. submission of an environmental assessment for the Project;
  - c. completion of a detailed feasibility study into the development of the Project; and
  - d. grant of a Mining Lease.
- d. **(Sole Funding and current Participating Interest)** SHUT does not have any funding obligation for Expenditure in relation to the Spur Hill Project prior to SH2 earning a Participating Interest of 65% or SH2 electing to cease Sole Funding. If SH2 wishes to earn up to an additional 40% Participating Interest, SH2 must pay up to \$70 million of Expenditure. This farm-in will be confirmed quarterly by the parties after the Commencement Date. As soon as practicable after such confirmation by the parties, SHUT must execute and deliver to SH2 the relevant transfer interest and confirm by way of an Ownership Certificate. The parties have entered into a Deed of Acknowledgement under which SHUT has confirmed an additional Participating Interest of 12.7% has been acquired by SH2 during the period between the Commencement Date and 31 December 2012. The total Participating Interest held by SH2 as at 31 December 2012 is 27.7%.
- e. **(Accelerated farm-in)** SH2 may at any time accelerate its acquisition of the Participating Interests referred to above by making the remaining Milestone Payments and prepaying the Expenditure under the above Sole Funding provisions. SH2 can do this by paying in immediately available funds the sum of:
  - a. \$20 million less the Initial Purchase Price and amounts already paid under the Milestone Payments; and
  - b. \$70 million less amounts already paid under the Sole Funding provisions.
- f. **(End of Sole Funding)** Either party may give written notice to the other advising the date that the Sole Funding Period has ended. SH2 may cease Sole Funding by not less than 45 Business Days written notice to SHUT at any time during the Sole Funding Period. SH2 must fund any financial commitments in relation to the Spur Hill Project after cessation of Sole Funding if those commitments were made prior to the cessation of Sole Funding and are unable to be terminated. This is subject to a maximum expenditure of \$70 million.
- g. **(Commencement of Joint Venture)** The JV Commencement Date is the date on which the Sole Funding Period ends. Before that date, the terms of this Farm-In Agreement govern the Spur Hill Joint Venture and the Joint Venture Property. After that date, the Joint Venture Agreement will apply in accordance with its terms (see Section 10.2 below).
- h. **(Call Option)** SHUT has also granted SH2 the right to acquire an additional 15% Participating Interest (the granting on that right being for a consideration of \$1.00). The Call Option may be exercised only once by SH2 during two separate exercise periods. These exercise periods are:
  - a. a 30 day period before SH2 anticipates it will achieve a 65% Participating Interest; or
  - b. within 30 days of the date on which SH2 anticipates construction of the Project will begin.

The Call Option is in respect of 15% Participating Interest only, unless as a result of the exercise of the Call Option SH2's Participating Interest will exceed 80% in which case the Call Option will be scaled back such that SH2's total Participating Interest will be limited to 80% and the Exercise Price (see below) will be reduced accordingly.

The Exercise Price for the Call Option is calculated as follows:

- c. \$2 million per Participating Interest in the event that there is no Eastern Development included in the Mining Lease (or if not granted, the Mining Lease Application) on or before the time of exercise of the Call Option; or
- d. \$3 million per percentage Participating Interest in the event that there is an Eastern Development included in the Mining Lease (or if not granted, the Mining Lease Application) on or before the time of exercise of the Call Option, or there is an Eastern Development included subsequent to the exercise of the Call Option.

- i. **(SHUT free and funded carry)** SHUT does not have any funding obligation for Expenditure in relation to the Project prior to SH2 earning a 65% Participating Interest, unless SH2 elects to cease Sole Funding. On and from the JV Commencement Date, SH2 and SHUT must contribute Expenditure in proportion to their Participating Interest subject to the following.

If requested by SHUT, SH2 must fund SHUT's required contributions to the Project as follows:

- a. if SH2 acquires a 65% Participating Interest, SH2 must meet Cash Calls in relation to the Project on behalf of SHUT up to a maximum of 20% of total Cash Calls in relation to the Project if SHUT exercises its rights for loan funding (see sub paragraph c. below) (for the purposes of this Section, **Joint Venture Period Funding**); and
- b. up to a maximum of 15% if the Call Option is not exercised by SH2 in the exercise period referred to at Section 10.1(h)(a) above (for the purposes of this Section, **Call Option Period Funding**) and until SH2 exercises the Call Option or the exercise period referred to at Section 10.1(h)(b) lapses. Upon exercising the Call Option, SHUT's funded carry will revert to 20% under sub-paragraph a. above. The Call Option Period Funding is not repayable if the Call Option is subsequently exercised but will be repaid with interest if SHUT sells any of its Participating Interest to a third party. This funding by SH2 will be added to the funded carry rights of SHUT set out in sub-paragraph c. below. If SHUT elects to fund some or all of its obligations with respect to its Participating Interest of 15% and SH2 subsequently exercises its Call Option, SH2 must repay to SHUT such funding (and all costs incurred by SHUT) at the time of exercise of the Call Option; and
- c. after the JV Commencement Date and completion of Sole Funding and until construction of the mine and infrastructure related to the Project is undertaken and completed, SHUT may require SH2 (or a related body corporate of SH2 including the Company) to fund its share of costs in relation to the Project by way of a loan with the following material terms:
  - i. Interest – Westpac Standard Business Rate plus 2% p.a.;
  - ii. Repayment generally – no principal or interest repayment until receipt of revenue from the first sale of coal from the Spur Hill Joint Venture;
  - iii. Repayment on sale – if SHUT sells any of its Participating Interest to a third party, a certain percentage of the net sale proceeds will be used for repayment. This percentage will be 90% in the case of partial sales of SHUT's Participating Interest up to the first 20% of such Participating Interest and 100% in all other cases;
  - iv. Repayment immediately – all outstanding principal and interest to be immediately repaid upon dissolution of the Spur Hill Joint Venture, within 5 years after SH2 ceases to hold a Participating Interest or within 5 years after the date of receipt of revenue from the first sale of coal from the Spur Hill Joint Venture;
  - v. Security – the Company will receive a first ranking mortgage over SHUT's Participating Interest.

In summary therefore, this means that after the JV Commencement Date, the Group will contribute the funding for SHUT's share of the Spur Hill Project costs which is then repaid (with interest) once the Spur Hill Project is in operation and earning revenue.

- j. **(Land strategy)** The funding of the Land Acquisition Expenditure will be made by SH2 in accordance with its Sole Funding activities that form part of the Expenditure for the purposes of the Sole Funding provisions. The Land Acquisition Expenditure includes Expenditure sourced from loans made via the SHA Facility (see Section 10.7 below) and via an intercompany loan from Spur Hill Management to Spur Hill Agricultural dated 18 June 2012, the balance of which was \$14,128,858 as at 31 December 2012.
- k. **(Eastern Development)** SH2 has a number of obligations associated with the Eastern Development. SH2 is required to use best endeavours to establish the Eastern Development as a sublease (or other suitable title arrangement) to the Tenement as soon as practical during the Sole Funding Period. SH2 must also undertake two desk top studies to examine the alternatives for the mining of coal in the Eastern Development area. The first of these studies has been completed and it concluded that it was not feasible to mine the Eastern Development. The second study must be completed no later than the commencement of longwall mining which is expected to occur in 2017, on the basis of the conceptual development plan (refer to Section 2.8 Conceptual Development Plan). If the second Eastern Study concludes against the Eastern Development, SH2 must exclude it from the Spur Hill Joint Venture such that SH2 no longer holds an interest in the Eastern Development. This must be assigned to SHUT and be done, by way of sub-lease or other arrangement, within 180 days of the date of the second Eastern Study concluding against the Eastern Development and provided that:
  - such assignment is permissible at law;
  - all costs relating to the assignment are borne by SHUT;
  - all approvals and development of the Eastern Coal will be at SHUT's sole risk and cost;
  - SH2 will have no ongoing obligations in relation to the Eastern Coal. These will be the sole responsibility of SHUT; and
  - in the opinion of SH2, acting reasonably and in good faith, such assignment will not materially and adversely impact (directly or indirectly) the gaining of approvals for the Mining Lease being sought by SH2 for the underground operations on the Tenement.



In consideration of incurring expenditure for the Eastern Studies, SH2 or a related body corporate of SH2 has the right (but not the obligation) to farm-in on the Eastern Coal by the expenditure of an additional \$30 million in order to earn a 65% participating interest in the Eastern Area.

- i. **(Management of Project during Sole Funding Period – Farm-In Management Committee)** After the Commencement Date, a Farm-In Management Committee was established and will continue until the completion of the Sole Funding Period.

Each Participant has one vote on the Farm-In Management Committee. SH2 has a casting vote. There are certain decisions of the Farm-In Management Committee which will require unanimous approval by each Participant including:

- a. cessation of the Spur Hill Project;
- b. surrendering or dealing with the Tenement (other than as required by law);
- c. acquisitions of additional tenements by the Participants;
- d. carrying out any activities not related or incidental to the Spur Hill Project;
- e. allowing assets of the Spur Hill Joint Venture to be used for other purposes; and
- f. the commencement, defence or settlement of legal proceeding involving the Spur Hill Joint Venture.

All other decisions, including the Decision to Mine, will be determined by a simple majority of votes.

During the Sole Funding Period, the activities to be conducted in respect of the Spur Hill Project shall be determined and managed by Spur Hill Management acting as the initial project manager. The initial project manager has responsibility to carry out all activities in respect of the Spur Hill Joint Venture as agent on behalf of the Participants in proportion to their respective Participating Interests. During the Sole Funding Period, SH2 has an exclusive licence to enter the Tenement and bring plant & equipment onto the Tenement, has rights to carry out exploration and to exercise all other rights of the legal and beneficial owner of the Tenement. In return, SH2 has obligations to keep the Tenement in good standing, pursue the work programme under the Tenement application, contribute a minimum of \$10 million of Expenditure on the Tenement prior to expiry (Expenditure to date has exceeded \$10 million), and comply with all statutory obligations under the Mining Act.

After the Sole Funding Period, the Spur Hill Joint Venture activities will be governed by a separate management committee pursuant to the Joint Venture Agreement (see Section 10.2) and the shareholdings in each of Spur Hill Management and Spur Hill Marketing, currently held by SH2 and SHUT on an 80%/20% split, will be adjusted so that on and from the JV Commencement Date, the issued shares in each of those companies are held by each of SH2 and SHUT in accordance with their Participating Interests at that time. A similar mechanism to “claw-back” shareholdings in Spur Hill Agricultural so as to match Participating Interests on and from the JV Commencement Date is set out in the Shareholders Deed with respect to Spur Hill Agricultural (see Section 10.3 for further details).

- m. **(Warranties)** Each of SHUT and the Company gave and will give each other usual warranties for farm-in agreements of this type.
- n. **(Liability caps)** The maximum liability of SHUT in respect of a claim under the Farm-In Agreement (excluding the loans referred to at Section 10.1(i)c.) is the aggregate of the Initial Purchase Price and Milestone Payments which have actually been received by SHUT at the time of that claim. SHUT is not liable in respect of a claim for breach of warranty if that claim is made 2 years after the date on which that warranty is given.
- o. **(Additional tenements)** Any tenement in addition to the Tenement may only be acquired by agreement of SH2 and SHUT as part of the Spur Hill Joint Venture. This condition does not affect acquisitions which may be made by Malabar Coal for tenements which are not wholly or partly within an area of 5 kilometres from any boundary of the Tenement (not including certain adjacent titles to the Tenement) (“**Area of Mutual Interest**” or “**AMI**”). Any acquisition of, or applications for, tenements by Malabar Coal within this AMI will become a “Tenement” and become subject to the Spur Hill Joint Venture if they are within certain zones of this AMI and otherwise if SHUT consents.
- p. **(Disposal of Participating Interests)** Each of SH2 and SHUT must not dispose all or part of its Participating Interest until achievement of the first Milestone referred to at Section 10.1(c)a. above. Each non-selling Participant has a right to acquire a selling Participant’s Participating Interest on the same terms as being offered by that selling Participant to a third party. If the other Participant does not exercise its option to acquire a Participating Interest under this provision, the seller may dispose of that Participating Interest to a third party provided that the sale is on the same terms, each Participant has consented to the disposal, each Participant is offered the right to tag along (see Section 10.1(q) below) and the third party buyer enters into a deed of assumption to this Farm-In Agreement.

If there is a “Change of Control” between the Commencement Date and before the JV Commencement Date in relation to a Participant, that Participant is deemed to have offered its entire Participating Interest to the other Participants at a price determined by fair market value. “Change of Control” occurs if an entity which is not in a position to cast more than 50% of the maximum number of votes that may be cast at a general meeting of a Participant or does not beneficially hold more than 50% of the issue shared capital

of the Participant, subsequently, has the ability to do so. However, "Change of Control" does not apply in certain circumstances including if the "Change of Control" is as a result of an initial public offering of shares as part of a listing on a recognised stock exchange nor does it apply to a Participant or a holding company of a Participant which is listed on a recognised stock exchange.

- q. **(Tag along right)** Each Participant may require a proposed seller to use all reasonable endeavours to procure the purchase by a third party buyer of that Participant's Participating Interest.
- r. **(Confidentiality)** Each party must keep confidential all information relating to the other party or the manager and any information relating to this agreement except where that information is given to an affiliate or advisers, is in the public domain, is required to be disclosed under applicable law or the rules of any recognised stock exchange, is required to be disclosed to seek approvals from government agencies, is required for use in legal proceedings or the other party consents.

## 10.2 JOINT VENTURE AGREEMENT

On 15 July 2011, the Company, SH2 and SHUT entered into the Joint Venture Agreement containing the following material terms and conditions:

- a. **(Commencement and term)** The Joint Venture Agreement will commence on the JV Commencement Date. The relationship between the Participants for the Spur Hill Joint Venture is governed:
  - i. until the JV Commencement Date, by the Farm-In Agreement (see Section 10.1). Each Participant's rights and obligations under the Joint Venture Documents (but not the Cross Charge) are suspended until then; and
  - ii. after the JV Commencement Date, by the Joint Venture Agreement (except for those provisions in the Farm-In Agreement which are stated to continue after the JV Commencement Date and will continue to apply – including those provisions referred to within Sections 10.1(h), (i), (j), (k), (l) and (o)).

The Joint Venture Agreement continues whilst there are 2 or more Participants and the Manager and until the last of the Tenements expires or is surrendered.
- b. **(Tenants in common)** The Participants own all Joint Venture Property as tenants in common in proportion to their respective Participating Interests.
- c. **(Share of product)** Each Participant takes delivery of its Participating Interest's share of minerals produced from the Tenement and appoints Spur Hill Marketing as its exclusive agent to sell all coal of each Participant under the Spur Hill Marketing Agreement.
- d. **(Management Committee)** The management committee has overall management and control of the Spur Hill Joint Venture. Each Participant holding at least 10% Participating Interest is entitled to appoint 2 members to a Management Committee for the Spur Hill Joint Venture. As at the date of the Joint Venture Agreement, the Management Committee members were Roger Turner and Antony Morgan as nominees of SHUT and Wayne Seabrook and Simon Keyser as nominees of SH2. One of the members appointed by the Participant with the largest Participating Interest will be the chairperson of the Management Committee.
- e. **(Voting)** The voting power of each Participant is equal to its Participating Interest from time to time. There are certain decisions of the Management Committee which require:
  - i. unanimous approval such as:
    - a. disposal of Joint Venture Property in excess of \$1 million;
    - b. termination of the Spur Hill Joint Venture and cessation of relevant activities;
    - c. carrying out any activities outside the area of the Tenement (unless reasonably incidental or necessary);
    - d. acquisitions of additional tenements by the Joint Venture Participants; and
    - e. acquisitions and development of the transport corridor in relation to the Spur Hill Project;
  - ii. special majority approval (i.e. 75% or more votes) such as:
    - a. approval of a draft Programme and Budget other than in respect of a Decision to Mine (see Section 10.1(l));
    - b. approval of cost overruns by more than 10% of a line item in the Programme and Budget or 5% of the total Programme and Budget;
    - c. any application for or acquisition of any exploration or mining title or interest in land for the purposes of the Spur Hill Joint Venture involving expenditure in excess of \$1 million;
    - d. approval for any capital expenditure in any capital item or items exceeding \$1 million not contained within an approved Programme and Budget; and
    - e. cessation of activities in respect of the Spur Hill Joint Venture exceeding one month.

All other decisions of the Management Committee are determined by a simple majority vote and where there is an equal vote, the Chairperson does not have a casting vote.

- f. **(Joint Venture costs)** With effect from the JV Commencement Date, each Participant must contribute to all costs, expenses and liabilities in connection with the Spur Hill Project in proportion to its Participating Interest on each date on which a contribution is due to be made. SHUT may meet its obligations to contribute to such costs under the funded carry rights it has under the Farm-In Agreement (see Section 10.1(i)).
- g. **(Cross Charge)** On the date of the Joint Venture Agreement, each Participant and Spur Hill Management executed the Cross Charge in order to secure the performance of each Participant of its obligations under the Farm-In Agreement and the payment by each Participant of any amount due by that Participant under the Joint Venture Documents. See Section 10.6 for a summary of the Cross Charge.
- h. **(Default)** If a Participant defaults in paying a Cash Call or in respect of any of its obligations under the Joint Venture Documents, and continues that default for a period of 10 Business Days, non-defaulting Participants may pay on behalf of defaulting Participants amounts owing by such defaulting Participants and obtain reimbursement from each defaulting Participant by way of a deemed loan bearing interest at Commonwealth Bank charges for bank accepted or endorsed bills of exchange over \$100,000 plus 2% per annum, with interest to be calculated daily, capitalised on a monthly basis and payable on demand. If a Participant suffers an insolvency event, then that insolvent Participant is deemed to have offered its entire Participating Interest to the other Participants with the purchase price being the fair market value of that Participating Interest at the time of insolvency.
- i. **(Disposals of Participating Interests)** Substantially, the same disposal rights and obligations as set out in the Farm-In Agreement (see Section 10.1(p)) apply from the JV Commencement Date as apply before the JV Commencement Date under the Farm-In Agreement. The only material exception is that a Participant may dispose of all or any part of its Participating Interest to a transferee which is an "Affiliate" of that Participant without triggering the pre-emptive rights described in Section 10.1(p). An "Affiliate" of a party refers to a shareholder of that party, a related body corporate of that party, a director, secretary or officer of the party, an entity the party controls, an entity that controls the party and an entity that is controlled by an entity that controls the party.
- j. **(Dilution)** If, after the Sole Funding Period, a Participant fails to make Cash Calls or a minority Participant does not vote in favour of a Decision to Mine then chooses not to make Cash Calls for Expenditure relating to that Decision to Mine, that Participant's Participating Interest will be adjusted downwards.
- k. **(Option over Nominal Participating Interests)** If at any time after the JV Commencement Date, a Participant holds a Participating Interest of less than 5% (Nominal Participating Interest), then that Participant is deemed to have offered that Nominal Participating Interest to the other Participants at the time at fair market value.
- l. **(Confidentiality)** Each party must keep confidential all information relating to the other party or the manager and any information relating to the Joint Venture Documents except where that information is given to an affiliate or advisers, is in the public domain, is required to be disclosed under applicable law or the rules of any recognised stock exchange, is required to be disclosed to seek approvals from government agencies, is required for use in legal proceedings or the other party consents.

### 10.3 SHAREHOLDER DEEDS – JV COMPANIES

SH2 and SHUT has entered into Shareholders Deeds with respect to each of the JV Companies. The Shareholders Deeds with respect to Spur Hill Marketing and Spur Hill Management were entered into on 15 July 2011. The Shareholders Deed with respect to Spur Hill Agricultural was entered into on 18 June 2012. All of the Shareholders Deeds are on substantially similar terms, including the material terms noted below:

- a. **(Shareholders)** As at the Commencement Date (and the date of the Shareholders Deed with respect to Spur Hill Agricultural), the shares in each of these JV Companies on issue were and are held as follows:
- i. SHUT – 20%; and
  - ii. SH2 – 80%.
- b. **(JV Company Directors)** From the Commencement Date, the directors of the JV Companies were and are as follows:
- i. Roger Turner (appointed by SHUT);
  - ii. Antony Morgan (appointed by SHUT);
  - iii. Wayne Seabrook (appointed by SH2); and
  - iv. Simon Keyser (appointed by SH2).

Each shareholder of each JV Company has the right to appoint 2 directors to each board of a JV Company if it holds at least 10% of the total number of shares in that JV Company.

A director will be automatically removed upon his or her appointing shareholder ceasing to own 10% or more of the total shares in that JV Company.

- c. **(Voting)** Each director who is present at any board meeting of a JV Company can exercise a number of votes equal to the number of voting shares held by the Shareholder who appointed that director, divided by the number of directors present at the meeting appointed by the same Shareholder. At general meetings, each shareholder has 1 vote for each share held. A chairperson is to be appointed by, and may only be removed by, the shareholder holding the largest percentage of shares. The Chairperson will have a casting vote in the event of a deadlock.
- d. **(Disposal of shares)** SHUT and SH2 may not dispose of their shares in the JV Companies except as follows. On and from the JV Commencement Date:
- a shareholder in each of the JV Companies must transfer to an incoming Participant for nominal consideration enough shares in the JV Companies so that the shareholding proportions in each of the JV Companies matches the Participating Interest held by that incoming Participant. A transferee must accede into the Shareholders Deed for each JV Company; and
  - in respect of Spur Hill Marketing and Spur Hill Management only, if SH2's Participating Interest is less than 80%, SH2 must transfer shares for nominal consideration to SHUT so that the shareholding proportion of SH2 in each of the JV Companies matches SH2's Participating Interest.

In respect of Spur Hill Agricultural, SH2 has granted SHUT a call option under a separate call option deed dated 18 June 2012 under which SHUT may exercise a right to acquire shares in Spur Hill Agricultural for nominal consideration so that its shareholding proportion in Spur Hill Agricultural matches SHUT's Participating Interest.

- c. **(Event of Default)** Each of the following constitutes an Event of Default in relation to a shareholder:
- a shareholder disposes of shares in breach of a JV Company's constitution, the Shareholders Deed or the Cross Charge; or
  - in respect of a shareholder who has appointed a director, the appointed director commits an act of fraud, dishonesty or serious misconduct relating to a financial or corporate matter which in the reasonable opinion of the shareholders (other than the appointing shareholder), acting in good faith, is significantly damaging to the reputation of a JV Company or such other shareholder or any of its related bodies corporate.

If an Event of Default occurs in relation to a shareholder, that Shareholder will be taken to be a defaulting Participant for the purposes of the Farm-In Agreement or the Joint Venture Agreement (as applicable).

## 10.4 SPUR HILL MARKETING AGREEMENT

On 15 July 2011, SH2, SHUT and Spur Hill Marketing entered into the Spur Hill Marketing Agreement on the following material terms and conditions:

- (Commencement)** This agreement will commence on the JV Commencement Date.
- (Appointment)** Spur Hill Marketing is appointed as the marketing agent for sales of Production and such appointment continues until Spur Hill Marketing resigns, is automatically removed upon winding-up, de-registration or a liquidator being appointed to Spur Hill Marketing, or it fails to remedy any default of the Spur Hill Marketing Agreement within 20 Business Days.
- (Services)** Each of SH2 and SHUT appoints the Spur Hill Marketing as its exclusive agent to:
  - market and sell that Participant's Ownership Share, worldwide; and
  - administer each contract to sell such Production to customers (for the purposes of this Section, **Sales Contract**).

Spur Hill Marketing will market such Production and solicit customers, negotiate each Sales Contract and, subject to each Participant's prior written approval, enter into, amend, vary or terminate each Sales Contract. It will also receive the proceeds of sales under each Sales Contract, take out required and prudent insurances and resolve Sales Contract disputes.

- (Pooling and sales)** Spur Hill Marketing may aggregate and pool the Production and each sale and delivery of such Production is deemed to be a sale and delivery of such aggregate Production, derived from each Ownership Share on a pro-rata basis.  
All monies payable under a Sales Contract are held on trust by Spur Hill Marketing for the Participants in proportion to their respective Ownership Share in a bank account opened and maintained by Spur Hill Marketing.
- (Remuneration)** In consideration of the services that Spur Hill Marketing has agreed to provide, SH2 and SHUT must reimburse Spur Hill Marketing, in their respective Ownership Shares, for all costs and expenses incurred in the course of Spur Hill Marketing conducting its duties under this agreement including reasonable head office costs to the extent they relate to the marketing of Production up to a maximum of \$100,000.
- (Liability and indemnity)** Spur Hill Marketing is not responsible for any loss or damage of any kind that SH2 and SHUT suffer out of the activities of Spur Hill Marketing in performing its duties under this agreement (except as a result of the Spur Hill Marketing's wilful misconduct, bad faith or gross negligence). Each of SH2 and SHUT, in its respective Ownership Share, indemnifies Spur Hill Marketing in respect of such liabilities.

- g. **(Warranties)** Each party gives standard representations and warranties with respect to their due incorporation, corporate power to enter into and perform under the agreement, that the document is its valid and binding obligation and the execution and performance of the agreement does not constitute a breach of any constituent or other document to which the parties are bound.

## 10.5 SPUR HILL MANAGEMENT AGREEMENT

On 15 July 2011, SH2, SHUT and Spur Hill Management entered into the Spur Hill Management Agreement on the following material terms and conditions:

- a. **(Commencement)** This agreement will commence on the JV Commencement Date.
- b. **(Appointment)** Each of SH2 and SHUT appointed Spur Hill Management as the manager of the Spur Hill Joint Venture commencing on the JV Commencement Date and continuing until terminated.
- c. **(Duties and powers)** All things necessary or advisable for the efficient and economic conduct of the activities of the Spur Hill Joint Venture, including:
- i. making Cash Calls on a monthly basis;
  - ii. paying all Spur Hill Joint Venture costs when due;
  - iii. maintaining and operating the Spur Hill Joint Venture account;
  - iv. ensuring that all authorisations, permits etc. are applied for in the name of the Participants and using all reasonable endeavours to enable them to be obtained and maintained;
  - v. ensuring compliance with all applicable laws and regulations and lawful directions of any governmental authority having jurisdiction concerning the operations of the Spur Hill Project;
  - vi. applying for and maintaining on behalf the Participants all usual insurances to cover the carrying on of the operations in relation to the Spur Hill Project;
  - vii. keeping the Management Committee informed of all significant matters of which the Manager becomes aware relating to the operations of the Spur Hill Project;
  - viii. administering the Joint Venture Documents on behalf of the Participants;
  - ix. attending meetings as required by the Management Committee relating to the operations of the Spur Hill Project; and
  - x. ensuring that the Joint Venture Property is developed and used solely for the conduct of the operations of the Spur Hill Project.

Spur Hill Management, in its capacity as exclusive agent of the Participants, has possession and control (but not ownership) of the Joint Venture Property and has charge and responsibility for the conduct of the operations of the Spur Hill Joint Venture. It is given broad powers to carry out its duties and obligations under this agreement in accordance with each Programme and Budget.

- d. **(Programmes and Budgets)** Spur Hill Management must prepare and submit to the Management Committee all proposed Programmes and Budgets at least 40 Business Days before commencement of each year after the JV Commencement Date, and prepare and submit necessary cash estimates, budgets, expenditure statements and reports in respect of the operations of the Spur Hill Joint Venture in sufficient time for the Management Committee to consider and act upon those matters as required. Such Programmes and Budgets will include:
- i. a plan for the future progress of the operations of the Spur Hill Joint Venture from the commencement of that budget;
  - ii. suitable details of all construction, operating and maintenance works to be carried out in that budget;
  - iii. a suitably itemised budget for Spur Hill Joint Venture costs;
  - iv. estimated amounts and timing of monthly Cash Calls during that year; and
  - v. an amount required to keep the Joint Venture Property in sufficiently good standing and in good condition (subject to reasonable wear and tear).

The Participants must then use all reasonable efforts to ensure that the Management Committee approves or disapproves each proposed Programme and Budget under the Joint Venture Agreement (see Section 10.2) no later than 10 Business Days prior to the commencement of each financial year.

- e. **(Remuneration)** The Participants must reimburse Spur Hill Management for all actual costs or expenses it incurs in the course of conducting its duties, including reasonable head office costs to the extent they relate to the operations of the Spur Hill Joint Venture up to a maximum of \$100,000.
- f. **(Liability and indemnity)** Spur Hill Management is not responsible for any loss or damage of any kind that SH2 and SHUT suffer out of the activities of Spur Hill Management in performing its duties under the Spur Hill Management Agreement (except as a result of the Spur Hill Management's wilful misconduct, bad faith or gross negligence). Each of SH2 and SHUT, severally and proportionate to their respective Participating Interests, indemnifies Spur Hill Management in respect of such liabilities.
- g. **(Termination)** This agreement terminates on the date that the parties agree in writing or on the date that Spur Hill Management is removed by unanimous vote of the Management Committee.

- h. **(Warranties)** Each party gives standard representations and warranties with respect to their due incorporation, corporate power to enter into and perform under the agreement, that the document is its valid and binding obligation and the execution and performance of the agreement does not constitute a breach of any constituent or other document to which the parties are bound.

## 10.6 CROSS CHARGE

On 15 July 2011, each of Spur Hill Management, SHUT and SH2 entered into the Cross Charge on the following material terms and conditions:

- a. **(Commencement)** This document has effect on and from the Commencement Date.
- b. **(Charge)** Each Participant as chargor (for the purposes of this Section, **Chargor**) charges as a first charge ranking, ahead of and prior to any other security, in favour of the other Participant and the Manager as chargee (for the purposes of this Section, **Chargee**), all of present and future right, title and interest in, to and under:
- the Joint Venture Property;
  - any right and interest under the Farm-in Agreement or Joint Venture Agreement;
  - any Production derived under the Farm-in Agreement and the Joint Venture Documents; and
  - sales proceeds from any Sales Contract,
- (Charged Property)** for the purposes of securing to each chargee the payment of all money that becomes due and payable by the chargor to the chargee under the Farm-In Agreement, the Joint Venture Agreement and this document.
- c. **(Type of charge)** The charge created by each Chargor operates as a fixed charge over any part of the Charged Property that comprises the present or future right, title and interest of the Chargor in, to or under the Joint Venture Property, but only to the extent of the Tenement, a fixture, a licence, permit, consent and approval, and the benefit in any contract, the Joint Venture Agreement and the Farm-in Agreement, and operates as a floating charge over all of the remainder of the Charged Property.
- d. **(Default)** A default will occur if, for any reason:
- the Chargor defaults under the Joint Venture Agreement; or
  - the Chargor is in default of any obligation under the Farm-in Agreement and such default, if capable of remedy, has not been remedied within 10 Business Days. There are other standard defaults.
- e. **(Powers on default)** If a default occurs, the charge will become enforceable and the chargee may take any action or proceeding necessary or desirable to exercise or enforce any right conferred under the document, including appoint a receiver over the Charged Property.

## 10.7 SHA FACILITY

Spur Hill Agricultural signed a letter of offer on 10 September 2012 in relation to the provision of a non-amortising and non-revolving bill facility ("**SHA Facility**") by National Australia Bank Limited ("**NAB**"). The material terms of the Facility are set out below.

- (Borrower)** Spur Hill Agricultural.
- (Lender)** National Australia Bank Limited.
- (Facility limit)** \$5,350,000.
- (Interest)** The interest rate is fixed at a rate determined by NAB prior to each drawdown.
- (Repayment date)** A business day falling on or before:
  - 31 August 2015 (for the purposes of this Section, **Expiry Date**);
  - the date the Facility limit is cancelled (as a result of an event of default); or
  - the date the Facility is terminated or otherwise ends.

The Facility may not be prepaid unless NAB agrees.

- (Access to Facility)** Drawdown of the facility may be progressively undertaken for amounts of 50% of the valuation (approved by NAB) of each property, up to a maximum amount of \$5,350,000 and subject to satisfaction of various conditions.
- (Unusual or onerous terms)** The following specific conditions are included in the SHA Facility:
  - the facility limit is to be a maximum of 50% of the bank accepted rural valuation of each property;
  - negative pledge for Spur Hill Agricultural and Malabar Coal, i.e. Spur Hill Agricultural and Malabar Coal cannot incur additional indebtedness and create security interests without NAB's specific written consent;
  - within 60 days of NAB's request, an updated valuation to the complete satisfaction of NAB is to be provided, where the valuation is more than two years old;
  - Spur Hill Agricultural and Malabar Coal are to maintain all appropriate insurances on an ongoing basis;
  - Spur Hill Agricultural and Malabar Coal are to maintain all licences and approvals necessary to operate the rural businesses;
  - no change of 'control' (as that term is defined in the Corporations Act) is to occur;

- vii. within 30 days of request, Spur Hill Agricultural is to provide details of rural income generated from properties held as security; and
- viii. annual unaudited accounts are to be provided to NAB within 150 days of the end of financial year for Spur Hill Agricultural and Malabar Coal.

In addition, Spur Hill Agricultural undertakes that it will ensure its capital is not reduced or made capable of being called up only in certain circumstances.

- h. **(Events of default)** The Facility also contains standard events of default, such as breaches of obligations under the SHA Facility, insolvency and a change in its financial circumstances (which for example might be a reduction of market capital) which may have a material adverse effect on Spur Hill Agricultural's or Malabar Coal's business.
- i. **(Security)** The letter of offer notes that the following security has been provided for the SHA Facility in the form set out in Table 19.

Table 19: Security provided for the SHA facility

Document	Security provider	Secured party	Nature of security
General security agreement	Spur Hill Agricultural	NAB	The SHA Facility is secured by a General Security Agreement securing NAB's interest over all of the present and future rights, property and undertakings of SHA.
Real property mortgage	Spur Hill Agricultural	NAB	Registered mortgage over each of the properties as and when they are acquired.
Water allocation licence (WAL) mortgage	Spur Hill Agricultural	NAB	Registered mortgage over the WALs as and when they are acquired.
WAL mortgage	Spur Hill Agricultural	NAB	Registered mortgage over WAL 770, WAL 769 and WAL 18201.
WAL mortgage	Spur Hill Agricultural	NAB	Registered mortgage over WAL yet to be registered (approval number 20CA211849, reference number 20AL211848).
Subordination agreement	Spur Hill Agricultural Spur Hill Management	NAB	Subordination agreement to subordinate related party loans between SHA and Spur Hill Management to the SHA Facility.
Guarantee and indemnity	Malabar Coal	NAB	Malabar Coal has provided a guarantee and indemnity for \$5,350,000 for the SHA Facility.

## 10.8 IRONSTONE SECONDMENT ARRANGEMENT

On and from the commencement of the Farm-in Agreement, Spur Hill Management and Ironstone Capital entered into an arrangement under which Ironstone Capital provide consultancy and financial advisory services to Spur Hill Management by way of secondment of its staff to Spur Hill Management. This arrangement is not signed by the parties to the arrangement. However, the material terms are set out in a schedule to the Farm-In Agreement and the arrangement has been performed since the Commencement Date. None of Spur Hill Management or Ironstone Capital are a party to the Farm-In Agreement. These material terms are:

- a. **(Term and termination)** A fixed term of 12 months which is to be renewed annually and may be terminated for convenience by 1 months' notice by either party.
- b. **(Services)** The Manager before the JV Commencement Date will prepare a scope of work for services as required by that Manager including:
  - i. drafting components of option studies, pre-feasibility and feasibility studies;
  - ii. financial modelling;
  - iii. accounting services;
  - iv. commercial negotiations with third parties; and
  - v. project management/administration functions,
 excluding certain services which are undertaken by Ironstone Capital on behalf of Malabar Coal such as:
  - vi. attendance at meetings of Farm-In Management Committee;
  - vii. providing advice, development concepts, community engagement and government matters;
  - viii. reviewing documents and budgets provided by the Manager;
  - ix. suggesting particular consultants, advisers, contractors or potential employees; and
  - x. providing insights, information or community feedback.

- c. **(Fees)** Ironstone Capital is entitled to be paid a fixed hourly rate of \$225 per hour plus GST for the services. These fees may be invoiced on a monthly basis. The aggregate amount of fees paid by Spur Hill Management to Ironstone Capital under the Ironstone Secondment Arrangement since the Commencement Date to 31 December 2012 is \$563,473, excluding GST.
- d. **(Dal Pozzo Consulting)** The accounting services referred to be provided by Ironstone Capital may be provided by Dal Pozzo Consulting Pty Ltd to Spur Hill Management "at cost". As at 31 December 2012, Dal Pozzo Consulting Pty Ltd has been paid \$29,391, excluding GST, for such accountancy services. Ironstone Capital is not entitled to a mark-up or administration fee.

## 10.9 CONSULTANCY ARRANGEMENT

On and from the commencement of the Farm-in Agreement, Roger Turner and Antony Morgan (for the purposes of this Section, the **Consultants**) have provided consultancy services to Spur Hill Management. This arrangement is not signed by the parties to the arrangement. However, the material terms are set out in a schedule to the Farm-In Agreement and the arrangement has been performed since the Commencement Date. None of Spur Hill Management or any of the Consultants are a party to the Farm-In Agreement. These material terms are:

- a. **(Term and termination)** A fixed term of 12 months which is to be renewed annually and may be terminated for convenience by 1 months' notice by either party.
- b. **(Services)** The Manager will prepare a scope of work for services as required by that Manager including:
  - i. drafting components of option studies, pre-feasibility and feasibility studies;
  - ii. mine design;
  - iii. exploration plans;
  - iv. supervising exploration activities; and
  - v. mine planning and scheduling,
 excluding certain services which are undertaken by Roger Turner and Antony Morgan as directors of SHUT such as:
  - vi. attendance at meetings of Farm-In Management Committee;
  - vii. providing advice, development concepts, community engagement and government matters;
  - viii. reviewing documents and budgets provided by the Manager;
  - ix. suggesting particular consultants, advisers, contractors or potential employees; and
  - x. providing insights, information or community feedback.
- c. **(Fees)** The Consultants are each entitled to be paid a fixed hourly rate of \$225 per hour plus GST for the services. These fees may be invoiced on a monthly basis. The aggregate amount of fees paid by Spur Hill Management to each of Roger Turner and Antony Morgan since the Commencement Deed 31 December 2012 is \$73,790, excluding GST.

## 10.10 COMPANY SECRETARY CONTRACT

On 2 November 2012, the Company and IHM Corporate Services Pty Ltd ABN 43 101 805 154 ("**IHM**") entered into a letter agreement under which IHM agrees to provide the following services:

- a. **(Pre Listing)** Such work may include verifying the Prospectus, preparing or reviewing the appropriate registration and compliance documentation as required for a listed company, developing the Board processes, procedures and documentation, working up corporate governance guidelines and other specific Shareholder and Board approvals (Phase 1).
- b. **(Post Listing)** Such work will include attendance at Shareholder and Board meetings, preparing and distributing minutes of meeting, maintaining statutory records, and assist as required in dealings with ASIC and ASX (Phase 2).

IHM is owned and controlled by Ian Morgan. The fees for such services payable by the Company are \$225 per hour plus GST, plus any out of pocket expenses incurred by IHM. The time required for Phase 1 is expected to be done as requested by the Company. IHM will provide Phase 2 company secretarial services to the Company for up to 5 days per quarter and otherwise as agreed with the Company.

This agreement may be terminated by notice of at least one month by either party unless otherwise agreed between the parties.



## 10.11 XLX SUB-LEASE

With effect from 1 December 2012, the Company has entered into the XLX Sub-Lease with XLX in respect of Suite 26.01, Level 26, 259 George Street Sydney NSW 2000. These premises will be the head office of the Company.

The term of the XLX Sub-Lease is 5 years with no option to renew. The rent is \$133,777 per annum plus GST subject to an annual rent review increase of 4%. The rent is charged by XLX to Malabar Coal on a pass through cost basis.

## 10.12 UNDERWRITING AGREEMENT

The Company has entered into an underwriting agreement with Wilson HTM Corporate Finance Ltd and RBS Morgans Corporate Limited (for the purposes of this section, the “**Underwriters**”) dated 15 February 2013 (“**Underwriting Agreement**”).

Pursuant to the Underwriting Agreement, the Underwriters have agreed to underwrite the Offer (“**Underwritten Amount**”).

Amongst other matters, the Underwriting Agreement is conditional upon:

- a. ASX indicating in writing by no later than 5.00pm (Sydney time) within three Business Days from 22 March 2013 (as may be amended) that the Company will be granted permission for admission of the Company to the Official List of ASX subject only to standard conditions customarily imposed by ASX and any other conditions that the Underwriters have earlier acknowledged in writing as being required conditions for listing;
- b. ASX indicating in writing by no later than 5.00pm (Sydney time) within three Business Days from 22 March 2013 (as may be amended) that it will grant permission for quotation of the Shares on ASX subject only to standard conditions customarily imposed by ASX and any other conditions that the Underwriters have earlier acknowledged in writing as being required conditions for Official Quotation; and
- c. if required under the terms of the Underwriting Agreement, the Company providing each Underwriter with a shortfall notice and closing certificate within a certain time limit following closing of the Offer (for the purposes of this Section, the **Conditions**).

### **Fees and costs**

The Company has agreed to pay the following:

- a. Wilson HTM will receive an Arrangement fee equal to 1% of total Offer proceeds (excluding GST), and management and underwriting fees equal to 2.75% of total Offer proceeds (excluding GST); and
- b. RBS Morgans will receive management and underwriting fees equal to 2.75% of total Offer proceeds (excluding GST).

In addition, the Company must pay the Underwriters for certain agreed costs and expenses incurred by the Underwriters in relation to the Offer and the preparation of the Underwriting Agreement.

### **Termination**

If any Condition is not satisfied by its respective deadline, each Underwriter (in their absolute, sole and unfettered discretion) may, unless the Condition is satisfied in the meantime or that Underwriter has waived the breach or non-fulfilment, terminate by notice to the Company in writing at any time before complying with their underwriting obligations in which case, the Underwriters’ several rights and remedies in respect of any breach and the several right to be reimbursed for all costs incurred will not be affected.

The Underwriting Agreement provides that each Underwriter may terminate their obligations to underwrite their portion of the Underwritten Amount if any of the following events occur:

1. **termination of the Underwriting Agreement:** with respect to a particular Underwriter only, the other Underwriter lawfully terminates the Underwriting Agreement (other than due to this event);
2. **lodgement of the Prospectus:** the Company fails to lodge the Prospectus with ASIC on the date stipulated in the timetable set out in the Underwriting Agreement except where the sole reason for failing to lodge is an act or omission of the Underwriters;
3. **quotation approval:** approval for Quotation is refused or not granted, other than subject to standard conditions customarily imposed, or any other conditions accepted in writing by the Underwriters within three Business Days from the date stipulated in the timetable or if approval is granted, such approval is subsequently withdrawn, qualified or withheld before completion of the Underwriting Agreement;
4. **S&P/ASX 200 Index fall:** if the S&P/ASX 200 Index is for one Business Day after the date of the Underwriting Agreement and prior to the date of allotment of the Shares more than 10% below the level of that Index at the close of ASX trading on the trading day before the date of lodgment of this Prospectus;

5. **adverse change:** any material adverse change occurs in the assets, liabilities, share capital, share structure, financial position or performance, profits, losses or prospects of the Company and the Group (insofar as the position in relation to an entity in the Group affects the overall position of the Company) from those respectively disclosed in the accounts, Prospectus or the public information, or a material adverse change occurs in the prospects of the Offer, including:
  - A. any material adverse change in the reported earnings or future prospects of the Company or an entity in the Group;
  - B. any material adverse change in the nature of the business conducted by the Company or an entity in the Group; or
  - C. the insolvency or voluntary winding up of the Company or an entity in the Group or the appointment of any receiver, receiver and manager, liquidator or other external administrator; or
  - D. any material adverse change to the rights and benefits attaching to Shares; or
  - E. any change that is likely to have an effect which, in the reasonable opinion of the Underwriters, could result in:
    - i. a material adverse change in the financial position or prospects of the Company from that which exists at the date of the Underwriting Agreement; or
    - ii. the Underwriters' obligations under the Underwriting Agreement becoming materially more onerous than those which exist at the date of the Underwriting Agreement; or
    - iii. the success of the Offer being affected, to a material degree;
6. **withdrawal:** the Company withdraws the Prospectus or terminates the Offer;
7. **repayment:** any circumstance arises after lodgement of the Prospectus that results in the Company either repaying the money received from Applicants (other than to Applicants whose Applications were not accepted in whole or in part) or offering Applicants an opportunity to withdraw their Applications for Shares and be repaid their Application money;
8. **no certificate:** the Company does not provide a closing certificate in the manner required by the Underwriting Agreement;
9. **judgment:** a judgment in an amount exceeding \$100,000.00 is obtained against the Company or a related body corporate of the Company and is not set aside or satisfied within 21 days;
10. **process:** any distress, attachment, execution or other process of a governmental agency in an amount exceeding \$100,000.00 is issued against, levied or enforced upon any of the assets of the Company or a related body corporate of the Company and is not set aside or satisfied within 21 days;
11. **financial assistance:** the Company or a related body corporate passes or takes any steps to pass a resolution under section 260B of the Corporations Act, without the prior written consent of the Underwriters;
12. **suspends payment:** the Company or a related body corporate of the Company suspends payment of its debts generally;
13. **insolvency:** the Company or a related body corporate of the Company is or becomes unable to pay its debts when they are due or is or becomes unable to pay its debts (within the meaning of the Corporations Act) or is presumed to be insolvent under the Corporations Act;
14. **arrangements:** the Company or a related body corporate of the Company enters into or resolves to enter into any arrangement, composition or compromise with, or assignment for the benefit of, its creditors or any class of them;
15. **ceasing business:** other than as contemplated by the Prospectus, the Company or a related body corporate of the Company ceases or threatens to cease to carry on business;
16. **charge:** other than as disclosed in the Offer documents or by the Company to the Underwriters in writing prior to the date of the Underwriting Agreement, the Company or a member of the Group charges or agrees to charge, the whole, or a substantial part of the business or property of the Company or the Group;
17. **stop order:** ASIC makes an interim or final stop order in relation to the Prospectus under section 739 of the Corporations Act or gives notice of its intention to hold a hearing under section 739 of the Corporations Act in relation to the Prospectus to determine if it should make a stop order in relation to the Prospectus or makes an application under section 1324 or 1324B of the Corporations Act;
18. **disclosures in the Prospectus:** a statement contained in the Prospectus is misleading or deceptive or likely to mislead or deceive, or a matter required by the Corporations Act is omitted from the Prospectus (having regard to section 710, 711 and 716 of the Corporations Act) or if any statement on the Prospectus becomes misleading or deceptive or likely to mislead or deceive or if the issue of the Prospectus becomes misleading or deceptive or likely to mislead or deceive;
19. **ASIC inquiry into Offer:** ASIC issues proceedings in relation to the Offer; or
20. **supplementary prospectus:** the Company lodges a supplementary prospectus without the consent of the Underwriters or fails to lodge a supplementary prospectus in a form acceptable to the Underwriters or, in the Underwriters' opinion, becomes required to lodge a supplementary prospectus because of a circumstance set out in section 719(1) of the Corporations Act.

Also, each Underwriter may have termination rights if any of the following occur:

1. **market conditions:** any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, China, Japan, the United Kingdom, the United States of America or in the international financial markets or any material adverse change occurs in national or international political, financial or economic conditions, in each case the effect of which is that, in the reasonable opinion of the Underwriters reached in good faith after consultation with the Company, it is impracticable to market the Offer or to enforce contracts to issue, allot or transfer the Shares or that the success of the Offer is likely to be adversely affected;
2. **disclosures in due diligence report:** any information supplied by or on behalf of the Company to the Underwriters in relation to the Company or any related body corporate or the Offer as part of the due diligence process becomes materially misleading or deceptive;
3. **material contracts:** termination (other than those that terminate due to the effluxion of time) or a material amendment of any material contract of the Company in both cases which have a material adverse effect on the Company;
4. **ASX quotation:** if reasonable grounds exist for the Underwriters to believe that any conditions imposed by ASX in giving final approval for quotation of the underwritten shares will not be completed, fulfilled or waived so as to result in the underwritten shares not being granted Official Quotation within three Business Days from 22 March 2013 (as may be amended);
5. **hostilities:** hostilities, political or civil unrest not presently existing commence (whether war has been declared or not) or a major escalation in existing hostilities, political or civil unrest occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United States of America, the United Kingdom, any member state of the European Union, Japan, Indonesia, Singapore, Malaysia, Hong Kong, North Korea or the Peoples Republic of China or a significant terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world;
6. **general trading suspensions:** trading in securities generally has been suspended or materially limited, for at least one trading day, by any of the New York Stock Exchange, the London Stock Exchange or ASX;
7. **change in management:** other than as contemplated in the Prospectus, a change in the Board of Directors of the Company occurs without the written consent of the Underwriters;
8. **legal proceedings and offence by Directors:** any of the following occurs:
  - A. material legal proceedings are commenced against the Company; or
  - B. any Director is disqualified from managing a corporation under section 206A Corporations Act;
9. **change to Constitution:** other than as contemplated by the Prospectus, the conversion of the CPS into Shares or the Subdivision of the Shares, prior to the allotment date a change to the Constitution of the Company or the Company's capital structure occurs without the prior written consent of the Underwriters;
10. **compliance with regulatory requirements:** a contravention by the Company or any related body corporate of the Corporations Act, the Listing Rules, its Constitution or any other applicable law or regulation;
11. **Prospectus to comply:** the Prospectus or any aspect of the Offer does not comply with the Corporations Act, the Listing Rules or any other applicable law or regulation;
12. **notifications:** any of the following notifications are made:
  - A. ASIC gives notice of an intention to hold a hearing under section 739(2) of the Corporations Act or issues an order under sections 739(1) or (3) of the Corporations Act;
  - B. an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the Prospectus or ASIC commences any investigation or hearing under Part 3 of the Australian Securities and Investments Commission Act 2001 (Cth) in relation to the Prospectus;
  - C. any person (other than an Underwriter) gives a notice under section 733(3) of the Corporations Act or any person (other than an Underwriter) who has previously consented to the inclusion of their name in the Prospectus (or any supplementary prospectus) or to be named in the Prospectus withdraws their consent after lodgment;
  - D. the Company or an entity in the Group issues a public statement concerning the Offer which has not been approved by the Underwriters pursuant to the Underwriting Agreement; or
13. **breach:** the Company breaches any of their obligations under the Underwriting Agreement;
14. **representations and warranties:** any representation or warranty contained in the Underwriting Agreement on the part of the Company is breached or becomes false, misleading or incorrect;
15. **prescribed occurrence:** except as contemplated in the Prospectus, an event specified in section 652C(1) or section 652C(2) of the Corporations Act occurs, but replacing 'target' with 'Company';
16. **timetable:** an event specified in the timetable set out in the Underwriting Agreement is delayed for more than three Business Days other than as the result of actions taken by the Underwriters, requirements of ASX (unless those actions were requested by the Company), actions of the Company where those actions were taken with the Underwriters' prior consent or the timetable being amended according to the Underwriting Agreement;

17. **change in laws:** any of the following occurs which does or is likely to prohibit, materially restrict or regulate the Offer or materially reduce the likely level of valid Applications or materially affects the financial position of the Company or has a material adverse effect on the success of the Offer:
- the introduction of legislation into the Parliament of the Commonwealth of Australia or of any State or Territory of Australia; or
  - the public announcement of prospective legislation or policy by the Federal Government or the Government of any State or Territory or the Reserve Bank of Australia; or
  - the adoption by ASX or their respective delegates of any regulations or policy;
18. **failure to comply:** the Company or any related body corporate of the Company fails to comply in any material respect with any of the following:
- a provision of its Constitution;
  - any statute;
  - the Listing Rules;
  - a requirement, order or request made by or on behalf of the ASIC, ASX or any governmental agency; or
  - any agreement entered into by it; or
19. **due diligence:** there is a material omission from the results of the due diligence investigation performed in respect of the Company or the verification material or the results of the due diligence investigation or the verification material are false or misleading.

The occurrence of the events listed in paragraphs (1) to (19) inclusive immediately above will not entitle an Underwriter to terminate the Underwriting Agreement unless that Underwriter reasonably believes that the event has or is likely to have a material adverse effect on the outcome of the Offer or could give rise to liability for that Underwriter under any law or regulation and the Underwriter has afforded the Company a reasonable time (not exceeding five (5) Business Days) to remedy the event if the event is capable of remedy.

Where the Underwriting Agreement is terminated due to a breach by the Company or the Company terminates or withdraws the Offer (other than due to a material breach of the Underwriting Agreement by an Underwriter), the Company must pay the Underwriters a termination fee equal to half of their portions of the Arrangement fee, Underwriting fee and the Management fee.

If completion does not occur under the Underwriting Agreement, the Company will re-appoint the Underwriters on no less favourable terms than the Underwriting Agreement. However, should the Underwriters not be re-appointed, the Underwriters will be entitled to their portions of the full fees under the Underwriting Agreement if within 12 months after the date completion does not occur, the Company allots or agrees to allot shares for the purpose of listing the Company on the ASX.

If the Company terminates the Underwriting Agreement without due cause or in bad faith and within 6 months of terminating the Underwriting Agreement (i) undertakes any capital raising involving the sale or issue of capital in the Company (ii) there is a sale by the Company of 50% or more of its assets or (iii) there is a takeover, merger composition or scheme of arrangement involving a change of control of the Company, and those transactions use the material prepared with the assistance of the Underwriters, the Company will pay the Underwriters a fee equivalent to whichever is greater of 50% of the fees paid to any third party for advising or arranging any of the above transactions or the total fees which would have been payable to the Underwriters under the Underwriting Agreement, if the Offer had been successfully completed.

### **Indemnities**

As a term of the Underwriting Agreement, the Company agrees to indemnify each Underwriter, their officers, agents and employees (Indemnified Parties) against any claim, action, damage, loss, liability, expense or payment which the Indemnified Party pays, suffers, incurs or is liable for (and including, but not limited to, any reasonable legal costs and expenses and any reasonable professional consultant's fees on a full indemnity basis) in respect of:

- the Offer;
- the Prospectus;
- the allotment of Shares under the Offer to investors;
- any breach of or failure to perform the Underwriting Agreement by the Company, or the Company failing to perform any of their obligations relating to the Offer;
- any statement made or issued by an Indemnified Party to the extent the statement is made or issued in good faith and in reliance on the Prospectus or any material or information provided by or on behalf of the Company;
- the occurrence of any of the termination events listed above; and
- any claim that an Indemnified Party has a liability under the Corporations Act or any other applicable law in relation to the Prospectus or the Offer,

except to the extent caused by or contributed to by the Indemnified Party.

### Other terms and conditions

The Underwriting Agreement contains covenants, warranties and representations and other terms in favour of the Underwriters typical for agreements of this nature.

## 10.13 LAND ACQUISITION AGREEMENTS

Spur Hill Agricultural has entered into various agreements for the acquisition of land on and around the Tenement which have not completed as at the date of this Prospectus. These agreements are summarised below.

- a. On 13 July 2012, Spur Hill Agricultural entered into a contract for the sale of land (including water access licences) in respect of a property located to the north of the Tenement. This acquisition will complete on 13 July 2013 with a final payment of \$2,025,000 due on that date. Spur Hill Agricultural has also entered into a non-exclusive licence agreement with the vendor in order for the vendor to continue cattle grazing activities until 13 July 2013 or such later date as agreed by Spur Hill Agricultural;
- b. On 10 August 2012, Spur Hill Agricultural entered into contracts for the sale of land (including buildings and water access licences) and deeds of release with the relevant vendors in respect of a property also located to the north of the Tenement. This acquisition will complete on 10 August 2013 with an aggregate final payment of \$3,675,000 due on that date. If elected by the vendors, Spur Hill Agricultural must also lease the relevant property to the vendors for nominal rent between the date of completion and the 31 December 2013 (with a one year option to renew). The vendors may terminate this lease on 3 months' notice at any time during the term and Spur Hill Agricultural may terminate this lease on 6 months' notice at any time during the 1 year extended term.
- c. On 30 July 2012, Spur Hill Agricultural entered into a call option to acquire land (including buildings and water access licences) to the north of the Tenement. The option may be exercised by Spur Hill Agricultural at any time up to 30 July 2013. If the option is exercised, the amount outstanding is \$1,980,000. Pending exercise of this option, Spur Hill Agricultural has a right to access the land up to 30 July 2013 for the purposes of inspections, environmental surveys and monitoring, geophysical surveys and soil sampling.
- d. On 23 November 2012, Spur Hill Agricultural entered into:
  - i. interdependent put and call option deeds in respect of:
    - A. land located within and around the Tenement. The option fee paid by Spur Hill Agricultural for the call option over the land was \$260,000. The purchase price of the land is \$1,575,000 with a further payment of \$600,000 plus GST contingent upon a Mining Lease being granted for the Project within 15 years after the date of the sale contract entered into upon exercise of an option. The settlement date is 1 July 2013 and, as at the date of this Prospectus, no options have been exercised over this property; and
    - B. plant & equipment and goodwill associated with the agricultural business conducted on the land. Subject to exercise of an option, the amount outstanding to be paid on completion on 1 July 2013 is expected to be zero. If the call option referred to at paragraph 10.13(d)(ii) is not exercised, the vendor may access the land on a non-exclusive basis to have use of plant & equipment as is reasonably required by the vendor until 31 August 2013 at no cost to the vendor; and

Exercise of each of these options is conditional on the exercise of the other. Each call option may be exercised at any time up to 1 June 2013. The put option may be exercised within 7 days after that date.

- ii. a call option in respect of agricultural products, goodwill, and related intellectual property in respect of the business. This call option may be exercised by Spur Hill Agricultural at any time before 31 March 2013.

All of the option deeds under Section 10.13(d) are with the same vendor and the obligations of Spur Hill Agricultural are guaranteed by the Company. The Company has indemnified the vendor from all liabilities it may incur if any obligations of Spur Hill Agricultural under the option deeds are not performed.

Spur Hill Agricultural has paid all stamp duty owing on the properties which it has acquired. There may be additional stamp duty payable upon exercise of the options referred to in this Section.

## 10.14 LAND ACCESS ARRANGEMENTS

SH2 and SHUT has entered into 12 current and separate Land Access Arrangements with various separate land owners in respect of land on or traversing the Tenement (for the purposes of this Section, **Landowners**).

Under each of the Land Access Arrangements:

- a. (**Access**) the Landowner grants access to SH2 and SHUT and consents to the carrying out of prospecting in certain areas on the Landowner's property for certain periods;
- b. (**Indemnity**) SH2 and SHUT must indemnify the Landowner for all loss and damage arising from their prospecting on the relevant property and each of SH2 and SHUT enters on and uses the relevant property entirely at their own risk. SH2 and SHUT must also restore all damage to the relevant property caused by them;
- c. (**Project completion**) at the completion of prospecting, each of SH2 and SHUT and each Landowner must make reasonable efforts to come to an agreement regarding any rectification problems;

- d. **(Dispute Resolution)** if disputes between the Landowner and each of SH2 and SHUT cannot be resolved in good faith, the matter may be determined by the Land and Environment Court (unless otherwise specified in the summaries below);
- e. **(Term)** the term of the arrangement is the lesser of 2 years from the date of the relevant arrangement or the duration of the Tenement and any renewal (unless terminated earlier);
- f. **(Drilling periods)** the periods in which SH2 and SHUT are entitled to conduct drilling operations during the term identified above, vary between 6 and 12 months, depending on the number of holes required to be drilled on each property;
- g. **(Compensation)** each Landowner is entitled to compensation for each drill site, track clearing, seismic surveys, environmental studies and other miscellaneous tasks to be conducted by SH2 and SHUT with respect to the property. The aggregate amount of compensation yet to be paid under the arrangements for the Phase 1 drilling programme is expected to be less than \$75,000; and
- h. **(Infrastructure)** All infrastructure and equipment installed on the land by SH2 and SHUT remains their property and may be removed by them.

### 10.15 AGL CONFIDENTIALITY AGREEMENT

As noted in the Solicitor's Report on the Tenement, AGL Upstream Investments Pty Ltd holds a petroleum exploration licence 4 which overlaps with the Tenement. AGL Energy Limited and AGL Upstream Investments Pty Ltd are related bodies corporate.

As required by the conditions of the Exploration Licence, on 26 July 2010, AGL Energy Limited and each of SH2 and SHUT entered into a confidentiality agreement under which the parties agreed to share certain technical, market and operating data and other information. The term of this agreement is 3 years from the date of the agreement and is on standard terms and conditions.

### 10.16 SERVICE AGREEMENTS

The Group has also entered into a number of service agreements with counterparties in respect of the Spur Hill Project including for the following types of works:

- A. biophysical strategic agricultural land assessment as part of the "Gateway process" (see Section 2.13.3 for further details);
- B. drilling and earthmoving works;
- C. operation and maintenance of a meteorological station located on the Tenement;
- D. engineering studies related to infrastructure development;
- E. assessment of mining subsidence;
- F. flora and fauna surveys and impact assessments;
- G. surface water sampling and impact assessment;
- H. gas content testing and groundwater investigations; and
- I. consulting services with respect to regulatory advice and mine planning.

These agreements generally contain terms and conditions typical of contracts of this nature.

# Additional Information 11.



This section of the Prospectus contains information which the Board considers material to the Offer including:

- Significant shareholders;
- Rights and liabilities attaching to Shares and CPS;
- Employee Share Option Plan and Option Terms;
- Litigation;
- Dividend Policy;
- Tax Considerations;
- Interests of Directors;
- Related Party Arrangements;
- Deeds of Access, Indemnity and Insurance;
- Restricted securities;
- Interests of advisers and named persons;
- Consents to be named;
- Corporate governance;
- Competent Person's Statement; and
- Directors Responsibility Statement.

## 11.1 SIGNIFICANT SHAREHOLDERS

Details of Shareholders who directly or indirectly beneficially hold 5% or more of the Shares on issue as at the date of this Prospectus, and who will directly or indirectly beneficially hold more than 5% after completion of the Offer, are set out in Table 20:<sup>36</sup>

Table 20: Significant shareholders of Malabar Coal

Beneficial Shareholder	Shares beneficially held as at the date of this Prospectus	% of total Shares as at date of this Prospectus	Shares beneficially held after completion of the Offer <sup>37</sup>	% of total Shares after completion of the Offer
Hans Mende	8,059,789	12.4%	9,859,789	11.6%
Fritz Kundrun	8,059,789	12.4%	9,859,789	11.6%
Westmark Investments Pty Ltd (ATF Westbrook Investment Trust) <sup>38</sup>	7,950,932	12.2%	7,950,932	9.4%
Mast Capital Pty Ltd (ATF Keyser Family Trust) <sup>39</sup>	7,950,932	12.2%	7,950,932	9.4%
HFTT Pty Ltd (ATF Haggarty Family Trust)	5,660,684	8.7%	6,160,684	7.2%
Westbrook Coal Pty Ltd (ATF Yuanmi Superannuation Fund and Ranamok Family Trust) <sup>40</sup>	5,660,684	8.7%	6,160,684	7.2%

## 11.2 RIGHTS AND LIABILITIES ATTACHING TO SHARES IN THE COMPANY

### 11.2.1 Ordinary Shares

A summary of the key rights attaching to the ordinary shares in the Company is set out below. The provisions of the Constitution relating to the rights attaching to the Shares must be read subject to the Corporations Act, the ASX Listing Rules, ASX Settlement Rules and the specific terms of the CPS (see below). This summary is not intended to be exhaustive and does not constitute a definitive statement of the rights, liabilities and restrictions attaching to the ordinary shares.

#### 11.2.1.1 Ranking

The Shares issued pursuant to this Prospectus will be fully paid ordinary shares and will rank equally in all respects with the existing fully paid ordinary shares in the Company.

#### 11.2.1.2 Reports and Notices

Members are entitled to receive all notices, reports, accounts and other documents required to be furnished to members under the Constitution and the Corporations Act.

<sup>36</sup> Shares are presented post Subdivision and conversion of CPS.

<sup>37</sup> These significant shareholders will subscribe for an aggregate of \$4,600,000 under the Offer.

<sup>38</sup> An entity associated with Wayne Seabrook, includes 5,483,590 Shares held by Ironstone Capital and 2,467,342 Shares held by an associate of Wayne Seabrook (Wayne Seabrook and Simon Keyser are both directors and shareholders of Ironstone Capital).

<sup>39</sup> An entity associated with Simon Keyser, includes 5,483,590 Shares held by Ironstone Capital and 2,467,342 Shares held by an associate of Simon Keyser (Wayne Seabrook and Simon Keyser are both directors and shareholders of Ironstone Capital).

<sup>40</sup> An entity associated with Andrew Plummer.



### 11.2.1.3 General Meetings

Holders of Shares are entitled to be present in person, or by proxy, attorney or representative (where the member is a body corporate) to speak and to vote at general meetings of the Company. Holders of Shares may requisition general meetings in accordance with the Corporations Act and the Constitution.

### 11.2.1.4 Voting

Subject to any rights or restrictions attached to any class or classes of shares in the Company at any time, at a general meeting of the Company:

- every ordinary member present in person, or by proxy, attorney or representative has one vote on a show of hands; and
- upon a poll every ordinary member present in person or by proxy, attorney or representative has one vote for every fully paid share held.

### 11.2.1.5 Chairperson

In the case of an equality of votes on a show of hands or on a poll, the chairperson of the meeting has a casting vote in addition to any vote to which that chairperson may otherwise be entitled.

### 11.2.1.6 Dividends

The Directors may declare and authorise the distribution of dividends from the profits of the Company to members according to their rights and interests.

### 11.2.1.7 Winding Up

Subject to any priority rights of preference shareholders (see below), holders of Shares will be entitled in a winding up to share in any surplus assets of the Company in proportion to the Shares held by them respectively, less any amount which remains unpaid on their Shares at the time of any such distribution.

### 11.2.1.8 Transfer of Shares

Subject to the Constitution and to any restrictions attached to a member's Shares at any point in time, a member may transfer any of the member's Shares by way of a proper ASX Settlement transfer, a written transfer in any usual form or in any other form permitted by the Corporations Act and the ASX Listing Rules.

The Directors may decline to register a transfer of Shares or apply for a holding lock to prevent a transfer in accordance with the Corporations Act or ASX Listing Rules in the event that:

- the Company has a lien on the Shares the subject of the transfer;
- the Company is served with a court order that restricts a member's capacity to transfer the Shares;
- registration of the transfer may break an Australian law;
- the transfer is lodged during the escrow period for restricted securities;
- the transfer is paper-based and either a law related to stamp duty prohibits the Company from registering it or the Company is otherwise allowed to refuse to register it under the ASX Listing Rules; or
- if the transfer does not comply with the terms of any employee incentive scheme of the Company where applicable.

### 11.2.1.9 Future Increases in Capital

The allotment and issue of Shares is under the control of the Directors of the Company. Subject to the ASX Listing Rules, and restrictions on the allotment of Shares to Directors or their Associates contained in the Constitution and the Corporations Act, the Directors may allot or otherwise dispose of Shares on such terms and conditions as they see fit.

### 11.2.1.10 Variation of Rights

The rights, privileges and restrictions attaching to Shares can be altered with the approval of a resolution passed at a separate general meeting of the holders of Shares by a 75% majority of those holders who, being entitled to do so, vote at that meeting, or with the written consent of the holders of at least 75% of the Shares on issue.

### 11.2.1.11 Application of ASX Listing Rules

On admission to the Official List, despite anything in the Constitution, if the ASX Listing Rules prohibit an act being done, then the act must not be done. Nothing in the Constitution prevents an act being done that the ASX Listing Rules require to be done. If the ASX Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the ASX Listing Rules require a constitution to contain a provision or not to contain a provision, the Constitution is deemed to contain that provision or not to contain that provision (as the case may be). If a provision of the Constitution is or becomes inconsistent with the ASX Listing Rules, the Constitution is deemed not to contain that provision to the extent of that inconsistency.

## 11.2.2 Converting Preference Shares

As at the date of this Prospectus, the Company has issued 20,000,000 CPS to sophisticated investors and/or professional investors (as defined in the Corporations Act). As described below, if the Company proceeds to list on the ASX following the Offer, on the basis of the Offer Price, the existing CPS will convert into 24,000,021 Shares (ordinary shares) post Subdivision on the date on which the ASX confirms the Company's listing.

### 11.2.2.1 Conversion

The material terms of the CPS are set out below.

#### a. Conversion on Listing on ASX

Each CPS on issue will automatically convert into Shares in the Company on the date on which the ASX confirms the Company's listing.

The number of Shares in the Company into which each CPS will convert at that time will be determined by dividing the conversion value of \$1.20 (being the issue price for each CPS of \$1.00 multiplied by 120%) (for the purposes of this Section, **Conversion Value**) by the final price per Share under the Offer.

If the Company proceeds to list on the ASX following the Offer, on the basis of the Offer Price, the existing 20,000,000 CPS will convert into 24,000,021 Shares (ordinary shares) post Subdivision on the date on which the ASX confirms the Company's listing.

### 11.2.2.2 Dividends and Profits

Until conversion, the CPS:

- shall have no entitlement to the payment of dividends; and
- do not confer on their holders any right to participate in surplus assets, profits or property of the Company except as set out below.

### 11.2.2.3 Voting Rights

Each CPS holder will be entitled to receive notice of and attend any meeting of the Company's members but shall not be entitled to vote at any such meeting except in the following circumstances:

- on a proposal:
  - to reduce the share capital of the Company;
  - that affects the rights attached to the CPS; or
  - to wind up the Company;
- on a resolution to approve the terms of a buy-back agreement; or
- during the winding up of the Company,

in which case holders of CPS shall be entitled to one vote for each CPS held in a general meeting of members.

## 11.3 EXECUTIVE SHARE OPTION PLAN

The Company has in place an executive share option plan, being the Malabar Coal executive share option plan (for the purposes of this Section, **Plan**) that is governed by the Plan rules (for the purposes of this Section, **Plan Rules**). The Plan was approved by the Board on 23 January 2013. As at the date of this Prospectus, the Company has agreed to grant 450,000 Options (post Subdivision) under the Plan on the business day immediately prior to the ASX Quotation Date. No Options have been granted by the Company as at the date of this Prospectus.

The following is a summary of the Plan Rules:

- The stated purpose of the Plan is to aid in:
  - providing eligible employees with an incentive to remain with the Group and to improve the longer-term performance of the Company; and
  - enabling the Group to retain and attract skilled and experienced employees and provide them with the motivation to make the Group more successful.
- Persons eligible to participate in the Plan are an executive or a director of any member of the Group who is a senior manager for the purposes of section 708(12) of the Corporations Act and determined by the Board to be an eligible employee for the purposes of the Plan (for the purposes of this Section, **Eligible Employee**).
- The Board at its sole discretion may invite any Eligible Employee selected by it to complete an application relating to a specified number of Options allocated to that Eligible Employee by the Board. The Board may offer Options to subscribe for Shares in the capital of the Company to any eligible person it determines, and determine the extent of that person's participation in the Plan (for the purposes of this Section, **Participant**). An offer by the Board shall specify the date of grant, the total number of options granted, exercise price and expiry date of the Options and any other matters the Board determines, including performance conditions attaching to the Options.
- Unless otherwise determined by the Board, no payment is required for the grant of Options under the Plan.
- Options granted under the Plan are not capable of being transferred or encumbered by a Participant, unless the Board determines otherwise.
- The Company has no obligation to apply for quotation of the Options on the ASX.
- In general terms, Options granted under the Plan may only be exercised if all the exercise conditions have been met, the exercise price has been paid to the Company and the Options are exercised within the exercise period relating to the Option. An Option granted under the Plan may not be exercised once it has lapsed.
- An Option may be exercised, whether or not any or all applicable exercise conditions have been met, on the occurrence of a Total Control Event and the Board may determine that an Option may be exercised, whether or not any or all applicable exercise conditions have been met, on the occurrence of a Control Event.

- The Company will apply to ASX for official quotation of Shares issued upon exercise of Options issued under the Plan so long as the Shares are quoted on the Official List of ASX at that time.
- The Company may financially assist a person to pay any exercise price for an Option, subject to compliance with the provisions of the Corporations Act and the ASX Listing Rules relating to financial assistance.
- If the Company or any member of the Group has an obligation in relation to a tax liability associated with the grant or vesting of any Option (for the purposes of this Section, **Tax Liability**), then the Company may sell a sufficient number of Shares, post vesting or exercise of the Option, to cover the Tax Liability. A Participant may enter into alternative arrangements, if acceptable to the Board, to settle any Tax Liability.
- If a Participant ceases to be appointed as director or employed by any member of the Group due to his or her resignation, dismissal for cause or poor performance or in any other circumstances determined by the Board:
  - all Options granted to that Participant as at the date of cessation which are vested Options will lapse on the date of cessation, unless the Board determines otherwise, in which event the Board will determine the period within which those other Options may be exercised following the date of cessation of appointment or employment after which those other Options will lapse; and
  - all other Options granted to that Participant will lapse as at the date of cessation, unless the Board determines otherwise.
- If a Participant ceases to be appointed or employed by any member of the Group for any reason or in any other circumstances determined by the Board:
  - all Options granted to that Participant as at the date of cessation which are vested Options may be exercised by that Participant in the 90 day period following the date of cessation of appointment or employment, after which those vested Options will lapse; and
  - all other Options granted to that Participant will retain their original vesting date (subject to the satisfaction of any performance conditions), although the Board may:
    - › pro rata the Participant's Options at cessation to reflect the portion of the vesting period for which the Participant has been employed; or
    - › accelerate the vesting of the Participant's Options, subject to any Corporations Act and ASX Listing Rule requirements.
- On liquidation of the Company, all Options which are not vested Options will lapse.
- If, in the opinion of the Board, a Participant has acted fraudulently or dishonestly, the Board may determine that any Option granted to that Participant should lapse, and the Option will lapse accordingly.
- If an Option has not lapsed earlier, it will lapse at the end of the exercise period.
- In the event of any reconstruction (including consolidation, subdivision, reduction, capital return, buy back or cancellation) of the share capital of the Company, the number of Options to which each Participant is entitled and/or the exercise price of those Options must be reconstructed in accordance with the ASX Listing Rules. Options must be reconstructed in a manner which will not result in any additional benefits being conferred on Participants which are not conferred on other shareholders of the Company.
- Holders of Options issued under the Plan may only participate in new issues of securities by the Company if they have first exercised their options within the relevant exercise period and become a shareholder of the Company prior to the relevant record date, and is then only entitled to participate in relation to Shares of which the Participant is the registered holder.
- If there is a pro rata issue (except a bonus issue), the exercise price of an Option may be reduced, in the discretion of the Board, according to the formula in the Plan Rules which reflects the formula in ASX Listing Rule 6.22.2.
- If there is a bonus issue the number of Shares over which an Option can be exercised will be increased commensurately.
- The Company must indemnify, and keep indemnified, to the full extent permitted by law, each person who is or has been a Director or alternate Director of the Company against all proceedings, actions, claims, demands, losses, liabilities, damages, costs and expenses which may be made, brought against, suffered or incurred by the person arising directly or indirectly out of or in connection with the administration of the Plan.
- The Board may terminate or suspend the operation of the Plan at any time. In passing a resolution to terminate or suspend the operation of the Plan or to supplement or amend these rules, the Board must consider and endeavour to ensure that there is fair and equitable treatment of all Participants. No amendment may be made which is inconsistent with the ASX Listing Rules.
- The Company and any associated body corporate of the Company may provide money to the trustee of any trust or any other person to enable them to acquire Shares to be held for the purposes of the Plan, or enter into any guarantee or indemnity for those purposes, to the extent permitted by the Corporations Act.
- Shares may not be allotted and issued, acquired, transferred or otherwise dealt with under the Plan if to do so would contravene the Corporations Act, the ASX Listing Rules, or any other applicable laws.

## 11.4 TERMS AND CONDITIONS OF OPTIONS AGREED TO BE GRANTED

Table 21: Terms and conditions of Options to be granted

	CEO Options – Peter Doyle	Director Options – Tony Galligan
Grant Date	The business day immediately prior to the date of commencement of Official Quotation of the Company's shares on the ASX (the Grant Date).	The business day immediately prior to the date of commencement of Official Quotation of the Company's shares on the ASX (the Grant Date).
Maximum Number of Options Offered	250,000 (post Subdivision).	200,000 (post Subdivision).
Exercise Price	\$1.50 per Option (i.e. based on a 50% premium on the Offer Price).	\$1.50 per Option (i.e. based on a 50% premium on the Offer Price).
Vesting Dates	Options will vest in increments as follows: Tranche A: One third of the Options granted will vest on the first anniversary of the Grant Date; Tranche B: One third of the Options granted will vest on the second anniversary of the Grant Date; and; Tranche C: One third of the Options granted will vest on the third anniversary of the Grant Date.	The Options will vest in increments as follows: Tranche A: One third of the Options granted will vest on the first anniversary of the Grant Date; Tranche B: One third of the Options granted will vest on the second anniversary of the Grant Date; and; Tranche C: One third of the Options granted will vest on the third anniversary of the Grant Date.
Exercise Period	Begins on the date the Options vest and ends four years after the Grant Date.	Begins on the date the Options vest and ends four years after the Grant Date.
Exercise Conditions	Finalisation of the Subdivision. Commencement of Official Quotation of the Company's shares on the ASX.	Finalisation of the Subdivision. Commencement of Official Quotation of the Company's shares on the ASX.

## 11.5 LITIGATION

As far as the Directors are aware, there are no current or threatened civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material nature in which any member of the Group is directly or indirectly concerned which are likely to have a material adverse effect on the business or financial position of the Group other than as set out below.

The Company has initiated an arbitration process under the Mining Act in order to seek to finalise the terms of a potential Land Access Arrangement in respect of a parcel of land included within an area encompassed by the Tenement. The Company is seeking to agree terms similar to the terms of the Land Access Arrangements referred to in Section 10 (Material Contracts).

## 11.6 DIVIDEND POLICY

The Directors currently intend to use surplus cash flow to fund the development of the Projects, rather than distributing funds as dividends.

Accordingly, the Directors do not anticipate paying any dividends in the short term.

The Directors can give no assurance as to the amount, timing, franking or payment of any future dividends by the Company. The capacity to pay dividends will depend on a number of factors including future earnings, capital expenditure requirements and the financial position of the Company.

## 11.7 AUSTRALIAN TAXATION CONSIDERATIONS

This is a general summary of the Australian tax consequences for investors who acquire new Shares in the Company under this Prospectus.

Specifically, with reference to the allotment, ownership and disposal of Shares in the Company, this provides a summary of the Australian income tax implications for Australian tax resident individual shareholders, Australian tax resident complying superannuation fund shareholders and Australian tax resident corporate shareholders who hold the Shares acquired on capital account.

This summary does not address issues for non-Australian tax resident shareholders, those investors that do not hold their Shares on capital account or investors who hold their Shares through other types of entities.

### 11.7.1 Disclaimers

This advice is general in nature and the individual circumstances of each shareholder may affect the taxation implications of the investment for that shareholder. Shareholders should seek appropriate independent professional advice that considers the taxation implications in respect of their own specific circumstances. The Australian tax laws are complex and this is not an exhaustive analysis of all income tax consequences that could apply in all circumstances of any given shareholder. Special additional rules may apply to particular shareholders, such as insurance companies and financial institutions.

To the extent permitted by applicable law, the Company disclaims all liability to any shareholder or other party for all costs, loss, damage and liability that the shareholder or other party may suffer or incur arising from or relating to or in any way connected with the contents of this advice or the provision of this advice to the shareholder or other party or the reliance on this advice by the shareholder or other party.

The views expressed in this summary are based on the relevant Australian taxation, stamp duty and GST laws, as of the date of the Prospectus, all of which are subject to change. Unless otherwise stated, the tax, stamp duty and GST consequences do not take into account or anticipate any changes in law (by legislation or judicial decision) or any changes in administrative practice or interpretation by the relevant authorities. If there is a change, including a change having retrospective effect, the tax, stamp duty and GST consequences would have to be re-considered in light of the changes. Other than as required by law, the Company has no responsibility to update this summary for events, transactions, circumstances or changes in any of the facts, assumptions or representations occurring after this date.

### 11.7.2 Taxation of Dividends

#### Australian Tax Resident Shareholders

Distributions of profit from the Company should constitute dividends for Australian tax purposes.

Dividends distributed by the Company on a Share will constitute assessable income of an Australian tax resident shareholder and will need to be included in their taxable income in the year in which the dividend is paid.

Individual shareholders will generally be taxed at their applicable marginal rate on the dividend received. Whilst we understand that the Company is unlikely to pay a dividend in the short term, where the Company does pay company tax and subsequently franks a dividend, shareholders will be imputed with this tax and receive a partial credit for the tax otherwise payable. In general terms, superannuation funds treat the receipt of a dividend in the same way as individuals.

Corporate shareholders who are Australian residents for tax purposes will need to include dividends in their assessable income in the year the dividend is paid and will be taxed at the corporate tax rate on the dividend received.

### 11.7.3 Taxation of Future Share Disposals

#### Australian Tax Resident Shareholders

All Australian tax resident shareholders who hold their Shares on capital account must consider the impact of the Australian capital gains tax rules on the disposal of their Shares.

A Shareholder will derive a capital gain on the disposal of their Shares where the capital proceeds received on disposal exceed the cost base of those Shares. The cost base should generally be equal to the acquisition price of the Shares plus any incidental costs of acquisition, amongst other things.

A Shareholder will incur a capital loss on the disposal of their Shares where the capital proceeds received on disposal are less than the reduced cost base of their Shares.

All capital gains and losses of a taxpayer for the income year are added together to produce a net capital gain for that income year. A net capital gain for an income year is included in the shareholder's taxable income.

A net capital loss is effectively quarantined and may generally be carried forward indefinitely to be deducted against future capital gains. In the case of company and trust shareholders, any loss carry forward is subject to satisfaction of the carried forward loss rules.

Individual shareholders may be entitled to a concession (referred to as the 'CGT discount') on the amount of capital gains tax assessed. The concession is available to all individual shareholders who hold their Shares for at least twelve months prior to disposal. The concession results in only 50% of any capital gain being taxable. Capital losses must be applied first to reduce capital gains before applying the discount.

The CGT discount is generally also available to Australian tax resident complying superannuation funds, except that the capital gains tax discount is one-third rather than 50%.

Any capital gain derived upon a disposal of Shares by an Australian tax resident corporate Shareholder would generally be included in assessable income. The CGT discount is not available to corporate taxpayers.

### 11.7.4 Stamp Duty

No stamp duty will be payable by successful applicants on the issue or transfer of Shares to them under the Offer. In addition, under current stamp duty legislation, no stamp duty would be payable on any subsequent transfer of Shares provided the Shares remain quoted on the ASX.

### 11.7.5 GST

Under current Australian law, GST will not be payable in respect of any issue or transfer of shares.

## 11.8 INTERESTS OF DIRECTORS

Other than as set out below or elsewhere in this Prospectus, no Director (whether individually or in consequence of a Director's association with any company or firm or in any material contract entered into by the Company) has now, or has had, in the two year period ending on the date of this Prospectus, any interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- the Offer.

Except as disclosed in this Prospectus, no amounts of any kind (whether in cash, Shares, options or otherwise) have been paid or agreed to be paid to any Director or to any company or firm with which a Director is associated to induce him to become, or to qualify as, a Director, or otherwise for services rendered by him or his company or firm with which the Director is associated in connection with the formation or promotion of the Company or the Offer.

### 11.8.1 Remuneration of Directors

The Constitution provides that the non-executive Directors may be paid for their services as Directors, however the sum payable must not exceed such fixed sum per annum as may be determined by the Company in general meeting, to be divided among the Directors and in default of agreement then in equal shares. The sum fixed by the Company as the aggregate limit for the payment of non-executive Directors is \$500,000 per annum.

A Director may be paid fees or other amounts as the Directors determine where a Director renders or is called upon to perform extra services or to make any special exertions in connection with the affairs of the Company. A Director may also be reimbursed for any disbursements or any other out of pocket expenses properly incurred as a result of their directorship or any special duties.

### 11.8.2 Directors' Fees and Remuneration Received

Directors' fees paid since incorporation of the Company up to the date of this Prospectus, or payable annually to the Directors upon listing on the ASX as remuneration for their services as Directors under their respective appointment letters are set out in Table 22.

*Table 22: Directors' fees and remuneration*

Director	Total fees paid from incorporation to the date of this Prospectus	Annual fees to be paid upon listing (excl. GST)	Other remuneration
Wayne Seabrook	Nil	\$65,000	A daily consulting rate of \$2,500 per day for all Project-related work (not work performed in his role as Chairman). Refer to Section 11.9.5 for more.
Hans Mende	Nil	\$50,000	Nil
Andy Plummer	Nil	\$50,000	Nil
Tony Galligan	Nil	\$50,000	200,000 Options <sup>41</sup> valued at \$85,346. The terms of the Director Options are set out in this Section (Additional Information) above.
Simon Keyser	Nil	\$50,000	
<b>Total</b>		<b>\$265,000</b>	

Directors will be paid additional remuneration for committee roles, per the schedule below.

Table 23: Schedule of remuneration for Board committees

	Audit Committee	Environmental, Risk and Occupational Health and Safety Committee	Remuneration & Nomination Committee
Chairman	\$5,000	\$5,000	\$2,500
Member	\$2,500	\$2,500	\$1,250

### 11.8.3 Directors' Holdings

Details of the interests in securities of the Company held by the Directors and their related parties (either directly or indirectly) as at the date of this Prospectus are set in Table 24.<sup>42</sup>

Table 24: Directors' holdings in Malabar Coal

Director	Shares held directly or indirectly at the date of this Prospectus (assuming conversion of the CPS)	Options held directly or indirectly
Hans Mende	8,059,789	Nil
Wayne Seabrook	7,950,932 <sup>43</sup>	Nil
Simon Keyser	7,950,932 <sup>44</sup>	Nil
Andy Plummer	5,660,684	Nil
Tony Galligan	–	200,000 Options (valued at \$85,346) (to be granted on the business day immediately prior to the ASX Quotation Date)
<b>Total</b>	<b>24,138,747</b>	<b>200,000</b>

## 11.9 RELATED PARTY ARRANGEMENTS

Chapter 2E of the Corporations Act governs related party transactions with respect to public companies. The Company has entered into a number of transactions with related parties which have fallen within one of the exceptions in Chapter 2E. A summary of the transactions is set out below.

### 11.9.1 Agreements with Ironstone Capital

Ironstone Capital is a boutique corporate advisory business owned by two of the Directors – Wayne Seabrook and Simon Keyser. Ironstone Capital established Malabar Coal for the purpose of acquiring an interest in the Project.

The Company has entered into agreements with Ironstone Capital for the provision of corporate advisory services on commercial terms. Wayne Seabrook and Simon Keyser are Directors of the Company and are also directors of, and control, Ironstone Capital.

The Company has paid Ironstone Capital an Investment Management Fee of 1,188,375<sup>45</sup> Shares under the Shareholders Agreement (Company) in two separate tranches. A Director of the Company with no interest in the transaction has resolved that the payment of this Investment Management Fee is reasonable and on arms length terms as consideration for services provided by Ironstone Capital to the Company. Whilst these arrangements were disclosed to shareholders at the time of making their investment, subsequent shareholder approval has not been obtained for the payment of the Investment Management Fee.

Spur Hill Management, a Subsidiary of the Company, has also paid an amount of \$563,473 to Ironstone Capital under the Ironstone Secondment Arrangement during the period from 15 July 2011 to 31 December 2012. Under this arrangement, Ironstone Capital second its staff to the Project to assist with Project-based activities such as land acquisitions, community, government and landowner liaison, financial modelling, accounting, engineering design and commercial negotiations with third parties. Work performed by Simon Keyser or Wayne Seabrook has not been charged to the Company. Ongoing services provided by Ironstone Capital will be charged at \$225 per hour for each Ironstone Capital executive (excluding Simon Keyser and Wayne Seabrook). A Director of the Company with no interest in the transaction has resolved that the terms of the Ironstone Secondment Arrangement including the payment of these Ironstone Capital fees are reasonable and on arms length terms. Whilst these arrangements were disclosed to shareholders at the time of making their investment, subsequent shareholder approval has not been obtained for the entry into and performance of the Ironstone Secondment Arrangement or the payment of these fees. See Section 10 (Material Contracts) for a summary of the Ironstone Secondment Arrangement.

<sup>42</sup> Shares and Options presented post conversion of CPS and Subdivision.

<sup>43</sup> Includes 5,483,590 Shares owned by Ironstone Capital Partners Pty Ltd, of which Mr Seabrook is a director and 50% owner.

<sup>44</sup> Includes 5,483,590 Shares owned by Ironstone Capital Partners Pty Ltd, of which Mr Keyser is a director and 50% owner.

<sup>45</sup> Number of Shares is presented post Subdivision.

### 11.9.2 Dal Pozzo Consultancy Arrangement

The Group has entered into a consultancy arrangement with Dal Pozzo Consulting Pty Ltd (an entity associated with Aldo Dal Pozzo, an alternate Director of the Company who resigned on 23 January 2013 to provide accounting services. A Director of the Company with no interest in the transaction has resolved that the terms of this consultancy arrangement are reasonable and on arms length terms. Subsequent shareholder approval has not been obtained for the entry into and performance of this consultancy arrangement or the payment of consulting fees. Refer to Section 10 (Material Contracts) for a summary of the Ironstone Secondment Arrangement of which this arrangement forms part.

### 11.9.3 Issue and Conversion of CPS

On 2 May 2012, the Company issued CPS to certain investors which also included the following related parties:

- Wayne Seabrook, a Director of the Company – 197,500 CPS
- Simon Keyser, a Director of the Company – 197,500 CPS
- Hans Mende, a Director of the Company – 2,000,000 CPS
- Andy Plummer, a Director of the Company – 1,000,000 CPS

These CPS were acquired by the Directors on the same terms as third party investors.

The CPS were issued at \$1.00 each and will automatically convert into Shares on the date the ASX confirms the admission of the Company on the Official List. As the related parties above have been issued the CPS on the same terms as all other non-related parties in the issue, the issue (and conversion upon listing) proceeded or will proceed on arm's length terms. As such, member approval of the transactions has not been sought.

### 11.9.4 Issue of Director Options

Pursuant to the ESOP, the Company has agreed to grant 200,000<sup>46</sup> Director Options to Tony Galligan, a Director of the Company. The grant of the Director Options is considered reasonable in the Company's circumstances and falls within the reasonable remuneration exception in Chapter 2E of the Corporations Act. The Director Options will be granted for nil consideration and are capable of exercise into Shares in the Company. The Director Options to be granted to Tony Galligan have been valued at \$85,346. A summary of the terms of the Director Options is set out above in this Section 11.8.

### 11.9.5 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. No consultancy fees have been incurred by the Company under this consultancy arrangement prior to the date of this Prospectus. The consulting rate payable to him (or his associated entity) is considered reasonable in the Company's circumstances and falls within the reasonable remuneration exception in Chapter 2E. As such, shareholder approval has not been obtained for the consulting arrangement.

### 11.9.6 Agreements with XLX

The Company has entered into the XLX Sub-Lease with XLX. Simon Keyser, Andy Plummer and Wayne Seabrook are Directors of the Company and are also directors of, and control, XLX. Under the XLX Sub-Lease, the Company will pay \$11,148 per month for a sub-lease of the premises located at Level 26, 259 George Street Sydney NSW 2000 to be used as the head-office of the Company. The rent is charged by XLX to Malabar Coal on a pass through cost basis. Prior to 31 December 2012, the Company has paid rent of \$11,148 under the XLX Sub-Lease. A Director of the Company with no interest in the transaction has resolved that the terms of the XLX Sub-Lease and the payment of this XLX Sub-Lease Rent are reasonable and on arms length terms. As such, shareholder approval has not been obtained for the entry by the Company into the XLX Sub-Lease or the payment of the XLX Sub-Lease Rent. See Section 10 (Material Contracts) for a summary of the XLX Sub-Lease.

Spur Hill Management has also paid a fee to XLX for a lease of Level 25, 259 George Street, Sydney NSW 2000. Under the lease, Spur Hill Management paid a fee to XLX between 1 February 2012 and 30 November 2012. The total fee paid during this period was \$29,594. The rent was charged to Malabar Coal on a pass through cost basis. The lease expired on 30 November 2012. A Director of the Company with no interest in the transaction has resolved that the terms of the lease and the payment of this fee are reasonable and on arms length terms. As such, shareholder approval has not been obtained for the entry by the Company into the lease or the payment of the fee.



### 11.9.7 Payment of Directors' Fees

As disclosed in Section 11.8.2 above, the Company has entered into non-executive Director appointment letters with each of its non-executive Directors. Annual fees payable to the non-executive Directors or their associated companies are considered reasonable in the Company's circumstances and fall within the reasonable remuneration exception in Chapter 2E. As such, shareholder approval has not been obtained for the payment of such fees.

### 11.9.8 Transactions prior to conversion to public company

Prior to its conversion to a public company, the Company entered into the following transactions:

- On 19 July 2011, the Company issued 849,999<sup>47</sup> Shares to Ironstone Capital for a total consideration of \$1.00. These Shares were issued to Ironstone Capital when the Company was first established and prior to other ordinary shares being issued to the ordinary shareholders in the Company. The net tangible assets of the Company at that time were \$1.00 and the fair value of the Shares has been determined by the Directors on their assessment as to the fair value of the Company at 19 July 2011.
- Directors and associates of Directors were also issued Shares on the same terms as third party investors acquiring Shares at that time. Further details on direct and indirect interests of Directors in Shares are set out above in this Section; and
- On 30 April 2012, the Company entered into a mandate letter with Ironstone Capital in relation to the offering of CPS under which Ironstone Capital was entitled to a fee of 5% of the funds raised under this offering. On the successful raising of \$8,900,000, Ironstone Capital was entitled to and was paid a fee of \$445,000 on 4 May 2012.

Except as disclosed in this Prospectus, the Company is not a party to any other existing transactions with its related parties (as this term is defined in Chapter 2E of the Corporations Act).

### 11.10 DEEDS OF ACCESS, INDEMNITY AND INSURANCE

The Company has entered into a Deed of Access, Indemnity and Insurance with each Director. Under each Deed, the Company indemnifies the Directors to the maximum extent permitted by law against all liabilities including losses, claims, action, suit, demand, proceedings, notice, litigation, investigation, judgment, damages, outgoings, costs or expenses of any description (including penalties, fines and interest) whether based in contract, tort (including negligence) or otherwise under statute and whether present, anticipated, contingent or prospective, incurred by the Directors, in connection with their offices. The Deed provides for advances to Directors to defend claims so that in the event that a Director incurs or is likely to incur legal costs in circumstances where the Company may be obliged to indemnify the Director for the legal costs, the Company must advance the money to the Director to enable him or her to pay for the legal costs. If the Company advances an amount to the Director and it is later established that the Director is not entitled to be indemnified in relation to those proceedings, the Director must repay the amount to the Company including interest accrued.

Also pursuant to each Deed, for a period of 7 years from the date that the Director ceases to be a Director, the Company must provide access to all Board papers relevant to defending any claim brought against the Director in their capacity as an officer of the Company, and will obtain a contract of insurance to insure the Director against liabilities incurred in connection with their office, excluding prohibited liabilities associated with conduct involving a willful breach of duty to the Company or a contravention of sections 182 or 183 of the Corporations Act.

### 11.11 RESTRICTED SECURITIES

As a condition of admitting the Company to the Official List, the ASX may classify certain existing securities in the Company as restricted securities in accordance with the ASX Listing Rules. Any such classification will restrict the transfer of effective ownership or control of any restricted securities without the written consent of the ASX and for such period as the ASX may determine.

Prior to Official Quotation, the parties holding restricted securities must enter into restriction agreements with the Company on the terms set out in the ASX Listing Rules. Details of those restriction agreements will be disclosed to the market on the ASX's announcements platform prior to commencement of Official Quotation of the Shares.

The determination of which Shares will be escrowed is subject to the discretion of the ASX. Shares held (or to be held, in the case of Options) by the following investors who are Directors or persons who are classified as related parties or promoters (for the purposes of the ASX Listing Rules) as detailed in the table below will be escrowed for a period of 2 years. Note the number of Shares and Options in Table 25 represent Shares held post conversion of CPS shares and post Subdivision and upon Listing.

47 Note that the 849,999 Shares are on a pre Subdivision basis.

Table 25: Restricted securities schedule

Name of Investor	Relevant Individuals	Reason for Restrictions	No. of Shares <sup>48</sup>	No. of Options <sup>49</sup>
Brisbane Investments I Ltd	Hans Mende (Director)	Related Party/ Promoter/ Seed Capitalist	8,059,789	–
Westbrook Coal Pty Ltd	Andy Plummer (Director)	Related Party/ Promoter/ Seed Capitalist	5,660,684	–
Ironstone Capital Partners Pty Ltd	Simon Keyser (Director)/ Wayne Seabrook (Director)	Promoter	5,483,590	–
Mast Capital Pty Ltd (ATF Keyser Family Trust)	Simon Keyser (Director)	Related Party/ Promoter/ Seed Capitalist	2,467,342	–
Westmark Investments Pty Ltd (ATF Westbrook Investment Trust)	Wayne Seabrook (Director)	Related Party/ Promoter/ Seed Capitalist	2,467,342	–
Aldo Dal Pozzo	Aldo Dal Pozzo	Related Party/ Promoter/ Seed Capitalist	255,967	–
Belltrees Investments Pty Ltd (ATF Cassidy Doyle Family Trust)	Peter Doyle (CEO)	Related Party/ Promoter/ Seed Capitalist	120,000	–
Brian Douglas Beem, Jr	Brian Douglas Beem, Jr	Related Party/ Promoter/ Seed Capitalist	101,521	–
Belltrees Investments Pty Ltd (ATF Cassidy Doyle Family Trust)	Peter Doyle (CEO)	Related Party/ Promoter/ Options under ESOP	–	250,000 <sup>50</sup>
Tony Galligan	Tony Galligan	Related Party/ Options under ESOP	–	200,000 <sup>51</sup>
<b>Total</b>			<b>24,616,235</b>	<b>450,000</b>

It is expected that all Shares identified in Table 25 will be escrowed for 24 months either by way of ASX mandatory escrow or voluntary escrow. Any Shares acquired by these investors under the Offer will not be subject to escrow.

The anticipated number of Shares subject to a 24 month escrow period is 24,616,235 (as outlined in Table 26) which accounts for approximately 29.0% of the Shares on issue following completion of the Offer.

A further 16,510,195 shares or 19.4% of shares on issue following completion of the Offer will be subject to a voluntary escrow period of 6 months from the date of quotation of the Company's Shares on the ASX.

Therefore, for the first 6 months from the date of Official Quotation of the Company's Shares on the ASX, the Company expects 48.4% of Shares will be escrowed, after which 29.0% will continue for the duration of the 24 month period.

Table 26: Summary of escrow arrangements – 6 months and 24 months

Shareholder classification	Escrow period	Number of Shares	% Shares on issue post Offer
Directors, related parties and promoters	24 months	24,616,235	29.0%
Other Shareholders <sup>52</sup>	6 months	16,510,195	19.4%
Total Shares escrowed for 6 months		41,126,430	48.4%
Total shares escrowed for 24 months		24,616,235	29.0%

Details of restriction agreements will be disclosed to the market on ASX's announcements platform prior to commencement of Official Quotation of the Shares.

48 Being Shares held by each investor or their related entities.

49 Being Options held by each investor or their related entities.

50 To be granted on the business day immediately prior to the ASX Quotation Date.

51 To be granted on the business day immediately prior to the ASX Quotation Date.

52 Ordinary shareholders as at the date of the Prospectus (pre-Offer) who are not Directors, related parties or promoters.

## 11.12 INTERESTS OF ADVISERS AND NAMED PERSONS

This section applies to persons named in the Prospectus as performing a function as a financial services licensee or in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus or promoters of the Company (collectively referred to as Prescribed Persons). Except as otherwise set out below or elsewhere in this Prospectus, no Prescribed Person has or during the last two years has had any interest in the formation or promotion of the Company, or any property proposed to be acquired by the Company in connection with its formation or promotion or the Offer.

Further, no sums have been paid or agreed to be paid to a Prescribed Person for services rendered by the Prescribed Person in connection with the promotion or formation of the Company or the Offer except as set out below or otherwise set out in this Prospectus.

The Company has engaged the following professional advisers and service providers:

- Lawler Hacketts will receive professional fees of approximately \$30,500 (excluding GST) for accounting services in connection with this Prospectus including the provision of the Investigating Accountant's Report.
- Wilson HTM will receive professional fees of approximately \$750,000 where \$20,000,000 is raised (excluding GST) for acting as Lead Arranger, Joint Lead Manager, Joint Bookrunner and Underwriter in connection with the Offer.
- RBS Morgans will receive professional fees of approximately \$550,000 where \$20,000,000 is raised (excluding GST) for acting as Joint Lead Manager, Joint Bookrunner and Underwriter in connection with the Offer.
- Ironstone Capital has received professional fees of approximately \$563,473 (excluding GST) as consideration for seconding staff to the Company from the period between 15 July 2011 and 31 December 2012 under the Ironstone Secondment Arrangement, \$445,000 as consideration for capital raising services in May 2011 and an aggregate number of 1,188,375 Shares (post Subdivision) as consideration for investment management services under the Shareholders Agreement (Company). For further information see Section 11.9.
- K&L Gates will receive professional fees of approximately \$206,000 (excluding GST) for legal work undertaken in connection with this Prospectus and the Offer, and \$112,895 (excluding GST) for corporate work in relation to the Company, its contractual arrangements and previous capital raising activities by the Company.
- BDA will receive fees of approximately \$145,000 (excluding GST) for the provision of the Independent Technical Expert's Report.
- MinAxis will receive fees of approximately \$33,000 (excluding GST) for the provision of the Coal Marketability and Market Outlook Report.
- McCullough Robertson Lawyers will receive professional fees of approximately \$20,000 (excluding GST) for legal work undertaken in connection with the Prospectus including the preparation of the Solicitor's Report on the Tenement, and approximately \$56,000 (excluding GST) for corporate work associated with the formation and promotion of the Company.
- Link has been appointed as the Share Registry and will receive professional fees of approximately \$3,500 (plus GST) for share registry services.
- Geological and Mining Services Australia Pty Ltd will receive professional fees of approximately \$3,500 (excluding GST) for services by Darryl Stevenson as the Competent Person in connection with this Prospectus and the Offer.
- Ian Morgan will receive professional fees of approximately \$20,000 (plus GST) for Company Secretarial services in connection with this Prospectus and the Offer.

These amounts, and other expenses of the Offer, will be paid by the Company out of funds raised under the Offer or available cash. Further information on the use of proceeds and payment of expenses of the Offer is set out in Section 5 (Offer Details).

## 11.13 CONSENTS

Each party referred to in this Section:

- Does not make, or purport to make, any statement in this Prospectus or any statement on which a statement made in the Prospectus is based other than as specified in this Section; and
- To the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

Each of the following parties has consented to being named in the Prospectus in the capacity as noted below and has not withdrawn such consent prior to the lodgement of this Prospectus with ASIC:

- BDA as Independent Technical Expert and has also given its consent to the inclusion of the Independent Technical Expert's Report in the form and context in which it is included in this Prospectus and to all statements attributed to it in this Prospectus.

- McCullough Robertson Lawyers as Legal Tenement Lawyer has also given its consent to the inclusion of the Solicitor's Report on the Tenement in the form and context in which it is included in this Prospectus and to all statements attributed to it in this Prospectus.
- Lawler Hacketts as Investigating Accountant has also given its consent to the inclusion of the Investigating Accountant's Report in the form and context in which it is included in this Prospectus and to all statements attributed to it in this Prospectus.
- MinAxis as Coal Marketing Expert has also given its consent to the inclusion of the Quality Assessment and Market Outlook Report in the form and context in which it is included in this Prospectus and to all statements attributed to it in this Prospectus.
- Wilson HTM as Lead Arranger, Joint Lead Manager, Joint Bookrunner and Underwriter to the Offer.
- RBS Morgans as Joint Lead Manager, Joint Bookrunner and Underwriter to the Offer.
- Ian Morgan as Company Secretary.
- Darryl Stevenson as the Competent Person.
- K&L Gates as solicitors to the Offer.
- Link as the Share Registry.
- GMSA for use of diagrams sourced from it.
- MBGS for use of diagrams sourced from it.

## 11.14 CORPORATE GOVERNANCE

The corporate governance framework that the Company will be reporting against will be the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. Set out below is the Company's Corporate Governance Statement which indicates anticipated departures by the Company from this framework.

The Company's corporate governance policies can be obtained from the Company's website at [www.malabarcoal.com.au](http://www.malabarcoal.com.au).

*Table 27: Corporate Governance Statement*

ASX Principles/ Recommendations	Compliance	Malabar Coal Corporate Governance Charter Reference	Disclosure Requirement for Non Compliance
<b>Principle 1</b>			
Principle 1 – Lay solid foundations for management and oversight. Companies should establish and disclose the respective roles and responsibilities of Board and management.			
Recommendation 1.1: Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.  Box 1.1 Content of a Director's letter upon appointment	Comply	SECTION A.1	Not Applicable
Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.	Comply	SECTION F.3	Not Applicable
Recommendation 1.3: Companies should provide the information indicated in the Guide to reporting on Principle 1.	Comply		Not Applicable
<b>Principle 2</b>			
Principle 2 – Structure the Board to add value. Companies should have a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.			
Recommendation 2.1: A majority of the Board should be independent Directors.  Box 2.1: Relationships affecting independent status.	Does not comply	SECTION A.1 (c)	The Board considers that the current composition of the Board is appropriate for the Company's size and stage of development. A greater proportion of independent Directors will be introduced on to the Board in due course.

ASX Principles/ Recommendations	Compliance	Malabar Coal Corporate Governance Charter Reference	Disclosure Requirement for Non Compliance
Recommendation 2.2: The chair should be an independent Director.	Does not comply	SECTION A.1 (c)	<p>The Board considers that Wayne Seabrook is the most appropriate candidate for the chairmanship:</p> <ul style="list-style-type: none"> <li>Wayne has more than 30 years of resources sector and corporate finance experience.</li> <li>He is independent of management and likely to exercise unfettered and independent judgement.</li> <li>He has experience, background and skills required by the Board.</li> <li>He has broad project development experience from previous roles with Alcoa, Macraes Mining, Minproc Engineers and Barclay-Mowlem. Wayne has also held senior corporate finance roles with Macquarie Bank, Challenger and Wilson HTM. He has managed transactions for many coal companies including Felix Resources, Whitehaven Coal, Excel Coal, Cleveland-Cliffs and AMCI.</li> <li>Wayne's skills are complementary to the skills of other Directors.</li> <li>Wayne offers personal qualities which will promote a critical and objective review of the Company's performance.</li> <li>The Company is considered to be a medium sized business, without the capacity to appoint additional independent Directors.</li> <li>Wayne offers opinions with balanced participation and commitment.</li> </ul>
Recommendation 2.3: The roles of chair and chief executive officer should not be exercised by the same individual.	Comply	SECTION A.1 (c)	Not Applicable
Recommendation 2.4: The Board should establish a nomination committee.	Comply	SECTION F	Not Applicable
Recommendation 2.5: Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors.	Comply	SECTION F	Not Applicable
Recommendation 2.6: Companies should provide the information indicated in the Guide to reporting on Principle 2.	Comply		Not Applicable

ASX Principles/ Recommendations	Compliance	Malabar Coal Corporate Governance Charter Reference	Disclosure Requirement for Non Compliance
<b>Principle 3</b>			
Principle 3 – Promote ethical and responsible decision-making. Companies should actively promote ethical and responsible decision-making.			
Recommendation 3.1: Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> <li>the practices necessary to maintain confidence in the company's integrity</li> <li>the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders</li> <li>the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</li> <li>Box 3.1: Suggestions for the content of a code of conduct</li> </ul>	Comply	SECTION A.5	Not Applicable
Recommendation 3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them.  Box 3.2: Suggestions for the content of a diversity policy.	Comply	SECTION 1	Not Applicable
Recommendation 3.3: Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	Comply	SECTION I.4	Not Applicable
Recommendation 3.4: Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	Comply	SECTION I.4	Not Applicable
Recommendation 3.5: Companies should provide the information indicated in the Guide to reporting on Principle 3.	Comply		Not Applicable
<b>Principle 4</b>			
Principle 4 – Safeguard integrity in financial reporting Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.			
Recommendation 4.1: The Board should establish an audit committee.	Comply	SECTION D	Not Applicable
Recommendation 4.2: The audit committee should be structured so that it: <ul style="list-style-type: none"> <li>consists only of non-executive Directors</li> <li>consists of a majority of independent Directors</li> <li>is chaired by an independent chair, who is not chair of the Board</li> <li>has at least three members.</li> </ul>	Does not comply	SECTION D.1	The Board considers that maintaining two (2) audit committee members, instead of three (3), is appropriate for the Company's size. The company secretary and representatives of the auditors may be invited to form part of the Audit Committee from time to time.

ASX Principles/ Recommendations	Compliance	Malabar Coal Corporate Governance Charter Reference	Disclosure Requirement for Non Compliance
Recommendation 4.3: The audit committee should have a formal charter.	Comply	SECTION D	Not Applicable
Recommendation 4.4: Companies should provide the information indicated in the Guide to reporting on Principle 4.	Comply		Not Applicable
<b>Principle 5</b>			
Principle 5 – Make timely and balanced disclosure. Companies should promote timely and balanced disclosure of all material matters concerning the company.			
Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies. Box 5.1: Continuous disclosure policies	Comply	SECTION H.11	Not Applicable
Recommendation 5.2: Companies should provide the information indicated in the Guide to reporting on Principle 5.	Comply		Not Applicable
<b>Principle 6</b>			
Principle 6 – Respect the rights of shareholders. Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.			
Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy. Box 6.1: Using electronic communications effectively	Comply	SECTION H.11	Not Applicable
Recommendation 6.2: Companies should provide the information indicated in the Guide to reporting on Principle 6.	Comply		Not Applicable
<b>Principle 7</b>			
Principle 7 – Recognise and manage risk Companies should establish a sound system of risk oversight and management and internal control.			
Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Comply	SECTION E.4	Not Applicable
Recommendation 7.2: The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Comply	SECTION E	Not Applicable

ASX Principles/ Recommendations	Compliance	Malabar Coal Corporate Governance Charter Reference	Disclosure Requirement for Non Compliance
Recommendation 7.3: The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Comply	SECTION D.4	Not Applicable
Recommendation 7.4: Companies should provide the information indicated in the Guide to reporting on Principle 7.	Comply		Not Applicable
<b>Principle 8</b>			
Principle 8 – Remunerate fairly and responsibly. Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.			
Recommendation 8.1: The Board should establish a remuneration committee.	Comply	SECTION F	Not Applicable
Recommendation 8.2: The remuneration committee should be structured so that it: <ul style="list-style-type: none"> <li>consists of a majority of independent Directors</li> <li>is chaired by an independent chair</li> <li>has at least three members.</li> </ul>	Does not comply	SECTION F.1	The Board considers that maintaining two (2) remuneration committee members, instead of three (3), and not having majority of independent Directors or an independent chairman, is appropriate for the Company's size and stage of development. In due course, one or more independent Directors will be appointed to chair the remuneration committee.
Recommendation 8.3: Companies should clearly distinguish the structure of non-executive Directors' remuneration from that of executive Directors and senior executives.  Box 8.1: Guidelines for executive remuneration packages.  Box 8.2: Guidelines for non-executive Director remuneration.	Comply	SECTION F.3	Not Applicable
Recommendation 8.4: Companies should provide the information indicated in the Guide to reporting on Principle 8.	Comply		Not Applicable

#### Continuous Disclosure Policy

As a company listed upon ASX, Malabar Coal will be a “disclosing entity” pursuant to Section 111AC and 111AR of the Corporations Act and will be subject to the continuous disclosure requirements in the ASX Listing Rules and the Corporations Act. Subject to any exceptions, Malabar Coal will be required to disclose to the market any information concerning Malabar Coal which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Shares.

All relevant information provided to the ASX will be posted on Malabar Coal's website after the ASX confirms the announcement has been made.



## 11.15 COMPETENT PERSON'S STATEMENT

The information in this Prospectus that relates to Exploration Results and Mineral Resources relating to the Tenement is based on information compiled by Darryl Stevenson, who is a member of The Australasian Institute of Mining and Metallurgy. Darryl Stevenson is employed by and is Managing Director/Principal Geologist, at Geological and Mining Services Australia Pty Ltd.

Darryl Stevenson has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity to 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'. Darryl Stevenson has consented in writing to the inclusion in this Prospectus of the matters based on his information in the form and context in which it appears.

Attached at annexure A is the Table 1 Checklist of Assessment and Reporting Criteria, as provided by Darryl Stevenson, in accordance with the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

## 11.16 COSTS

If the Offer proceeds, the total estimated costs of the Offer, including legal fees, registration fees, fees for other advisers, prospectus design, printing and advertising expenses and other miscellaneous expenses, will be approximately \$2,100,000 (including any applicable GST).

## 11.17 ASIC AND ASX RELIEF

The Company will or has applied to ASIC for relief to modify Chapter 6 of the Corporations Act to ensure that the Company will not have a relevant interest in Shares merely because it has entered into voluntary escrow arrangements with the holder (and beneficial holders) of the Shares. Details of the voluntary escrow arrangements are referred to in Section 11.11 (Additional Information).

The Company has not obtained any other relief from ASIC or ASX from the requirements of the Corporations Act or the ASX Listing Rules respectively in connection with the Offer under this Prospectus.

## 11.18 PHOTOGRAPHS AND DIAGRAMS

Unless otherwise stated, assets and property portrayed in photographs in this Prospectus are not owned by the Company.

## 11.19 GOVERNING LAW

This Prospectus and the contracts that arise from the acceptance of Applications are governed by the law applicable in New South Wales and each Applicant submits to the exclusive jurisdiction of the courts of New South Wales.

## 11.20 DIRECTORS RESPONSIBILITY STATEMENT

The Directors of the Company state that for the purposes of section 731 of the Corporations Act, they have made all enquiries that were reasonable in the circumstances and have reasonable grounds to believe that any statements by them in this Prospectus are true and not misleading or deceptive, and that with respect to any other statements made in this Prospectus by persons other than the Directors, the Directors have made reasonable enquiries and have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, those persons have given the consent required by section 716(2) of the Corporations Act and have not withdrawn that consent before lodgement of this Prospectus with ASIC.

Each Director consents to the lodgement of this Prospectus with ASIC, and has not withdrawn that consent prior to this Prospectus being lodged.

This Prospectus is prepared on the basis that:

- Certain matters may be reasonably expected to be known to professional advisers of the kind with whom Applicants may reasonably be expected to consult; and
- Information is known to Applicants or their professional advisers by virtue of any legislation or laws of any State or Territory of Australia or the Commonwealth of Australia.

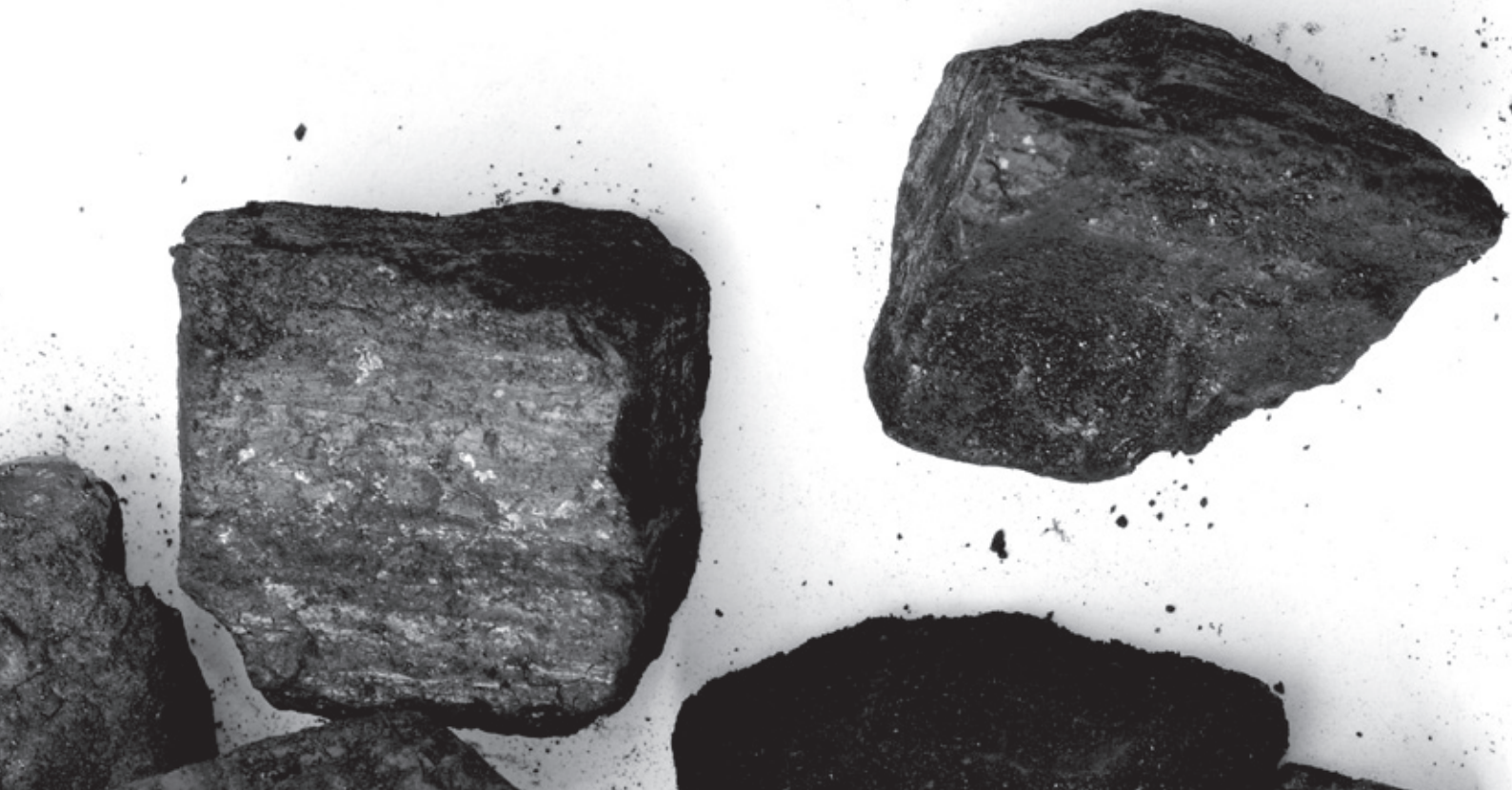
This Prospectus is dated 1 March 2013.



Signed on behalf of Malabar Coal Limited.

**Mr Wayne Seabrook**  
Chairman

# 12. Glossary



Terms defined in the independent experts' reports have the same meanings ascribed to them throughout this Prospectus unless otherwise stated or unless inconsistent with the context in which the expression is used. Other expressions are used throughout this Prospectus that are not defined in the various independent experts' reports and, unless otherwise stated or unless inconsistent with the context in which the expression is used, each of the following expressions have the meaning set out below:

Term	Meaning
AEDT	means Australian Eastern Daylight Saving Time;
ALR Act	means <i>Aboriginal Land Rights Act 1983</i> ;
AMCI	means American Metals and Coal International Inc, a corporation organised and existing under the laws of the United States of America;
Applicant	means a person who makes an application for Shares under the Offer;
Application	means an application for Shares under this Prospectus made by an Applicant using an Application Form;
Application Form	means the form accompanying this Prospectus by which an Applicant may apply for Shares under the Offer;
Application Monies	means the money payable for Shares in connection with the Offer;
ARTC	means the Australian Rail Track Corporation Ltd;
ASIC	means the Australian Securities & Investments Commission;
Associates	has the meaning given to that term in the Corporations Act (and "associated" has a corresponding meaning);
ASX	means ASX Limited (ACN 008 624 691) or the Australian Securities Exchange as the context requires;
ASX Quotation Date	means the date of commencement of official quotation of the Shares on the ASX;
ASX Listing Rules	means the listing rules of ASX;
ASX Settlement	means ASX Settlement Pty Limited (ACN 008 504 532);
ASX Settlement Rules	means the operating rules of ASX Settlement from time to time;
ATSIHP Act	means <i>Aboriginal and Torres Strait Islanders Heritage Protection Act (1984)</i> (Cth);
AUSIMM	means the Australian Institute of Mining and Metallurgy;
BDA	means Behre Dolbear Australia Pty Limited (ACN 065 713 724);
Board of Directors or Board	means the board of directors of the Company;
Broker Firm Offer	means the offer as described in Section 5.2.1;
BSAL	means Biophysical Strategic Agricultural Land;
Business Day	means a day on which banks are open for business in Sydney and excluding a Saturday, Sunday or public holiday in that city;
Call Option	means the option granted by SHUT to SH2 to acquire a 15% Participating Interest under the terms of the Farm-In Agreement;
Capacity Framework Agreement	means the agreement between NPC, NCIG and PWCS in relation to the conduct by which applicants seek capacity authorisation at the Port of Newcastle;
Carbon Tax	means the Australian carbon pricing scheme which began on 1 July 2012, as detailed in Section 3.2.31;
Cash Call	means a call by the Manager for Participants to contribute their respective share of costs, expenses and liabilities in connection with the Spur Hill Joint Venture under the Joint Venture Agreement;
CEO Option	means an unlisted option to acquire a Share granted to Peter Doyle, the Chief Executive Officer of the Company on the terms set out in Section 11 (Additional Information);
CHES	means Clearing House Electronic Subregister System;
Closing Date	means 5.00pm (AEDT) on the date the Offer closes, which is set out in the "Key Offer Information" Section and may be varied by the Company;

Term	Meaning
Coal Marketability and Market Outlook Report	means the Coal Marketability and Market Outlook Report prepared by MinAxis as set out in Section 6;
Commencement Date	means 15 July 2011 being the date of completion of the acquisition of SH2 by the Company from SHUT under the Farm-In Agreement;
Company	means Malabar Coal Ltd (ACN 151 691 468);
Competent Person	has the meaning given to that term in the JORC Code;
Constitution	means the constitution of the Company;
Control	means having the right: <ul style="list-style-type: none"> <li>to vote 50% (or more) of the votes that can be cast on the election or removal of the entity's directors;</li> <li>to appoint or remove directors who possess 50% (or more) of the votes exercisable by all directors of the entity; or</li> <li>to 50% (or more) of the profits or distributions of the entity or of its net liquidation proceeds;</li> </ul>
Conversion Value	means the issue price for each CPS of \$1.00 multiplied by 120%, or \$1.20;
CPS	means converting preference share of the Company;
Corporations Act	means the <i>Corporations Act 2001</i> (Cth);
Cross Charge	means the deed of cross charge dated 15 July 2011 between SHUT, SH2 and Spur Hill Management;
Decision to Mine	means the decision to proceed with the development and operation of the coal mine and related infrastructure;
Deed of Acknowledgement	means the deed of acknowledgment dated 7 February 2013 between the Company, SH2 and SHUT whereby SHUT has confirmed that SH2 has acquired an additional Participating Interest of 12.7% since the Commencement Date and giving it an aggregate Participating Interest of 27.7%;
Director	means a director of the Company;
Director Options	means unlisted options to acquire Shares to be granted to Tony Galligan, a Director on the terms set out in Section 11 (Additional Information);
Eastern Area	means the area within the boundaries of the Tenement which is located to the east of the Mount Ogilvie structure zone as identified in Figure 3;
Eastern Coal	means coal produced from the Eastern Development excluding coal mined by underground mining methods contiguously with any underground longwall mining operation in the Underground Resource Area;
Eastern Development	means a mine development in the eastern flank of EL 7429 to a depth to the base of the Whynot seam not exceeding 200 metres
Eastern Study	means the study of alternatives for the exploitation of coal on the eastern flank of EL 7429 which SH2 is obliged to conduct as outlined in Section 10.1(k);
EIS	means an Environmental Impact Statement;
EP&A Act	means the <i>Environmental Planning &amp; Assessment Act 1979 (NSW)</i> as amended by the <i>Environmental Planning and Assessment Amendment (Part 3A Repeal) Act 2011 (NSW)</i> ;
EPBC Act	means <i>Environment Protection and Biodiversity Conservation Act 1999</i> (Cth);
ESOP	means the Company's executive share option plan described in Section 11 (Additional Information);
Expenditure	means all costs, expenses and liabilities incurred in the course of, or in connection with, the Spur Hill Project on or after the Commencement Date, including all costs, expenses and liabilities incurred to achieve the Milestones;
Exploration Licence	has the meaning given to that term under the Mining Act;
Farm-In Agreement	means the acquisition and exploration farm-in agreement for the Spur Hill Project dated 8 July 2011 between the Company, SH2 and SHUT as amended on 18 June 2012;
Farm-In Management Committee	means a farm-in management committee under the Farm-In Agreement comprised of two members appointed by SHUT and two members appointed by SH2;

Term	Meaning
FINSIA	means the Financial Services Institute of Australasia;
FOB	means Free-on-Board;
Gateway Panel	means an independent panel of experts who make an assessment of potential impacts of coal mining proposals;
GMSA	means Geological and Mining Services Australia Pty Ltd (ACN 092 250 309);
Group	means the Company and each of its Subsidiaries (including the JV Companies);
GST	means the goods and services tax under the <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth);
IHM	means IHM Corporate Services Pty Ltd (ABN 43 101 805 154);
Independent Technical Report	means the independent technical report prepared by BDA as set out in Section 7;
Indicated Mineral Resources	has the meaning given to that term in the JORC Code;
Inferred Mineral Resources	has the meaning given to that term in the JORC Code;
Initial Purchase Price	means \$10,000,000 paid by the Company to SHUT under the Farm-in Agreement for the acquisition of SH2;
Institutional Investors	means investors who are persons who are either “professional investors” or “sophisticated investors” under sections 708(11) and 708(8) of the Corporations Act;
Institutional Offer	means the offer described in Section 5.2.2;
Investigating Accountant's Report	means the investigating accountant's report prepared by Lawler Hacketts as set out in Section 9;
Investment Management Fee	means the issue of 340,000 Shares (on a pre-Subdivision basis) per annum to Ironstone Capital under the Shareholders Agreement (Company), which terminates on the Opening Date;
IPO	means the initial public offering by the Company of its Shares;
Ironstone Capital	means Ironstone Capital Partners Pty Ltd (ACN 146 217 174);
Ironstone Secondment Arrangement	means the arrangement between Ironstone Capital and Spur Hill Management as summarised in Schedule 5 of the Farm-In Agreement;
Joint Venture Agreement	means the amended and restated joint venture agreement dated 15 July 2011 between SHUT and SH2;
Joint Venture Documents	means the Farm-In Agreement, the Joint Venture Agreement, the Spur Hill Management Agreement, the Spur Hill Marketing Agreement, each of the Shareholder Deeds and the Cross Charge;
Joint Venture Property	means all property of the Spur Hill Project including the Tenement, coal produced by the Spur Hill Project, all relevant facilities, infrastructure, land, information data and records, fixtures, machinery and equipment and all minerals derived from the Spur Hill Project;
Joint Lead Managers	means Wilson HTM Corporate Finance Ltd (ACN 057 547 323) and RBS Morgans Corporate Limited (ACN 010 539 607);
JORC	means Joint Ore Reserves Committee;
JORC Code	mean Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves as prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia, 2012 Edition;
JV Company	means each of Spur Hill Marketing, Spur Hill Agricultural and Spur Hill Management;
JV Commencement Date	means the date on which the Sole Funding Period ends;
Land Access Arrangements	means the arrangements referred to at Section 10.14;
Land Acquisition Agreements	means the agreements referred to at Section 10.13;

Term	Meaning
Land Acquisition Expenditure	means option fees in respect of call options to acquire relevant land (less market value of access fees), purchase price for relevant land, all duties, legal fees and registrations fees in relation to such acquisitions and all costs associated with ownership of such land;
Late Permian	means geological period approximately 260 – 251 million years ago;
Lawler Hacketts	means Lawler Hacketts Audit (ABN 33 873 151 348);
Lead Arranger	means Wilson HTM Corporate Finance Ltd (ACN 057 547 323);
Link	means Link Market Services Limited (ACN 083 214 537);
Loan to Value Ratio	means the ratio of the value of a loan to the value of the asset which it is secured by. For example if an asset worth \$4 million was financed by \$2 million in debt, the Loan to Value Ratio would be 50%;
Malabar Coal	means Malabar Coal Limited (ACN 151 691 468);
Manager	means the manager of the Spur Hill Joint Venture, which during the Sole Funding Period and at the JV Commencement Date, will be Spur Hill Management;
MBGS	means McElroy Bryan Geological Services Pty Ltd (ACN 053 807 926);
Milestones	means the milestones referred to at Section 10.1(c);
Milestone Payments	means the payments with respect to the Milestones referred to at Section 10.1(c);
MinAxis	means MinAxis Pty Limited (ACN 132 604 810);
Mineral Resources	means a coal occurrence in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories, as defined in the JORC Code;
Mining Act	means <i>Mining Act 1992 (NSW)</i> ;
Mining Lease	means a mining lease in respect of the Tenement under the Mining Act;
Mining Lease Application	means the application for a Mining Lease under the Mining Act;
Mt	means million tonnes;
MRRT	means Mineral Resources Rent Tax;
Mtpa	means million tonnes per annum;
NAB	means National Australia Bank Limited (ACN 004 044 937);
NCIG	means Newcastle Coal Infrastructure Group;
NED	means Non-Executive Director;
NNTT	means National Native Title Tribunal
NPC	means Newcastle Port Corporation;
NP&W Act	means <i>National Parks and Wildlife Act 1974</i> ;
Offer	means the initial public offering of Shares in the Company pursuant to this Prospectus;
Offer Price	means \$1.00 per Share;
Official List	means the official list of ASX;
Official Quotation	means the official quotation of the Shares on the Official List;
Opening Date	means the date the Offer opens which is set out in the “Key Offer Information” Section and may be varied by the Company;
Option	means an option to subscribe for a Share;
Ownership Certificate	means a notice in writing to be provided by SHUT under the Farm-In Agreement specifying the legal interest in the Tenement and the Participating Interest of SH2 at a particular point in time;
Ownership Share	means the amount of Production owned by a Participant under the Joint Venture Agreement;

Term	Meaning
Participant	means the holder of a Participating Interest from time to time and as at the date of this Prospectus are SHUT and SH2;
Participating Interest	means, before the JV Commencement Date, the proportionate interest, expressed as a percentage, by which each Participant on a several basis: <ul style="list-style-type: none"> <li>• is a beneficial or legal and beneficial (as the case may be) owner as tenant in common of an undivided share of the Joint Venture Property; and</li> <li>• participates in all other rights and liabilities accruing to, or incurred by, the Participants in, or arising out of the Farm-in Agreement,</li> </ul> from time to time;
Probable JORC Reserves	means probable ore Reserves, as defined under the JORC Code, with respect to coal in the Tenement;
Production	means, in the context of the Spur Hill Marketing Agreement, coal or other minerals taken in kind by each Participant under the Joint Venture Agreement;
Programme and Budget	means a programme and budget of Expenditure;
Project	means the proposed coal mine development in the Hunter Valley in New South Wales and based on the Tenement;
Prospectus	means this Prospectus as modified or varied by any supplementary prospectus made by the Company and lodged with ASIC from time to time;
Proved JORC Reserves	means proved ore Reserves, as defined in the JORC Code, with respect to coal in the Tenement;
PWCS	means Port Waratah Coal Services;
Rail Network	means Hunter Valley Rail Network;
Reserves	means the economically mineable part of a Measured or Indicated Mineral Resource of coal as defined in the JORC Code;
ROM	means Run-of-mine – Raw coal as mined that has not undergone any screening, crushing or beneficiation;
SAL	means Strategic Agricultural Land;
Section	means a section of this Prospectus;
SH2	means Spur Hill No.2 Pty Limited (ACN 139 147 667);
SHA Facility	means the National Australia Bank debt facility held by Spur Hill Agricultural. Refer to Section 10.7;
Shareholder	means a person who holds, or 2 or more persons who together jointly hold, Shares from time to time;
Shareholders Agreement (Company)	means the shareholders agreement dated 8 July 2011 between the Company and Ironstone Capital on behalf of Shareholders, which terminates on the Opening Date;
Shareholders Deeds	means: <ul style="list-style-type: none"> <li>• the shareholders deed dated 18 June 2012 between Spur Hill Agricultural, SHUT and SH2;</li> <li>• the shareholders deed dated 15 July 2011 between Spur Hill Management, SHUT and SH2; and</li> <li>• the shareholders deed dated 15 July 2011 between Spur Hill Marketing, SHUT and SH2;</li> </ul>
Shares	means fully paid ordinary shares of the Company;
Registry	means Link Market Services Limited (ACN 083 214 537);
SHUT	means Spur Hill U.T. Pty Ltd ACN (139 090 814) as trustee for the Spur Hill Unit Trust;
Sole Funding	means the rights and obligations of SH2 to solely fund the Spur Hill Project under the Farm-in Agreement;
Sole Funding Period	means the period from the Commencement Date to the date that Sole Funding ends under the Farm-in Agreement;
Solicitor's Report on the Tenement	means the legal tenement report prepared by McCullough Robertson Lawyers as set out in Section 8;

Term	Meaning
Spur Hill Agricultural	means Spur Hill Agricultural Pty Ltd (ACN 158 007 106);
Spur Hill Joint Venture	means the unincorporated joint venture for the purposes of the Spur Hill Project;
Spur Hill Management	means Spur Hill Management Pty Ltd (ACN 139 395 967);
Spur Hill Management Agreement	means the management agreement dated 15 July 2011 between Spur Hill Management, SH2 and SHUT;
Spur Hill Marketing	means Spur Hill Marketing Pty Ltd (ACN 139 396 035);
Spur Hill Marketing Agreement	means the sales agency agreement dated 15 July 2011 between Spur Hill Marketing, SH2 and SHUT;
Spur Hill Project	means the proposed coal mine development in the Hunter Valley in New South Wales and based on the Tenement;
SSD	means State Significant Development;
SSI	means State Significant Infrastructure;
Subdivision	means the subdivision of all of the issued Shares from 18,382,822 Shares to 40,999,979 Shares, as approved by holders of Shares on 7 February 2013, but conditional upon the Company receiving \$20,000,000 from subscribers under the Offer, as further described in Section 5 (Offer Details);
Subsidiaries	has the meaning given to that term in the Corporations Act;
T4	means a new terminal which Port Waratah Coal Services is planning to construct;
Tenement or EL7429	means Exploration Licence 7429 and any other tenements that may be acquired under the terms of the Farm-In Agreement;
Total Control	means where a person owns the whole of the issued ordinary share capital of the Company;
Total Control Event	is where an offer is made by a person for the whole of the issued ordinary share capital of the Company (or any part as is not at the time owned by the offeror or any person acting in concert with the offeror) and after announcement of the offer the offeror (being a person who did not Control the Company prior to the offer) acquires Total Control of the Company;
Underground Resource Area	means the area within the boundaries of the Tenement excluding the Eastern Area;
Underwriters	means Wilson HTM Corporate Finance Ltd (ABN 65 057 547 323) and RBS Morgans Corporate Limited (ABN 32 010 539 607);
Underwriting Agreement	means the agreement dated 15 February 2013 between Malabar Coal and Wilson HTM Corporate Finance Ltd and RBS Morgans Corporate Limited;
Underwritten Amount	means the amount underwritten pursuant to the Underwriting Agreement;
US Person	has the meaning given to that term by Regulation S under the US Securities Act;
US Securities Act	means the US Securities Act of 1933 as amended from time to time;
XLX	means XLX Pty Ltd (ABN 78 122 465 614);
XLX Sub-Lease	means the sublease dated 1 December 2012 between the Company (as sub-lessee) and XLX as sub-lessor; and
XLX Sub-Lease Rent	means the amount of \$133,777 per annum payable by the Company to XLX under the XLX Sub-Lease.



# Annexure A.



## TABLE 1 CHECKLIST OF ASSESSMENT AND REPORTING CRITERIA

### Section 1 – Sampling Techniques and Data

Criteria	Explanation
Sampling techniques – historical drill holes	Maptek Pty Ltd (Maptek) obtained the historical pre-Malabar Coal quality data from information held by the NSW Department of Mineral Resources. The coal quality data comprised sheets presenting analysed ply and composite data. The data on these sheets were transposed into electronic format by Maptek. The sampling method appears to follow the modern technique of dividing the seam into coal and non-coal plies, which were then analysed separately. The ply samples were then combined either through compositing the ply samples and analysing the composite or by determining the composite quality by calculation.
Sampling techniques – 2012 drill holes	The potential working section (mineable interval) of coal seams were sampled in the 2012 drill holes. All coal seams thicker than 1.0 m were sampled, and only where core recovery exceeded 90% was sampling undertaken for analysis of the coal and/or stone partings. Some coal seams were sampled in several plies where this would enable alternate working sections to be accessed.
Drilling techniques – historical drill holes	The majority of the drill holes were cored. Some of the older shallow drill holes appear to be open holes, although the English logs often don't specify either way. The core size is not always specified, however, when it is, NQ is the size stated. The orientation is not always specified, however, when it is, the orientation is either described as 90 degrees or vertical.
Drilling techniques – 2012 drill holes	The 2012 drill holes were mostly HQTT fully cored drill holes, except for the weathered zone at the top of each hole which was non-cored and cased. Two holes were cored in PQTT down to the main target seam, and then HQTT from there to the total depth. The drill holes were drilled vertically.
Drill sample recovery – historical drill holes	When the recovery is stated it is generally between 95% and 100%. There does not appear to be any analyses used in the modelling that have poor recoveries.
Drill sample recovery – 2012 drill holes	The drill core recovery for coal seams was generally more than 95% for 2012 drill holes. The core recovery was determined using density logs, and only coal seams with more than 90% core recovery were sampled for analysis during the 2012 exploration programme.
Logging – historical drillholes	The historical drill holes have generally been logged in fine detail to 1 cm definition and occasionally 1 mm definition. The logging uses the same terminology used today and therefore there is no ambiguity in recognising and understanding the data.
Logging – 2012 drill holes	All drill cores were lithologically logged by experienced coal geologists. All drill holes were logged using downhole geophysical logging sondes, and the cores were photographed as a permanent record. Basic geotechnical logging was also undertaken. In most drill holes an acoustic scanner was used to detect and model structures, fractures, joints and other planar defects that intersect the boreholes for later interpretation.
Sub-sampling techniques and sample preparation – historical drill holes	From the information available it appears as if the entire seam, including coal and non-coal was sampled. The quality data in most cases is a table that has been created from the original laboratory data, however, the laboratory is mostly not specified and the original laboratory sheets are mostly not available. There are a small number of original data sheets for some of the Carpentaria Exploration Company drill holes. These show that the samples were analysed at the Thiess Brothers Limited Materials Laboratory at Archerfield, QLD, Australia.
Sub-sampling techniques and sample preparation – 2012 drill holes	For the 2012 drill holes the entire core of coal (and/or parting) was sampled, for each sampled interval. The core samples were analysed at a NATA registered coal laboratory (ALS Global, Maitland, NSW, Australia). All testing was done to Australian standards, and the testing involved sub-sampling by the laboratory in accordance with standard procedures.
Quality of assay data and laboratory tests – historical drill holes	This is not determinable for the historical drill holes, apart from stating that there are some original laboratory sheets from the Thiess Brothers Limited Materials Laboratory at Archerfield, QLD.
Quality of assay data and laboratory tests – 2012 drill holes	The 2012 coal analyses were carried out at the NATA registered laboratory of ALS Global in Maitland, NSW, to Australian standards. The samples were delivered to the laboratory within one week of completion of each drill hole and the testing was undertaken within 3 months of the samples being delivered. The analysis data is of the highest standard.

Criteria	Explanation
Verification of sampling and assaying – historical drill holes	This cannot be determined for the historical drill holes.
Verification of sampling and assaying – 2012 drill holes	The laboratory (ALS) carries out checks of sample weights and lengths of core to verify that the sample intervals are correct. The NATA laboratory has procedures in place for internal auditing of analyses, and to ascertain repeatability of analysis results.
Location of data points – historical drill holes	The original drill hole locations were obtained from the NSW Department of Mineral Resources. The drill hole logs also recorded the drill hole location coordinates. The location description ranges from a location identified by an angle and distance from a survey mark or Portion boundary to Surveyor measured ISG coordinates. The locations were then converted to MGA by Maptek. Some minor adjustments to the drill hole collars were made to align boreholes with the topography. It should be noted that the true positions of the older pre-ISG drill holes are likely to be incorrect by up to a few tens of metres. However, these older drill holes have little or no influence on the resource estimations.
Location of data points – 2012 drill holes	The 2012 drill holes were surveyed by Pegasus Technical Pty Ltd to a survey accuracy of 1 cm.
Data spacing and distribution	Drill hole spacing ranges from a few metres for redrills to > 2 km. Structural Points of Observation from seams quantified and given a resource status range from 36 for the Whybrow and Redbank Creek Upper seams to 70 for the Whynot seam. Raw composite quality analytical Points of Observation range from six (6) for the Glen Munro seam to twenty seven (27) for the Whynot and Warkworth seams. Borehole spacing is sufficient for the stated classifications of Indicated and Inferred Mineral Resources.
Orientation of data in relation to geological structure	All drill holes were drilled vertically from the surface and intersected the seams at close to perpendicular. This is considered to be the optimal intersection orientation in coal exploration.
Sample security	For the 2012 drill holes, the sampling of coal cores was undertaken by the Supervising Geologist, and delivered the same day to the laboratory. At the laboratory the samples were received and placed in a secure cool room for subsequent testing. The coal samples were safe and secure at all times. It is not possible to determine sample security for the historical drill holes.
Audits or reviews	The sampling and testing of coal samples from the 2012 drilling programme has been reviewed at two workshops attended by experienced coal quality experts and mining engineers. The testing of the coal cores has involved extensive testing of a very wide range of coal quality parameters, and the sampling and test work has been endorsed by the review workshops. With regard to the historical drill holes, the quality data entered into the Vulcan modelling database has been selectively checked against the original data supplied by the Department of Mineral Resources. This has taken place several times during the iterative modelling process. Some errors were detected and adjusted by Maptek in 2010 and by GMSA in 2012. It should be noted that the data used in areas given Indicated Status are considered to be very accurate.

## Section 2 – Reporting of Exploration Results

Criteria	Explanation
Mineral tenement and land tenure status	Malabar Coal currently holds an interest in EL7429. The Tenement was granted in December 2009. The Tenement has a five year term, which will be up for renewal in December 2014. Spur Hill Agricultural has acquired one property within the Tenement boundary. This property accounts for approximately 11% of the Tenement area. With the exception of a small state-owned 'travelling stock reserve', the properties within the Tenement boundaries are privately owned. Existing land uses within the Tenement area are predominantly cattle grazing with some irrigated pastures on the south east and south west margins and a small vineyard on the north western edge on the corner of Denman Road and the Golden Highway.
Exploration done by other parties	Previous exploration was carried out within the Spur Hill area between 1949 and 1983. The main contribution to the dataset was from Carpentaria Exploration Company which drilled 119 cored holes between 1976 and 1983. This exploration and subsequent studies identified a considerable resource potential within the Wittingham Coal Measures.

Criteria	Explanation
Geology	The deposit comprises a coal measures sequence that developed within the northern Sydney Basin during the Permian. Peat swamps formed during terrestrial to brackish periods during a time of increased tectonic activity in the New England Fold Belt. Three coal measures sequences formed during this period of which the Newcastle and Wittingham Coal Measures are represented within the Spur Hill area.
Drill hole information	Drill holes information has been collated and reviewed.
Data aggregation methods	The cut-off parameters are the method used to estimate a resource. For example the 35% ash contour and the 1.5 m thickness contour for underground resources.
Relationship between mineralisation widths and intercept lengths	The geometry of the deposit is essentially flat lying. The strata dip to the west at about 2 to 5 degrees. All depths stated are downhole depths not true depths. However, as the bores are vertical and the seam is almost horizontal the difference between apparent and true depth is minimal.
Diagrams	Diagrams comprising both plan and section view are presented in the Independent Technical Report prepared by BDA for inclusion in this Prospectus.
Balanced reporting	All relevant data have been reported. Some data are missing from the historical information; however, there are sufficient data to build a robust geological and coal quality model. It should be noted that where a resource has been given Indicated Mineral Resource status, this resource is only present in areas where boreholes have been drilled during the 2012 Malabar Coal drilling programme.
Other substantive exploration data	A seismic survey was carried out by the NSW Department of Industry and Investment in 2010. The results of this survey were further analysed and interpreted by Velseis Pty Ltd in September 2011. An earlier seismic survey was undertaken by AGL in 2007.
Further work	Malabar Coal is currently undertaking the first phase of its exploration programme within EL7429. Nine (9) boreholes from the phase 1 programme were drilled prior to preparation of a JORC report by GMSA to the Company. The 30-hole phase 1 programme will be completed during 2013.

### Section 3 – Estimation and Reporting of Mineral Resources

Criteria	Explanation
Database integrity	Maptek transcribed the data from information obtained from the NSW Department of Mineral Resources. Maptek then created a Geological model from these data. GMSA and Spur Hill personnel spot checked the data and found a few minor errors. These were relayed to Maptek which adjusted the data and re-modelled the deposit. After Maptek completed the modelling GMSA reviewed the model, estimated the resources and produced the 2010 JORC report provided by GMSA to Malabar Coal. In 2012, Malabar Coal commenced a drilling programme within EL7429. MBSG were the supervising geological company and provided GMSA with English logs and graphic logs from nine (9) boreholes and quality data from five (5) of these boreholes. This data was added to the geological database, the deposit remodelled and resources estimated. It is not possible to verify if the original historical company data are correct, and it is not possible to guarantee that there are no errors in the entire Spur Hill dataset. However, it is considered unlikely that anything other than minor errors are present in the Spur Hill database, as major anomalies generally become apparent during the iterative modelling process. Also, as mentioned above Indicated Mineral Resources are only present in areas where the 2012 drilling has taken place.
Geological interpretation	As stated in the 2010 and 2012 JORC reports provided by GMSA to Malabar Coal, it is considered possible that some mis-correlations and minor working section pick errors may be present in the dataset, however, this is thought to be confined to the south of the Tenement, where all resources have been given Inferred Mineral Resource status. There may also be some mis-correlations in bores in the south-eastern parts of the Tenement and beyond the Tenement boundaries. This, however, cannot be confirmed until further drilling takes place within or close to those areas. It is the recent drilling which includes downhole geophysics that allows verification of seam picks and working sections within an area. For resources that have been given Indicated status there is a very high confidence in seam correlations. Given the dataset there is no other possible general interpretation for this typical Hunter Valley coal sequence.

Criteria	Explanation
Dimensions	The underground resource has an east-west north-south extent of about 3 km by 9 km respectively. The lower limit of the resource is about 600 m depth of cover.
Estimation and modelling techniques	The deposit was modelled using Maptek Vulcan Version 8.1.4 Geological and Mine Planning Software, Integrated Stratigraphic Modelling Function. All data were loaded into an ISIS database. Structure Mapfiles were then generated from the ISIS database using the Interpolate Drillhole Data – Fix DHD Function. A small number of older historical pre-Malabar Coal boreholes were selected out of the modelling process due to concerns about data accuracy. As new boreholes are drilled these older boreholes will be re-interpreted. No dummy boreholes were used. Roof, floor and thickness grids were created from the Mapfiles using a triangulation algorithm. The Whynot seam floor was used as a reference horizon with other seam surfaces stacked by thickness from this horizon. Surfaces were cropped to the base of weathering (18 m). Quality Mapfiles were generated from the ISIS database using the Composite and Model Qualities Function. Raw coal composite quality Mapfiles were produced and used to generate the quality grids. A triangulation algorithm was used for moisture, ash, fixed carbon, volatiles, specific energy and relative density. An inverse distance algorithm was used for sulphur. After the grids were generated, they were loaded along with the boreholes in the Envisage screen. There were no obvious errors in the resultant grids.
Moisture	All modelling and results are based on air dried moisture.
Cut-off parameters	Cut-off parameters for resources included a minimum seam thickness of 1.5 m (underground) and 0.3 m (open cut), the 35% raw ash contour, seam split thicknesses > 0.7 m, 18 m depth of weathering, barriers around intruded drill holes and the Tenement borders. The boundary between an intruded drill hole and a non-intruded drill hole was placed half way between the two drill holes.
Mining factors or assumptions	Early stage conceptual development planning has been carried out. The viability under such plan is based on a single longwall producing potentially 3 to 5 Mtpa ROM commencing in late 2017 and a second longwall to follow by 2020.
Metallurgical factors or assumptions	Malabar Coal commissioned MinAxis to provide an independent market report on the Spur Hill Project. MinAxis concluded that the underground project will produce three (3) products over the mine life. Namely: <ol style="list-style-type: none"> <li>1. An ultra-low ash, premium soft coking coal principally from the Whynot seam;</li> <li>2. A standard/typical semi-soft coking coal from other seams; and</li> <li>3. A benchmark export thermal coal.</li> </ol>
Environmental factors or assumptions	It is expected that the project will be processed as a State Significant Development under Division 4.1 of Part 4 of the EP&A Act. This process entails several steps including the preparation of an EIS which will identify and address any environmental issues.
Bulk density	Bulk density is generally not applicable to an underground coal mine. Relative density has been determined in the laboratory for every sampled interval in the 2012 programme. These laboratory measured relative density results have been used to generate density grids for all of the potentially mineable coal seams.  For the historical data, the quoted relative densities have been used as inputs to the density grids.
Classification	The criteria used to determine the status of the Mineral Resources were as follows: Indicated Mineral Resources having structural and quality Points of Observation <1 km apart, extrapolated a maximum distance of 500 m and cut-off by the licence boundary. Inferred Mineral Resources were estimated to approximately 2 km from Points of Observation and cut-off by the licence boundary. In converting volumes to tonnage, laboratory determined relative density results were used to generate density grids. These density grids were then used to calculate the resource tonnages.
Audits or reviews	BDA has reviewed the Project and has authored an Independent Technical Report for the purpose of inclusion in this Prospectus.

Criteria	Explanation
Discussion of relative accuracy/ confidence	<p>The Mineral Resource estimates are based on a geological model generated using Vulcan 8.1.4 software. The process involved initially producing Mapfiles from the original data, then generating structural and quality grids from the Mapfiles. Inaccuracies can come from several sources: incorrect logging and sampling by the field Geologist, errors in laboratory analyses, transcribing errors from the field and laboratory sheets to the final logs and transcribing errors from the final logs to the Vulcan database.</p> <p>The historical pre 2012 data cannot be verified, however, the work undertaken and processes appear to be industry standard. It also appears that the data obtained from the NSW Department of Mineral Resources has been transcribed correctly into the Maptek database. Some minor errors may still be present, however, as they have not become obvious during the iterative modelling process they are likely, if they exist, to be minor. The Maptek database has been copy / pasted to the Vulcan database, therefore errors are unlikely to occur during that task. Seam correlation is identified on most of the historical data. The stratigraphy has been checked and in some cases adjusted by Maptek in 2010. MBGS identified the stratigraphy in the recent 2012 drill holes. GMSA checked and in some cases adjusted the stratigraphy based on the 2012 drill holes. During the creation of the 2010 Maptek model and the 2012 GMSA model a small number of suspect boreholes were selected out of the modelling process to minimise errors.</p> <p>Finally the resource status is based on data confidence. Indicated Mineral Resources are only present where recent 2012 drill holes are present; therefore the Indicated Mineral Resource tonnages are given a high confidence level. The Inferred Mineral Resources are present primarily in areas where the majority of the data are historical, hence they are given a lower confidence level.</p>



# Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The Shares to which this Application Form relates are Malabar Coal Limited ("Malabar Coal") Shares. Further details about the Shares are contained in the Prospectus dated 1 March 2013 issued by Malabar Coal. The Prospectus will expire on 15 March 2014. While the Prospectus is current, Malabar Coal will send paper copies of the Prospectus, any supplementary document and the Application Form, free of charge on request.

The Australian Securities and Investment Commission requires that a person who provides access to an electronic application form must provide access, by the same means and at the same time, to the relevant Prospectus. This Application Form is included in the Prospectus.

The Prospectus contains important information about investing in the Shares. You should read the Prospectus before applying for Shares.

- A** Insert the number of Shares you wish to apply for. The Application must be for a minimum of 2,000 Shares and thereafter in multiples of 500. You may be issued all of the Shares applied for or a lesser number.
- B** Insert the relevant amount of Application Monies. To calculate your Application Monies, multiply the number of Shares applied for by the issue price. Amounts should be in Australian dollars. Please make sure the amount of your cheque or bank draft equals this amount.
- C** Write the full name you wish to appear on the register of Shares. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.
- D** Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, if these are not provided, Malabar Coal will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.
- E** Please enter your postal address for all correspondence. All communications to you from Malabar Coal and the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- F** If you are already a CHESS participant or sponsored by a CHESS participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHESS for this HIN is different to the details given on this form, your Shares will be issued to Malabar Coal's issuer sponsored subregister.
- G** Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.
- H** Please complete the details of your cheque or bank draft in this section. The total amount of your cheque or bank draft should agree with the amount shown in section B.  
If you receive a firm allocation of Shares from your broker make your cheque payable to your broker in accordance with their instructions.

## ACCEPTANCE OF THE OFFER

By submitting this Application Form, I/we declare that this Application is completed and lodged according to the Prospectus and the instructions on the reverse of the Application Form and declare that all details and statements made by me/us are complete and accurate. I/We agree to be bound by the constitution of Malabar Coal and agree to take any number of Shares that may be allotted to me/us up to the number applied for in my/our Application Form. I/We was/were given access to the Prospectus together with the Application Form. I/We represent, warrant and undertake to Malabar Coal that my/our subscription for the above Shares will not cause Malabar Coal or me/us to violate the laws of Australia or any other jurisdiction which may be applicable to this subscription for Shares in Malabar Coal.

## LODGEMENT INSTRUCTIONS

**If you participate in the Broker Firm Offer, you must lodge your Application with your broker in accordance with that broker's directions and your broker will be responsible for ensuring that your Application Form and Application Monies are submitted before the date the Broker Firm Offer closes at 5:00pm AEDT on the Closing Date.**

Applicants under the Broker Firm Offer should make payments in accordance with the directions of the broker from whom you received a firm allocation.

Link Market Services Limited, Malabar Coal, and the Joint Lead Managers accept no responsibility if you do not lodge your Application Form in accordance with your broker's instructions.

## PRIVACY STATEMENT

Link Market Services Limited advises that Chapter 2C of the *Corporations Act 2001* (Cth) requires information about you as a shareholder (including your name, address and details of the shares you hold) to be included in the public register of the entity in which you hold shares. Information is collected to administer your share holding and if some or all of the information is not collected then it might not be possible to administer your share holding. Your personal information may be disclosed to the entity in which you hold shares. You can obtain access to your personal information by contacting us at the address or telephone number shown on the Application Form. Our privacy policy is available on our website ([www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)). Information about you is also collected by Malabar Coal. Please refer to the Important Information section of the Prospectus for further information about Malabar Coal's privacy statement.

## CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
<b>Individual</b> Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
<b>Company</b> Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
<b>Joint Holdings</b> Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
<b>Trusts</b> Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
<b>Deceased Estates</b> Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
<b>Minor (a person under the age of 18 years)</b> Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
<b>Partnerships</b> Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
<b>Long Names</b>	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
<b>Clubs/Unincorporated Bodies/Business Names</b> Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
<b>Superannuation Funds</b> Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.





# Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The Shares to which this Application Form relates are Malabar Coal Limited ("Malabar Coal") Shares. Further details about the Shares are contained in the Prospectus dated 1 March 2013 issued by Malabar Coal. The Prospectus will expire on 15 March 2014. While the Prospectus is current, Malabar Coal will send paper copies of the Prospectus, any supplementary document and the Application Form, free of charge on request.

The Australian Securities and Investment Commission requires that a person who provides access to an electronic application form must provide access, by the same means and at the same time, to the relevant Prospectus. This Application Form is included in the Prospectus.

The Prospectus contains important information about investing in the Shares. You should read the Prospectus before applying for Shares.

- A** Insert the number of Shares you wish to apply for. The Application must be for a minimum of 2,000 Shares and thereafter in multiples of 500. You may be issued all of the Shares applied for or a lesser number.
- B** Insert the relevant amount of Application Monies. To calculate your Application Monies, multiply the number of Shares applied for by the issue price. Amounts should be in Australian dollars. Please make sure the amount of your cheque or bank draft equals this amount.
- C** Write the full name you wish to appear on the register of Shares. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.
- D** Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, if these are not provided, Malabar Coal will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.
- E** Please enter your postal address for all correspondence. All communications to you from Malabar Coal and the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- F** If you are already a CHESS participant or sponsored by a CHESS participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHESS for this HIN is different to the details given on this form, your Shares will be issued to Malabar Coal's issuer sponsored subregister.
- G** Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.
- H** Please complete the details of your cheque or bank draft in this section. The total amount of your cheque or bank draft should agree with the amount shown in section B.  
If you receive a firm allocation of Shares from your broker make your cheque payable to your broker in accordance with their instructions.

## ACCEPTANCE OF THE OFFER

By submitting this Application Form, I/we declare that this Application is completed and lodged according to the Prospectus and the instructions on the reverse of the Application Form and declare that all details and statements made by me/us are complete and accurate. I/We agree to be bound by the constitution of Malabar Coal and agree to take any number of Shares that may be allotted to me/us up to the number applied for in my/our Application Form. I/We was/were given access to the Prospectus together with the Application Form. I/We represent, warrant and undertake to Malabar Coal that my/our subscription for the above Shares will not cause Malabar Coal or me/us to violate the laws of Australia or any other jurisdiction which may be applicable to this subscription for Shares in Malabar Coal.

## LODGEMENT INSTRUCTIONS

**If you participate in the Broker Firm Offer, you must lodge your Application with your broker in accordance with that broker's directions and your broker will be responsible for ensuring that your Application Form and Application Monies are submitted before the date the Broker Firm Offer closes at 5:00pm AEDT on the Closing Date.**

Applicants under the Broker Firm Offer should make payments in accordance with the directions of the broker from whom you received a firm allocation.

Link Market Services Limited, Malabar Coal, and the Joint Lead Managers accept no responsibility if you do not lodge your Application Form in accordance with your broker's instructions.

## PRIVACY STATEMENT

Link Market Services Limited advises that Chapter 2C of the *Corporations Act 2001* (Cth) requires information about you as a shareholder (including your name, address and details of the shares you hold) to be included in the public register of the entity in which you hold shares. Information is collected to administer your share holding and if some or all of the information is not collected then it might not be possible to administer your share holding. Your personal information may be disclosed to the entity in which you hold shares. You can obtain access to your personal information by contacting us at the address or telephone number shown on the Application Form. Our privacy policy is available on our website ([www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)). Information about you is also collected by Malabar Coal. Please refer to the Important Information section of the Prospectus for further information about Malabar Coal's privacy statement.

## CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
<b>Individual</b> Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
<b>Company</b> Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
<b>Joint Holdings</b> Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
<b>Trusts</b> Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
<b>Deceased Estates</b> Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
<b>Minor (a person under the age of 18 years)</b> Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
<b>Partnerships</b> Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
<b>Long Names</b>	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
<b>Clubs/Unincorporated Bodies/Business Names</b> Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
<b>Superannuation Funds</b> Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.

# Corporate Directory

## BOARD OF DIRECTORS

**Wayne Seabrook** – Chairman  
**Hans Mende** – Non-Executive Director  
**Andy Plummer** – Non-Executive Director  
**Simon Keyser** – Non-Executive Director  
**Tony Galligan** – Non-Executive Director

## COMPANY SECRETARY

**Ian Morgan**

## HEAD OFFICE

Level 26, 259 George St  
 Sydney NSW 2000  
 Telephone: +61 2 8248 1272

## REGISTERED OFFICE

Level 1, 12 Creek St  
 Brisbane QLD 4000

## WEBSITE

[www.malabarcoal.com.au](http://www.malabarcoal.com.au)

## ASX CODE

MBC

## LEAD ARRANGER, JOINT LEAD MANAGER, JOINT BOOKRUNNER AND UNDERWRITER TO THE OFFER

**Wilson HTM Corporate Finance Ltd**  
 Level 26, Governor Phillip Tower,  
 1 Farrer Place,  
 Sydney NSW 2000  
 Telephone: +61 2 8247 6600  
 Facsimile: +61 2 8247 6601  
 Website: [www.wilsonhtm.com.au](http://www.wilsonhtm.com.au)

## JOINT LEAD MANAGER, JOINT BOOKRUNNER AND UNDERWRITER TO THE OFFER

**RBS Morgans Corporate Limited**  
 Level 9, Aurora Place  
 88 Phillip Street,  
 Sydney NSW 2000  
 Telephone: 1800 777 946  
 Website: [www.rbsmorgans.com](http://www.rbsmorgans.com)

## LEGAL ADVISER

**K&L Gates**  
 Level 31, 1 O'Connell Street  
 Sydney NSW 2000  
 Telephone: +61 2 9513 2300  
 Facsimile: +61 2 9513 2399  
 Website: [www.klgates.com](http://www.klgates.com)

## COAL MARKETING EXPERT

**MinAxis Pty Ltd**  
 1 Knowlman Avenue  
 Pymble NSW 2000  
 Telephone: +61 2 9144 2871  
 Email: [gwailes@minaxis.com](mailto:gwailes@minaxis.com)

## INDEPENDENT TECHNICAL EXPERT

**Behre Dolbear Australia Pty Limited**  
 Level 9, 80 Mount Street  
 North Sydney NSW 2060  
 Telephone: +612 9954 4988  
 Facsimile: +612 9929 2549  
 Email: [john.mc@behredolbearsyd.com](mailto:john.mc@behredolbearsyd.com)

## LEGAL TENEMENT LAWYER

**McCullough Robertson**  
 Level 11 Central Plaza Two,  
 66 Eagle Street, Brisbane QLD 4000  
 GPO Box 1855, Brisbane QLD 4001  
 Telephone: +61 7 3233 8888  
 Facsimile: +61 7 3229 9949

## INVESTIGATING ACCOUNTANT

**Lawler Hacketts Audit**  
 Level 3, 549 Queen Street  
 Brisbane QLD 4000  
 Telephone: +61 7 3839 9733  
 Facsimile: +61 7 3832 1407

## SHARE REGISTRY

**Link Market Services Limited**  
 Level 15, 324 Queen Street  
 Brisbane QLD 4000  
 Telephone: 1800 128 092 (within Australia)  
 Website: [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

