Malabar Resources Limited

ABN 29 151 691 468

Annual Financial Report for year ended
30 June 2022

CONTENTS

DIRECTORS' REPORT

Your directors present their report, together with the consolidated financial statements of Malabar Resources Limited ('the Company' or 'Malabar') and its controlled entities ('the Group') for the year ended 30 June 2022.

1. DIRECTORS AND EXECUTIVES

Directors

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

 **WAYNE SEABROOK** EXECUTIVE CHAIRMAN	Wayne has more than 40 years of resources sector and corporate finance experience. As Executive Chairman Wayne is 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. As Chairperson, Wayne is also responsible for arranging Board performance evaluation. He is a director of XLX Pty Ltd and Ironstone Capital Partners Pty Ltd. Wayne holds a Bachelor of Engineering (Chemistry – 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. Board Committees: Member of Operations Health, Safety & Environment Committee, Audit Committee and Remuneration and Nominations Committee.
 **BRIAN BEEM JR** NON-EXECUTIVE DIRECTOR	Brian has more than 20 years of global resources investment and corporate finance experience. Brian worked on numerous transactions in the resources sector while working as investment banker at Merrill Lynch and a principal investor at First Reserve Corporation, a U.S. based energy private equity firm. For the last 13 years Brian has held senior positions at the AMCI Group, a privately held global resources investor. During his time at AMCI Brian has led numerous investments in the Australian coal sector, including Felix Resources, Whitehaven Coal, AMCI Australia and Fitzroy Resources. Brian currently serves on the boards of Conuma Coal Resources Ltd, Fitzroy QLD Resources Ltd and AMCI Investments Pty Ltd, amongst others. Brian holds a Bachelor of Arts (Political Economy) from Princeton University, USA. Board Committees: Member of Audit Committee
 **TONY GALLIGAN** NON-EXECUTIVE DIRECTOR	Tony has more than 40 years of 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. 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; General Manager Infrastructure with Whitehaven Coal, 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. Board Committees: Chairman of the Operations Health, Safety & Environment Committee.

Directors (continued)

 **TONY HAGGARTY** NON-EXECUTIVE DIRECTOR	Tony has more than 40 years' experience in the financing, development and management of coal mining projects. He worked for BP Coal and BP Finance in Sydney and London in various business development and finance positions and for Agipcoal as the Managing Director of its Australian subsidiary. Tony was a founding director of Excel Coal in 1994 and Managing Director from this time, through the ASX-listing of Excel Coal and until the takeover of Excel Coal by Peabody in 2006. After Excel Coal, Tony joined Whitehaven Coal Ltd as Managing Director until resigning from that position in March 2013. Other previous board roles include non-executive director of King Island Scheelite Ltd and IMX Resources Ltd. Tony holds a Master of Commerce from the University of NSW and is a fellow CPA. Board Committees: Tony is a member of the Audit Committee.
 **ALLAN DAVIES** NON-EXECUTIVE DIRECTOR	Allan has over 40 years of experience in the Australian and international coal industry and is a registered mine manager in South Africa and Australia. Allan commenced work with MIM Ltd at Mt Isa and then Union Corporation in South Africa. Subsequently, he joined BP where he was, in succession, mine manager at the Howick Open Cut and Director Mining, BP Coal Inc (based in Cleveland), Ohio. In 1990 he became General Manager of the Agipcoal United underground mine in the Hunter Valley and then General Manager of the Rio Tinto Hunter Valley No 1 and Howick mines. Allan was a founding executive director of Excel Coal through to the takeover of Excel Coal by Peabody in 2006. Allan was also a non-executive director of Pacific National Pty Ltd, QR National Limited (now Aurizon Limited), QMastor Limited, King Island Scheelite Limited and an executive director of Whitehaven Coal Limited until 2012. Allan is currently Chairman of ASX-listed Qube Holdings Limited. Allan holds a BE Mining (Hons) from the University of Queensland. Board Committees: Member of Operations Health, Safety & Environment Committee, and chairman of the Remuneration and Nominations Committee.
 **ROB BISHOP** NON-EXECUTIVE DIRECTOR	Rob has over 20 years' experience in finance and executive leadership roles across the resources and manufacturing sectors. This includes senior leadership roles at Vale Australia's coal division, two years as Chief Financial Officer at AMCI prior to joining the New Hope Group as General Manager Corporate Development in 2019. Rob was appointed as the Chief Financial Officer in October 2020 and then the CEO of New Hope in February 2022. Rob holds a Bachelor of Commerce from the University of Queensland, a Bachelor of Business (Marketing) from the Queensland University of Technology and is a CPA.

Company Secretary

LINDI-MAY LOCHNER

COMPANY SECRETARY

Lindi has over 15 years' finance experience across a range of industries including mining, manufacturing, not for profit organisations, childcare and professional services.

Lindi is a Chartered Accountant and a Graduate of the Australian Institute of Company Directors and is also currently the Group Financial Controller for Malabar.

Lindi is currently a Director of Tennis NSW and the Public Officer for The Australian Rhino Project.

Lindi holds a Bachelor of Accounting and Honours in Accounting from the University of Stellenbosch, South Africa.

Senior Executives

JAMES JOHNSON

GM DEVELOPMENT AND OPERATIONS

James has over 20 years of experience in the Australian coal mining industry and is highly experienced in underground coal. Starting his career at the coal face James has held several key management positions including Engineering Manager and Production Manager during the construction and production ramp up of Glencore's Ulan West Underground mine. Prior to joining Malabar in 2019, James was the Operations Manager at Glencore's Ulan Underground mine. As General Manager James is committed to developing and leading safe and efficient operations.

A fitter by trade, James also holds a Bachelor of Engineering (Mechanical – Honours Class 1) from the University of Newcastle, Australia, and industry-recognised qualifications including Mining Engineering Manager and Mechanical Engineering Manager Certificates of Competency for NSW Coal.

PAUL VERNER

CHIEF FINANCIAL OFFICER

Paul has more than 20 years of accounting, finance, and resources experience. Prior to joining Malabar, he was the Group Treasurer at Whitehaven Coal Limited. Paul gained previous accounting and finance experience at Pricewaterhouse Coopers, Allco Financial Group, and Babcock & Brown Limited.

Paul holds a Bachelor of Business from the University of Technology Sydney and a Master of Applied Finance from Macquarie University.

Meetings of directors

The number of Directors' meetings (including committees of directors) and number of meetings attended by each of the Directors of the Group during the financial year are:

	Directors' Meetings		Audit Committee		Health & Safety Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Wayne Seabrook (Chair)	12	12	1	1	2	2
Anthony (Tony) Galligan	12	12	-	-	2	2
Brian Beem	12	11	1	1	-	-
Allan Davies *(Appointed 24 September 2021)*	9	9	-	-	-	-
Anthony (Tony) Haggarty *(Appointed 24 September 2021)*	9	9	-	-	-	-
Robert (Rob) Bishop *(Appointed 11 August 2022)*	-	-	-	-	-	-

2. PRINCIPAL ACTIVITIES

During the year the principal activities of the group consisted of exploration activities, securing the financing and commencing construction on the Maxwell Underground Mine.

3. FINANCIAL AND OPERATIONAL REVIEW

Financial position

The net assets of the Group have increased by $4,169,051 during the financial year, from $95,605,548 at 30 June 2021 to $99,774,599 at 30 June 2022.

The Group's cash position, which includes its financial assets, decreased from $27,517,924 at 30 June 2021 to $19,573,717 at 30 June 2022 which related predominately due to expenditure in relation to pre-construction activities for the Maxwell Underground Mine.

Dividends

There were no dividends paid or declared to shareholders during the year.

Borrowings

Malabar's debt facility, secured by the real property of the group of $15,355,000 was extended from 30 April 2022 to 28 February 2023 to allow for Malabar to complete the financing for the Maxwell Underground Mine. This facility was repaid in full on 12 August 2022.

Securities

Performance rights

504,034 performance rights ("Rights") were awarded to employees during the year as part of employment packages or the 2021 bonus payments. The Performance Rights have been accounted for in accordance with *AASB 2 Share-based Payment*.

Retail Entitlement Offer

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

Resource Assets

The Maxwell Underground Mine

Malabar received its State Significant Development (SSD 9526) consent for the Maxwell Underground Mine by the NSW Government in December 2020 and Commonwealth approval under the Environment Protection and Biodiversity Conservation (EPBC) Act 1999 on 10 March 2021.

Following this, Malabar was granted Mining Lease (ML) 1820 on 10 November 2021, which establishes a transport services corridor between the Maxwell Underground Mine and the existing Maxwell Open Cut mine and Maxwell Infrastructure and allows for certain ancillary activities to be completed; and Mining Lease (ML) 1822 granted on 18 November 2021 which permits underground mining activities at the Maxwell Underground Mine.

Construction on the Maxwell Mine commenced in April 2022, which will be developed in two stages.

- Stage 1 consists of the "Whynot" Bord & Pillar operation and a 145m wide longwall operation targeting combined annual sales in excess of 3 million tonnes; and
- Stage 2 is planned to commence in late CY2025 to expand the longwall to 300m wide increasing sales to more than 5 million tonnes per annum. The financing of Stage 2 is anticipated to be undertaken in FY2025.

Construction-related activities during the period included inviting and reviewing tenders for major critical path items, awarding contracts for the access road and notifying certain suppliers that they have been selected as Malabar's "preferred supplier". Malabar also employed a construction manager, drift manager, health and safety coordinator, and is in the process hiring a number of additional key positions.

Maxwell JORC Resources

Table 1: Coal resources within ML1822

	Measured (Mt)	Indicated (Mt)	Measured and indicated (Mt)	Inferred (Mt)	Total
Total Underground	380	130	510	20	530
Note: The Resources Estimate has been prepared in accordance with JORC Code 2012 by McElroy Bryan Geological Services Pty Ltd.					

Maxwell Infrastructure

Approximately 850 hectares of previously open cut mined land associated with the Maxwell Infrastructure site has been rehabilitated to date. Rehabilitation activities continue to be undertaken, with a focus on enhancing existing areas of rehabilitation.

These activities included:

- infill planting in the woodland rehabilitation corridor to increase species diversity;
- installation of nest boxes;
- targeted weed management;
- management of pest animal species in consultation with the Local Land Services and near neighbours; and
- continued cattle grazing on rehabilitated paddocks.

Spur Hill Underground Project (Exploration Licence (EL) 7429)

Malabar is currently undertaking exploration studies and detailed technical work to determine the next steps in developing the project. This work has been delayed by COVID-19 and wet weather and is expected to be completed in CY2022.

Spur Hill JORC Resources

Table 2: Coal Resources within EL7429 (Spur Hill)

Project Area	Indicated (Mt)	Inferred (Mt)	Total (Mt)
Western Zone (EL 7429)	394	119	**513**
Eastern Zone (EL 7429)	-	112	**112**
Total	**394**	**231**	**625**
Note: The Resources Estimate has been prepared in accordance with JORC Code 2012 by Geological and Mining Services Australia Pty Ltd.			

Malabar owns all the freehold land above the proposed underground mining activities of the Maxwell Underground Mine and has access agreements with landowners covering the majority of the proposed Spur Hill underground mining area.

Renewable Assets

Maxwell Solar Farm

In September 2021, Malabar entered into a memorandum of understanding with EDF Renewables (EDF-R), a major global energy company, to develop large scale renewable energy projects on Malabar's land. Studies continue in partnership with EDF Renewables (EDF-R) to determine the development parameters and strategy for large-scale solar generation.

Agricultural and Viticultural Assets

Agricultural Properties

Malabar continues to enhance and support its agricultural activities by supporting cattle operations, cropping and the Merton Estate Vineyard. We are very proud of the results of the Merton Vineyard which provides grapes to a number of well-known wine-makers in the Hunter Valley, and importantly to the Small Forest winemaker that operates from our on-site winery and cellar door (see www.smallforest.com.au).

Community Consultation

Planning Agreement with Muswellbrook Shire Council

Malabar entered into a long-term Planning Agreement (PA) with the Muswellbrook Shire Council (MSC) for the Maxwell Underground Mine that will help fund important community services and projects in the Muswellbrook Shire. The mine has a development approval for 26 years, meaning the PA is likely to generate in excess of $10 million, allowing MSC to fund vital infrastructure and community services.

Community Consultative Committees

Malabar received approval to combine its Maxwell Infrastructure and Underground Mine Community Consultative Committee (CCC) and Spur Hill CCC into the combined Maxwell CCC. This streamlines the information provided to the community and allows the enlarged community representatives to hear questions and issues raised by other community members. CCC meetings continue to be held on a quarterly basis.

Community Contributions

Malabar is an active participant in the local community and continues to support a wide range of local groups, businesses and charities. During the period Malabar contributed to community events including:

- Donation towards the Westpac Rescue Helicopter Service who provide emergency aeromedical services 24-7 for the people of Northern NSW.
- Funding for the installation of the bicentennial display cabinet for the Jerrys Plains School of Arts Hall;
- Continued support for local junior sport as the major sponsor of the Denman Sandy Hollow Junior Rugby League Football Club, and the Denman Swimming Club Annual Presentation;
- A major sponsor of the Upper Hunter Education Fund which provides financial assistance to young people of the Upper Hunter with their tertiary education;
- Sponsorship of the major cattle events at the Upper Hunter Show; and
- Major sponsor of the Jerrys Plain Cup at Muswellbrook Race Club as part of the Jerrys Plains bicentennial celebrations.

Community Support

Malabar also maintains a 24-hour community hotline (1800 653 960) for any issues or enquiries related to our operations or our plans for the local area. To date, no complaints have been registered.

Environmental Update

The Group's operations are subject to significant environmental regulation under the laws of the Commonwealth and the State of NSW. Malabar takes its compliance and environmental obligations very seriously and is committed to assessing and managing the risks associated with its operations.

The Directors are not aware of any environmental law that is not currently being complied with.

4. OTHER

Indemnification and insurance of officers

Indemnification

The Company has agreed to indemnify, to the fullest extent permitted by law, all current and former directors of the Company against liabilities that may arise from their position as directors of the Company and its controlled entities. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Insurance premiums

During or since the end of the financial year, the Group paid insurance premiums of $196,232 to insure directors and company officers against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of director of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, PKF Brisbane Audit, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify PKF Brisbane Audit during or since the financial year.

Non-audit services

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

Proceedings on behalf of the Company

The Directors are not aware of any current or pending litigation against the Group.

5. EVENTS AFTER THE FINANCIAL YEAR END

Completion of financing the Maxwell Underground Mine

On 21 July 2022 Malabar secured the financing for the Maxwell Underground Mine. This included:

- Extending the existing Bonding Facility Agreement of U$55 million for a further 3 years;
- Executing the senior debt facility with a Credit fund for US$120 million; and
- Raising approximately $250 million in equity.

The equity was issued at $1.25 per share from a combination of placements to sophisticated investors and existing option holders exercising their options. A total of 199,995,139 new shares were issued as a result of this capital raising.

Malabar was pleased with significant support provided by New Hope Corporate Limited (New Hope) with their $94.4 million contribution to the equity raising. This results in New Hope having a 15% interest in Malabar and the opportunity to nominate a director to our board. As a result Robert Bishop (CEO of New Hope) joined Malabar's Board of Directors on 11 August 2022.

XLX Completion Fee

Malabar issued XLX Pty Ltd 10,000,000 shares on completion of the approvals and financing on the Maxwell Underground Mine. This was in accordance with the agreement executed between the parties in November 2019. Wayne Seabrook, Tony Haggarty and Allan Davies are minority shareholders in XLX Pty Ltd and Directors of Malabar Resources Limited.

Shareholder loans

Malabar executed Shareholder Loans of $29,625,000 on 11 July 2022 with a number of Malabar's founding shareholders to ensure critical path items related to the project schedule could be maintained prior to completion of the Maxwell Mine funding. These loans were unsecured and were entered into at an arm's length basis. The loans were not drawn and subsequently cancelled once the Maxwell Mine funding was secured.

Repayment of Borrowings

Malabar repaid and cancelled its short-term revolving bill facilities of $15,355,000 on 12 August 2022.

Bonus Performance Rights

Malabar awarded 102,827 performance rights ("Rights") to employees in lieu of cash bonuses in September 2022. The Rights were granted at zero cost and vested on acceptance of the Rights awarded. The holders will be allocated one ordinary share for each Right when exercised. The Performance Rights have been accounted for in accordance with AASB 2 *Share-based Payment*.

Coronavirus (COVID-19) impact and response

As with most businesses around the world, the COVID pandemic has presented a range of health, commercial and financial risks to Malabar. The main risk relates to disruptions in supply of workforce and capital to maintain the Maxwell Underground Mine's construction schedule. Malabar has taken a range of steps to minimise the adverse effects this will have on construction activities.

Malabar, and the resources sector more broadly, has so far demonstrated its resilience in the face of COVID. It has been widely acknowledged that the comprehensive suite of measures adopted across the resources sector quickly became the model for others to emulate. The development and rapid implementation of our response plan kept our people safe and supported continuity of construction and employment. More broadly the experience of responding to COVID has validated the robustness of our Work, Health and Safety systems and procedures and ensured our preparedness to manage any future emerging risks of this nature.

The assets of the Group were assessed for impairment, taking the economic implications of COVID-19 into account, however no impairment was required.

Apart from the matters discussed above, no other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

6. AUDITOR’S INDEPENDENCE DECLARATION

A copy of the auditor’s independence declaration as required under s 307C of the *Corporations Act 2001* is set out on page 14.

This Director’s Report is signed in accordance with a resolution of the Board of Directors.

Wayne Seabrook
Director
Dated: 16 September 2022

COMPETENT PERSONS' STATEMENT

MCELROY BRYAN GEOLOGICAL SERVICES PTY LTD (MBGS) – RESOURCES IN ML1822

The Coal Resources for the Maxwell Underground Mine (ML1822) has been reported in accordance with the "Australasian Code for Reporting of Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2012 Edition" (The JORC Code). The information in this report that relates to Coal Resources is extracted from the report entitled "Competent Person Report, Coal Resources for Maxwell Project ML1822 as at 31 May 2022". The Coal Resource report is based on information compiled under the supervision of, and reviewed by the Competent Person, Karol Patino, who is a full-time employee of McElroy Bryan Geological Services (MBGS), is a Member of the Australasian Institute of Mining and Metallurgy and who has no conflict of interest with Malabar Resources Ltd (Malabar).

Karol Patino has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken 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".

Malabar confirms that it is not aware of any new information or data that materially affects the information included in the original resource report and that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed. Malabar confirms that the form and context in which the Competent Person's findings are presented, have not been materially modified from the original resource report.

MBGS is an independent consultancy that has provided geological support to the mining industry for more than 50 years.

GEOLOGICAL AND MINING SERVICES AUSTRALIA PTY LTD – RESOURCES IN EL7429

The Coal Resources for the Spur Hill Underground Coking Coal Project (EL 7429) has been reported in accordance with the "Australasian Code for Reporting of Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2012 Edition" (The JORC Code). The information in this report that relates to Coal Resources is extracted from the report entitled "Spur Hill Coal Project Geological Report and Resource Statement EL 7429 dated 8 November 2013". The Coal Resource report is based on information compiled under the supervision of, and reviewed by the Competent Person, Darryl Stevenson who was the Principal Geologist and employee of Geological and Mining Services Australia Pty Ltd when this review was performed. Darryl is a Member of the Australasian Institute of Mining and Metallurgy and has no conflict of interest with Malabar.

Darryl Stevenson has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken 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".

Malabar confirms that it is not aware of any new information or data that materially affects the information included in the original resource report and that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed. Malabar confirms that the form and context in which the Competent Person's findings are presented, have not been materially modified from the original resource report.

Geological and Mining Services Australia Pty Ltd is an independent consultancy group specialising in mineral resource estimation, evaluation and exploration.

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2022, there have been no contraventions of:

(a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

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

PKF

PKF BRISBANE AUDIT

LIAM MURPHY
PARTNER

BRISBANE
16 SEPTEMBER 2022

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 $	2021 $
Revenue from continuing operations			
Interest income		63,795	16,334
Wayleave income		1,513,718	1,518,947
Share in profits of associates	24(c)	2,710,432	2,630,350
Profit on disposal		-	136,848
Other income	4	834,690	973,131
Total income		**5,122,635**	**5,275,610**
Expenses			
Legal and professional fees		51,152	108,784
Finance costs	4	3,163,535	1,490,007
Employee benefits expense		428,194	74,982
Directors' fees		138,240	115,000
Depreciation		881,351	969,978
Impairment		-	833,013
Other expenses		1,070,343	859,688
Total expenses		**5,732,815**	**4,451,452**
(Loss)/ Profit before income tax		(610,180)	824,158
Income tax expense	7	-	-
(Loss)/ Profit for the period		**(610,180)**	**824,158**
Other comprehensive income		**-**	**-**
Total comprehensive (loss)/ profit for the period		**(610,180)**	**824,158**
Total comprehensive (loss) / profit attributable to members of the parent entity		**(610,180)**	**824,158**
Earnings per share			
From continuing operations:			
- Basic earnings per share (cents)	22	(0.21)	0.31
- Diluted earnings per share (cents)	22	(0.21)	0.31

The above statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	Note	2022 $	2021 $
ASSETS			
Current Assets			
Cash and cash equivalents	8	9,374,995	13,182,779
Financial assets	9	10,198,722	14,335,145
Trade and other receivables	11	1,177,565	1,166,533
Other assets	12	1,453,800	772,046
Total Current Assets		22,205,082	29,456,503
Non-Current Assets			
Property, plant and equipment	13	30,006,849	30,596,730
Intangible assets	14	4,800,869	4,800,869
Capitalised exploration and evaluation costs	15	107,657,827	67,670,675
Investments in associates	24(c)	16,093,716	16,087,884
Other assets	12	95,686	95,686
Total Non-Current Assets		158,654,947	119,251,844
Total Assets		**180,860,029**	**148,708,347**
LIABILITIES			
Current Liabilities			
Trade and other payables	16	5,647,144	815,790
Provisions	18	741,698	1,510,405
Lease liability	17	96,769	223,916
Borrowings	19	15,355,000	15,355,000
Total Current Liabilities		21,840,611	17,905,111
Non-Current Liabilities			
Provisions	18	59,244,819	35,122,691
Lease liability	17	-	74,997
Total Non-Current Liabilities		59,244,819	35,197,688
Total Liabilities		**81,085,430**	**53,102,799**
Net Assets		**99,774,599**	**95,605,548**
EQUITY			
Share capital	20	124,210,079	121,467,738
Reserves	23	12,124,073	10,087,183
Retained earnings (accumulated losses)		(36,559,553)	(35,949,373)
Total Equity		**99,774,599**	**95,605,548**

The above statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2022

	Note	Share Capital $	Reserves $	Retained Earnings (Accumulated Losses) $	Total $
Balance as at 1 July 2020		**93,060,087**	**8,698,718**	**(36,773,531)**	**64,985,274**
Total comprehensive income for the period		-	-	824,158	**824,158**
Transactions with owners in their capacity as owners:					
Share-based payments expense		-	1,388,465	-	**1,388,465**
Issue of shares		28,509,397			**28,509,397**
Share issue costs		(101,746)			**(101,746)**
Balance at 30 June 2021		**121,467,738**	**10,087,183**	**(35,949,373)**	**95,605,548**
Balance as at 1 July 2021		**121,467,738**	**10,087,183**	**(35,949,373)**	**95,605,548**
Total comprehensive loss for the period		-	-	(610,180)	**(610,180)**
Transactions with owners in their capacity as owners:					
Share based payment expense	23	-	2,036,890	-	**2,036,890**
Issue of shares	20	2,838,140	-	-	**2,838,140**
Share issue costs		(95,799)	-	-	**(95,799)**
Balance at 30 June 2022		**124,210,079**	**12,124,073**	**(36,559,553)**	**99,774,599**

The above statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 $	2021 $
Cash flows from operating activities			
Receipts from customers		3,277,681	3,763,980
Payment to suppliers and employees		(1,587,221)	(5,803,333)
Interest received		48,022	12,194
Interest paid		(1,208,336)	(1,661,452)
Net cash provided by/(used in) operating activities	10	530,146	(3,688,611)
Cash flows from investing activities			
Proceeds from / (payments to) investment in short term deposits		4,136,423	(12,203,996)
Payments for property, plant and equipment		(291,470)	(111,490)
Proceeds from sale of property, plant and equipment		-	2,405,000
Proceeds on sale of intangible assets		-	180,000
Payments for purchase of intangible assets		-	(1,350,144)
Payments for exploration expenditure	15	(13,427,680)	(8,857,553)
Dividend received from investment in associate	24(c)	2,704,600	2,630,800
Net cash used in investing activities		(6,878,127)	(17,307,383)
Cash flows from financing activities			
Proceeds from borrowings		-	1,171,500
Repayment of borrowings		-	(1,956,500)
Repayment of lease liabilities	17	(202,144)	(148,132)
Proceeds from shareholder loans		-	2,999,710
Proceeds from issue of shares	20	2,838,140	25,509,687
Payment of share issue costs		(95,799)	(101,746)
Net cash provided by financing activities		2,540,197	27,474,519
Net (decrease)/ increase in cash held		(3,807,784)	6,478,525
Cash and cash equivalents at beginning of financial period		13,182,779	6,704,254
Cash and cash equivalents at the end of financial period	8	**9,374,995**	**13,182,779**

The above statement should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The financial statements were authorised for issue on 16 September 2022 by the Directors of the Company.

1. Summary of Significant Accounting Policies

a. Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards, and Interpretations of the Australian Accounting Standards Board (AASB) and comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB). The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Material accounting policies adopted in the preparation of these financial statements are presented in the notes and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

b. Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date. Foreign exchange differences arising on translation are recognised in the consolidated statement of profit or loss and other comprehensive income.

c. Significant accounting estimates and judgements

The preparation of the financial statements is in conformity with Australian Accounting Standards requires the use of certain significant accounting estimates and judgements. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. 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.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers and staffing. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Other estimates and judgements material to this report can be found in the following notes:

15. Capitalised Exploration and Evaluation Costs
18. Provisions
19. Borrowings

d. Goods and Services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

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 ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

2. Adoption of new and revised standards

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

3. Accounting standards and interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ended 30 June 2022 are outlined below:

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements to clarify the requirements for classifying liabilities as current or non-current. Specifically:

- The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists.
- Management intention or expectation does not affect classification of liabilities.
- In cases where an instrument with a conversion option is classified as a liability, the transfer of equity instruments would constitute settlement of the liability for the purpose of classifying it as current or noncurrent.

These amendments are effective for annual periods beginning on or after 1 January 2024. They are not expected to have a significant impact on the Group’s consolidated financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements* (the PS), in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures.

The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies;
- adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

These amendments are effective for annual periods beginning on or after 1 January 2023. They are not expected to have a significant impact on the Group's consolidated financial statements.

Amendments to IAS 8 – Definition of Accounting Estimates

In February 2021, the IASB issued amendments to IAS 8, in which it introduced a new definition of 'accounting estimates. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

These amendments are effective for annual periods beginning on or after 1 January 2023. They are not expected to have a significant impact on the Group's consolidated financial statements.

Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In May 2021, the IASB issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of an asset and a liability resulting from a transaction gives rise to taxable and deductible temporary differences that are not equal.

These amendments are effective for annual periods beginning on or after 1 January 2023. They are not expected to have a significant impact on the Group's consolidated financial statements.

4. Profit/(loss) for the year

	2022 $	2021 $
Profit/(loss) before income tax from continuing operations includes the following:		
Wayleave Income	1,513,718	1,518,947
Other revenue	834,690	973,131
Auditors' remuneration	85,000	82,000
Share based payments (1)	-	4,950
Facility fees	2,213,426	272,700
Interest expense - borrowings	943,032	1,203,313
Interest expense - leases	7,077	13,994
Finance costs	3,163,535	1,490,007

(1) The total share-based payment expense for the year was $2,036,890. This balance was capitalised to the Evaluation and Exploration Expenditure.

4. Profit/(loss) for the year (continued)

RECOGNITION & MEASUREMENT

Revenue

The core principle of AASB 15, *Revenue from Contracts with Customers* is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework:

a) Identify the contract(s) with a customer;

b) Identify the performance obligations in the contract;

c) Determine the transaction price;

d) Allocate the transaction price to the performance obligations in the contract; and

e) Recognise revenue when (or as) the entity satisfies a performance obligation.

Revenue is recognised as control is passed, either over time or at a point in time.

Revenue generated by the group is disaggregated as follows:

Revenue recognised over time; and Revenue recognised at a point in time

Wayleave income (Over time)

The Group leases out a section of the Antiene rail spur on a per tonne hauled basis. Revenue and a contra receivable are recognised as the service is provided. The group's right to consideration is deemed unconditional at this time as only the passage of time is required before payment of that consideration is due. There is no significant financing component to this transaction, normal credit terms for this transaction is 10 days.

Other income (Point in time)

Agricultural sales

The Group enters into short-term contracts with customers for the sale of fruit. The performance obligation is the delivery and acceptance of fruit, which is when the customer obtains control of it. Revenue is therefore recognised at a point in time; upon delivery. No rebates or volume discounts are provided to customers. Payment for this transaction is spread over 7 months. This is not deemed to be a significant financing period and no financing adjustment is made.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

5. Operating Segments

The Group operates solely within one segment, being the mineral exploration industry in Australia.

6. Dividends Paid

No dividends have been paid or proposed during the period (2021: $nil).

7. Income Tax

	2022 $	2021 $
a) Numerical reconciliation of income tax expense / (income) to prima facie tax payable:		
Total profit/(loss) before income tax	**(610,180)**	**824,158**
Tax at the Australian tax rate of 25% (2021: 26%)	(152,545)	214,281
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Add permanent differences – non-deductibles	45,946	212,360
Less non-assessable income	-	-
	(106,599)	**426,641**
Net adjustment to deferred tax assets and liabilities for tax losses and temporary differences not recognised and temporary differences recognised		
Deferred tax assets not recognised	1,265,713	700,845
Franked dividend received from associate	(1,159,114)	(1,127,486)
Consequent increase/(reduction) in charge for income tax	**106,599**	**(426,641)**
Income tax expense	-	-

b) The components of income tax expense:

	2022 $	2021 $
Current tax expense/(benefit)	-	-
Deferred tax expense	-	-
Adjustments for current tax of prior periods	-	-
Total income tax expense	**-**	**-**

7. Income Tax (continued)

c) Deferred tax liabilities:

The balance comprises temporary differences attributable to:		
Exploration expenditure	21,820,118	12,567,554
Property, plant and equipment	(17,638)	23,681
Land and buildings	366,955	386,701
Intangibles	1,091,467	1,162,426
Other	363,374	312,274
Total deferred tax liabilities	**23,624,276**	**14,452,636**
Set-off of deferred tax liabilities pursuant to set-off provisions	**(23,624,276)**	**(14,452,636)**
Net deferred tax liabilities	-	**-**

d) Deferred tax assets:

The balance comprises temporary differences attributable to:		
Tax losses	27,107,717	23,977,150
Business capital costs	43,954	272,413
Provisions	99,600	103,607
Lease liabilities	24,192	77,717
Accrued expenditure	690,179	187,972
Rehabilitation Provision	1,525,875	
Deferred Consideration	4,629,657	
Total deferred tax assets	**34,121,174**	**24,618,859**
Set-off of deferred tax assets pursuant to set-off provisions	**23,624,276**	(14,452,636)
Unrecognised deferred tax assets	**10,496,897**	(10,166,223)
Net deferred tax assets	**-**	-

e) Tax losses:

Unused tax losses for which no deferred tax asset has been recognised	**41,987,589**	**39,100,861**
Potential tax effect at 25% (2021: 26%)	**10,496,897**	**10,166,224**

Unused losses which have not been recognised as an asset, will only be obtained if:

(i) the economic entity derives future assessable income of a nature and of an amount sufficient to enable the losses to be realised;

(ii) the economic entity continues to comply with the conditions for deductibility imposed by the law; and

(iii) no changes in tax legislation adversely affect the economic entity in realising the losses.

7. Income Tax (continued)

ACCOUNTING POLICY

Current tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income). Current income tax expense charged to profit, or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred tax

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

8. Cash and Cash Equivalents

	2022 $	2021 $
Cash at bank and on hand	9,374,995	13,182,779

Cash was invested in term deposits, yielding an average return of approximately 2.93% (2021: 0.32%).

RECOGNITION & MEASUREMENT

Cash and cash equivalents include cash on hand, deposits available on demand with banks and other short-term highly liquid investments with original maturities of less than 3 months.

9. Financial Assets

	2022 $	2021 $
Short term deposits	**10,198,722**	**14,335,145**

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

RECOGNITION & MEASUREMENT

Financial assets are recognised when the Group becomes a party to the contractual provisions to the instrument (i.e. trade date accounting is adopted).

10. Cash Flow Information

	2022 $	2021 $
a) Reconciliation of Cash Flow from Operations with Profit/(loss) after Income Tax		
(Loss)/Profit after income tax	(610,180)	824,158
Cash flows excluded from profit attributable to operating activities:		
Share based payments	-	4,950
Profit on disposal of assets	-	(136,848)
Depreciation and amortisation	881,351	969,978
Impairment	-	833,013
Changes in assets and liabilities:		
Share in profits of associates	(2,710,432)	(2,630,350)
(Increase) / decrease in trade and other receivables	(11,032)	371,143
Increase in other assets	(681,754)	(18,469)
Increase / (Decrease) in trade and other payables	4,831,354	(887,163)
Decrease in provisions	(1,169,161)	(3,019,023)
Cash flow from operations	**530,146**	**(3,688,611)**

10. Cash Flow Information (continued)

b) Changes in liabilities arising from financing activities

			Non-cash flow				
	1 July 2021	**Cash Flow**	**Acquisition**	**Foreign exchange movements**	**Fair value changes**	**Re-classification**	**30 June 2022**
Short term borrowings	**15,355,000**	-	-	-	-	-	**15,355,000**
Lease liabilities	**298,913**	(202,144)	-	-	-	-	**96,769**
Total	**15,653,913**	**(202,144)**	**-**	**-**	**-**	**-**	**15,451,769**

11. Trade and Other Receivables

	2022	2021
	$	$
CURRENT:		
Trade receivables	410,795	479,270
Port and rail costs recoverable	607,121	606,749
Other receivables	143,876	77,943
Interest receivable	15,773	2,571
	1,177,565	**1,166,533**

The average credit period on trade receivables is 30 days. No interest is charged on overdue amounts. The Group has reviewed receivables based on the simplified approach, taking the current economic effects of COVID-19 into account and does not believe an assessed loss needs to be recorded.

The aging of receivables and allowance for expected credit losses provided are as follows:

	Expected credit loss	Carrying amount 30 June 2022	Allowance for expected credit losses
		$	$
Not overdue	0%	1,177,565	1,166,533
		1,177,565	1,166,533

11. Trade and Other Receivables (continued)

RECOGNITION & MEASUREMENT

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

12. Other Assets

	2022	2021
	$	$
CURRENT:		
Prepayments	1,366,984	772,046
Inventory	86,816	-
Total	**1,453,800**	**772,046**
NON-CURRENT:		
Security bond	**95,686**	**95,686**

13. Property, Plant and Equipment

	Freehold Land	Buildings	Subtotal Land & Buildings	Plant and Equipment	Right-of-use Assets	Total
	$	$	$	$	$	$
At Cost						
Cost	25,683,265	1,518,572	**27,201,837**	13,000,645	410,367	**40,612,849**
Impairment	(5,769,833)	(692,189)	**(6,462,022)**	-	-	**(6,462,022)**
Accumulated depreciation	-	(216,661)	**(216,661)**	(3,167,622)	(169,814)	**(3,554,097)**
Balance at 30 June 2021	**19,913,432**	**609,722**	**20,523,154**	**9,833,023**	**240,553**	**30,596,730**
Cost	25,683,265	1,518,572	**27,201,837**	13,331,625	410,367	**40,943,829**
Impairment	(5,769,833)	(692,189)	**(6,462,022)**	-	-	**(6,462,022)**
Accumulated depreciation	-	(220,781)	**(220,781)**	(3,914,549)	(339,629)	**(4,474,958)**
Balance at 30 June 2022	**19,913,432**	**605,602**	**20,519,034**	**9,417,076**	**70,739**	**30,006,849**

13. Property, Plant and Equipment (continued)

Movements in Carrying Amounts

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

	Freehold Land	Buildings	Subtotal Land & Buildings	Plant and Equipment	Right-of-use Assets	Total
	$	$	$	$	$	$
Consolidated Group:						
Balance at 1 July 2020	**22,683,432**	**629,267**	**23,312,699**	**10,626,697**	**410,367**	**34,349,763**
Additions	-	-	**-**	6,490	-	**6,490**
Impairment	(563,013)		**(563,013)**			**(563,013)**
Disposals [(1)]	(2,206,987)	(19,545)	**(2,226,532)**	-	-	**(2,226,532)**
Depreciation expense	-	-	**-**	(800,164)	(169,814)	**(969,978)**
Balance at 30 June 2021	**19,913,432**	**609,722**	**20,523,154**	**9,833,023**	**240,553**	**30,596,730**
Balance at 1 July 2021	**19,913,432**	**609,722**	**20,523,154**	**9,833,023**	**240,553**	**30,596,730**
Additions	-	-	**-**	330,979	-	**330,979**
Impairment	-	-	**-**	-	-	**-**
Disposals	-	-	**-**	-	-	**-**
Depreciation expense	-	(4,120)	**(4,120)**	(746,926)	(169,814)	**(920,860)**
Balance at 30 June 2022	**19,913,432**	**605,602**	**20,519,034**	**9,417,076**	**70,739**	**30,006,849**

Depreciation of $39,510 has been capitalised against Capitalised Exploration in relation to the Spur Hill Project.

RECOGNITION & MEASUREMENT

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and Equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

13. Property, Plant and Equipment (continued)

RECOGNITION & MEASUREMENT (continued)

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis or on a diminishing value basis over the asset's useful life to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Depreciation rates:

Buildings and improvements	2.5% - 5%
Plant & Equipment	10% - 40%
Right-of-use assets	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

14. Intangible Assets

Water allocation licenses	2022 $	2021 $
NON-CURRENT:		
Opening Balance	4,800,869	3,630,725
Additions	-	1,620,144
Impairment	-	(270,000)
Disposals	-	(180,000)
Balance at 30 June 2022	**4,800,869**	**4,800,869**

RECOGNITION & MEASUREMENT

Water allocation licences are recognised at cost of acquisition. They have an indefinite useful life and are carried at cost less any accumulated impairment losses. Water allocation licences are assessed for impairment annually.

15. Capitalised Exploration and Evaluation Costs

For Spur Hill and Maxwell Projects	2022 $	2021 $
Capitalised exploration and evaluation cost consist of:		
Mining information	1,732,848	1,732,848
Exploration licences	37,543,905	37,543,905
Exploration & evaluation expenditures (1) & (2)	87,326,711	47,339,559
Reserves & resources acquired	4,486,000	4,486,000
Impairment	(21,401,846)	(21,401,846)
R&D tax incentive	(2,029,791)	(2,029,791)
	107,657,827	**67,670,675**

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

For Spur Hill and Maxwell Projects		
Opening balance	67,670,675	57,429,607
Exploration & evaluation expenditures incurred during the year (1) & (2)	39,987,152	10,241,068
	107,657,827	**67,670,675**

(1) The acquisition of the Maxwell Underground Mine and Maxwell Infrastructure included an agreement to pay a royalty of $0.50/t of the first 50 million tonnes of coal produced from either the Maxwell Underground Mine or Spur Hill Project. In prior periods this obligation was shown as a contingent liability, however with the approval of the mining leases and greater certainty in funding the liability has been recognised in accounts during this financial year. This deferred consideration forms part of the cost of the asset and was therefore included in the Exploration Expenditure. The fair value is calculated using a discounted cashflow model, the forecast coal production which commences in 2023 and discounted at the risk-free return of 3.66% which resulted in a $18,518,629 adjustment.

(2) During the period the Malabar was granted the mining leases for the Maxwell Underground Mine and received greater certainty on the financing. The inputs for the restoration provision were adjusted to include all disturbed areas related to the Whynot and Woodlands Hill seams, considering the time period over which the restoration will take place and updating the discount rate to the risk-free rate of 3.66%. The fair value calculated using the discounted cashflow model required a $6,203,953 adjustment to the asset and the restoration provision from this change in estimate.

ACCOUNTING POLICY

Exploration and evaluation expenditure

Exploration and evaluation expenditure are 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.

15. Capitalised Exploration and Evaluation Costs (continued)

R&D tax incentive

The Group has adopted the capital approach to accounting for R&D tax incentives received or receivable, pursuant to AASB 120 Accounting for Government Grants and Disclosure of Government Assistance. Under this approach, the incentive, net of associated fees, is recorded directly in the statement of financial position against the underlying asset to which the incentive relates.

KEY ESTIMATES AND JUDGEMENTS

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement in determining whether future economic benefits are likely, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalised, information becomes available indicating that the recovery of expenditure is unl kely, the amount capitalised is written off in the consolidated statement of comprehensive income in the period when the new information becomes available. The recoverability of the carrying amount of exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective areas of interest.

The recoverable amount of capitalised exploration and evaluation expenditure was determined using life-of-mine value in use calculations, which was appropriately discounted to reflect the current stage of Maxwell Underground Mine and Spur Hill Project development and prevailing risk factors.

Life-of-mine value in use calculations are based on capital and operating cost estimates utilising mine plans and JORC resource statements. Key assumptions contained in cash flow projections are based on external sources of information where available or reflect past experience and include forecast semi-soft coking and export thermal coal prices and foreign exchange rates (based on external economic forecasters), discount rates, JORC resource statements and operating and capital cost estimates.

The Directors believe that the assumptions used in the determination of the recoverable value of exploration and evaluation expenditure are conservative and supported by the life-of-mine value in use calculations for the Maxwell Underground Mine and the Spur Hill Project. Accordingly, the Directors are of the opinion that the exploration and evaluation expenditure is recoverable for the amount stated in the financial report.

16. Trade And Other Payables

	2022 $	2021 $
CURRENT:		
Trade creditors	899,385	642,132
Other creditors	2,793,657	112,644
Interest payable	91,602	61,014
Amounts received in advance for capital raising	1,862,500	-
	5,647,144	**815,790**

The average credit period on trade purchases is 14 days. The Company has financial risk management policies in place to ensure all payables are paid within agreed credit terms.

RECOGNITION & MEASUREMENT

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

17. Lease Liabilities

	2022 $	2021 $
Lease liabilities included in Statement of Financial Position:		
Current	96,769	223,916
Non-current	-	74,997
Total	**96,769**	**298,913**

18. Provisions

CURRENT:	Employee entitlements (1) $	Other provisions (2) $	Deferred consideration (3) $	Total $
Balance as at 1 July 2020	264,594	1,126,988	-	1,391,582
Additional provisions recognised	186,669	252,636	-	439,305
Reduction based on payments during the year	(114,396)	(3,124,535)	-	(3,238,931)
Reallocation from non-current	-	2,918,449	-	2,918,449
Balance as at 30 June 2021	**336,867**	**1,173,538**	**-**	**1,510,405**
Opening balance 1 July 2021	**336,867**	**1,173,538**	**-**	**1,510,405**
Additional provisions recognised	318,026	-	100,454	418,480
Payments during the year	(313,051)	(1,174,136)	-	(1,487,187)
Reallocation from non-current	-	300,000	-	300,000
Closing as at 30 June 2022	**341,842**	**299,402**	**100,454**	**741,698**

18. Provisions (continued)

NON-CURRENT:	Employee entitlements (1)	Other provisions (2)	Deferred Consideration (3)	Total
	$	$	$	$
Opening balance 1 July 2020	-	32,150,140	5,891,000	38,041,140
Additional provisions recognised	-	-	-	-
Reduction based on payments during the year	-	-	-	-
Reallocation to current	-	(2,918,449)	-	(2,918,449)
Closing 30 June 2021	-	**29,231,691**	**5,891,000**	**35,122,691**
Opening balance 1 July 2021	-	**29,231,691**	**5,891,000**	**35,122,691**
Additional provisions recognised (2) & (3)	-	6,203,953	18,418,175	24,622,128
Provisions released during the year (4)			(200,000)	(200,000)
Payments during the year	-	-	-	-
Reallocation to current	-	(300,000)	-	(300,000)
Closing 30 June 2022	-	**35,135,644**	**24,109,175**	**59,244,819**

(1) The provision for employee entitlements represents annual leave accrued. A long service leave levy is paid monthly to the Coal LSL Board in relation to employees working on the mine site therefore, no long service leave accrual is required. Management has assessed the calculation for long service leave for non-mine site employees and determined that no provision is required at this stage due to amount being immaterial.

(2) During the period the Malabar was granted the mining leases for the Maxwell Underground Mine and received greater certainty on the financing. The inputs for the restoration provision were adjusted to include all disturbed areas related to the Whynot and Woodlands Hill seams, considering the time period over which restoration will take place, and updating the discount rate to the risk-free rate of 3.66%. The fair value calculated using the discounted cashflow model required a $6,203,953 adjustment to the asset and the restoration provision.

(3) See note 15 (2).

(4) Spur Hill reached required milestone payments in relation to the Spur Hill Project during the period which led to the cancellation of a Participating Option held by third parties. This release was offset against the exploration asset as it related to deferred consideration on the acquisition cost.

RECOGNITION & MEASUREMENT

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result, and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

Deferred Consideration

KEY ESTIMATES AND JUDGEMENTS

Significant estimates and assumptions are made in determining the provision for deferred consideration. These factors include estimates of the production profile and changes in discount rates. The provisions at balance date represent management's best estimate of the present value of the deferred consideration.

18. Provisions (continued)

RECOGNITION & MEASUREMENT

Mine rehabilitation

Provisions are made for the estimated cost of rehabilitation relating to areas disturbed during the mine's operation up to reporting date but not yet rehabilitated. The nature of rehabilitation activities includes dismantling and removing operating facilities, re-contouring and top soiling the mine, and restoration, reclamation and revegetation of affected areas. Provision has been made for all disturbed areas at the reporting date based on current estimates of costs to rehabilitate such areas, discounted to their present value based on expected future cash flows.

The obligation to rehabilitate arises at the commencement of the mining project and/or when the environment is disturbed at the mining location. At this point, the provision is recognised as a liability with a corresponding asset included in mining property and development assets. Additional disturbances or changes in the rehabilitation costs are reflected in the present value of the rehabilitation provision, with a corresponding change in the cost of the associated asset. In the event the restoration provision is reduced, the cost of the related asset is reduced by an amount not exceeding its carrying value.

The unwinding of the effect of discounting the provision is recorded as a finance cost in the consolidated statement of comprehensive income.

The amount of the provision relating to rehabilitation of environmental disturbance caused by on-going production and extraction activities will be recognised in the consolidated statement of comprehensive income as incurred.

KEY ESTIMATES AND JUDGEMENTS

Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases, and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provisions at balance date represent management's best estimate of the present value of the future rehabilitation costs required to rehabilitate Maxwell Infrastructure and the Maxwell Underground Mine.

19. Borrowings

	2022	2021
CURRENT:	$	$
Revolving bill facility	15,355,000	15,355,000

Malabar's debt facility, secured by the real property of the group, of $15,355,000 was extended from 30 April 2022 to 28 February 2023 to allow Malabar to complete the financing structure for the Maxwell Underground Mine. An average interest rate of 2.9% (2021: 3.2%) was paid on these facilities.

RECOGNITION & MEASUREMENT

Borrowings are recognised when the Group becomes a party to the contractual provisions to the instrument. These are initially measured at fair value, net of transaction costs and subsequently measured at amortised cost using the effective interest method.

KEY ESTIMATES AND JUDGEMENTS

Management has reviewed the terms and conditions of its credit facilities. Where a facility is classified as non-current, management has determined that the Group is in compliance with the relevant terms and conditions of the facility. Where the agreement contains terms that give the bank an element of discretion to review and change the terms and conditions of the agreement, management is of the opinion that, based on conditions existing at balance date and up to the date of the directors' declaration, in all material aspects it retains a right to defer settlement of the liability for at least twelve months after the reporting period.

20. Issued Capital

	2022 $	2021 $
Issued share capital consists out of the following:		
291,492,003 fully paid ordinary shares (2021: 288,327,195)	**124,210,079**	**121,467,738**

a. Movements in ordinary share capital during the year:

Date	Details	Number	Issue Price	$
1 July 2021	Opening balance	288,327,195		121,467,738
19 July 2021	Retail entitlement offer	2,838,140	$1.00	2,838,140
9 Sept 2021	Performance rights exercised	66,668	-	-
8 Oct 2021	Performance rights exercised	10,000	-	-
1 Dec 2021	Performance rights exercised	250,000	-	-
	Share issue costs	-	-	(95,799)
30 June 2022	Closing balance	**291,492,003**		**124,210,079**

Ordinary shares

Ordinary shares participate in dividends and the proceeds on winding-up of the parent entity in proportion to the number of shares held. At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. Ordinary shares have no par value, and the company does not have a limited amount of authorised share capital.

The $25,000,000 Institutional Offer that was undertaken in April 2021 was supplemented by offering existing retail shareholders (not included in the Institutional Offer) with the opportunity to participate in a 1 for 10 pro rata non-renounceable issue of ordinary shares in Malabar (New Shares) at a price of $1.00 per New Share (Entitlement Offer) as per the Prospectus lodged with ASIC on 9 June 2021. Together with each new share issued shareholders also received three (3) options (New Options) for free. Each New Option entitles the holder to subscribe for one ordinary share at an exercise price of $1.25. These terms were consistent with the Institutional offer.

This offer closed on Friday, 9 July 2021 and was fully subscribed through subscription or allocation of shortfall shares to new or existing shareholders, raising $2,838,140.

Options

Options could be converted on a one-for-one basis into fully paid ordinary shares for an exercise price of $1.25. As at 30 June 2022, 94,042,611 options were on issue. Subsequently, 27,428,924 options were exercised, and the balance expired.

Performance Rights

Refer to Note 21 for information relating to the Company's employee performance rights plan, including details of rights issued, exercised and lapsed during the financial year.

20. Share Based Payments (continued)

Capital Management

Management controls the capital of the Group in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

The Group is required to maintain liquidity above $1.5 million in relation to their capital requirements with respect to their facility agreements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

21. Share Based Payments

Malabar awarded 254,034 Performance Rights ("Bonus Rights") to employees in lieu of cash bonuses in September 2021 and 250,000 were awarded to other employees under the respective employment agreements ("Employment Rights"). The Bonus Rights were granted at zero cost and vested on acceptance of the Rights awarded. The Employment Rights were granted at zero cost and vest on achievement of specific hurdles unique to each Grantee. The holders will be allocated one ordinary share for each Right when exercised. The Performance Rights have been accounted for in accordance with *AASB 2 Share-based Payment.*

b. Summary of Securities on offer

Performance Rights	Number	Grant Date	Expiry Date	Exercise Price	Fair Value at Grant Date
Performance Rights type 1	500,000	29/07/2019	29/07/2029	$ -	$0.35
Performance Rights type 2	800,000	2/09/2019	2/09/2029	$ -	$0.38
Performance Rights type 3	350,000	16/04/2020	16/04/2030	$ -	$0.38
Performance Rights type 3	50,000	01/09/2021	01/09/2031	$ -	$0.66
Performance Rights type 4	200,000	19/02/2022	19/02/2032	$ -	$0.66
Advisory Services Completion fee rights	10,000,000	06/11/2019	-	$ -	$0.38
Bonus PR 04092020	217,000	04/09/2020	04/09/2030	$ -	$0.45
Bonus PR 03092021	254,034	03/09/2021	03/09/2031	$ -	$0.66

21. Share Based Payments (continued)

c. Movement of Rights during the year

	2022		2021	
	Securities	Average weighted price	Securities	Average weighted price
Opening balance	11,867,000	$0.38	11,650,000	$0.38
Granted	504,034	$0.66	217,000	$0.45
Forfeited	-	-	-	-
Exercised	(326,668)	-	-	-
Expired	-	-	-	-
Closing balance	**12,044,366**	**$0.52**	**11,867,000**	**$0.42**

c. Valuation model

The fair value of the securities is estimated using the Black-Scholes option pricing model incorporating the probability of the performance obligations being met and a discount for reduced liquidity of the underlying ordinary shares.

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

Securities	Performance Rights 1	Performance Rights 2	Performance Rights 3	Performance Rights 3	Performance Rights 4	Advisory Services Completion fee rights	Bonus PR 04092020	Bonus PR 03092021
Performance obligation	As per individual contract	As per individual contract	As per individual contract	As per individual contract	As per individual contract	As per individual contract	n/a	n/a
Grant date	29/07/2019	2/09/2019	16/04/2020	01/09/2021	19/02/2022	6/11/2019	4/09/2020	03/09/2021
Vesting date	When performance obligations are met	When performance obliga ions are met	When performance obligations are met	When performance obligations are met	When performance obligations are met	When performance obligations are met	4/09/2020	03/09/2021
Fair value at grant date	$0.35	$0.38	$0.38	$0.66	$0.66	$0.38	$0.45	$0.66
Share price	$0.50	$0.55	$0.55	$0.95	$0.95	$0.55	$0.65	$0.95
Exercise price	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Expected volatility	58%	74%	74%	74%	74%	74%	74%	74%
Risk-free interest rate	0.93%	1.22%	1.22%	1.22%	1.18%	1.22%	0.89%	1.18%
Performance Right Life	10 years	10 years	10 years	10 years	10 years	-	10 years	10 years

21. Share Based Payments (continued)

RECOGNITION & MEASUREMENT

Equity-settled compensation

The Group operates an employee share plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payment reserve. The fair value of options is determined using the Black-Scholes pricing model. The number of shares expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

22. Earnings per share

Basic earnings per share (EPS)		2022	2021
Net Income attributable to ordinary shareholders			
Net (Loss)/ Income attributable to ordinary shareholders	($)	**(610,180)**	**824,158**
Weighted average number of ordinary shares			
Issued ordinary shares at 1 July	#	288,327,195	259,817,795
Effect of share issues during the period		2,911,573	3,827,289
Effect of share buy-back during the period		-	-
Weighted average number of ordinary shares at 30 June		**291,238,768**	**263,645,084**
Basic EPS attributable to ordinary shareholders	**(cents)**	**(0.21)**	**0.31**

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

22. Earnings per share (continued)

Diluted earnings per share (EPS)		2022	2021
Net Income attributable to ordinary shareholders (diluted)			
Net (Loss)/Income attributable to ordinary shareholders (diluted)	($)	**(610,180)**	**824,158**
Weighted average number of ordinary shares (diluted)			
Weighted average number of ordinary shares (basic)	#	291,238,768	263,645,084
Effect of Rights issued during the period		-	177,762
Weighted average number of ordinary shares at 30 June (diluted)		**291,238,768**	**263,822,846**
Diluted EPS attributable to ordinary shareholders	**(cents)**	**(0.21)**	**0.31**

The calculation for diluted earnings per share is based on the profit/(loss) attributable to ordinary shareholders for the period and the weighted average number of ordinary shares outstanding adjusted for the diluting impact of potential equity instruments.

23. Reserves

	2022 $	2021 $
Share based payments reserve [(1)]		
Opening Balance	2,198,724	810,259
Share based payments	2,036,890	1,388,465
Closing Balance	**4,235,614**	**2,198,724**
Capital Reserves	7,888,459	7,888,459
Total Reserves	**12,124,073**	**10,087,183**

[(1)] The share-based payments reserve is used to recognise the amortisation of the grant date fair value of Securities issued to employees but not exercised.

24. Group Structure

a. Controlled entities

Listed below are companies which are subsidiaries of Malabar Resources Limited. All of the subsidiaries are incorporated in Australia and the investments are in ordinary shares.

	Owned directly or indirectly	
	2022	**2021**
Spur Hill No. 2 Pty Ltd (SH2)	100%	100%
Spur Hill Management Pty Ltd (SHMgt)	100%	100%
Spur Hill Agricultural Pty Ltd (SHA)	100%	100%
Spur Hill Marketing Pty Ltd (SHMkt)	100%	100%
Maxwell Ventures Pty Ltd	100%	100%
Maxwell Ventures (Management) Pty Ltd	100%	100%
Maxwell Coal (Sales) Pty Ltd	100%	100%
Maxwell Solar Pty Ltd	100%	100%
Drayton Coal Shipping Pty Ltd	100%	100%
Faramax No.2 Pty Ltd ([1])	-	100%
Malabar Coal (Drayton) Pty Ltd ([1])	-	100%
Malabar Coal (Maxwell) Pty Ltd ([1])	-	100%
Malabar Coal (Maxwell Management) Pty Ltd ([1])	-	100%
Malabar Coal (Drayton) No.2 Pty Ltd ([1])	-	100%
Malabar Coal (Drayton) No.3 Pty Ltd ([1])	-	100%

([1]) These entities were deregistered effective from 2 September 2021.

24. Group Structure (continued)

b. Parent entity information

The following information has been extracted from the books and records of the parent and has been prepared i accordance with Australian Accounting Standards.

	2022 $	2021 $
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current assets	98,756,568	95,274,520
Non-current assets	16,702,530	19,282,496
TOTAL ASSETS	**115,459,098**	**114,557,016**
LIABILITIES		
Current liabilities	12,873,165	10,666,466
Non-current liabilities	5,891,000	5,965,997
TOTAL LIABILITIES	**18,764,165**	**16,632,463**
EQUITY		
Issued capital	124,210,036	121,467,695
Reserve	4,235,614	2,198,724
Accumulated losses	(31,750,717)	(25,741,866)
TOTAL EQUITY	**96,694,933**	**97,924,553**
STATEMENT OF COMPREHENSIVE INCOME		
Total loss	**(6,008,851)**	**(359,441)**
Total comprehensive loss	**(6,008,851)**	**(359,441)**

Guarantees

Refer to Note 19: Borrowings.

Contingent liabilities

Malabar Resources Limited has certain contingent liabilities as at 30 June 2022. Refer to Note 27.

ACCOUNTING POLICY

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Malabar Resources Limited) and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation.

24. Group Structure (continued)

c. Investments in Associates

Name of associate	Principal activity	Place of incorporation	Proportion of ownership interest	
			2022	2021
Newcastle Coal Shippers Pty Ltd ('NCS')	Investment in Port Waratah Coal Services ('PWCS')	Australia	20%	20%

	2022	2021
	$	$
Opening balance	16,087,884	16,088,334
Profits attributable post acquisition	2,710,432	2,630,350
Less dividends received	(2,704,600)	(2,630,800)
Carrying amount of investment	**16,093,716**	**16,087,884**

RECOGNITION & MEASUREMENT

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with AASB 5.

Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture less dividends received.

d. Related party transactions

The Group's main related parties are as follows:

Entities exercising control over the Group

The parent entity within the Group is Malabar Resources Limited.

Entities subject to significant influence by the Group

An entity which has power to participate in the financial and operating policy decisions of an entity, but does not have control over the policies, is an entity which holds significant influence. Significant influence may be gained by share ownership, statute or agreement.

Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, are considered key management personnel.

Other related parties

Other related parties include entities controlled by the ultimate holding company and entities over which key management personnel have joint control.

24. Group Structure (continued)

d. Related party transactions (continued)

Transactions with related parties

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

Related Party

Ironstone Capital Partners Pty Ltd (Ironstone)

Ironstone is a corporate advisory business partially owned by Wayne Seabrook. Ironstone provides consulting services to the Group in connection with project development and other corporate activities. Ironstone is paid at market related rates or less for work conducted by its executives. Amount paid in 2022: $665,874 (2021: $674,468).

Key Management Personnel (KMP)	**2022**	**2021**
	$	**$**
Short-term employee benefits These amounts include fees and benefits paid to the Chairman, non-executive directors and all salary, paid leave benefits and cash bonuses awarded to executive directors and other KMP.	1,590,214	1,644,409
Post-employment benefits These amounts are the current-year's estimated cost of providing for the Group's superannuation contributions made during the year.	59,657	66,466
Other long-term benefits These amounts represent long service leave benefits accruing during the year, long-term disability benefits and deferred bonus payments.	-	-
Share-based payments These amounts represent the expense related to the participation of KMP in equity-settled benefit schemes as measured by the fair value of the options, rights and shares granted on grant date.	167,009	195,686
Total key management personnel	**1,816,880**	**1,906,561**

25. Financial instruments

Financial Risk Management Policies

The Audit Committee has been delegated responsibility by the Board of Directors for, among other issues, monitoring and managing financial risk exposures of the Group. The Audit Committee monitors the Group's financial risk management policies and exposures and approves financial transactions within the scope of its authority. It also reviews the effectiveness of internal controls relating to counterparty credit risk, liquidity risk and interest rate risk.

The Group's overall risk management strategy seeks to meet its financial requirements, while minimising potential adverse effects on financial performance. It includes the review of the use of credit risk policies and future cash flow requirements. The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk.

Credit Risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk is managed through the maintenance of procedures (such procedures include the utilisation of systems for regular monitoring of exposures against such limits and monitoring of the financial stability of significant counterparties), ensuring to the extent possible, that counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating, or in entities that the company has otherwise cleared as being financially sound.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position. Credit risk also arises through the provision of financial guarantees, as approved at board level, given the parties securing the liabilities of certain subsidiaries.

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality.

Credit risk related to balances with banks and other financial institutions is managed by the Group in accordance with the policy of only investing surplus cash with major financial institutions.

Such policy requires that surplus funds are only invested with counterparties with a Standard & Poor's rating of at least A-. The following table provides information regarding the credit risk relating to cash and money market securities based on Standard & Poor's counterparty credit ratings.

	Note	2022 $	2021 $
Cash and cash equivalents	8	9,374,995	13,182,779
Financial assets (short term deposits)	9	10,198,722	14,335,145

25. Financial Instruments (continued)

Liquidity Risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group considers liquidity risk as immaterial as the company has sufficient cash funding to meet its obligations as they fall due. This risk is also managed by regular review of future period cash flows and operational forecasting.

Market Risk

Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

The Group's exposure to interest rate risk is summarised in the table below:

		Fixed Interest maturing in				
	Floating Interest Rate	**1 year or less**	**Over 1 year, less than 5**	**Non-Interest bearing**	**Total**	**Weighted Average Interest rate**
2021						
Financial assets						
Cash at bank	13,182,779	-	-	-	**13,182,779**	0.0%
Financial assets	14,335,145	-	-	-	**14,335,145**	0.3%
Financial Liabilities						
Borrowings	15,355,000	-	-	-	**15,355,000**	3.2%
Lease liabilities		223,916	74,997	-	**298,913**	4.0%
2022						
Financial assets						
Cash at bank	9,374,995	-	-	-	**9,374,995**	0.0%
Financial assets	10,198,722	-	-	-	**10,198,722**	0.4%
Financial Liabilities						
Borrowings	15,355,000	-	-	-	**15,355,000**	2.9%
Lease liabilities	-	96,769	-	-	**96,769**	4.0%

Sensitivity analysis

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates the impact on how the company's profit reported at the end of the reporting period would have been affected by interest rate movements that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

25. Financial Instruments (continued)

	Carrying Value $	+1 % interest rate $	-1 % interest rate $
30 June 2021			
Interest bearing cash	13,182,779	131,828	(131,828)
Financial assets	14,335,145	143,351	(143,351)
Borrowings	15,355,000	(153,550)	153,550
30 June 2022			
Interest bearing cash	9,374,995	93,750	(93,750)
Financial assets	10,198,722	101,987	(101,987)
Borrowings	15,355,000	(153,550)	153,550

26. Fair Value Measurement

Fair value hierarchy

The Group complies with AASB 7 *Financial Instruments Disclosures* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group's financial instruments consist mainly of cash at banks, financial assets, accounts receivable and payable, deferred consideration and borrowings. All financial instruments currently held are measured using Level 3 measurement hierarchy. The fair values of the financial assets and financial liabilities recorded in the financial statements materially approximates their respective fair values, determined in accordance with the accounting policies noted in these financial statements.

The totals for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to these financial statements, are as follows:

	Note	2022 $	2021 $	Measurement
Financial assets				
Cash and cash equivalents	8	9,374,995	13,182,779	Amortised cost
Financial assets	9	10,198,722	14,335,145	Amortised cost
Trade and other receivables	11	1,177,565	1,166,533	Amortised cost
Total financial assets		**20,752,282**	**28,684,457**	

26. Fair Value Measurement (continued)

	Note	2022 $	2021 $	
Financial liabilities				
Trade and other payables	16	5,647,144	815,790	Amortised cost
Deferred Consideration	18	24,209,629	5,891,000	FVTPL
Borrowings	19	15,355,000	15,355,000	Amortised cost
Lease liabilities		96,769	298,913	Amortised cost
Total financial liabilities		**45,308,542**	**22,360,703**	

Valuation techniques used to measure Level 3 Fair values

Deferred consideration in relation to the SHUT acquisition which concluded in 2015 includes milestone payments, participating option payments for land purchases and royalties on the coal sales. The fair value is calculated using a discounted cashflow model and included the milestone payments and participating option payments discounted at 9.8%. The fair value related to the Drayton acquisition is calculated using a discounted cashflow model, the forecast coal production which commences in 2023 and discounted at the risk-free return of 3.66%.

Reconciliation of Level 3 fair value measurements of financial instruments

Deferred Consideration	2022 $	2021 $
Balance at the end of the year	**24,209,629**	**5,891,000**

RECOGNITION & MEASUREMENT

Initial measurement of financial instruments

All financial instruments are initially measured at fair value net of transaction costs.

Subsequent measurement

Financial assets

Financial assets are subsequently measured at fair value (either through OCI, or profit or loss) or amortised cost. Classification depends on the business model for managing the financial assets and the contractual terms of the cash flows.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

Impairment

The Group recognises a loss allowance for expected credit losses (ECL) on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

The Group uses the simplified approach for assessing impairment. The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times.

This approach is applicable to: trade receivables that result from transactions within the scope of AASB 15: *Revenue from Contracts with Customers* and that contain a significant financing component; and lease receivables.

26. Fair Value Measurement (continued)

RECOGNITION & MEASUREMENT

Recognition of expected credit losses in financial statements

At each reporting date, the Group recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

Assets measured at fair value through other comprehensive income are recognised at fair value, with changes in fair value recognised in other comprehensive income. Amounts in relation to change in credit risk are transferred from other comprehensive income to profit or loss at every reporting period.

For financial assets that are unrecognised (e.g. loan commitments yet to be drawn, financial guarantees), a provision for loss allowance is created in the statement of financial position to recognise the loss allowance.

27. Contingent Liabilities and Contingencies

a. Facilities and guarantees

The Group has an US$55m (AUD$79,837,422, converted at AUD$1 = US$0.6889) facility in place to provide bonds, guarantees, and financial assurances including the provision of guarantees to the NSW Government. As at 30 June 2022, AUD $68,968,144 of the facility has been utilised for these purposes.

This facility is secured by a guarantee from AMCI Euro-Holdings B.V. (AMCI). The guarantee is secured by AMCI holding general security over all the assets of the Group and its guarantors, mortgages over all real property holdings, water licences and security over project accounts. For the provision of the guarantee, Malabar will pay AMCI a fee of 1.5% on coal sales to the provider of the bond facility.

b. Deferred consideration

Spur Hill Project (EL 7249)

Deferred consideration in relation to the SHUT acquisition which concluded in 2015 includes milestone payments, participating option payments for land purchases and royalties on the coal sales.

The fair value is calculated using a discounted cashflow model of the milestone payments discounted at 9.8%. The royalties on coal sales were not included in the calculation as the timing of actual coal production could not be reasonably assessed at this point.

c. Litigation

The Directors are not aware of any on-going or future litigation that would adversely affect the operations of the group.

28. Events After the Reporting Period

Completion of financing the Maxwell Underground Mine

On 21 July 2022 Malabar secured the financing for the Maxwell Underground Mine. This included:

- Extending the existing Bonding Facility Agreement of U$55 million for a further 3 years;
- Executing the senior debt facility with a Credit fund for US$120 million; and
- Raising approximately $250 million in equity.

The equity was issued at $1.25 per share from a combination of placements to sophisticated investors and existing optionholders exercising their options. A total of 199,995,139 new shares were issued as a result of this capital raising.

Malabar was pleased with significant support provided by New Hope Corporate Limited (New Hope) with their $94.4 million contribution to the equity raising. This results in New Hope having a 15% interest in Malabar and the opportunity to nominate a director to our board. As a result Robert Bishop (CEO of New Hope) joined Malabar's Board of Directors on 11 August 2022.

XLX Completion Fee

Malabar issued XLX Pty Ltd 10,000,000 shares on completion of the approvals and financing on the Maxwell Underground Mine. This was in accordance with the agreement executed between the parties in November 2019. Wayne Seabrook, Tony Haggarty and Allan Davies are minority shareholders in XLX Pty Ltd and Directors of Malabar Resources Limited.

Shareholder loans

Malabar executed Shareholder Loans of $29,625,000 on 11 July 2022 with a number of Malabar's founding shareholders to ensure critical path items related to the project schedule could be maintained prior to completion of the Maxwell Mine funding. These loans were unsecured and were entered into at an arm's length basis. The loans were not drawn and subsequently cancelled once the Maxwell Mine funding was secured.

Repayment of Borrowings

Malabar repaid and cancelled its short-term revolving bill facilities of $15,355,000 on 12 August 2022.

Bonus Performance Rights

Malabar awarded 102,827 performance rights ("Rights") to employees in lieu of cash bonuses in September 2022. The Rights were granted at zero cost and vested on acceptance of the Rights awarded. The holders will be allocated one ordinary share for each Right when exercised. The Performance Rights have been accounted for in accordance with AASB 2 *Share-based Payment*.

28. Events After the Reporting Period (continued)

Coronavirus (COVID-19) impact and response

As with most businesses around the world, the COVID pandemic has presented a range of health, commercial and financial risks to Malabar. The main risk relates to disruptions in supply of workforce and capital to maintain the Maxwell Underground Mine's construction schedule. Malabar has taken a range of steps to minimise the adverse effects this will have on construction activities.

Malabar, and the resources sector more broadly, has so far demonstrated its resilience in the face of COVID. It has been widely acknowledged that the comprehensive suite of measures adopted across the resources sector quickly became the model for others to emulate. The development and rapid implementation of our response plan kept our people safe and supported continuity of construction and employment. More broadly the experience of responding to COVID has validated the robustness of our Work, Health and Safety systems and procedures and ensured our preparedness to manage any future emerging risks of this nature.

The assets of the Group were assessed for impairment, taking the economic implications of COVID-19 into account, however no impairment was required.

Apart from the matters discussed above, no other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

29. Company details

The registered office and principal place of business of the Company as at 30 June 2022 was:

Level 26, 259 George Street

Sydney, NSW, 2000

Tel.: 02 8248 1272

Website: https://malabarresources.com.au/

DIRECTORS' DECLARATION

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

1. the financial statements and notes, as set out on pages 16 to 52, are in accordance with the *Corporations Act 2001* including:
   a. complying with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS) and the *Corporations Regulations 2001*; and
   b. giving a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the year ended on that date;
2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by s295A of the *Corporations Act 2001* from the Chief Executive Officer.

Wayne Seabrook

Director

Dated: 16 September 2022

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MALABAR RESOURCES LIMITED

Opinion

We have audited the accompanying financial report of Malabar Resources Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion, the financial report of Malabar Resources Limited is in accordance with the *Corporations Act 2001*, including:

a) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the year ended on that date; and

b) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the consolidated entity in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the consolidated entity's Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Financial Report

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

In preparing the financial report, the Directors are responsible for assessing the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the consolidated entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/Home.aspx. This description forms part of our auditor's report.

PKF

PKF BRISBANE AUDIT

LIAM MURPHY
PARTNER

16 SEPTEMBER 2022
BRISBANE

CORPORATE DIRECTORY

Company

Malabar Resources Limited
Level 26, 259 George Street
SYDNEY NSW 2000
+61 2 8248 1272
www.malabarresources.com.au

Directors

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

Company Secretary

Lindi-May Lochner
+61 2 8036 0785

Share Registry

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Auditor

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