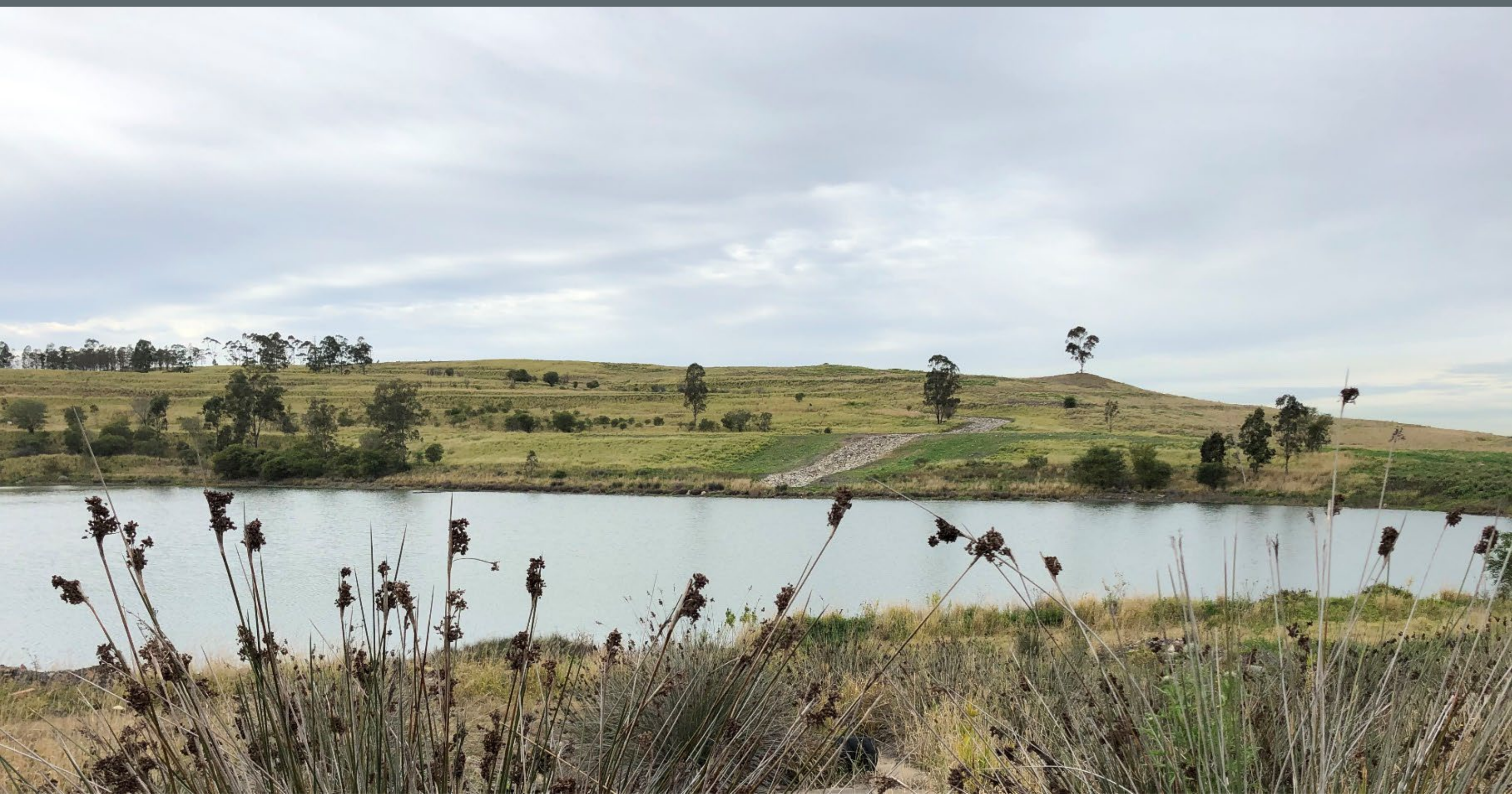
MALABAR

Malabar Resources Limited

(formerly Malabar Coal Limited)
ABN 29 151 691 468

Annual Financial Report for year ended 30 June 2020



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 2020.

Malabar changed its name from Malabar Coal Limited to Malabar Resources Limited on 31 August 2020 to reflect the diversified portfolio of resource, renewable energy and agricultural assets based in the Upper Hunter.

DIRECTORS

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

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

PRINCIPAL ACTIVITIES

During the period, the key activities for Malabar included:

- Advancing the Maxwell Underground Project through a Development Approval Process ("Maxwell Project");
- Rehabilitation of the Drayton Open-Cut Mine, and
- Obtaining a Development Consent for the Maxwell Solar Farm.

FINANCIAL REVIEW

FINANCIAL POSITION

The net assets of the Group have increased by $2,567,475 during the financial year, from $62,417,799 at 30 June 2019 to $64,985,274 at 30 June 2020.

The Group's cash position, which includes its financial assets, decreased from $25,190,293 at 30 June 2019 to $8,835,403 at 30 June 2020 which related predominately due to rehabilitation on Drayton mine and progressing the Maxwell Project through an Approval Process.

BORROWINGS

Malabar renewed its existing facilities arrangements for a further two years and increased the limit by $1.2 million from $16.1 million to $17.3 million. As at 30 June 2020, $16.1 million was drawn down on the facility. The Group's real property is used as security for this facility. These funds have been used to progress the company's various projects and rehabilitation works.

DIRECTORS' REPORT

FINANCIAL REVIEW (CONTINUED)

FUNDING AND LIQUIDITY

The Directors monitor the cashflow as part of the capital management process; and are confident the Group is a going concern and will be able to pay its debts as and when they fall due.

The Directors acknowledge that to continue the development and commercial exploitation of its tenements and projects, the budgeted cash flows from operating and investing activities for the future may necessitate further capital raisings and a renegotiation of the current loan facility. In the current market environment, the directors are cognisant of the funding challenges faced by the junior resources and the coal sector. The directors believe the Group to be well placed with ongoing key shareholder and bank support. Consistent with the fiduciary responsibilities of the Board the Group is investigating medium and longer-term financing options for the development of its projects. At the appropriate juncture, Malabar may seek strategic partner(s) for its projects.

DIVIDENDS

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

ADVISORY ENGAGEMENT

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

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

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

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

PERFORMANCE RIGHTS

In terms of the Group's Long-Term Incentive Share Plan, Malabar awarded 1,300,000 performance rights ("Rights") to key management. The Rights were granted at zero cost and included vesting conditions attached to each individual offer. The Rights can only be exercised when the vesting conditions are met at which point the holder will be allocated one ordinary share for each Right that is vested and exercised. The Performance Rights have been accounted for in accordance with AASB 2 Share-based Payment.

DIRECTORS’ REPORT

REVIEW OF OPERATIONS

CORONAVIRUS (COVID-19) IMPACT AND RESPONSE

As with most businesses around Australia the COVID-19 pandemic has presented a range of safety and commercial risks to the Group. Malabar, and the resources sector more broadly, has so far demonstrated its resilience in the face of COVID-19 and 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 operations and employment. Health and safety protocols are being reviewed frequently to ensure appropriate processes are kept up to date.

Judgement has been exercised in considering the impacts that the COVID-19 pandemic has had, or may have, on Malabar based on known information. This consideration extends to the recognition of receivables and payables, valuation and impairment of assets and impacts on investments. 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 Malabar unfavourably as at reporting date as a result of the COVID-19 pandemic.

MAXWELL PROJECT

The Maxwell Project (“Project”) is a proposed underground coal mining operation located south-southwest of Muswellbrook in the Hunter Valley region of New South Wales. Malabar’s EIS and DA propose an underground mine operating for approximately 26 years and extracting up to 8 million tonnes per annum (Mtpa) of run-of-mine (ROM) coal. At least 75% of the coal produced by the Project would be capable of being used in the making of steel (semi-soft coking coal). The balance would be export thermal coal suitable for the new generation High Efficiency, Low Emissions (“HELE”) power generators.

The Maxwell Project is progressing through the approval process. The EIS public exhibition closed on 25 September 2019 after receiving 245 submissions; 187 from the community; 44 from organisations and 14 from government agencies.

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

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

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

DIRECTORS' REPORT

REVIEW OF OPERATIONS (CONTINUED)

MAXWELL PROJECT JORC RESOURCES

The Maxwell Project has significant coal resources within EL 5460:

Table 1: Coal resources within EL 5460

	Measured (Mt)	Indicated (Mt)	Measured and indicated (Mt)	Inferred (Mt)	Total
Within mine plan area	251	20	**271**	3	**274**
Outside mine plan area	179	220	**399**	97	**496**
Total	**430**	**240**	**670**	**100**	**770**
Note: The Resources Estimate has been prepared in accordance with JORC Code 2012 by McElroy Bryan Geological Services Pty Ltd.					

DRAYTON MINE REHABILITATION

Rehabilitation has continued at the Maxwell Infrastructure site. Rehabilitation involves backfilling old open cuts, reshaping overburden and exposed areas then seeding with a native woodland or pasture seed mix. Total rehabilitation at the Maxwell Infrastructure site now exceeds more than 800 hectares. During 2019, two tree planting programs were also undertaken, with a total of 22,000 trees planted across 21 hectares of mine rehabilitation to contribute towards a woodland corridor. Rehabilitation monitoring will continue during the MOP term to track the progress of rehabilitation against the relevant completion criteria.
[add good photos]

MAXWELL SOLAR FARM

Malabar welcomed the New South Wales Government's planning approval of the 25 MW Maxwell Solar Farm on 19 August 2020. The decision follows a rigorous planning assessment process and the comprehensive review of independent expert reports on the environmental, economic, and social impacts of the proposal.
The project will create roughly 50 new construction jobs and two operational jobs over its 30-year life. The annual energy generation of 60 GWh, has the capacity to generate sufficient energy for about 10,000 NSW homes – nearly all the homes in Muswellbrook and Singleton combined. The Maxwell Solar Farm will connect to the network via either an existing substation located on the Maxwell Infrastructure site, or via the construction of a new transmission line to connect to the network.

SPUR HILL UNDERGROUND PROJECT

Spur Hill applied for the renewal of EL7429 for a further 5 years in October 2019 which was approved on 9 July 2020. The future exploration program is designed to enhance the understanding of the geological interface between EL7429 (Spur Hill) and EL5460 (Maxwell).

DIRECTORS' REPORT

REVIEW OF OPERATIONS (CONTINUED)

SPUR HILL PROJECT JORC RESOURCES

Table 2: Coal Resources within EL7429

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.			

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 AND LANDHOLDER CONSULTATION

Malabar participates in three Community Consultative Committees ('CCC's) which provides the community the ability be engaged on our environmental performance, community sponsorship and also provides Malabar an opportunity to provide updates on our key projects.

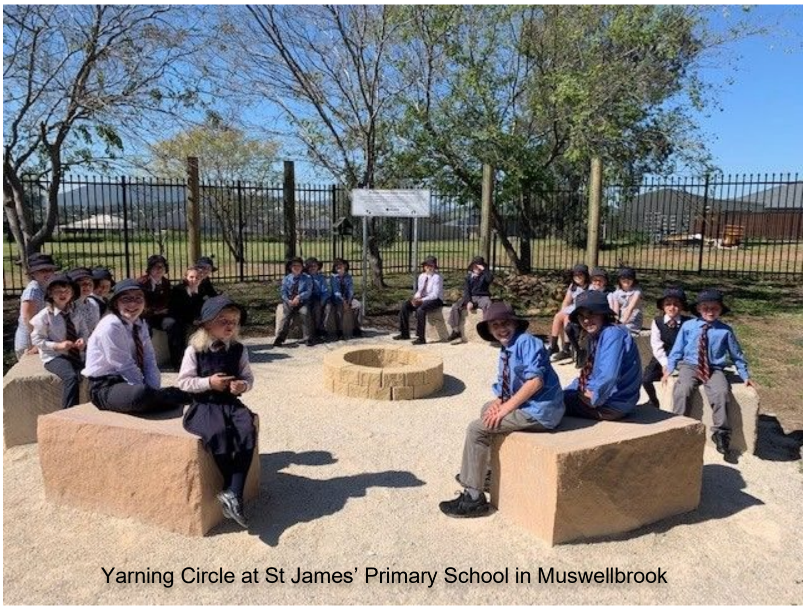
Malabar maintains regular dialogue with landholders on all tenements. Malabar owns all the freehold land above the proposed underground mining activities of the Maxwell Project and has access agreements with landowners covering the majority of the proposed Spur Hill underground mining area.

COMMUNITY AND LANDHOLDER CONSULTATION (CONTINUED)

Over the past 9 years Malabar has contributed financially to the community by supporting various schools, rugby clubs, education funds, aged-care and many more. This year Malabar contributed over $47,000 and was proudly involved with "Where There's a Will" providing free Youth Mental Health First Aid training during COVID-19.

DIRECTORS' REPORT

REVIEW OF OPERATIONS (CONTINUED)



Yarning Circle at St James' Primary School in Muswellbrook

Defibrillator donation to Denman and District Development Association Muswellbrook

ENVIRONMENTAL UPDATE

The Group's operations are subject to significant environmental regulation under the laws of the Commonwealth and NSW State. 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.

DIRECTORS' REPORT

EVENTS AFTER THE FINANCIAL YEAR END

BONUS PERFORMANCE RIGHTS

On 2 September 2020 Malabar awarded 217,000 performance rights ("Rights") to employees in terms of the Long-Term Incentive Share Plan. The Rights were granted at zero cost and vested immediately upon acceptance of the Rights. The market value of the Rights was valued at $0.65 and was based on the most recent traded price at the time of granting. The holder of the Rights will have 10 years to exercise the Rights. The holder will be allocated one ordinary share for each Right that is vested and exercised. The Performance Rights will be accounted for in accordance with AASB 2 Share-based Payment in the year-end 30 June 2021.

EFFECTS OF CORONAVIRUS (COVID-19)

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has not had a material effect on the consolidated entity up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Apart from the matter discussed above, no other matter or circumstance has arisen since 30 June 2020 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.

APPROVAL OF MAXWELL SOLAR FARM

Malabar welcomed the New South Wales Government's planning approval of the 25 MW Maxwell Solar Farm on 19 August 2020. The decision follows a rigorous planning assessment process and the comprehensive review of independent expert reports on the environmental, economic, and social impacts of the proposal.

DIRECTORS' REPORT

DIRECTORS AND SENIORS EXECUTIVES

DIRECTORS

WAYNE SEABROOK

EXECUTIVE CHAIRMAN

Wayne has more than 30 years of resources sector and corporate finance experience. He is a director of XLX Pty Ltd and Ironstone Capital Partners Pty Ltd. As Non-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.

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.

Other Committees:

Member of Occupational Health, Safety & Environment Committee and Audit Committee.

BRIAN BEEM JR

NON-EXECUTIVE DIRECTOR

Brian has more than 16 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 12 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.

Other 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. was. 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.

Other Committees:

Chairman of the Occupational Health, Safety & Environment Committee.

DIRECTORS' REPORT

DIRECTORS AND SENIORS EXECUTIVES (CONTINUED)

SENIOR EXECUTIVES

PAUL VERNER

HEAD OF FINANCE

Paul has more than 15 years of accounting, finance, and resources experience. Prior to joining Malabar, he was the Group Treasurer at Whitehaven Coal Limited and was responsible for raising the capital to fund the Narrabri Underground and Maules Creek coal mines. 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.

Other Committees:

Member of the Board and Audit Committee.

JAMES JOHNSON

GENERAL MANAGER 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 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.

Other Committees:

Member of the Company's Health, Safety, Environment and Community Committee.

WILLIAM (BILL) DEAN

GENERAL MANAGER PROJECT

Bill has over 35 years' experience in the Australian mining industry, encompassing senior site management, support and technical roles.

Bill has broad experience in the coal industry and has held senior operational roles with Coal and Allied and Excel Coal. He has extensive project experience including approvals, development of open cut and underground operations, plus rail and CHPP construction. Bill has led structural change within existing operations, plus managed feasibility and pre-feasibility studies for range of organisations including Whitehaven Coal, Xstrata Coal, Cobbora Coal and Idemitsu.

He is Civil Engineering graduate of Deakin University, holds statutory Certificates of Competency for Victoria, Western Australia and New South Wales, is a Chartered Professional Engineer and a Member of AusIMM.

Member of the Company's Health, Safety, Environment and Community Committee.

DIRECTORS' REPORT

MEETINGS OF DIRECTORS

During the financial year, there were 11 meetings of directors (including committees of directors). Attendances by each director during the year were as follows:

	Directors' Meetings		Audit Committee		Health and Safety Committee	
	Number eligible to attend	**Number attended**	**Number eligible to attend**	**Number attended**	**Number eligible to attend**	**Number attended**
Current Directors						
Wayne Seabrook	11	11	2	2	2	2
Anthony Galligan	11	11	-	-	2	2
Brian Beem	11	11	2	2	-	-

INDEMNIFYING OFFICERS OR AUDITOR

During or since the end of the financial year, the Group paid insurance premiums of $130,000 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.

PROCEEDINGS ON BEHALF OF COMPANY

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

NON-AUDIT SERVICES

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under s 307C of the *Corporations Act 2001* is set out on page 10.

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

Wayne Seabrook
Director
Dated: 24 September 2020

COMPETENT PERSON'S STATEMENT

The information in this Report that relates to JORC Mineral Resources for the Spur Hill Underground Coking Coal Project is based on information compiled by Mr Darryl Stevenson. Mr Darryl Stevenson is the Principal Geologist and employee of Geological and Mining Services Australia Pty Ltd, an independent consultancy group specialising in mineral resource estimation, evaluation and exploration. Mr Darryl Stevenson is a Member of The Australasian Institute of Mining and Metallurgy. He has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". The relationship between the Estimator and the Project owner is that of independent consultant. Mr Darryl Stevenson consents to the inclusion in this Report of the matters based on his information in the form and context in which it appears.

The information in this Report that relates to JORC Mineral Resources for the Maxwell Project is based on information compiled by Ms Karel Patino. Ms Patino is a geologist and employee of MBGS, an independent consultancy providing engineering, environment, project management and construction management services to clients operating in the mining, infrastructure, energy and environment markets. Ms Patino is a Member of The Australasian Institute of Mining and Metallurgy. She has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which she is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". The relationship between the Estimator and the Project owner is that of independent consultant. Ms Patino consents to the inclusion in this Report of the matters based on her information in the form and context in which it appears.

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 2020, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of 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 BRISBANE AUDIT

LIAM MURPHY
PARTNER

BRISBANE
24 SEPTEMBER 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

	Note	30 June 2020	30 June 2019
		$	$
Revenue from continuing operations			
Interest income		226,112	1,236,255
Wayleave income		1,605,836	1,613,092
Share in profits of associates	24.3	2,579,444	2,729,151
Other income	4	1,000,213	712,137
Total income		5,411,605	6,290,635
Expenses			
Legal and professional fees		152,631	261,733
Consultants		75,040	82,121
Finance costs	4	1,331,375	1,797,642
Employee benefits expense		33,044	23,866
Directors fees		115,000	115,000
Depreciation		1,157,851	1,276,662
Other expenses		763,522	696,270
Total expenses		3,628,463	4,253,294
Profit (loss) before income tax		1,783,142	2,037,341
Income tax expense	7	-	-
Profit (loss) for the period		**1,783,142**	**2,037,341**
Other comprehensive income			
Total comprehensive income for the period		**1,783,142**	**2,037,341**
Profit (loss) attributable to members of the parent entity		**1,783,142**	**2,037,341**
Total comprehensive income attributable to members of the parent entity		**1,783,142**	**2,037,341**
Earnings per share			
From continuing operations:			
- Basic earnings per share (cents)	22	$0.69	$0.66
- Diluted earnings per share (cents)	22	$0.67	$0.66

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Note	30 June 2020 $	30 June 2019 $
ASSETS			
Current Assets			
Cash and cash equivalents	8	6,704,254	13,059,144
Financial Assets	9	2,131,149	12,131,149
Trade and other receivables	11	1,533,536	1,441,199
Other assets	12	757,717	710,715
Total Current Assets		11,126,656	27,342,207
Non-Current Assets			
Property, plant and equipment	13	34,349,763	34,933,620
Intangible assets	14	3,630,725	3,400,600
Capitalised exploration and evaluation costs	15	57,429,607	46,208,387
Investments in associates	24.3	16,088,334	16,087,890
Other assets	12	95,686	95,686
Total Non-Current Assets		111,594,115	100,726,183
Total Assets		**122,720,771**	**128,068,390**
LIABILITIES			
Current Liabilities			
Trade and other payables	16	2,125,048	3,254,790
Lease liability	17	188,115	-
Provisions	18	982,264	8,974,854
Borrowings	19	-	16,140,000
Total Current Liabilities		3,295,427	28,369,644
Non-Current Liabilities			
Lease liability	17	258,930	-
Provisions	18	38,041,140	37,280,947
Borrowings	19	16,140,000	-
Total Non-Current Liabilities		54,440,070	37,280,947
Total Liabilities		**57,735,497**	**65,650,591**
Net Assets		**64,985,274**	**62,417,799**
EQUITY			
Share capital	20	93,060,087	93,060,087
Reserves	23	8,698,718	7,888,459
Retained earnings (accumulated losses)		(36,773,531)	(38,530,747)
Total Equity		**64,985,274**	**62,417,799**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

	Note	Share Capital $	Reserves $	Retained Earnings (Accumulated Losses) $	Total $
Balance as at 1 July 2018		**142,749,021**	**7,933,523**	**(40,568,088)**	**110,114,456**
Total comprehensive income for the period		-	-	2,037,341	2,037,341
Transactions with owners in their capacity as owners:					
Share buy-back		(49,999,998)	-	-	(49,999,998)
Share options exercised		266,000	-	-	266,000
Reserves transferred to issued capital upon exercise of options		45,064	(45,064)	-	-
Balance at 30 June 2019		**93,060,087**	**7,888,459**	**(38,530,747)**	**62,417,799**
Balance as at 1 July 2019		**93,060,087**	**7,888,459**	**(38,530,747)**	**62,417,799**
Total comprehensive income for the period		-	-	1,783,142	**1,783,142**
Transactions with owners in their capacity as owners:					
Adjustment for implementation of AASB 16		-	-	(25,926)	**(25,926)**
Share based payment expense		-	810,259	-	**810,259**
Balance at 30 June 2020		**93,060,087**	**8,698,718**	**(36,773,531)**	**64,985,274**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

	Note	30 June 2020	30 June 2019
		$	$
Cash flows from operating activities			
Receipts from customers		3,619,340	5,431,202
Payment to suppliers and employees		(10,699,062)	(13,215,670)
Interest received		221,972	1,193,346
Interest paid		(1,290,587)	(782,550)
Net cash used in operating activities	10	(8,148,337)	(7,373,672)
Cash flows from investing activities			
Payments on purchase of Drayton tenements		-	(4,000,000)
Proceeds from investment in short term deposits		10,000,000	44,303,352
Payments for property, plant and equipment		(16,548)	(189,336)
Proceeds from sale of property, plant & equipment		32,175	-
Payments for intangible assets		(230,125)	-
Payments for exploration expenditure	15	(10,410,961)	(11,501,596)
Dividend received from investment in associate	24.3	2,579,000	2,542,400
Net cash provided/ (used in) by investing activities		1,953,541	31,154,820
Cash flows from financing activities			
Repayment of lease liabilities		(160,094)	-
Proceeds from borrowings	19	-	9,000,000
Payment from shares bought back		-	(49,999,998)
Proceeds from options exercised		-	266,000
Net cash (used in)/provided by financing activities		(160,094)	(40,733,998)
Net decrease in cash held		(6,354,890)	(16,952,850)
Cash and cash equivalents at beginning of financial period		13,059,144	30,011,994
Cash and cash equivalents at the end of financial period	8	**6,704,254**	**13,059,144**

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 24 September 2020 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. Going concern principle

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

During the year ended 30 June 2020, the Group made a profit before tax of $1,783,142 (profit in 2019: $2,037,341). Cash outflows from operating and exploration-related investing activities during the same period were $18,559,298 (2019: $18,875,268) with closing cash on hand of $6,704,254 (2018: $13,059,144). The Directors monitor the cashflow as part of the capital management process; and are confident the Group is a going concern and will be able to pay its debts as and when they fall due.

The Directors acknowledge that to continue the development and commercial exploitation of its tenements and projects, the budgeted cash flows from operating and investing activities for the future may necessitate further capital raisings and a renegotiation of the current loan facility. In the current market environment, the directors are cognisant of the funding challenges faced by the junior resources and coal sector. The directors believe the Group to be well placed with ongoing key shareholder and bank support. Consistent with the fiduciary responsibilities of the Board the Group is investigating medium and longer-term financing options for the development of its projects. At the appropriate juncture, Malabar may seek strategic partner(s) for its projects.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

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 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 expenditure
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

a. AASB 16 Leases

Impact of the new definition of a lease

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

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

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

2. Adoption of new and revised standards (continued)

a. AASB 16 Leases (continued)

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

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

Impact on Lessee Accounting

Former operating leases

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

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

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

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

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

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

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

Financial impact of initial application of AASB 16

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

The Group has recognised $580,214 of right-of-use assets and $606,140 of lease liabilities upon transition to AASB 16. The difference of $25,926 is recognised in retained earnings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Impact of standards issued but not yet applied by the Group

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2020. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

Conceptual Framework for Financial Reporting (Conceptual Framework)
The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2020 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the Group has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the Group may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the Group's financial statements.

4. Profit For The Year

	30 June 2020	30 June 2019
	$	$
Profit before income tax from continuing operations includes the following:		
Auditors remuneration	89,500	89,500
Share based payments [2]	2,370	-
Facility fees [1]	134,010	1,015,092
Interest expense - borrowings	1,183,355	782,550
Interest expense - leases	14,010	-
Finance costs	1,331,375	1,797,642

[1] Facility fees were incurred for the establishment of a facility to cover the environmental bond Malabar was required to maintain as part of the Drayton acquisition.

[2] The total share-based payment expense for the year was $810,259. The majority of this balance was capitalised to the Maxwell Underground Project.

ACCOUNTING POLICY

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
- 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 these transactions 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 (2019: $0).

7. Income Tax

	30 June 2020	30 June 2019
	$	$
a) Numerical reconciliation of income tax expense / (income) to prima facie tax payable:		
Total profit before income tax	**1,783,142**	**2,037,341**
Tax at the Australian tax rate of 27.5% (2019: 27.5%)	490,364	560,269
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Add permanent differences – Non-deductibles	252,105	331,224
Less non-assessable income	(16,500)	-
	725,969	**891,493**
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	379,317	198,107
Franked dividend received from associate	(1,105,286)	(1,089,600)
Income tax expense	-	-

b) The components of income tax expense:		
Current tax expense/(benefit)	-	**-**
Deferred tax expense	-	-
Adjustments for current tax of prior periods	-	-
Total income tax expense	**-**	**-**

7. Income Tax (continued)

	30 June 2020	30 June 2019
	$	$
c) Deferred Tax Liabilities:		
The balance comprises temporary differences attributable to:		
Exploration expenditure	11,068,139	7,792,175
Property, plant and equipment	26,672	48,778
Other	362,470	252,477
Total deferred tax liabilities	**11,457,281**	**8,093,430**
Set-off of deferred tax liabilities pursuant to set-off provisions	**(11,457,281)**	**(8,093,430)**
Net deferred tax liabilities	**-**	**-**
d) Deferred tax assets:		
The balance comprises temporary differences attributable to:		
Tax losses	21,200,401	15,892,397
Business capital costs	61,131	60,550
Provisions	72,761	-
Lease liabilities	122,937	-
Accrued expenditure	190,149	-
Total deferred tax assets	**21,647,379**	**15,952,947**
Set-off of deferred tax assets pursuant to set-off provisions	(11,457,281)	(8,093,430)
Unrecognised deferred tax assets	(10,190,098)	(7,859,517)
Net deferred tax assets	-	-
e) Tax losses:		
Unused tax losses for which no deferred tax asset has been recognised	**77,092,367**	**57,790,536**
Potential tax effect at 27.5%	**21,200,401**	**15,892,397**

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

	30 June 2020	30 June 2019
	$	$
Cash at bank and on hand	6,704,254	13,059,144
	6,704,254	**13,059,144**

Cash was invested in term deposits, yielding an average return of approximately 1.95%.

ACCOUNTING POLICY
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 3 months or less.

9. Financial Assets

Short term deposits	**2,131,149**	**12,131,149**

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

ACCOUNTING POLICY
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

a) **Reconciliation of Cash Flow from Operations with Profit / (loss) after Income Tax**	**30 June 2020** **$**	**30 June 2019** **$**
Profit after income tax	1,783,142	2,037,341
Cash flows excluded from profit attributable to operating activities:		
Share based payments	2,370	-
Depreciation and amortisation	1,157,851	1,276,662
Share in profits of associates	(2,579,444)	(2,729,151)
Changes in assets and liabilities:		
Decrease/(increase) in trade and other receivables	(92,337)	2,244,463
Decrease/(increase) in other assets	(47,002)	37,497
(Decrease)/increase/ in trade and other payables	(1,140,520)	1,718,768
Decrease / in provisions	(7,232,397)	(11,959,252)
Cash flow from operations	**(8,148,337)**	**(7,373,672)**

b) **Changes in liabilities arising from financing activities**

			Non-cash flow				
	1 July 2019	**Cash Flow**	**Acquisition**	**Foreign exchange movements**	**Fair value changes**	**Re-classification**	**30 June 2020**
Short term borrowings	16,140,000	-	-	-	-	-	**16,140,000**
Lease liabilities	-	(160,094)	-	-	-	607,139	**447,045**
Contingent consideration	-	-	-	-	-	-	**-**
Total	**16,140,000**	**(160,094)**	**-**	**-**	**-**	**607,139**	**16,587,045**

11. Trade and Other Receivables

	30 June 2020	30 June 2019
	$	$
CURRENT:		
Trade receivables	642,270	294,846
Port and rail costs recoverable	572,967	761,511
Other receivables	318,299	384,842
	1,533,536	**1,441,199**

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 2020	Allowance for expected credit losses
		$	$
Not overdue	0%	1,533,536	-
0 – 3 months	0%	-	-
		1,533,536	-

ACCOUNTING POLICY

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

	30 June 2020	30 June 2019
	$	$
CURRENT:		
Prepaid interest and borrowing costs	4,140	42,909
Prepayments	753,577	667,806
	757,717	**710,715**
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	32,562,316	2,276,073	**34,838,389**	12,578,797	-	**47,417,186**
Impairment	(9,407,066)	(1,421,282)	**(10,828,348)**	-	-	**(10,828,348)**
Accumulated depreciation	-	(203,303)	**(203,303)**	(1,451,915)	-	**(1,655,218)**
Balance at 30 June 2019	**23,155,250**	**651,488**	**23,806,738**	**11,126,882**	**-**	**34,933,620**
Cost	32,090,498	2,276,073	**34,366,571**	12,999,291	849,071	**48,214,933**
Impairment	(9,407,066)	(1,421,282)	**(10,828,348)**	-	-	**(10,828,348)**
Accumulated depreciation	-	(225,524)	**(225,524)**	(2,372,594)	(438,704)	**(3,036,822)**
Balance at 30 June 2020	**22,683,432**	**629,267**	**23,312,699**	**10,626,697**	**410,367**	**34,349,763**

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 2018	**23,155,250**	**673,788**	**23,829,038**	**12,191,908**	**-**	**36,020,946**
Additions	-	-	**-**	197,663	-	**197,663**
Disposals	-	-	**-**	(8,327)	-	**(8,327)**
Depreciation expense	-	(22,300)	**(22,300)**	(1,254,362)	-	**(1,276,662)**
Impairment expenses	-	-	**-**	-	-	**-**
Balance at 30 June 2019	**23,155,250**	**651,488**	**23,806,738**	**11,126,882**	**-**	**34,933,620**
Implementation of AASB16	-	-	**-**	-	580,198	**580,198**
Additions	-	-	**-**	16,548	-	**16,548**
Disposals	-	-	**-**	(22,752)	-	**(22,752)**
Depreciation expense	-	(22,221)	**(22,221)**	(965,799)	(169,831)	**(1,157,851)**
Impairment expenses	-	-	**-**	-	-	**-**
Reallocation [1]	(471,818)	-	**(471,818)**	471,818	-	**-**
Balance at 30 June 2020	**22,683,432**	**629,267**	**23,312,699**	**10,626,697**	**410,367**	**34,349,763**

[1] Stamp duty was previously incorrectly recognised as land. The portion that related to PPE was split out in the current period.

13. Property, Plant and Equipment (continued)

ACCOUNTING POLICY

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.

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

	30 June 2020	30 June 2019
	$	$
NON-CURRENT:		
Water allocation licenses	**3,630,725**	**3,400,600**

ACCOUNTING POLICY

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	**30 June 2020**	**30 June 2019**
	$	**$**
Capitalised exploration and evaluation cost consist of:		
Mining information	1,732,848	1,732,848
Exploration licences	37,543,905	37,543,905
Exploration & evaluation expenditures	37,098,491	25,877,271
Reserves & resources acquired	4,486,000	4,486,000
Impairment	(21,401,846)	(21,401,846)
R&D tax incentive	(2,029,791)	(2,029,791)
	57,429,607	**46,208,387**

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

For Spur Hill and Maxwell Projects	**30 June 2020**	**30 June 2019**
	$	**$**
Opening balance	46,208,387	34,706,791
Exploration & evaluation expenditures incurred during the year	11,221,220	11,501,596
	57,429,607	**46,208,387**

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.

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 unlikely, 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.

16. Trade and Other Payables

	30 June 2020 $	30 June 2019 $
CURRENT:		
Trade creditors	1,330,561	2,808,185
Other creditors	794,487	446,605
	2,125,048	**3,254,790**

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.

ACCOUNTING POLICY
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

	30 June 2020 $	30 June 2019 $
Lease liabilities included in Statement of Financial Position:		
Current	188,115	-
Non-current	258,930	-
Total	**447,045**	**-**

Lease liabilities are recognised as a result of changes in accounting policies upon adoption of AASB 16: *Leases.* No adjustments were made to comparative balances as part of the implementation process. Refer to note 2(a) for additional information.

18. Provisions

CURRENT:	Employee entitlements $	Other provisions [1] $	Deferred consideration $	Total $
Balance as at 1 July 2018	55,938	9,682,000	-	9,737,938
Additional provisions recognised	101,228	-	-	101,228
Reduction based on payments during the year	(10,012)	(12,050,468)	-	(12,060,480)
Reallocation from current		11,196,168		11,196,168
Balance as at 30 June 2019	**147,154**	**8,827,700**	**-**	**8,974,854**
Opening balance 1 July 2019	147,154	8,827,700	-	8,974,854
Additional provisions recognised	168,666	-	-	168,666
Payments during the year	(51,226)	(7,349,837)	-	(7,401,063)
Reallocation from non-current	-	(760,193)	-	(760,193)
Closing as at 30 June 2020	**264,594**	**717,670**	**-**	**982,264**

NON-CURRENT:	Employee entitlements $	Other provisions [1] $	Deferred Consideration $	Total $
Opening balance 1 July 2018	-	**42,586,115**	**5,891,000**	**48,477,115**
Reallocation to current	-	(11,196,168)	-	(11,196,168)
Closing 30 June 2019	**-**	**31,389,947**	**5,891,000**	**37,280,947**
Opening balance 1 July 2019	-	31,389,947	5,891,000	37,280,947
Reallocation to current	-	760,193	-	760,193
Closing 30 June 2020	**-**	**32,150,140**	**5,891,000**	**38,041,140**

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.

[1] Other provisions represents the present value, discounted at 8% of the future outflow of economic benefits that will be required to settle the Company's obligations in relation to a variety of items including bonding, rehabilitation, and commercial matters.

18. Provisions (continued)

ACCOUNTING POLICY

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.

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 the Drayton Mine.

19. Borrowings

	30 June 2020 $	30 June 2019 $
CURRENT:		
Revolving bill facility	-	16,140,000
	-	**16,140,000**
NON-CURRENT:		
Revolving bill facility	16,140,000	-
	16,140,000	**-**

The Group renewed their facilities for a further two years in April 2020 increasing the facility with $1,171,500 to $17,311,500. The facility is secured by the real property of the group. As at 30 June 2020 $16,140,000 of the facility was utilised.

19. Borrowings (continued)

ACCOUNTING POLICY
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

	30 June 2020	30 June 2019
Issued share capital consists out of the following:	**$**	**$**
259,817,798 fully paid ordinary shares (2019: 259,817,798)	93,060,087	93,060,087
	93,060,087	**93,060,087**

a) Movements in ordinary share capital during the year:

Date	Details	Note	#	$
1 July 2019	Opening balance		259,817,798	93,060,087
30 June 2020	Closing balance		**259,817,798**	**93,060,087**

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.

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.

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 – Performance Rights

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

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

a) Summary of Performance Rights

Performance Rights	Number	Grant Date	Expiry Date	Exercise Price	Fair Value at Grant Date
Employee Performance Rights type 1	500,000	29/07/2019	29/07/2029	$ -	$0.35
Employee Performance Rights type 2	800,000	2/09/2019	2/09/2029	$ -	$0.38
Employee Performance Rights type 3	350,000	16/04/2020	16/04/2030	$ -	$0.38
Advisory Services Completion fee rights	10,000,000	06/11/2019	-	$-	$0.38

b) Movement of Performance Rights in during the year

	30 June 2020		30 June 2019	
	Performance Rights	Average weighted price	Performance Rights	Average weighted price
Options outstanding opening balance	-	-	950,000	$0.28
Granted	11,650,000	$0.38	-	-
Forfeited	-	-	-	-
Exercised	-	-	(950,000)	$0.28
Expired	-	-	-	-
Options outstanding closing balance	**11,650,000**	**$0.38**	**-**	**-**

21. Share Based Payments – Performance Rights (continued)

c) Performance Right valuation model

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

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

	Employee performance rights type 1	Employee performance rights type 2	Employee performance rights type 3	Advisory Services Completion fee rights
Performance obligation	As per individual contract	As per individual contract	As per individual contract	As per individual contract
Grant date	29/07/2019	2/09/2019	16/04/2020	6/11/2019
Vesting date	When performance obligations are met	When performance obligations are met	When performance obligations are met	When performance obligations are met
Fair value at grant date	$0.35	$0.38	$0.38	$0.38
Share price	$0.50	$0.55	$0.55	$0.55
Expected volatility	58%	74%	74%	74%
Risk-free interest rate	0.93%	1.22%	1.22%	1.22%
Performance Right Life	10 years	10 years	10 years	-

ACCOUNTING POLICY

Equity-settled compensation

The Group operates an employee share and option 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 and options 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)		2020	2019
Net Income attributable to ordinary shareholders			
Net Income attributable to ordinary shareholders	($)	**1,783,142**	**2,037,341**
Weighted average number of ordinary shares			
Issued ordinary shares at 1 July	#	259,817,795	359,877,896
Effect of share issues during the period		-	556,986
Effect of share buy-back during the period		-	(53,964,301)
Weighted average number of ordinary shares at 30 June		**259,817,795**	**306,470,581**
Basic EPS attributable to ordinary shareholders	**(cents)**	**0.69**	**0.66**

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

Diluted earnings per share (EPS)		2020	2019
Net Income attributable to ordinary shareholders (diluted)			
Net Income attributable to ordinary shareholders (diluted)	($)	**1,783,142**	**2,037,341**
Weighted average number of ordinary shares (diluted)			
Weighted average number of ordinary shares (basic)	#	259,817,795	306,470,581
Effect of rights offered during the period		7,667,623	-
Weighted average number of ordinary shares at 30 June (diluted)		**267,485,418**	**306,470,581**
Diluted EPS attributable to ordinary shareholders	**(cents)**	**0.67**	**0.66**

The calculation for diluted earnings per share is based on the profit 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

	30 June 2020	30 June 2019
	$	$
Share based payments reserve [1]		
Opening Balance	-	45,064
Share based payments – employee share options	810,259	-
Reserves transferred to issued capital upon exercise of options	-	(45,064)
Closing Balance	**810,259**	**-**
Capital Reserves	7,888,459	7,888,459
Total Reserves	**8,698,718**	**7,888,459**

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

24. Group Structure

24.1. 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	
	2020	**2019**
Spur Hill No. 2 Pty Ltd (SH2)	100%	100%
Spur Hill Management Pty Ltd	100%	100%
Spur Hill Agricultural Pty Ltd	100%	100%
Spur Hill Marketing Pty Ltd	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	100%	100%
Malabar Coal (Drayton) Pty Ltd	100%	100%
Malabar Coal (Maxwell) Pty Ltd	100%	100%
Malabar Coal (Maxwell Management) Pty Ltd	100%	100%
Malabar Coal (Drayton) No.2 Pty Ltd	100%	100%
Malabar Coal (Drayton) No.3 Pty Ltd	100%	100%

24. Group Structure (continued)

24.2. Parent entity information

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

	30 June 2020	30 June 2019
	$	$
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current assets	64,700,368	63,741,201
Non-current assets	19,537,243	19,164,178
TOTAL ASSETS	**84,237,611**	**82,905,379**
LIABILITIES		
Current liabilities	573,876	9,345,136
Non-current liabilities	15,149,930	5,891,000
TOTAL LIABILITIES	**15,723,806**	**15,236,136**
EQUITY		
Issued capital	93,060,043	93,060,043
Reserve	810,259	-
Retained earnings/ (accumulated losses)	(25,356,497)	(25,390,800)
TOTAL EQUITY	**68,513,805**	**67,669,243**
STATEMENT OF COMPREHENSIVE INCOME		
Total profit/(loss)	**34,303**	**1,109,001**
Total comprehensive income	**34,303**	**1,109,001**

Guarantees

Refer to Note 19: Borrowings.

Contingent liabilities

Malabar Resources Limited has certain contingent liabilities as at 30 June 2020. 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)

24.3. Investments in Associates

Name of associate	Principal activity	Place of incorporation	Proportion of ownership interest 30 June 2020	Proportion of ownership interest 30 June 2019
Newcastle Coal Shippers Pty Ltd ('NCS')	Investment in Port Waratah Coal Services ('PWCS')	Australia	20%	20%

	Note	30 June 2020	30 June 2019
		$	$
Opening balance		16,087,890	15,901,138
Profits attributable post acquisition		2,579,444	2,729,152
Less dividends received		(2,579,000)	(2,542,400)
Carrying amount of investment		**16,088,334**	**16,087,890**

ACCOUNTING POLICY

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.

24.4. 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)

24.4. 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	Nature of services	30 June 2020	30 June 2019
		$	$
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.	747,648	579,765
Westbrook Consultants No 2 Company owned by Wayne Seabrook (Chairman)	The Group has continued the consultancy arrangement with the Chairman in 2020 for work done not related to his role as the Chairman. This this was charged through Ironstone Capital instead Westbrook Consultants No 2.	-	243,731
AMCI Euro Holdings B.V (AMCI)	AMCI Euro Holdings is an entity which has common significant shareholders to those in Malabar. During the 2019 financial year AMCI provided a corporate guarantee to a third party on behalf of the Group. An issuance fee of 1% of the guarantee was paid. This transaction is a reasonable in terms of market related activity. As part of these arrangements AMCI will be paid a 1.5% fee solely on tonnage sold under a long-term offtake agreement.	-	803,894
		747,648	**1,627,390**

24. Group Structure (continued)

24.4. Related Party Transactions (continued)

Key Management Personnel (KMP	30 June 2020 $	30 June 2019 $
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.	1,793,839	1,393,375
Post-employment benefits These amounts are the current-year's estimated cost of providing for the Group's superannuation contributions made during the year.	96,538	44,434
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.	124,954	-
Total key management personnel	**2,015,331**	**1,437,809**

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.

25. Financial Instruments (continued)

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	30 June 2020	30 June 2019
		$	$
Cash and cash equivalents	8	6,704,254	13,059,144
Financial assets (short term deposits)	9	2,131,149	12,131,149

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
2020						
Financial assets						
Cash at bank	6,704,254	-	-	-	6,704,254	1.9%
Financial assets	2,131,149	-	-	-	2,131,149	1.9%
Financial Liabilities						
Borrowings	16,140,000	-	-	-	16,140,000	3.2%
Lease liabilities	-	188,115	258,930	-	447,045	4.0%

25. Financial Instruments (continued)

		Fixed Interest maturing in				
	Floating Interest Rate	1 year or less	Over 1 year, less than 5	Non-Interest bearing	Total	Floating Interest Rate
2019						
Financial assets						
Cash at bank	13,059,144	-	-	-	13,059,144	2.5%
Financial assets	12,131,149	-	-	-	12,131,149	2.5%
Financial Liabilities						
Borrowings	16,140,000	-	-	-	16,140,000	4.2%

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 (loss)/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.

	Carrying Value $	+1 % interest rate $	-1 % interest rate $
30 June 2020			
Interest bearing cash	6,704,254	67,043	(67,043)
Financial assets	2,131,149	21,315	(21,315)
Borrowings	16,140,000	(161,400)	161,400
30 June 2019			
Interest bearing cash	13,059,144	130,591	(130,591)
Financial assets	12,131,149	121,311	(121,311)
Borrowings	16,140,000	(161,400)	161,400

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 IFRS 9 as detailed in the accounting policies to these financial statements, are as follows:

	Note	30 June 2020	30 June 2019	
		$	$	Measurement
Financial assets				
Cash and cash equivalents	8	6,704,254	13,059,144	Amortised cost
Financial assets	9	2,131,149	12,131,149	Amortised cost
Trade and other receivables	11	1,533,536	1,441,199	Amortised cost
Total financial assets		**10,368,939**	**26,631,492**	
Financial liabilities				
Trade and other payables	16	2,402,883	3,245,790	Amortised cost
Deferred Consideration	18	5,891,000	5,891,000	FVTPL
Borrowings	19	16,140,000	16,140,000	Amortised cost
Lease liabilities		447,045	-	
Total financial liabilities		**24,880,928**	**25,276,790**	

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 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.

26. Fair Value Measurement (continued)

Reconciliation of Level 3 fair value measurements of financial instruments

	30 June 2020	30 June 2019
	$	$
Opening balance	5,891,000	5,891,000
Movement during the year	-	-
Balance at the end of the year	**5,891,000**	**5,891,000**

ACCOUNTING POLICY

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.

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

27.1. Facilities and guarantees

The Group has an USD$55m (AUD $80,139,881, converted at A$1 = USD$0.6863) facility in place to provide bonds, guarantees, and financial assurances including the provision of guarantees to the NSW Government. As at 30 June 2020, AUD $65,503,338 of the facility has been utilised for these purposes.

This facility is secured by a guarantee from AMCI Euro Holdings (AMCI). The guarantee is secured by AMCI holding general security over all the assets of the Group and its guarantors, mortgages over all real property holdings, water licences and security over project accounts. The amount of any contingency is uncertain by its nature and due to the long-term nature of the arrangement.

27.2. Deferred consideration

Spur Hill Project (EL 7249)

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

The fair value is calculated using a discounted cashflow model and included the milestone payments and participating option payments discounted at 8%. The royalties on coal sales were not included in the calculation as the timing of actual coal production could not be reasonably assessed at this point.

Maxwell Underground Project (EL5460)

Deferred consideration on the Drayton Mine and Maxwell Project acquisition includes an agreement to pay a royalty of $0.50/t of the first 50 million tonnes of coal produced from either the Maxwell Project or Spur Hill Project.

The fair value is calculated using a discounted cashflow model, the forecast coal production which commences in 2021 and discounted at the weighted average cost of capital of 10.6% which has resulted in a deferred consideration fair value of $11,451,588.

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

27.3. Litigation

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

28. Events After the Reporting Period

Bonus Performance Rights

On 2 September 2020 Malabar awarded 217,000 performance rights ("Rights") to employees in terms of the Long-Term Incentive Share Plan. The Rights were granted at zero cost and vested immediately upon acceptance of the Rights. The market value of the Rights was valued at $0.65 and was based on the closest traded price. The holder of the Rights will have 10 years to exercise the Rights. The holder will be allocated one ordinary share for each Right that is vested and exercised. The Performance Rights will be accounted for in accordance with AASB 2 Share-based Payment in the year-end 30 June 2021.

Effects of Coronavirus (COVID-19)

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has not had a material effect on the consolidated entity up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Approval of Maxwell Solar Farm

Malabar welcomed the New South Wales Government's planning approval of the 25 MW Maxwell Solar Farm on 19 August 2020. The decision follows a rigorous planning assessment process and the comprehensive review of independent expert reports on the environmental, economic, and social impacts of the proposal.

Apart from the matter discussed above, no other matter or circumstance has arisen since 30 June 2020 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 2020 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 15 to 49, 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 2020 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: 24 September 2020

GLOSSARY AND TERMS & ABBREVIATIONS

COVID-19	Coronavirus
DA	Development Application
DPIE	Department of Planning, Industry and Environment
EIS	Environmental Impact Statement
HELE	High Efficiency Low Emission
IPC	Independent Planning Commission
MOP	Mine Operations Plan

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 2020, the consolidated statement of 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 2020 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.

PKF Brisbane Audit
ABN 33 873 151 348

Level 6, 10 Eagle Street, Brisbane QLD 4000
GPO Box 1568, Brisbane QLD 4001
p +61 7 3839 9733
f +61 7 3832 1407

8 East Street, PO Box 862
Rockhampton QLD 4700
p +61 7 4927 2744
f +61 7 4927 4317

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

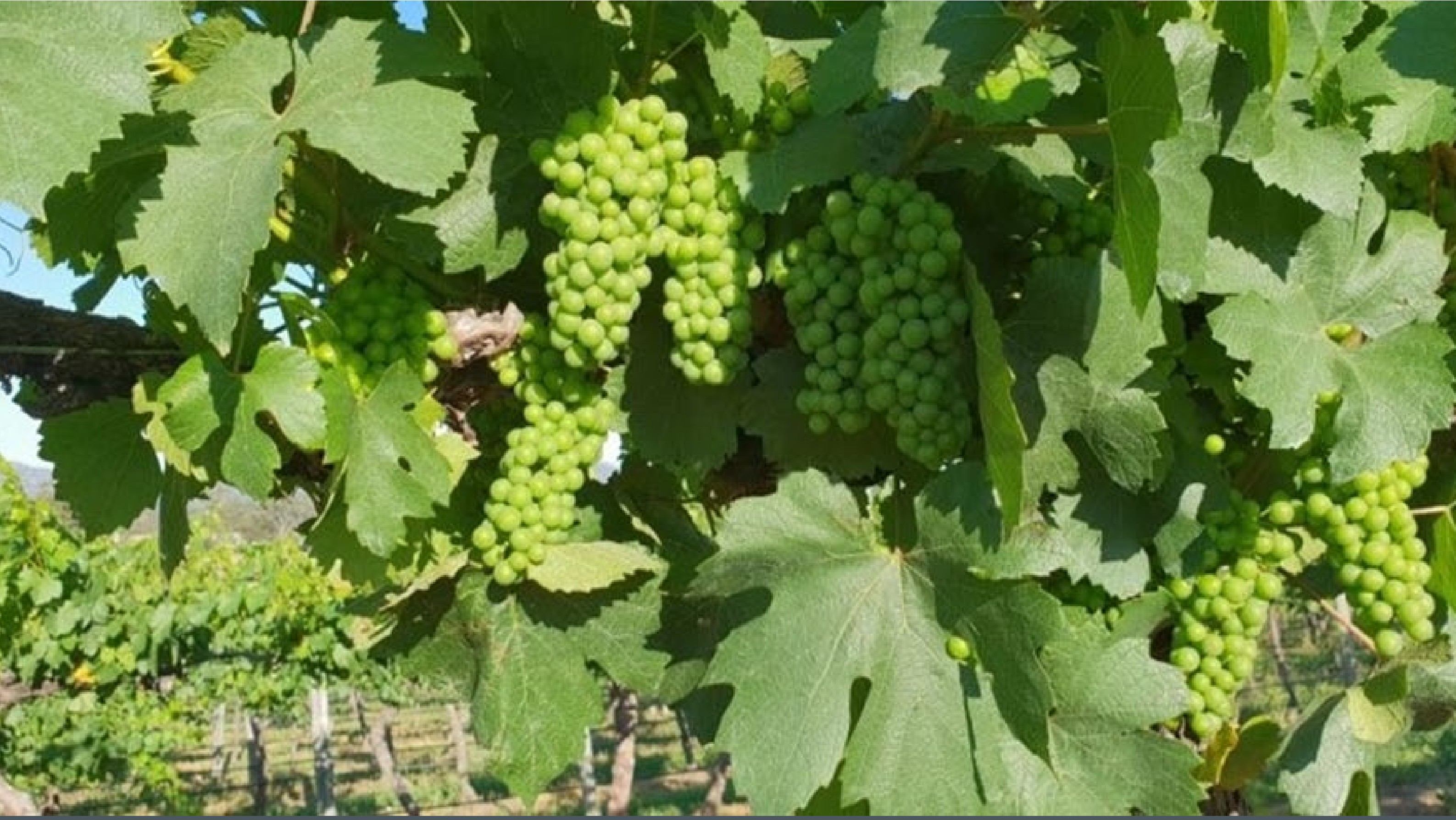
Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that 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 BRISBANE AUDIT

LIAM MURPHY
PARTNER

24 SEPTEMBER 2020
BRISBANE



Malabar Resources Limited and controlled entities

Annual Financial Report for the year ended 30 June 2020