

Malabar Resources Limited

ABN 29 151 691 468

Annual Financial Report for year ended
30 June 2021



Actual rehabilitation at Maxwell Infrastructure



Wetlands created on rehabilitated land Maxwell Mine.

A grazing trial commenced on rehabilitation in 2018. Cattle were strategically rotated between three paddocks of which two were located on mine rehabilitation. The cattle will be sold to market during the next reporting period and the paddocks will be rested and monitored for new vegetation growth and diversity. Results so far are demonstrating that Maxwell can create a post mining landscape that is compatible with the surrounding landscape and capable of sustaining a productive land use.



Rehabilitation land exceeds 850 hectares with over 170,000 trees planted.



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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 2021.

1. PRINCIPAL ACTIVITIES



During the period Malabar is pleased to advise that it received NSW State Government and Commonwealth government approvals for the Maxwell Underground Mine.

The Company also received NSW State Government approval for Maxwell Solar Farm (25 MW Stage 1).

2. DIRECTORS AND EXECUTIVES

Directors

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

 <p>WAYNE SEABROOK EXECUTIVE CHAIRMAN</p>	<p>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.</p> <p>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.</p> <p>Other Committees: Member of Occupational Health, Safety & Environment Committee and Audit Committee</p>
 <p>BRIAN BEEM JR NON-EXECUTIVE DIRECTOR</p>	<p>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.</p> <p>Brian holds a Bachelor of Arts (Political Economy) from Princeton University, USA.</p> <p>Other Committees: Member of Audit Committee</p>

Directors (continued)



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.

Senior executives



JAMES JOHNSON
GM DEVELOPMENT AND OPERATIONS

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

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



PAUL VERNER
CHIEF FINANCIAL OFFICER

Paul has more than 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.

Meetings of directors

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

	Directors' Meetings		Audit Committee		Health 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	12	12	2	2	2	2
Anthony Galligan	12	11	-	-	2	2
Brian Beem	12	12	2	2	-	-

3. FINANCIAL AND OPERATIONAL REVIEW

Strategy

Malabar recognises the need to transition to a low carbon economy and has developed a unique strategy by employing less intrusive underground mining methods, focusing on metallurgical coal, developing large scale renewable energy, and rehabilitating previously mined areas for sustainable activities including renewables and agriculture. Malabar is supporting the transition of industries in the Upper Hunter region which have primarily comprised of open cut thermal coal production and coal-fired power generation.

Malabar published its 2020 Sustainability Report which demonstrates our commitment to transparency and showcases our unique approach to sustainable practices across our entire business – including environmental practices, health and safety, and people and culture. To read the full report, visit our website at www.malabarresources.com.au.

Coronavirus (COVID-19) impact and response

As with most businesses around Australia the COVID-19 pandemic continues to present a range of safety and commercial risks. The development and rapid implementation of our response plan continues to keep our people safe and supported continuity of operations and employment. Health and safety protocols are reviewed frequently to ensure appropriate processes are kept up to date. To date, no positive COVID-19 cases have been recorded at the Maxwell mine site. Malabar benefited from the Federal Government's PAYG cash boost, recognising \$50,000 of revenue for the year. The assets of the Group were assessed for impairment, taking the economic implications of COVID-19 into account, however no impairment was required.

Financial position

The net assets of the Group have increased by \$30,620,274 during the financial year, from \$64,985,274 at 30 June 2020 to \$95,605,548 at 30 June 2021.

The Group's cash position, which includes its financial assets, increased from \$8,835,403 at 30 June 2020 to \$27,517,924 at 30 June 2021 which related predominately due to the proceeds from an Institutional Offer of approximately \$25.5 million.

Dividends

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

Borrowings and shareholder loans

Malabar's existing debt facility decreased from \$16.1 million to \$15.4 million. This facility is secured by the Group's real property and expires on 30 April 2022.

The decrease in the facility related to principal repayments from the sale proceeds of two small non-core properties.

This facility will either be repaid or incorporated into a larger debt facility that will be arranged for the construction of the Maxwell Underground Mine.

Some of Malabar's founding shareholders provided a \$3 million facility to Malabar during the year. These loans were converted into shares on the same terms and conditions as the Institutional Offer that occurred in April 2021.

Securities

Performance rights

Malabar awarded 217,000 performance rights ("Rights") to employees in lieu of annual cash bonuses in September 2020. The Rights were granted at zero cost and vested on acceptance of the Rights awarded. The holders will be allocated one ordinary share for each Right when exercised. The Performance Rights have been accounted for in accordance with AASB 2 *Share-based Payment*.

Share Issue

Malabar successfully completed a placement to wholesale and sophisticated investors on 28 April 2021, raising approximately \$25.5 million (Institutional Offer). The Institutional Offer was oversubscribed, being supported by existing shareholders and a number of new investors joining Malabar's share register. For each New Share issued the investors also received three (3) options (New Options) for free. Each New Option entitles the holder to subscribe for one ordinary share at an exercise price of \$1.25.

The funds are being used to; finalise key construction contracts, finalise debt and other finance-related documentation, payment of transaction costs related to the Institutional Offer, working capital and capital expenditure. The proceeds comprise part of the total funding requirements for the Maxwell Underground Mine, with further sources of funding to be secured.

Resource Assets

The Maxwell Underground Mine

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

Development and pre-construction activities continue including, inter alia:

- Inviting tenders for critical path items;
- Preparing new management plans in terms of the consent conditions;
- Employing a construction manager and a health and safety coordinator, as well as advertising for other senior roles.

Maxwell JORC Resources

Table 1: Coal resources within EL 5460 (Maxwell Underground exploration licence)

	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.

Maxwell Infrastructure

Rehabilitation has continued at the previous open cut at the Maxwell Infrastructure site with more than 850 hectares of rehabilitation undertaken. This rehabilitation involved reshaping overburden and exposed areas then seeding with a native woodland or pasture seed mix, tree planting, installing nest boxes for native fauna, weed and pest animal management as well as continuing to successfully graze cattle on areas of old pasture rehabilitation.

Spur Hill Underground Project

Spur Hill owns Exploration Licence EL7429. Malabar is currently undertaking exploration studies and detailed technical work to determine the next steps in developing the project.

Spur Hill JORC Resources

Table 2: Coal Resources within EL7429 (Spur Hill)

Project Area	Indicated (Mt)	Inferred (Mt)	Total (Mt)
Western Zone (EL 7429)	394	119	513
Eastern Zone (EL 7429)	-	112	112
Total	394	231	625

Note: The Resources Estimate has been prepared in accordance with JORC Code 2012 by Geological and Mining Services Australia Pty Ltd.

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

Renewable Assets

Maxwell Solar Farm

Malabar welcomed the New South Wales (NSW) Government's planning approval of the 25 MW Stage 1 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 unique location of our land holding (approximately 8,700 hectares), adjacent to the NSW electricity generation hub and located within the NSW government Renewable Energy Zone (REZ) places Malabar in an optimal position to significantly expand renewable power generation and supplement this with battery storage.

Agricultural and Viticultural Assets

Agricultural Properties

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

Community Consultation

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

During the period, Malabar received approval to combine two of the three committees which will provide streamlining of information provided to the community and allowing the increased representatives to hear questions and issues raised by other community members.

Over the past 8 years Malabar has contributed over a half a million dollars to the community by supporting various schools, sports clubs, education funds and many more. During the period Malabar contributed to community events including:

- Fully-funding Youth Mental Health First Aid training in August 2020, with training facilitated by the Upper Hunter community organisation Where There's a Will;
- Funding a Yarning Circle to St James Primary School in September 2020;
- Supporting our local youth experiencing homelessness by contributing to the PCYC Muswellbrook Humble Homes program;
- Donating to Muswellbrook's Roohaven Wildlife sanctuary;
- Providing continued financial support of the Upper Hunter Education Fund (UHEF) which is an important local organisation whose mission is to foster the further education, career and personal development opportunities of young people in the Upper Hunter, through community-based encouragement and financial assistance;
- Sponsoring the Jerrys Plains Cup;
- Sponsoring the St Heliers Heavy Horse Field Days, covering the cost for two new slides that are used for events during the field days;
- Providing free meals to Hunter Valley families and individuals in need at the "Food, Friends and Conversations" event at Muswellbrook Senior Citizens Hall.

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.

4. OTHER

Indemnification and insurance of officers

Indemnification

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

Insurance premiums

During or since the end of the financial year, the Group paid insurance premiums of \$154,000 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.

Indemnification of auditors

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

Non-audit services

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

Proceedings on behalf of the Company

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

5. EVENTS AFTER THE FINANCIAL YEAR END

Retail Entitlement Offer

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

This offer closed on Friday, 9 July 2021 and was fully subscribed through subscription or allocation of shortfall shares to new or existing shareholders, raising \$2.8 million.

Bonus Performance Rights

Malabar awarded 254,034 performance rights ("Rights") to employees in lieu of cash bonuses in September 2021. The Rights were granted at zero cost and vested on acceptance of the Rights awarded. The holders will be allocated one ordinary share for each Right when exercised. The Performance Rights have been accounted for in accordance with AASB 2 *Share-based Payment*.

Partnership with EDF Renewables on large scale solar in the Upper Hunter Valley

In August 2020 Malabar announced that it had received development consent for its 25 MW Stage 1 Maxwell Solar Farm.

Since then it has become apparent that Malabar's land holding provides the potential to substantially increase renewable energy generation beyond 25 MW. This is due to the substantial transmission network in the Upper Hunter and the NSW Government's establishment of the Hunter-Central Coast region as the state's fourth Renewable Energy Zone (REZ) in November 2020.

Malabar is therefore pleased to announce it has entered into a memorandum of understanding with EDF Renewables (EDF R), a major global energy company, to develop large scale renewable energy projects in the Upper Hunter Valley.

This partnership with EDF R will bring global and local expertise for large scale solar development in the Upper Hunter region. EDF R has a presence in more than 22 countries with its renewable generation portfolio exceeding 15,000MW from solar and wind.

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 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly changing and is dependent on measures imposed by the NSW State Government, 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 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

6. AUDITOR'S INDEPENDENCE DECLARATION

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

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

A handwritten signature in blue ink, appearing to read "W. Seabrook".

Wayne Seabrook

Director

Dated: 23 September 2021

COMPETENT PERSONS' STATEMENT

MCELROY BRYAN GEOLOGICAL SERVICES PTY LTD (MBGS) – RESOURCES IN EL5460

The Coal Resources for the Maxwell Underground Mine (EL 5460) has been reported in accordance with the “Australasian Code for Reporting of Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2012 Edition” (The JORC Code). The information in this report that relates to Coal Resources is extracted from the report entitled “Competent Person Report, Coal Resources for Maxwell Project EL5460 as at 30 September 2018”. The Coal Resource report is based on information compiled under the supervision of, and reviewed by the Competent Person, Karol Patino, who is a full-time employee of McElroy Bryan Geological Services (MBGS), is a Member of the Australasian Institute of Mining and Metallurgy and who has no conflict of interest with Malabar Resources Ltd (Malabar).

Karol Patino has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”.

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

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

GEOLOGICAL AND MINING SERVICES AUSTRALIA PTY LTD – RESOURCES IN EL7429

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

Darryl Stevenson has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”.

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

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

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2021, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

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



PKF BRISBANE AUDIT



LIAM MURPHY
PARTNER

BRISBANE
23 SEPTEMBER 2021



MUSWELLBROOK'S ROOHAVEN WILDLIFE SANCTUARY

This NGO was established by a network of likeminded and experienced carers to facilitate the rescue, rehabilitation and release of orphaned and injured native wildlife in the Upper Hunter. Malabar's contribution assists with veterinary and food costs.

Malabar employees Teresa Coleman and Linda Benson.



Donations to the Christmas Food and Toy Appeal and the Malabar team volunteering at Muswellbrook PCYC.

MALABAR BRINGS CHRISTMAS CHEER TO UPPER HUNTER FAMILIES

Every year, PCYC Muswellbrook rallies local organisations and community members to contribute food, goods and toys to families who would otherwise go without during the summer holiday period. Malabar Resources has continued its partnership with the PCYC, supporting vulnerable families and children in need through the organisation's Christmas Food and Toy Appeal. Malabar also donated Christmas trees and decorations to families in need in the Muswellbrook and Singleton LGAs.

THE JERRYS PLAINS CUP IS BACK

For the first time in nearly half a decade, the Jerrys Plains Cup was back on and held on 30 April 2021. Muswellbrook Race Club, supported by Malabar, hosted the event. Malabar's manager of Health, Safety, Environment and Community, Donna McLaughlin, said the company was delighted to sponsor the event, adding that "The Jerrys Plains Cup will provide a real boost for the area as it recovers from the COVID-19 pandemic, and with that in mind, we've included a hospitality package that will assist local business and industries in the community."



Photo Credit: Muswellbrook Race Club & Katrina Partridge Photography

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 \$	2020 \$
Revenue from continuing operations			
Interest income		16,334	226,112
Wayleave income		1,518,947	1,605,836
Share in profits of associates	24(c)	2,630,350	2,579,444
Profit on disposal		136,848	-
Other income	4	973,131	1,000,213
Total income		5,275,610	5,411,605
Expenses			
Legal and professional fees		108,784	152,631
Consultants		67,447	75,040
Finance costs	4	1,490,007	1,331,375
Employee benefits expense		74,982	33,044
Directors' fees		115,000	115,000
Depreciation		969,978	1,157,851
Impairment		833,013	-
Other expenses		792,241	763,522
Total expenses		4,451,452	3,628,463
Profit before income tax		824,158	1,783,142
Income tax expense	7	-	-
Profit for the period		824,158	1,783,142
Other comprehensive income			
Total comprehensive income for the period		824,158	1,783,142
Total comprehensive income attributable to members of the parent entity		824,158	1,783,142
Earnings per share			
From continuing operations:			
- Basic earnings per share (cents)	22	0.31	0.69
- Diluted earnings per share (cents)	22	0.31	0.67

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	Note	2021 \$	2020 \$
ASSETS			
Current Assets			
Cash and cash equivalents	8	13,182,779	6,704,254
Financial assets	9	14,335,145	2,131,149
Trade and other receivables	11	1,166,533	1,537,676
Other assets	12	772,046	753,577
Total Current Assets		29,456,503	11,126,656
Non-Current Assets			
Property, plant and equipment	13	30,596,730	34,349,763
Intangible assets	14	4,800,869	3,630,725
Capitalised exploration and evaluation costs	15	67,670,675	57,429,607
Investments in associates	24(c)	16,087,884	16,088,334
Other assets	12	95,686	95,686
Total Non-Current Assets		119,251,844	111,594,115
Total Assets		148,708,347	122,720,771
LIABILITIES			
Current Liabilities			
Trade and other payables	16	815,790	1,715,730
Provisions	18	1,510,405	1,391,582
Lease liability	17	223,916	188,115
Borrowings	19	15,355,000	-
Total Current Liabilities		17,905,111	3,295,427
Non-Current Liabilities			
Provisions	18	35,122,691	38,041,140
Lease liability	17	74,997	258,930
Borrowings	19	-	16,140,000
Total Non-Current Liabilities		35,197,688	54,440,070
Total Liabilities		53,102,799	57,735,497
Net Assets		95,605,548	64,985,274
EQUITY			
Share capital	20	121,467,738	93,060,087
Reserves	23	10,087,183	8,698,718
Retained earnings (accumulated losses)		(35,949,373)	(36,773,531)
Total Equity		95,605,548	64,985,274

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

	Note	Share Capital \$	Reserves \$	Retained Earnings (Accumulated Losses) \$	Total \$
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:					
Share-based payments expense		-	810,259	-	810,259
Adjustment for implementation of AASB 16		-	-	(25,926)	(25,926)
Balance at 30 June 2020		93,060,087	8,698,718	(36,773,531)	64,985,274
Balance as at 1 July 2020		93,060,087	8,698,718	(36,773,531)	64,985,274
Total comprehensive income for the period		-	-	824,158	824,158
Transactions with owners in their capacity as owners:					
Share based payment expense		-	1,388,465	-	1,388,465
Issue of shares	20	28,509,397	-	-	28,509,397
Share issue costs		(101,746)	-	-	(101,746)
Balance at 30 June 2021		121,467,738	10,087,183	(35,949,373)	95,605,548

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 \$	2020 \$
Cash flows from operating activities			
Receipts from customers		3,763,980	3,619,340
Payment to suppliers and employees		(5,803,333)	(10,699,062)
Interest received		12,194	221,972
Interest paid		(1,661,452)	(1,290,587)
Net cash used in operating activities	10	(3,688,611)	(8,148,337)
Cash flows from investing activities			
Payments to/ proceeds from investment in short term deposits		(12,203,996)	10,000,000
Payments for property, plant and equipment		(111,490)	(16,548)
Proceeds from sale of property, plant and equipment		2,405,000	32,175
Proceeds on sale of intangible assets		180,000	-
Payments for purchase of intangible assets		(1,350,144)	(230,125)
Payments for exploration expenditure	15	(8,857,553)	(10,410,961)
Dividend received from investment in associate	24(c)	2,630,800	2,579,000
Net cash (used in)/provided by investing activities		(17,307,383)	1,953,541
Cash flows from financing activities			
Proceeds from borrowings		1,171,500	-
Repayment of borrowings		(1,956,500)	-
Repayment of lease liabilities	17	(148,132)	(160,094)
Proceeds from shareholder loans		2,999,710	-
Proceeds from issue of shares	20	25,509,687	-
Payment of share issue costs		(101,746)	-
Net cash provided by/(used in) financing activities		27,474,519	(160,094)
Net increase/(decrease) in cash held		6,478,525	(6,354,890)
Cash and cash equivalents at beginning of financial period		6,704,254	13,059,144
Cash and cash equivalents at the end of financial period	8	13,182,779	6,704,254

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 23 September 2021 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 2021, the Group made a profit before tax of \$824,158 (profit in 2020: \$1,783,142). Cash outflows from operating and exploration-related investing activities during the same period were \$12,546,164 (2020: \$18,559,298) with closing cash on hand, including financial assets of \$27,517,924 (2020: \$8,835,403). 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 Group will be sourcing financing in the near future to fund the construction of the Maxwell Underground Mine.

c. Significant accounting estimates and judgements

The preparation of the financial statements in conformity with Australian Accounting Standards requires the use of certain significant accounting estimates and judgements. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. These estimates and associated assumptions are based on historic experience and various other factors, including expectations of future events that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgement about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and assumptions are reviewed and evaluated on an ongoing basis.

Coronavirus (COVID-19) pandemic

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

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

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

d. Goods and Services tax (GST)

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

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

2. Adoption of new and revised standards

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

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

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

Conceptual Framework for Financial Reporting (Conceptual Framework)

The consolidated entity has adopted the revised Conceptual Framework from 1 July 2019. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the consolidated entity's 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 2021.

4. Profit for the year

	2021	2020
	\$	\$
Profit before income tax from continuing operations includes the following:		
Wayleave Income	1,518,947	1,605,836
Other revenue	973,131	1,000,213
Auditors' remuneration	82,000	89,500
Share based payments ⁽¹⁾	4,950	2,370
Facility fees	272,700	134,010
Interest expense - borrowings	1,203,313	1,183,355
Interest expense - leases	13,994	14,010
Finance costs	1,490,007	1,331,375

⁽¹⁾ The total share-based payment expense for the year was \$1,388,465. The majority of this balance was capitalised to the Evaluation and Exploration Expenditure.

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:

- Identify the contract(s) with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognise revenue when (or as) the entity satisfies a performance obligation.

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

Revenue generated by the group is disaggregated as follows:

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

Wayleave income (Over time)

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

Other income (Point in time)

Agricultural sales

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

Finance costs

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

5. Operating Segments

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

6. Dividends Paid

No dividends have been paid or proposed during the period (2020: \$nil).

7. Income Tax

	2021 \$	2020 \$
a) Numerical reconciliation of income tax expense / (income) to prima facie tax payable:		
Total profit before income tax	824,158	1,783,142
Tax at the Australian tax rate of 26% (2020: 27.5%)	214,281	490,364
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Add permanent differences – non-deductibles	212,360	252,105
Less non-assessable income	-	(16,500)
	426,641	725,969
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	700,845	379,317
Franked dividend received from associate	(1,127,486)	(1,105,286)
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)

	2021	2020
	\$	\$
c) Deferred tax liabilities:		
The balance comprises temporary differences attributable to:		
Exploration expenditure	12,567,554	11,068,139
Property, plant and equipment	23,681	26,672
Land and buildings	386,701	-
Intangibles	1,162,426	-
Other	312,274	362,470
Total deferred tax liabilities	14,452,636	11,457,281
Set-off of deferred tax liabilities pursuant to set-off provisions	(14,452,636)	(11,457,281)
Net deferred tax liabilities	-	-
d) Deferred tax assets:		
The balance comprises temporary differences attributable to:		
Tax losses	23,977,150	21,200,401
Business capital costs	272,413	61,131
Provisions	103,607	72,761
Lease liabilities	77,717	122,937
Accrued expenditure	187,972	190,149
Total deferred tax assets	24,618,859	21,647,379
Set-off of deferred tax assets pursuant to set-off provisions	(14,452,636)	(11,457,281)
Unrecognised deferred tax assets	(10,166,223)	(10,190,098)
Net deferred tax assets	-	-
Tax losses:		
Unused tax losses for which no deferred tax asset has been recognised	39,100,861	37,054,902
Potential tax effect at 26% (2020: 27.5%)	10,166,224	10,190,098

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 as 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

	2021	2020
	\$	\$
	<hr/>	<hr/>
Cash at bank and on hand	<hr/> 13,182,779 <hr/>	<hr/> 6,704,254 <hr/>

Cash was invested in term deposits, yielding an average return of approximately 0.32%.

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

	2021	2020
	\$	\$
Short term deposits	<u>14,335,145</u>	<u>2,131,149</u>

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

	2021	2020
	\$	\$
a) Reconciliation of Cash Flow from Operations with Profit after Income Tax		
Profit after income tax	824,158	1,783,142
Cash flows excluded from profit attributable to operating activities:		
Share based payments	4,950	2,370
Profit on disposal of assets	(136,848)	-
Depreciation and amortisation	969,978	1,157,851
Impairment	833,013	-
Changes in assets and liabilities:		
Share in profits of associates	(2,630,350)	(2,579,444)
Decrease / (increase) in trade and other receivables	371,143	(92,337)
Increase in other assets	(18,469)	(47,002)
Decrease in trade and other payables	(887,163)	(1,140,520)
Decrease in provisions	(3,019,023)	(7,232,397)
Cash flow from operations	<u>(3,688,611)</u>	<u>(8,148,337)</u>

10. Cash Flow Information (continued)

b) Changes in liabilities arising from financing activities

	1 July 2020	Cash Flow	Non-cash flow				30 June 2021
			Acquisition	Foreign exchange movements	Fair value changes	Re-classification	
Short term borrowings	16,140,000	(785,000)	-	-	-	-	15,355,000
Lease liabilities	447,045	(148,132)	-	-	-	-	298,913
Contingent consideration	-	-	-	-	-	-	-
Total	16,587,045	(933,132)	-	-	-	-	15,653,913

11. Trade and Other Receivables

	2021	2020
	\$	\$
CURRENT:		
Trade receivables	479,270	642,270
Port and rail costs recoverable	606,749	572,967
Other receivables	77,943	318,299
Interest receivable	2,571	4,140
	1,166,533	1,537,676

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 2021	Allowance for expected credit losses
		\$	\$
Not overdue	0%	1,166,533	-
0 – 3 months	0%	-	-
		1,166,533	-

11. Trade and Other Receivables (continued)

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

	2021	2020
	\$	\$
CURRENT:		
Prepayments	772,046	753,577
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	32,090,498	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
Cost	25,683,265	1,518,572	27,201,837	13,000,645	410,367	40,612,849
Impairment	(5,769,833)	(692,189)	(6,462,022)	-	-	(6,462,022)
Accumulated depreciation	-	(216,661)	(216,661)	(3,167,622)	(169,814)	(3,554,097)
Balance at 30 June 2021	19,913,432	609,722	20,523,154	9,833,023	240,553	30,596,730

13. Property, Plant and Equipment (continued)

Movements in Carrying Amounts

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

	Freehold Land	Buildings	Subtotal Land & Buildings	Plant and Equipment	Right-of-use Assets	Total
	\$	\$	\$	\$	\$	\$
Consolidated Group:						
Balance at 1 July 2019	23,155,250	651,488	23,806,738	11,126,882	-	34,933,620
Implementation of AASB16				-	849,071	849,071
Additions	-	-	-	16,548	-	16,548
Disposals	-	-	-	(22,752)	-	(22,752)
Depreciation expense	-	(22,221)	(22,221)	(965,799)	(169,831)	(1,157,851)
Reallocation between assets ⁽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
Balance at 1 July 2021	22,683,432	629,267	23,312,699	10,626,697	410,367	34,349,763
Additions	-	-	-	6,490	-	6,490
Impairment	(563,013)	-	(563,013)	-	-	(563,013)
Disposals ⁽²⁾	(2,206,987)	(19,545)	(2,226,532)	-	-	(2,226,532)
Depreciation expense	-	-	-	(800,164)	(169,814)	(969,978)
Balance at 30 June 2021	19,913,432	609,722	20,523,154	9,833,023	240,553	30,596,730

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

(2) Land sold was classified as held for sale during the reporting period was measured at the lower of its carrying amount and fair value less costs to sell at the time of the reclassification, resulting in the recognition of a write-down of \$833,013 as impairment expenses in the consolidated statement of comprehensive income.

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.

13. Property, Plant and Equipment (continued)

ACCOUNTING POLICY (continued)

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

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

Depreciation

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

Depreciation rates:

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

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

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

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

14. Intangible Assets

	2021	2020
	\$	\$
NON-CURRENT:		
Opening Balance	3,630,725	3,400,600
Additions	1,620,144	230,125
Impairment	(270,000)	
Disposals	(180,000)	-
Balance at 30 June 2021	<u>4,800,869</u>	<u>3,630,725</u>

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	2021	2020
	\$	\$
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	47,339,559	37,098,491
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)
	67,670,675	57,429,607

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

For Spur Hill and Maxwell Projects	2021	2020
	\$	\$
Opening balance	57,429,607	46,208,387
Exploration & evaluation expenditures incurred during the year	10,241,068	11,221,220
	67,670,675	57,429,607

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.

15. Capitalised Exploration and Evaluation Costs (continued)

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.

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

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

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

16. Trade And Other Payables

	2021	2020
	\$	\$
	<hr/>	<hr/>
CURRENT:		
Trade creditors	642,132	1,330,561
Other creditors	112,644	152,710
Interest payable	61,014	232,459
	<hr/> 815,790 <hr/>	<hr/> 1,715,730 <hr/>

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

	2021	2020
	\$	\$
Lease liabilities included in Statement of Financial Position:		
Current	223,916	188,115
Non-current	74,997	258,930
Total	298,913	447,045

18. Provisions

CURRENT:	Employee entitlements	Other provisions ¹	Deferred consideration	Total
	\$	\$	\$	\$
Balance as at 1 July 2019	147,154	8,827,700	-	8,974,854
Additional provisions recognised	168,666	-	-	168,666
Reduction based on payments during the year	(51,226)	(6,940,519)	-	(6,991,745)
Reallocation from current	-	(760,193)		(760,193)
Balance as at 30 June 2020	264,594	1,126,988	-	1,391,582
Opening balance 1 July 2020	264,594	1,126,988	-	1,391,582
Additional provisions recognised	186,669	252,636	-	439,305
Payments during the year	(114,396)	(3,124,535)	-	(3,238,931)
Reallocation from non-current	-	2,918,449	-	2,918,449
Closing as at 30 June 2021	336,867	1,173,538	-	1,510,405

18. Provisions (continued)

NON-CURRENT:	Employee entitlements	Other provisions ¹	Deferred Consideration	Total
	\$	\$	\$	\$
Opening balance 1 July 2019	-	31,389,947	5,891,000	37,280,947
Additional provisions recognised	-	-	-	-
Reduction based on payments during the year	-	-	-	-
Reallocation to current	-	760,193	-	760,193
Closing 30 June 2020	-	32,150,140	5,891,000	38,041,140
Opening balance 1 July 2020	-	32,150,140	5,891,000	38,041,140
Additional provisions recognised	-	-	-	-
Payments during the year	-	-	-	-
Reallocation to current	-	(2,918,449)	-	(2,918,449)
Closing 30 June 2021	-	29,231,691	5,891,000	35,122,691

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.

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.

18. Provisions (continued)

KEY ESTIMATES AND JUDGEMENTS

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

19. Borrowings

	2021	2020
	\$	\$
CURRENT:		
Revolving bill facility	<u>15,355,000</u>	<u>-</u>
NON-CURRENT:		
Revolving bill facility	<u>-</u>	<u>16,140,000</u>

Malabar's existing debt facility decreased from \$16.1 million to \$15.4 million. This facility is secured by the Group's real property and expires on 30 April 2022.

The decrease in the facility related to principal repayments from the sale proceeds of two small non-core properties. This facility will either be repaid or incorporated into a larger debt facility that will be arranged for the construction of the Maxwell Underground Mine.

Some of Malabar's founding shareholders provided a \$3 million facility to Malabar during the year. These loans were converted into shares on the same terms and conditions as the Institutional Offer that occurred in April 2021.

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

	2021	2020
	\$	\$
Issued share capital consists out of the following:		
288,327,195 fully paid ordinary shares (2020: 259,817,798)	121,467,738	93,060,087

a) Movements in ordinary share capital during the year:

Date	Details	Number	Issue Price	\$
1 July 2020	Opening balance	259,817,798		93,060,087
12 May 2021	Institutional placement	25,509,687	\$1.00	25,509,687
12 May 2021	Conversion of shareholder loans	2,999,710	\$1.00	2,999,710
12 May 2021	Share issue costs	-		(101,746)
30 June 2021	Closing balance	288,327,195		121,467,738

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.

During the period Malabar completed an Institutional placement at an issue cost of \$1.00 per fully paid ordinary share. For each new share issued shareholders also received three (3) options (New Options) for free. Each New Option entitles the holder to subscribe for one ordinary share at an exercise price of \$1.25. The shareholder loans of \$2,999,710 were converted on the same persons as the Institutional offer.

Options

Options may be converted on a one-for-one basis into fully paid ordinary shares for an exercise price of \$1.25. While these options remain unexercised, they do not entitle the holder to receive dividends and also carry no voting rights. These options expire on the earlier of date of: (i) 10 June 2022; or (ii) 30 days after the option holder is given a notice from Malabar confirming the Maxwell Underground Mine construction financing terms have been agreed on terms reasonably acceptable to Malabar. As at 30 June 2021 85,528,191 options have been issued.

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

Malabar awarded 217,000 performance rights (“Rights”) to employees in lieu of cash bonuses in September 2020. The Rights were granted at zero cost and vested on acceptance of the Rights awarded. The holders will be allocated one ordinary share for each Right when exercised. The Performance Rights have been accounted for in accordance with *AASB 2 Share-based Payment*.

a. Summary of Rights

Performance Rights	Number	Grant Date	Expiry Date	Exercise Price	Fair Value at Grant Date
Performance Rights type 1	500,000	29/07/2019	29/07/2029	\$ -	\$0.35
Performance Rights type 2	800,000	2/09/2019	2/09/2029	\$ -	\$0.38
Performance Rights type 3	350,000	16/04/2020	16/04/2030	\$ -	\$0.38
Advisory Services Completion fee rights	10,000,000	06/11/2019	-	\$ -	\$0.38
Bonus Performance Rights	217,000	04/09/2020	04/09/2030	\$ -	\$0.45

b. Movement of Rights during the year

	2021		2020	
	Securities	Average weighted price	Securities	Average weighted price
Opening balance	11,650,000	\$0.38	-	-
Granted	217,000	\$0.45	11,650,000	\$0.38
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Closing balance	11,867,000	\$0.38	11,650,000	\$0.38

21. Share Based Payments (continued)

c. Valuation model

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

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

	Performance rights type 1	Performance rights type 2	Performance rights type 3	Advisory Services Completion fee rights	Bonus Performance Rights
Performance obligation	As per individual contract	As per individual contract	As per individual contract	As per individual contract	n/a
Grant date	29/07/2019	2/09/2019	16/04/2020	6/11/2019	4/09/2020
Vesting date	When performance obligations are met	When performance obligations are met	When performance obligations are met	When performance obligations are met	4/09/2020
Fair value at grant date	\$0.35	\$0.38	\$0.38	\$0.38	\$0.45
Share price	\$0.50	\$0.55	\$0.55	\$0.55	\$0.65
Exercise price	\$ -	\$ -	\$ -	\$ -	\$ -
Expected volatility	58%	74%	74%	74%	74%
Risk-free interest rate	0.93%	1.22%	1.22%	1.22%	0.89%
Performance Right Life	10 years	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)		2021	2020
Net Income attributable to ordinary shareholders			
Net Income attributable to ordinary shareholders	(\$)	824,158	1,783,142
Weighted average number of ordinary shares			
Issued ordinary shares at 1 July	#	259,817,795	259,817,785
Effect of share issues during the period		3,827,289	-
Effect of share buy-back during the period		-	-
Weighted average number of ordinary shares at 30 June		263,645,084	259,817,795
Basic EPS attributable to ordinary shareholders	(cents)	0.31	0.69

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)		2021	2020
Net Income attributable to ordinary shareholders (diluted)			
Net Income attributable to ordinary shareholders (diluted)	(\$)	824,158	1,783,142
Weighted average number of ordinary shares (diluted)			
Weighted average number of ordinary shares (basic)	#	263,645,084	259,817,795
Effect of rights offered during the period		177,762	7,667,623
Weighted average number of ordinary shares at 30 June (diluted)		263,822,846	267,485,418
Diluted EPS attributable to ordinary shareholders	(cents)	0.31	0.67

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

	2021	2020
	\$	\$
Share based payments reserve ⁽¹⁾		
Opening Balance	810,259	-
Share based payments – employee share options	1,388,465	810,259
Reserves transferred to issued capital upon exercise of options	-	-
Closing Balance	2,198,724	810,259
Capital Reserves	7,888,459	7,888,459
Total Reserves	10,087,183	8,698,718

⁽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

a. Controlled entities

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

	Owned directly or indirectly	
	2021	2020
Spur Hill No. 2 Pty Ltd (SH2)	100%	100%
Spur Hill Management Pty Ltd (SHMgt)	100%	100%
Spur Hill Agricultural Pty Ltd (SHA)	100%	100%
Spur Hill Marketing Pty Ltd (SHMkt)	100%	100%
Maxwell Ventures Pty Ltd	100%	100%
Maxwell Ventures (Management) Pty Ltd	100%	100%
Maxwell Coal (Sales) Pty Ltd	100%	100%
Maxwell Solar Pty Ltd	100%	100%
Drayton Coal Shipping Pty Ltd	100%	100%
Faramax No.2 Pty Ltd ⁽¹⁾	100%	100%
Malabar Coal (Drayton) Pty Ltd ⁽¹⁾	100%	100%
Malabar Coal (Maxwell) Pty Ltd ⁽¹⁾	100%	100%
Malabar Coal (Maxwell Management) Pty Ltd ⁽¹⁾	100%	100%
Malabar Coal (Drayton) No.2 Pty Ltd ⁽¹⁾	100%	100%
Malabar Coal (Drayton) No.3 Pty Ltd ⁽¹⁾	100%	100%

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

24. Group Structure (continued)

b. Parent entity information

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

	2021	2020
	\$	\$
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current assets	95,274,520	64,674,440
Non-current assets	19,282,496	19,537,243
TOTAL ASSETS	114,557,016	84,211,683
LIABILITIES		
Current liabilities	10,666,466	573,876
Non-current liabilities	5,965,997	15,149,930
TOTAL LIABILITIES	16,632,463	15,723,806
EQUITY		
Issued capital	121,467,695	93,060,043
Reserve	2,198,724	810,259
Retained earnings/ (accumulated losses)	(25,741,866)	(25,382,425)
TOTAL EQUITY	97,924,553	68,487,877
STATEMENT OF COMPREHENSIVE INCOME		
Total (loss)/profit	(359,441)	34,303
Total comprehensive income	(359,441)	34,303

Guarantees

Refer to Note 19: Borrowings.

Contingent liabilities

Malabar Resources Limited has certain contingent liabilities as at 30 June 2021. Refer to Note 27.

ACCOUNTING POLICY

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

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

24. Group Structure (continued)

c. Investments in Associates

Name of associate	Principal activity	Place of incorporation	Proportion of ownership interest	
			2021	2020
Newcastle Coal Shippers Pty Ltd ('NCS')	Investment in Port Waratah Coal Services ('PWCS')	Australia	20%	20%
			2021	2020
			\$	\$
	Opening balance		16,088,334	16,087,890
	Profits attributable post acquisition		2,630,350	2,579,444
	Less dividends received		(2,630,800)	(2,579,000)
	Carrying amount of investment		16,087,884	16,088,334

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.

d. Related party transactions

The Group's main related parties are as follows:

Entities exercising control over the Group

The parent entity within the Group is Malabar Resources Limited.

Entities subject to significant influence by the Group

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

Key management personnel

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

Other related parties

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

24. Group Structure (continued)

d. Related party transactions (continued)

Transactions with related parties

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

Related Party

Ironstone Capital Partners Pty Ltd (Ironstone)

Ironstone is a corporate advisory business partially owned by Wayne Seabrook. Ironstone provides consulting services to the Group in connection with project development and other corporate activities. Ironstone is paid at market related rates or less for work conducted by its executives. Amount paid in 2021: \$674,468 (2020: \$747,648).

Wayne Seabrook

Wayne Seabrook, Chairman of Malabar, provided Malabar with an unsecured loan of \$187,550 charged at an interest rate of 6%. Interest of \$4,532 was paid for the period the amount was drawn. The loan amount was converted into fully paid ordinary shares on 12 May 2021 on the same terms as the Institutional Offer.

Key Management Personnel (KMP)	2021	2020
	\$	\$
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.	1,644,409	1,793,839
Post-employment benefits These amounts are the current-year's estimated cost of providing for the Group's superannuation contributions made during the year.	66,466	96,538
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.	195,686	124,954
Total key management personnel	1,906,561	2,015,331

25. Financial instruments

Financial Risk Management Policies

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

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

Credit Risk

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

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

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

Credit risk exposures

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

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

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

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

	Note	2021 \$	2020 \$
Cash and cash equivalents	8	13,182,779	6,704,254
Financial assets (short term deposits)	9	14,335,145	2,131,149

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.

25. Financial Instruments (continued)

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

	Floating Interest Rate	Fixed Interest maturing in		Non-Interest bearing	Total	Weighted Average Interest rate
		1 year or less	Over 1 year, less than 5			
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%

	Floating Interest Rate	Fixed Interest maturing in		Non-Interest bearing	Total	Floating Interest Rate
		1 year or less	Over 1 year, less than 5			
2021						
Financial assets						
Cash at bank	13,182,779	-	-	-	13,182,779	0.0%
Financial assets	14,335,145	-	-	-	14,335,145	0.3%
Financial Liabilities						
Borrowings	15,355,000	-	-	-	15,355,000	2.9%
Lease liabilities		223,916	74,997	-	298,913	4.0%

Sensitivity analysis

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

25. Financial Instruments (continued)

	Carrying Value \$	+1 % interest rate \$	-1 % interest rate \$
30 June 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 2021			
Interest bearing cash	13,182,779	131,828	(131,828)
Financial assets	14,335,145	143,351	(143,351)
Borrowings	15,355,000	(153,550)	153,550

26. Fair Value Measurement

Fair value hierarchy

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

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

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

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

	Note	2021 \$	2020 \$	Measurement
Financial assets				
Cash and cash equivalents	8	13,182,779	6,704,254	Amortised cost
Financial assets	9	14,335,145	2,131,149	Amortised cost
Trade and other receivables	11	1,166,533	1,537,676	Amortised cost
Total financial assets		28,684,457	10,373,079	

26. Fair Value Measurement (continued)

	Note	2021	2020	
		\$	\$	
Financial liabilities				
Trade and other payables	16	815,790	1,715,730	Amortised cost
Deferred Consideration	18	5,891,000	5,891,000	FVTPL
Borrowings	19	15,355,000	16,140,000	Amortised cost
Lease liabilities		298,913	447,045	Amortised cost
Total financial liabilities		22,360,703	24,193,775	

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 8.9%. 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.

Reconciliation of Level 3 fair value measurements of financial instruments

	2021	2020
	\$	\$
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.

26. Fair Value Measurement (continued)

ACCOUNTING POLICY

Recognition of expected credit losses in financial statements

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

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

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

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

27. Contingent Liabilities and Contingencies

a. Facilities and guarantees

The Group has an US\$55m (AUD\$73,157,755, converted at AUD\$1 = US\$0.7518) facility in place to provide bonds, guarantees, and financial assurances including the provision of guarantees to the NSW Government. As at 30 June 2021, AUD \$65,578,009 of the facility has been utilised for these purposes.

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

b. Deferred consideration

Spur Hill Project (EL 7249)

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

The fair value is calculated using a discounted cashflow model and included the milestone payments and participating option payments discounted at 8.9%. 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 Mine (EL5460)

The acquisition of the Maxwell Underground Mine and Maxwell Infrastructure included an agreement to pay a royalty of \$0.50/t of the first 50 million tonnes of coal produced from either the Maxwell Underground Mine or Spur Hill Project.

The fair value is calculated using a discounted cashflow model, the forecast coal production which commences in 2023 and discounted at the weighted average cost of capital of 8.9% which has resulted in a deferred consideration fair value of \$12,315,056.

Malabar is obligated to pay a finance fee of 1.5% of 12.5% of revenue to a Corporate Guarantor once the mine is operational.

c. Litigation

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

28. Events After the Reporting Period

Retail Entitlement Offer

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

This Retail Entitlement Offer closed on Friday, 9 July 2021 and was fully subscribed through subscription or allocation of shortfall shares to new or existing shareholders, raising \$2.8 million.

Bonus Performance Rights

Malabar awarded 254,034 performance rights ("Rights") to employees in lieu of cash bonuses in September 2021. The Rights were granted at zero cost and vested on acceptance of the Rights awarded. The holders will be allocated one ordinary share for each Right when exercised. The Performance Rights have been accounted for in accordance with *AASB 2 Share-based Payment*.

Partnership with EDF Renewables on large scale solar in the Upper Hunter Valley

In August 2020 Malabar announced that it had received development consent for its 25 MW Stage 1 Maxwell Solar Farm. Since then it has become apparent that Malabar's land holding provides the potential to substantially increase renewable energy generation beyond 25 MW. This is due to the substantial transmission network in the Upper Hunter and the NSW Government's establishment of the Hunter-Central Coast region as the state's fourth Renewable Energy Zone (REZ) in November 2020.

Malabar is therefore pleased to announce it has entered into a memorandum of understanding with EDF Renewables (EDF R), a major global energy company, to develop large scale renewable energy projects in the Upper Hunter Valley.

This partnership with EDF R will bring global and local expertise for large scale solar development in the Upper Hunter region. EDF R has a presence in more than 22 countries with its renewable generation portfolio exceeding 15,000MW from solar and wind.

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 2021, 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 2021 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 2021 was:

Level 26, 259 George Street
Sydney, NSW, 2000
Tel.: 02 8248 1272
Website: <https://malabarresources.com.au/>

DIRECTORS' DECLARATION

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

1. the financial statements and notes, as set out on pages 16 to 51, 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 2021 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.

A handwritten signature in blue ink, appearing to read "Wayne Seabrook".

Wayne Seabrook
Director

Dated: 23 September 2021

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 2021, 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 2021 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

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Brisbane | Rockhampton www.pkf.com.au

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PKF Brisbane Pty Ltd. is a member firm of the PKF International Limited family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms.

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

23 SEPTEMBER 2021
BRISBANE

CORPORATE DIRECTORY

Company

Malabar Resources Limited
Level 26, 259 George Street
SYDNEY NSW 2000
+61 2 8248 1272

www.malabarresources.com.au

Directors

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

Company Secretary

Lindi-May Lochner
+61 2 8036 0785

Share Registry

Link Market Services Limited
Level 12, 680 George Street
SYDNEY NSW 2000
1300 554 474 (within Australia)
+61 2 8280 7100 (outside Australia)

www.linkmarketservices.com.au

Auditor

PKF Brisbane Audit
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