



# Malabar Resources Limited

ABN 29 151 691 468

Interim Financial Report for half-year ended  
31 December 2020



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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 half year ended 31 December 2020.

### DIRECTORS

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

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

### REVIEW OF OPERATIONS

During the period Malabar changed its name from "Malabar Coal" Limited to "Malabar Resources" Limited to reflect the changing nature of Malabar's business which includes resource, renewable energy and agricultural assets based in the New South Wales Upper Hunter.

Substantial progress was made on the following projects:

- ✱ Maxwell Underground Project ("Maxwell Project"):
  - ✓ Obtained a positive referral from the NSW DPIE (Department of Planning, Industry and Environment) in September 2020;
  - ✓ Received approval from the NSW IPC (Independent Planning Commission) on 22 December 2020 for the project to commence;
  - ✓ Submitted the mining lease application on 24 December 2020;
- ✱ Maxwell Solar Farm
  - ✓ Received approval for development of a 25MW Solar Farm in August 2020; and
- ✱ Spur Hill Underground Project ("Spur Hill Project")
  - ✓ Renewed the Exploration Licence (EL) EL7429 for a further 5 years.

### CORONAVIRUS (COVID-19) IMPACT AND RESPONSE

As with most businesses around Australia the COVID-19 pandemic has presented a range of safety and commercial risks to the Group. Malabar, and the resources sector more broadly, has so far demonstrated its resilience in the face of COVID-19 and it has been widely acknowledged that the comprehensive suite of measures adopted across the resources sector quickly became the model for others to emulate. The development and rapid implementation of our response plan kept our people safe and supported continuity of operations and employment. Health and safety protocols are being reviewed frequently to ensure appropriate processes are kept up to date.

Malabar benefited from the Federal Government's second cash boost, recognising \$50,000 of revenue for the period.

# DIRECTORS' REPORT

## CORONAVIRUS (COVID-19) IMPACT AND RESPONSE (CONTINUED)

The income for the Group consists predominately of wayleave income from a neighbouring mine and dividends from investment in Newcastle Coal Shippers Pty Ltd. These revenue streams were unaffected by the pandemic and management believes future revenue from these sources will remain relatively unaffected.

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

## Resource Assets

### MAXWELL PROJECT

On 22 December 2020 Malabar welcomed the decision by the NSW Independent Planning Commission (IPC) to approve the Maxwell Underground Project near Muswellbrook in the New South Wales Upper Hunter.

The determination follows the project's comprehensive review by independent experts and rigorous assessment by the NSW Department of Planning, Industry and Environment (Department). The Department in its whole-of-government assessment report released in October 2020 concluded that the Maxwell Underground Project was "in the public interest" and "approvable." The project also underwent significant community consultation and engagement, including through the public exhibition of the project's Environmental Impact Statement in September 2019 and a public hearing facilitated by the IPC in November 2020.

The IPC's approval of the project and conclusion that it is in the public interest is based on its consideration of all issues, risks and potential impacts.

On 24 December 2020 Malabar submitted a Mining Lease application in relation to the mine area and other ancillary surface infrastructure. Pre-construction Environment Management Plans and the Mine Operations Plan (MOP) are currently being prepared.

### MAXWELL INFRASTRUCTURE

Proactive care and maintenance continues on existing infrastructure in preparation for its re-use as part of the Maxwell Project.

## Rehabilitation

Rehabilitation of the old Drayton Mine involved reshaping overburden and exposed areas then seeding with native woodland or pasture seed mixes, and tree planting.

Recent activities included:

- ✱ In consultation with an agronomist and ecologist, Malabar has reviewed the pasture and woodland seed mixes to target species likely to occur in the area and compatible with the local climatic conditions.
- ✱ We have used soil ameliorants such as gypsum, biosolids and mulch to increase soil organic matter, improve soil nutrient levels and promote vegetation growth.
- ✱ We commenced a grazing trial of pasture on mine rehabilitation to increase the diversity of grass species.

# DIRECTORS' REPORT

## Rehabilitation (continued)

Highlights to date:

- ✱ Malabar has completed over 840 hectares (2,075 acres); and
- ✱ Over 160,000 trees have been planted.

Rehabilitation monitoring continues and will track the progress of rehabilitation against the relevant approved completion criteria.

## Spur Hill Underground Project

Malabar is committed to the Spur Hill Underground Coking Coal Project (EL7429). In the current reporting period Spur Hill received approval for the renewal of EL7429 for a further 5 years. Work continues on the EL7429 to understand the synergies and integration of the Spur Hill Project and the Maxwell Project.

## Renewable Assets

### MAXWELL SOLAR FARM

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

This project is another example of our commitment to the local area, the local economy and, above all, to co-exist with a wide range of industries and activities. It also importantly illustrates Malabar's commitment to a renewable energy future.

The project will create roughly 50 new construction jobs and two operational jobs over its 30-year life span, stimulating local business and employment during this period of economic recovery. With an annual energy generation of 60 GWh, the Solar Farm has the capacity to generate energy for about 10,000 NSW homes – nearly all the homes in Muswellbrook and Singleton combined.

## Agricultural and Viticulture Assets

### AGRICULTURAL ASSETS

Malabar continues to lease properties, provides agistment opportunities and provides land on a pro-bono basis to some local clubs. During the year, cattle agisted with Malabar reached record prices in local sales.

### VITICULTURE ASSETS

Our Merton vineyard recovered well after last year's bushfire season, having pre-sold all its current year harvest of high-quality Chardonnay, Shiraz and Verdelho varieties to local winemakers.

Malabar also continues to support Small Forest Wines which leases Merton's Cellar Door. For more information please visit [www.smallforest.com.au](http://www.smallforest.com.au).

# DIRECTORS' REPORT

## Community Engagement

Throughout the period Malabar continued its local community engagement program by participating in four Community Consultative Committee meetings. For more information on these meetings refer to Malabar's website. Malabar also continues to contribute to local organisations and is proudly associated with the following groups:



## FINANCIAL OVERVIEW

### Financial Performance

The consolidated profit after tax for the half year ended 31 December 2020 of the Group amounted to \$120,849 (31 December 2019: profit of \$707,928).

The net assets of the Group have increased by \$832,077 during the period, from \$64,985,274 as at 30 June 2020 to \$65,817,351 at 31 December 2020.

The Group's cash position, which includes financial assets, decreased from \$8,835,403 as at 30 June 2020 to \$6,104,595 as at 31 December 2020.

### Performance Rights

In terms of the Long-Term Incentive Share Plan that was approved by the Board in June 2019, Malabar awarded 277,000 performance rights ("Rights") to employees as part of an Employee Bonus Share Issue. 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*.

# DIRECTORS' REPORT

## FINANCIAL OVERVIEW (CONTINUED)

### Shareholder loans

Some of Malabar's founding shareholders provided a \$3 million facility to Malabar during the year. As at 31 December 2020, \$2,758,809 was drawn.

### Dividends

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

## EVENTS AFTER THE FINANCIAL YEAR END

On 10 March 2021 Malabar received federal approval under the *Environment Protection and Biodiversity Conservation Act 1999 (EPBC)* for the Maxwell Underground Project. All state and federal approvals for the project have now been received.

The impact of the Coronavirus (COVID-19) is ongoing. It is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is continually developing and is dependent on measures imposed by the Australian Government and other countries, such as quarantine, travel restrictions and any economic stimulus that may be provided.

The Group has received offers for two small rural properties that are not on tenement areas. It is expected that these transactions will be finalised prior to year-end. These properties are included in the security of the revolving bill facilities so the portion of the facility that relates to these properties will be repaid prior to settlement.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

## PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

## NON-AUDIT SERVICES

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

## DIRECTORS' REPORT

### 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 9. This Directors' Report is signed in accordance with a resolution of the Board of Directors.



**Wayne Seabrook**  
**Chairman**

Dated: 11 March 2021



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 half-year ended 31 December 2020, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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

PKF BRISBANE AUDIT



LIAM MURPHY  
PARTNER

11 MARCH 2021  
BRISBANE

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2020

	Note	31 December 2020	31 December 2019
		\$	\$
<b>Continuing operations</b>			
<b>Revenue</b>			
Wayleave income		581,483	562,318
Share in profits from associates	9	1,300,600	1,280,984
Interest income		10,108	160,075
Other income		409,936	475,843
Total income		<u>2,302,127</u>	<u>2,479,220</u>
<b>Expenses</b>			
Finance costs	2	555,530	631,697
Directors fees		57,500	57,500
Depreciation and amortisation		477,618	534,523
Other expenses		191,530	547,572
Impairment	6	899,100	-
Total expenses		<u>2,181,278</u>	<u>1,771,292</u>
Profit before income tax		120,849	707,928
Income tax expense		-	-
<b>Profit for the period</b>		<b><u>120,849</u></b>	<b><u>707,928</u></b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period</b>		<b><u>120,849</u></b>	<b><u>707,928</u></b>
<b>Total comprehensive profit attributable to members of the parent entity</b>		<b><u>120,849</u></b>	<b><u>707,928</u></b>
<b>Earnings per share</b>			
From continuing operations:			
- Basic earnings per share (cents)		0.06	0.27
- Diluted earnings per share (cents)		0.06	0.26

The accompanying notes form part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	31 December 2020 \$	30 June 2020 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		4,471,899	6,704,254
Financial assets	3	1,632,696	2,131,149
Trade and other receivables	4	803,380	1,533,536
Other assets	5	719,514	757,717
Assets held for sale	6	2,215,900	-
<b>Total Current Assets</b>		<b>9,843,389</b>	<b>11,126,656</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	7	31,104,022	34,349,763
Intangible assets (water allocation licences)		4,905,869	3,630,725
Capitalised exploration and evaluation costs	8	63,715,139	57,429,607
Investments in associates	9	16,088,334	16,088,334
Other assets	5	95,686	95,686
<b>Total Non-Current Assets</b>		<b>115,909,050</b>	<b>111,594,115</b>
<b>Total Assets</b>		<b>125,752,439</b>	<b>122,720,771</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	10	2,103,529	2,125,048
Lease liabilities		202,019	188,115
Provisions	11	1,432,322	982,264
Borrowings	12	4,441,559	-
<b>Total Current Liabilities</b>		<b>8,179,429</b>	<b>3,295,427</b>
<b>Non-Current Liabilities</b>			
Lease liabilities		192,159	258,930
Provisions	11	35,934,750	38,041,140
Borrowings	12	15,628,750	16,140,000
<b>Total Non-Current Liabilities</b>		<b>51,755,659</b>	<b>54,440,070</b>
<b>Total Liabilities</b>		<b>59,935,088</b>	<b>57,735,497</b>
<b>Net Assets</b>		<b>65,817,351</b>	<b>64,985,274</b>
<b>EQUITY</b>			
Share capital		93,060,087	93,060,087
Reserves	13	9,409,946	8,698,718
Retained earnings (accumulated losses)		(36,652,682)	(36,773,531)
<b>Total Equity</b>		<b>65,817,351</b>	<b>64,985,274</b>

The accompanying notes form part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2020

	Note	Share Capital \$	Reserves \$	Retained Earnings (Accumulated Losses) \$	Total \$
<b>Balance at 1 July 2019</b>		<b>93,060,087</b>	<b>7,888,459</b>	<b>(38,530,747)</b>	<b>62,417,799</b>
Total comprehensive income for the period		-	-	1,783,143	1,783,143
<b>Transactions with owners in their capacity as owners:</b>					
Share based payment expense	13	-	810,259	-	810,259
Adjustment for implementation of AASB 16		-	-	(25,927)	(25,927)
<b>Balance at 30 June 2020</b>		<b>93,060,087</b>	<b>8,698,718</b>	<b>(36,773,531)</b>	<b>64,985,274</b>
Total comprehensive income for the period		-	-	120,849	<b>120,849</b>
<b>Transactions with owners in their capacity as owners:</b>					
Share based payment expense	13	-	711,228	-	711,228
<b>Balance at 31 December 2020</b>		<b>93,060,087</b>	<b>9,409,946</b>	<b>(36,652,682)</b>	<b>65,817,351</b>

The accompanying notes form part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE HALF YEAR ENDED 31 DECEMBER 2020

	Note	31 December 2020	31 December 2019
		\$	\$
<b>Cash flows from operating activities</b>			
Receipts from customers		2,137,614	1,796,455
Payments to suppliers and employees		(2,115,679)	(8,218,756)
Interest received		5,968	120,352
Interest paid		(713,365)	(415,665)
<b>Net cash (used in)/provided by operating activities</b>		<b>(685,462)</b>	<b>(6,717,614)</b>
<b>Cash flows from investing activities</b>			
Proceeds /(Payments) for investment in short term deposits		498,453	3,000,000
Payments for property, plant and equipment		(23,990)	(2,560)
Payments for intangible assets (water allocation licences)		(1,620,144)	(90,273)
Payments for exploration expenditure	8	(5,579,254)	(5,433,417)
Dividend received from associate	9	1,300,600	1,278,400
<b>Net cash (used in)/provided by investing activities</b>		<b>(5,424,335)</b>	<b>(1,247,850)</b>
<b>Cash flows from financing activities</b>			
Payments for lease liabilities		(52,867)	(77,010)
Proceeds from borrowings		3,930,309	-
<b>Net cash (used in)/provided by financing activities</b>		<b>3,877,442</b>	<b>(77,010)</b>
Net decrease in cash held		(2,232,355)	(8,042,474)
Cash and cash equivalents at beginning of financial period		6,704,254	13,059,144
<b>Cash and cash equivalents at the end of financial period <sup>1</sup></b>		<b>4,471,899</b>	<b>5,016,670</b>

<sup>1</sup> "Cash and cash equivalents" does not include financial assets (term deposits) held. Refer to Note 3 for more information.

The accompanying notes form part of these financial statements.

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## FOR THE HALF YEAR ENDED 31 DECEMBER 2020

These consolidated interim financial statements and notes represent those of Malabar Resources Limited (the "Company" or "Malabar") 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 interim financial statements were authorised for issue on 11 March 2021 by the Directors of the company.

### 1. Summary of significant accounting policies

#### 1.1. Basis of preparation

The half-year financial report is a general-purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Malabar Resources Limited and its controlled entities (referred to as the "Consolidated Group" or "Group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2020 together with any public announcements made during the half-year.

#### 1.2. Going concern principle

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

During the half-year ended 31 December 2020, the Group made a profit before tax of \$120,849 (2019: \$707,928). Cash outflows from operating and exploration-related investing activities during the period were \$6,264,716 (31 December 2019: \$12,151,031) with closing cash on hand (including financial assets) of \$6,104,595 (30 June 2020: \$8,835,403).

The Directors are confident the Group is a going concern and will be able to pay its debts as and when they fall due. In reaching this opinion, the Directors have considered the Group's operations and cash flow requirements for the next 12 months and are confident that the Group can actively manage cash flow as part of its capital management process and retains the ongoing support of shareholders and financiers to raise additional funds, should the need arise.

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

#### 1.3. Significant accounting policies, critical estimates and judgements

##### Significant accounting policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements. Except for the accounting policy described below, no new or amended standards were adopted by the Group.

##### *Non-current assets or disposal groups classified as held for sale*

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## FOR THE HALF YEAR ENDED 31 DECEMBER 2020

### 1. Summary of significant accounting policies (continued)

#### 1.3. Significant accounting estimates and judgements (continued)

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

#### *Critical estimates and judgements*

Estimates and judgements are consistent of those disclosed in the 30 June 2020 Annual Report, including the critical estimates and judgements relating to the impact of the COVID-19 pandemic.

### 2. Profit for the period

	31 December 2020	31 December 2019
	\$	\$
Profit before income tax from continuing operations includes the following:		
Facility fees	70,582	6,821
Interest expense – borrowings	477,120	613,967
Interest expense – operating lease	7,828	10,909
Total Finance costs	<u>555,530</u>	<u>631,697</u>
Employee costs	25,356	4,719
Share-based payment expense <sup>1</sup>	4,950	2,370

<sup>1</sup>Share-based payment expenses of \$706,278 (2019: \$807,889) were capitalised as exploration and evaluation costs during the period.

### 3. Financial assets

	31 December 2020	30 June 2020
	\$	\$
Short term deposit	<u>1,632,696</u>	<u>2,131,149</u>

Financial assets represent short term deposits with original maturity dates of 3 or more months.

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## FOR THE HALF YEAR ENDED 31 DECEMBER 2020

### 4. Trade and other receivables

	31 December 2020	30 June 2020
	\$	\$
CURRENT:		
Trade receivables	108,728	642,270
Port and rail costs recoverable	545,456	572,967
Other receivables	149,196	318,299
	<u>803,380</u>	<u>1,533,536</u>

### 5. Other assets

	31 December 2020	30 June 2020
	\$	\$
CURRENT:		
Interest receivable & or prepaid and borrowing costs	1,423	4,140
Prepayments	718,091	753,577
	<u>719,514</u>	<u>757,717</u>
NON-CURRENT:		
Security bond	95,686	95,686
	<u>95,686</u>	<u>95,686</u>

### 6. Current assets held for sale

	31 December 2020	30 June 2020
	\$	\$
Land transferred from property, plant and equipment	2,770,000	-
Write-down to fair value less costs to sell	(881,475)	-
Land held for sale	<u>1,888,525</u>	<u>-</u>
Water licences transferred from intangible assets	345,000	-
Write-down to fair value less costs to sell	(17,625)	-
Water licences held for sale	<u>327,375</u>	<u>-</u>
	<u>2,215,900</u>	<u>-</u>

Land and water licences 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 \$899,100 as impairment expenses in the consolidated statement of comprehensive income.



## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### FOR THE HALF YEAR ENDED 31 DECEMBER 2020

#### 7. Property, plant and equipment

	Freehold Land	Buildings	Subtotal Land & Buildings	Plant and Equipment	Right-of-use Asset	Total
	\$	\$	\$	\$	\$	\$
<b>At Cost</b>						
Cost	32,090,498	2,276,073	<b>34,366,571</b>	12,999,291	849,071	<b>48,214,933</b>
Impairment	(9,407,066)	(1,421,282)	<b>(10,828,348)</b>	-	-	<b>(10,828,348)</b>
Accumulated depreciation	-	(225,524)	<b>(225,524)</b>	(2,372,594)	(438,704)	<b>(3,036,822)</b>
<b>Balance at 30 June 2020</b>	<b>22,683,432</b>	<b>629,267</b>	<b>23,312,699</b>	<b>10,626,697</b>	<b>410,367</b>	<b>34,349,763</b>
Cost	29,320,498	2,276,073	<b>31,596,571</b>	13,023,281	849,071	<b>45,468,923</b>
Impairment	(9,407,066)	(1,421,282)	<b>(10,828,348)</b>	-	-	<b>(10,828,348)</b>
Accumulated depreciation	-	(235,299)	<b>(235,299)</b>	(2,777,643)	(523,611)	<b>(3,536,553)</b>
<b>Balance at 31 December 2020</b>	<b>19,913,432</b>	<b>619,492</b>	<b>20,532,924</b>	<b>10,245,638</b>	<b>325,460</b>	<b>31,104,022</b>

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## FOR THE HALF YEAR ENDED 31 DECEMBER 2020

### 7. Property, plant and equipment (continued)

#### Movements in Carrying Amounts

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

	Freehold Land	Buildings	Subtotal Land & Buildings	Plant and Equipment	Right-of-use Asset	Total
	\$	\$	\$	\$	\$	\$
<b>Consolidated Group:</b>						
Balance at 1 July 2019	23,155,250	651,488	<b>23,806,738</b>	<b>11,126,882</b>	-	<b>34,933,620</b>
Recognition of leased asset implementation of AASB 16	-	-	-	-	849,070	849,070
Recognition of accumulated depreciation of leased asset implementation of AASB 16	-	-	-	-	(268,873)	(268,873)
Additions	-	-	-	16,548	-	<b>16,548</b>
Disposals	-	-	-	(22,752)	-	<b>(22,752)</b>
Depreciation expense	-	(22,221)	<b>(22,221)</b>	(965,799)	(169,830)	<b>(1,157,850)</b>
Transfers	(471,818)	-	<b>(471,818)</b>	471,818	-	-
<b>Balance at 30 June 2020</b>	<b>22,683,432</b>	<b>629,267</b>	<b>23,312,699</b>	<b>10,626,697</b>	<b>410,367</b>	<b>34,349,763</b>
<b>Balance at 1 July 2020</b>	<b>22,683,432</b>	<b>629,267</b>	<b>23,312,699</b>	<b>10,626,697</b>	<b>410,367</b>	<b>34,349,763</b>
Additions	-	-	-	23,990	-	<b>23,990</b>
Depreciation expense	-	(9,775)	<b>(9,775)</b>	(405,049)	(84,907)	<b>(499,731)</b>
Transfer to assets held for sale	(2,770,000)	-	<b>(2,770,000)</b>	-	-	<b>(2,770,000)</b>
<b>Balance at 31 December 2020</b>	<b>19,913,432</b>	<b>619,492</b>	<b>20,532,924</b>	<b>10,245,638</b>	<b>325,460</b>	<b>31,104,022</b>

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## FOR THE HALF YEAR ENDED 31 DECEMBER 2020

### 8. Capitalised exploration and evaluation costs

	<b>31 December 2020</b>	<b>30 June 2020</b>
	\$	\$
Capitalised exploration and evaluation cost consist of:		
Mining information	1,732,848	1,732,848
Exploration licences	37,543,905	37,543,905
Exploration & evaluation expenditures – EL5460 & EL7429	43,384,023	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)
	<b>63,715,139</b>	<b>57,429,607</b>

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

	<b>31 December 2020</b>	<b>30 June 2020</b>
	\$	\$
Opening balance	57,429,607	46,208,387
Exploration & evaluation expenditures incurred during the year	6,285,532	11,221,220
	<b>63,715,139</b>	<b>57,429,607</b>

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## FOR THE HALF YEAR ENDED 31 DECEMBER 2020

### 9. Investment in associates

Name of associate	Principal activity	Place of incorporation	Proportion of ownership interest	
			31 December 2020	30 June 2020
			\$	\$
Newcastle Coal Shippers Pty Ltd ('NCS')	Investment in Port Waratah Coal Services ('PWCS')	Australia	20%	20%
			31 December 2020	30 June 2020
			\$	\$
	Opening balance investment in Newcastle Coal Shippers		16,088,334	16,087,890
	Profits attributable post acquisition		1,300,600	2,579,444
	Less dividends received		(1,300,600)	(2,579,000)
	<b>Carrying amount of investment</b>		<b>16,088,334</b>	<b>16,088,334</b>

Associates have been accounted for on the equity method.

### 10. Trade and other payables

	31 December 2020	30 June 2020
	\$	\$
CURRENT:		
Trade creditors	1,277,218	1,330,561
Other creditors	826,311	794,487
	<b>2,103,529</b>	<b>2,125,048</b>

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## FOR THE HALF YEAR ENDED 31 DECEMBER 2020

### 11. Provisions

CURRENT:	Employee entitlements \$	Other provisions \$	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)	(7,349,837)	-	(7,401,063)
Reallocation (to) / from non-current	-	(760,193)	-	(760,193)
Balance as at 30 June 2020	264,594	717,670	-	982,264
<b>Opening balance 1 July 2020</b>	<b>264,594</b>	<b>717,670</b>	<b>-</b>	<b>982,264</b>
Additional provisions recognised	93,266	-	-	93,266
Reduction based on payments during the year	(50,469)	(1,699,129)	-	(1,749,598)
Reallocation (to) / from non-current	-	2,106,390	-	2,106,390
<b>Closing as at 31 December 2020</b>	<b>307,391</b>	<b>1,124,931</b>	<b>-</b>	<b>1,432,322</b>
NON-CURRENT:	Employee entitlements \$	Other provisions \$	Deferred consideration \$	Total \$
Opening balance 1 July 2019	-	31,389,947	5,891,000	37,280,947
Additional provisions recognised	-	-	-	-
Reallocation (to) / from current	-	760,193	-	760,193
Balance as at 30 June 2020	-	32,150,140	5,891,000	38,041,140
<b>Opening balance 1 July 2020</b>	<b>-</b>	<b>32,150,140</b>	<b>5,891,000</b>	<b>38,041,140</b>
Additional provisions recognised	-	-	-	-
Reallocation (to) / from current	-	(2,106,390)	-	(2,106,390)
<b>Balance as at 31 December 2020</b>	<b>-</b>	<b>30,043,750</b>	<b>5,891,000</b>	<b>35,934,750</b>

At each reporting date, management reviews the key assumptions used in estimating its provisions.

The current portion of other provisions which contains obligations in relation to bonding, rehabilitation and other commercial matters was not required to be increased as the rehabilitation is progressing ahead of schedule and below estimated costs.

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## FOR THE HALF YEAR ENDED 31 DECEMBER 2020

### 12. Borrowings

	31 December 2020	30 June 2020
	\$	\$
CURRENT:		
Shareholder loans	2,758,809	-
Revolving bill facility	1,682,750	-
	<u>4,441,559</u>	<u>-</u>
NON-CURRENT:		
Revolving bill facility	15,628,750	16,140,000
	<u>15,628,750</u>	<u>16,140,000</u>

The Group has revolving bank facilities of \$17,311,500 that are secured by the real property of the Group. Some of the properties owned by the Group have been reclassified as held for sale during the period. The borrowings secured by these properties has been reclassified as current as this will be repayable prior to settlement. Refer to Note 16 for further details.

An average interest rate of 2.9% is being paid on these facilities. Malabar also obtained a \$3 million unsecured facility with key shareholders at an interest rate of 6%. As at 31 December 2020 \$2,758,809 was utilised.

### 13. Reserves

	31 December 2020	30 June 2020
	\$	\$
<b>Share based payments reserve</b>		
Opening balance	810,259	-
Share based payments – performance rights	711,228	810,259
Closing balance	<u>1,521,487</u>	<u>810,259</u>
Capital Reserves	<u>7,888,459</u>	<u>7,888,459</u>
<b>Total Reserves</b>	<b><u>9,409,946</u></b>	<b><u>8,698,718</u></b>

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## FOR THE HALF YEAR ENDED 31 DECEMBER 2020

### 14. Related parties

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

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

Ironstone Capital Partners Pty Ltd ('Ironstone Capital') is a boutique corporate advisory business partially owned by a current Director – Wayne Seabrook. Ironstone Capital provides consulting services to the Project and the Company in connection with project development and corporate activities. Ironstone Capital is paid at market related rates or less for work conducted by its executives. During the period ended 31 December 2020, a total of \$330,488 was accrued to Ironstone Capital.

#### Shareholder loan

Wayne Seabrook, Chairman of Malabar provided a unsecured loan to Malabar of \$187,500 at an interest rate of 6% per annum. The term of this loan is 12 months.

### 15. Contingent liabilities

#### Facilities and Guarantees

The Group has an USD\$55m (AUD \$71,410,023 converted at A\$1 = USD\$0.7702) facility in place to provide bonds, guarantees, and financial assurances including the provision of guarantees to the NSW Government. As at 31 December 2020, 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.

#### Litigation

A former employee of the Drayton Mine has issued a claim in relation to workers compensation against the Group. The Group has not raised a provision for this as it believes any adverse outcomes would not be material based on the information currently available to the Group.

### 16. Events after the interim reporting period

On 10 March 2021 Malabar received federal approval under the Environment Protection and Biodiversity Conservation Act 1999 (EPBC) for the Maxwell Underground Project. All state and federal approvals for the project have now been received.

The impact of the Coronavirus (COVID-19) is ongoing. It is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is continually developing and is dependent on measures imposed by the Australian Government and other countries, such as quarantine, travel restrictions and any economic stimulus that may be provided.

The Group has received offers for two small rural properties not on tenement areas. It is expected that these transactions will be finalised prior to year-end. These properties are included in the security of the revolving bill facilities so the portion of the facility that relates to these properties will have to be repaid prior to settlement.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## FOR THE HALF YEAR ENDED 31 DECEMBER 2020

### 17. Company details

The registered office and principal place of business of the Company as at 31 December 2020 was:

Level 26, 259 George Street  
Sydney, NSW, 2000  
Tel.: 02 8248 1272

<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 10 to 24, are in accordance with the *Corporations Act 2001* including:
  - a. complying with Australian Accounting Standard AASB 134: *Interim Financial Reporting*; and
  - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half-year ended on that date;
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



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**Wayne Seabrook**  
**Director**

Date: 11 March 2021

## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF MALABAR RESOURCES LIMITED

### Conclusion

We have reviewed the accompanying half-year financial report of Malabar Resources Limited ("the company"), which comprises the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the half-year's end or from time to time during the financial half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Malabar Resources Limited is not in accordance with the *Corporations Act 2001* including:-

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020, and of its financial performance for the half-year ended on that date; and
- (b) complying with the Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

### Independence

In conducting our review, we have complied with the auditor independence requirements of the *Corporations Act 2001*. In accordance with the *Corporations Act 2001*, we have given the directors of the company a written Auditor's Independence Declaration.

### Responsibility of the Directors for the Financial Report

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

PKF Brisbane Audit ABN 33 873 151 348

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### **Auditor's Responsibilities for the Review of the Financial Report**

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

PKF BRISBANE AUDIT



LIAM MURPHY  
PARTNER

11 MARCH 2021  
BRISBANE



## **Malabar Resources Limited and controlled entities**

Interim Financial Report for the half-year ended 31 December 2020.