



Malabar Resources Limited

ABN 29 151 691 468

Interim Financial Report for the half-year ended
31 December 2022

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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 2022.

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
Anthony (Tony) Haggarty	Non-Executive Director
Allan Davies	Non-Executive Director
Robert (Rob) Bishop	Non-Executive Director (appointed 11 August 2022)
Matthew Hunter	Non-Executive Director (appointed 21 November 2022)

REVIEW OF OPERATIONS

Board of Directors

Rob Bishop was appointed to the Board of Malabar on 11 August 2022. Mr Bishop's appointment followed the acquisition of a 15% interest in Malabar by New Hope Group (New Hope) as part of the equity raising completed in July 2022. Mr Bishop joins the Board as the representative of New Hope.

Matthew Hunter was appointed to the Board of Malabar on 21 November 2022. Matthew has more than 25 years' experience in investment banking and principal investment with The Carlyle Group, JPMorgan, Goldman Sachs and Merrill Lynch. Matthew is currently a consultant to OCP Asia. Matthew is presently a non-executive director of National Group, MP Water, MediRent and Chairman of Emay.

Maxwell Underground Mine

The Maxwell Underground Mine is being developed in two stages:

- Stage 1 consists of the; "Whynot" Bord & Pillar operation, and a 145m wide longwall operation (initially in the "Woodlands Hill" seam) targeting combined annual sales of more than 3.5 million tonnes;
- Then in late CY 2025, Stage 2 work commences to expand the longwall in the Woodlands Hill seam to 300m wide with sales increasing to 5.5 - 6.5Mtpa.

Malabar is constructing two sets of adjacent underground entries to:

- the Longwall seams, and;
- the Whynot Bord and Pillar seam.

Construction activities at site are progressing well with the construction of the Whynot portal, Woodland's portal entry, permanent access road, water facilities and overhead powerline underway.

A number of critical contracts for construction, equipment supply, and operations have been executed including;

- the access road and civil works at the mine entry area;
- the Whynot Underground bord and pillar mining activities;
- the Woodlands Hill drift construction;
- the temporary and permanent power supply;
- equipment supply for the Whynot board and pillar operation, and the equipment for the longwall.

The mining equipment for the Whynot seam is well advanced with phased delivery commencing in the first quarter of calendar 2023.

DIRECTORS' REPORT

Community Engagement

During November 2022, Malabar welcomed a range of local community members, suppliers, Muswellbrook Shire Council, elected representatives and local businesses to the mine to celebrate the commencement of construction. Construction of the mine marks a significant milestone and will generate approximately 250 jobs throughout the construction period.

Malabar continues to engage with community stakeholders through the Community Consultative Committee (CCC) meetings held on a quarterly basis.

Malabar is an active participant in the local community and continues to support a wide range of local groups, businesses and charities through a number of community sponsorships.

Environment

During the period Malabar planted additional trees to increase connectivity throughout our woodland corridor. Total trees planted at site exceeds 300,000.

Key land management activities were undertaken such as weed spraying and feral animal management on site and within our biodiversity offset areas.

Health and Safety

Malabar is committed to the health and safety of its people and achieving zero harm.

Malabar implemented policies and procedures to address the on-going risks of COVID-19 and continues to monitor government websites for compliance. There has been minimal disruption at site due to COVID-19.

Equity raising

In August 2022, Malabar completed an equity raising of approximately \$250 million. The new shares were issued at \$1.25 each from a combination of placements to sophisticated investors and existing option holders exercising their options. As a result, 199,995,139 new shares were issued.

Debt Facilities

During the period the revolving bill facility of \$15.4 million was repaid in preparation for Malabar to reach financial close on the Maxwell Underground Financing. The Company reached financial close in September 2022 on its debt facilities which comprised of a USD \$120 million senior debt facility and a USD \$55 million subordinated debt facility. As at 31 December 2022 USD \$24 million was drawn on the senior debt facility.

Malabar has a Bonding Facility for USD \$55 million which was extended in July 2022 to November 2025. The purpose of the Facility is to provide bonds, guarantees, and financial assurances including the provision of environmental bonding guarantees to the NSW Government. As at 31 December 2022 c. AUD \$60 million was drawn.

Malabar Renewables

In November 2022, Malabar executed formal agreements with global power generation company EDF Renewables (EDF R) to develop large scale renewable energy projects in the Upper Hunter Valley. Malabar is working with EDF R to explore the full potential of renewable energy projects in our region, helping to support the Hunter's transition to a low carbon economy.

The partnership with EDF R brings global and local expertise and experience to support the development of significant solar power and energy storage projects in the Hunter region. This strategy has been enhanced by the NSW Government recently designating the Hunter-Central Coast a Renewable Energy Zone.

The strategic importance of the substantial transmission network in Upper Hunter provides the opportunity to substantially increase renewable energy generation beyond Malabar's already approved 25MW Maxwell Solar Farm.

DIRECTORS' REPORT

FINANCIAL OVERVIEW

Financial Performance

The consolidated profit after tax for the half year ended 31 December 2022 of the Group amounted to \$5,005,735 (31 December 2021: profit of \$769,402).

The net assets of the Group have increased by \$246 million during the period, from \$100 million as at 30 June 2022 to \$346 million at 31 December 2022. This related predominately to the proceeds from the equity raising.

Malabar's cash position, which includes financial assets, increased from \$20 million as at 30 June 2022 to \$221 million as at 31 December 2022 which related predominately to the proceeds from the equity raising.

Performance Rights

In terms of Malabar's Long-Term Incentive Share Plan, 86,593 performance rights ("Rights") were awarded to employees on 7 September 2022 as part of employee bonus entitlements under employment agreements. 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 Payments*.

Dividends

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

EVENTS SUBSEQUENT TO REPORTING DATE

In the interval between the end of the financial period and the date of this report there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, 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.

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



Wayne Seabrook

Chairman

Dated: 16 March 2023

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 2022, 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

16 MARCH 2023
BRISBANE

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

	Note	31 Dec 2022	31 Dec 2021
		\$	\$
CONTINUING OPERATIONS			
Revenue			
Wayleave income		660,254	687,536
Share in profits from associates		1,374,400	1,330,200
Interest income		2,458,223	22,795
Other income		331,417	350,829
Total income		<u>4,824,294</u>	<u>2,391,360</u>
Expenses			
Finance costs	2	697,854	564,853
Directors' fees		109,166	60,569
Depreciation and amortisation		456,749	464,742
Other expenses		350,653	531,794
Total expenses		<u>1,614,422</u>	<u>1,621,958</u>
Foreign exchange gain		1,795,863	-
Profit before income tax		5,005,735	769,402
Income tax expense		-	-
Profit for the period		5,005,735	769,402
Other comprehensive income			
Net loss on cash flow hedges		(1,498,810)	-
Total comprehensive income for the period		3,506,925	769,402
Total comprehensive profit attributable to members of the parent entity		3,506,925	769,402

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	31 Dec 2022 \$	30 June 2022 \$
ASSETS			
Current Assets			
Cash and cash equivalents		160,944,550	9,374,995
Financial assets		60,131,149	10,198,722
Trade and other receivables	3	3,434,409	1,177,565
Other financial assets	9	393,367	-
Other assets		5,634,356	1,453,800
Total Current Assets		230,537,831	22,205,082
Non-Current Assets			
Property, plant and equipment	4	164,129,026	30,006,849
Intangible assets		4,800,869	4,800,869
Capitalised exploration and evaluation costs	5	44,496,979	107,657,827
Investments in associates		16,093,716	16,093,716
Other financial assets	9	952,299	-
Other assets		6,859,762	95,686
Total Non-Current Assets		237,332,651	158,654,947
Total Assets		467,870,482	180,860,029
LIABILITIES			
Current Liabilities			
Trade and other payables	6	15,233,977	5,647,144
Lease liabilities		120,339	96,769
Provisions	7	1,512,149	741,698
Borrowings	8	3,769,358	15,355,000
Other financial liabilities	9	604,679	-
Total Current Liabilities		21,240,502	21,840,611
Non-Current Liabilities			
Other payables		950,000	-
Lease liabilities		522,897	-
Provisions	7	58,420,509	59,244,819
Borrowings	8	39,682,066	-
Other financial liabilities	9	889,798	-
Total Non-Current Liabilities		100,465,270	59,244,819
Total Liabilities		121,705,772	81,085,430
Net Assets		346,164,710	99,774,599
EQUITY			
Share capital	10	366,416,656	124,210,079
Other reserves		8,661,932	12,124,073
Hedge reserve		(1,498,810)	-
Retained earnings (accumulated losses)		(27,415,068)	(36,559,553)
Total Equity		346,164,710	99,774,599

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

	Note	Share Capital	Other reserves	Hedge reserve	Retained Earnings / (Acc. Losses)	Total
		\$	\$	\$	\$	\$
Balance at 1 July 2021		121,467,738	10,087,183	-	(35,949,373)	95,605,548
Total comprehensive income for the period		-	-	-	769,402	769,402
Transactions with owners in their capacity as owners:						
Share based payment expense		-	657,475	-	-	657,475
Issues of shares		2,838,140	-	-	-	2,838,140
Share issue costs		(95,799)	-	-	-	(95,799)
Balance at 31 December 2021		124,210,079	10,744,658	-	(35,179,971)	99,774,766
Balance at 1 July 2022		124,210,079	12,124,073	-	(36,559,553)	99,774,599
Profit for the period		-	-	-	5,005,735	5,005,735
Other comprehensive income for the period		-	-	(1,498,810)	-	(1,498,810)
Total comprehensive income for the period		-	-	(1,498,810)	5,005,735	3,506,925
Transactions with owners in their capacity as owners:						
Share based payment expense		-	676,609	-	-	676,609
Share based payments – transfer on settlement		-	(4,138,750)	-	4,138,750	-
Issues of shares	10	249,993,924	-	-	-	249,993,924
Share issue costs	10	(7,787,347)	-	-	-	(7,787,347)
Balance at 31 December 2022		366,416,656	8,661,932	(1,498,810)	(27,415,068)	346,164,710

The accompanying notes form part of these financial statement

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

	Note	31 Dec 2022	31 Dec 2021
		\$	\$
Cash flows from operating activities			
Receipts from customers		911,660	1,849,571
Payments to suppliers and employees		(3,283,747)	(957,413)
Interest received		1,809,323	29,784
Interest paid		(423,137)	(625,852)
Net cash (used in)/ provided by operating activities		(985,901)	296,090
Cash flows from investing activities			
(Payments for)/proceeds from investment in short term deposits		(49,932,427)	1,835,145
Payments for property, plant and equipment		(55,249,691)	(14,994)
Payments for exploration expenditure	5	(417,991)	(6,880,683)
Dividend received from associate		1,374,400	1,330,200
Net cash used in investing activities		(104,225,709)	(3,730,332)
Cash flows from financing activities			
Payments for lease liabilities		(104,525)	(98,593)
Payments for short-term funding facilities		(7,330,194)	-
Proceeds from shares issued	10	249,993,924	2,838,140
Payment of share issue costs	10	(7,787,347)	(95,799)
Proceeds from borrowings		36,917,397	-
Repayment of borrowings	8	(15,355,000)	-
Net cash provided by financing activities		256,334,255	2,643,748
Net increase/(decrease) in cash held		151,122,645	(790,494)
Net foreign exchange difference		446,910	-
Cash and cash equivalents at beginning of financial period		9,374,995	13,182,779
Cash and cash equivalents at the end of financial period ¹		160,944,550	12,392,285

¹ "Cash and cash equivalents" does not include financial assets (term deposits) held.

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

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 16 March 2023 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 2022 together with any public announcements made during the half-year.

1.2. Significant accounting policies, critical estimates and judgements

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. No new or amended standards were adopted by the Group.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2022

2. Profit for the period

	31 Dec 2022	31 Dec 2021
	\$	\$
Profit before income tax from continuing operations includes the following:		
Finance costs	37,873	10,861
Interest expense – borrowings	404,717	549,546
Interest expense – lease liabilities	255,264	4,446
Total Finance costs	697,854	564,853

Share-based payment expense¹ - 7,328

¹Share-based payment expenses of \$676,609 were capitalised as mine development costs during the period (2021: \$657,475 to exploration and evaluation costs.)

3. Trade and other receivables

	31 Dec 2022	30 June 2022
	\$	\$
CURRENT:		
Trade receivables	295,433	410,795
Port and rail costs recoverable	751,155	607,121
Other receivables	1,738,921	143,876
Interest receivable	648,900	15,773
	3,434,409	1,177,565

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

4. Property, Plant and Equipment

	Freehold Land	Buildings	Subtotal Land & Buildings	Plant & Equipment	Mining Property & Development ¹	Right-of-use Asset	Total
	\$	\$	\$	\$	\$	\$	\$
At Cost							
Cost	25,683,265	1,518,572	27,201,837	13,331,625	-	410,367	40,943,829
Impairment	(5,769,833)	(692,189)	(6,462,022)	-	-	-	(6,462,022)
Accumulated depreciation	-	(220,781)	(220,781)	(3,914,549)	-	(339,629)	(4,474,958)
Balance at 30 June 2022	19,913,432	605,602	20,519,034	9,417,076	-	70,739	30,006,849
Cost	25,683,265	1,518,572	27,201,837	13,434,202	133,825,357	1,061,359	175,522,755
Impairment	(5,769,833)	(692,189)	(6,462,022)	-	-	-	(6,462,022)
Accumulated depreciation	-	(230,321)	(230,321)	(4,269,319)	-	(432,067)	(4,931,707)
Balance at 31 December 2022	19,913,432	596,062	20,509,494	9,164,883	133,825,357	629,292	164,129,026

MOVEMENTS IN CARRYING AMOUNTS

	Freehold Land	Buildings	Subtotal Land & Buildings	Plant & Equipment	Mining Property & Development ¹	Right-of-use Asset	Total
	\$	\$	\$	\$	\$	\$	\$
Consolidated Group:							
Balance at 1 July 2021	19,913,432	609,722	20,523,154	9,833,023	-	240,553	30,596,730
Additions	-	-	-	330,979	-	-	330,979
Depreciation expense	-	(4,120)	(4,120)	(746,926)	-	(169,814)	(920,860)
Balance at 30 June 2022	19,913,432	605,602	20,519,034	9,417,076	-	70,739	30,006,849
Balance at 1 July 2022	19,913,432	605,602	20,519,034	9,417,076	-	70,739	30,006,849
Additions	-	-	-	102,577	70,246,518	650,992	71,000,087
Transfer from capitalised exploration and evaluation costs	-	-	-	-	63,578,839	-	63,578,839
Depreciation expense	-	(9,540)	(9,540)	(354,770)	-	(92,439)	(456,749)
Balance at 31 December 2022	19,913,432	596,062	20,509,494	9,164,883	133,825,357	629,292	164,129,026

¹ Malabar transitioned from exploration into development during the period. \$63,578,839 related to the Maxwell Mine was transferred to Mining Property & Development.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

4. Property, Plant and Equipment (continued)

RECOGNITION & MEASUREMENT

Mining property and development

Mine property and development assets include costs transferred from exploration and evaluation assets once technical feasibility and commercial viability of an area of interest are demonstrable. After transfer, all subsequent mine development expenditure is similarly capitalised, to the extent that commercial viability conditions continue to be satisfied. The costs of dismantling and site rehabilitation are capitalised, if the recognition criteria is met and included within mining property and development. Biodiversity assets are included within mining property and development and relate to land acquired and managed to fulfil the biodiversity obligations associated with mine approval. The cost of the land is capitalised as a mining property and development asset which is subsequently depreciated via the units of production method.

5. Capitalised exploration and evaluation costs

	31 Dec 2022	30 June 2022
	\$	\$
Capitalised exploration and evaluation costs consist of:		
Mining information	963,848	1,732,848
Exploration licences	36,774,905	37,543,905
Exploration & evaluation expenditures	25,703,863	87,326,711
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)
	44,496,979	107,657,827

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

Opening balance	107,657,827	67,670,675
Exploration & evaluation expenditures incurred during the year	417,991	39,987,152
Transfer to property, plant and equipment	(63,578,839)	-
	44,496,979	107,657,827

6. Trade and other payables

	31 Dec 2022	30 June 2022
	\$	\$
CURRENT:		
Trade creditors	1,976,489	899,385
Other creditors	13,020,644	2,793,657
Interest Payable	236,844	91,602
Amounts received in advance for capital raising	-	1,862,500
	15,233,977	5,647,144

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

7. Provisions

CURRENT:	Employee entitlements \$	Other provisions \$	Deferred consideration \$	Total \$
Balance at 1 July 2021	336,867	1,173,538	-	1,510,405
Additional provisions recognised	318,026	-	100,454	418,480
Reduction based on payments during the year	(313,051)	(1,174,136)	-	(1,487,187)
Reallocation from non-current	-	300,000	-	300,000
Balance at 30 June 2022	341,842	299,402	100,454	741,698
Balance at 1 July 2022	341,842	299,402	100,454	741,698
Additional provisions recognised	470,129	-	-	470,129
Reduction based on payments during the year	(437,182)	(86,806)	-	(523,988)
Reallocation from non-current	-	601,904	222,406	824,310
Balance at 31 December 2022	374,789	814,500	322,860	1,512,149
NON-CURRENT:	Employee entitlements \$	Other provisions \$	Deferred consideration \$	Total \$
Balance at 1 July 2021	-	29,231,691	5,891,000	35,122,691
Additional provisions recognised	-	6,203,953	18,418,175	24,622,128
Provisions released during the year	-	-	(200,000)	(200,000)
Reallocation to current	-	(300,000)	-	(300,000)
Balance at 30 June 2022	-	35,135,644	24,109,175	59,244,819
Balance at 1 July 2022	-	35,135,644	24,109,175	59,244,819
Reallocation to current	-	(601,904)	(222,406)	(824,310)
Balance at 31 December 2022	-	34,533,740	23,886,769	58,420,509

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

8. Borrowings

CURRENT:	31 Dec 2022	30 June 2022
	\$	\$
Revolving bill facility	-	15,355,000
Insurance premium funding facility	3,769,358	-
	3,769,358	15,355,000

The Revolving bill facility of \$15,355,000 was repaid in August 2022. Funding facilities were entered into to pay the construction insurance premiums. This facility will be fully repaid by April 2023.

NON-CURRENT:	31 Dec 2022	30 June 2022
	\$	\$
Senior debt facility	39,682,066	-

In September 2022, the Group reached financial close of its debt facilities comprising of a USD\$120 million senior debt facility and USD\$55 million subordinated debt. As at 31 December 2022 USD\$24 million was drawn on the senior debt facility. The liability presented above includes interest capitalised on the outstanding principal amount of the debt converted at USD\$0.68/AUD\$1.00. The senior debt and subordinated debt facilities are secured via a fixed and floating charge over the majority of the Group's assets.

9. Financial Instruments

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).

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

9. Financial Instruments (continued)

The Group held the following financial instruments carried at fair value in the consolidated statement of financial position:

	31 Dec 2022	Level 1	Level 2	Level 3
	\$	\$	\$	\$
Assets measured at fair value				
Foreign exchange option contracts – receivable	1,345,666	-	1,345,666	-
	1,345,666	-	1,345,666	-
Liabilities measured at fair value				
Foreign exchange forward contracts – payable	(1,494,477)	-	(1,494,477)	-
Deferred consideration	(24,209,629)	-	-	(24,209,629)
	(25,704,106)	-	(1,494,477)	(24,209,629)

The fair value of derivative financial instruments are derived using valuation techniques based on observable market inputs, such as forward currency rates, at the end of the reporting period. The amounts disclosed in the consolidated statement of financial position are the fair values and are classified under level 2 in the fair value measurement hierarchy. During the period the Group entered into forward exchange contracts and options to hedge foreign exchange risk. A number of these contracts remained open as at 31 December 2022.

Valuation techniques used to measure Level 3 Fair values

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

The carrying values of financial assets and financial liabilities recorded in the financial statements materially approximates their respective net fair values.

Derivatives and hedge accounting

The Group uses derivative financial instruments to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value as at the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income in the cash flow hedge reserve. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss. Amounts taken to other comprehensive income are transferred out of other comprehensive income and included in the measurement of the hedged transaction when the forecast transaction occurs. Hedge accounting is discontinued prospectively when a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting. The cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction occurs.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

10. Issued Capital

	31 Dec 2022	30 June 2022
	\$	\$
Issued share capital consists of the following:		
502,012,142 fully paid ordinary shares (30 June 2022: 291,492,003)	366,416,656	124,210,079

Date	Details	Number	\$
1 July 2022	Opening balance	291,492,003	124,210,079
29 July	Exercise of share options ¹	20,551,116	25,688,895
2 August	Share placement ¹	179,444,023	224,305,029
2 August	Shares issued – XLX completion fee ²	10,000,000	-
23 August	Exercise of performance rights ³	525,000	-
	Share issue costs	-	(7,787,347)
31 December 2022	Closing balance	502,012,142	366,416,656

¹ Share placement

In August 2022, the Group settled an equity raising of approximately \$250 million. The equity was issued at \$1.25 per share from a combination of placements to sophisticated investors and existing option holders exercising their options. A total of 199,995,139 new shares were issued as a result of the capital raising.

² XLX Completion Fee

Malabar issued XLX Pty Ltd 10,000,000 shares on completion of the approvals and financing on the Maxwell Underground Mine. This was in accordance with the Advisory Agreement executed between the parties in November 2019. Wayne Seabrook, Tony Haggarty and Allan Davies are minority shareholders in XLX Pty Ltd and Directors of Malabar Resources Limited. The completion fee shares have been accounted for in accordance with AASB 2 *Share-based Payment*.

³ Performance Rights

Performance Rights are awarded to employees under the terms of their respective employment agreements. The holders of Performance Rights are allocated one ordinary share for each Right when exercised. Performance Rights have been accounted for in accordance with AASB 2 *Share-based Payment*.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

11. Contingent liabilities

Bank Guarantees

The Group has a USD\$55m facility in place to provide bank guarantees including the provision of environmental bonding guarantees to the NSW Government and infrastructure suppliers. This agreement was extended in July 2022 to November 2025. As at 31 December 2022, AUD \$59,692,573 of the facility has been utilised for these purposes.

Deferred Consideration

Spur Hill Project (EL 7249)

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

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

Litigation

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

12. Events after the interim reporting period

In the interval between the end of the financial period and the date of this report there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

13. Company details

The registered office and principal place of business of the Company as at 31 December 2022 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 7 to 19, 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 2022 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.



Wayne Seabrook
Director

Date: 16 March 2023

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 2022, 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 2022, 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

Level 6, 10 Eagle Street, Brisbane, QLD 4000 | GPO Box 1568, Brisbane, QLD 4001 | T: +61 7 3839 9733

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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 2022 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

16 MARCH 2023
BRISBANE

CORPORATE DIRECTORY

Company

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

www.malabarresources.com.au

Directors

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

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