



QUARTERLY ACTIVITIES REPORT

For the quarter ended
31 December 2015

***Regulatory approval received for the restructure of the Spur Hill Joint Venture. Transaction completed giving Malabar 100% ownership of Spur Hill Project.**

***Proceeds from Malabar's \$6 million fully underwritten Entitlement Offer received.**

INVESTMENT HIGHLIGHTS

- Large underground coking coal project
- Environmental Assessment Requirements received
- High quality products, from well-known coal seams
- Proximity to infrastructure
- Competitive operating costs
- Experienced board and management

BOARD OF DIRECTORS

Wayne Seabrook
Chairman

Graeme Booth
Managing Director

Hans Mende
Non-executive Director

Andy Plummer
Non-executive Director

Simon Keyser
Non-executive Director

Tony Galligan
Independent Non-executive Director

Nicole Hollows
Alternate Director

Malabar Coal Limited

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100% ownership of the Project acquired

- On 15 September 2015 Malabar announced that it had entered into legally binding agreements to increase its stake to 100% (from 38.27% as at 30 June 2015) of the Spur Hill Underground Coking Coal Project (Project).
- Approval for the transaction was received from the NSW Minister for Resources and Energy during the quarter and the transaction completed accordingly.

\$6m Entitlement Offer proceeds received

- On 15 September 2015 Malabar announced a 15 for 17 fully underwritten non-renounceable entitlement offer (Entitlement Offer) to raise \$6 million.
- The Entitlement Offer completed on 13 October 2015 with applications received for over 78% of the Entitlement Offer. The balance (or shortfall) was taken up by the underwriters to raise gross proceeds of \$6 million for the company.

Project Activities

* Resource definition

- Exploration expenditure in connection with preparatory works for the next field exploration program at Spur Hill totalled approximately \$21,000 for the quarter.
- Total Resources for the Spur Hill Project are 625.9 million tonnes including 394.4 million tonnes of Indicated Resources. Please see Table 1 attached in the Annexure for further details.

* Environmental and Project approvals

EIS studies advanced during the December quarter include:

- Surface and Groundwater assessments; and
- Aboriginal cultural heritage assessment.

Expenditure for these studies totalled approximately \$34,000 for the quarter.



* Mine design and infrastructure

Malabar advanced studies in relation to the review and design of mine surface infrastructure and underground mine layouts. Expenditure for these activities totalled approximately \$23,000 for the quarter.

* Community

- Senior executives continually interact with the local community on an informal basis through various activities including the sponsorship and attendance of sporting and community events.
- Contributions to local community organisations totalled approximately \$19,000 for the quarter.

Financial

Cash on hand was \$2.6 million as at 31 December 2015.

Mining Tenement

Malabar has 100% ownership of the Spur Hill Project¹.

Other

In connection with Listing Rule 5.3.2 there have been no activities relating to mining production and development.

Contact details

For media inquiries please call:
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¹ Means Malabar's coal development Project (the 'Spur Hill Underground Coking Coal Project') in the Hunter Valley, New South Wales, based on Exploration Licence 7429.

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Annexure

✱ **Table 1: Reserves and Resources**

100% BASIS	RESERVES		RESOURCES				Total
	Western (Underground) Zone		Western (Underground) Zone			Eastern Zone	
Seam	Probable Coal Reserve (Mt)	Probable Marketable Coal Reserve (Mt)	Indicated (Mt)	Inferred (Mt)	Total (Mt)	Inferred (Mt)	Mt
WL2			0.0	46.8	46.8	0.0	46.8
WL1			0.0	22.0	22.0	0.0	22.0
Whybrow			58.5	1.2	59.7	1.8	61.5
Redbank Creek Upper			0.0	0.0	0.0	3.8	3.8
Redbank Creek Middle			0.0	0.0	0.0	3.7	3.7
Redbank Creek Lower			51.3	0.7	52.0	6.2	58.2
Wambo			38.1	4.3	42.4	16.0	58.4
Whynot	78	59	104.5	5.3	109.8	23.0	132.8
Glen Munro			14.7	0.5	15.2	1.6	16.8
Arrowfield			14.6	0.0	14.6	0.0	14.6
Bowfield	13	10	34.0	2.5	36.5	21.7	58.2
Warkworth			78.7	26.6	105.3	23.4	128.7
Mount Arthur			0.0	9.3	9.3	11.1	20.4
Total	91	69	394.4	119.2	513.6	112.3	625.9

- The Resources and Reserves Estimates have been prepared in accord with the JORC Code 2012
- The Reserves Estimate has been prepared by MineCraft Consulting Pty Ltd.
- The Resources Estimate has been prepared by Geological and Mining Services Australia Pty Ltd.
- The Resources in the above Table are inclusive of Reserves
- The Probable Marketable Coal Reserve is derived from the Probable Coal Reserve based on an average yield of 76% from the Whynot seam and 79% from the Bowfield seam. These average yields are derived from laboratory yields ranging from 80% to 85% adjusted for mining dilution and moisture adjustments.
- Further exploration and technical studies are expected to progressively convert an increasing proportion of the remaining Resources to Reserves.

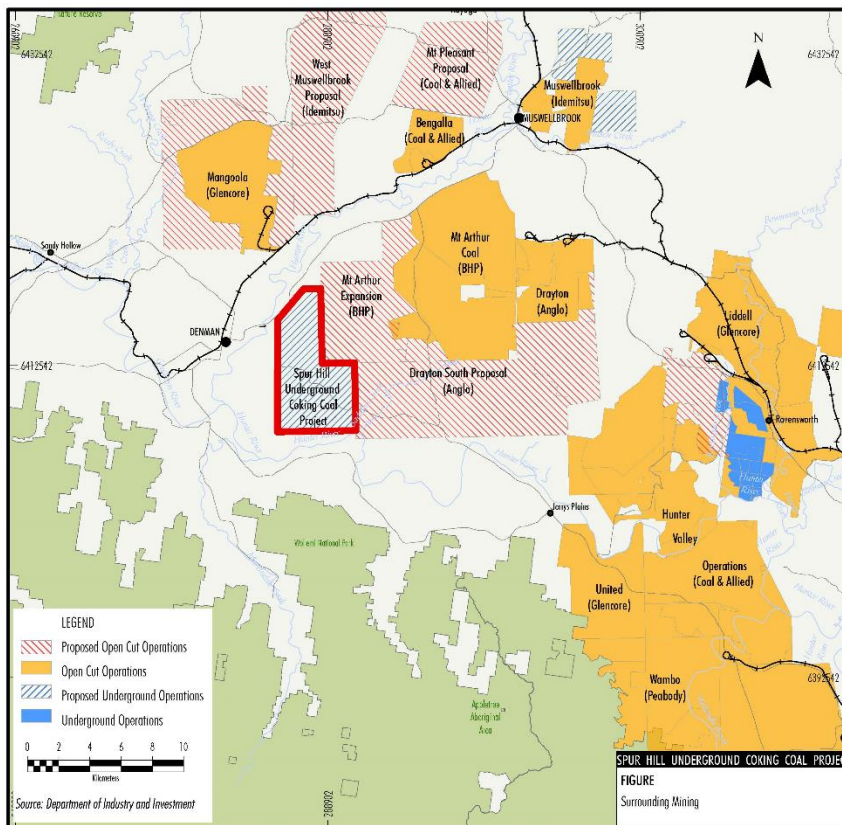
✳ About the Spur Hill Underground Coking Coal Project



The Project is located in the Upper Hunter Valley coal corridor in NSW. The Project has the potential to become a major underground coking coal mine producing up to 8 million tpa of Run-of-Mine coal for more than 20 years.

The target seams are likely to produce: soft coking coal, semi-soft coking coal, PCI and export thermal coal.

The Environmental Assessment Requirements for the Project have been issued by the NSW Department of Planning & Environment. The Environmental Impact Statement and Development Application for the Project are being prepared. Mining Lease Applications for the Underground Mining Area have been submitted.



SPUR HILL UNDERGROUND COKING COAL PROJECT
FIGURE
Surrounding Mining

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✱ Competent Persons Statements

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

The information in this ASX Release that relates to JORC Mineral Reserves for the Spur Hill Underground Coking Coal Project is based on a Reserves Estimate that has been prepared by Mr Jeremy Busfield, Principal Mining Consultant of MineCraft Consulting Pty Ltd. Mr Busfield holds a Bachelor of Mining Engineering degree from the University of Queensland, is a Chartered Professional Member of the Australasian Institute of Mining and Metallurgy (AusIMM) and is a Registered Professional Engineer of Queensland (Mining) (RPEQ 10285). Mr Busfield has worked in various planning, operational and consulting roles for the underground coal industry for 27 years and as such qualifies as Competent Person under the JORC Code 2012. The relationship between the Estimator and the Project owner is that of independent consultant. Mr Busfield consents to the inclusion in this report of the matters based on his information and in the form and context in which it appears.

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