



Prospectus

Malabar Coal Limited ACN 151 691 468

Non-renounceable pro rata entitlement offer of 80 New Converting Shares for every 81 Existing Ordinary Shares at an offer price of \$0.45 per New Converting Share to raise approximately \$80 million

Last date for acceptance and payment: 5.00pm (Sydney time) on Thursday, 12 April 2018

If you are an Eligible Retail Shareholder, this is an important document that requires your immediate attention. It should be read in its entirety. If, after reading this document, you have any questions about the securities being offered for issue under it or any other matter, you should contact your stockbroker, solicitor, accountant or other professional adviser.

This document is a prospectus issued in accordance with section 712 of the Corporations Act. This means that it does not, in and of itself, contain all of the information which is generally required to satisfy the disclosure requirements under the Corporations Act, but refers to other documents, the contents of which are deemed to be incorporated into this document.

LEGAL ADVISOR

McCullough Robertson Lawyers



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IMPORTANT NOTICES

General

This Prospectus is dated Tuesday, 13 March 2018. A copy of this Prospectus was lodged with ASIC on that date. ASIC takes no responsibility for the contents of this Prospectus or the merits of any investment under this Prospectus. No Shares will be allotted or transferred on the basis of this Prospectus after the expiry date. This Prospectus expires on 13 April 2019.

No person may give any information or make a representation about the Retail Entitlement Offer, which is not in this Prospectus. Information or representations not in this Prospectus must not be relied on as authorised by Malabar, or any other person, in connection with the Retail Entitlement Offer.

This Prospectus provides information for investors to decide if they wish to invest in Malabar. Read this document in its entirety. Examine the assumptions underlying the risk factors that could affect the financial performance of Malabar. Consider these factors carefully in light of your personal financial circumstances. Seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest. The Entitlement Offer does not take into account the investment objectives, financial situation or needs of particular investors.

Short form prospectus

This Prospectus is a short form prospectus issued in accordance with section 712 of the Corporations Act. This means that this Prospectus does not contain all of the information which is generally required to satisfy the disclosure requirements under the Corporations Act. Rather, it incorporates all other necessary information by reference to documents which have already been lodged by Malabar with ASIC, including the documents referred to and listed in sections 5.1 and 8.1 of this Prospectus.

Australian and New Zealand residents only

New Converting Shares to be issued under this Prospectus are only offered to Eligible Retail Shareholders, being Shareholders with a registered address in Australia or New Zealand at 7.00pm (Sydney time) on the Record Date, or Shareholders that Malabar has otherwise determined are eligible to participate.

The offer is available to Australian and New Zealand residents having a registered address in those jurisdictions, as well as those Shareholders that Malabar has otherwise determined are eligible to participate (having regard to regulatory requirements). The distribution of this Prospectus in jurisdictions outside Australia or New Zealand may be restricted by law. Seek advice on and observe any restrictions. This Prospectus is not an offer in any place where, or to any person to whom, it would not be lawful to make the offer.

Special notice to New Zealand Resident investors

The New Converting Shares are not being offered or sold to the public within New Zealand other than to Existing Shareholders with registered addresses in New Zealand to whom the offer of New Converting Shares is being made in reliance on the *Securities Act (Overseas Companies) Exemption Notice 2013* (New Zealand).

This document has not been registered, filed with or approved by a New Zealand regulatory authority under the *Securities Act 1978* (New Zealand). This document is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

Electronic prospectus

This Prospectus is available electronically at www.malabarcoal.com.au. The Entitlement and Acceptance Form attached to the electronic version of this Prospectus must be used within Australia or New Zealand. Electronic versions of this Prospectus should be downloaded and read in their entirety. Obtain a paper copy of the Prospectus (free of charge) by telephoning Malabar on +61 2 8248 1272 at any time from 8:30am to 5:00pm (Sydney time) Monday to Friday until the Closing Date. Applications for New Converting Shares may only be made on the Entitlement and Acceptance Form attached to this Prospectus or in its paper copy form downloaded in its entirety from www.malabarcoal.com.au.

Exposure Period

This Prospectus may be circulated during the Exposure Period. The purpose of the Exposure Period is to enable market participants to examine the Prospectus prior to the raising of funds. You should be aware that this examination may result in deficiencies being identified in the Prospectus, in which case any Entitlement and Acceptance Form that has been received may need to be dealt with in accordance with section 724 of the Corporations Act.

Entitlement and Acceptance Forms will not be processed by Malabar until after the expiry of the Exposure Period. Further, no preference will be given to any Entitlement and Acceptance Forms lodged prior to the expiry of the Exposure Period.

Privacy

Malabar and the share registry collect, hold and use personal information received from you to communicate and provide services to you as a Shareholder. Malabar may disclose information to its agents, service providers (such as the share registry) and government bodies. Malabar's privacy policy sets out how you may access, correct and update the personal information that Malabar holds about you (by contacting the share registry), how you can complain about privacy related matters and how Malabar responds to complaints.

Defined terms

Capitalised terms used in this Prospectus are defined in the Glossary.

Currency

Monetary amounts shown in this Prospectus are expressed in Australian dollars unless otherwise stated.

Photographs and diagrams

Photographs used in this Prospectus without descriptions are only for illustration. The people shown are not endorsing this Prospectus or its contents. Diagrams used in this Prospectus may not be drawn to scale. The assets depicted in photographs in this Prospectus are not assets of Malabar unless otherwise stated.

Forward looking statements

Statements in this Prospectus may be forward looking statements.

Forward looking statements can be identified by the use of forward looking terminology such as, but not limited to, 'may', 'will', 'expect', 'anticipate', 'estimate', 'would be', 'believe', or 'continue' or the negative or other variations of comparable terminology. These statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected. The Directors' expectations, beliefs and projections are expressed in good faith and are believed to have a reasonable basis. They are based on, among other sources, the examination of historical operating trends, data in Malabar's records and other data available from third parties. There can be no assurance, however, that the Directors' expectations, beliefs or projections will give the results projected in the forward looking statements. Investors should not place undue reliance on these forward looking statements.

Additional risk factors that could cause actual results to differ materially from those indicated in the forward looking statements are discussed in section 6 of this Prospectus.

THIS DOCUMENT IS IMPORTANT AND SHOULD BE READ IN ITS ENTIRETY

Letter from the Chairman

Tuesday, 13 March 2018

Dear Shareholder

I am pleased to write to you, as a valued Shareholder of Malabar Coal Limited (**Malabar**), and offer you the opportunity to increase your investment in Malabar through participation in a 80 for 81 pro rata non-renounceable issue of redeemable converting shares in Malabar (**New Converting Shares**) at a price of \$0.45 per New Converting Share (**Entitlement Offer**).

The Entitlement Offer comprises an accelerated institutional component (**Institutional Entitlement Offer**) and a retail component (**Retail Entitlement Offer**). This prospectus relates to the Retail Entitlement Offer, and contains details about the Retail Entitlement Offer, instructions on how to participate in the Retail Entitlement Offer, and the effect of the Entitlement Offer on Malabar.

Malabar intends to raise approximately \$80 million (before direct Entitlement Offer costs) through the issue of approximately 177,777,778 New Converting Shares under the Entitlement Offer.

The New Converting Shares being issued under the Entitlement Offer are redeemable converting Shares in Malabar, to be issued on terms which have been approved by the Directors (**Converting Shares**). Unless redeemed or cancelled in accordance with their terms, each New Converting Share converts to one fully paid ordinary share in Malabar (**Ordinary Share**) on 28 February 2019 (or earlier on the occurrence of particular events). The Directors have elected to issue Converting Shares instead of Ordinary Shares to facilitate a potential return of capital to Malabar shareholders in the event that the Directors introduce strategic investor(s) in Malabar within the next 12 months. In these circumstances, Malabar will return excess equity capital to its shareholders by redeeming some or all of the Converting Shares. Any remaining Converting Shares would convert to Ordinary Shares in Malabar on a one-for-one basis. A summary of the key terms of issue for Converting Shares, including further information as to how they differ from Ordinary Shares, is set out in sections 1.5, 3.2 and 3.8 of this Prospectus.

The Institutional Entitlement Offer closed on Wednesday, 14 February 2018. The directors of Malabar (**Directors**) have applied the proceeds of the Institutional Entitlement Offer primarily for the acquisition of interests in the Drayton Mine, the Maxwell Project, and the Business announced in May 2017 (**Acquisition**), which completed on Monday, 26 February 2018, and will apply the balance of funds raised to general working capital, including funding the costs of the Entitlement Offer.

The Directors believe that the Acquisition will provide valuable infrastructure which can be exploited by Malabar's Spur Hill Underground Coking Coal Project (**Spur Hill Project**), including a coal preparation plant, coal stockpiling facilities, a rail loop, administration offices, workshops and other services. The Directors expect the Acquisition to significantly reduce the capital cost required to bring the Spur Hill Project into production and negate the need to construct major new infrastructure for this purpose. Further details in relation to the Acquisition are set out in sections 2.2 and 7 of this Prospectus.

The number of New Converting Shares you are entitled to subscribe for under the Retail Entitlement Offer (**Entitlement**) is set out in your personalised entitlement and acceptance form that is attached to this Prospectus (**Entitlement and Acceptance Form**).

If you take up your Entitlement, you can also apply for additional New Converting Shares under an 'oversubscription' facility (refer to section 3.3 of this Prospectus for more information).

The Retail Entitlement Offer is fully underwritten by certain existing Directors and major shareholders of Malabar (or associated entities), as set out in section 3.4 of this Prospectus.

The Entitlement Offer is non-renounceable and therefore your Entitlements will not be transferable.

This Prospectus contains important information, including:

- (a) information on Malabar, the Retail Entitlement Offer, and key risks for you to consider;
- (b) instructions on how to apply, detailing how to participate in the Retail Entitlement Offer if you choose to do so, and a timetable of key dates;
- (c) a personalised Entitlement and Acceptance Form which details your Entitlement, to be completed in accordance with the instructions; and
- (d) instructions on how to take up all or part of your Entitlement via BPAY.

The Retail Entitlement Offer closes at 5.00pm (Sydney time) on Thursday, 12 April 2018.

An investment in Malabar is subject to specific and general risks, including but not limited to exploration, evaluation and development risk, resource estimations risk, regulatory risk, and coal price risk. Further details of the risks affecting Malabar are set out in section 6 of this Prospectus.

If you wish to participate in the Retail Entitlement Offer, please read in full the details on how to submit your application, which are set out in this Prospectus. For further information about the Retail Entitlement Offer, please call Malabar on +61 2 8248 1272 at any time from 8:30am to 5:00pm (Sydney time) Monday to Friday until the Closing Date, or visit Malabar's website at www.malabarcoal.com.au.

You should also consult your stockbroker, solicitor, accountant or other professional adviser to evaluate whether or not to participate in the Retail Entitlement Offer.

On behalf of the Directors, I encourage you to consider this investment opportunity and thank you for your ongoing support.

Yours faithfully



Wayne Seabrook
Non-Executive Chairman
Malabar Coal Limited



1 Investment overview

1.1 Summary offer details

Terms of offer	Details
Offer Price per New Converting Share	\$0.45
Ratio	80 New Converting Shares for every 81 Existing Ordinary Shares
Total number of New Converting Shares offered under this Prospectus (subject to rounding)	177,777,778
Total number of Shares on issue following the Entitlement Offer (subject to rounding)	357,777,778
Total amount to be raised under the Entitlement Offer	\$80 million

1.2 Important dates

Event	Date*
Institutional Entitlement Offer opened	Monday, 12 February 2018
Institutional Entitlement Offer closed and settled	Wednesday, 14 February 2018
Prospectus lodged with ASIC	Tuesday, 13 March 2018
Allotment and issue of New Converting Shares under the Institutional Entitlement Offer	Tuesday, 13 March 2018
ASIC exposure period ends	Tuesday, 27 March 2018
Record Date for Retail Entitlement Offer (as at 7.00pm (Sydney time))	Tuesday, 27 March 2018
Prospectus posted to Shareholders	Thursday, 29 March 2018
Retail Entitlement Offer opening date	Thursday, 29 March 2018
Retail Entitlement Offer closing date (acceptances due by 5.00pm (Sydney time))	Thursday, 12 April 2018
Notify Underwriters of any shortfall from the Retail Entitlement Offer	Tuesday, 17 April 2018
Allotment and issue of New Converting Shares under the Retail Entitlement Offer	Thursday, 19 April 2018
Release of funds to Malabar	Thursday, 19 April 2018
Despatch of share certificates to Shareholders	Monday, 23 April 2018

***Note:** All dates and times are subject to change and are indicative only. All time references are to Sydney time.

1.3 Purpose of the Entitlement Offer and use of funds

The purpose of the Entitlement Offer is to raise new funds for the following purposes:

Use of proceeds	Amount raised
Funds to complete the Acquisition	\$56.43 million
Transaction costs (including stamp duty and adviser fees)	\$2.77 million [#]
Repayment of existing Shareholder loans	\$5.0 million
Working capital	\$15.8 million
Total funds raised	\$80 million

[#] Includes stamp duty on the Acquisition and the fee payable to Ironstone Capital Partners Pty Ltd (see section 9.8 for further details).

1.4 Shareholding structure

Subject to the rounding up of fractional Entitlements and depending on the number of Existing Options that are exercised before the Record Date, the following table shows the shareholding structure of Malabar on completion of the Entitlement Offer:

Existing Ordinary Shares on issue (at the date of lodgement of this Prospectus with ASIC)	180,000,000
New Converting Shares to be issued under the Entitlement Offer	177,777,778
Total number of Shares on issue after the Entitlement Offer	357,777,778[#]

[#] Unless redeemed or cancelled in accordance with their terms, the New Converting Shares will convert to Ordinary Shares on a one-for-one basis on 28 February 2019 (or earlier on the occurrence of particular events); excludes Ordinary Shares to be issued to Ironstone Capital Partners Pty Ltd as part of its advisory fee (see section 9.8 for further details).

1.5 Potential questions and answers

Question	Answer	Section
Who is the issuer of this Prospectus?	Malabar is the issuer of this Prospectus.	Not applicable
What is Malabar's business?	Malabar is an unlisted public coal company that owns 100% of the Spur Hill Project located in the upper Hunter Valley region of New South Wales and is conducting this Offer to fund the acquisition of the nearby Drayton open cut mine infrastructure and Drayton South EL 5460, to be renamed the Maxwell Project.	Sections 2.1, 2.2 and 2.3
What is the Entitlement Offer?	The Entitlement Offer is a non-renounceable pro rata entitlement offer of 80 New Converting Shares in Malabar for every 81 Existing Ordinary Shares held by an Eligible Shareholder on the Record Date.	Section 3.1

Question	Answer	Section
What is the Offer Price of the New Converting Shares?	The New Converting Shares are being issued at \$0.45 per New Converting Share.	Section 3.1
What rights and liabilities attach to the New Converting Shares?	<p>The New Converting Shares issued under the Entitlement Offer will be fully paid and, subject to the matters set out in section 3.2, will rank equally with Existing Ordinary Shares.</p> <p>In particular, as set out in section 3.2:</p> <p>(a) Malabar may redeem some or all of the Converting Shares at any time prior to their automatic conversion by paying \$0.495 per Converting Share; and</p> <p>(b) unless redeemed or cancelled in accordance with their terms, the Converting Shares automatically convert to Ordinary Shares on a one-for-one basis on 28 February 2019 (or earlier on the occurrence of particular events).</p>	Sections 3.2 and 3.8
Why is Malabar proposing to issue a different class of share?	<p>The Directors have elected to issue Converting Shares instead of Ordinary Shares to facilitate a potential return of capital to Malabar shareholders in the event that the Directors introduce a strategic investor in Malabar in the short to medium term.</p> <p>In these circumstances, Malabar may invite the strategic investor to acquire an interest in Malabar's assets and return excess equity capital to Malabar shareholders by redeeming some or all of the Converting Shares.</p>	Section 3.2
Will the New Converting Shares be tradeable on Malabar's low volume financial market?	<p>Given that the New Converting Shares will convert to Ordinary Shares on or about 28 February 2019, the Board has determined not to seek approval from ASIC for the inclusion of the New Converting Shares on Malabar's low volume financial market (LVF Market). As such, the New Converting Shares will not be tradeable on Malabar's LVF Market. However, the New Converting Shares are otherwise transferrable in accordance with their terms of issue.</p>	Section 3.2
How much will Malabar raise under the Entitlement Offer?	Malabar will raise gross proceeds of approximately \$80 million under the Entitlement Offer.	Section 3.1
What will the proceeds of the Entitlement Offer be used for?	The proceeds of the Entitlement Offer will fund the Acquisition, general corporate purposes and working capital, including costs of the Entitlement Offer.	Sections 1.3 and 3.1

Question	Answer	Section
<p>What is the Acquisition?</p>	<p>Malabar has executed and completed agreements to acquire interests in both the Drayton Mine and the Maxwell Project. The Acquisition was effected by Malabar acquiring, through wholly-owned subsidiaries, the Drayton Mine, the Maxwell Project, and the Business.</p>	<p>Sections 2.2 and 7</p>
<p>What risks are involved with an investment in Malabar?</p>	<p>An investment in Malabar is subject to both general and specific risks which you should consider before making a decision to apply for New Converting Shares.</p> <p>Key specific risks include:</p> <ul style="list-style-type: none"> (a) exploration, evaluation and development risk; (b) resource estimations risk; (c) coal industry specific risk; (d) licences and approvals risk; (e) regulatory risk; (f) change of law risk; (g) construction and operational costs risk; (h) operational risk; (i) infrastructure access risk; (j) commodity price risk; (k) labour risk; (l) infrastructure risk; (m) joint venture risk; (n) future financing risk; (o) mergers and acquisitions risk; (p) key personnel risk; (q) significant shareholder risk; (r) competition and substitution risk; (s) environmental risk; (t) dilution risk; (u) general economic risk; (v) accounting risk; (w) tax risk; (x) insurance risk; and (y) litigation risk. 	<p>Section 6</p>
<p>Is the Entitlement Offer underwritten?</p>	<p>The Retail Entitlement Offer is fully underwritten by the Underwriters.</p> <p>If all Eligible Retail Shareholders do not take up all of their respective Entitlements, the Underwriters will subscribe for, or procure subscriptions for, that shortfall.</p>	<p>Sections 3.4 and 7.5</p>

Question	Answer	Section
Am I an Eligible Retail Shareholder?	<p>An Eligible Retail Shareholder is a holder of Existing Ordinary Shares who:</p> <ul style="list-style-type: none"> (a) is registered as a holder of Existing Ordinary Shares as at 7.00pm (Sydney time) on the Record Date; (b) has a registered address in Australia or New Zealand or is a Shareholder that Malabar has otherwise determined is eligible to participate; (c) is not in the United States or otherwise acting for the account or benefit of a person in the United States; (d) is not an Eligible Institutional Shareholder who was invited to participate in the Institutional Entitlement Offer; (e) is not an Ineligible Institutional Shareholder; and (f) the Board determines is otherwise eligible under all applicable laws to receive an offer under the Retail Entitlement Offer. 	Sections 3.5 and 3.6
What happens if I am a Shareholder on the Record Date but not an Eligible Retail Shareholder?	<p>You will not be entitled to subscribe for New Converting Shares under the Retail Entitlement Offer if you are not an Eligible Retail Shareholder. Ineligible Retail Shareholders will have their percentage holding in Malabar (held at the Record Date) diluted as a result of the Entitlement Offer.</p>	Sections 3.5 and 3.6
How do I participate in the Retail Entitlement Offer?	<p>To participate in the Retail Entitlement Offer, please complete the Entitlement and Acceptance Form attached to this Prospectus and return it to Malabar with payment of the Application Money before 5.00pm on Thursday, 12 April 2018.</p>	Section 4 and Entitlement and Acceptance Form
What is my Entitlement?	<p>Your Entitlement is the right granted to you under the Retail Entitlement Offer to subscribe for 80 New Converting Shares at the Offer Price for every 81 Existing Ordinary Shares you hold as at the Record Date. If you are an Eligible Retail Shareholder, your Entitlement will be noted on your personalised Entitlement and Acceptance Form.</p>	Section 3.1
How can I deal with my Entitlement?	<p>As an Eligible Retail Shareholder, you may:</p> <ul style="list-style-type: none"> (a) take up all or part of your Entitlement; or (b) do nothing, in which case your Entitlement will lapse and you will not be issued New Converting Shares. <p>If you do not take up all or part of your Entitlement, your percentage shareholding in Malabar will be diluted and you will not receive any payment or value for the part of your Entitlement which you choose not to take up.</p>	Sections, 4.2, 4.3, 4.4 and 4.5

Question	Answer	Section
Can I apply for New Converting Shares in excess of my Entitlement?	<p>Any New Converting Shares not taken up may be made available to those Eligible Retail Shareholders who took up their full Entitlement and applied for additional New Converting Shares under the Oversubscription Facility.</p> <p>Additional New Converting Shares will only be allocated to Eligible Retail Shareholders if available, and will be allocated in a manner determined by the Directors at their discretion (provided that no Eligible Retail Shareholder may be issued a number of additional New Converting Shares which would cause the Eligible Retail Shareholder's voting power in Malabar to exceed 20%).</p>	Section 3.3
Is my Entitlement transferrable?	Your Entitlement to participate in the Entitlement Offer is non-renounceable and therefore cannot be transferred or otherwise disposed of. Eligible Retail Shareholders who do not take up their Entitlements in full will not receive any payment or value for the part of their Entitlement which they choose not to take up.	Section 3.7
How do I calculate the Application Money payable if I wish to participate in the Retail Entitlement Offer?	The Application Money is calculated by multiplying the number of New Converting Shares you wish to apply for by the Offer Price of \$0.45 per New Converting Share.	Sections 4.2 and 4.6, and Entitlement and Acceptance Form
Can I withdraw my application?	<p>A completed and lodged Entitlement and Acceptance Form, or a payment made through BPAY, constitutes a binding offer to acquire New Converting Shares on the terms of this Prospectus.</p> <p>To the extent permitted by law, applications are irrevocable and cannot be withdrawn.</p>	Section 4.7
What is Malabar's financial position?	Malabar's financial position is set out in detail in section 5 of this Prospectus.	Section 5
What is the effect of the Entitlement Offer on Malabar?	<p>The effect of the Entitlement Offer on the financial position of Malabar is set out in section 5.</p> <p>The Entitlement Offer is not expected to have any effect on control of Malabar (see section 3.4 for further detail).</p>	Sections 3.4, 3.10 and 5
Is commission payable to financial advisers or brokers?	No handling fee is payable in connection with the Entitlement Offer.	Section 4.9
Are there any significant benefits payable to Directors or other persons connected with Malabar and the Entitlement Offer?	<p>The Underwriters will not be paid an underwriting fee.</p> <p>Other than the fee payable to a related party of Wayne Seabrook, no benefits are payable to Directors in connection with the Entitlement Offer.</p>	Section 9.8

Question	Answer	Section
What if I have any further questions?	If you have questions about the Retail Entitlement Offer, please call Malabar on +61 2 8248 1272 at any time from 8:30am to 5:00pm (Sydney time) Monday to Friday until the Closing Date.	Section 3.14

1.6 Important notice

This section is not intended to provide full details of the investment opportunity. Shareholders must read this Prospectus in full to make an informed investment decision. The New Converting Shares offered under this Prospectus carry no guarantee of return of capital, return on investment, payment of dividends or on the future value of the Converting Shares.

2 Malabar – company update

2.1 Overview

Malabar is an unlisted public coal company focused on the Spur Hill Project located in the upper Hunter Valley region of New South Wales. Malabar's investors have proven track records of developing and operating high productivity underground mines in New South Wales.

Malabar's primary long-term objective is to develop the Spur Hill Project into an operating underground coal mine, producing low ash soft coking coal and low ash export thermal coals.

Malabar recently announced that it had entered into an agreement to acquire the Drayton mine assets and the Maxwell Project (historically referred to as 'Drayton South' or 'Saddler's Creek'), which acquisition has now completed. The assets provide infrastructure suitable for use by Malabar's Spur Hill Project.

2.2 Acquisition of the Drayton Mine and the Maxwell Project

Location and overview

On 5 May 2017, Malabar announced that it had entered into an agreement to acquire Anglo American's 88.17% interest in the Drayton Mine and the Maxwell Project (**Acquisition**). This was followed in September 2017 by Malabar's entry into further agreements to acquire the remaining interests in the Drayton Mine and the Maxwell Project from vendors including MCH, NCE, Hyundai, and Daesung (together with Anglo American, the **Vendors**). The Acquisition has now completed.

The key terms of the Acquisition are as follows:

- (a) At settlement, all of the Vendors' interests (being 100%) in the Drayton Mine and the Maxwell Project were acquired by Malabar, including all land, mining leases, infrastructure, and other assets, as well as the indirect interest in Port Waratah Coal Services.
- (b) A royalty payment of \$0.50/t is payable on the first 50 million tonnes of coal produced from the Spur Hill Project or the Maxwell Project.
- (c) At settlement, Malabar assumed all bonding, rehabilitation and environmental obligations, including provision of a replacement security deposit for the consolidated security deposits held in respect of the Drayton Mine and the Maxwell Project.
- (d) Arrangements being entered into in relation to the existing port and rail agreements.

Drayton Mine

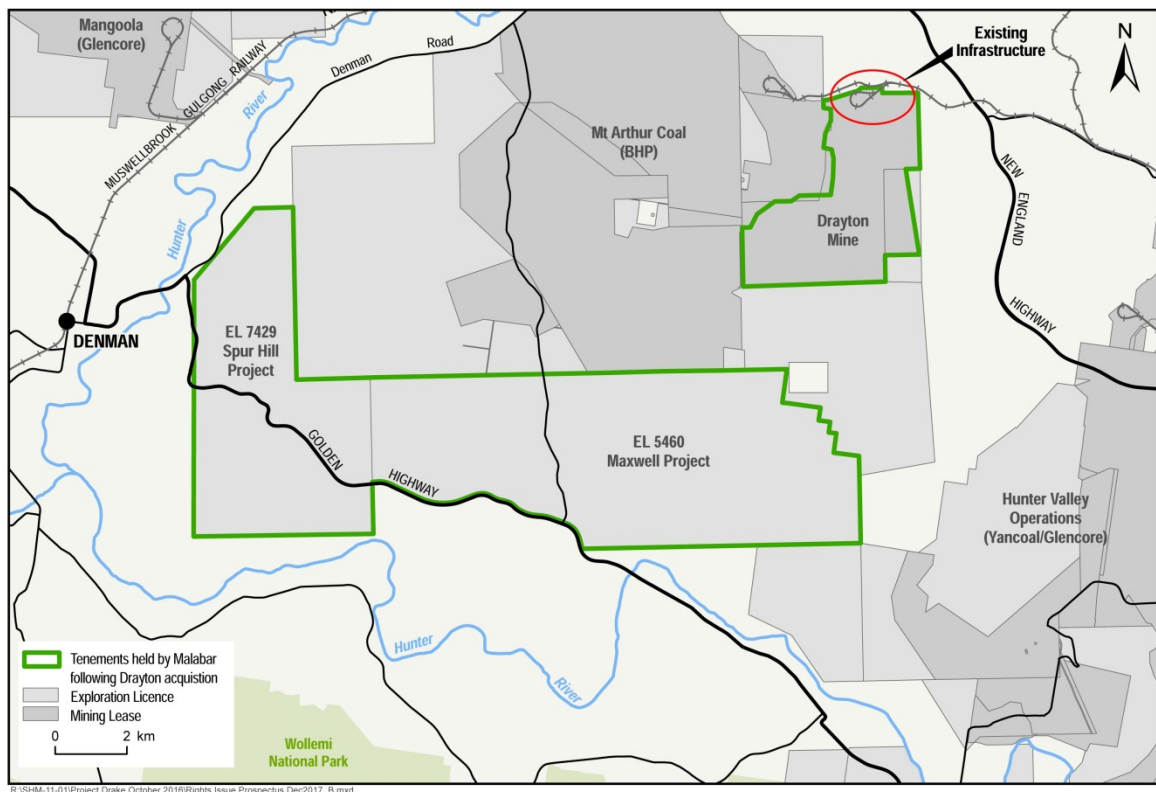
The Drayton Mine was, until recently, an open cut export coal mine operation, using a dragline, trucks and excavators, in the New South Wales Hunter Valley. It has historically produced up to approximately five million tonnes of coal per year. Coal mining commenced at the Drayton Mine in 1983. The Vendors ceased mining activities at the Drayton Mine in 2016.

The Directors believe that the Acquisition provides infrastructure suitable for use by the Spur Hill Project, including a coal preparation plant, coal stockpiling facilities, a rail loop, administration offices, workshops and other services. The Directors also expect the capital cost required to

bring the Spur Hill Project into production will be significantly reduced as a result of the Acquisition.

The Directors believe that by using the existing infrastructure derived from the Acquisition, Malabar will be able to achieve efficiencies and reduce the impact of its operations on the local community, neighbours and the environment. It is also Malabar's intention to use reject stone and rock from washing underground coal from the Spur Hill Project to fill open cut voids remaining at the Drayton Mine, subject to regulatory approval. The Directors believe this will substantially improve the final rehabilitated landforms at the Drayton Mine.

Figure 1: Location of the Spur Hill Project, the Drayton Mine, and the Maxwell Project



The Maxwell Project

The Maxwell Project is located on EL 5460 which was owned by the Drayton South JV. Under the ownership of the Vendors, the Drayton South Project was proposed as an open cut extension of the Drayton Mine. The open cut mining plan was rejected by the PAC, given concerns raised by various stakeholders and the Vendors announced they would no longer be pursuing the development of an open cut mine.

On 8 December 2017, the New South Wales Department of Planning and Environment renewed EL 5460 with a condition imposed that restricts exploration activities for underground mining purposes only. The renewal gives Malabar the opportunity to develop and submit a proposal for a vastly different, underground-only mine on the site (renamed the Maxwell Project). Following completion of the Acquisition, Malabar will undertake detailed technical studies to evaluate the development of the Spur Hill Project and the Maxwell Project. Malabar remains committed to underground mining methods for both the Spur Hill Project and the Maxwell Project. In addition, that portion of EL 5460 which lies to the South of the Golden Highway has been voluntarily relinquished.

In addition, the New South Wales Government has recently created a State Environmental Planning Policy that prohibits open cut mining within EL 5460.

JORC Resources

The Maxwell Project has significant coal resources, as set out in the table below.

Table 1: Coal resources within EL 5460

Project	Measured (Mt)	Indicated (Mt)	Measured and indicated (Mt)	Inferred(Mt)
Drayton South¹	492.1	189.0	681.1	90.7

¹ *The estimates, stated as at 31 December 2016, are taken exactly from Anglo American's 'Ore Reserves and Mineral Resources Report 2016' (2016 Report). The stated resources for Drayton South do not necessarily correspond with those for the project referred to in this Prospectus as the Maxwell Project. The 2016 Report, which contains the estimates referenced for Drayton South, was released in 2017 and is available on Anglo American's website (<http://www.angloamerican.com/~media/Files/A/Anglo-American-PLC-V2/documents/annual-reporting-2016/downloads/ore-reserves-and-mineral-resources-report-2016.pdf>). The Competent Person responsible for the estimates referenced was Mr Ian Driver. At the date of the 2016 Report, Mr Driver was a Member of The Australasian Institute of Mining and Metallurgy and had 31 years of experience relevant to the commodity and style of mineralisation under consideration. Malabar confirms that it is not aware of any new information or data that materially affects the information in the 2016 Report and confirms that, so far as it is aware, the form and context of Mr Driver's findings have not been materially altered and all material assumptions and technical parameters underpinning the estimates in the 2016 Report continue to apply and have not materially changed. However, Malabar confirms that it has not independently verified or validated the estimates contained in the 2016 Report, and Malabar is therefore not to be regarded as having reported, adopted or endorsed those estimates.*

2.3 Spur Hill Project

Location and overview

The Spur Hill Project is an underground coal development project in the upper Hunter Valley region of New South Wales focusing on the production of soft coking coal and export thermal coal products. The relevant tenement is EL 7429.

Malabar has secured long-term access agreements with a number of landowners on EL 7429, the result of which is that approximately 80% of the proposed underground mine is either beneath land owned by Malabar or beneath land subject to long-term access agreements. Malabar maintains regular dialogue with landholders on EL 7429 as part of its community consultation plan.

In terms of permitting progress for the Spur Hill Project:

- (a) a gateway certificate has been received;
- (b) Malabar submitted a referral under the *Environmental Protection and Biodiversity Conservation Act 1999* (Cth) and is addressing the Federal Department of Environment's determination (being that the proposed action is a controlled action with respect to water in relation to a large coal mining development) in the EIS;
- (c) a preliminary environmental assessment and request for environmental assessment requirements has been lodged, and the environmental assessment requirements have been received; and
- (d) the MLAs were submitted to the New South Wales Department of Resources and Energy in August 2014.

The boundary of the tenement is approximately three kilometres east of Denman and 15 kilometres south-west of Muswellbrook.

The Spur Hill Project is within the upper Hunter Valley coal corridor which contains a number of operating coal mines and development projects.

The Spur Hill Project will be developed only as an underground longwall mining operation and does not involve open cut mining. As such, the Spur Hill Project:

- (a) minimises the effect on visual amenity and the landscape in comparison to an open cut mine;
- (b) leaves no final hole or void at the conclusion of activities;
- (c) avoids the widespread noise emissions and impacts commonly associated with an open cut mine;
- (d) avoids the widespread air quality and dust concerns associated with an open cut mine, namely blasting and removal and dumping of overburden required at open cut mines; and
- (e) existing agricultural and other commercial activities above and surrounding the Spur Hill Project can continue to operate during its development.

JORC Resources

The Spur Hill Project has total JORC Mineral Resources of 626Mt (100% basis), comprising two resource blocks. The Western Zone contains 514Mt of Resources, including 394Mt of Indicated Mineral Resources, and covers the majority of the tenement. This resource is between 60 metres and 590 metres deep and demonstrates characteristics favourable to longwall mining. The Eastern Zone contains 112Mt of Inferred Mineral Resource. It is located on the eastern flank of the tenement and is between 20 metres and 320 metres below the surface.

Table 2: Coal Resources within EL 7429

Project Area	Indicated (Mt)	Inferred (Mt)	Total (Mt)
Western Zone (EL 7429)	394.4	119.2	513.6
Eastern Zone (EL 7429)	-	112.3	112.3
Total	394.4	231.5	625.9

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

Port capacity

There are currently two operators at the Port of Newcastle, including Port Waratah Coal Services and Newcastle Coal Infrastructure Group.

The Spur Hill Project has no 'take or pay' contracts in place, though noting there is sufficient current port capacity at Port Waratah Coal Services available for future production from the Spur Hill Project.

Under the long-term capacity framework agreement in place between coal producers and port operators (which governs Port Waratah Coal Services' operations), Port Waratah Coal Services

must provide capacity even if that requires a terminal expansion. Importantly, Port Waratah Coal Services received approval for an expansion in late 2015.

Competent Person's Statement

The information in section 2.3 above that relates to JORC Mineral Resources for the Spur Hill 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 on this website of the matters based on his information in the form and context in which it appears.

The information in section 2.3 above that relates to JORC Mineral Reserves for the Spur Hill 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 on this website of the matters based on his information and in the form and context in which it appears.

2.4 Board and management team

Wayne Seabrook – Non-Executive Chairman



Wayne has more than 30 years of resources sector and corporate finance experience. He has broad project development experience from previous roles with Alcoa, Macraes Mining, Minproc Engineers and Barclay-Mowlem. Wayne has also held senior corporate finance roles with Macquarie Bank, Challenger and Wilson HTM. He has managed transactions for many coal companies including Felix Resources Ltd, Whitehaven Coal Ltd, Excel Coal Ltd, Cleveland-Cliffs and AMCI. Wayne was a founding director of ASX-listed Apollo Gas Ltd and ASX-listed Titan Energy Services Ltd. Wayne is currently a Director of XLX Pty Ltd, an investment company focused on the resource and energy sectors, and Ironstone Capital Partners Pty Ltd, a corporate advisory business. As Chairman, Wayne is responsible for leadership of the Board, efficient organisation and conduct of the Board's function and the briefing of all Directors in relation to issues arising at Board meetings. Wayne is also responsible for arranging Board performance evaluation.

Wayne holds a Bachelor of Engineering (Chemistry – 1st Class Honours) from the University of Canterbury, New Zealand and a Graduate Diploma from FINSIA. He is a fellow of FINSIA and a member of AusIMM.

Wayne is also a member of Malabar's Environmental, Risk and Occupational Health and Safety and Audit Committees.

Anthony Galligan – Non-Executive Director



Anthony 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. His most recent position was General Manager Infrastructure with Whitehaven Coal Ltd. He was Chairman of Newcastle Coal Infrastructure Group for more than three 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 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.

Tony is also Chairman of Malabar's Environmental, Risk and Occupational Health and Safety Committee.

Brian Clifford – Non-Executive Director

Brian is the Managing Director of AMCI Investments Pty Ltd which is responsible for AMCI's Australian and South East Asia operations, acquisitions, divestments and joint venture project interest. Brian also holds several separate directorships within the AMCI portfolio which include greenfield projects, operating asset and joint ventures. Brian was previously the General Manager of the AMCI's coal trading desk.

Brian has 16 years of mining related experience, including 10 years with BHP Billiton across a number of geographies, commodities and markets including marketing manager for BHP's Carbon Steel Materials desk in Pittsburgh and senior operational positions in the coal and diamonds industries.

Brian holds a Diploma of Business from the Australian Institute of Management and an MBA from the Australian Institute of Business. Brian is also a member of the Australian Institute of Company Directors.

Ian Morgan – Company Secretary

Ian holds a Bachelor of Business from the NSW Institute of Technology and a Master of Commercial Law from Macquarie University. Ian is a Chartered Accountant and Chartered Company Secretary, with over 30 years of experience. Ian provides secretarial and advisory services to a range of companies, and is company secretary of other publicly listed companies.

William Dean – Engineering Manager

Bill has over 35 years of experience in the Australian mining industry, encompassing senior site management, support and technical roles. He is Civil Engineering graduate of Deakin University, holds statutory Certificates of Competency for Victoria, Western Australia and New South Wales, is a Chartered Professional Engineer, and is a Member of AusIMM.

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

3 Details and effect of the Entitlement Offer

3.1 Overview

The Entitlement Offer is a non-renounceable offer of 177,777,778 New Converting Shares at \$0.45 per New Converting Share to raise approximately \$80 million (before direct offer costs including fees paid to advisers and to providers of specific services to cover share registry, printing and postage costs).

The proceeds of the Entitlement Offer are being used for the Acquisition, as summarised in section 2.2 of this Prospectus. Funds will also be applied for general corporate matters and working capital, including the costs of the Entitlement Offer, as set out in the below table.

Use of proceeds	Amount raised
Funds to complete the Acquisition	\$56.43 million
Transaction costs (including stamp duty and adviser fees)	\$2.77 million [#]
Repayment of existing Shareholder loans	\$5.0 million
Working capital	\$15.8 million
Total funds raised	\$80 million

[#] Includes stamp duty on the Acquisition and the fee payable to Ironstone Capital Partners Pty Ltd (see section 9.8 for further details).

Eligible Retail Shareholders who are on Malabar's share register on the Record Date are entitled to acquire 80 New Converting Shares for every 81 Existing Ordinary Shares held on the Record Date (**Entitlement**).

Fractional Entitlements will be rounded up to the nearest whole number of New Converting Shares.

An Entitlement and Acceptance Form setting out your Entitlement accompanies this Prospectus. Eligible Retail Shareholders may subscribe for all or part of their Entitlement.

Eligible Retail Shareholders who do not take up all of their Entitlements will have their percentage shareholding in Malabar diluted.

Eligible Retail Shareholders should be aware that an investment in Malabar involves risks. The key risks identified by Malabar are set out in section 6 of this Prospectus.

3.2 Summary of terms of Converting Shares

A summary of the terms of the New Converting Shares being issued under the Entitlement Offer, known as 'Converting Shares', is set out below:

- (a) unless redeemed or cancelled in accordance with their terms, each Converting Share automatically converts to one Ordinary Share on the occurrence of the earlier of the following:
 - (i) 28 February 2019;

- (ii) if holders of 75% or more of the Converting Shares on issue elect early conversion;
- (iii) upon particular types of liquidity events occurring in respect of Malabar (including an offer for its Shares accepted by Shareholders with no less than 50% of the Ordinary Shares on issue, a sale of Malabar's main undertaking which is or becomes unconditional, and any other analogous event); and
- (iv) if an event of default (including involuntary or voluntary winding up, receivership, insolvency, or compromise or arrangement) occurs in respect of Malabar and is not rectified within 20 Business Days,

unless the Directors have already convened a general meeting prior to such event occurring in order to obtain approval in respect of a selective capital reduction for the Converting Shares, in which case the conversion will not occur (and the selective capital reduction will instead proceed);

- (b) Malabar may undertake a selective capital reduction in respect of the Converting Shares in accordance with the Corporations Act, such that the Converting Shares are cancelled and the relevant share capital returned to the relevant Shareholders;
- (c) Malabar may redeem any or all of the Converting Shares at any time prior to their automatic conversion to Ordinary Shares by paying the holder \$0.495 per Converting Share (which redemption rate represents a 10% premium on the issue price of the Converting Share);
- (d) the rights and obligations attaching to a Converting Share may not be varied or cancelled unless:
 - (i) a special resolution is passed in favour of the variation or cancellation at a meeting of the holders of the Converting Shares; or
 - (ii) with the written consent of holders who are entitled to at least 75% of the votes that may be cast in respect of Converting Shares;
- (e) a holder of Converting Shares is entitled to vote and speak at any general meeting of Malabar on any resolution upon which the holders of Ordinary Shares are entitled to vote (other than a resolution required to be voted on only by the holders of Ordinary Shares as a separate class);
- (f) a holder who is entitled to vote has the right to demand a poll and is entitled to one vote on a show of hands and one vote on a poll for each Converting Share held;
- (g) each Converting Share conveys on its holder the right to:
 - (i) receive notice of any general meeting of Malabar together with a copy of any reports and audited financial statements of Malabar to be considered by the meeting;
 - (ii) attend any general meeting of Malabar; and
 - (iii) request and receive a copy of any document which is posted to all holders of Ordinary Shares,

as if such holder was a holder of Ordinary Shares;

- (h) each Converting Share will confer upon its holder the right to receive any dividends which may be declared by Malabar as if such holder were a holder of Ordinary Shares;
- (i) subject to Malabar's constitution, the Converting Shares may be transferred by an instrument of transfer in such form as Malabar may approve; and
- (j) if there is an alteration of the capital structure of Malabar (for example, as a result of the sub-division or consolidation of capital, or a bonus issue), the Converting Shares will be treated in a consistent and appropriate manner.

Subject to the above terms, Converting Shares otherwise rank equally with Ordinary Shares in all respects.

The Directors have elected to issue Converting Shares instead of Ordinary Shares to facilitate a potential return of capital to Malabar shareholders in the event that the Directors introduce a strategic investor in Malabar in the short to medium term. In these circumstances, Malabar will have the option to invite the strategic investor to acquire an interest in Malabar's assets and return excess equity capital to Malabar shareholders by redeeming some of the Converting Shares. In the event that this occurs, the Directors intend to redeem the Converting Shares having regard to how much is raised from the strategic investor (and return the applicable proceeds accordingly).

As announced by Malabar on 11 May 2017, following Malabar's de-listing from ASX Malabar obtained approval from ASIC to operate an LVF Market in respect of the Ordinary Shares. Given that the New Converting Shares will convert to Ordinary Shares on or about 28 February 2019, the Board has determined not to seek approval from ASIC for the inclusion of the New Converting Shares on Malabar's LVF Market. As such, the New Converting Shares will not be tradeable on Malabar's LVF Market. However, Converting Shares are otherwise transferrable in accordance with their terms of issue.

3.3 Issue of additional New Converting Shares under the Oversubscription Facility

Any New Converting Shares not taken up by the Closing Date may be made available to those Eligible Retail Shareholders who took up their full Entitlement and applied for additional New Converting Shares under the Oversubscription Facility.

There is no guarantee that those Shareholders will receive the number of New Converting Shares applied for under the Oversubscription Facility, or any. The number of New Converting Shares available under the Oversubscription Facility will not exceed the shortfall from the Retail Entitlement Offer.

The Directors propose that New Converting Shares available under the Oversubscription Facility be allocated, allotted and issued in a manner determined by the Directors at their discretion (provided that no Eligible Retail Shareholder may be issued a number of additional New Converting Shares which would cause the Eligible Retail Shareholder's voting power in Malabar to exceed 20%).

Malabar may allocate all, or a lesser number, of New Converting Shares for which an application has been made under the Oversubscription Facility. If applications are scaled back, there may be a different application of the scale-back policy to each Applicant.

3.4 Underwriting

The Retail Entitlement Offer is fully underwritten by the Underwriters.

The table below shows the impact of the Entitlement Offer on the voting power in Malabar of each Underwriter. The table assumes that:

- (a) no Eligible Retail Shareholders take up their Entitlements; and
- (b) no Eligible Retail Shareholders apply for New Converting Shares under the Oversubscription Facility.

Underwriter	Ordinary Shares before Offer	Shareholding before Offer (%)	Entitlement to New Converting Shares	Entitlements taken up	Underwritten New Converting Shares	Underwriting proportion (%)	Shares after Offer	Shareholding after Offer (%)
Brisbane Investments I Ltd	27,775,085 Ordinary Shares	15.43%	27,432,183 New Converting Shares	27,432,183 New Converting Shares	8,779,550 New Converting Shares	25.00%	63,986,818 Shares	17.88%
Brisbane Investments II Ltd	27,775,085 Ordinary Shares	15.43%	27,432,183 New Converting Shares	27,432,183 New Converting Shares	8,779,550 New Converting Shares	25.00%	63,986,818 Shares	17.88%
HFTT Pty Ltd as trustee for the Haggarty Family Trust	21,124,927 Ordinary Shares	11.74%	20,864,126 New Converting Shares	20,864,126 New Converting Shares	6,665,435 New Converting Shares	18.98%	48,654,488 Shares	13.60%
Ranamok Pty Ltd as trustee for the Plummer Family Trust	4,097,692 Ordinary Shares	2.28%	4,047,104 New Converting Shares	4,047,104 New Converting Shares	4,445,964 New Converting Shares	12.66%	12,590,760 Shares	3.52%
Wayne Seabrook	7,146,676 Ordinary Shares	3.97%	7,058,446 New Converting Shares	5,893,928 New Converting Shares	3,778,718 New Converting Shares	10.76%	11,957,891 Shares [#]	3.34% [#]
Mast Capital Pty Ltd	7,252,466 Ordinary Shares	4.03%	7,162,930 New Converting Shares	6,400,549 New Converting Shares	446,001 New Converting Shares	1.27%	9,237,585 Shares [#]	2.58% [#]
Dalara Investments Pty. Limited as trustee for the AJ & LM Davies Family Trust	5,230,602 Ordinary Shares	2.91%	5,166,027 New Converting Shares	5,166,027 New Converting Shares	2,222,982 New Converting Shares	6.33%	22,342,473 Shares [#]	6.24% [#]
Total	100,402,533 Ordinary Shares	55.78%	99,162,999 New Converting Shares	97,236,100 New Converting Shares	35,118,201 New Converting Shares	100.00%	232,756,834 Shares	65.06%

[#] These figures reflect the position following the transfer of New Converting Shares from each of Mr Wayne Seabrook and Mast Capital Pty Ltd to Dalara Investments Pty. Limited as trustee for the AJ & LM Davies Family Trust (see section 9.8 for further details).

On the basis of the analysis in the table set out above, the Entitlement Offer is not expected to have any effect on control of Malabar.

Further details of the Underwriting Agreement are set out in section 7.5.

3.5 Eligible Retail Shareholders

This Prospectus is only being sent to Eligible Retail Shareholders. Eligible Retail Shareholders are those holders of Shares who:

- (a) are registered as holders of Shares on the Record Date;
- (b) have registered addresses in Australia or New Zealand;
- (c) are not in the United States or otherwise acting for the account or benefit of a person in the United States;
- (d) are not Eligible Institutional Shareholders who were invited to participate in the Institutional Entitlement Offer;
- (e) are not Ineligible Institutional Shareholders; and
- (f) are otherwise Shareholders that Malabar has otherwise determined are eligible to participate.

This Prospectus does not constitute an offer to issue the New Converting Shares in any place in which, or to any person to whom, it would not be lawful to make that offer.

Malabar is of the view that it is unreasonable to make an offer to issue the New Converting Shares to Ineligible Retail Shareholders having regard to:

- (g) the number of Ineligible Retail Shareholders to whom offers to issue the New Converting Shares would otherwise be made;
- (h) the number and value of the New Converting Shares that would otherwise be offered for issue to Ineligible Retail Shareholders; and
- (i) the cost of complying with the laws, and any requirements of any regulatory authority, of the places where the New Converting Shares would otherwise be offered for issue.

3.6 Ineligible Retail Shareholders

The Retail Entitlement Offer does not, and is not intended to, constitute an offer to Shareholders with a registered address outside of Australia or New Zealand, unless Malabar has determined that other Shareholders are otherwise eligible to participate (in which case Malabar will notify those Shareholders).

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction or to any person to whom it would not be lawful to make such an offer or to issue this Prospectus.

3.7 Non-renounceable

The rights to the New Converting Shares are non-renounceable. Therefore, you cannot transfer or otherwise dispose of your Entitlements.

3.8 Ranking of New Converting Shares

The New Converting Shares issued under the Entitlement Offer will be fully paid and, subject to the matters set out in section 3.2, will rank equally with Existing Ordinary Shares.

3.9 Capital structure

Subject to the rounding up of fractional Entitlements and depending on the number of Malabar options (if any) that are exercised before the Record Date, the capital structure of Malabar following the issue of New Converting Shares is expected to be as follows:

Existing Ordinary Shares on issue (at the date of lodgement of this Prospectus with ASIC)	180,000,000
New Converting Shares to be issued under the Entitlement Offer	177,777,778
Total number of Shares on issue after the Entitlement Offer	357,777,778

The above figures assume that no Existing Options will be exercised prior to the Record Date. There are 950,000 Existing Options, as set out in section 9.3 of this Prospectus.

3.10 Financial position

The effect of the Entitlement Offer on the financial position of Malabar is set out in section 5.

3.11 Taxation considerations

The taxation consequences of an investment in Malabar depend upon your particular circumstances. You should make your own enquiries about the taxation consequences of an investment in Malabar. If you are in doubt about the course you should follow, you should consult your accountant, stockbroker, lawyer or other professional adviser.

3.12 Foreign selling restrictions

No action has been taken to register or qualify the New Converting Shares or the Entitlement Offer in any jurisdiction outside Australia and New Zealand, or otherwise to permit a public offering of the New Converting Shares outside Australia and New Zealand.

The Prospectus does not constitute an offer or invitation in any jurisdiction where, or to any person to whom, the offer or invitation would be unlawful. The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of those restrictions. Any failure to comply with the restrictions may constitute a violation of applicable securities laws.

Each Applicant warrants and represents that they:

- (a) are an Australian or New Zealand citizen or resident in Australia or New Zealand;
- (b) are located in Australia or New Zealand at the time of the application and is not acting for the account or benefit of any person in the United States or any other foreign person; and
- (c) will not offer or sell the New Converting Shares in the United States or in any other jurisdiction outside Australia or New Zealand, or to a United States person, except in transactions exempt from registration under the *US Securities Act 1933* as amended, and in compliance with all applicable laws in the jurisdiction in which the New Converting Shares are offered and sold.

3.13 Withdrawal

Malabar reserves the right to withdraw all or part of the Retail Entitlement Offer, at any time before the allotment of New Converting Shares. If the Retail Entitlement Offer does not proceed, the Application Money is refunded. No interest is paid on any Application Money refunded because of the withdrawal of the Retail Entitlement Offer.

3.14 Enquiries

If you have questions about the Retail Entitlement Offer, please contact Malabar on +61 2 8248 1272 at any time from 8:30am to 5:00pm (Sydney time) Monday to Friday until the Closing Date.

4 How to apply

4.1 Shareholder's choices

The number of New Converting Shares to which Eligible Retail Shareholders are entitled under the Retail Entitlement Offer (i.e. their Entitlement) is shown on the attached Entitlement and Acceptance Form.

Eligible Retail Shareholders may:

- (a) take up their Entitlement in full and, if they do so, they may apply for additional New Converting Shares under the Oversubscription Facility (refer to section 4.2);
- (b) take up part of their Entitlement, in which case the balance of their Entitlement lapses (refer to section 4.3); or
- (c) allow their Entitlement to lapse (refer to section 4.4).

Ineligible Retail Shareholders may not take up any of their Entitlements.

Malabar may reject any Entitlement and Acceptance Form that is not correctly completed or that is received after the Closing Date.

The Closing Date for acceptance of the Retail Entitlement Offer is **5.00pm (Sydney time) on Thursday, 12 April 2018** (however, that date may be varied by Malabar, in accordance with the Underwriting Agreement).

4.2 Taking up all of your Entitlement and participating in the Oversubscription Facility

If you wish to take up your Entitlement in full, follow the instructions set out in the Entitlement and Acceptance Form.

If you have applied to take up all of your Entitlement, you may also apply for additional New Converting Shares under the Oversubscription Facility.

Please return your completed Entitlement and Acceptance Form together with a cheque for your Application Money in accordance with section 4.6 for the amount shown on the Entitlement and Acceptance Form to the share registry so that it is received no later than **5.00pm (Sydney time) on Thursday, 12 April 2018** at the address set out below:

Mailing address

Malabar Coal Limited
C/- Link Market Services Limited
GPO Box 3560
SYDNEY NSW 2001

Hand delivery

Malabar Coal Limited
C/- Link Market Services Limited
1A Homebush Bay Drive
RHODES NSW 2138

(Please do not use this address for mailing purposes)

Alternatively, you may take up all of your Entitlement by payment of the Application Money through BPAY in accordance with the instructions on the Entitlement and Acceptance Form. If payment is being made through BPAY, you do not need to return the Entitlement and Acceptance Form. Your payment must be received by no later than **5.00pm (Sydney time) on Thursday, 12 April 2018**.

If you pay through BPAY and do not return the Entitlement and Acceptance Form, amounts received by Malabar in excess of the Offer Price multiplied by your Entitlement (**Excess Amount**) may be treated as an application to apply for as many additional New Converting Shares under the Oversubscription Facility as your Excess Amount will pay for in full.

If you apply for additional New Converting Shares under the Oversubscription Facility and your application is successful (in whole or in part) your New Converting Shares will be issued at the same time that other New Converting Shares are issued under the Retail Entitlement Offer. There is no guarantee you will receive any New Converting Shares under the Oversubscription Facility. The Directors may allot and issue New Converting Shares under the Oversubscription Facility at their discretion.

Refund amounts, if any, will be paid in Australian dollars. You will be paid either by cheque sent by ordinary post to your address as recorded on the share register (the registered address of the first-named in the case of joint holders), or by direct credit to the nominated bank account as noted on the share register as at the Closing Date. If you wish to advise or change your banking instructions with the share registry you may do so by going to www.linkmarketservices.com.au and following the instructions.

4.3 Taking up part of your Entitlement and allowing the balance to lapse

If you wish to take up part of your Entitlement, complete the Entitlement and Acceptance Form for the number of New Converting Shares you wish to take up and follow the other steps required under section 4.2.

Alternatively, you may arrange for payment through BPAY in accordance with the instructions on the Entitlement and Acceptance Form. If you pay through BPAY and Malabar receives an amount that is less than the Offer Price multiplied by your Entitlement (**Reduced Amount**), your payment may be treated as an application for as many New Converting Shares as your Reduced Amount will pay for in full.

4.4 Allow your Entitlement to lapse

If you do not wish to accept all or any part of your Entitlement, do not take any further action and that part of your Entitlement will lapse.

4.5 Consequences of not accepting your Entitlement

If you do not accept all or part of your Entitlement in accordance with the instructions set out above, any New Converting Shares that you would have otherwise been entitled to under the Retail Entitlement Offer may be acquired by the Underwriters, or sub-underwriters, or by other Eligible Retail Shareholders under the Oversubscription Facility.

No party is anticipated to acquire a relevant interest in voting Shares exceeding 20% as result of the Entitlement Offer or any Entitlement Offer shortfall.

4.6 Payment

The consideration for the New Converting Shares (including under the Oversubscription Facility) is payable in full on application by a payment of \$0.45 per New Converting Share. The Entitlement and Acceptance Form must be accompanied by a cheque for the Application Money. Cheques must be drawn in Australian currency on an Australian bank and made payable to '**Malabar Coal Limited – Entitlement Offer**' and crossed 'Not Negotiable'.

Alternatively, you may arrange for payment of the Application Money through BPAY in accordance with the instructions on the Entitlement and Acceptance Form.

Eligible Retail Shareholders must not send cash by mail. Receipts for payment will not be issued.

4.7 Entitlement and Acceptance Form is binding

A completed and lodged Entitlement and Acceptance Form, or a payment made through BPAY, constitutes a binding offer to acquire New Converting Shares on the terms of this Prospectus and cannot be withdrawn.

If the Entitlement and Acceptance Form is not completed correctly it may still be treated as a valid application for New Converting Shares. The Directors' (or their delegates') decision whether to treat an acceptance as valid and how to construe, amend or complete the Entitlement and Acceptance Form is final.

By completing and returning your personalised Entitlement and Acceptance Form with the requisite Application Money or making a payment by BPAY, you will also be taken to have acknowledged, represented and warranted on behalf of each person on whose account you are acting that you:

- (a) are an Eligible Retail Shareholder and are not otherwise a person to whom it would be illegal to make an offer or issue New Converting Shares under the Retail Entitlement Offer; and
- (b) acknowledge that the New Converting Shares have not been, and will not be, registered under the US *Securities Act of 1933* or under the laws of any other jurisdiction outside Australia or New Zealand.

4.8 Validity of Entitlement and Acceptance Forms

An Entitlement and Acceptance Form may only be distributed with, attached to or accompany a complete and unaltered copy of this Prospectus.

By completing and lodging an Entitlement and Acceptance Form received with this Prospectus, the Applicant represents and warrants that the Applicant has personally received a complete and unaltered copy of this Prospectus before completing the Entitlement and Acceptance Form.

Malabar does not accept a completed Entitlement and Acceptance Form if it has reason to believe the Applicant has not received a complete copy of the Prospectus or it has reason to believe that the Entitlement and Acceptance Form has been altered in any way.

4.9 Brokerage and stamp duty

No brokerage or handling fee is payable by Eligible Retail Shareholders who accept their Entitlement. No stamp duty is payable for subscribing for New Converting Shares under the Entitlement Offer.

4.10 Notice to nominees and custodians

Nominees and custodians may not distribute any part of this Prospectus or any Entitlement and Acceptance Form in any country outside Australia or New Zealand.

4.11 Information Availability

Eligible Retail Shareholders can obtain a copy of this Prospectus from Malabar's website at www.malabarcoal.com.au or by calling Malabar on +61 2 8248 1272 at any time from 8:30am to 5:00pm (Sydney time) Monday to Friday until the Closing Date.

Shareholders who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus. The electronic version of this Prospectus will not include an Entitlement and Acceptance Form. A replacement Entitlement and Acceptance Form can be requested by calling Malabar.

5 Financial information

5.1 Historical financial information included by reference

The most recent audited financial statements of Malabar were for the period ended 30 June 2017. These financial statements were contained in the 2017 financial report authorised by the Directors and lodged with ASIC on 28 September 2017 (**Annual Report**). As set out in section 8.1, the Annual Report is included in this Prospectus by reference.

The Annual Report is available free of charge from Malabar upon request before the Closing Date. Section 8.2 provides details of the information contained in these documents and their relevance to potential investors or their advisors.

5.2 Pro forma consolidated balance sheet as at 31 December 2017

This section contains a pro-forma historical statement of the financial position as at 31 December 2017 (**Pro Forma Historical Financial Information**). The Financial Information has been prepared to illustrate the effect of the Acquisition and the Entitlement Offer.

	31 December 2017	Pro forma – Acquisition	Restated
	\$	\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	1,402,635	33,920,650	35,363,222
Trade and other receivables	267,097	-	267,097
Other assets	-	-	-
TOTAL CURRENT ASSETS	1,669,732	33,920,650	35,630,319
NON-CURRENT ASSETS			
Exploration and evaluation	33,612,124	-	33,612,124
Intangible assets	2,965,600	-	2,965,600
Property, plant and equipment	10,509,553	24,978,097	35,487,650 ⁽¹⁾
Other assets	1,361,074	55,295,761	56,656,835
TOTAL NON-CURRENT ASSETS	48,448,351	80,273,858	128,722,209
TOTAL ASSETS	50,118,083	114,234,445	164,352,528
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	547,348	-	547,348
Borrowings	11,118,589	(11,118,589)	- ⁽²⁾
Provisions	-	2,477,167	2,477,167 ⁽³⁾
TOTAL CURRENT LIABILITIES	11,665,937	(8,641,422)	3,024,515
NON-CURRENT LIABILITIES			
Liability for deferred consideration	9,619,000	-	9,619,000

	31 December 2017	Pro forma – Acquisition	Restated	
Borrowings	-	7,140,000	7,140,000	(2)
Provisions	-	34,930,133	34,930,133	(3)
TOTAL NON-CURRENT LIABILITIES	9,619,000	42,070,133	51,689,133	
TOTAL LIABILITIES	21,284,937	33,428,711	54,713,648	
NET ASSETS	28,833,146	80,805,734	109,638,880	
EQUITY				
Ordinary Shares	62,185,206	945,000 (4)	63,130,206	
New Converting Shares	-	79,860,734	79,860,734	(5)
Reserves	7,931,453	-	7,931,453	
Retained earnings	-	-	-	
Current profit/(loss)	(41,283,513)	-	(41,283,513)	
TOTAL EQUITY	28,833,146	80,805,734	109,638,880	

(1) Property, plant and equipment value represents that land, infrastructure and plant acquired by Malabar from the Vendors.

(2) Shareholder loans of \$4.9 million are to be repaid from proceedings of the Entitlement Offer. NAB has also increased Spur Hill Agricultural Pty Ltd's bill facility from \$6.2 million to \$7.14 million for a two year term. Spur Hill Agricultural Pty Ltd is a wholly owned subsidiary of Malabar.

(3) Provisions for rehabilitation and royalties.

(4) Ordinary Shares to be issued to Ironstone Capital Partners Pty Ltd for the advisory fees associated with the Acquisition. The remainder of this fee is to be paid in cash. Refer to section 9.8 for further details.

(5) Net proceeds after the Entitlement Offer, less associated costs.

5.3 Basis of preparation of Pro Forma Historical Financial Information

The stated basis of preparation for the Pro Forma Historical Financial Information is in a manner consistent with the recognition and measurement principles of the Australian Accounting Standards applied to the Historical Financial Information. The events or transactions to which the pro forma adjustments relate, as described in this section of the Prospectus, as if those events or transactions had occurred as at 31 December 2017.

5.4 Pro forma adjustments to consolidated balance sheet

The Pro Forma Historical Financial Information has been derived from the Historical Financial Information and has been prepared on the basis that the following significant transactions occurred as at 31 December 2017.

The Entitlement Offer:

- (a) the issue of 177,777,778 New Converting Shares under the Entitlement Offer, expected to raise gross proceeds of approximately \$80 million less estimated transaction costs of \$2.77 million (including stamp duty and adviser fees). Of these fees, an amount of \$139,266 has been offset against the New Converting Shares, an amount of \$945,000 has been settled via the issuance of Ordinary Shares, and the remainder has been capitalised in the asset value acquired; and
- (b) the Acquisition.

Due to the nature of the pro forma adjustments, they do not represent the actual or prospective financial position of Malabar.

6 Risk factors

6.1 Factors influencing success and risk

This section identifies the major risks the Board believes are associated with an investment in Malabar.

The Malabar business is subject to risk factors, both specific to its business activities, and risks of a general nature. Individually, or in combination, these might affect the future operating performance of Malabar and the value of an investment in Malabar. There can be no guarantee that Malabar will achieve its stated objectives or that any forward looking statements will eventuate. An investment in Malabar should be considered in light of relevant risks, both general and specific. Each of the risks set out below could, if it eventuates, have a material adverse impact on Malabar's operating performance and profits, and the market price of the Shares.

Before deciding to invest in Malabar, potential investors should:

- (a) read the entire Prospectus;
- (b) consider the assumptions underlying the risk factors that could affect the financial performance of Malabar;
- (c) review these factors in light of their personal circumstances; and
- (d) seek professional advice from their accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest.

6.2 Specific investment risks

Exploration, evaluation and development risk

Exploration, evaluation and development of natural resources, including coal, are high risk endeavours, the success of which depends on the discovery and delineation of a significant mineral resource.

There can be no assurance that Malabar's exploration activities will result in the upgrade of all Malabar's inferred resources to indicated resources or indicated resources to measured resources. Even if that occurs, there are a number of factors that influence the successful development of coal deposits into economically viable mining operations. Therefore, even if a significant coal resource is identified, there can be no guarantee that Malabar will be able to produce and transport those resources to commercially viable markets or sell the resources to customers to achieve a commercial return, such that the resource can be economically exploited.

Resource and Reserves estimations risk

Estimating the quantity and quality of Mineral Resources is an inherently uncertain process and the Mineral Resources stated in this Prospectus and any Mineral Resources or Reserves that Malabar states in the future are, and will be, estimates and may not prove to be an accurate indication of the quantity and/or quality of coal that Malabar has identified or that it will be able to extract.

Mineral Resource estimates (including the Indicated and Inferred Mineral Resource estimates contained in this Prospectus) are expressions of judgment based on knowledge, experience, industry practice and resource modelling. As such, estimates are inherently imprecise, rely to some extent on interpretations and assumptions, and depend upon many factors including

interpretations and geological assumptions, the application of sampling techniques, estimates of coal prices, cost assumptions, and statistical inferences which may ultimately prove to have been unreliable. Despite employing qualified professionals to prepare resource estimates, such estimates may nevertheless prove to be inaccurate. There are also risks that any coal ultimately mined may be of a different or inferior grade, quality, or volume from the Mineral Resources estimates.

The inclusion of a Mineral Resources estimate in this Prospectus should not be regarded as a representation that these amounts can be economically exploited and investors are cautioned not to place undue reliance on Mineral Resources estimates, particularly Inferred Mineral Resources estimates, which are highly uncertain. As a result, Mineral Resources estimates are regularly revised based on actual production experience or new data and are therefore expected to change over time as new information becomes available. If Malabar encounters mineralisation or formations which are not consistent with those predicted by past drilling, sampling and similar examinations, Malabar's coal Mineral Resources estimates may have to be adjusted. Moreover, a decline in the price of coal, stabilisation at a price lower than recent levels, increases in production costs in the future, decreases in recovery rates or changes in applicable laws and regulations, including environmental, permitting, title or tax regulations, that are adverse to Malabar, may mean the volumes of coal that Malabar can reasonably extract may be significantly lower than the Mineral Resources estimates presented in this Prospectus.

Coal industry specific risk

Coal quality is known to vary. As such, there is a risk that any coal identified by Malabar may not be of sufficient quality to develop commercial mining operations, which could have an adverse impact on Malabar. Actual coal qualities produced during the life of the mine may vary from those expected currently, which are based on resource drilling to date. Final product types are not known with certainty, and variables include ash levels, coal washability, coking characteristics, and market demand for various product types. Changes to conditions in coal markets, coal prices and other macroeconomic factors including foreign exchange rates could have an adverse impact on the commercial viability of exploiting coal Reserves. There is also a high risk associated with the development and commercialisation of coal resources, and at completion of construction of any projects the market price of the coal could be less than the cost of production. Malabar may be forced to defer or suspend some or all of its planned exploration and/or mining activities.

Licences and approvals risk

Malabar's exploration, development and appraisal activities are also dependent upon the retention of appropriate licences, permits, and approvals, often from various governmental agencies and regulatory bodies, which may not be granted, be withdrawn or delayed, or be made subject to limitations or material changes by the relevant granting authority, including dilution of Malabar's interest in, or even loss of, the relevant licence or consent. Obtaining necessary regulatory and environmental approvals may be delayed or more expensive than expected. Further, Malabar may be wholly unable to obtain and renew permits and licences necessary for its exploration, development or mining of specific coal deposits.

In particular, Malabar has lodged two MLAs for the underground mining area at the Spur Hill Project. The first application is over land which Malabar believes to be exclusive land and therefore does not require a native title process to proceed to grant. The second application is over crown land and Malabar must proceed through the 'right to negotiate process' under the *Native Title Act 1993* (Cth) in order to proceed to grant. There is no guarantee that either mining lease will be granted. The Directors are not aware of any issues that would compromise the likelihood of the mining lease being granted, nor have they received any notification of a failure to comply with any of the MLA criteria. However, the grant of the mining leases must be accompanied by various other permits and approvals in order for Malabar to proceed with its

planned operations. Malabar has still to complete and lodge its EIS and DA for the Spur Hill Project. Malabar is assessing optimisation opportunities in relation to the mine plan and infrastructure requirements which may necessitate changes to the EIS. The Federal Department of the Environment has also determined that the Spur Hill Project is a controlled action for the purposes of the *Environment Protection and Biodiversity Conservation Act 1999* (Cth), as set out in section 2.3 above. Therefore, the Federal Environment Minister can override a decision made by the New South Wales government in relation to the EIS. The New South Wales government may also place conditions on the grant of an environmental approval, which may affect the viability of the Spur Hill Project. As a result, the relevant approvals may be delayed or not approved.

Regulatory risk

Extensive government regulations impose significant costs on Malabar's mining operations, and future additional regulations could increase those costs or limit Malabar's ability to produce and sell coal. The Australian coal industry is subject to strict regulation by Australian law with respect to such matters as limitations on land use, employee health and safety, mine permitting and licensing requirements, reclamation and restoration of mining properties, air quality standards, water pollution, protection of human health, plant life and wildlife, discharge of materials into the environment, surface subsidence from underground mining and the effects of mining on groundwater quality and availability. In particular, there is also a risk that the government may cancel Malabar's tenements or severely restrict them with burdensome conditions. Renewal of the term of a granted tenement is also subject to the government's discretion, and renewal conditions may include necessitate increased expenditure, amongst other things. The imposition of new conditions (and potentially the inability to meet those conditions) may adversely affect Malabar's operations, performance, and overall financial position.

Australian health and safety regulation in the coal mining industry is a comprehensive and pervasive system designed for protection of employee safety and health. Complying with existing or new regulations may delay commencement or continuation of exploration or production operations or adversely affect Malabar's mining operations or cost structure, any of which could harm its future results.

Malabar may incur costs and liabilities resulting from claims by employees for work-related injuries, and Malabar must make adequate provision for its workers' compensation liabilities.

Change of law risk

Government regulations and policies may adversely affect the financial performance and/or the current and proposed operations of Malabar. New legislation and/or new regulations may be adopted that adversely affect Malabar's current and proposed mining operations, cost structure and/or the ability of its customers to use coal.

New legislation or administrative regulations (or new judicial interpretations or administrative enforcement of existing laws and regulations), including proposals related to the protection of the environment that further regulate and tax the Australia coal industry, may also require Malabar or its customers to change operations significantly or incur increased costs.

In particular, as part of the Acquisition, Malabar has replaced the financial assurances in respect of the Drayton Mine. In May 2017, the State's audit office recommended that the State government review current rehabilitation standards. The State has subsequently released a new rehabilitation cost calculation tool. If the State is to increase the financial assurances required to be given, Malabar will be obliged to provide the replacement in respect of which it may not have the funding.

Further, if Malabar was to decide on a strategy that involves continuation of mining operations in respect of the Drayton Mine and the Maxwell Project, as set out in section 2.2 of this Prospectus, there is a risk that this will trigger a complete reassessment of the applicable bonding methodology by the State. Malabar may therefore be required to provide further financial assurances (in addition to what they have already provided under the terms of the Acquisition), and may need to raise additional capital in order to meet these financial assurance obligations.

Construction and operational costs risk

The capital expenditure required to develop the Spur Hill Project and the Maxwell Project may differ from the current expectations of Malabar. In addition, actual operational costs may differ from current estimates. Increases in capital or operating expenditure will adversely affect the profitability of the Spur Hill Project and/or the Maxwell Project.

Operational risk

The Spur Hill Project and the Maxwell Project are exposed to material operating risks including potential risk of sub-standard coal quality specifications, outbursts or spontaneous combustion from gas within the coal seam, mining and processing technical difficulties encountered in commissioning and operating plant and equipment, mechanical failure, adverse weather conditions, industrial and environmental accidents, industrial disputes, and unexpected shortages or increases in the costs of consumables, spare parts, plant or equipment.

These risks and hazards may result in delays and other business interruptions, increased costs, personal injury, damage to or destruction of properties or production facilities, environmental damage, possible legal liability, damage to Malabar's business reputation and corporate image, and, in severe cases, fatalities.

Infrastructure access risk

A number of factors could potentially disrupt the services used to transport the coal produced from Malabar's mining operations, including any failure of the rail or port infrastructure providers to provide capacity in order to meet future export requirements, key equipment and infrastructure failures, weather-related problems, and industrial action, thereby impairing Malabar's ability to supply coal to customers.

Commodity price risk

Commodity prices fluctuate and are affected by a number of factors beyond Malabar's control, including world demand and consumption for coal, forward selling by producers, speculation by financial investors, production costs in major coal-producing regions, changes in global coal mining capacity and output, and macro-economic factors such as expectations regarding inflation, interest rates, and global and regional demand for, and supply of, coal as well as general global economic conditions. These factors may have an adverse effect on Malabar's exploration, development and production activities, as well as on its ability to fund those activities.

Labour risk

There is a risk that Malabar may be unable to attract the skilled labour force necessary for underground coal projects of the nature of the Spur Hill Project and the Maxwell Project, and this may adversely impact Malabar's financial performance.

Infrastructure risk

There is no guarantee that suitable and affordable rail and port capacity will be available to commercially export coal.

Joint venture risk

Under the restructured joint venture agreement, the previous beneficial owners of the Spur Hill Unit Trust (i.e. the joint venture partner) will retain certain rights in the joint venture as if they held a 20% interest in the joint venture until their option to acquire a participating interest in the joint venture is terminated. As such, the Spur Hill Project joint venture will remain operational and subject to various counterparty risks including failure by Malabar, or Malabar's Spur Hill Project joint venture partner, to act in the best interests of the joint venture which may or may not give the counterparties contractual remedies and even if such remedies are available, they may be costly and time consuming to pursue. Given that Malabar's effective voting interest in the joint venture is 80% under the restructured joint venture agreement, this counterparty risk has been mitigated to a certain extent as compared to the circumstances which existed prior to the restructure of the joint venture agreement.

Future financing risk

Malabar may be required to raise additional equity or debt capital in the future. There can be no assurance that any future financing required by Malabar to support proposed development plans will be available on satisfactory terms or at all. If Malabar is unsuccessful in obtaining funds when they are required, Malabar may need to delay or scale down its operations. The inability to obtain funding could adversely affect Malabar and may also result in a default in tenement obligations and forfeiture of permits or licences if not remedied.

Mergers and acquisitions risk

Malabar's due diligence processes may not be successful and a merger or acquisition of the Drayton Mine and Project Maxwell may not perform to the level expected.

Key personnel risk

Malabar may be adversely affected if any of its Directors or management leaves Malabar. Malabar might not be able to replace them with persons of equivalent expertise and experience within a reasonable period of time or at all and Malabar may incur additional expenses to recruit, train and retain personnel. Additionally, any key personnel of Malabar who leave to work for a competitor may adversely impact Malabar.

In summary, Malabar's ability to attract and retain personnel will have a direct impact on its ability to deliver its project commitments. Additionally, increases in recruitment, wages and contractor costs may adversely impact upon the financial performance of Malabar.

Significant shareholder risk

Certain Directors and substantial holders of Malabar have agreed to fully underwrite the Retail Entitlement Offer. Five of the Underwriters are substantial holders of Malabar (being Brisbane Investments I Limited, Brisbane Investments II Limited, HFTT Pty Ltd as trustee for the Haggarty Family Trust, Ranamok Pty Ltd as trustee for the Plummer Family Trust, and Wayne Seabrook). An illustration of the potential effect of the underwriting on each Underwriter's respective voting power in Malabar based on certain assumptions is set out in section 3.4.

The concentration of the ownership among existing Shareholders means that applicants may have limited ability to influence the management, control, and operation of Malabar and the

ownership structure will likely limit control transactions to those sanctioned by those existing Shareholders.

Competition and substitution risk

Competition in the coal industry is based on many factors, including but not limited to price, production, capacity, coal quality and characteristics, transport capability, costs, and brand name. Malabar faces competition from other Australian and international producers of coal. Increases in production or a reduction in the price of competing coals from both Australia and overseas may adversely impact Malabar's ability to sell its coal products at prices desirable to Malabar. Increased competition in the future, including from new competitors, may emerge.

6.3 General investment risks

Environmental risk

The coal mining sector operates under Australian State and Federal environmental laws. Malabar's operations may use hazardous materials and produce hazardous waste which may have an adverse impact on the environment or cause exposure to hazardous materials. Despite efforts to conduct its activities in an environmentally responsible manner and in accordance with all applicable laws, there is a risk of an adverse environmental event occurring which could delay the Spur Hill Project and/or the Maxwell Project development timetables and may subject Malabar to substantial penalties including fines, damages, clean-up costs or other penalties.

In addition Malabar may be subject to the investigation and clean-up of contaminated soil, surface water, groundwater and other media. This may delay the Spur Hill Project and/or the Maxwell Project development timetables and may subject Malabar to substantial penalties.

Malabar is also subject to environmental protection legislation, which may affect Malabar's access to certain areas of its properties and could result in unforeseen expenses and areas of moratorium.

Dilution risk

The Entitlement Offer will result in the issue of new Shares. If you do not participate in the Retail Entitlement Offer or you do not take up your full Entitlement, your percentage holding in Malabar (held at the Record Date) will be diluted.

General economic risk

Malabar's operating and financial performance is influenced by a variety of general economic and business conditions, both domestic and international, including the level of inflation, interest rates and government fiscal, monetary and regulatory policies. Prolonged deterioration in general economic conditions, including an increase in interest rates, could be expected to have a corresponding adverse impact on Malabar's operating and financial performance.

Accounting risk

Australian accounting standards are set by the AASB and are outside the Directors' and Malabar's control. Changes to accounting standards issued by AASB could materially adversely affect the financial performance and position reported in Malabar's financial statements.

Tax risk

Changes to the rate of taxes imposed on Malabar (including in overseas jurisdictions in which Malabar operates now or in the future) or tax legislation generally may affect Malabar and its

Shareholders. In addition, an interpretation of Australian tax laws by the Australian Taxation Office that differs to Malabar's interpretation may lead to an increase in Malabar's tax liabilities and a reduction in Shareholder returns.

Personal tax liabilities are the responsibility of each individual investor. Malabar is not responsible either for tax or tax penalties incurred by investors, who should seek their own independent advice as appropriate.

Insurance risk

Although insurance is maintained by Malabar, no assurance can be given that adequate insurance will continue to be available to Malabar in the future on commercially acceptable terms.

In addition, Malabar may incur liabilities to third parties (in excess of any insurance cover or statutory reserves) arising from negative environmental impacts or other damages or injury. There is a risk of an occurrence of a significant event leading to losses that are not fully covered by insurance.

Litigation risk

There is a risk that Malabar may in future be the subject of or required to commence litigation. There is, however, no litigation, mediation, conciliation or administrative proceeding taking place, pending or threatened against Malabar.

7 Material agreements

7.1 Key documents

The Board considers that certain agreements relating to Malabar are significant to the Entitlement Offer, the operations of Malabar or may be relevant to investors. A description of material agreements or arrangements, together with a summary of the more important details of each of these agreements is set out below.

7.2 Acquisition Agreements

In May 2017 and September 2017, Malabar and two of its wholly owned subsidiaries (hereinafter, **Malabar**) entered into three sale agreements with the Vendors in relation to the Acquisition (**Acquisition Agreements**). Completion under the Acquisition Agreements occurred on Monday, 26 February 2018.

The Acquisition Agreements include various ongoing financial obligations on the relevant parties, including the following:

- (a) a post-completion working capital and net debt completion adjustment is to be made, on customary terms;
- (b) royalty obligations owed by Malabar to the Vendors, pursuant to which Malabar grants to the Vendors a royalty equal to \$0.50 for each tonne of 'Grantor Coal', which is defined with reference to a percentage (representing each Vendor's interest being acquired by Malabar) of the coal extracted from the areas covered by EL 5460 and EL 7429, on the first 50 million tonnes of coal produced from the Spur Hill Project and/or the Maxwell Project;
- (c) replacement of financial assurances (such as bank guarantees) of the Vendors by Malabar;
- (d) Malabar meeting all liabilities incurred on and from completion of the Acquisition Agreements in respect of the Business, including ongoing environmental obligations, and Malabar has agreed to indemnify the Vendors and their related bodies corporate in respect of liabilities they may incur or sustain in relation to environmental obligations;
- (e) Malabar executing the Port and Rail Capacity Deed; and
- (f) customary warranties and indemnities given by the Vendors in relation to the Drayton JV, the Drayton South JV, and the Business, with any liability of the Vendors limited in aggregate (except in relation to tax claims) to \$11,342,000.

7.3 Port and Rail Capacity Deed and guarantees

Until the expiry of the term of each of the Port Agreement and the Rail Agreement, the Vendors will provide (or fund the procuring and maintaining of) the port and rail guarantees required.

Malabar has entered into a port and rail capacity deed with the Vendors, Drayton Coal Sales and others to address excess port and rail capacity arrangements and financial rights and obligations in respect of the existing Port Agreement and Rail Agreement (**Port and Rail Capacity Deed**).

7.4 Guarantee Facility

Malabar has accepted an offer for the provision of a bank guarantee facility (**Guarantee Facility**) from NAB to provide security for Malabar's obligations. The Guarantee Facility is for a 12 month term, for an amount of up to approximately \$65.5 million.

The Guarantee Facility provides for representations, warranties and undertakings that are customary for a facility of this type.

7.5 Underwriting Agreement

The Underwriters have underwritten the full amount of the Retail Entitlement Offer on the terms set out in the Underwriting Agreement. Under the terms of the Underwriting Agreement:

- (a) it was a condition that those Eligible Institutional Shareholders who provided commitments in respect of the Institutional Entitlement Offer took up New Converting Shares in accordance with their commitments;
- (b) the Underwriting Agreement includes limited termination events, including if completion of the transactions contemplated in the Acquisition Agreements does not occur, or Malabar is unable to pay its debts as and when they fall due;
- (c) the Underwriters are entitled to appoint sub-underwriters as is customary with these types of arrangements; and
- (d) no underwriting fee is payable to the Underwriters in respect of their obligations under the Underwriting Agreement.

8 Information deemed to be incorporated in this Prospectus

8.1 Short form prospectus

This Prospectus is a short form prospectus issued in accordance with section 712 of the Corporations Act. This means that this Prospectus does not, in and of itself, contain all of the information which is generally required to satisfy the disclosure requirements under the Corporations Act. Rather, it incorporates all other necessary information by reference to documents which have already been lodged by Malabar with ASIC (**Incorporated Documents**).

The information incorporated by reference in the Incorporated Documents will primarily be of interest to investors and their professional advisors.

The Incorporated Documents in respect of this Prospectus include:

- (a) the Constitution;
- (b) the full terms of issue of the Converting Shares summarised in section 3.2; and
- (c) the Annual Report referred to in section 5.1.

Other than the full terms of issue of the Converting Shares, which are summarised in section 3.2, the information to be incorporated by reference into this Prospectus is summarised in section 8.2 below.

8.2 Summary of information deemed to be incorporated into this Prospectus

This section is provided to allow a person to whom an offer is made under the Retail Entitlement Offer to decide whether to obtain a copy of the Incorporated Documents.

The Incorporated Documents contain information that will assist investors and their professional advisors in making an informed assessment of, in particular, the assets and liabilities, finance position and performance, and profits and losses, of Malabar.

Constitution

Rule 3 (Alteration of capital) – This rule addresses Malabar’s ability to alter capital and buy-back Shares.

Rule 5 (Transfer of Shares) – This rule sets out the restrictions imposed on a transfer of Shares.

Rule 6 (Transmission of Shares) – This rule addresses the process for transmission of Shares on death or by operation of law.

Rule 7 (Calls on Shares) – This rule addresses Malabar’s ability to make calls on a Shareholder in respect of unpaid money on the Shareholder’s Shares.

Rule 8 (Lien on Shares) – This rule includes provisions in relation to Malabar’s exclusive first lien on every Share.

Rule 9 (Forfeiture and surrender of Shares) – This rule addresses the process by which Malabar may forfeit a Shareholder’s Shares.

Rule 10 (Sale of small holdings of Shares) – This rule sets out Malabar’s ability to sell Shares which are a ‘small holding’ for the purposes of the Constitution.

Rule 12 (General meetings) – This rule sets out the procedures in relation to the calling and holding of general meetings of Malabar.

Rule 20.1 (Power to pay dividends) – This rule provides the ability for the Directors to resolve to pay dividends to Shareholders.

Rule 25.2 (Where assets sufficient to repay paid up capital) – This rule provides for the distribution of excess assets amongst Shareholders in the event of a winding up of Malabar.

Annual Report

Pages 3 to 6, and 14 – This section provides an overview of Malabar’s principal activities and a review of its operations, including information on project approvals, mine design and infrastructure, environmental studies, and resource definition for the Spur Hill Project.

Pages 6 to 7 – This section provides a summary of events after the year ended 30 June 2017, future developments, prospects and business strategies for Malabar.

Page 16 – A consolidated statement of comprehensive income for the year ended 30 June 2017 is included.

Page 17 – A consolidated statement of financial position as at 30 June 2017 is included.

Page 18 – A consolidated statement of changes in equity for the year ended 30 June 2017 is included.

Page 19 – A consolidated statement of cash flows for the year ended 30 June 2017 is included.

Pages 20 to 53 – This section includes notes to the consolidated financial statements for the year ended 30 June 2017.

8.3 Documents available for inspection

Copies of the Incorporated Documents listed in section 8.1 above, as well as the consents to the issue of this Prospectus, are available for inspection during normal office hours at the registered office of Malabar until the Closing Date. Malabar will also give, free of charge to any person who requests it before the Closing Date, a copy of the Annual Report.

Copies of the documents listed in section 8.1 above will also be available by searching ASIC’s records in relation to Malabar and placing a document order, or by visiting Malabar’s website at www.malabarcoal.com.au.

9 Additional information

9.1 Disclosure obligations

Malabar is subject to regular reporting and disclosure obligations because it is a 'disclosing entity' for the purposes of the Corporations Act. Copies of documents lodged with ASIC in relation to Malabar may be obtained from, or inspected at, an office of ASIC.

The Directors rely upon section 712(3) Corporations Act with the inclusion by reference of material referred to above for full disclosure of relevant information to Shareholders for the purposes of section 711 Corporations Act, including the nature and extent of any Directors' interests or of persons identified in section 711(4) Corporations Act.

As set out in section 8.3, Malabar will give free of charge, to any person who requests it during the application period under this Prospectus, a copy of the Annual Report. The information in the Annual Report may be of interest to investors and their financial advisers.

9.2 Corporate governance policies

Malabar also has a number of corporate governance policies that govern its operations, including a corporate governance statement, corporate governance principles, a corporate governance committee charter, and a corporate ethics policy.

All such policies are published, and can be viewed, on Malabar's website at www.malabarcoal.com.au.

9.3 Existing Options

Optionholder	Existing Options	Exercise price	Expiry date
Graeme Booth	750,000	\$0.28 per Existing Option	28 November 2018
William Dean	200,000	\$0.28 per Existing Option	28 November 2018

The Board considers it is unlikely that any Existing Options will be exercised before the Record Date. However, if any Existing Options are exercised before the Record Date, any proceeds raised will be applied to the general working capital of Malabar.

9.4 Litigation

To the best of the Directors' knowledge and belief, no litigation, mediation, conciliation or administrative proceeding is taking place, pending or threatened against Malabar.

9.5 Consents and disclaimers of responsibility

None of the parties referred to below has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as specified below. Each of the parties referred to below, to the maximum extent permitted by law, expressly disclaims, and takes no responsibility for, any part of this Prospectus, other than the reference to its name and the statement included in this Prospectus with the consent of that party, as specified below.

The Underwriters have given, and have not withdrawn, their written consent to be named as underwriters to the Retail Entitlement Offer in the form and context in which they are named.

McCullough Robertson has given, and has not withdrawn, its written consent to be named as lawyers to Malabar in the form and context in which it is named.

PKF Hacketts Audit has given, and has not withdrawn, its written consent to be named as auditor in the form and context in which it is named.

Link Market Services Limited has given, and not withdrawn, its written consent to be named as share registry in the form and context in which it is named.

9.6 Interests of experts and advisers

Except as set out in this Prospectus:

- (a) no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus has any interest or has had any interest during the last two years:
 - (i) in the formation or promotion of Malabar;
 - (ii) in property acquired or proposed to be acquired by Malabar in connection with its formation or promotion, or
 - (iii) the offer of the New Converting Shares; and
- (b) no amount has been paid or agreed to be paid, and no benefit has been given, or agreed to be given, to any person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus in connection with the services provided by the person in connection with the:
 - (i) formation or promotion of Malabar, or
 - (ii) offer of the New Converting Shares.

The Underwriters have acted as underwriters to the Retail Entitlement Offer. The Underwriters will not be paid any underwriting fee.

McCullough Robertson has acted as legal adviser to Malabar for the Entitlement Offer and has undertaken due diligence enquiries and provided legal advice on the Entitlement Offer. McCullough Robertson will be paid an estimated fee of \$92,500 (GST exclusive) for these services. Further amounts may be paid to McCullough Robertson in accordance with their normal time-based charges.

PKF Hacketts Audit has acted as independent auditor to Malabar. PKF Hacketts Audit will be paid an estimated fee of \$10,000 (GST exclusive) for the review of the financial report for the year ended 31 December 2017. Further amounts may be paid to PKF Hacketts Audit in accordance with their normal time-based charges.

9.7 Substantial Shareholders

The following Shareholders had a substantial holding in Malabar as at 1 March 2018:

Shareholder	Shares	Interest (%)
Brisbane Investments I Limited	27,775,085	15.43%

Shareholder	Shares	Interest (%)
Brisbane Investments II Limited	27,775,085	15.43%
HFTT Pty Ltd as trustee for the Haggarty Family Trust, and MEM Consultants Pty Ltd	27,491,957	15.27%
Westbrook Coal Pty Ltd, Ranamok Pty Ltd as trustee for the Plummer Family Trust, Ranamok Pty Ltd as trustee for the Yuanmi Super Fund, and Vesade Pty Ltd	23,820,944	13.23%
Wayne Seabrook and Westbrook Consultants No. 2 Pty Ltd	9,476,272	5.26%

The table above shows the current shareholding of each substantial Shareholder as at 1 March 2018 and not the position after taking up any entitlements under the Institutional Entitlement Offer or after subscribing for any shortfall, if any (to the extent that they are an Underwriter).

9.8 Interests of Directors

Other than as set out above or elsewhere in this Prospectus:

- (a) no Director or proposed Director of Malabar has, or has had in the two years before lodgement of this Prospectus, any interest in:
 - (i) the formation or promotion of Malabar,
 - (ii) the offer of the New Converting Shares, or
 - (iii) any property proposed to be acquired by Malabar in connection with the formation or promotion of the offer of the New Converting Shares; and
- (b) no amounts have been paid or agreed to be paid and no benefit has been given or agreed to be given, to any Director or proposed Director of Malabar either:
 - (i) to induce him or her to become, or to qualify him or her as, a Director, or
 - (ii) otherwise for services rendered by him or her in connection with the formation or promotion of Malabar or the offer of the New Converting Shares.

Shareholdings

Those of the Directors who are Shareholders (or control Shareholders) applied for New Converting Shares under the Institutional Entitlement Offer. Following completion of the Institutional Entitlement Offer (and as at the date of this Prospectus), the Directors or their associates had a beneficial interest in the following Shares and Options:

Director	Shareholder	Existing Ordinary Shares	New Converting Shares	Existing Options
Wayne Seabrook	Wayne Seabrook	7,146,676	Nil [#]	Nil
	Westbrook Consultants No. 2 Pty Ltd	2,329,596	Nil ^{##}	Nil
	Westmark Investments Pty Ltd as trustee for Westbrook Investment Trust	Nil	3,333,333	
Anthony Galligan	-	Nil	Nil	Nil
Brian Clifford	-	Nil	Nil	Nil

[#] Mr Wayne Seabrook took up approximately 83.5% of his entitlements to New Converting Shares under the Institutional Entitlement Offer, and Malabar is advised that approximately 82.5% those New Converting Shares were, immediately upon their issue to Mr Wayne Seabrook, transferred to Dalara Investments Pty. Limited as trustee for the AJ & LM Davies Family Trust, an entity controlled by Mr Allan Davies. The balance of the New Converting Shares issued to Mr Wayne Seabrook were transferred to Westmark Investments Pty Ltd as trustee for Westbrook Investment Trust, another entity controlled by Mr Wayne Seabrook. This figure reflects the position following that transfer.

^{##} Westbrook Consultants No. 2 Pty Ltd took up all of its entitlements to New Converting Shares under the Institutional Entitlement Offer, and Malabar is advised that the entirety of those New Converting Shares were, immediately upon their issue to Westbrook Consultants No. 2 Pty Ltd, transferred to Westmark Investments Pty Ltd as trustee for Westbrook Investment Trust, another entity controlled by Mr Wayne Seabrook. This figure reflects the position following that transfer.

Payments to Directors

Rule 13.4 of the constitution of Malabar provides that the Directors may be paid, as remuneration for their services, a sum set from time to time by the Shareholders in general meeting, with that sum to be divided among the Directors as they agree (or if they cannot agree, equally among them).

The current non-executive Directors fees are \$2,500 per month for each Director. The Chairman also receives an additional fee equal to \$2,500 per day for any work performed by him outside his role as a non-executive Director of Malabar.

Ironstone Capital Partners Pty Ltd, a related entity of Wayne Seabrook, is also paid for ongoing consulting work that it undertakes for Malabar from time to time. The Directors, with Mr Seabrook abstaining, have also approved the payment of an additional fee in the amount of \$1.35 million to Ironstone Capital Partners Pty Ltd for services provided by it over the previous two years, including:

- (c) advising in relation to, and managing, the Acquisition; and
- (d) sourcing appropriate funding and implementing funding arrangements in connection with the Acquisition.

The additional fee will comprise a cash payment of \$405,000 and the issue of 2.1 million Ordinary Shares at an issue price of \$0.45 per Ordinary Share. It is anticipated that the fee will be paid (and relevant Ordinary Shares issued) shortly after completion of the Entitlement Offer.

Ironstone Capital Partners Pty Ltd will not be eligible to participate in the Entitlement Offer in respect of the new Ordinary Shares to be issued to it.

9.9 Shareholder loans

Certain Shareholders of Malabar (or their related entities) entered into agreements with Malabar pursuant to which they loaned Malabar funds applied to working capital. As set out in sections 1.3 and 3.1, the funds raised from the Institutional Entitlement Offer have been applied to pay down these loans in their entirety. As at Wednesday, 14 February 2018, all Shareholder loans had been fully repaid.

All Shareholder loans had been provided to Malabar for general working capital purposes, and accrued interest at 9% per annum from the date on which the relevant advance was made until repayment. Interest was payable in full with the principal sum at the conclusion of each loan term. It was a condition subsequent to each of the Shareholder loans that should Malabar undertake an equity capital raising, it must apply the proceeds of the equity capital raising to repay the Shareholder loans as soon as practical.

9.10 Expenses of the Entitlement Offer

The total estimated expenses of the Entitlement Offer payable by Malabar including ASIC fees, accounting fees, legal fees, share registry fees, printing costs, public relations costs and other miscellaneous expenses are estimated to be \$0.14 million.

9.11 Allotment

It is expected that allotment of the New Converting Shares under the Retail Entitlement Offer will take place no more than five Business Days after the close of the Retail Entitlement Offer.

Application Money will be held by Malabar on trust for Applicants until the New Converting Shares are allotted. No interest will be paid on Application Money.

9.12 Electronic Prospectus

This Prospectus is available in electronic form at www.malabarcoal.com.au. Any person receiving this Prospectus electronically will, on request, be sent a paper copy of the Prospectus by Malabar free of charge until the Closing Date.

The Entitlement and Acceptance Form may only be distributed attached to a complete and unaltered copy of the Prospectus. The Entitlement and Acceptance Form included with this Prospectus contains a declaration that the investor has personally received the complete and unaltered Prospectus before completing the Entitlement and Acceptance Form.

Malabar will not accept a completed Entitlement and Acceptance Form if it has reason to believe that the Applicant has not received a complete paper copy or electronic copy of the Prospectus or if it has reason to believe that the Entitlement and Acceptance Form or electronic copy of the Prospectus has been altered in any way.

While Malabar believes that it is extremely unlikely that during the period of the Entitlement Offer the electronic version of the Prospectus will be altered in any way, Malabar can not give any absolute assurance that this will not occur. Any investor in doubt about the validity or integrity of an electronic copy of the Prospectus should immediately request a paper copy of the Prospectus directly from Malabar or a financial adviser.

9.13 Privacy

Eligible Retail Shareholders may be asked to give personal information to Malabar directly, and through the share registry, such as name, address, telephone and fax numbers, tax file number and account details. Malabar and the share registry collect, hold and use that personal information to provide facilities and services to Eligible Retail Shareholders and undertake administration. Access to information may be disclosed by Malabar to its agents and service providers on the basis that they deal with the information under the *Privacy Act 1988* (Cth). Malabar's privacy policy sets out how Shareholders may request access to and correction of their personal information held by or on behalf of Malabar (by contacting the share registry), how Shareholders can complain about privacy related matters and how Malabar responds to complaints.

9.14 Authorisation

This Prospectus is issued by Malabar. Each Director has consented to the lodgement of the Prospectus with ASIC.

Dated Tuesday, 13 March 2018



Wayne Seabrook
Non-Executive Chairman
Malabar Coal Limited

10 Glossary

In this Prospectus:

2016 Report	has the meaning given to that term in section 2.2.
AASB	means Australian Accounting Standards Board.
Acquisition	means Malabar's acquisition of interests in the Drayton Mine and the Maxwell Project as defined in section 2.2.
Acquisition Agreements	has the meaning given to that term in section 7.2.
Additional Joint Venture Agreement	means the joint venture agreement for the Drayton South JV entered into between the Drayton South Manager, the relevant Anglo Joint Venture Participants, Mitsui, NCE, Hyundai, and Daesung.
Annual Report	means the annual report of Malabar for the financial year ended 30 June 2017 which includes audited financial statements for the financial year ended 30 June 2017 and the auditor's report, which was lodged with ASIC on 28 September 2017 as defined in section 5.1.
Anglo American	means, in the context of the Acquisition, Anglo American Metallurgical Coal Assets Pty Ltd ACN 081 022 246 or Anglo American Metallurgical Coal Holdings Pty Ltd ACN 079 017 940 (or both).
Anglo Joint Venture Participants	means, as the case requires, Anglo Coal (Drayton) Pty Ltd ACN 081 072 700, Anglo Coal (Drayton) No. 2 Pty Ltd ACN 004 917 177 and Anglo Coal (Drayton South) Pty Ltd ACN 081 072 755 (or any of them).
Applicant	means a person or entity who submits an Entitlement and Acceptance Form.
Application Money	means the money received by Malabar under the Retail Entitlement Offer, being the Offer Price multiplied by the number of New Converting Shares applied for by an Eligible Retail Shareholder.
ASIC	means the Australian Securities and Investments Commission.
Board	means the board of directors of Malabar.
Business Day	means a day that is not a Saturday, Sunday or public holiday in Sydney, New South Wales.
Business	means the business carried on by the Drayton JV, Drayton South JV and Drayton Coal Shipping, including in respect of operating the Drayton Mine and the Maxwell Project.
Closing Date	means the date on which the Retail Entitlement Offer closes, being Thursday, 12 April 2018, or another date nominated by Malabar, in consultation with the Underwriters.
Converting Shares	means converting shares in Malabar, to be issued on terms which have been approved by the Directors.
Corporations Act	means <i>Corporations Act 2001</i> (Cth).

DA	means development approval.
Daesung	means Daesung Australia Pty Ltd ACN 002 011 967.
Directors	means the directors of Malabar.
Drayton Coal Sales	means Drayton Coal (Sales) Pty Ltd ACN 054 328 862.
Drayton Coal Shipping	means Drayton Coal Shipping Pty Ltd ACN 003 806 433.
Drayton JV	means the Drayton joint venture constituted under the Joint Venture Agreement.
Drayton Manager	means Anglo Coal (Drayton Management) Pty Ltd ACN 002 028 257.
Drayton Mine	means the open cut export coal mine in the New South Wales Hunter Valley which until recently produced up to approximately five million tonnes of coal per year.
Drayton South JV	means the Drayton South joint venture constituted under the Additional Joint Venture Agreement.
Drayton South Manager	means Anglo Coal (Drayton South Management) Pty Ltd ACN 093 876 307.
EIS	means environmental impact statement.
EL	means exploration licence.
Eligible Institutional Shareholder	means an Institutional Shareholder to whom ASX Listing Rule 7.7.1(a) does not apply and who received an offer under the Institutional Entitlement Offer.
Eligible Retail Shareholder	means a Shareholder as at the Record Date who is not an Ineligible Retail Shareholder.
Eligible Shareholder	means an Eligible Institutional Shareholder or Eligible Retail Shareholder, as the case may be.
Entitlement	means the right to subscribe for New Converting Shares under the Retail Entitlement Offer as defined in section 3.1.
Entitlement and Acceptance Form	means a Shareholder's personalised entitlement and acceptance form accompanying this Prospectus.
Entitlement Offer	means the non-renounceable pro rata entitlement offer to Eligible Retail Shareholders to subscribe for 80 New Converting Shares for every 81 Existing Ordinary Shares of which the Shareholder is the registered holder on the Record Date, at the Offer Price, under this Prospectus.
Excess Amount	has the meaning given to that term in section 4.2.
Existing Options	means the Options already on issue in Malabar and referred to in section 9.3.
Existing Shareholders	means the holders of Shares before the date of this Prospectus.
Existing Ordinary Shares	means the Ordinary Shares already on issue in Malabar as at the Record Date.

Exposure Period	means the period of seven days after the date of lodgement of this Prospectus with ASIC, which period may be extended by ASIC by up to seven days in accordance with section 727(3) of the Corporations Act.
Guarantee Facility	has the meaning given to that term in section 7.4.
Hyundai	means Hyundai Australia Pty Ltd ACN 002 008 657.
Incorporated Documents	means documents which have already been lodged by Malabar with ASIC as defined in section 8.1.
Ineligible Institutional Shareholder	means an Institutional Shareholder: <ul style="list-style-type: none"> (a) who has a registered address outside Australia and New Zealand; (b) to whom ASX Listing Rule 7.7.1(a) applies; and (c) who in the absence of ASX Listing Rule 7.7.1(a) would have been an Eligible Institutional Shareholder.
Ineligible Retail Shareholder	means a Shareholder with an address in Malabar's register of Shareholders outside Australia and New Zealand.
Institutional Entitlement Offer	means the offer of New Converting Shares to Eligible Institutional Shareholders as part of the Entitlement Offer.
Joint Venture Agreement	means the joint venture agreement for the Drayton JV between the relevant Anglo Joint Venture Participants, Mitsui, NCE, Hyundai, and Daesung.
LVF Market	means Malabar's low volume financial market.
Malabar	means Malabar Coal Limited ACN 151 691 468.
Maxwell Project	means the project historically referred to as 'Drayton South' or 'Saddler's Creek', previously proposed to extend the Drayton Mine with an open cut pit on EL 5460.
MCH	means Mitsui Coal Holdings Pty Ltd ACN 002 373 588.
Mitsui	means Mitsui Drayton Investment Pty Ltd ACN 082 138 529.
ML	means mining lease.
MLA	means mining lease application.
NAB	means National Australia Bank Limited ABN 12 004 044 937.
NCE	means NCE Australia Pty Ltd ACN 001 799 444.
New Converting Shares	means the Converting Shares issued by Malabar under this Prospectus, including (as the context requires) the shortfall from the Retail Entitlement Offer issued as Oversubscription Shares, Shortfall Shares or to the Underwriters, or a sub-underwriter.
Offer Price	means \$0.45 per New Converting Share.
Ordinary Shares	means fully paid ordinary shares in Malabar.
Oversubscription Facility	means the facility described in section 3.3 under which certain Eligible Retail Shareholders may apply for New Converting Shares in excess of their Entitlement.
Oversubscription Shares	means extra New Converting Shares a Shareholder may apply for in excess of their Entitlement under the Oversubscription Facility.

PAC	means the New South Wales Planning Assessment Commission.
Port Agreement	means the long term ship or pay agreement to which Port Waratah Coal Services and Drayton Coal Sales are parties.
Port and Rail Capacity Deed	has the meaning given to that term in section 7.3.
Pro Forma Historical Financial Information	has the meaning given to that term in section 5.2.
Prospectus	means this prospectus.
Port Waratah Coal Services	means Port Waratah Coal Services Limited ACN 001 363 828.
Rail Agreement	means the access holder agreement for access to the Hunter Valley network to which Drayton Coal Sales and Australian Rail Track Corporation Limited ACN 081 455 754 are parties.
Record Date	means 7.00pm (Sydney time) on Tuesday, 27 March 2018.
Reduced Amount	has the meaning given to that term in section 4.3.
Retail Entitlement Offer	means the offer of New Converting Shares made under this Prospectus.
Shareholders	means shareholders in Malabar.
Shares	means issued shares irrespective of their class in the capital of Malabar, and Share means one issued share in the capital of Malabar.
Shortfall Shares	means those New Converting Shares not taken up by Eligible Retail Shareholders under the Retail Entitlement Offer, together with those New Converting Shares to which any Ineligible Retail Shareholders would otherwise have been entitled.
Spur Hill Project	means Malabar's underground coking coal Spur Hill Project.
State	means New South Wales.
Underwriters	means certain existing Shareholders of Malabar, including: <ul style="list-style-type: none"> (a) Brisbane Investments I Ltd; (b) Brisbane Investments II Ltd; (c) Ranamok Pty Ltd as trustee for the Plummer Family Trust; (d) HFTT Pty Ltd as trustee for the Haggarty Family Trust; (e) Wayne Seabrook; (f) Mast Capital Pty Ltd; and (g) Dalara Investments Pty. Limited as trustee for the AJ & LM Davies Family Trust.
Underwriting Agreement	means the underwriting agreement in respect of the Retail Entitlement Offer dated 15 February 2018 between Malabar and the Underwriters.
Vendors	has the meaning given to that term in section 2.2.
You	means the investors under this Prospectus.

Corporate directory

Company

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

www.malabarcoal.com.au

Directors

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

Company Secretary

Ian Morgan

Lawyers to the Entitlement Offer

McCullough Robertson
Level 11, Central Plaza Two
66 Eagle Street
BRISBANE QLD 4000

www.mccullough.com.au

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 Hacketts Audit
Level 6, 10 Eagle Street
BRISBANE QLD 4000
+61 7 3839 9733

www.pkf.com.au



MALABAR COAL LIMITED
ABN 29 151 691 468

All Registry communications to:
Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia
Security Code: MBC
Website: www.linkmarketservices.com.au

SRN/HIN:

Entitlement Number:

Number of Eligible Shares held as
at the Record Date, 7:00pm (Sydney time)
on 27 March 2018:

Entitlement to New Converting
Shares (on a 80 New Converting
Shares for 81 basis):

Amount payable on full acceptance
at A\$0.45 per Share:

Offer Closes 5:00pm (Sydney time):	12 April 2018
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ENTITLEMENT AND ACCEPTANCE FORM

As an Eligible Shareholder you are entitled to acquire 80 New Converting Shares for every 81 Existing Ordinary Shares that you hold on the Record Date, at an Offer Price of A\$0.45 per New Converting Share. You may also apply for New Converting Shares in excess of your Entitlement, at the Offer Price. Applications can also be submitted online from Malabar's website at www.malabarcoal.com.au. This is an important document and requires your immediate attention. If you do not understand it or you are in doubt as how to deal with it, you should contact your accountant, stockbroker, solicitor or other professional adviser.

IMPORTANT: The Offer is being made under the Prospectus dated 13 March 2018. The Prospectus contains information about investing in the New Converting Shares. Before applying for New Converting Shares, you should carefully read the Prospectus. This Entitlement and Acceptance Form should be read in conjunction with the Prospectus.

If you do not have a paper copy of the Prospectus, you can obtain a paper copy at no charge, by calling Malabar Coal Limited on (02) 8248 1272 between 9:00am and 5:00pm (Sydney time) Monday to Friday.

PAYMENT OPTIONS

If you wish to take up all or part of your Entitlement (as shown above), or take up all of your Entitlement and apply for additional New Converting Shares, you have two payment options detailed below.

OPTION 1: PAYING BY BPAY®

If paying by BPAY®, refer to the instructions overleaf. **You do NOT need to return the acceptance slip below if you elect to make payment by BPAY®.** Payment must be received via BPAY® before 5:00pm (Sydney time) on 12 April 2018. You should check the processing cut off-time for BPAY® transactions with your bank, credit union or building society to ensure your payment will be received by the Registry in time. By paying by BPAY® you will be deemed to have completed an Application Form for the number of Shares subject of your application payment.

OPTION 2: PAYING BY CHEQUE, BANK DRAFT OR MONEY ORDER

If paying by cheque, bank draft or money order, complete and return the acceptance slip below with your Application Monies. No signature is required on the acceptance slip. The acceptance slip with your Application Monies must be received by the Registry before 5:00pm (Sydney time) on 12 April 2018.



Billers Code:
Ref:

Telephone & Internet Banking – BPAY®

Contact your bank or financial institution to make this payment from your cheque, savings, debit or transaction account. More info: www.bpay.com.au

© Registered to BPAY Pty Ltd ABN 69 079 137 518

See overleaf for details and further instructions on how to complete and lodge this Entitlement and Acceptance Form.

THIS IS A PERSONALISED FORM FOR THE SOLE USE OF THE SHAREHOLDER AND HOLDING RECORDED ABOVE.

Please detach and enclose with payment



SRN/HIN:

Entitlement Number:

A Number of New Converting Shares accepted (being not more than your Entitlement shown above)

B Number of additional New Converting Shares

C Total number of New Converting Shares accepted (add Boxes A and B)

D PLEASE INSERT CHEQUE, BANK DRAFT OR MONEY ORDER DETAILS – Cheques, bank drafts or money orders must be drawn on an Australian branch of a financial institution in Australian currency, made payable to “Malabar Coal Limited - Entitlement Offer” and crossed “Not Negotiable”.

Drawer	Cheque Number	BSB Number	Account Number	Amount of Cheque
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	A\$ <input type="text"/>

E CONTACT DETAILS – Telephone Number

Telephone Number – After Hours

Contact Name

MALABAR COAL LIMITED

The Entitlement Offer to which this Entitlement and Acceptance Form relates is not being made to investors located or resident outside of Australia and New Zealand. In particular the Entitlement Offer is not being made to any person in the U.S. or to a U.S. person. The Prospectus and Entitlement and Acceptance Form do not constitute an offer or invitation to acquire Shares in any place in which, or to any person to whom, it would be unlawful to make such an offer or invitation.

ACCEPTANCE OF ENTITLEMENT OFFER

By either returning the Entitlement and Acceptance Form with payment to the Registry, or making payment received by BPAY®:

- you represent and warrant that you have read and understood the Prospectus and that you acknowledge the matters, and make the warranties and representations;
- you provide authorisation to be registered as the holder of New Converting Shares acquired by you and agree to be bound by the Constitution of Malabar Coal Limited.

HOW TO APPLY FOR NEW CONVERTING SHARES

1. IF PAYING BY BPAY® (AVAILABLE TO SHAREHOLDERS WITH AN AUSTRALIAN BANK ACCOUNT ONLY)

If you elect to make payment using BPAY® you must contact your bank or financial institution to make this payment from your cheque, savings, debit or transaction account. For more information on paying by BPAY®: www.bpay.com.au

Work out the total amount payable by you. To calculate the total amount, multiply the number of New Converting Shares you wish to apply for by A\$0.45.

Refer overleaf for the Biller Code and Reference Number. The Reference Number is used to identify your holding. If you have multiple holdings you will have multiple Reference Numbers. You must use the Reference Number shown on each personalised Entitlement and Acceptance Form when paying for any New Converting Shares that you wish to apply for in respect of that holding.

2. IF PAYING BY CHEQUE, BANK DRAFT OR MONEY ORDER

Complete all relevant sections of the Entitlement and Acceptance Form USING BLOCK LETTERS. These instructions are cross referenced to each section of the Entitlement and Acceptance Form.

A. Acceptance of New Converting Shares

Enter into section A the number of New Converting Shares you wish to apply for. The number of New Converting Shares must be equal to or less than your Entitlement, which is set out overleaf.

B. Application for Additional New Converting Shares

You can apply for more New Converting Shares than your Entitlement. Please enter the number of **additional** New Converting Shares above your Entitlement for which you wish to apply into Box B. Your Application for additional New Converting Shares may not be successful (wholly or partially). The decision of Malabar Coal Limited on the number of New Converting Shares to be allocated to you will be final. No interest will be paid on any Application Monies received or returned.

C. Total Number of New Converting Shares Subscribed for

To calculate total number of New Converting Shares subscribed for, add Box A and Box B and enter this in Box C.

D. Cheque, bank draft or money order details

Enter your cheque, bank draft or money order details in section D. Cheques, bank drafts or money orders must be drawn on an Australian branch of a financial institution in Australian currency, made payable to "Malabar Coal Limited - Entitlement Offer" and crossed "Not Negotiable". Please ensure sufficient cleared funds are held in your account, as your cheque will be banked as soon as it is received. If you provide a cheque or money order for the incorrect amount, Malabar Coal Limited may treat you as applying for as many New Converting Shares and Additional New Converting Shares as your cheque, bank draft or money order will pay for.

E. Contact details

Enter your contact telephone number where we may contact you regarding your acceptance of New Converting Shares, if necessary.

3. HOW TO LODGE YOUR ENTITLEMENT AND ACCEPTANCE FORM

A reply paid envelope is enclosed for your use. No postage stamp is required if it is posted in Australia. Alternatively, if you have lost the reply paid envelope, or you have obtained the Prospectus electronically, your completed Entitlement and Acceptance Form with the payment for New Converting Shares may be mailed to the postal address, or delivered by hand to the delivery address, set out below. **If paying by BPAY® you do not need to complete or return the Entitlement and Acceptance Form.** You should check the processing cut off-time for BPAY® transactions with your bank, credit union or building society to ensure your payment will be received by the Registry by the close of the offer.

Mailing Address

Malabar Coal Limited
C/- Link Market Services Limited
GPO Box 3560
Sydney NSW 2001

Hand Delivery

Malabar Coal Limited
C/- Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138 **(Please do not use this address for mailing purposes)**

Make sure you send your Acceptance Slip and application payment allowing enough time for mail delivery, so Link Market Services Limited receives them no later than 5:00pm (Sydney time) on 12 April 2018. Please ensure sufficient cleared funds are held in your account, as your cheque will be banked as soon as it is received. Malabar Coal Limited reserves the right not to process any Acceptance Slips and cheques received after the Closing Date.

If you require further information on how to complete this Entitlement and Acceptance Form, please contact Malabar Coal Limited on (02) 8248 1272 between 9:00am and 5:00pm (Sydney time) Monday to Friday.