



Image shows successful rehabilitation of previous open cut mining

# Malabar Resources

*Long life, high margin metallurgical coal business*

**Annual General Meeting 16 November 2023**

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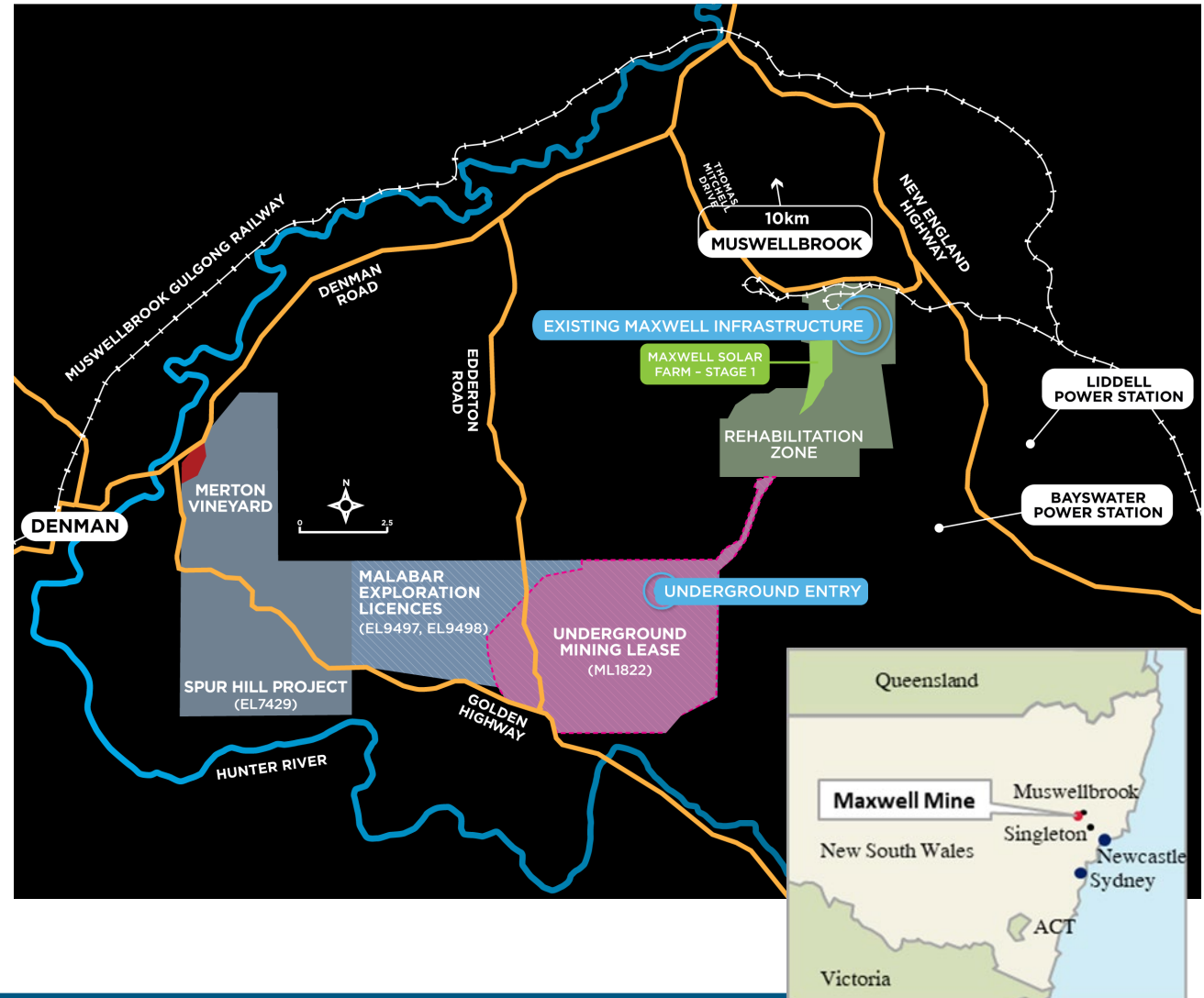
# Malabar's business

## Our vision:

Building a successful resources company for the long-term benefit of all stakeholders while listening to our communities.

## Our assets include:

- The **Maxwell Underground Mine** – our principal asset
- Antiene Rail Spur which connects Maxwell Mine to the main track
- 20% shareholding in Newcastle Coal Shippers, which owns 37% of PWCS, providing dividends to Malabar
- Maxwell extension project EL9497 & 9498 and Spur Hill exploration project EL 7429
- The 25MW approved Stage 1 Maxwell Solar Farm
- The large scale Edderton Solar Farm (c. 350MW and equivalent battery) being advanced in partnership with EDF-Renewables
- Agricultural assets, including the Merton Vineyard





# Major developments over the last 12 months

- ✓ Construction of surface infrastructure well advanced.
- ✓ Construction of underground access and infrastructure well advanced.
- ✓ **Mining operations have commenced.**
- ✓ Washing, handling and logistics facilities re-commissioned.
- ✓ First coal railed and sold in June 2023 at greater than benchmark quality.
- ✓ Strong interest from metallurgical coal customers.
- ✓ Progressing large scale solar and BESS.
- ✓ Board expertise expanded with additional directors appointed.

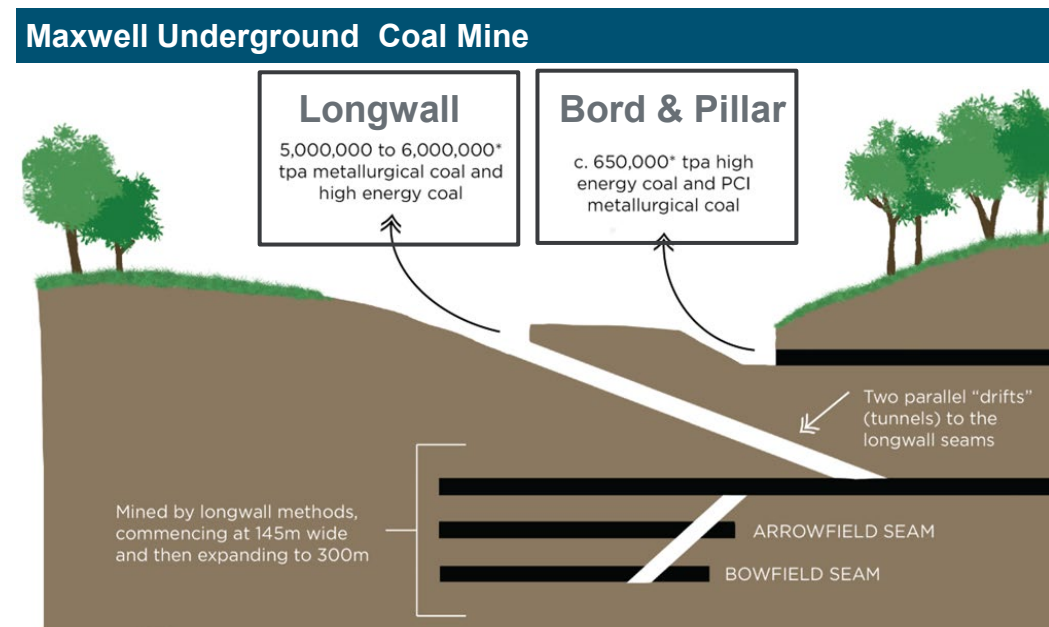


# High-Capacity underground mine

- The Maxwell underground mine and its downstream infrastructure will comprise of;
  - A 300m longwall mining high quality coal delivering to;
  - Ample downstream infrastructure capacity to **ensure the longwall is unconstrained** --- including; underground conveyors, overland conveyor, intermediate stockpiles, and the washing and product handling facilities.
- In the near term the Longwall will be supplemented by the Bord and Pillar mine with the following features;
  - Short development timeframe, low CAPEX but higher costs suited for the current high coal price environment.

	Longwall	B & P
Products	SSCC, High CV Thermal	PCI, High CV Thermal
Sales (Mtpa) <sup>1</sup>	~6.0	~0.65
Total over mine life (Mt)	120	6
Life (years)	25+	~10
Op costs (real) excl royalties <sup>2</sup> (\$/t sales)	~A\$55	~A\$120

**~95% of Maxwell's production and NPV is from the longwall operation**



\*Washed/product coal

# Construction



# Surface infrastructure



10km road and conveyor corridor connects the “Mine Entry Area” (MEA) to the coal processing, stockpiling and train loading facilities.



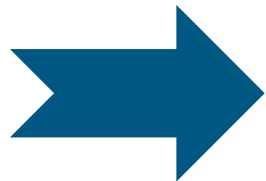
**MEA Now**

**Substantial progress in 2023**



**MEA November 2022**

Weather delays at start





# Bord & Pillar (B&P) mine construction

## Mine Entry

- Three entries have been constructed for B&P operation.

## Bord & Pillar Services

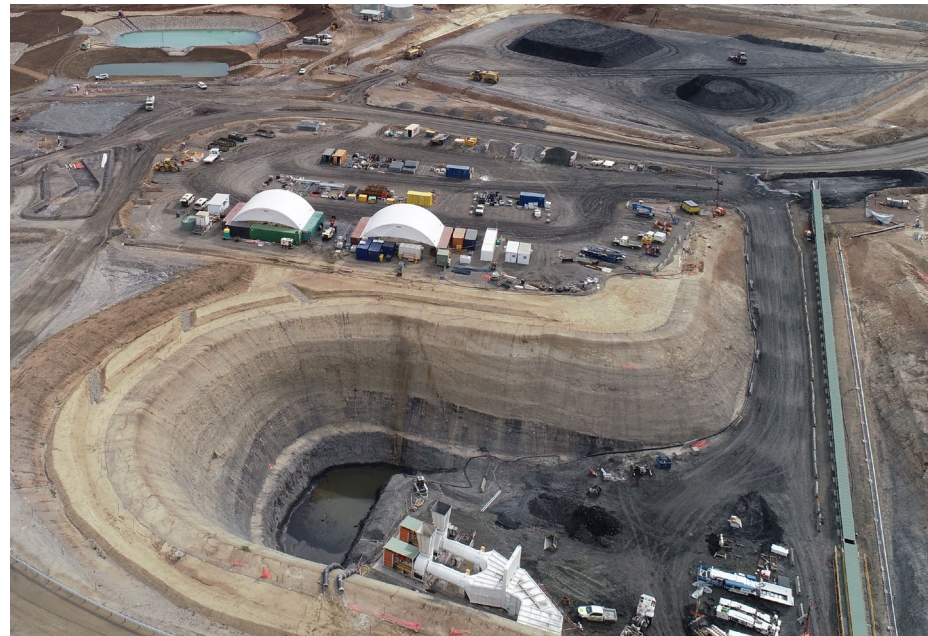
- Ventilation infrastructure installed.
- Mine entry conveyor installed
- Other services (power, water, air etc. installed)

## Contract Workforce

- Mining services contract awarded to the PIMS Group
- Workforce in place after a challenging start.

## Mining Equipment

- 1<sup>st</sup> continuous miner commenced in March 2023.
- 1<sup>st</sup> low height continuous miner commenced in November 2023.
- 2<sup>nd</sup> low height continuous miner expected to commence prior to Christmas



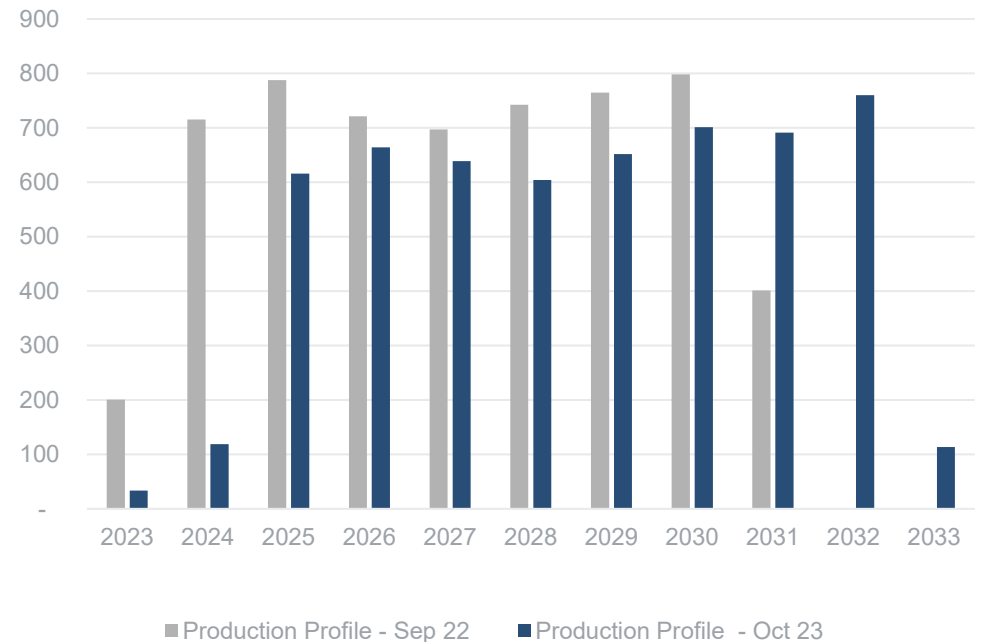


# Bord & Pillar construction and operation

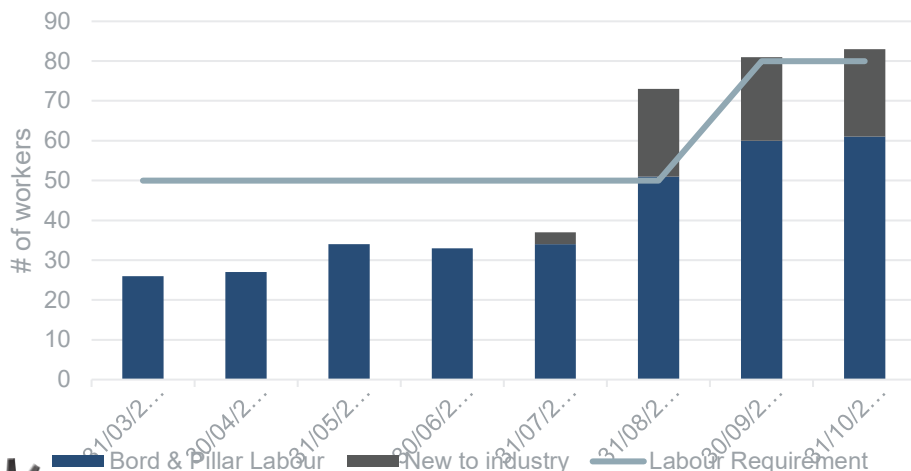
## The first coal production target of Q1 CY23 was achieved

- Ramp-up of B & P production was delayed by weather at commencement of construction in addition to;
- Global and domestic supply chain hold-ups
  - however, the first low-height mining fleet commenced operation this month, and
  - second low-height mining fleet due before Christmas.
- Challenged by a competitive labour market,
  - Partially addressed by Malabar-designed “new to industry” program

## Saleable Coal Production (000' tonnes)



## B & P contractor's workforce



The Bord & Pillar mine is forecast to ramp up to ~60kt per month by mid CY 2024

# Development of the Longwall mine



# Maxwell longwall mine – “the main game”



BHP's Mount Arthur Mine

The longwall operation and downstream infrastructure is being built as a high-capacity low-cost operation.

It will be the largest capacity underground mine in the Hunter Valley.

2 x mine entries



# Longwall mine construction

## Surface to Seam mine entries

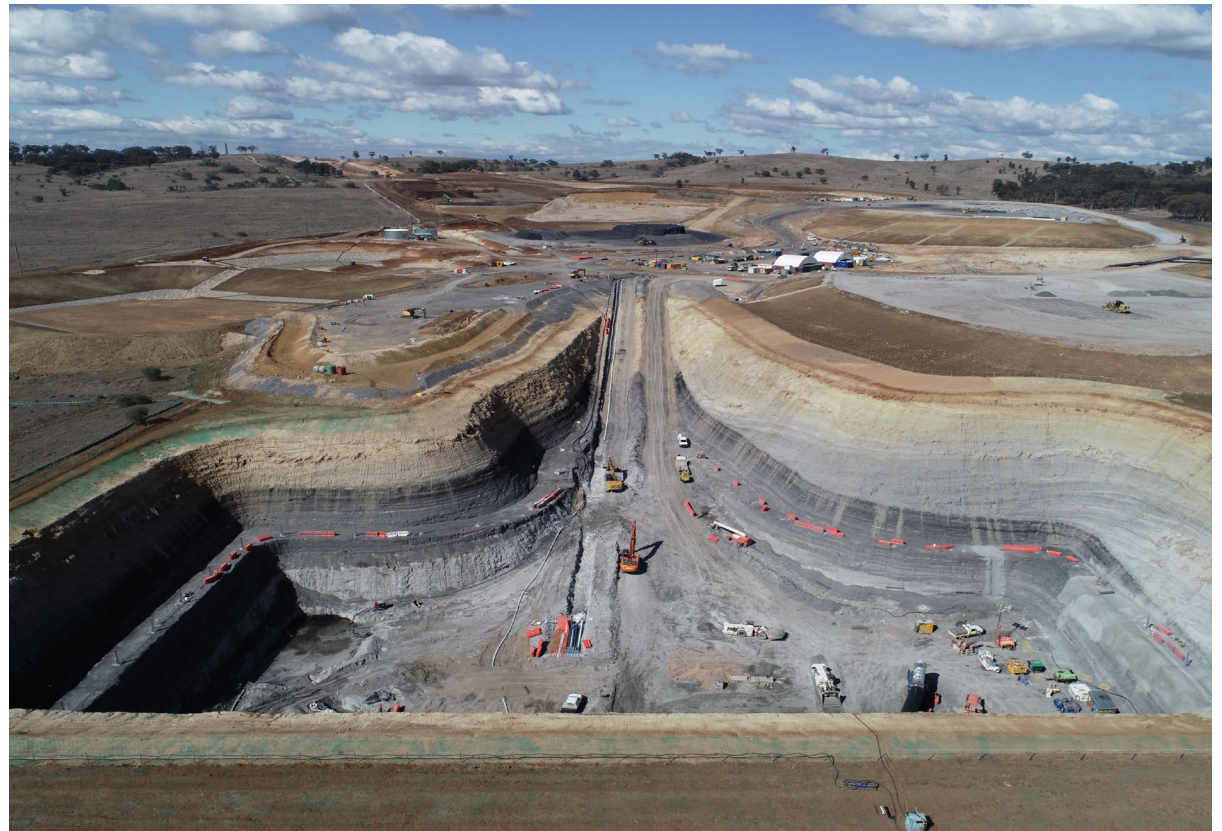
- Completed in July 2023.

## Surface to seam “declines”

- Contractor Pybar commenced drivage of the two declines in July 2023.
- More than 500m has been completed.

## Longwall equipment

- Longwall equipment manufacture has commenced.
- Agreements have been executed for long-term supply of mining equipment used for ongoing u/g roadway construction.





# Longwall equipment

Longwall roof supports being manufactured by ZMJ in China.

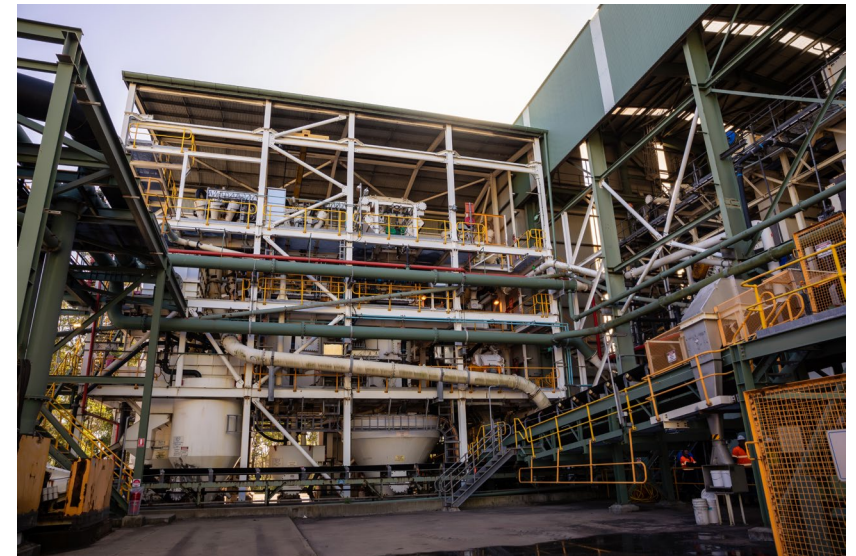


# Coal processing, stockpiling, and shipping



# Processing, stockpiling and train-loading infrastructure

- Coal handling infrastructure has been successfully recommissioned including;
  - the coal processing facility, and
  - stockpiling, reclaim and train loading facilities.
- Trains have been successfully discharged at the Port of Newcastle at PWCS and NCIG and loaded into customers' ships.



# Rehabilitation & community



# Rehabilitation and community engagement



## Rehabilitation of mining land

Malabar is committed to establishing and maintaining processes to minimise land disturbance and achieve a safe, stable and non-polluting final landform.

- We have rehabilitated over 850 hectares of land and planted over 350,000 trees.
- This rehabilitated land supports our agricultural activities.

## Supporting agricultural enterprises

- We proudly own the Merton Vineyard, producing Chardonnay, Shiraz and Verdelho. Wine is sold under the “Small Forest” label.
- We also lease substantial areas of grazing and cropping land to local farmers.



## Community Engagement

- Malabar continues to engage with community stakeholders through the Maxwell Community Consultative Committee meetings held on a quarterly basis.
- Malabar also supports a number of local community organisations, with over \$600,000 donated to date.

# Working with First Nations people

## Developing cultural awareness

Malabar is working with the local community to roll out initiatives to improve cultural awareness;

- An Indigenous artwork painted by local Indigenous artist Daniel Ellis is now on display at reception.
- Indigenous hi-vis work shirts are part of the standard uniform.
- An Acknowledgement of Country has been installed at the main entrance.
- In July 2023, we held our first NAIDOC celebrations on site – BBQ, smoking ceremony and guest speakers.
- Cultural awareness training is being developed for all staff.
- We support the Blackrock Second Chance for Change Program.





# Coal outlook and peer valuations

# Coal supply and demand

- **Increasing demand:** Demand is forecast to increase led by India which recently became the World's largest metallurgical coal importer

*“....steel demand continues to grow”*

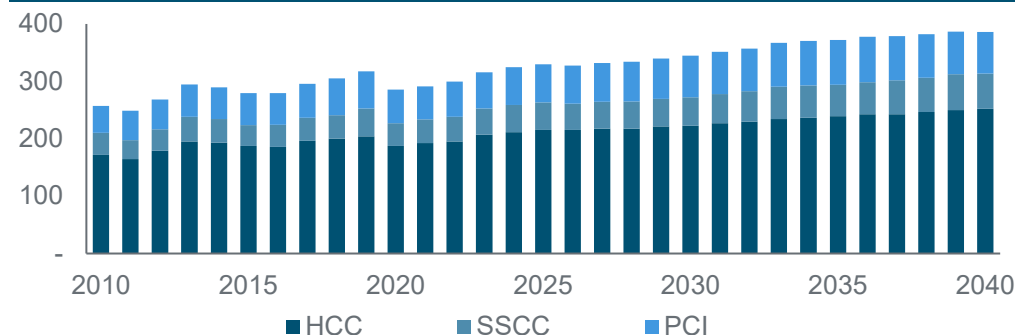
- **Lack of new supply:** Under-investment in expansions/replacement production is reducing supply.

*“....high prices have not bought on material new supply”*

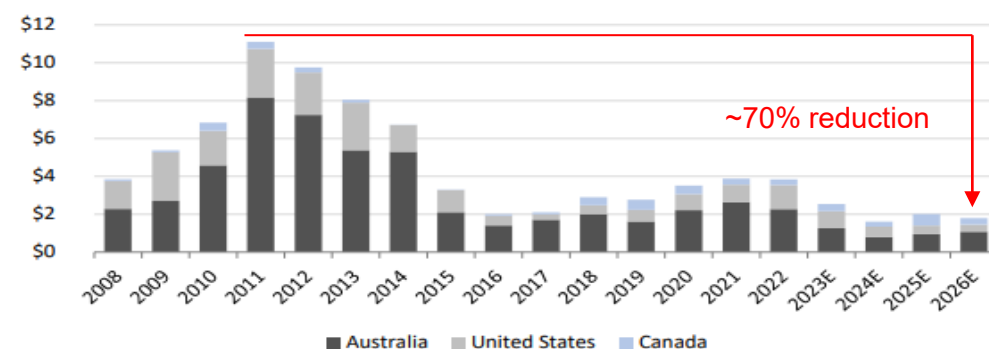
- **Escalation:** Capital and operating costs have increased globally due to the cost of energy, labour, supplies, raw materials and increases in royalties and other government charges/imposts.

*“....incentive pricing has increased “*

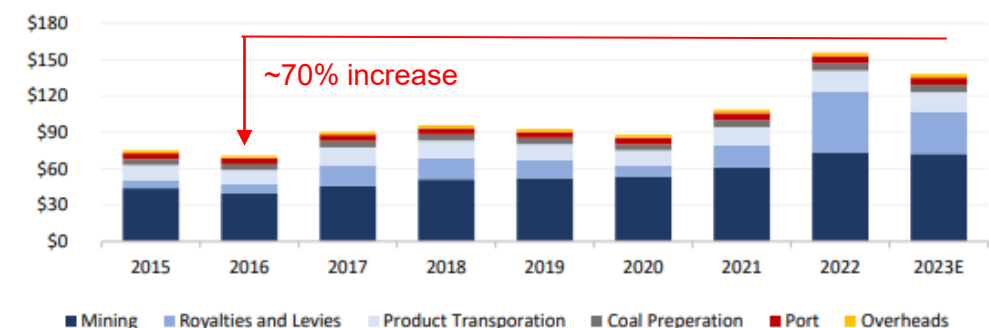
Seaborne metallurgical demand forecast (Mt) <sup>(1)</sup>



Expansion capex (US\$ billions) <sup>(1) (2)</sup>



Seaborne metallurgical coal total cash cost (US\$/t) <sup>(1)</sup>



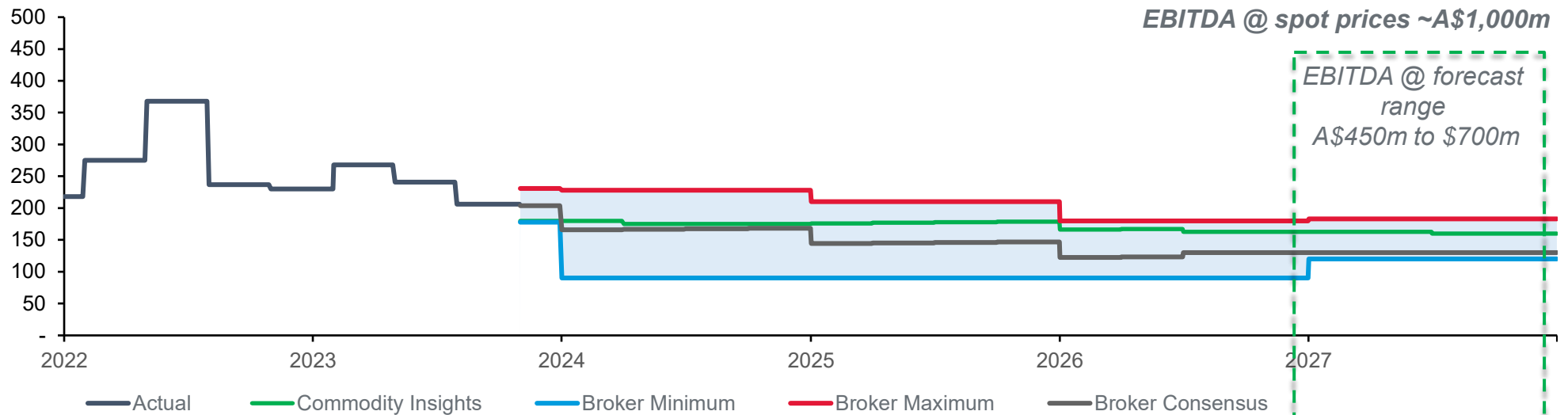
<sup>1</sup> Wood Mackenzie & broker research

<sup>2</sup> Adjusted to be shown on a 2023 dollar basis

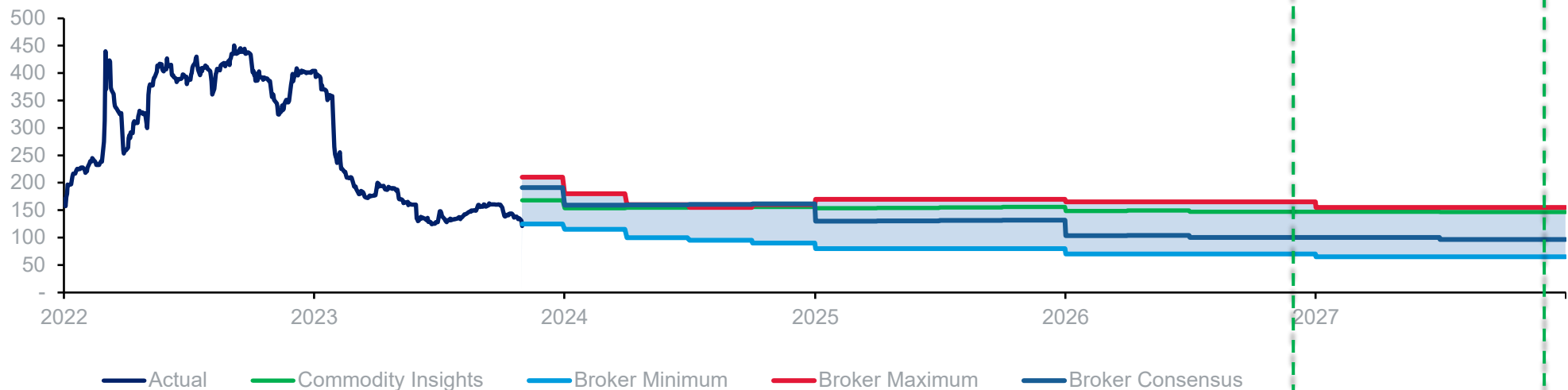


# Coal price forecasts

## SSCC price forecast (US\$/t) <sup>(1)</sup>



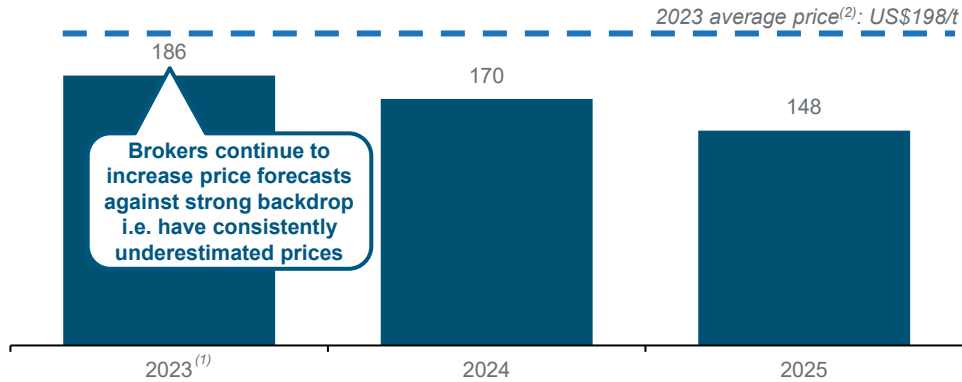
## Thermal coal price forecast (US\$/t) <sup>(1)</sup>



# Met coal market conditions

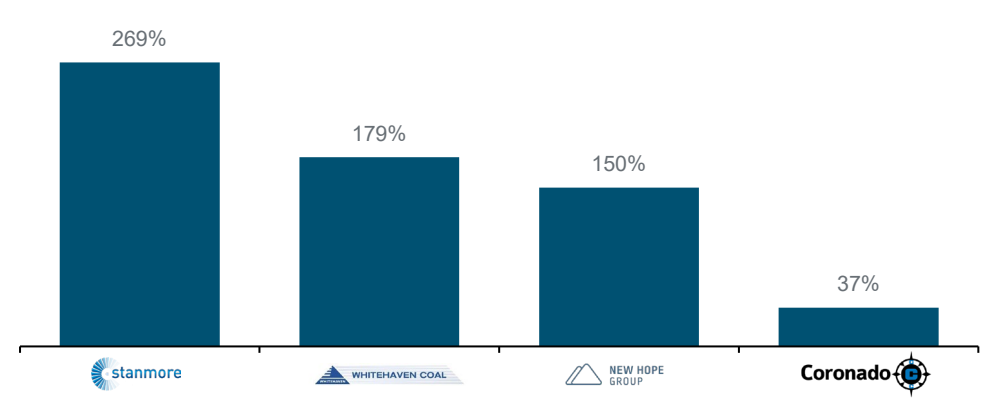
## Coal price environment and outlook remains strong...

SSCC broker price outlook (US\$/t)



## ...driving strong appetite and attractive returns for coal equities...

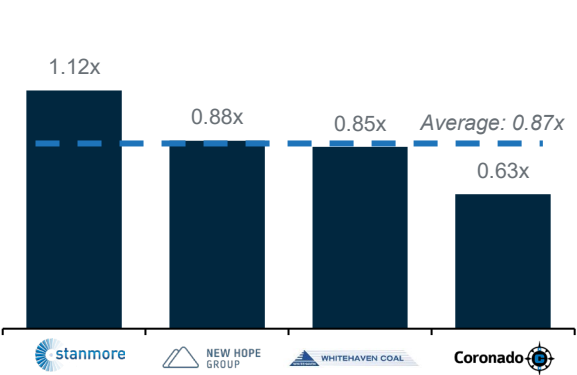
L2Y share price return (%)



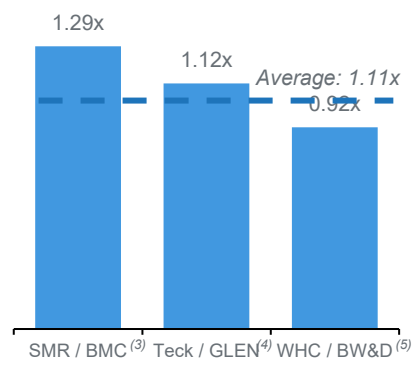
## ...with current multiples implying significant value for strategic businesses like Malabar

P/NAV

### Trading Comps

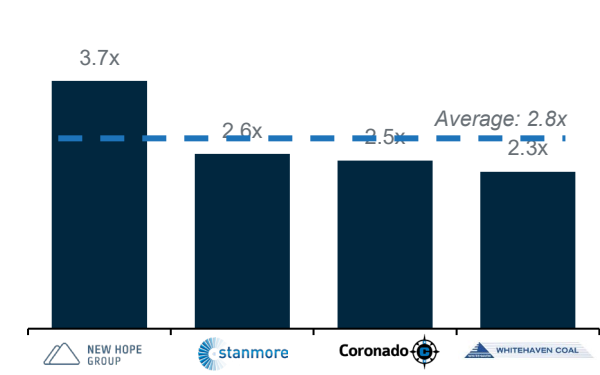


### Transaction Comps

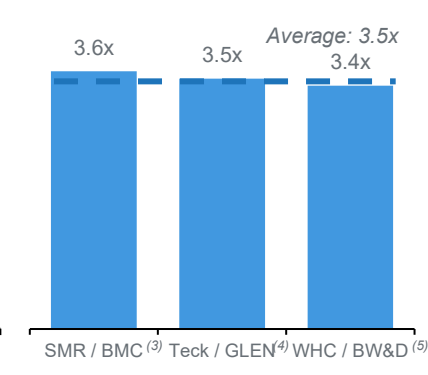


EV/CY24E EBITDA

### Trading Comps



### Transaction Comps



Based on transaction comparables, Malabar has an indicative enterprise value of ~A\$2.5 – 3.0bn once the longwall is operating



Source: Factset, Company Filings and Broker Research. Note: Market data as at 13 November 2023. SSCC prices are shown on a nominal basis.

1) 2023 Broker forecast as at January.

2) 2023 average price from 1 January to 31 October 2023.

3) SMR / BMC reflects Stanmore's US\$1.4bn acquisition of BHP's 80% interest in BMC which completed in 2022.

4) Teck / GLEN reflects Glencore's majority stake acquisition of Teck's steelmaking coal business EVR for US\$6.9bn.

5) WHC / BW&D reflects Whitehaven's US\$3.2bn acquisition of BHP's Blackwater and Daunia assets due to complete in early 2024.

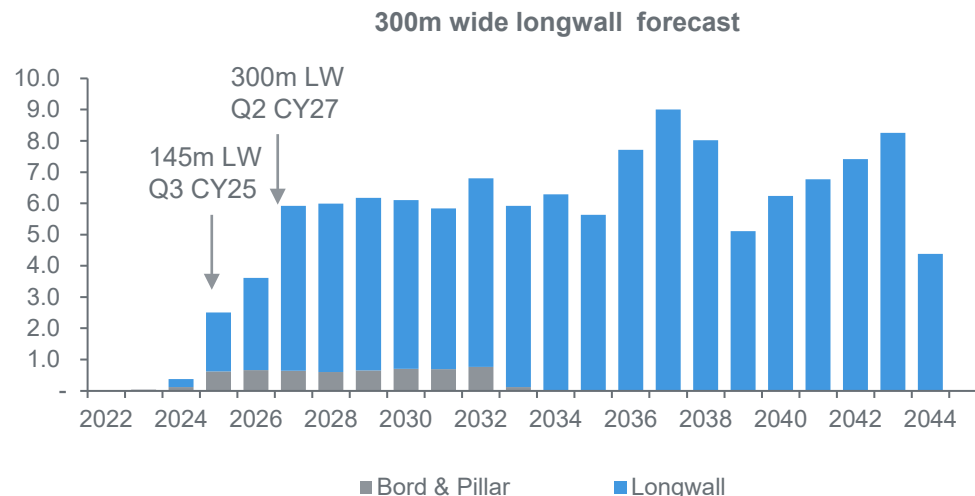
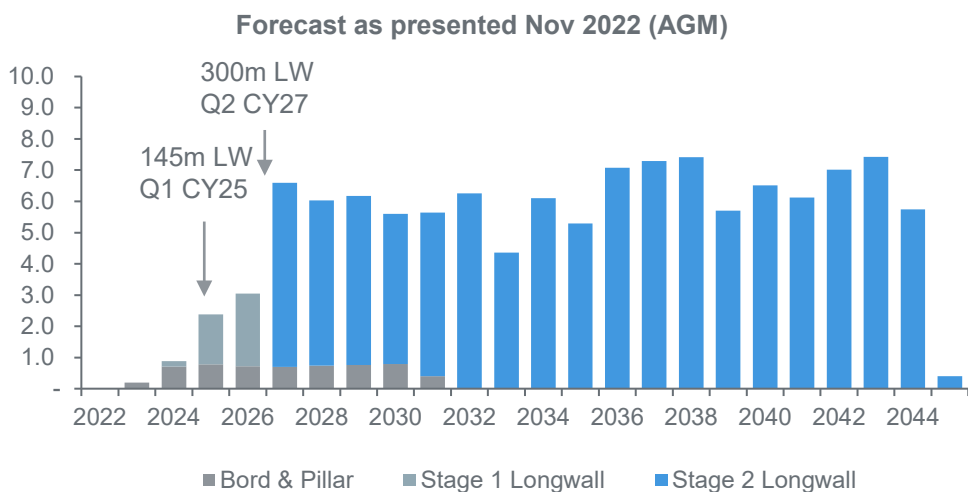


# Project plan and funding

# Committing to a 300m wide longwall

- Malabar's board has made the decision to;
  - Construct Maxwell as a higher capacity 300m longwall mine,
  - Construct the downstream coal handling infrastructure to facilitate this.
- A 300m longwall delivers greater sales volumes at a lower operating cost, so building a more resilient and profitable business better placed to maintain greater shareholder returns.
- Our commitment reduces the overall capital to commissioning a 300m longwall but will increase the near-term capex requirement as higher capacity coal handling infrastructure will be constructed (e.g. conveyors and ventilation).

## Coal sales (million tonnes per annum)





# Industry trends

item	Industry impact	Maxwell impact
Coal prices	<ul style="list-style-type: none"> <li>• <b>Strong demand</b> with customers seeking security of supply</li> <li>• <b>Lack of new supply</b> due to approval, financing and ESG challenges</li> </ul> <p>✓ Long term coal price forecasts have increased by ~20%</p>	<ul style="list-style-type: none"> <li>• <b>SSCC demand increasing</b> as HCC prices and ash levels increase</li> <li>• <b>High calorific value thermal coal</b> remains the premium global thermal product,</li> </ul> <p>✓ Hence <b>higher prices</b> for our products</p>
Operating and capital costs	<ul style="list-style-type: none"> <li>• <b>Operating costs</b> have increased by c. 40% for many mines over the last 2 to 3 years.</li> <li>• <b>Large capital cost overruns</b> have occurred due to labour shortages, input costs, energy prices and supply chain hold ups</li> </ul>	<ul style="list-style-type: none"> <li>• Maxwell's operating costs have increased by 10% over the last 2 year period (LOM costs \$50 vs \$55 FOB A\$/t) <sup>1</sup></li> <li>• Capital cost for the 300m longwall has increased 10% - This increase has been constrained by the decision to commit now to the bigger wall, rather than in two steps.</li> </ul>
Gov't intervention	<p><b>Coal Royalties</b></p> <ul style="list-style-type: none"> <li>• <b>Qld Gov't</b> aggressively increased their scheme – top marginal royalty rate is 40%.</li> <li>• <b>NSW Gov't</b> increased royalties by a flat 2.6% (revised royalty is 8.8% to 10.8 % depending on the type of mine).</li> </ul> <p><b>GHG emissions reduction scheme</b></p> <ul style="list-style-type: none"> <li>• Safeguard Mechanism will increase costs</li> </ul>	<p><b>Coal Royalties</b></p> <ul style="list-style-type: none"> <li>• A royalty rate of 9.8% less allowable deductions will apply to Maxwell from FY24 onwards <sup>1</sup>.</li> </ul> <p><b>GHG emissions reduction scheme</b></p> <ul style="list-style-type: none"> <li>• Maxwell's coal seams have low methane content</li> <li>• Expected costs of Safeguard compliance is ~5% increase in operating cost – from 2027 onwards <sup>2</sup></li> <li>• Malabar is working on abatement and carbon offset alternatives</li> </ul>

**Coal forecasters believe that these impacts will underpin stronger coal prices**

<sup>1</sup> Costs are in real 2023 dollars and exclude royalties

<sup>2</sup> Safeguard mechanism costs are included in the LOM operating of \$A55 FOB A\$/t

# Funding

## Funding

- Cash (as at 31<sup>st</sup> October 2023) A\$92m
- 1<sup>st</sup> drawdown of the debt facility of US\$24m occurred in September 2022 with remaining US\$96m to be progressively drawn.
- A coal prepay of US\$55m is expected to drawn in February 2024.

### The funding position is being reviewed to provide for;

- i. Commitment to the 300m longwall,
  - ii. the delayed ramp-up of B&P production,
  - iii. increased capital and operating costs and royalties,
- Additional funds of approx. A\$150 million.
  - We target completion of this task in Q1 CY2024.
  - Funding alternatives being considered
    - Additional senior debt, and/or
    - A second coal prepayment facility, and/or
    - Sell joint venture interest(s) in the mine to reputable customer(s), and/or
    - Additional equity.

	Snr Debt Facility	Coal Prepay
<b>Provider</b>	Asian based credit fund	Blue chip Japanese customer
<b>Amount (US\$ m)</b>	Drawn	24
	Undrawn	96
	<b>Total</b>	<b>120</b>
<b>Term</b>	Sep 2027	10 years from 1 <sup>st</sup> coal
<b>Drawdown</b>	On project milestones	On project milestones



# ESG & Renewable energy developments

# ESG focus

## Malabar is committed to its ESG principles...

- ✓ Greater than 75% of production suitable for steelmaking.
- ✓ Demonstrated best practice rehabilitation of the old Drayton open-cut mine.
- ✓ Underground mining employs less intrusive mining methods to minimise dust emissions, noise, water and visual impacts.
- ✓ Minimise incremental environmental and social impacts by utilising the substantial existing brownfield infrastructure.
- ✓ Green energy focus and opportunities to reduce emissions using rehabilitated land to develop Stage 1 Maxwell Solar Farm, and opportunity to develop substantially greater renewable energy developments
- ✓ Proactive community engagement.
- ✓ Rigorous and transparent disclosure regime.



# Renewable energy developments

## Malabar is well located to play a significant role in NSW's energy transition

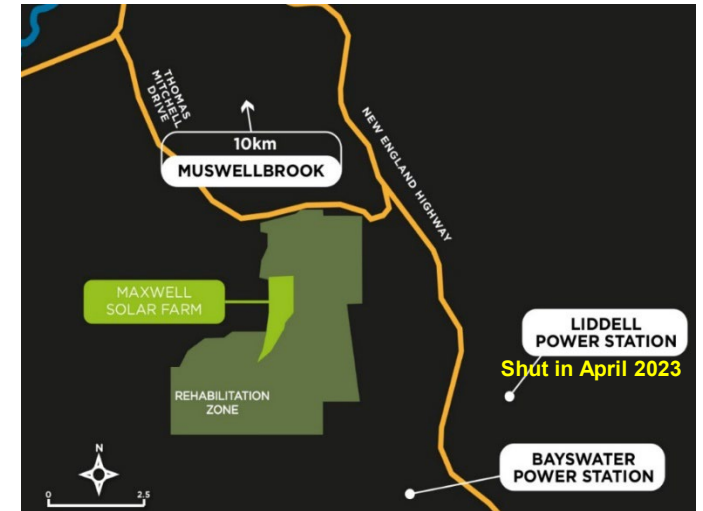
- Since the closure of Liddell in April 2023, wholesale power prices have increased

### 25MW Maxwell Solar Farm

- Development Consent received for construction on c.105 ha of rehabilitated open cut mine.
- We have selected a preferred power supplier to provide a packaged electricity supply from grid and behind-the-meter BOOT (Build-Own-Operate-Transfer) of the Maxwell Solar Farm

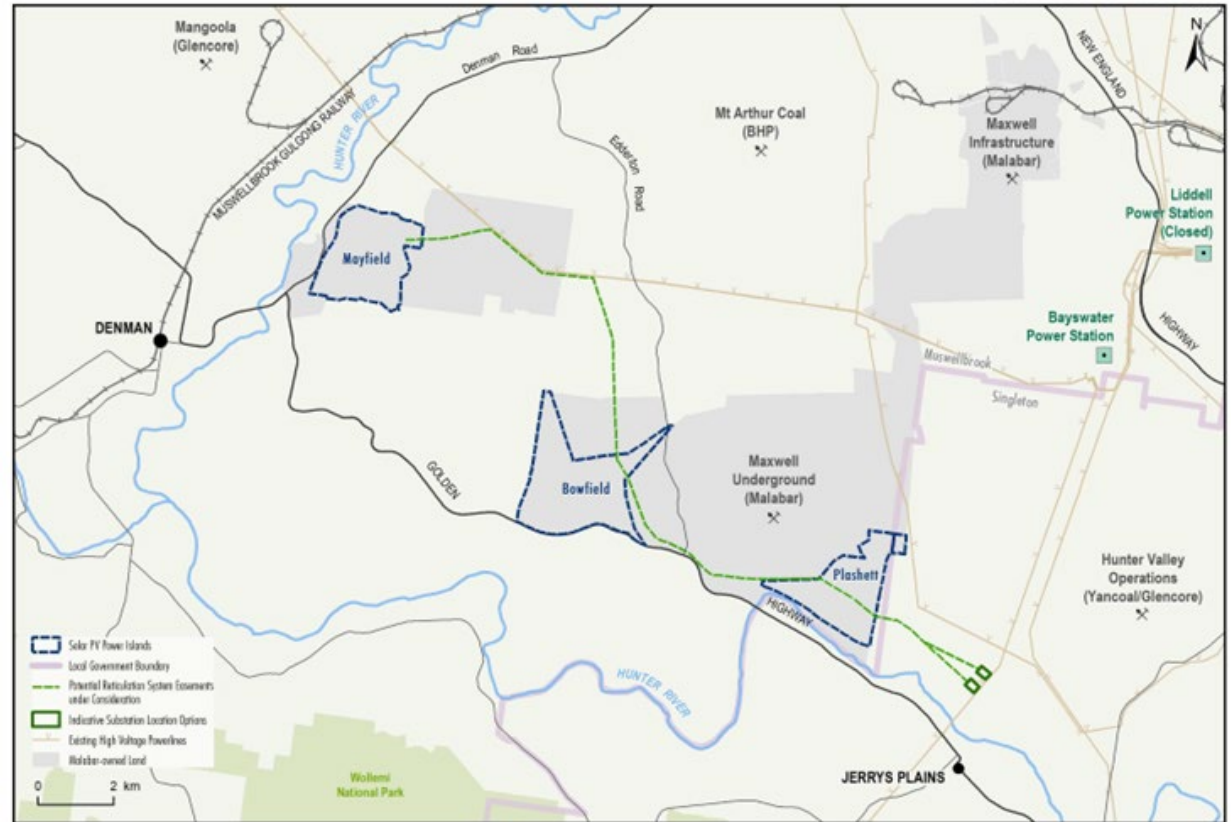
### +350MW Edderton Solar Farm and BESS

- The large scale Edderton Solar Farm 350MW PV and 350MW/700MWh BESS (battery) is being advanced in partnership with EDF-Renewables.
- Environmental studies and community consultation is in progress.



# Edderton Solar Farm

- Located within Hunter-Central Coast Renewable Energy Zone (REZ).
  - Included in the REZ Registration of Interest process.
  - Close to the recently closed Liddell power station and the operating Bayswater power station.
- Adjacent to existing Transgrid transmission lines.
- Within existing mining precinct and surrounded by several mining operations (open cut & underground).



- ✓ Targeted to produce up to 800,000 MWh per annum, which can:
  - ✓ Power at least 130,000 homes (equal to all the homes in Muswellbrook, Singleton, Upper Hunter and Newcastle)
- ✓ Strengthen the local power network with battery storage.
- ✓ 400 - 450 construction jobs and 10 -15 FTE operational roles.



**End of Presentation**