



## **Malabar Resources Ltd**

**(Unlisted, Market Cap A\$1.06bn at A\$1.80/share)**

### **Whynot Mine commissioned.**

#### **Additional capital to accelerate longwall production at Maxwell.**

- Malabar's Maxwell and Spur Hill projects are located in the Upper Hunter coalfield of NSW and represent two of the last semi-soft coking coal-dominated deposits of size in the area. With a low operating cost structure, long mine life and with expansion options, we judge the project to be truly Tier 1 in status. Importantly, the project is fully permitted for coal sales of 5.5-6.5mtpa.
- The Maxwell and Spur Hill Mineral Resource combined is an impressive 1.4bn tonnes. Maxwell Ore Reserves alone total some 144mt within 4 seams so sufficient to support a +20-year mine life at a sales rate of around 6mtpa. We see potential for an additional 20 years of mine life from other seams, both coking and thermal products.
- A separate bord and pillar mine exploiting shallow thermal coal (the Whynot Seam) is already in production and should generate positive cashflow this year. Construction of the main Maxwell/Woodlands Hill longwall mine has commenced.
- Key to the success of the Maxwell project has been the low-cost acquisition of plant and infrastructure from the Drayton mine (with perhaps a \$500m replacement value in the current inflationary environment, we estimate). This will have resulted in a project capital intensity perhaps half the coal sector average.
- Capital and operating cash costs are forecast to be very competitive, well within the first cost quartile for thermal coal and with high margins forecast for a semi-soft coking coal product.
- At steady state around 75% of the mine's production (by volume) will be semi-soft coking coal, a well-regarded Hunter blending coal. The balance will be either low ash, high energy (6,300kcal)/ low sulphur thermal coal and potentially a PCI product for steel making. The project has access to world class transport infrastructure and access to a skilled workforce.
- A decision has been made to bring forward construction of the Woodlands Hill 300m longwall to accelerate production to take advantage of attractive coal prices and to optimise the capital spend. To achieve this an additional \$160m of additional funding will be required, funded by an equity raise at \$1.80/share.
- The new equity will represent 15% of the expanded capital base. The last equity raise in 3Q22 was A\$250m at A\$1.25/share and brought in New Hope Corp (NHC ASX) as a 15% shareholder.
- We have estimated a post-tax NPV<sub>8</sub> for the Maxwell mines of approximately A\$3bn based on what we believe to be realistic coal price assumptions, with an attractive project IRR of 45%. Our fully funded valuation for Malabar is now A\$5.90/share diluting for the current equity raise.
- We now believe Malabar will have the capacity to pay dividends from 2027 (our estimate is 18c/share, unfranked), with a strong lift in payout as the company passes peak capital spend (2025/2026) and as the mine achieves full production into 2028 and beyond.



## FINANCIAL SUMMARY



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### Malabar Resources Limited

Share Price*	A\$/sh	1.80
Shares on Issue	m	591
Market Cap (A\$m)	A\$m	1,064
Net Debt / (Cash) (A\$m)	A\$m	(33)
Enterprise Value (A\$m)	A\$m	1,031

**Note. This model assumes an equity raise of \$160m at a price of \$1.80/share to fund the accelerated Woodlands Hill longwall mine. These additional shares are incorporated in our estimates.**

Profit & Loss	Units	Jun-23	Jun-24e	Jun-25e	Jun-26e	Jun-27e
Sales and Other Income	A\$m	7	63	148	442	637
Expenses	A\$m	(3)	(59)	(121)	(276)	(380)
<b>EBITDA</b>	A\$m	<b>5</b>	<b>4</b>	<b>27</b>	<b>166</b>	<b>257</b>
D&A	A\$m	(1)	(2)	(6)	(18)	(25)
<b>EBIT</b>	A\$m	<b>4</b>	<b>2</b>	<b>21</b>	<b>148</b>	<b>232</b>
Interest	A\$m	3	(9)	(21)	(18)	(14)
Tax	A\$m	9	-	-	-	-
<b>NPAT</b>	A\$m	<b>16</b>	<b>(6)</b>	<b>(0)</b>	<b>130</b>	<b>218</b>

Per Share Data	Jun-23	Jun-24e	Jun-25e	Jun-26e	Jun-27e
Shares Out (m)	502	591	591	591	591
EPS (¢)	3.3¢	(1.2¢)	(0.1¢)	22.0¢	36.9¢
Dividend (¢)	-	-	-	-	18.0¢
Payout Ratio (%)	0%	0%	0%	0%	49%
Book Value (A\$/share)	0.71	0.79	0.78	1.05	1.25
Operating Cash Flow (A\$/sha)	0.01	(0.03)	0.02	0.25	0.39
Free Cash Flow (A\$/share)	(0.25)	(0.33)	(0.26)	0.06	0.21
EBITDA (A\$/share)	0.01	0.01	0.05	0.28	0.44

Cashflow	Units	Jun-23	Jun-24e	Jun-25e	Jun-26e	Jun-27e
Cash From Operations	A\$m	2	4	27	166	257
Interest	A\$m	4	6	36	31	25
Tax	A\$m	-	-	-	-	-
Working Capital	A\$m	-	(30)	(50)	(50)	(50)
<b>Net Cash From Operations</b>	A\$m	<b>6</b>	<b>(20)</b>	<b>13</b>	<b>146</b>	<b>233</b>
Capex	A\$m	(136)	(174)	(168)	(112)	(106)
Exploration	A\$m	(1)	(1)	(1)	(1)	(1)
Acquisitions / Investments	A\$m	3	-	-	-	-
<b>Free Cash Flow</b>	A\$m	<b>(128)</b>	<b>(195)</b>	<b>(156)</b>	<b>33</b>	<b>125</b>
Borrowings	A\$m	23	55	159	(43)	(43)
Equity	A\$m	242	160	-	-	-
Dividend	A\$m	(11)	-	-	-	(106)
Other	A\$m	(13)	-	-	-	-
<b>Net Increase / (Decrease) in Cash</b>	A\$m	<b>114</b>	<b>20</b>	<b>3</b>	<b>(9)</b>	<b>(24)</b>

Valuation Metrics	Jun-23	Jun-24e	Jun-25e	Jun-26e	Jun-27e
P/E (x)	54.3x	(152.1)x	#####	8.2x	4.9x
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%	10.0%
EV / Sales	141.3x	16.3x	7.0x	2.3x	1.6x
EV / EBITDA	217.8x	244.8x	38.4x	6.2x	4.0x
EV / EBIT	273.2x	486.5x	49.8x	7.0x	4.4x
FCF Yield (%)	-14.1%	-18.3%	-14.7%	3.1%	11.8%

Operating Metrics (%)	Jun-23	Jun-24e	Jun-25e	Jun-26e	Jun-27e
EBITDA Margin	n/a	7%	18%	38%	40%
EBIT Margin	n/a	3%	14%	33%	36%
Net Profit Margin	n/a	-10%	0%	29%	34%
ROIC	n/a	0%	4%	21%	29%
Return on Assets	n/a	-1%	0%	13%	20%
Return on Equity	n/a	-1%	0%	21%	29%
Effective Tax Rate	n/a	0%	0%	0%	0%

Balance Sheet	Units	Jun-23	Jun-24e	Jun-25e	Jun-26e	Jun-27e
Cash	A\$m	143	139	142	132	108
Receivables	A\$m	3	5	12	36	52
Inventory	A\$m	7	6	14	44	63
PP&E	A\$m	297	469	632	727	809
Other	A\$m	43	43	43	43	43
<b>Assets</b>	A\$m	<b>492</b>	<b>662</b>	<b>843</b>	<b>982</b>	<b>1,076</b>
Creditors	A\$m	18	5	12	36	52
Borrowings	A\$m	52	106	265	222	180
Other	A\$m	65	84	104	104	104
<b>Liabilities</b>	A\$m	<b>135</b>	<b>195</b>	<b>381</b>	<b>362</b>	<b>336</b>
<b>Net Assets</b>	A\$m	<b>358</b>	<b>467</b>	<b>462</b>	<b>620</b>	<b>740</b>

Key Assumptions	Jun-23	Jun-24e	Jun-25e	Jun-26e	Jun-27e
Semi-Soft Coking Coal (US\$/t)	135	150	140	135	135
Thermal Coal (US\$/t)	100	130	110	110	100
AUDUSD	0.70	0.70	0.70	0.70	0.70
Coal Sold (mt)	-	0.3	0.9	2.6	3.6

Liquidity & Leverage	Units	Jun-23	Jun-24e	Jun-25e	Jun-26e	Jun-27e
Borrowings	A\$m	52	106	265	222	180
Net Debt / (Cash)	A\$m	(91)	(33)	124	90	71
Gearing: Net Debt / (Net Debt + Equity)	%	-34%	-8%	21%	13%	9%
Net Debt / EBITDA	x	(19.2)x	(7.7)x	4.6x	0.5x	0.3x
EBIT Interest Cover	x	n/a	n/a	1.0x	8.4x	16.6x

Valuation	A\$m	Equity	Risk	A\$m	A\$/share
Maxwell Mine	2,975	100%	100%	2,975	5.02
Spur Hill	837	100%	25%	209	0.35
Other Assets	138	100%	100%	138	0.23
Corporate Costs	(63)	100%	100%	(63)	(0.11)
Net Cash (Debt)	91	100%	100%	91	0.15
Cash from new equity	160	100%	100%	160	0.27
<b>Total</b>	<b>4,138</b>			<b>3,510</b>	<b>5.90</b>
WACC					<b>8.0%</b>
FPO Shares					502
Additional Equity Raise					89
Options					-
Performance Rights					2
<b>Fully Diluted SOI</b>					<b>593</b>

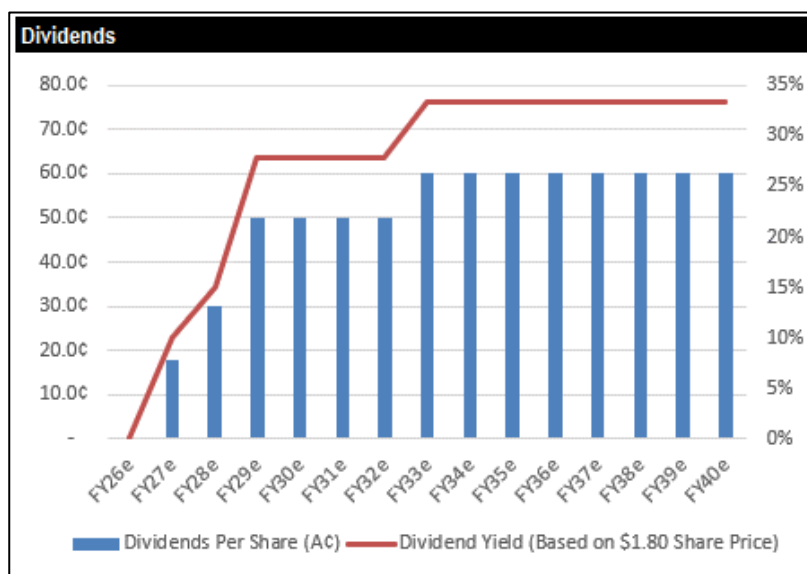


## INVESTMENT SUMMARY

- The Maxwell project is characterised by scalable production, low cash costs, low capital intensity, ready access to world class transport infrastructure and access to a skilled workforce.
- With a combined resource of over 1.4 billion tonnes and with prospective sales of 5.5-6.5mtpa of mainly semi-soft coking coal, we believe it is appropriate to classify this as a Tier 1 project.
- A decision has been taken to immediately expand Maxwell's Woodlands Hill longwall to maximise productivity. An additional A\$160m will be required to achieve this. (Previously an uncommitted, unfunded staged ramp-up had been proposed). The first year of full production is now scheduled for 2028.
- As the Woodlands Hill longwall approaches full production, Malabar's P/E for 2027e is forecast at 4.9x (at a \$1.80 share price), and EV/EBITDA of around 4x, declining to 3x and 2.5x respectively in 2028.
- These metrics combined with a ca. 70% discount to our NAV estimate for the company confirms that Malabar remains inexpensive.
- It is hard to fault the work of Malabar's experienced board and management team. There have been few greenfield coal projects permitted and constructed in NSW in the last 10 years due to permitting difficulties.

### Investment metrics

- We take the view that both coking and thermal coal pricing will remain "stronger for longer" with a solid demand outlook (especially India) and supply constrained by permitting challenges and a lack of development capital. See Appendix 3 for a detailed discussion.
- Based on conservative commodity price and FX assumptions we have estimated a post-tax NPV<sub>8</sub> of A\$3bn for the Maxwell Project, with a very attractive project IRR of 45%.
- On a fully funded basis we have estimated an NPV<sub>8</sub>/share of A\$5.90, a significant premium to the pricing of new equity (A\$160m to be raised at \$1.80/share).
- Malabar's gearing peaks in FY2025 with a net debt/debt+equity ratio of just 21%. Interest cover bottoms in 2025 during construction. This improves into 2026 (8.4x) and beyond. This is a lightly geared balance sheet.
- We believe the company could be in a position to pay an 18c (likely unfranked) dividend in FY2027, before expanding to around 30c/share in FY2028.
- Thereafter dividends of 50-60c could be available should the company pay out 80% of free cashflow, and assuming our A\$ commodity prices and cost estimates remain unchanged. Dividends are likely to become franked beyond 2028, based on our estimates of tax paid by Malabar. This represents an attractive outlook for Malabar investors.



Source: BSCP Estimates

- Malabar has significant valuation optionality, including the Spur Hill project (where we employ a 75% discount to our indicative valuation) and two promising solar projects to be developed on wholly owned property. To these we have allocated nominal value.
- Malabar is inexpensive. This is confirmed in a comparison with Malabar's 15% shareholder, New Hope Corporation (ASX: NHC). Based on common assumptions, NHC trades on a 13x P/E in 2027e (Malabar we estimate is trading on 4.9x in FY2027), with an EV/EBITDA of 5.4x (4x). Forecast dividend yields for NHC are in the range 2.6-5.6%. NHC trades at a 22% discount to an NPV<sub>s</sub>. (Source: Q-Value. See Appendix 5).
- We see good reason for the valuation of Malabar to re-rate towards NHC's multiples as the main Maxwell/Woodlands Hill longwall operation achieves full production.

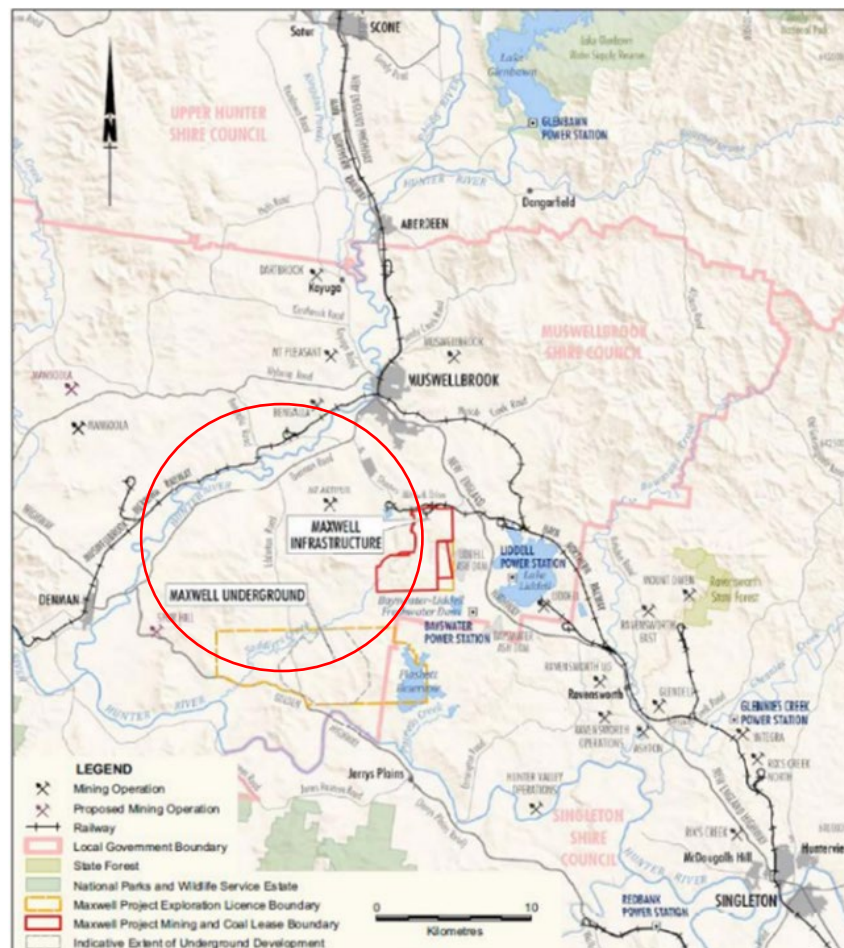


## Malabar's Maxwell Project

The Malabar board and executive team have rapidly advanced the Maxwell project since the grant of a mining lease in 2021. As planned, the Whynot Mine (a small capacity bord and pillar mine based on the Whynot Seam) has been constructed with first coal production in March 2023 and the first shipment in June 2023.

The company has now decided to advance the Maxwell project (the "Woodlands Hill Mine" based on the longwall extraction initially of the Woodlands Hill Seam) to a full product sales rate of 5-6.5Mtpa. Construction has already begun. This is the main subject of this update.

For those new to Malabar we have included sections from our initiation report, such as Geology, Coal Quality and Mining in Appendix 1. Refer also to Appendix 3 for an overview of commodity issues and how the Maxwell coking coal fits into the Asian steel making industry. We would encourage this section to be read first.



In Appendix 2, we present a SWOT analysis from our 2022 initiation report, updated for recent events.



## Into production: Development of the Whynot Mine

In 2022, Malabar proceeded with a low capex development of the shallow Whynot Seam where the production of high energy thermal coal has now commenced. This seam also has the potential to produce a PCI product for steel-making the markets for which are currently being evaluated.

The project involved the upgrading of a haul road from the old Drayton mine infrastructure to a shallow box cut, to provide a portal for shallow drift access to the proposed mining section.

In our last report, we described this development as opportunistic: a 650 – 750 ktpa of saleable production, low capex relatively high cost bord and pillar development, designed to take advantage of the strong prevailing thermal coal prices.

Key recent developments at the Whynot development include the following:

- Construction of three entry points to the mine, with the installation of ventilation infrastructure, a conveyor system and general services (power, water, air, etc).
- Purchase of second hand, low profile continuous miners and associated equipment. Incremental capex has been around A\$50m, higher than our earlier estimates (A\$25m). The company had previously indicated hiring coal mining production equipment but has since decided to acquire the equipment.
- As planned, Malabar is using mining contractors (PIMS Group) for development and coal mining.
- The first continuous miner commenced operation in March 2023, a few months late after interruptions following a wet summer in the Hunter. The first low height continuous miner commenced operations in November, with the second expected to commence in early 2024.
- Production was slower to ramp up, partly due to delays in starting construction, partly due to difficulties in recruiting personnel. This has been partially addressed by a new approach taken by Malabar, a “new to industry” programme which has included a significant proportion of on-the-job training.
- First product coal emerged from the refurbished Drayton coal washery in early May 2023. The first train shipment left in June 2023. We have assumed the production of around 650-700ktpa of a washed +6,300kcal/kg (nar) low ash product to be shipped to Asian markets. The mine life for Whynot is assumed to be 9 years.
- Costs are higher than we’d previously forecast, now estimated by the company to be around A\$120/t (excluding royalties), against a \$90/t estimate in our earlier report. With 6,300kcal coal hovering around US\$135-140/t FOB (over A\$200/t) operating margins are still attractive.
- The benefits of the Whynot development are as follows:
  - It moves the project into immediate construction and development and has allowed the company to recruit key personnel.





- There have been some capital synergies associated with the main Maxwell longwall mine, such as development of an access road, the establishment of surface infrastructure and power reticulation.
- It has allowed commissioning of the old Drayton washery, required for the main Maxwell/Woodlands Hill development, which is now due to start production this year.
- We now consolidate the Whynot development into our Malabar model. Note that it is a small producer and the value increment to the overall Maxwell project is modest. But it will provide valuable cashflow to assist with the early stages of the longwall development.
- Should A\$ thermal coal prices suddenly adjust downward – not a scenario we can envisage – this relatively high-cost mine can be quickly placed on care and maintenance.



## Updated Woodlands Hill Development Proposal: Accelerating the move to 6mtpa coal sales in 2027

In our 2022 report we looked at three development options for the main longwall face designed to exploit the semi-soft coking coal of Woodlands Hill Seam:

- **Option 1:** A 145m longwall face, producing ca. 4Mtpa ROM coal (3-3.5Mtpa saleable), with no expansion to Stage 2.
- **Option 2:** A firm committed plan to ramp up to 300m wide longwall as quickly as practical.
- **Option 3:** Deferred ramp up from 145m longwall to 300m.

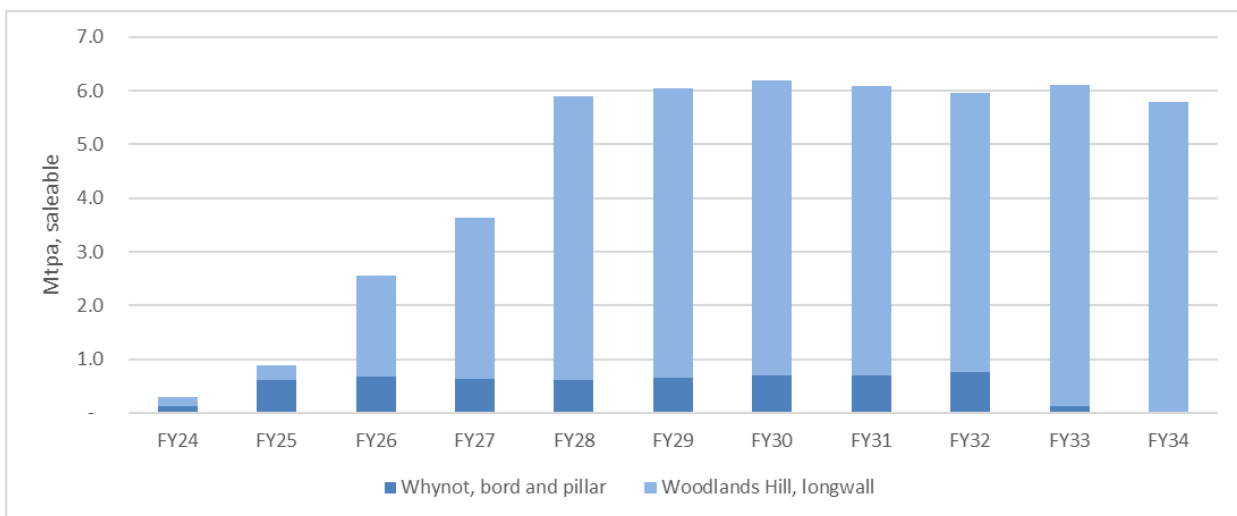
At the time of our 2022 report Option 3 was chosen as the most likely case as it allowed the mine to start generating free cash flow early in its life and part fund the expansion to ca. 6Mtpa saleable production.

As discussed at the recent AGM, Malabar is now likely to proceed with Option 2, with a move to a higher capacity 300m long longwall face as quickly as practical.

The company states: “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.”

As well as bringing cashflow forward, the strategy reduces the overall capital commitment in Option 3 as there is less “regret capital” (that is capital items that would need to be built for Stage 1, but to be replaced going into Stage 2). However, this approach increases the near-term capital requirement as the mine’s infrastructure (in particular ventilation and coal conveyors) will need to be sized for significantly higher capacity prior to the commissioning of the longwall.

Our forecast production schedule (out to 2034e) is shown in the following chart:



Source: Malabar guidance

It is now proposed that longwall mining will start from a number of smaller 145m strike length panels from 4QFY25 some 6 months later than originally proposed. The longwall will be extended





to its full width of 300m, and according to the current mine plan will exit FY2027 at 6Mtpa nameplate capacity. This will allow the company to continue to benefit from higher-than-average coal prices.

Malabar has provided guidance for the new configuration:

- The total capital cost for the 300m longwall and associated infrastructure has increased 10% to around A\$620m.
- As we discuss in the following section (“Financing”) this revised mine plan will require the company to raise an additional A\$160m to fully fund the expansion.
- Maxwell’s operating costs are forecast to have increased by 10% over the last two-year period (LOM costs of A\$55/t FOB), including an allowance for expected costs of the Commonwealth Government’s Safeguard compliance. (This is effectively a greenhouse gas emission tax and is discussed under “ESG”, in Appendix 2).
- A royalty rate of 9.8% less allowable deductions will apply from FY2024 onwards, in line with the new royalty regime in NSW.
- As discussed in Appendix 2 (SWOT analysis) the Maxwell/Woodlands Hill longwall will remain firmly in the lowest cost quartile for both thermal and coking coal.

Coal production will be exported via the triple track rail network to Newcastle and exported from the PWCS coal terminal in Newcastle. Track capacity (“below rail”) and haulage capacity (“above rail”) are readily available. The current capacity of the rail network from the Maxwell mines to the Newcastle coal ports is 245mtpa and it is underutilised.

The Port of Newcastle contains two coal terminal operators with combined export capacity of 211mtpa (Port Waratah Coal Services 145mtpa and Newcastle Coal Infrastructure Group 66mtpa, approved to 79mtpa). The Port of Newcastle presently operates well below its +200mtpa coal export capacity, so Maxwell’s targeted export volumes (5-6mtpa) are relatively modest in the context of the currently available port capacity.

A summary of our production, revenue, cost and EBITDA estimates for the first 7 years of production is shown below.

Maxwell Underground Mines	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Saleable Coal Production	0.3	0.9	2.6	3.6	5.9	6.1	6.2
Cost of Coal FOB (A\$/t), excluding royalties	170	75	90	87	66	62	62
Revenue (A\$m)	58	143	437	632	1,042	1,067	1,092
EBITDA (A\$m)	4	27	166	257	554	592	603
Thermal Coal Price Realised (US\$/t FOB)	130	110	110	100	100	100	100
Semissoft Coal Price Realised (US\$/t FOB)	150	140	135	135	135	135	135
AUDUSD	0.70	0.70	0.70	0.70	0.70	0.70	0.70

Source: BSCP estimates



**Pre-existing coal washery/stockpile/load-out infrastructure at Maxwell**



**World class railway and port infrastructure (NCIG)**







## Progress on the Maxwell/Woodlands Hill Longwall Project

Together with the development of the small Whynot Mine the main Maxwell Longwall Project (the Woodlands Hill Mine) has been advancing since the various sources of funding were secured. Progress has been made on a number of fronts:

- A large box cut has been completed which has allowed the start of construction of two declines to access the Woodlands Hill Seam and allow the installation of the longwall face. The declines were started in July 2023 by contractor Pybar and have advanced over 850 metres. (See photograph below).
- Orders for longwall equipment have been placed. Delivery of this equipment is expected in early CY2025.
- Agreements have been executed for a long-term supply of mining equipment used for ongoing underground roadway construction.
- Coal handling and coal washing infrastructure has been successfully recommissioned in conjunction with the Whynot mine production.
- Stockpiling, reclaim and train loading facilities have been commissioned in conjunction with the Whynot development. Trains have been successfully discharged at the Port of Newcastle at PWCS and NCIG and loaded into customers' ships.
- We estimate that some \$80m of the total capex of ca. A\$620m has been spent to date.



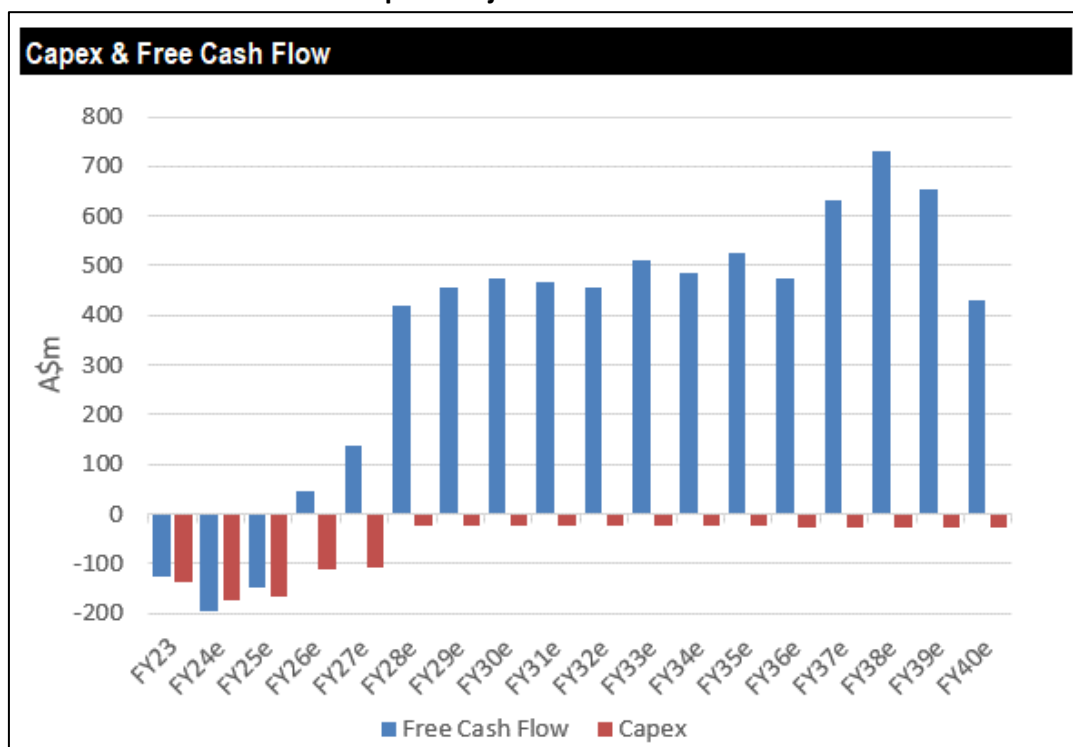
Source: Malabar



### PROJECT CASHFLOWS

- BSCP has updated a detailed financial model based on a bottom-up assessment of the forecast mine cash flows for both the Whynot Mine and the main Woodlands Hill longwall operation.
- Our model indicates that the Maxwell mines should generate very strong cash flows over their defined operating life to 2044 based on our commodity price assumptions. On average over the life of the mine, once the 300m longwall is in operation, we estimate post-tax free cash flows of A\$470-750m per year for approximately 20 years based on the currently defined mine-plan.
- Average EBITDA margins of 50-60% are projected based on BSCP’s assumed long term base case coal prices of US\$95/t for NEWC6000 benchmark export thermal coal (US\$100/t for Maxwell thermal coal) and US\$135/t for semi-soft coking coal. Our assumption for AUDUSD across the profile of our projections is 0.70.
- We assume that over the life of the mine, the Maxwell mines will generate around A\$21bn in sales, A\$12bn in mine EBITDA, incur A\$1bn in capital costs (including sustaining capex commitments over the life of the mine), as well as pay A\$2bn in NSW State Government royalties and A\$3.1bn in corporate taxes.
- As shown in the chart below, the low-cost profile of the Woodlands Hill mine as well as the current robust coal price environment provides for a strong financial profile with significant projected cashflows and expected returns.

#### Post-tax Free Cash Flow and Capital Projections



Source: BSCP Estimates



## FINANCING THE PROJECT

The following table is our interpretation of Malabar's sources and uses of funds for the construction of the Woodlands Hill mine at the Maxwell's project. These estimates are based on information provided at the 2023 AGM, with the starting point at June 2023 and with the bulk of the capex to be spent by mid-2026. Our base case assumes the project will be funded with a principal debt facility, a coal pre-payment supported by a \$160m equity raise described below.

Sources & Uses (A\$m)		BSCP
<b>Sources</b>		
Opening Cash (June 2023)	A\$m	143
Undrawn Coal Prepayment	A\$m	82
Undrawn Term Loan	A\$m	143
Increased debt facility	A\$m	-
Equity Raise	A\$m	160
Operating Cashflow (2024 to mid 2027, est.)	A\$m	222
<b>Total Sources</b>	<b>A\$m</b>	<b>750</b>
<b>Uses</b>		
Capex (From June 2023)	A\$m	560
Amortisation Payments	A\$m	22
Other (working capital, etc)	A\$m	36
Closing Cash (June 2026)	A\$m	132
<b>Total Uses</b>	<b>A\$m</b>	<b>750</b>

Source: BSCP

Key points to note are:

- As at 31 October 2023, Malabar's cash position was A\$92m, reflecting the A\$250m equity raising completed in 2022, offset by expenditure on the two Maxwell mines.
- US\$55m (approx. A\$82m) coal prepayment facility was executed in November 2021 and is undrawn (expected to be drawn in February 2024).
- A\$100m deferred payment for longwall and development equipment, provided by OEMs. We understand that this will be repaid from cashflow over the period 2023 to 2027.
- US\$24m of a US\$100m senior debt facility (with an Asian credit fund) was drawn at June 2023.
- To fund the accelerated construction of the 300m longwall at the Woodlands Hill Mine, we have incorporated an additional A\$160m funded entirely by equity at an issue price of \$1.80/share.



## Valuation of Malabar's coal assets

### The Maxwell Mines: Whynot and Woodlands Hill

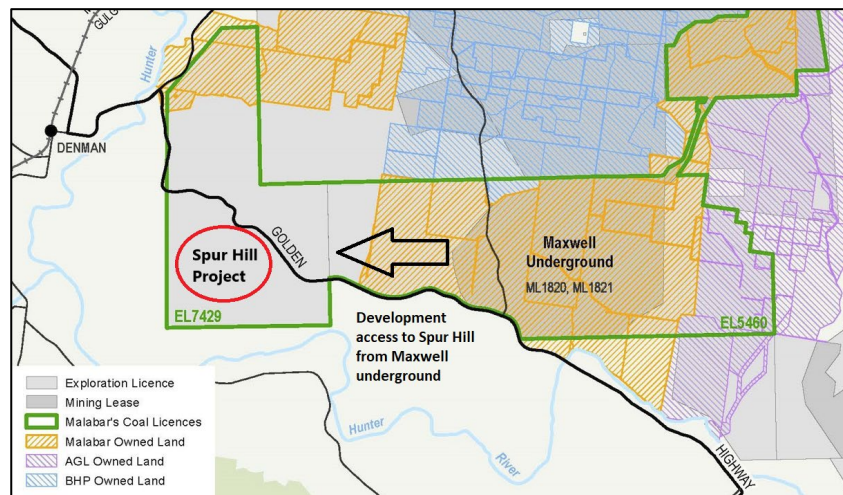
- The majority of our valuation for Malabar is attributed to the Woodlands Hill longwall, with small increments apportioned to the Whynot satellite and what is effectively an option value for the long-term expansion of production into the Spur Hill tenements.
- A summary of our key assumptions for Maxwell are as follows:
  - Commercial production from the Whynot operation from 2023 and with the Woodland Hill longwall operation commencing in mid-2025, reaching full production rates by end FY2027 and continuing production until 2044.
  - Around 5.4mtpa of saleable coal production from the Woodlands Hill mine, around 75% SSCC, 25% 6,300kcal thermal coal split over the life of the mine. In the early days we forecast the SSCC split to be in the range of 50-60% as Malabar develops this market.
  - Production of around 600-700ktpa of thermal coal from the Whynot Mine for a 9 year life.
  - LOM saleable coal production of 114mt.
  - A\$55/t FOB cost of coal (excluding royalties) for the longwall mine (Woodlands Hill), A\$120/t for the bord and pillar (Whynot), both life-of-mine averages.
  - Approximately A\$620m total development capital expenditure (including \$50m for Whynot).
  - Approximately A\$20m per year sustaining capital expenditure primarily reflecting mine development and maintenance of the longwall and process plant.
  - Commodity price/FX assumptions:
    - Thermal coal (benchmark NEWC6000): US\$95/t (FOB)
    - Thermal coal (6,300kcal): US\$100/t (FOB)
    - Semisoft coking coal (realised by Maxwell): US\$135/t (FOB)
    - Regarding currency assumptions, our A\$/US\$ assumption is now 0.70 (against 0.75 previously).
- Note that we ramp the current pricing levels for both coal types down from current spot levels over the period 2024-2025.
- Our DCF analysis derives a valuation for the Maxwell mine of an impressive A\$2.975 billion (8% discount rate, after tax) which makes up over 90% of our consolidated valuation for Malabar.



## The Spur Hill Opportunity

- As we discussed in our June 2022 report, Spur Hill represents a large Mineral Resource of 626mt held within 13 seams and seam splits, effectively the same (albeit deeper) stratigraphic sequence as seen at the Maxwell project.
- The deposit is held within an Exploration Licence. A mining project is not permitted and would likely need to follow a similar path experienced by the Maxwell project.

### Location of Spur Hill Project



Source: Malabar

- The Whynot and Bowfield Seams were determined as the two most economic units and a 91mt ROM Ore Reserve (69Mt saleable) was estimated for both.
- The scale originally proposed for Spur Hill was similar to the Maxwell/Woodlands Hill development with ROM production of 6-8mtpa and saleable coal of 4.8-6.4mtpa. Around 70-75% of production was to be semi-soft coking coal.
- Historically, Spur Hill faced a number of challenges, not least of which was a large capital cost (initially estimated at A\$800-920m). This was to be a greenfields project with limited infrastructure availability.
- The purchase of the Drayton assets for a nominal sum was a game-changer for Malabar and saw the deferral of the Spur Hill project. Nonetheless, Spur Hill remains an important asset and may be brought into production in the future. The seams are largely the same as those at Maxwell, but the blocks appear to be separated by a major fault.
- Our conceptual valuation for Spur Hill is based on the following, derived from the Prefeasibility Study (PFS) completed around 8 years ago.
  - First production in 2035. Permitting will undoubtedly take some time, and is unlikely to be initiated until the Maxwell mine is in full production.
  - ROM production rate of ca. 6mtpa and 4.5mtpa product tonnes (75% semi-soft, 25% thermal).



- Capital cost estimate of A\$590m (a 25% increase on our 2022 estimates).
- Operating costs of A\$70/t, significantly higher than the Woodlands Hill mine.
- Our recently revised commodity price and currency assumptions.
- We estimate a conceptual NPV<sub>8</sub> (after tax) of A\$837m and discount this valuation by 75% to represent the fact that the project is not permitted and PFS estimates upon which the valuation is based need updating. As shown below, Spur Hill represents under 7% of the total value of the coal assets, so is barely material. It does, however, represent a very valuable option for Malabar shareholders.

## Summary and valuation of other assets owned by Malabar

Malabar owns a number of assets which are not captured in our valuation of the Maxwell project. These include the following:

- **Land:** Malabar owns substantial parcels of land covering some 8,900ha including significant water rights and a vineyard. We adopt \$50m for these assets based on guidance from the company.
- **PWCS:** Malabar owns a 7.4% indirect stake in the Port Waratah Coal Services (PWCS) coal export facility at the Port of Newcastle. PWCS has an export capacity of 145mtpa and is the lowest cost coal export facility in the world. Based on a recent sale of equity in PWCS Malabar's 7.4% stake is judged to be worth approximately A\$43.6m on this basis. (Source: Malabar).
- Malabar owns the **Antiene Rail Spur** which has >40 mtpa capacity and was originally built to service the Drayton mine. We value the spur at A\$15m in line with Malabar management estimates which are derived with reference to DCF analysis as well as publicly available EBITDA multiples for comparable assets.
- A **25MW solar farm** has received approvals for construction on the backfilled and rehabilitated landform within the old Drayton open-pit mine workings.
- **Large scale solar developments** Malabar has also entered into a partnership with EDF Renewables (EDF-R) to consider large scale solar and renewable developments. This is to be sized at 350MW photovoltaics with a 700MWh battery storage system. Environmental studies and community consultations are underway.
- Malabar's landholdings in the Upper Hunter Valley are uniquely located adjacent to the Liddell and Bayswater Power Stations and large transmission lines.
- We have adopted a notional valuation of A\$30m for the solar farms and battery storage projects. This we think is very conservative.



### Valuation Summary of Malabar's Other Assets

Other Assets	A\$m
Surplus Land & Water Rights	50
Port Investments	43
Antienne Rail Spur	15
Solar Generation Assets	30
<b>Total</b>	<b>138</b>

Source: Company Reports, BSCP Estimates

## VALUATION OF MALABAR

- The present value of the projected Maxwell cash flows is calculated to be around A\$3bn (unrisked, after tax, 8% discount rate), as discussed above.
- We incorporate a separate valuation of a future development of the Spur Hill project (risk-weighted at 25%), as discussed above.
- We assume a nominal \$138m to reflect the value of other assets, as discussed above. We deduct A\$63m reflecting the approximately A\$5-6mpa (after tax) in corporate overheads incurred in operating Malabar's head office to support the mining operation.
- We assume a fully diluted share count of 502m (see "Capital Structure" below), to which is added 89m shares, representing an equity raise of \$160m at a share price of \$1.80/share.

Sum-of-the-Parts	A\$m	Equity	Risk	A\$m	A\$/share
Maxwell Mine	2,975	100%	100%	2,975	5.02
Spur Hill	837	100%	25%	209	0.35
Other Assets	138	100%	100%	138	0.23
Corporate Costs	(63)	100%	100%	(63)	(0.11)
Net Cash (Debt)	91	100%	100%	91	0.15
Cash from new equity	160	100%	100%	160	0.27
<b>Total</b>	<b>4,138</b>			<b>3,510</b>	<b>5.90</b>
<b>WACC</b>					<b>8.0%</b>
FPO Shares (m)					502
Equity Raise (m)					89
Options (m)					-
Performance Rights (m)					2
<b>Fully Diluted SOI (m)</b>					<b>593</b>

Source: BSCP Estimates



### VALUATION SENSITIVITIES

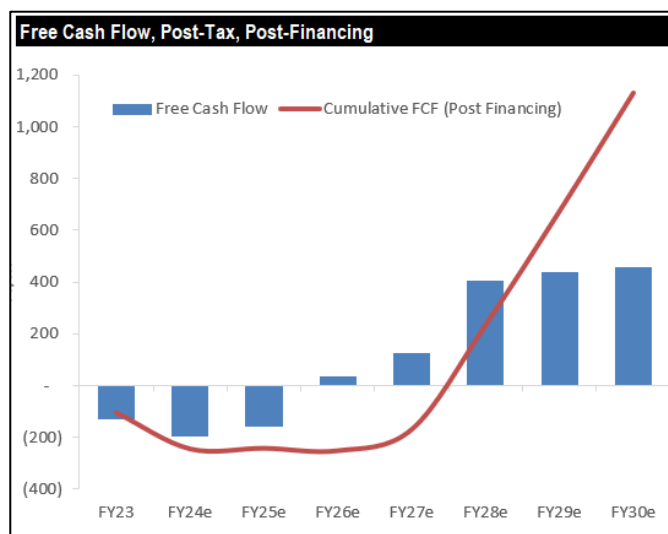


Source: BSCP Estimates

As with most projects of this scale, the greatest valuation sensitivity is to the A\$ coal price. A 10% increase in A\$ coal prices would see our Malabar valuation increase to \$6.75/share; a 10% drop delivers a valuation of \$5.12/share.

### FREE CASH FLOW ANALYSIS. DIVIDEND POTENTIAL

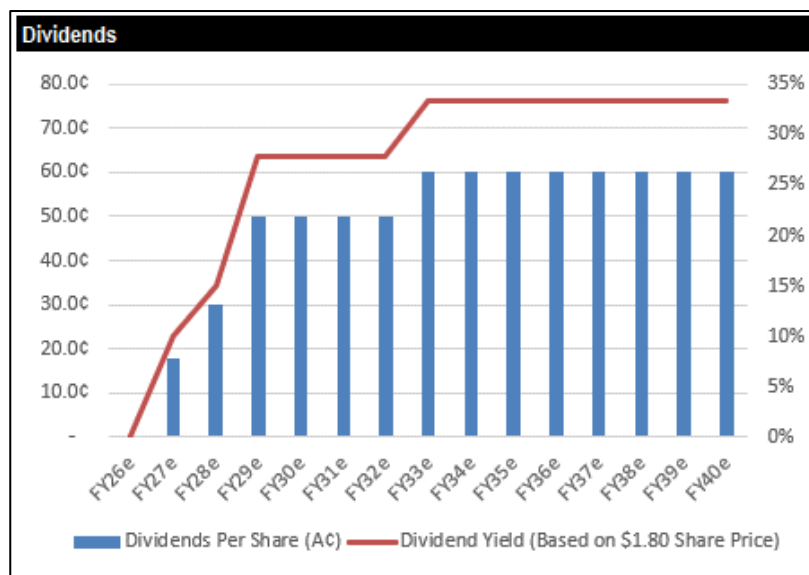
- Maxwell is forecast to be a strongly cash generative project and based on our forecasts cumulative free cashflow only becomes negative as the Woodlands Hill project moves into peak capital spend. In 2026 and beyond, the net cashflow remains positive.





Source: BSCP Estimates

- Once the mine is in production, our analysis suggests that the free cash flow yield after deducting all financing repayments, corporate overheads and tax can be as high as 40-50% based on our coal price and currency assumptions.
- Based on our analysis, we believe the company could be in a position to pay a 18c (likely unfranked) dividend in FY2027, before expanding to around 30c/share in FY2028. Thereafter dividends of 50-60c could be available should the company pay out 80% of free cashflow, and assuming our A\$ commodity prices remain unchanged. This will represent an attractive outlook for Malabar investors.



Source: BSCP Estimates

## CAPITAL STRUCTURE. MAJOR SHAREHOLDERS. MANAGEMENT

- Malabar has 502m shares on issue (excluding performance rights). At a share price of \$2.00/share (and there have been transactions recorded on the company's low volume financial market at this level) the effective market capitalisation is now around A\$1bn.
- Following the \$250m equity raise last year, New Hope Corporation, a NSW and Queensland coal mining company, emerged with a 15% stake in Malabar.
- Prior to the current equity raise, major shareholders made up around 61% of the issued capital.

<b>Capital Structure</b>			
Fully Paid Ordinary Shares	m	502.0	84.7%
Performance Rights	m	1.7	0.3%
Equity raise (\$160m at \$1.80/share)	m	88.9	15.0%
<b>Fully Diluted Total</b>	<b>m</b>	<b>592.6</b>	
<b>Major Shareholders, prior to recent equity raise</b>			
New Hope			15.0%
Hans Mendes (AMCI)			10.3%
Fritz Kundrum (AMCI)			10.3%
Tony Haggarty			9.1%
Andy Plummer			7.5%
Allan Davies			3.3%
Wayne Seabrook			3.3%
Simon Keyser			2.3%
<b>Total</b>			<b>61.1%</b>

Source: Company Reports

### Directors and Management:

Wayne Seabrook, Executive Chairman  
Jim Middleton, Executive Director

Brian Beem, Non-executive Director  
Tony Galligan, Non-executive Director  
Tony Haggarty, Non-executive Director  
Allan Davies, Non-executive Director  
Rob Bishop, Non-executive Director (New Hope's representative)  
Matthew Hunter, Non-executive Director

James Johnson, GM Development and Operations  
Paul Verner, Chief Financial Officer  
Lindi-May Lochner, Company Secretary/Financial Controller





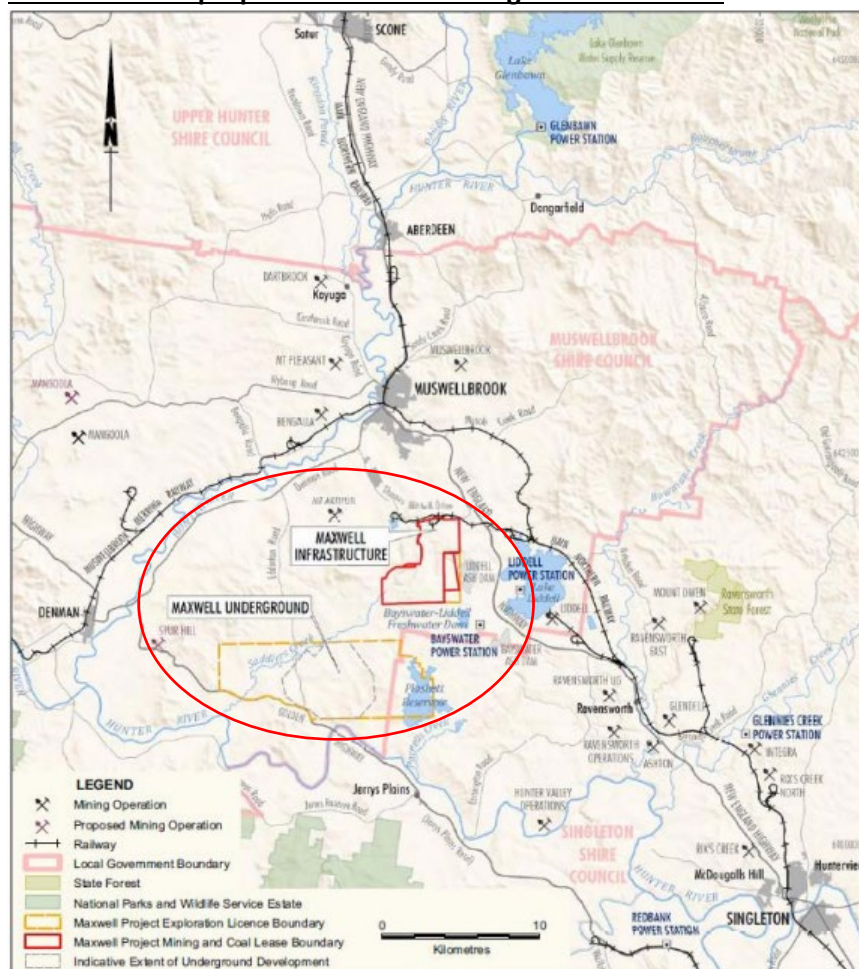
## Appendix 1

### THE MAXWELL PROJECT

#### LOCATION / GEOGRAPHY/PERMITTING

- The Maxwell Underground Metallurgical Coal Project is located 10km south of Muswellbrook, in the established coal producing region of the Upper Hunter Valley, NSW.

#### Location of the proposed Maxwell Underground Coal Mine



Source: Company Reports

- The project is well located with the New England Highway just 2km east of the area shown as “Maxwell Infrastructure”, above. This was the site of the earlier Drayton open-cut mine and processing infrastructure. An existing rail loop and train loadout connects the Maxwell project area to the major rail network to Newcastle coal ports for export.
- In 2022 Maxwell received final approvals for an underground coal mine valid until 2047 at an extraction rate of up to 8mtpa (ROM) from 4 separate seams based on two mining methods:



- Bord-and-pillar (continuous) mining in the upper Whynot Seam (“the Whynot Mine”).
- Longwall mining in the Woodlands Hill, Arrowfield and Bowfield Seams (“the Woodlands Hill Mine”).

## GEOLOGY OF THE MAXWELL COAL DEPOSITS

- Coal seams of the Maxwell project are a part of the prolific Permian Upper Hunter Coalfield. Malabar’s leases contain some 16 separate seams or seam groups, eight of which are believed to be suitable for underground mining and five have been the focal point for Malabar’s mining studies. These seams are the Whynot, Woodlands Hill, Arrowfield, Bowfield and Warkworth Seams. All provide coals with well-known semi-soft coking and thermal coal qualities.
- The total Mineral Resource within the Maxwell Exploration Licence is estimated at 772mt with a further 626mt within the adjoining Spur Hill Exploration Licence, for a total of 1.4 billion tonnes.
- The most important seam identified in the Maxwell Bankable Feasibility Study (BFS) is the Woodlands Hill Seam which makes up around 21% of the main seams of interest.

Seam	Coal type	Typical seam thickness (m)	Resources (Mt)	% of subtotal/total
Main seams of interest				
Whynot	Thermal	1.9	32.5	5%
Woodlands Hill	Coking/Thermal	2.6	138.8	21%
Arrowfield	Coking	2.8	137.1	20%
Bowfield	Coking	2.8	147.5	22%
Warkworth	Coking/Thermal	3.9	220.3	33%
Subtotal			676.2	88%
Secondary seams				
Whybrow	Thermal	3.6	38.2	40%
Blakefield	Coking	2.4	32.9	34%
Glen Munro 5	Thermal	1.7	24.6	26%
Subtotal			95.7	12%
Total resource			771.9	

Source: Malabar Coal

- A relatively close spaced drilling program together with seismic and magnetic data has allowed a detailed assessment of the structural geology of the deposit. A number of faults, igneous dykes and volcanic plugs have been identified and the mine plan has been adjusted to accommodate these features.
- The Maxwell deposit dips gently to the SSW at 3-4 degrees and is therefore readily amenable to longwall mining. The presence of a weak claystone beneath may require a ca. 300mm coal floor to be left in areas of the mine. This is common practice in several of the Hunter underground mines.



- The Maxwell Bankable Feasibility Study (BFS) targeting the initial Woodlands Hill Seam target is underpinned by on the following JORC Ore Reserves:
  - 50.9mt ROM production (96% Proved and 4% Probable, 37% Resource/Reserve conversion).
  - 37.6mt Marketable production.
- Malabar has established a 139mt total Ore Reserve which includes coal from four economics seams, the Woodland Hill, Whynot, Arrowfield and Bowfield Seams.

### COAL QUALITY

- The first of the seams to be mined in the main Maxwell development, the Woodlands Hill, is to be washed to produce mainly a semi-soft coking coal (SSCC). This coal is well known to the Japanese steelmakers who consider it to be an important component to their coking coal blends.
- As shown in the table below, the Woodlands Hill SSCC is low ash, moderate swell and moderate fluidity. Washery yield of SSCC at full ramp up of the coal handling and preparation plant (CHPP) is forecast to range between 55 and 65% of the run-of-mine (ROM) feed, or around 75-80% overall (inclusive of the thermal by-product). This is a high-quality coal.

Property	SSCC	Thermal Coal
Ash % (practical)	9.5	13.0
Moisture %	3.1	3.1
Volatile Matter %	34.1	32.8
Total Sulphur %	0.40	0.42
HGI	54	54
CSN	6.5	-
Phosphorus %	0.03	-
Vitrinite %	73.1	-
Fluidity (ddpm)	>150	-
Maximum Reflectance (Ro Max)	0.74	-
Calorific Value (MJ/kg)	30.1	28.7
Calorific Value (kcal/kg)	7,180	6,850

- The balance of the washery product is a quality, high energy, low sulphur, medium ash thermal coal which will find ready markets with Asian power producers. It is a superior product to a common 6,000kcal/kg product from the Hunter Valley and is likely to achieve a price premium over that benchmark. Malabar states that this quality coal would be particularly suited to high efficiency, low emissions (HELE) power stations.
- It should be noted that during economic downcycles semi-soft coals may experience substitution by hard coking coals forcing the semi-soft to be washed and sold as lower value thermal coals. This can have a compounding effect with both a reduction of the premium attached to semi soft coking coal together with a decline in thermal pricing. This can place operating margins under pressure.



## **MARKETING**

Malabar has been actively seeking markets for both thermal and metallurgical products.

- For thermal coal: Up to 25% of total production (roughly equating to the total production of thermal coal) has been locked in with a “blue chip end user” (assumed to be a major power utility in Asia).
- For semi-soft coking coal: Malabar has non-binding letters of intent from major steel producers which have endorsed the quality of the coal. Binding contracts will be subject to a series of trial shipments during the first 12 months of the mine’s production. We see little risk that the Maxwell SSCC is anything other than typical of a low ash, low sulphur Hunter product, currently produced by likes of Glencore, Yancoal, Peabody and Bloomfield and which is currently in scarce supply.
- For PCI coal: Malabar has commenced marketing a low ash product from the Whynot seam which exhibits certain properties favoured by PCI (Pulverized Coal Injection) users for their steel-making blast furnaces.

## Appendix 2

### MALABAR SWOT ANALYSIS

#### Strengths

- The Maxwell project, together with the adjacent Spur Hill tenement, represents a very large resource of some 1.4bn tonnes of semi-soft coking and high CV thermal coal contained within multiple seams, many of which are amenable to longwall extraction.
- Malabar has developed strong relationships with the local community and State Government and holds one of the very few mining leases to have been granted in NSW over the past 10 years.
- Comprehensive historical exploration has allowed good geological and geotechnical understanding of the deposits, especially Maxwell. Mining risk is considered to be relatively low.
- The project offers investors a long life, with an initial 51mt of reserves in the Woodlands Hill Seam expanding to some 144mt with the inclusion of two lower seams. A minimum 30 year life is implied at full production.
- The seams within the current mine plan are extracted from other mines in the Upper Hunter, so the coals' properties are well understood and are well known by the market.
- Relatively shallow extraction depths, good washery yields and reasonable proximity to the port of Newcastle are forecast to combine to deliver very low cash operating costs for Maxwell.
- Acquisition of plant, offices, water storage facilities, reject emplacement facilities, train loading and rail loop, and other infrastructure from the Drayton mine for negligible cost will contribute to a low capital intensity for the project.
- The mine is well located with regard to transport and with Malabar's equity in PWCS the project will have full access to export facilities.
- These features, together with low cash costs drives the internal rate of return (after tax) for the Maxwell project to around 45%, based on our new assumptions. This is an attractive investment.
- Malabar boasts a talented and experienced board and executive team. The presence of the likes of Tony Haggarty, Allan Davies, Jim Middleton and representatives of coal groups AMCI and NHC, the level of experience in developing coal operations in NSW is impressive. Furthermore the board and leadership team owns around 60% of the company. Shareholder interests are certainly aligned with those of the board and management.
- Experienced Queensland and NSW coal producer, NHC emerged as a 15% shareholder during the \$250m capital raise in 2023. NHC has a dominant position in the Upper Hunter, producing some 9 to 11 mtpa of saleable production from the Bengalla mine which is located approx. 30kms from the Maxwell mines.



## Weaknesses

- Hunter Valley semi-soft coking coals are used in coke-making blends and are lower priced than their hard coking coal equivalents. During economic downcycles semi-soft coals may experience substitution by hard coking coals forcing the semi-soft to be washed and sold as lower value thermal coals. This can have a compounding effect with both a reduction of the premium attached to semi-soft coking coal together with a decline in thermal pricing. This can place margins under pressure.
- We estimate Malabar's peak gearing to occur in 2025 as the mine moves into production. An environment of weak coal pricing at this time could place the balance sheet under pressure.
- As the world pivots away from fossil fuels, public and government perceptions of the coal industry have deteriorated severely. This puts pressure on coal companies to be seen to be doing 'the right thing'. With met coal as a dominant product, there is less pressure on Malabar, but a disproportionate effort will be required on ESG issues.
- During periods of economic slowdown, Maxwell coal might be washed to produce thermal coal alone. This will place the mine under greater emissions scrutiny.
- All this translates to a challenging environment to obtain funding. The traditional means to fund moderate/high capex coal projects would in past cycles have included the sale of project equity, project finance, conventional debt and public equity markets. For this reason corporate and institutional interest in the funding of coal projects has declined significantly.
- This has driven up Malabar's cost of capital. Malabar is to rely on coal prepayments, equipment finance and what could be quite expensive debt.
- Risks include geotechnical behaviour of the mine and seam gas/ventilation. These are issues widespread within the coal industry and would not be classified as Malabar-specific weaknesses.

## Opportunities

- In our view an important early opportunity is the ability to bring production of thermal coal (potentially bypassing the washery) with the extraction of coal from the close-to-surface Whynot seam. This is particularly the case should thermal coal prices remain elevated for an extended period of time. The Whynot development provides a small increment to our valuation, but may generate significant cashflow in the early years.
- Longer term there is the opportunity to bring in production from a 91mt reserve in the adjoining Spur Hill tenements. The project is not permitted and requires an updated feasibility study. Nevertheless, it represents a major opportunity for future growth and could add significantly to Malabar's valuation.





- Collectively the Maxwell-Spur Hill precinct could deliver 10-12Mtpa of mainly SSCC (with high quality thermal and some PCI). Should permitting, coal markets and Malabar's balance sheet allow it, this expansion could be brought forward.
- There are further opportunities to exploit additional coal resources outside existing the mine plans. Total resources of approximately 1.4B tonnes have been converted to 235Mt of reserves (a conversion rate of just 17%). However, under the current permit production from Maxwell is limited to 8Mtpa (ROM). Lifting of this production cap represents an opportunity to further grow production from the Maxwell mine.
- We are attracted by the solar opportunity and can see the potential to significantly expand the already permitted 25MW Maxwell solar farm. To progress this strategy, Malabar has formed a joint venture with EDF Renewables to develop a large scale renewable energy project (350MW PV and approx. 70MWh BESS) in the Upper Hunter. Proximity to the officially designated "Renewable Energy Zone" is a major positive.

#### Threats

- As with all resource exposures the major threats for Malabar are associated with weakening commodity prices and/or a strengthening A\$/US\$.
- As discussed above a severe economic slowdown will reduce demand for coal for the steel industry, which may place pressure on pricing and even demand for semi-soft coking coal. This might mean a Maxwell product becomes 100% thermal coal, with a compounding reduction in price achievement.
- Cost and capital inflation. This has become endemic in the WA mining industry and must in part flow through to the Eastern States coalfields. Much of the energy input for the Maxwell mine is electricity where price threat seems to be lower than for the diesel-hungry open cuts. The potential for significant inflation in labour costs is high.
- Geotechnical evaluation is an imprecise science and risks of roof collapse in underground mines is a constant threat. Maxwell is a relatively shallow mine for at least the first 20 years and these risks are thought to be relatively low.
- An intense focus on Scope 1, 2 and 3 CO<sub>2</sub> emissions. Scope 1 and 2 emissions can be managed and perhaps partially offset by, for example, the solar farms. The decarbonisation of blast furnace steelmakers is a much longer-term exercise and may leave Malabar open to criticism.
- There will be a global attempt to move toward 'green steel'. But this will be a generational change with demand for met coal likely to remain strong for decades.

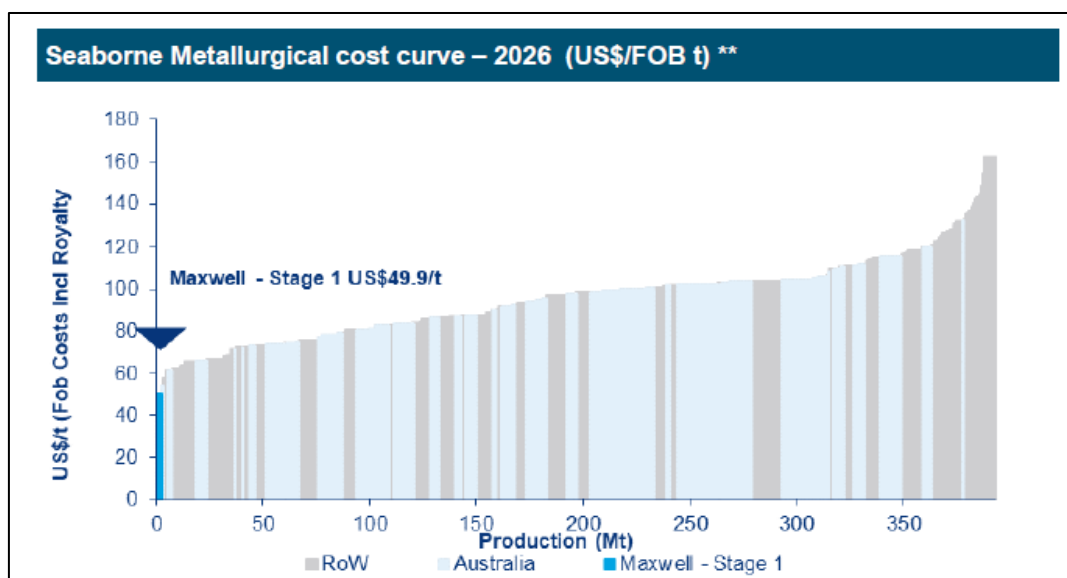
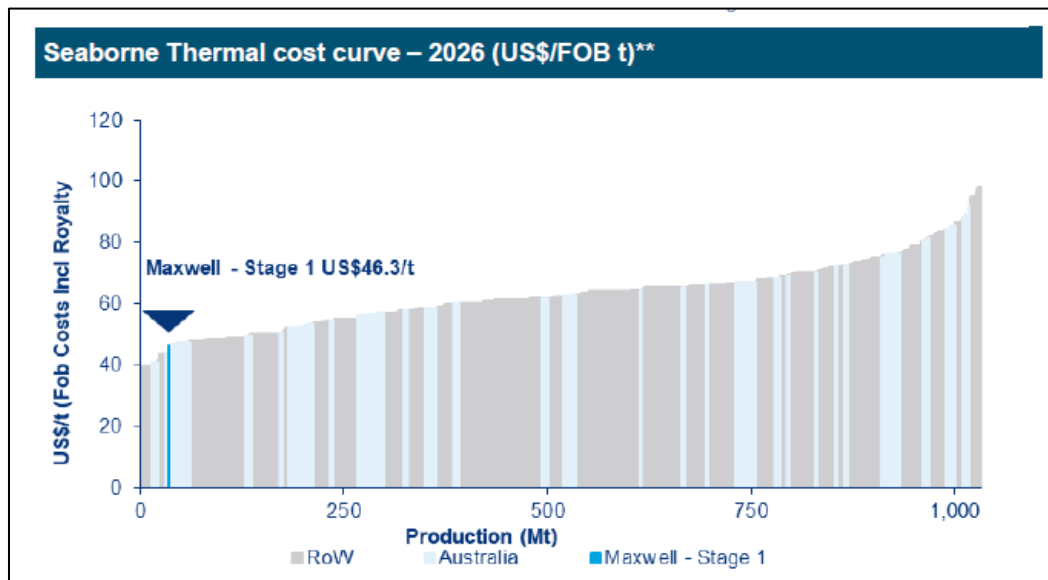
Management of fugitive methane emissions is becoming an increasing environmental issue and will need to be managed carefully at the Maxwell underground. Since our last report the Federal Government have changed legislative rules to reform the 2016 Safeguard Mechanism. As we discuss in more detail below, this may incur additional costs of production (estimated by Malabar at A\$5/t). This might be offset by the value of carbon credits generated with proposed solar projects.



### OPERATING COSTS – A MAJOR STRENGTH FOR THE PROJECT

- Cost estimates for Stage 1 plus Stage 2 (the move to a 300m longwall face) of the Maxwell project have been estimated by Malabar at A\$55/t (product coal FOB, excluding royalties).
- The Maxwell mine is well-located and in reasonable proximity to the Port of Newcastle, which provides a relatively low cost for transport and handling charges to access the seaborne export market. The PWCS export terminal to be employed by Malabar has the world’s lowest cost coal handling charges. Even at Stage 1, the Maxwell mine sits at the very low end of the global seaborne thermal coal cost curve and we believe will be well positioned on the coking coal margin curve.

### Maxwell Mine unit costs on the global cost curves



Source: Company Reports, Wood Mackenzie



Note that the comparison above includes cost estimates from Wood Mackenzie two years ago for all coking coal mines globally, both semi-soft and hard coking products (and possibly PCI). We do not have the information available to compare Maxwell against its true peer group but we are confident that at under US\$60/t, the project will be positioned at the low end of the cost curve. The Maxwell longwall mine is therefore very favourably positioned to remain profitable through the cycle.

## **ESG ISSUES – POTENTIALLY A THREAT, AND LIKELY AN OPPORTUNITY**

### **The “Safeguard” Greenhouse Gas Mechanism**

- Since our last report the Federal Government have changed legislative rules to reform the 2016 Safeguard Mechanism. The Mechanism applies to over 200 facilities responsible for just under 30% of Australia’s Scope 1 greenhouse gas (GHG) emissions. The Mechanism is administered by the Clean Energy Regulator.
- Each facility is assigned a Scope 1 emission baseline, which will be reduced at a rate of 4.9%pa to 2030. Facilities which are unable to reduce GHG emissions to below their baseline will be required to offset using Australian Carbon Credit Units (ACCUs). ACCUs may be purchased from the Government or from other owners (currently capped at A\$75/ACCU). Prices are currently around A\$30/ACCU.
- Emitters of fugitive methane will be the most impacted as methane is a much stronger GHG than CO<sub>2</sub> (by a factor of 28x).
- We have spoken in some detail with Malabar regarding the impact of Safeguard on the cost of operations. The Maxwell mine is believed not to become a major emitter of methane compared to other u/g operations.
- Malabar state that the cost of Safeguard will be around A\$5/saleable tonne and this has been included within the A\$55/t operating cost.
- Malabar will also investigate methods to mitigate methane through potentially pre and post drainage of the coal seams.

### **Large scale generation certificates**

- Rehabilitated land at the Maxwell will be used to develop a 25MW solar farm with potential for increased generation capacity from latest technology in panels to achieve c. 35MW. Malabar has approvals in place for the Stage 1 solar farm.
- Malabar has also entered a JV with EDF-Renewables (EDF-R) of France to take forward considerably larger scale (350MW) renewable projects. Importantly this development may assist in offsetting Scope 1 and 2 emissions from the mine.

### **Land use conflicts**

- While the prior owners Anglo ran into turmoil with neighbouring landholders over potential negative impacts of the prior mining development plan (which was open-cut), Malabar has



worked closely with local stakeholders to address these concerns with the proposed underground operation. We also note that the land above the underground workings is owned by Malabar so there can be no land use conflict.

## Appendix 3

### COMMODITY OVERVIEW

#### **Coal price assumptions:**

Thermal coal (benchmark NEWC6000): US\$95/t (FOB)

Thermal coal (6,300kcal): US\$100/t (FOB)

Semisoft coking coal (realised by Maxwell): US\$135/t (FOB)

Our A\$/US\$ assumption is now 0.70 (against 0.75 previously).

#### **Background**

Coal prices, both thermal and metallurgical, have been volatile over the past 3 years, but in general have been consistently stronger than market forecasts. Even before the pandemic, demand for both types was under pressure with a combination of warm northern winters and slowing industrial activity. During 2020, at the start of the pandemic, hard coking coal traded as low as US\$100/t (all prices quoted are FOB, free on board), with semi-soft coal around US\$60-70/t. Benchmark thermal coal was priced at around US\$50/t in late 2020 driven also by low international gas prices. But what a difference a year makes. Roll into 2021 we see disruption to the coal supply chain and what appears to be an emerging global energy crisis. Coal prices – all types – moved to record levels during the first half of 2022, reflecting severe supply chain disruptions. Hard coking coal peaked at over US\$600/t, semi-soft over \$550/t and thermal (benchmark) over US\$400/t.

Coal production in 2021 struggled to keep pace with one of the largest ever annual increases in demand. Markets have been further upended by Russia's invasion of Ukraine. Russia was responsible for around half of the coal imports in the European Union in 2021, but that trading relationship ended with the EU ban on Russian coal imports. Meanwhile there have been limited short-term fuel switching opportunities to ease demand pressures. The overall result is that global coal prices reached historic highs in the first half of 2022.

Not surprisingly, prices have moved down from these dizzy heights. Hard coking coal appears to have been the most resilient. Peaking at over US\$600/t in early 2021, it appears to be settling in a US\$300-340/t range. Thermal coal defied all logic and peaked at over US\$400/t, and in some weeks prices actually matched those of hard coking coal. This was the extent of the supply chain disruption, and intense demand in the face of supply issues out of Russia and very cold northern hemisphere winters.

Thermal coal has settled down at levels we forecast last year, with NEWC6000, a common premium thermal coal benchmark now trading around US\$120-130/t. We have adjusted our forward assumptions up slightly, to US\$100/t for benchmark coal out of Newcastle (with a small premium for Maxwell thermal coal, which is sold at a higher CV).

#### **Coking coal markets**



Important for the Maxwell mine is pricing of semi-soft coking coal as this commodity is forecast to make up over 75% of sales going forward.

Metallurgical coal (also known as coking coal) is used to produce coke, the primary source of carbon used in steelmaking. Metallurgical coal differs from thermal coal, used for energy and heating, by its carbon content and its caking ability. Caking refers to the coal's ability to be converted into coke, a pure form of carbon that can be used in basic oxygen furnaces.

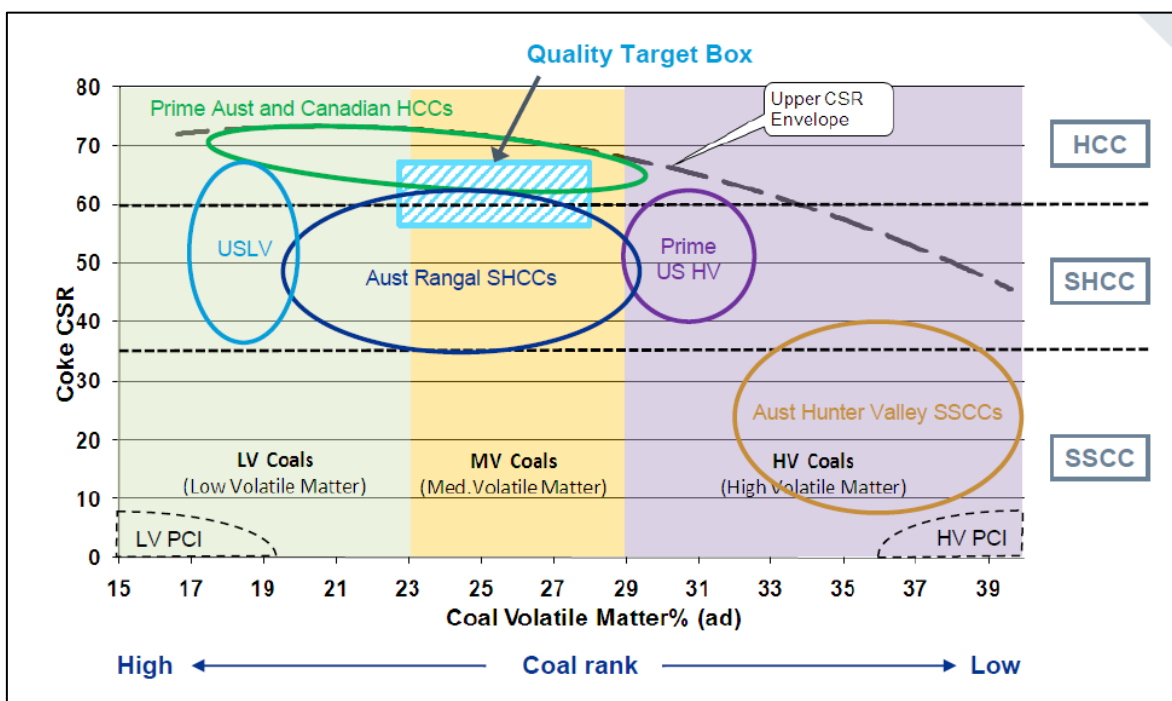
The grade of coal and its caking ability is determined by the coal's rank—a measure of volatile matter and degree of metamorphism—as well as mineral impurities and the ability of the coal to melt, swell and resolidify when heated. The three main categories of metallurgical coal are:

- Hard coking coals (HCC)
- Semi-soft coking coal (SSCC)
- Pulverized coal injection (PCI) coal

Hard coking coals usually have better caking properties than semi-soft coking coals, allowing them to achieve higher prices. Australian HCC is regarded as the industry benchmark. Pricing of hard coking coal generally sets prices for lower quality coals used in the blast furnace.

Semi-soft coking coals are used in blends and as they are of lower rank and are less expensive than hard coals, can have quite a significant 'value in use'. Typically they will show good caking properties (such as swell and fluidity) but are unable to produce a coke of sufficient strength for use in the blast furnace by themselves as shown in the following chart. (Coke CSR is an empirical measure of coke strength). The Hunter Valley has been the dominant source of SSCC for the Asian steel mills.

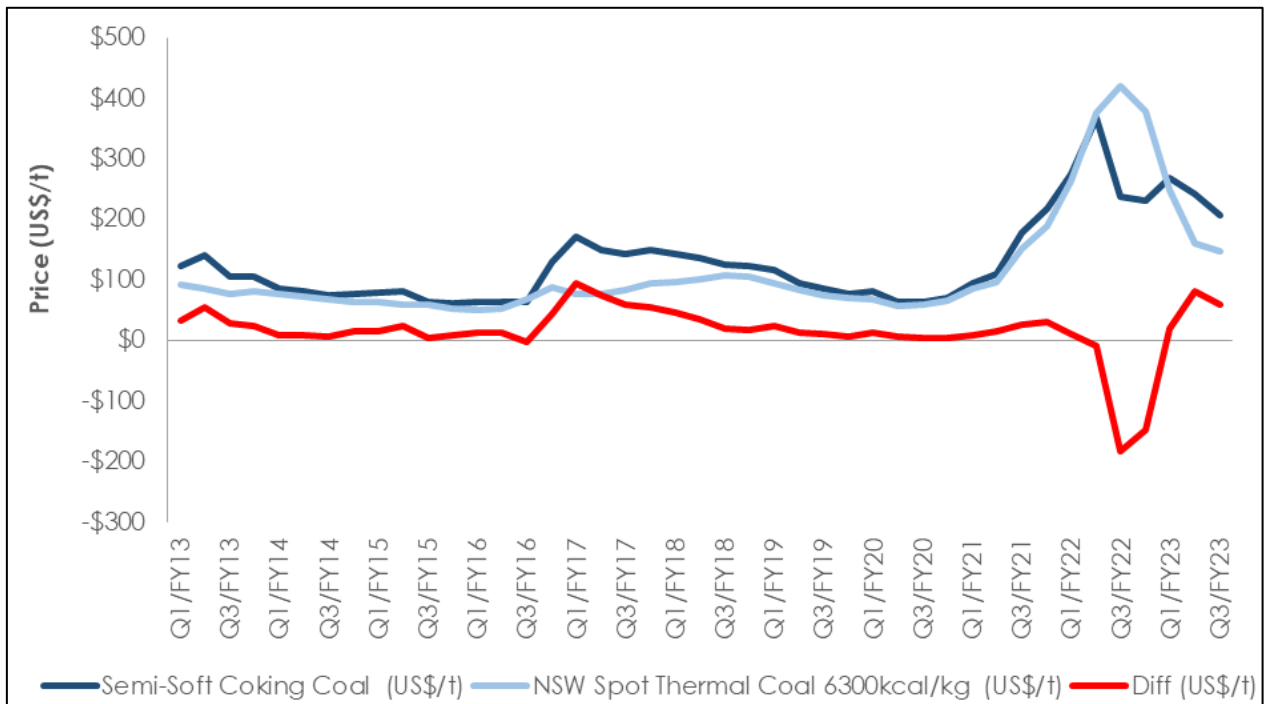
PCI coals have poor caking qualities and are employed to add energy and carbon (the reductant) to the blast furnace.



Source: Whitehaven Coal



As shown in the following chart the pricing of SSCC mirrors the price of thermal coals as they are typically derived from the same seam. These seams can be washed to produce a semi-soft coal (usually with <10% ash) or can be washed as a high quality thermal coal (with ash levels around 12-13%). The spread in pricing typically ranges from little or no premium to as high as 50% (or more). Disruption of global energy markets as a result of Russian sanctions caused quite aberrant pricing, especially of thermal coal.



High premiums typically reflect high demand by the blast furnaces. With low premiums the coals will be washed to a thermal specification and exported energy generation. When the steel makers are hungry for coking coal, hard coking coal prices rise and drag the prices of semi-soft to higher levels.

The semi-soft discount to hard coking coal appears to have widened over the course of 2023, likely reflecting the global economic malaise. Semisoft prices have moved back to longer term pricing trends, as we thought they would. Current pricing of semi-soft coal is around US\$150/t (FOB) against thermal coal (6,000kcal) at just under US\$130/t, representing a SSCC spot premium of just \$20-25/t, under 20%.

As we discussed in our 2022 Malabar report, semisoft coking coal prices have moved down significantly.

Key developments in coking coal markets since our detailed review in 2022 include the following:

- **China and India continue to lead on the demand side.** Both countries make up around two thirds of global demand for coal, and despite efforts to increase the use of renewables, global coal demand continued to grow into 2022 (around 5%) and may plateau in 2023.





- **The International Energy Agency is forecasting a 10% decline in global coal demand into 2030, but is this likely?** In a soon to be released study, the IEA concludes that thermal coal production will fall by more than 10% over this period, while declines in coking coal are likely to be smaller, mainly because of increases in steel production in India.
- **India remains the wildcard.** We have seen recent reports that India is proposing to treble its production of coal from underground mines. According to the Financial Times (24/11/23) at the COP summit in 2021, India signed on to an agreement to “phase down” coal. But even with an ambitious plan to triple renewable energy capacity by 2030, the Indian coal ministry anticipates that India’s demand for coal will rise from about 1bn tonnes last year to 1.5bn tonnes over the same period. Increasing production from underground mines to 100m tonnes by 2028 will help offset depletion at opencut mines and phase out imports, according to the coal ministry. In its recent report the IEA has coal demand increasing in India by 160mt. An additional 300-400mt demand by India would be sufficient to offset the forecast decline from other nations and leave coal demand flat into 2030.
- **China’s production is forecast to plateau.** China is forecast to keep coal production around the current level of 3bn tonnes per year for a number of years. However, with coal demand falling as renewables account for an increasing share of power generation, production is forecast to decline to around 2.8bn tonnes in 2030.
- **The largest fall in coal production is likely to emerge from the US.** The US produced around 8% of the global supply of coal, mainly for domestic power generation. The IEA forecasts US coal production to decline from just under 500mtpa (2021) to 188mt in 2030 as power generation is replaced by gas and renewables.
- **The Asia Pacific region continues to be the main driver of international coal trade, accounting for more than three-quarters of global coal imports in 2021.** Indonesia currently exports close to 80% of its coal output, which is almost 100% steam coal. The IEA is forecasting a significant drop in production into 2030. In Australia, coal production is forecast to plateau between 2021 and 2030 with a slight fall in domestic demand being partially offset by an increase in exports. Coking coal production is forecast to remain steady, with thermal coal production falling by about 40% over the same period as demand declines quickly in key importing countries such as Japan and Korea.
- **India’s increasing demand for met coal.** India is the only country for which the IEA foresees a significant import increase as steel production continues to expand. India is forecast to overtake China as the largest importer of met coal in 2024.
- **China remains the largest producer of met coal.** China currently produces around 700mtpa of all forms of met coal and will remain as one of the major importers, with increasing volumes from Mongolia. Imports from Australia were interrupted in 2020 as political tensions flared. Imports were reinstated earlier this year.
- **Strong growth in coking coal forecast for India.** Over 50% of India’s steel production comes from electric arc furnaces. Production from blast furnaces is expected to provide much of the growth in India’s burgeoning steel demand. The relative absence of low ash coking coal suggests that the mills will be supplied with seaborne coal. India is now a larger



importer of coking coal than Japan and Europe. Stanmore Coal estimates that India's demand for coking coal will grow from 143Mt in 2022 to 182Mt by 2027, an additional 42Mt. Australia is the logical source of seaborne coal due to its proximity to India.

- **High coal prices have prompted mine re-openings and progressively new investments.** Queensland has seen mine closures over the past few years, such as the Bluff PCI mine (in 2020) and the Cook Colliery (in 2018). The 2 to 4mtpa Grosvenor underground of Anglo American closed temporarily in mid-2020 as a result of a gas explosion. The Bluff mine returned to care and maintenance. Bowen Coal opened the Burton mine in mid-2023.
- **Plenty of new projects on the books, but many are of doubtful quality and may be difficult to finance.** In our previous report we identified over 30 new coal projects, many of which could be suppliers of met coal. Several are simply extensions of existing projects, and there are quite high-quality projects, but these sit mainly with the majors (e.g. BMA and Anglo) which are under shareholder pressure not to continue the development of new coal projects. Larger projects which are fully funded are none too common.
- **The new Queensland royalty schedule might disincentivise investment.** In 2023 the Queensland Government dramatically increased the royalty rates for coal. The new system introduces three new tiers including a royalty rate of 20 per cent for prices above \$175 a tonne; 30 per cent for prices above \$225 a tonne and 40 per cent for prices above \$300 a tonne. The previous royalty regime topped out at 15%. Needless to say, this attracted the ire of major producers, especially BHP which then stated that the company would look at other jurisdictions for mining investment. As we discuss below, several new projects are still likely to go ahead, especially Whitehaven's Winchester South open cut. The new royalties must, however, be a negative for the development of higher cost operations.
- **New and expanded production in Australia.** Examples of new and potentially new production include:
  - The 4.5mtpa Olive Downs project (Pembroke Resources, mainly PCI) moved into production in mid-2023 and is forecast to grow to around 15mtpa. Conventional sources of funding (project finance, commercial bank debt and equity markets) have dried up over recent years and we believe this is already constraining supply.
  - With the acquisition of two assets from BMA, South Walker Creek and Poitrel, Stanmore Coal's production is forecast to grow from around 9mt in 2022 to 12-13mt in 2023. Longer term the company is flagging further growth from these assets.
  - Bowen is proposing to ramp up the re-opened Burton mine to around 5.5mtpa by 2025.
  - Coincident with the start-up of Malabar's operations in the Hunter comes the Dartbrook thermal coal mine (Australian Pacific Coal), which under previous owners, Anglo produced around 5.5mtpa of thermal coal. As we understand there is no semi-soft coking coal in Dartbrook's product.
  - Whitehaven has propelled itself from a thermal coal producer in the Gunnedah Basin to a significant producer of hard coking coal, with the go-ahead of the



Winchester South project (17mtpa ROM production rate has been suggested, so perhaps 12-14mt of HCC; a DFS is yet to be completed, but we note that the project has obtained approval from Queensland's Coordinator General).

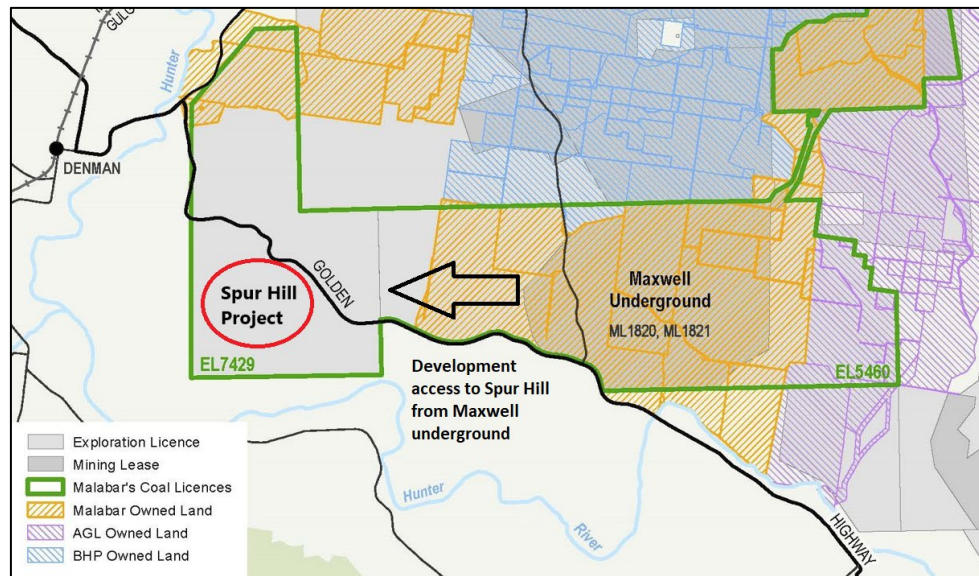
- In October, Whitehaven announced the acquisition of two producing coking coal mines in Queensland from BMA, 100% of the Blackwater and Daunia operations. WHC notes that there is potential for additional production from the Blackwater opencut above guidance of 12-13mtpa (saleable). The Daunia operation is adjacent to the proposed Winchester South project and synergies are possible.
- **Australian mine closures.** Despite obtaining permits to extend the mining operation, South 32 have announced that the Dendrobium mine will close in around 6 years. Together with Appin (which is scheduled to close in 2039) the Illawarra mines of South32 produce around 5mtpa of hard coking coal from the Bulli Seam.
- **Mongolia and Russia are now providing new supply.** Mongolia has built new railway connections from the huge Tavan Tolgoi coal mine to the Chinese border and to connect with the Russian rail and port system. Tavan Tolgoi (TT) aims to invest over US\$3 billion between 2021 and 2025 which should debottleneck exports of TT coking coal into neighbouring China.
- **Russia is now the second largest seaborne met coal supplier,** largely into China, with huge investments in rail and port infrastructure (especially the Arctic ports). Both we see as the likely sources of significant volumes of new coking coal and may partially displace Australian supply which will then seek markets elsewhere in Asia (especially India). Russian coking coals are commonly described as 'semi hard' and 'semi soft'.
- **What does the acquisition of Teck's Canadian coal assets by Glencore mean for the coking coal market?** Under a deal announced on November 14, Glencore will buy Teck's Elk Valley Resources metallurgical coal business for \$6.9bn and combine it with its existing thermal coal production by the first half of next year. Once Glencore has digested at least a portion of the debt — calculated to take about two years — it will demerge and separately list the combined coal business. It seems unlikely that Glencore can squeeze any more production out of the Elk Valley operation (currently around 22-24mtpa), further consolidation of the coal industry must push more pricing power into the hands of the producers. We see this as a long term positive for coking coal prices.
- **Pricing outlook: stronger for longer, but new sources must eventually impact.** Tempting as it is to extrapolate record high coal prices into the future, mine restarts, new sources of supply and the potential for an economic slowdown in Asia will eventually bring markets back into balance. But we sense that high prices are around for perhaps another year, or possibly longer. But visible supply is certainly constrained, and we would not like to be dependent on the promise of reliable sources especially from Mongolia, and given recent events, from Russia.
- **For the current evaluation of Malabar Resources we have used US\$135/t long term (real) for semi-soft coking coal and US\$95/t for Newcastle benchmark thermal coal (or US\$100/t for Malabar's premium quality thermal coal).**

## APPENDIX 4

# OPPORTUNITIES TO EXPAND/ENHANCE PRODUCTION, CASHFLOW AND MINELIFE AT MAXWELL/SPUR HILL

### The long-term opportunity from the Spur Hill project

#### Location of Spur Hill Project



Source: Malabar

- Spur Hill is a very large Mineral Resource of 626mt held within 13 seams and seam splits, effectively the same (albeit deeper) stratigraphic sequence as seen at the Maxwell project.
- The Whynot and Bowfield Seams were determined as the two most economic units and a 91mt ROM Ore Reserve (69mt saleable) was estimated for both.

100% basis	Maiden Reserves (JORC 2012) million tonnes		Resources (JORC 2012) Million tonnes				
	Western (Underground) Zone		Western (Underground) Zone			Eastern Zone	
Seam	Probable	Probable Marketable	Indicated	Inferred	Total	Inferred	Total
WL2			0.0	46.8	46.8	0.0	46.8
WL1			0.0	22.0	22.0	0.0	22.0
Whybrow			58.5	1.2	59.7	1.8	61.5
Redbank Ck U			0.0	0.0	0.0	3.8	3.8
Redbank Ck M			0.0	0.0	0.0	3.7	3.7
Redbank Ck L			51.3	0.7	52.0	6.2	58.2
Wambo			38.1	4.3	42.4	16.0	58.4
Whynot	78	59	104.5	5.3	109.8	23.0	132.8
Glen Munro			14.7	0.5	15.2	1.6	16.8
Arrowfield			14.6	0.0	14.6	0.0	14.6
Bowfield	13	10	34.0	2.5	36.5	21.7	58.2
Warkworth			78.7	26.6	105.3	23.4	128.7
Mount Arthur			0.0	9.3	9.3	11.1	20.4
<b>Total</b>	<b>91*</b>	<b>69</b>	<b>394.4</b>	<b>119.2</b>	<b>513.6</b>	<b>112.3</b>	<b>625.9</b>

Source: Malabar presentation, November 2015



- The scale originally proposed for Spur Hill was not that much different to Maxwell with ROM production of 6-8mtpa and saleable coal of 4.8-6.4mtpa. Around 70-75% of production was to be semi-soft coking coal.
- Historically, Spur Hill faced a number of challenges, not least of which was a mammoth capital cost (initially estimated at A\$800-920m). This was to be a greenfields project with limited infrastructure availability. There were various plans to access the rail network and significant parcels of land were purchased for that reason. Management would look to the east at the Drayton infrastructure and loading facility enviously.
- The purchase of the Drayton assets for a nominal sum was a game-changer for Malabar and saw the deferral of the Spur Hill project. Nonetheless, Spur Hill remains an important asset and may be brought into production in the future. The seams are largely the same as those at Maxwell, but the blocks are separated by a major fault.
- Our conceptual valuation for Spur Hill is based on the following, derived from a Prefeasibility Study (PFS) completed around 8 years ago:
  - First production in 2035. Permitting will undoubtedly take some time. This is unlikely to be initiated until the Maxwell mine is in full production.
  - ROM production rate of ca. 6mtpa and 4.5mtpa product tonnes (75% semi-soft, 25% thermal).
  - Our estimate of the capital cost of US\$470m, broken down as follows. (Note estimates in real terms):

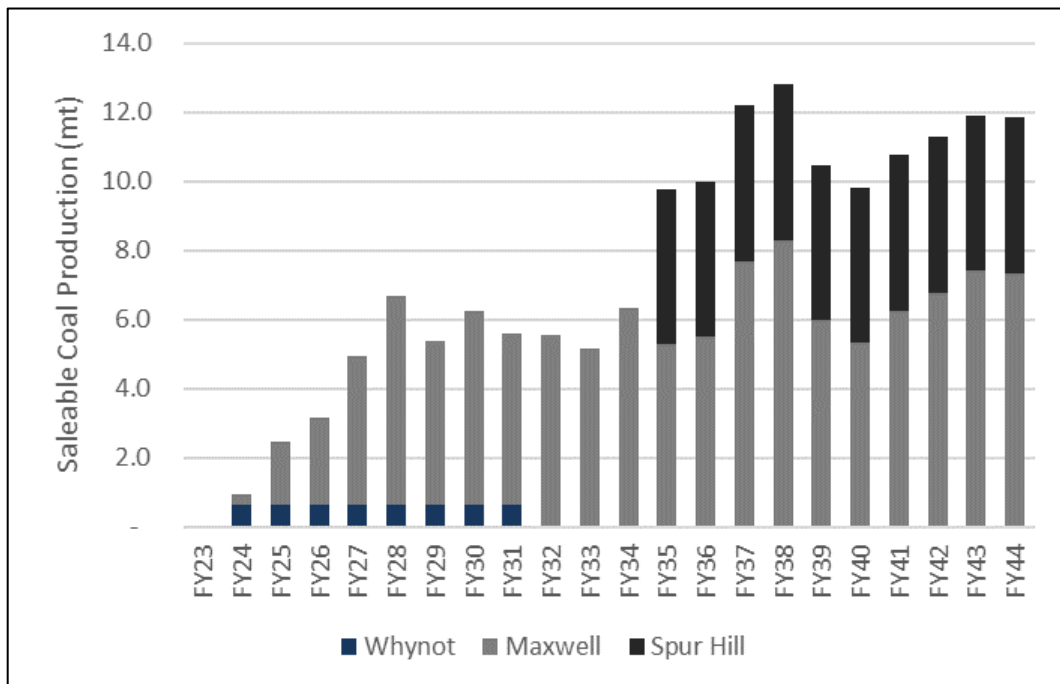
	A\$m	Comment
UG infrastructure	170	Comparable with Maxwell
UG production plant and equipment	150	Comparable with Maxwell
Doubling of the washery capacity and upgrade	120	6Mtpa to 12Mtpa
Project management	20	
Exploration/permitting/etc	10	
Total	470	

Source; BSCP estimates

- We have assumed operating cost comparable with Maxwell (in real terms).
- As shown in the following section (“Valuation”) we estimate a conceptual NPV<sub>8</sub> of around \$670m. We discount the NPV<sub>8</sub> by 75% to represent the fact that the project is not and the outdated PFS estimates upon which the valuation is based.

## LONG TERM PRODUCTION OUTLOOK

The following chart shows what could be expected from a joint Maxwell/Spur Hill development should all the options above move into production. At a combined rate of 10-12mtpa (ROM), the complex would be one of the largest semi soft coking coal producers in the Hunter.



Source; BSCP estimates

While all still conceptual, it does highlight the very attractive potential of the combined Maxwell-Spur Hill projects. Based on our estimates the combined projects could be producing a mine EBITDA of A\$900m to \$1bn in the mid-2030s. Based on the assumed mine life, this production profile could be maintained for 30 years.

We can see no reason why the Spur Hill project wouldn't be brought forward, should markets require the product. And given the limited number of new development opportunities in the Hunter it is highly likely that markets will be readily available.

Permitting could be a significant impediment. But assuming the successful ramp up of Maxwell, and given Malabar's impeccable track record, we see this as relatively low risk.



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## APPENDIX 5

### EARNINGS/VALUATION MODEL FOR NEW HOPE CORP (NHC ASX)





**FINANCIAL SUMMARY** New Hope Corporation (NHC.AX / NHC AU)

Share Price	A\$/sh	5.36	<b>Rating</b>	<b>OVERWEIGHT</b>
Shares on Issue	m	845	Target Price	6.90
Market Cap (A\$m)	A\$m	4,531	Upside / (Downside)	28.7%
Net Cash / (Debt) (A\$m)	A\$m	731	Dividend Yield	5.6%
Enterprise Value (A\$m)	A\$m	3,800	Total Return Forecast	34.3%

Profit & Loss	Units	Jul-22	Jul-23	Jul-24e	Jul-25e	Jul-26e
Revenue	A\$m	2,552	2,754	1,805	1,624	1,835
Expenses	A\$m	(975)	(1,008)	(945)	(1,124)	(1,255)
<b>EBITDA</b>	<b>A\$m</b>	<b>1,577</b>	<b>1,747</b>	<b>860</b>	<b>501</b>	<b>580</b>
D&A	A\$m	(141)	(142)	(153)	(195)	(220)
<b>EBIT</b>	<b>A\$m</b>	<b>1,436</b>	<b>1,605</b>	<b>707</b>	<b>306</b>	<b>361</b>
Interest	A\$m	(15)	24	42	35	35
Tax	A\$m	(426)	(489)	(225)	(102)	(119)
<b>Underlying NPAT</b>	<b>A\$m</b>	<b>995</b>	<b>1,140</b>	<b>525</b>	<b>238</b>	<b>277</b>
Exceptionals	A\$m	(12)	(53)	-	-	-
Reported Profit	A\$m	983	1,087	525	238	277

Cashflow	Units	Jul-22	Jul-23	Jul-24e	Jul-25e	Jul-26e
EBITDA	A\$m	1,577	1,747	860	501	580
Interest	A\$m	(17)	19	42	35	35
Tax	A\$m	(31)	(539)	(225)	(102)	(119)
Non-Regular Items & FX	A\$m	(13)	(32)	-	-	-
Settlement of Provisional Pricing	A\$m	9	363	-	-	-
Net Working Capital	A\$m	(386)	(32)	38	6	(9)
<b>Net Cash From Operations</b>	<b>A\$m</b>	<b>1,139</b>	<b>1,525</b>	<b>715</b>	<b>439</b>	<b>488</b>
Capex & Exploration	A\$m	(51)	(187)	(435)	(351)	(129)
Acquisitions & Investments	A\$m	(71)	(12)	-	-	-
<b>Free Cash Flow</b>	<b>A\$m</b>	<b>1,016</b>	<b>1,326</b>	<b>280</b>	<b>88</b>	<b>359</b>
Borrowings	A\$m	(320)	(377)	-	-	-
Equity	A\$m	-	(192)	-	-	-
Dividend	A\$m	(308)	(839)	(406)	(169)	(127)
<b>Net Increase / (Decrease) in Cash</b>	<b>A\$m</b>	<b>388</b>	<b>(82)</b>	<b>(125)</b>	<b>(81)</b>	<b>232</b>

Balance Sheet	Units	Jul-22	Jul-23	Jul-24e	Jul-25e	Jul-26e
Cash	A\$m	816	731	605	524	756
Receivables	A\$m	548	207	155	143	161
Inventories	A\$m	60	59	56	52	58
PP&E	A\$m	1,827	1,770	2,052	2,208	2,118
Intangibles	A\$m	72	69	80	86	82
Other	A\$m	105	408	408	408	408
<b>Assets</b>	<b>A\$m</b>	<b>3,427</b>	<b>3,243</b>	<b>3,355</b>	<b>3,420</b>	<b>3,583</b>
Creditors	A\$m	94	95	81	74	84
Debt	A\$m	191	-	-	-	-
Leases	A\$m	97	85	85	85	85
Provisions	A\$m	198	200	233	251	241
Tax Liabilities	A\$m	380	319	319	319	319
Other	A\$m	151	23	23	23	23
<b>Liabilities</b>	<b>A\$m</b>	<b>1,112</b>	<b>722</b>	<b>740</b>	<b>752</b>	<b>751</b>
<b>Net Assets</b>	<b>A\$m</b>	<b>2,316</b>	<b>2,521</b>	<b>2,615</b>	<b>2,669</b>	<b>2,832</b>

Liquidity & Leverage	Units	Jul-22	Jul-23	Jul-24e	Jul-25e	Jul-26e
Interest-Bearing Loans	A\$m	191	-	-	-	-
Lease Liabilities	A\$m	97	85	85	85	85
<b>Total Borrowings</b>	<b>A\$m</b>	<b>289</b>	<b>85</b>	<b>85</b>	<b>85</b>	<b>85</b>
Net Cash / (Debt)	A\$m	624	731	605	524	756
Gearing: Net Debt / (Net Debt + Equity)	%	-21%	-22%	-19%	-16%	-21%
Net Debt / EBITDA	x	(0.4)x	(0.4)x	(0.7)x	(1.0)x	(1.3)x
EBIT Interest Cover	x	98.2x	(66.1)x	(16.6)x	(8.7)x	(10.2)x

Per Share Data (¢)	Jul-22	Jul-23	Jul-24e	Jul-25e	Jul-26e
Shares Out (m)	832	845	845	845	845
EPS (¢)	114.6¢	125.3¢	61.5¢	27.9¢	32.5¢
Dividend (¢)	86.0¢	70.0¢	30.0¢	14.0¢	17.0¢
Payout Ratio (%)	75%	56%	49%	50%	52%
Net Tangible Assets (A\$)	2.70	2.90	3.00	3.06	3.25
Book Value (A\$)	2.78	2.98	3.09	3.16	3.35
Free Cash Flow (A\$)	1.22	1.57	0.33	0.10	0.42

Valuation Metrics	Jul-22	Jul-23	Jul-24e	Jul-25e	Jul-26e
P/E (x)	4.7x	4.3x	8.7x	19.2x	16.5x
Dividend Yield (%)	16.0%	13.1%	5.6%	2.6%	3.2%
FCF Yield (%)	22.8%	29.3%	6.2%	1.9%	7.9%
EV / Sales	1.5x	1.4x	2.1x	2.3x	2.1x
EV / EBITDA	2.4x	2.2x	4.4x	7.6x	6.5x
EV / EBIT	2.6x	2.4x	5.4x	12.4x	10.5x

Operating Metrics (%)	Jul-22	Jul-23	Jul-24e	Jul-25e	Jul-26e
EBITDA Margin	62%	63%	48%	31%	32%
EBIT Margin	56%	58%	39%	19%	20%
Net Profit Margin	39%	41%	29%	15%	15%
ROIC	85%	90%	35%	14%	17%
Return on Assets	29%	35%	16%	7%	8%
Return on Equity	43%	45%	20%	9%	10%
Effective Tax Rate	30%	30%	30%	30%	30%

Growth Ratios (%)	Jul-22	Jul-23	Jul-24e	Jul-25e	Jul-26e
Revenue	143%	8%	-34%	-10%	13%
EBITDA	330%	11%	-51%	-42%	16%
EBIT	559%	12%	-56%	-57%	18%
NPAT	604%	15%	-54%	-55%	16%
EPS	581%	9%	-51%	-55%	16%
DPS	682%	-19%	-57%	-53%	21%

Key Assumptions	Jul-22	Jul-23	Jul-24e	Jul-25e	Jul-26e
NEWC6000 (US\$/t FOB)	265	278	135	99	102
AUDUSD	0.72	0.67	0.68	0.71	0.71
Equity Coal Sales	8.8	7.6	9.4	11.7	12.2

Coal Sold (100%)	Jul-22	Jul-23	Jul-24e	Jul-25e	Jul-26e
Bengalla (mt)	10.2	9.5	10.3	10.7	10.7
Malabar (mt)	-	-	0.8	2.3	3.3
New Acland 2 (mt)	0.7	-	-	-	-
New Acland 3 (mt)	-	-	-	2.8	3.8

Valuation	A\$m	Equity	Risk	A\$m	A\$/share
Bengalla	4,990	80%	100%	3,992	4.72
Malabar	2,665	15%	100%	400	0.47
New Acland Stage 3	479	100%	50%	240	0.28
Bridgeport Energy	50	100%	100%	50	0.06
Property	100	100%	100%	100	0.12
Queensland Bulk Handling	200	100%	100%	200	0.24
Corporate Costs	105	100%	100%	105	0.12
Net Cash / (Debt)	731	100%	100%	731	0.86
<b>Total</b>	<b>9,320</b>			<b>5,817</b>	<b>6.90</b>
WACC					10%
FPO Shares Out					845
Other					-
<b>Shares on issue (Diluted)</b>					<b>845</b>



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Dr Chris Baker, an authorised representative of BSCP, certifies that the advice in this report reflects his honest view of the company. He has over 30 years investment experience in wholesale capital markets. He worked as a mining analyst for brokers BZW and UBS for 11 years and has a further 16 years' experience as a mining analyst and portfolio manager with Colonial First State and Caledonia Investments. He now provides independent financial advice on a part time basis. He may own securities in companies he recommends but will declare this when providing advice. He currently owns shares in Malabar. He is remunerated by BSCP but is not paid a specific fee for providing this report. BSCP, its directors and consultants may own shares and options in Malabar and may, from time to time, buy and sell the securities of Malabar.



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