



Malabar Resources Ltd (Unlisted)

A fully permitted Tier 1 Hunter Valley underground coking coal project set to generate strong FCF with multiple growth options

- Malabar's Maxwell and Spur Hill projects are located in the Upper Hunter coalfield of NSW and represent some of the last coking coal-dominated deposits of size. The Maxwell long wall mine is now fully permitted for the production of 3-3.6Mtpa expanding to 5.5-6.5Mtpa within a few years. The mine is now scheduled to begin construction subject to the completion of financing.
- Key to the success of the Maxwell mine was the acquisition of the plant and infrastructure from the Drayton mine (with a \$300m replacement value, it is estimated). This results in a capital intensity perhaps half of the sector average.
- 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.
- The Maxwell Mineral Resource is an impressive 1.4Bn tonnes. Maxwell Ore Reserves alone currently total some 144mt within 4 seams so sufficient to support a +20-year mine life at a production rate of around 6mtpa (product). We see potential for an additional 20 years of mine life from other seams.
- At steady state around 75% of the mine's production (by volume) will be semi-soft coking coal, a well-regarded Hunter blending coal which should be eagerly sought by steelmakers. High energy, low ash and low sulphur thermal coal will be a by-product. The project has access to world class transport infrastructure and a skilled workforce. With its low-cost structure, long mine life and with expansion options, we judge the project to be truly Tier 1 in status.
- Malabar has commenced construction of a modest, low capex, bord and pillar underground mine to take advantage of strong thermal coal prices.
- Further growth could emerge from the adjoining Spur Hill project (626Mt resource base) with the opportunity to perhaps double production using common infrastructure.
- Key to any project is management. Malabar's board and executive is top tier with an impressive track record of coal mine funding, development and operation in Australia.
- Our economic analysis of Malabar is based largely on consensus coal price forecasts. With the current global energy crisis and the very undercapitalised coal sector we see pricing risk to the upside but recognise that it is a very cyclical commodity.
- We have estimated a post-tax NPV₈ for Maxwell of A\$2.4bn, with a very attractive project IRR of 41% (again, post tax). Our fully funded base case NPV₈/share is A\$6.60. This represents a very attractive premium to the proposed pricing of equity funding at \$1.25/share.
- Based on our production and coal price assumptions, we believe Malabar has the capacity to pay dividends starting from 2026, with a strong lift in pay out as the company passes peak capital spend.



FINANCIAL SUMMARY



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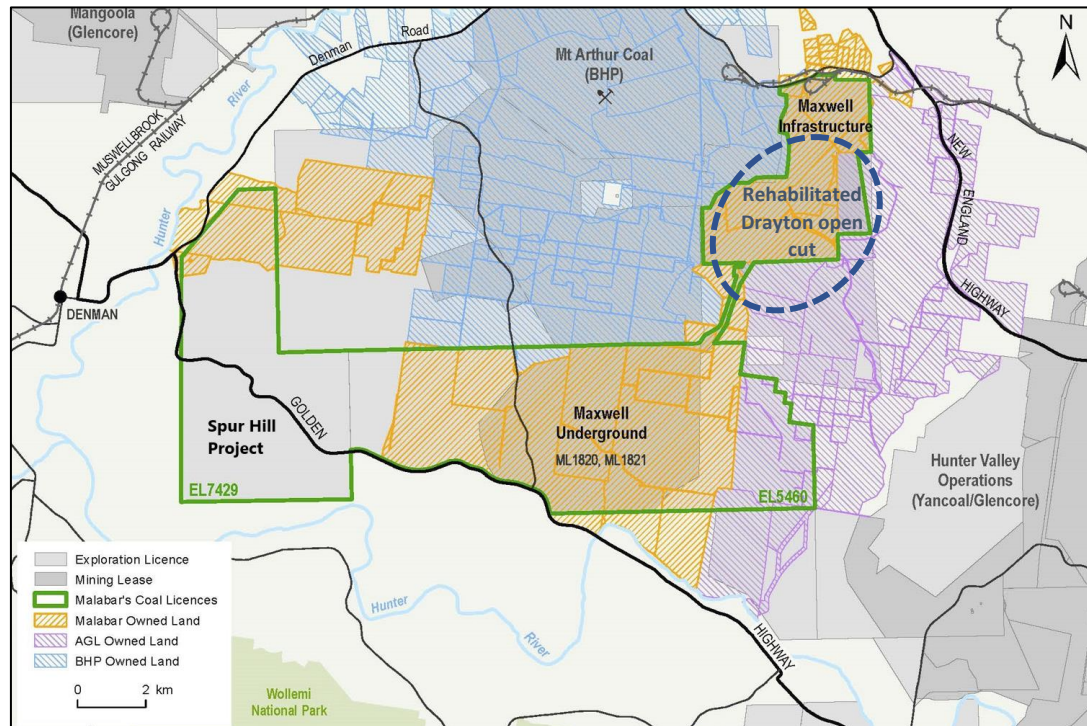
FINANCIAL SUMMARY							Malabar Resources Limited														
Share Price*	A\$/sh																				
Shares on Issue	m																				
Market Cap (A\$m)	A\$m																				
Net Debt / (Cash) (A\$m)	A\$m																				
Enterprise Value (A\$m)	A\$m																				
Profit & Loss		Units	Jun-23e	Jun-24e	Jun-25e	Jun-26e	Jun-27e														
Sales and Other Income	A\$m	4	184	419	504	746															
Expenses	A\$m	-	(108)	(225)	(283)	(387)															
EBITDA	A\$m	4	76	195	221	359															
D&A	A\$m	(1)	(17)	(45)	(50)	(65)															
EBIT	A\$m	3	60	150	171	294															
Interest	A\$m	(13)	(28)	(30)	(30)	(30)															
Tax	A\$m	-	(9)	(36)	(42)	(79)															
NPAT	A\$m	(10)	22	84	98	185															
Cashflow		Units	Jun-23e	Jun-24e	Jun-25e	Jun-26e	Jun-27e														
Cash From Operations	A\$m	4	76	195	221	359															
Interest	A\$m	-	-	(30)	(30)	(30)															
Tax	A\$m	-	-	-	-	-															
Working Capital	A\$m	(10)	(50)	(1)	(50)	(15)															
Net Cash From Operations	A\$m	(6)	26	163	140	313															
Capex	A\$m	(194)	(135)	(42)	(295)	(27)															
Exploration	A\$m	-	-	-	-	-															
Acquisitions / Investments	A\$m	(0)	(1)	(1)	(2)	(3)															
Free Cash Flow	A\$m	(200)	(109)	120	(157)	283															
Borrowings	A\$m	240	-	-	-	-															
Equity	A\$m	165	-	-	-	-															
Dividend	A\$m	-	-	-	(44)	(82)															
Net Increase / (Decrease) in Cash	A\$m	205	(109)	120	(200)	202															
Balance Sheet		Units	Jun-23e	Jun-24e	Jun-25e	Jun-26e	Jun-27e														
Cash	A\$m	221	111	231	31	232															
Receivables	A\$m	1	15	34	41	61															
Inventory	A\$m	-	18	42	50	74															
PP&E	A\$m	290	409	406	651	614															
Other	A\$m	36	36	36	36	36															
Assets	A\$m	548	589	749	809	1,017															
Creditors	A\$m	1	15	34	41	61															
Borrowings	A\$m	268	297	297	297	297															
Other	A\$m	37	37	37	37	37															
Liabilities	A\$m	306	348	368	374	394															
Net Assets	A\$m	242	241	382	435	623															
Liquidity & Leverage		Units	Jun-23e	Jun-24e	Jun-25e	Jun-26e	Jun-27e														
Borrowings	A\$m	268	297	297	297	297															
Net Debt / (Cash)	A\$m	47	185	65	266	64															
Gearing: Net Debt / (Net Debt + Equity)	%	16%	43%	15%	38%	9%															
Net Debt / EBITDA	x	11.3x	2.4x	0.3x	1.2x	0.2x															
EBIT Interest Cover	x	n/a	n/a	n/a	5.6x	9.7x															
*\$1.25/share reflects the options exercise price																					
Per Share Data							Jun-23e	Jun-24e	Jun-25e	Jun-26e	Jun-27e										
Shares Out (m)							436	436	436	436	436										
EPS (¢)							(2.2¢)	5.0¢	19.2¢	22.5¢	42.4¢										
Dividend (¢)							-	-	-	10.0¢	18.8¢										
Payout Ratio (%)							0%	0%	0%	44%	44%										
Book Value (A\$/share)							0.56	0.55	0.88	1.00	1.43										
Operating Cash Flow (A\$/share)							(0.01)	0.06	0.38	0.32	0.72										
Free Cash Flow (A\$/share)							(0.46)	(0.25)	0.27	(0.36)	0.65										
EBITDA (A\$/share)							0.01	0.17	0.45	0.51	0.82										
Valuation Metrics							Jun-23e	Jun-24e	Jun-25e	Jun-26e	Jun-27e										
P/E (x)							(57.2)x	24.9x	6.5x	5.5x	3.0x										
Dividend Yield (%)							0.0%	0.0%	0.0%	8.0%	15.0%										
EV / Sales							128.1x	2.9x	1.3x	1.1x	0.7x										
EV / EBITDA							128.1x	7.1x	2.8x	2.4x	1.5x										
EV / EBIT							166.5x	9.0x	3.6x	3.2x	1.8x										
FCF Yield (%)							-36.7%	-20.1%	22.0%	-28.8%	52.0%										
Operating Metrics (%)							Jun-23e	Jun-24e	Jun-25e	Jun-26e	Jun-27e										
EBITDA Margin							n/a	n/a	46%	44%	48%										
EBIT Margin							n/a	n/a	36%	34%	39%										
Net Profit Margin							n/a	n/a	20%	20%	25%										
ROIC							n/a	n/a	33%	24%	43%										
Return on Assets							n/a	n/a	11%	12%	18%										
Return on Equity							n/a	n/a	22%	23%	30%										
Effective Tax Rate							n/a	n/a	30%	30%	30%										
Key Assumptions							Jun-23e	Jun-24e	Jun-25e	Jun-26e	Jun-27e										
Semi-Soft Coking Coal (US\$/t)							130	130	130	130	130										
Thermal Coal (US\$/t)							125	125	125	95	95										
AUDUSD							0.75	0.75	0.75	0.75	0.75										
Coal Sold (mt)							-	1.0	2.5	3.2	5.0										
Cost of Coal FOB (A\$/t prod)							-	100.0	65.0	65.0	55.1										
Valuation							A\$m	Equity	Risk	A\$m	A\$/share										
Maxwell Mine - Stage 1 & 2							2,423	100%	100%	2,423	5.56										
Whynot							107	100%	75%	80	0.18										
Spur Hill							679	100%	25%	170	0.39										
Other Assets							110	100%	100%	110	0.25										
Corporate Costs							(88)	100%	100%	(88)	(0.20)										
Net Cash (Debt)							7	100%	100%	7	0.02										
Cash from options & new equity							165	100%	100%	165	0.38										
Total							3,404			2,868	6.60										
WACC											8.0%										
FPO Shares											291										
Additional Equity Raise (\$1.25/share)											38										
Options exercised @ \$1.25/share strike											94										
Performance Rights											12										
Fully Diluted SOI											436										



BACKGROUND / PROJECT HISTORY

- Malabar Resources Ltd (“Malabar”) started life as a \$20m IPO in 2013. At the IPO, Malabar held an option over the Spur Hill coal deposit (held in Exploration Licence 7429) which lies adjacent to its new Maxwell underground project. The few years following IPO were difficult for the resources sector and for the company. The company voluntarily delisted due to market circumstances at that time. It has remained an unlisted public company ever since. It continues to provide an ASIC-approved platform for shares to trade via a ‘low-volume market’.
- Malabar acquired 100% of the Drayton Coal Mine and Infrastructure and the Drayton South project (Exploration Licence 5460) from former owners Anglo American and its partners in February 2018. Malabar reconfigured Drayton South to create what is now the Maxwell Underground Metallurgical Coal Project (“Maxwell”).

Location of Maxwell Project Area Showing Spur Hill and Maxwell (Drayton South)



Source: Malabar

- The Drayton mine was in operation for over 30 years having been initially developed in 1981. The mine was an open-cut operation and produced over 5mtpa of thermal coal for export markets. The Drayton mine targeted the “Greta Coal Measures”. Malabar has substantially backfilled and rehabilitated the old Drayton open cut.
- The original Drayton South project was earmarked by Anglo as a replacement open cut mine for the Drayton mine where resources were to be depleted by 2016. The Drayton South area hosts the “Whittingham Coal Measures”. However, a protracted battle arose between Anglo and nearby thoroughbred horse studs whose properties were located adjacent to the boundary of the Drayton South project area.



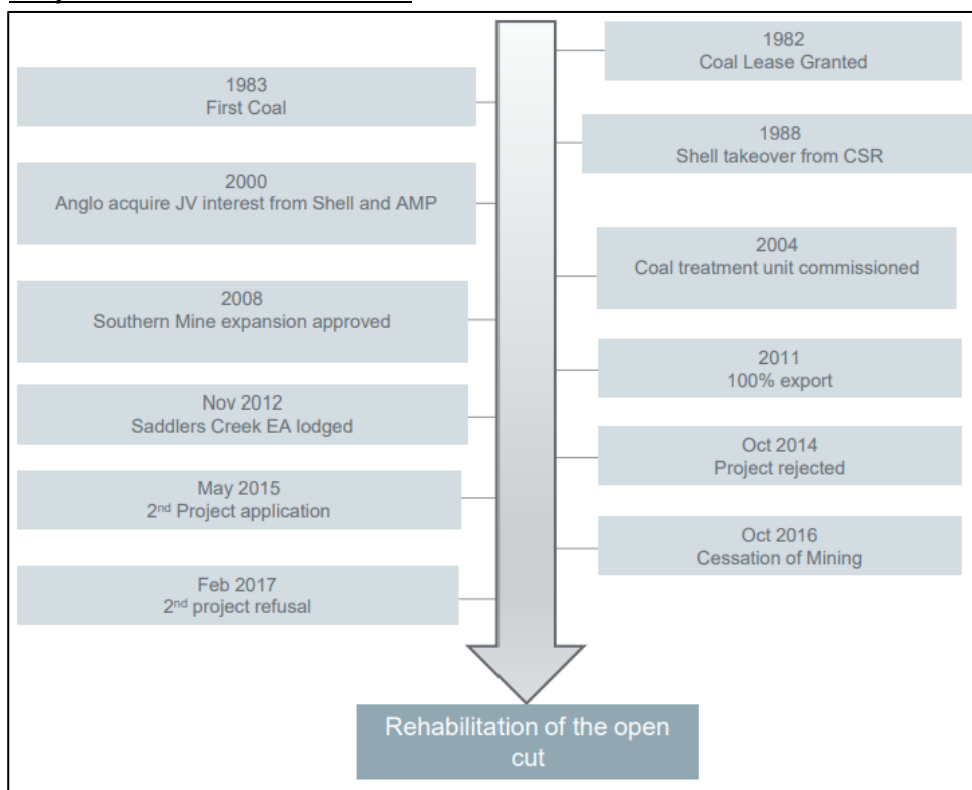
- As a consequence, Anglo's Drayton South project saw its application for development of an open cut rejected by the NSW Planning Assessment Commission in 2014 and in 2017 with a second attempt. Anglo subsequently exhausted the mining inventory available at the Drayton open-cut, put the asset into care and maintenance in 2016 and then began a sale process.

THE NSW Planning Assessment Commission has again [refused](#) consent to the Drayton South Coal Project, saying it considers it "not in the public interest".

The decision has been welcomed by the thoroughbred stud industry and by environmentalists but will disappoint the coal industry, its employees and its supporters.

Newcastle Herald, 23 February 2017

Drayton Mine Historical Timeline



Source: Malabar Underground Coking Coal Presentation, 14 March 2018

- Malabar's subsequent development strategy differed significantly to that proposed by Anglo. It focussed on an underground mining operation targeting the better quality seams within the Whittingham Coal Measures. As an underground development it overcomes the concerns (mainly noise, dust and visual) raised by the nearby horse studs during the prior attempts to obtain approvals.



- The underground development proposal was subsequently found to be strategically sensible when Malabar ultimately secured the development approvals necessary to proceed with the Maxwell mine. In December 2020 the NSW Independent Planning Commission approved the Maxwell underground project and in March 2021 the Commonwealth Government provided environmental approvals to allow the project to proceed. Mining licences were issued in November 2021. There are now no impediments for the start of mine construction other than the conclusion of a financing package. Negotiations with debt providers are nearly concluded.
- Subsequent to the receipt of these approvals the company has set about completing tendering of long-lead time critical path items and finalising project funding in advance of the commencement of project construction.
- Malabar's proposal is initially for a low cost 2.5-3Mtpa product sales underground coal operation, mined by efficient longwall methods. Stage 2 will involve the expansion of the underground mine with sales of 5.5-6.5Mtpa. In both cases around 75% of the ROM feed is to be washed to produce a semi-soft coking coal. The balance is to be sold to Asian utilities as a premium thermal coal.
- In this report we discuss the following:
 - An overview of the global coal market, especially coking coals, and our price assumptions.
 - Location, geology and coal quality together with permitting issues for the Maxwell project.
 - A summary of the development proposition for Maxwell, including a discussion of capital and operating costs.
 - Opportunities to expand and enhance production at Maxwell.
 - ESG issues.
 - Development timeline.
 - A summary of other assets owned by Malabar, including land, port, rail and solar.
 - A discussion of financial aspects including cashflow and balance sheet.
 - Valuation aspects for the assets and the company, including sensitivities.
 - Capital structure and major shareholders.
 - Board and management.
 - Analysis of strengths, weaknesses, opportunities, threats.
- Finally, we present an investment summary.



COMMODITY OVERVIEW

Coal: supply, demand and pricing assumptions

Coal prices, both thermal and metallurgical, have been volatile over the past 2 years. Even before the pandemic, demand for both types were 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 – have 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.

In Appendix 1 we discuss the types of coking coal and coal pricing and in Appendix 2 we summarise and supplement information presented in the IEA's annual report on coal for 2021 which discusses the future supply and demand trends. In the report we use the terms "met – or metallurgical coal" and "coking coal" interchangeably. (Both Appendixes are available as a separate report on request).

Key points to arise from this review are as follows:

- **On the demand side, it's all about China and India.** Both countries make up around two thirds of global demand for coal, and despite efforts to increase the use of renewables, 2021 is believed to have been a new peak for power generation using thermal coal. Global demand might hit a new high within the next two years.
- **Supply chain disruptions during 2021.** Coal supply was already tight, driven by weak prices in 2019 and 2020. There can be little doubt that a ban on Australian coal imports into China (especially met coal) in mid 2021 and the temporary ban on Indonesian coal exports in early 2022 were important triggers to see prices rally. A relatively slow supply response to these elevated prices suggests to us that coal prices may remain high for an extended period.
- **India's increasing demand for met coal.** Leading up to 2024, the IEA expects the imports of advanced economies such as Japan, Korea and European countries – as well as China – to flatten. 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.
- **Met coal supply is very concentrated.** The market for met coal is highly concentrated on the export side, with Australia being the dominant global supplier (54% share in 2020). In Mongolia, which currently transports met coal by truck to China, exports dropped 23% in 2020 due to temporary closures and pandemic-related restrictions at the Chinese-Mongolian border. In contrast with the other major met coal exporters, Russia's exports expanded 12% in 2020.
- **Prices driven by volumes, not costs into 2020.** Cost curves presented in the IEA report (from CRU and IHS Markit, presented in Appendix 2) suggest to us that the cost profile of

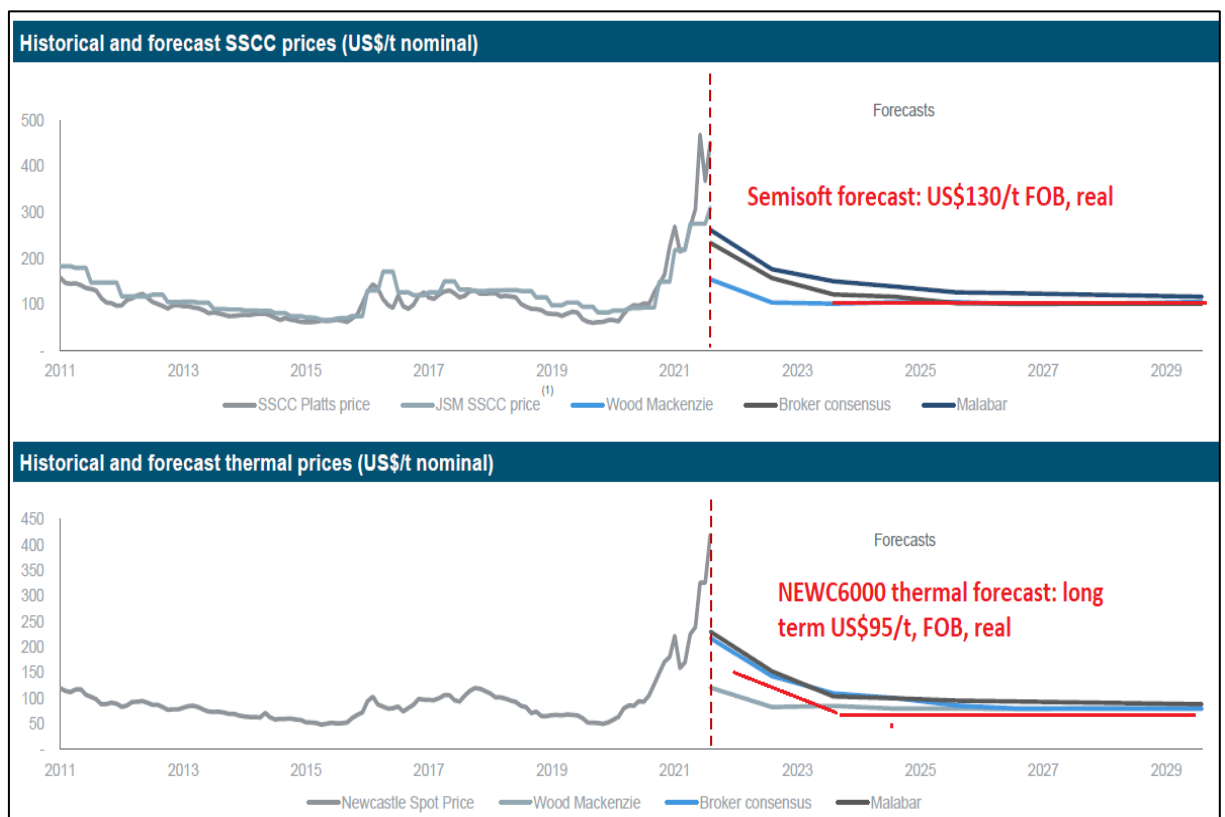


the global coal industry has not materially changed into 2020 and 2021 and that the price response was more to do with declining availability of product (especially export product in the case of met coal) than to do with cost increases. 2022 might be a different story with inflationary pressures starting to emerge elsewhere in the mining industry. The increasing cost of diesel and steel will impact the open cut coal miners first. Wage pressures, which in Australia always start in the iron ore mines of the Pilbara, are bound to flow into the coal fields, especially Queensland as borders reopen in 2022. The absence of new supplies of low cost met coal, should be supportive for prices (but not necessarily margins).

- **High coal prices have prompted mine re-openings rather than 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. These three mines look to be moving back into production in 2022. In NSW we have seen the restart of the small Russell Vale mine permitted to move back into production. All four mines supply hard coking coal but they are unlikely to reverse what appears to be a significant emerging supply deficit.
- **Plenty of new projects, but many are of doubtful quality and may be difficult to finance.** In Appendix 1 (available as a separate report) we have 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 4.5mtpa Olive Downs project (mainly PCI) is moving towards the completion of financing, and possibly into production in 2023. 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.
- **Mongolia and Russia appear ready to provide new supply.** Mongolia is focussed on building 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 USD 3 billion between 2021 and 2025 which should debottleneck exports of TT coking coal into neighbouring China. Russian coal companies appear poised to expand supplies to 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' so cannot always provide the Asian mills with the qualities they are seeking.
- **The impact of Russian trade embargoes:** It is far from clear as to what the impact of recent events and consequent trade embargoes will have on global seaborne coal supply. The extreme price moves in many commodities (especially thermal and coking coal) tell the story. Should the Ukrainian invasion become protracted, prices for thermal and coking coals may well remain strong for a significant period.



- **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.
- **Semi-soft coking coal (SSCC) can be washed to produce thermal coal during periods of low demand.** The pricing of SSCC typically mirrors the price of thermal coals as they typically derived from common seams. These seams can be washed to produce a semi-soft coal (usually with <8-10% ash) or as a high quality thermal coal (with ash around 12-13%). The spread in pricing typically ranges from 0% (i.e. no premium) to as high as 50% (or more). High premiums reflect high demand by the steel makers. With low premiums the coals will be washed to a thermal specification and sold for power station feed. When the steel makers are hungry for coking coal, hard coking coal prices rise and can drag the prices of SSCC higher.
- **For the current evaluation of Malabar Resources we have used US\$130/t long term (real) for semi-soft coking coal and US\$90/t for Newcastle benchmark thermal coal (or US\$95/t for Malabar's premium quality thermal coal).** See Appendix 1 for a further discussion of the pricing of semi-soft coking coal.



Source: from Malabar Coal presentation, May 2022



For comparison, current spot prices are as follows (as at 6 June 2022):

Commodity	Unit	Last	Change	(%) Day	(%) 3M
Premium LV HCC (FOB Australia)	US\$/t	423.3	+4.8	1.1%	-24.4%
HCC Peak Downs (FOB Australia)	US\$/t	427.3	+4.8	1.1%	-23.8%
Low Vol PCI (FOB Australia)	US\$/t	423.3	+4.8	1.1%	-5.9%
Mid Vol PCI (FOB Australia)	US\$/t	421.3	+4.7	1.1%	-6.0%
Semi Soft (FOB Australia)	US\$/t	363.3	+4.8	1.3%	-13.3%
Thermal Coal (6000 kcal/kg, FOB Newcastle)	US\$/t	394.35	+3.60	0.9%	-3.1%

Source: Barrenjoey daily commodities report

Readers should note that we currently have the very unusual, and essentially unsustainable situation where FOB Australia thermal coal prices are essentially on par with FOB Australia hard coking coal prices. With this, it would make more economic sense to sell semi-soft coking coal and PCI coal into the thermal market as a producer. However, we would not expect to see any hard coking coal crossover to the thermal market – partly as boilers are not set up to take that type of coal, and partly as producers themselves would view it as wasteful to sell this premium material into the thermal market.

We do expect a return to more traditional price ratios, but only when thermal import demand takes a step backwards.

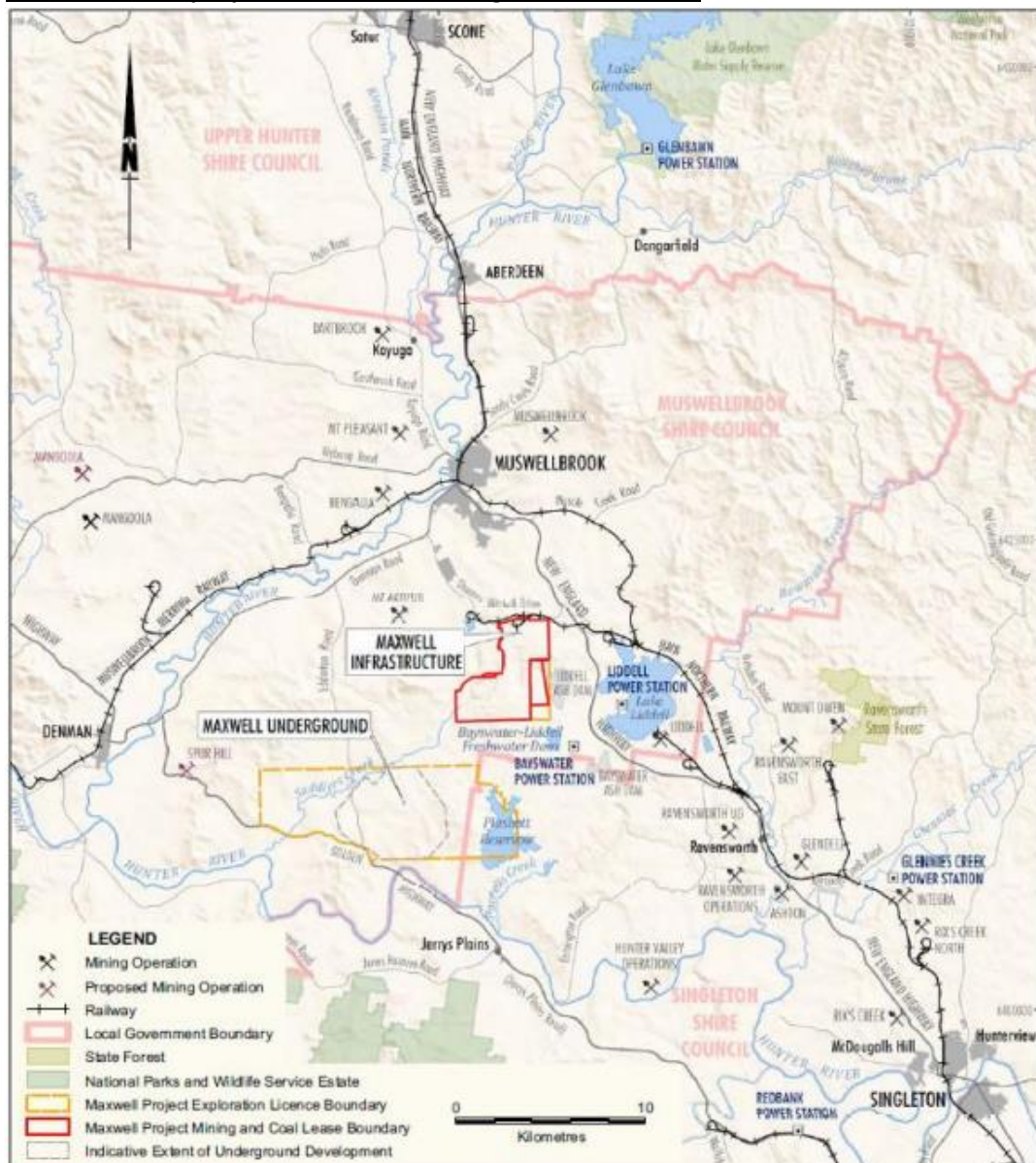


THE MAXWELL PROJECT

LOCATION / GEOGRAPHY

- 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” on the plan above. This was the site of the now shuttered 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.

PERMITTING

- Maxwell is now fully approved for construction of an underground coal mine by both the NSW State and Commonwealth Governments. The approvals are valid to operate 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
 - Longwall mining in the Woodlands Hill, Arrowfield and Bowfield Seams
- In addition to the mine approvals, the “Maxwell Infrastructure Area” (the established processing infrastructure related to the prior Drayton open-cut mine) has secured approvals for the handling, processing and transport of the coal over the life of the operation.
- Specific approvals secured are as follows:
 - December 2020: State Significant Development (SSD 9526) consent granted approval by the NSW Independent Planning Commission.
 - March 2021: Commonwealth Environmental Protection and Biodiversity Conservation (EPBC) approval issued.
 - Mining Lease issued in November 2021. No further approvals are now required to start construction of the project

GEOLOGY OF THE MAXWELL COAL DEPOSITS

- Coal seams of the Maxwell project are of Permian age and are a part of the prolific Upper Hunter Coalfield. Together with the lower Hunter coal mines, which were first mined in the early days of the Colony of NSW, historic product is estimated at over 2 billion tonnes from both open cut and underground operations. Geoscience Australia estimates the remaining reserves in the Hunter coalfields at around 7 billion tonnes. Resources are significantly larger. The Hunter Valley is a world class coalfield.
- Within two granted Exploration Licences (Maxwell and the adjoining Spur Hill), and now the granted Mining Lease there are some 16 separate seams or seam groups. Eight of these 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 coking and thermal coal qualities.
- These seams can produce thermal coal and semi-soft coking coal usually after washing. Several have sufficiently low ash that they may be able to bypass a washery.
- The basis for the Maxwell Bankable Feasibility Study (BFS) is the Woodlands Hill Seam which averages some 2.7m in thickness and which gradually thins towards the west of the



Mining Lease. As show in the tables below, the JORC 20?? Mineral Resource associated with the Woodlands Hill Seam totals some 139Mt, 87% of which is of Measured and Indicated status. This is a well explored deposit.

- 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 grand total of 1.4 billion tonnes. This is a large coal deposit.
- Around 88% of the Maxwell Mineral Resource is within the five prime seams; all but one of which can produce a coking fraction. The Whynot Seam is to be mined early to generate a premium thermal product during times of relatively high coal price.

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 also established a 139Mt total Ore Reserve which includes coal from four economics seams, the Woodland Hill, Whynot, Arrowfield and Bowfield Seams. These are incorporated in the expanded Stage 2 project, discussed below.



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 6000kcal/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 coking 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.

DEVELOPMENT PROPOSITION

- The Maxwell development is predicated on a staged development, initially focused on establishing an extendable 145m longwall mining operation targeting the Woodlands Hill Seam only. The Woodlands Hill Seam contains a total JORC Mineral Resource of 139Mt (18Mt of which is Inferred) and Ore Reserves of 50.9Mt ROM / 37.6Mt marketable.
- Stage 1 will target production of 2.5-3.0Mtpa saleable coal with potential for a Stage 2 expansion to approximately double production rates. This will be achieved with the extension of the longwall mining unit and longwall panels to a width of 300m. Key metrics underpinning each of the Stage 1 and Stage 2 plans as presented by Malabar are summarised as follows:

Maxwell Development Proposition

Stage 1 and 2 summary		
	Stage 1⁽¹⁾	Stage 2
Sales	3.0 to 3.6Mtpa	5.5 to 6.5Mtpa
Milestones	B&P production commences in Q4/CY2022. Q3/CY2024 145m longwall commences.	Q2/CY2025 300m longwall commences.
Capex	~A\$370m ⁽²⁾	~A\$250m ⁽²⁾
Operating costs ex. Royalties⁽³⁾	~A\$71/t (Avg. B&P and Longwall)	~A\$50/t
Typical EBITDA at broker consensus prices	A\$180m-A\$320m	A\$450m-A\$650m
Typical EBITDA at Malabar prices	A\$250m-A\$400m	A\$600m-A850m

Source: Malabar Resources, May 2022. Note the Stage 1 capex includes \$25m for the Whynot bord and pillar mine.

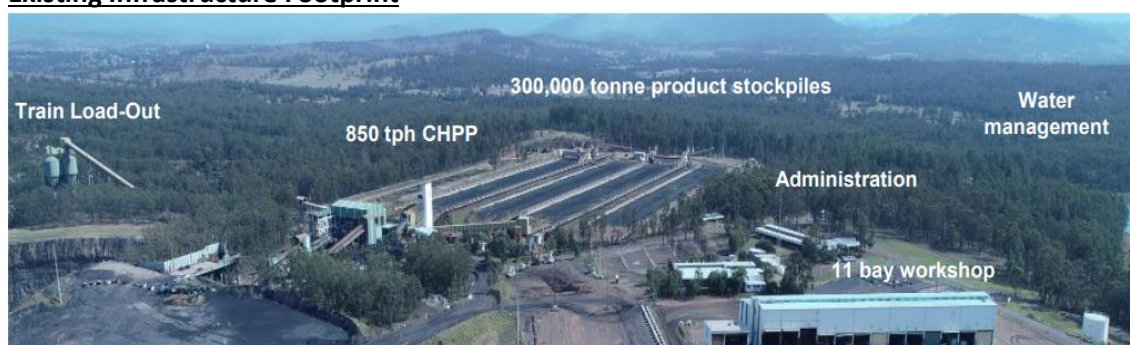
- In addition to mining out the balance of the Woodlands Hill Seam, Stage 2 will incorporate the remaining 3 seams covered under the existing Development Consent (Arrowfield, Bowfield and Whynot), which at the targeted production rates are sufficient to provide for a mine-life running out to 2044.
- Since we first prepared this report a decision has been made to progress the development of a small capacity bord and pillar mine, extracting the shallow Whynot Seam in order to take advantage of the current high thermal coal prices. This is discussed below, as is the opportunity to extract coal from the neighbouring Spur Hill lease over the longer term.
- A 2020 Ore Reserves report notes that significant resources sit outside the three main seams. The resource for the lower Warkworth seam is an impressive 220Mt, which can



produce coking and thermal coal. We see little doubt that this will eventually be incorporated into the Maxwell mine plan, but perhaps not for many years.

- There appears to us to be sufficient resource at Maxwell with potential for conversion to Ore Reserves to support at least a 40-50 year mine life at proposed production rates.
- Coal processing will take place within the existing coal handling and preparation plant (CHPP) which has capacity of 6Mtpa (feed) and was formerly used in the Drayton open-cut operation. The existing site processing, handling and transport infrastructure includes stockpiling and train loadout facilities, and in aggregate is thought to have a >\$300m replacement value.

Existing Infrastructure Footprint



Source: Company Reports

- Coal production from the Maxwell mine 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 mine 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 79Mtpa, approved to 66Mtpa). The Port of Newcastle presently operates well below its coal export capacity (157Mt of coal exports were reported CY 2021), so Maxwell’s targeted export volumes (5-8Mtpa during Stage 2 operations) are relatively modest in the context of the currently available port capacity.

Early development of the Whynot Seam

An important opportunity during the current period of strong commodity prices is the ability to bring forward production of thermal coal from the near surface Whynot Seam. Since we started preparing this report, Malabar has decided to proceed with this development which will be undertaken with a low capex approach. Construction work, already commenced, involves the upgrading of the road from the old Drayton mine infrastructure to the access point of the mine, a shallow box cut to provide a portal for shallow drift access to the proposed mining section. The Whynot Seam lies over 100m above the main Woodlands Hill Seam so should not interfere with the main Maxwell development.

Key points for the development include:

- Targeting an underground ROM production rate of around 800kt-1mtpa using a bord and pillar mining method.
- Second hand, low profile continuous miners and associated equipment are currently being sought from North America to deal with a seam of average 2m thickness. Incremental capex is estimated by Malabar to be around A\$25m
- Potential for owner/miner or contractor operation.
- Potential to ship unwashed coal. However, we understand that Malabar may start commissioning of the Drayton washery to produce a sub-10% ash product, potentially for the PCI market. We have assumed the production of around 650-700ktpa of a +6300kcal/kg (nar) low ash product to be shipped to Asian markets.
- First production scheduled for 1Q2023. At the assumed production rate the mine life is 8 years.
- Costs are assumed to be relatively high (ca. A\$90/product tonne excluding royalties).
- It should be stressed that this development is opportunistic, designed to take advantage of the current strong demand for thermal coal. Based on our estimates, this mine could not withstand an extended period of low export prices.
- Note the following estimates are made in real terms, with no adjustment for inflation.

Whynot bord and pillar	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Saleable Coal Production (mt)	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Cost of Coal FOB (A\$/t), excluding royalties	90	90	90	90	90	90	90
Revenue (A\$m)	130	113	113	95	95	95	95
EBITDA (A\$m)	62	46	46	30	30	30	30
Thermal Coal Price Realised (A\$/t)	150	130	130	110	110	110	110
AUDUSD	0.75	0.75	0.75	0.75	0.75	0.75	0.75

Source BSCP estimates

The benefits of the Whynot development are:

- It moves the project into immediate construction and development and allows the company to start recruiting key personnel.
- There are some capital synergies associated with the main Maxwell mine, such as development of an access road, the establishment of surface infrastructure and power reticulation.
- It will allow the start of commissioning of the old Drayton washery, required for the main Maxwell development, which is due to start production in 2024/25.
- For this analysis we have assumed a thermal coal price at US\$150/t to justify the go-ahead for the project. (Recall spot prices are currently around US\$400/t). We have this ramping down over the 8 year life towards US\$110/t, our assumed coal



price for premium thermal coal. This may generate strong early cashflow (which could assist with the financing of the main Maxwell mine) and a post tax NPV₈ of A\$107m for the Whynot development, which we have risk adjusted by 75% in our valuation until we have seen final feasibility estimates for the project.

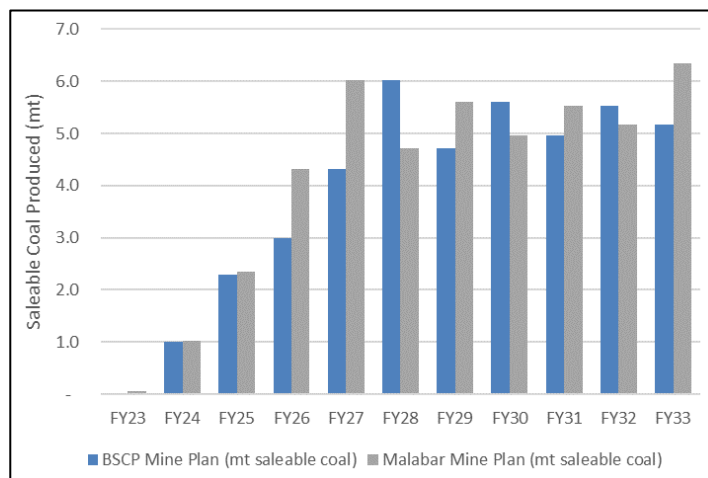
Again, we should stress that the Whynot development is a very small increment in the overall Maxwell project, and is designed to generate early cashflows during the current period of high coal prices.

DEVELOPMENT OPTIONS FOR THE MAIN MAXWELL PROJECT

From our review of technical reports and from discussions with management we see Maxwell as having three broad development options going forward:

1. Stage 1 alone with a 145m longwall face, producing ca. 4Mtpa ROM coal (3-3.5Mtpa saleable), with no expansion to Stage 2. This is an unlikely option, but one which could be driven by unexpectedly low coal prices.
 2. Stages 1+2 with an immediate expansion to a 300m long face producing ca. 8Mtpa ROM coal (5.5-6.5Mt saleable). This is the case typically portrayed by Malabar.
 3. Stages 1+2, but with the delay of Stage 2 by 12-18 months after the commissioning of Stage 1.
- As we discuss in a following section (“Valuation”) we have decided to use Option 3 as our base case. This is done for several reasons:
 - The roof and floor conditions might require a coal floor to be left in some places. A more conservative approach may result in a lower risk profile.
 - It may reduce the risk of a low longwall float (or the tonnes made available by pre-development by continuous miner). This is often regarded as the number one production risk for longwall mining.
 - Most importantly for our investment case, it allows the mine to start generating free cash flow very early in its life. This is important, as we think (1) it will allow funding of Stage 2 without additional debt, and (2) it should allow the upstreaming of free cashflow to Malabar which could then start to pay dividends in 2026.
 - A summary of our production, revenue, cost and EBITDA estimates for the first 7 years of production is shown below. Note forecasts are made in real terms.

Maxwell Stage 1 & 2 longwall	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Saleable Coal Production (mt)	0.3	1.8	2.5	4.3	6.0	4.7	5.6
Cost of Coal FOB (A\$/t), excluding royalties	100	65	65	55	50	55	50
Revenue (A\$m)	50	302	387	646	914	786	936
EBITDA (A\$m)	12	146	173	328	504	431	547
Thermal Coal Price Realised (A\$/t)	125	125	95	95	95	95	95
AUDUSD	0.75	0.75	0.75	0.75	0.75	0.75	0.75

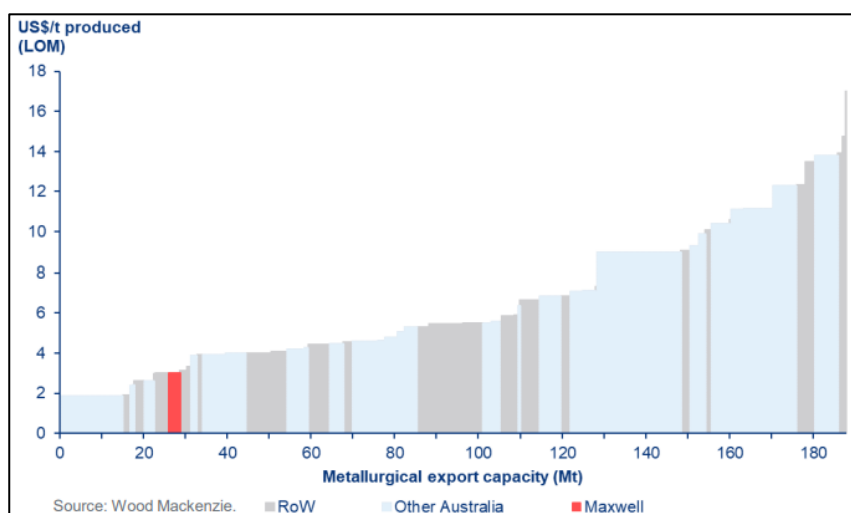


Source: BSCP estimates

CAPITAL COSTS

- With the benefit of the established CHPP which was shut down in an orderly state and has adequate capacity to accommodate Maxwell’s Stage 1 expected production rates (~4.5mtpa ROM), minor capital has been earmarked to complete works necessary to recommission the plant. Most of the estimated capex budget for Stage 1 (estimated by Malabar at A\$370m) relates to underground mine development as well as longwall mining equipment and conveyors. An additional A\$250m of capex has been budgeted for Stage 2 to expand the longwall to 300m. Funding for the \$207m capex for Stage 2 is expected to be sourced from operating cashflow, in combination with refinanced debt facilities if required.
- Adopting “Option 3” above, our estimates suggest that Stage 2 can be funded by the mine’s cashflow and we think that additional debt will not be required.

The capital intensity of the Maxwell mine development has been shown to be very low as a result of the brownfields nature of the development, benefiting from existing process and transport infrastructure as shown in the following chart:

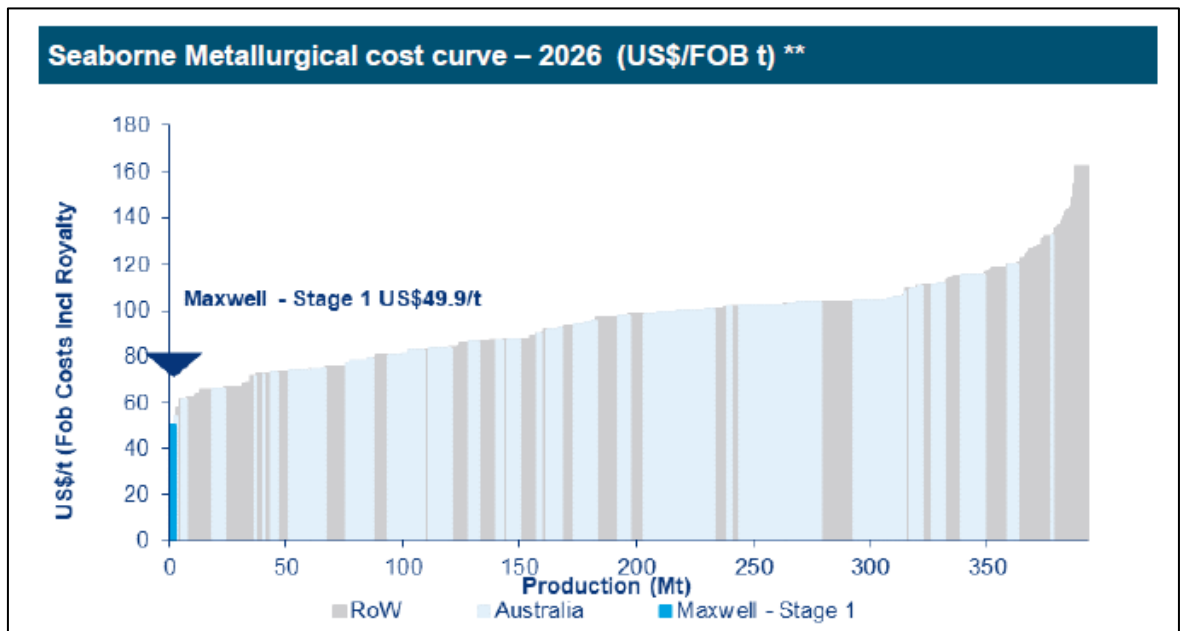


Source: Company Reports, Wood Mackenzie

OPERATING COSTS

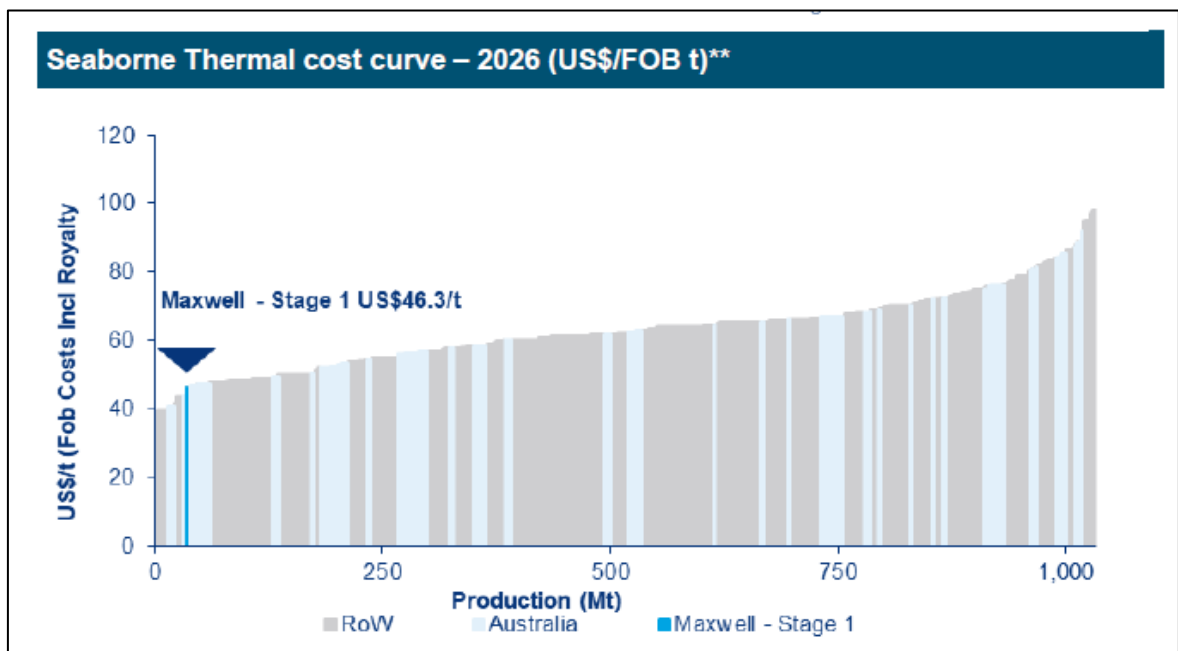
- Cost estimates for Stage 1 and Stage 2 of the Maxwell project have been estimated by Malabar at A\$67/t and A\$50/t respectively (product coal FOB, excluding royalties). These estimates are judged to be in line with other Hunter Valley based longwall mines.
- As discussed in more detail further in this report in our valuation analysis, we have assumed a 10% increase in costs (in real terms) within our financial model to reflect the impacts of the current inflationary cost environment on operational costs, labour and consumables in particular. On our revised estimates, the life-of-mine FOB cost of coal (saleable) is A\$52/t or US\$39/t.
- 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 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 Stage 2 expansion plans will see these operating cost estimates improved further, driven by lower development costs, increased product yield and fixed cost leverage. The Maxwell mine is therefore very favourably positioned to remain profitable and viable through the cycle.
- Note that the coal industry in NSW is subject to a production royalty. Coal royalty rates vary depending on the type of mine, and are tiered as follows:
 - 8.2% of value of open cut coal,
 - 7.2% of value of underground coal,
 - 6.2% of value of deep underground coal (>400m depth)
- The applicable NSW royalty rate for Maxwell is 7.2% of gross sales. Of the 4 seams targeted as part of the Stage 1+2 mine plan, the Bowfield seam is the deepest and sits at 215 to 425m depth so is unlikely to attract the lower royalty rate for much of the tonnage.

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

In addition to the possibility of extracting coal from additional seams within the Maxwell mining lease, we see several additional opportunities for maximising value from Malabar's coal assets.

1. Maxwell Stage 2: move to a 300m longwall

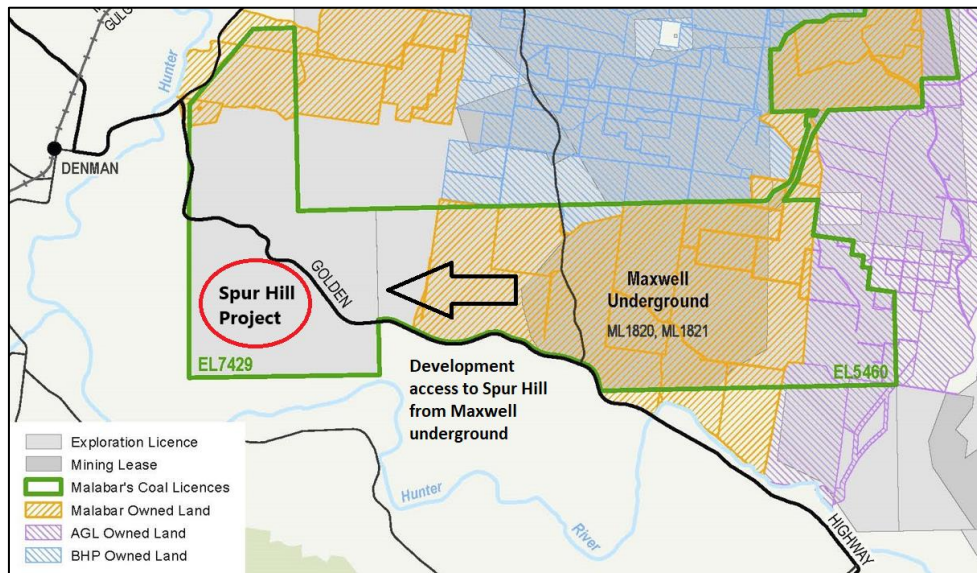
Should coal prices remain robust, and funding not be a concern it's possible that management might press the button on the full-scale production rate from day 1. Key issues to consider here are:

- The equipment suppliers are able to move quickly to expand the longwall installation. The 300m longwall project is fully engineered.
- The CHPP can be readily upgraded to accept a 6-8Mtpa throughput rate.

- No further approvals are required.

2. The long-term opportunity for 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
Total	91*	69	394.4	119.2	513.6	112.3	625.9

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):

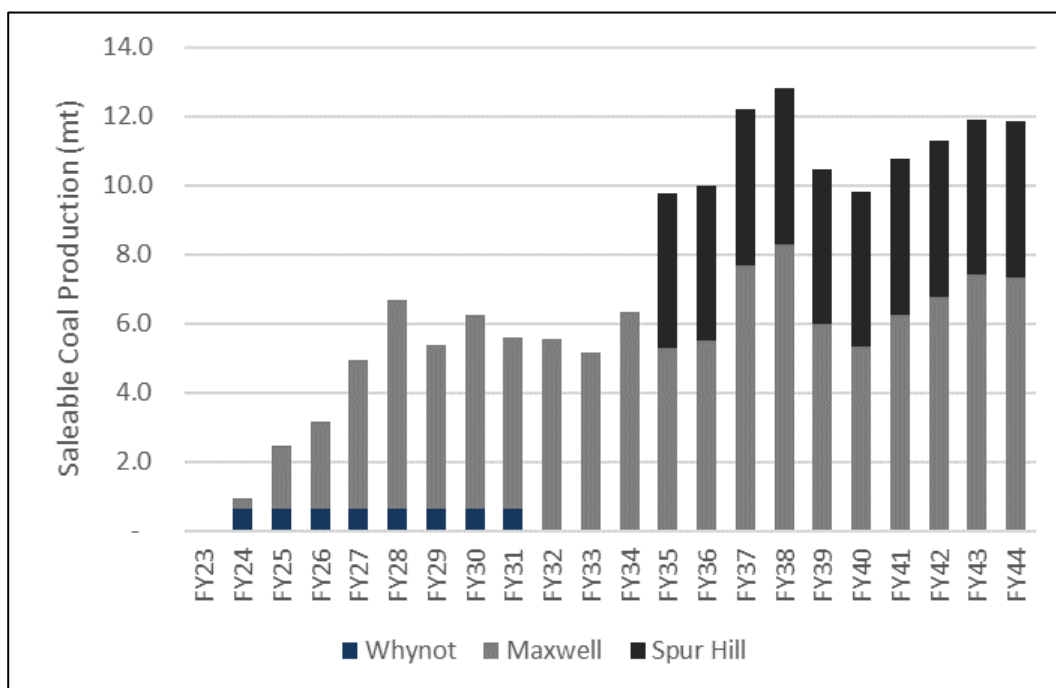
	A\$m	Comment
UG infrastructure	170	Comparable with Maxwell
UG production plant and equipment	150	Comparable with Maxwell
Doubling of the washery capacity and upgrade	120	6Mtpa to 12Mtpa
Project management	20	
Exploration/permitting/etc	10	
Total	470	

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 NPV₈ of around \$670m. We discount the NPV₈ 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.

DEVELOPMENT TIMETABLE

- The independent technical expert identified that potential delays to the construction schedule is the highest risk aspect of the Maxwell project. A 2.5-year timeline from commencement of construction to first longwall production has been allowed for with approximately 3 months contingency factored into this pathway.
- We have assumed a ca. 6-month delay to the development timetable defined in the technical report which is incorporated into the development timetable graphic as presented below. Note, this is the timetable for Stage 1 only.



Calendar Years	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027 - 2036
Mine Approvals & Management Plans	█					
Construction of Whynot bord and pillar underground	█	█	█			
Whynot First Production		█	█			
Construction of Access Road & MEA		█	█	█	█	
Construction of Mine Access Portals & Drifts		█	█	█	█	
Development Coal to setup for Longwall Operations (145m)				█	█	█
Longwall Ordered, Manufactured, Delivered & Installed		█	█	█	█	
Design & Construction of Overland Conveyor			█	█	█	
145m Longwall Production				█	█	█

Source: Modified from Company Reports

- One critical issue could relate to the supply of key equipment, such as longwall chocks and drum shearers. We understand from management that delays are less prevalent in the coal industry relative to other industrial equipment, because of the soft supply side conditions which persist in the coal industry.

ESG ISSUES

- 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. The successful receipt of Government approvals is testament to the good standing of Malabar’s proposed mine within the local community.
- We also note that the land above the underground workings is owned by Malabar so there is no land use conflict.
- Since taking ownership from Anglo, Malabar has also been completing rehabilitation works on the prior Drayton open-cut workings and has committed to best-practice rehabilitation methods. Furthermore, the rehabilitated land 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 partnership with EDF-Renewables (EDF-R) of France to evaluate considerably larger scale renewable projects.
- Importantly this development may assist in offsetting Scope 1 and 2 emissions from the mine.
- The Maxwell project is located in the centre of an established coal mining district will use existing processing and transport infrastructure. Maxwell is an underground operation so it is not impacted by the vexed issue of land rehabilitation. The underground operation is well away from major infrastructure and waterways, so subsidence should not be a significant issue.

SUMMARY OF OTHER ASSETS

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

- **Land:** Malabar owns parcels of land covering 8,900ha including substantial water rights and a vineyard.
- **Port Investment:** Malabar owns a 7.4% indirect stake in the 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.
- **Rail Spur:** Malabar owns the Antiene Rail Spur which has more than 20Mtpa capacity and was originally built to service the Drayton mine. Malabar has the right to put the Antiene rail spur to BHP as part of a usage agreement relating to the Mt Arthur mine at the greater of cost and market value (plus the market value of the land underlying the spur).
- **Solar Generation Assets:** A 25MW solar farm has received approval for construction on the rehabilitated open-pit mine. Malabar has entered into an MOU with EDF-R (a subsidiary of the global power giant EDF) to progress substantially larger renewable power generation.

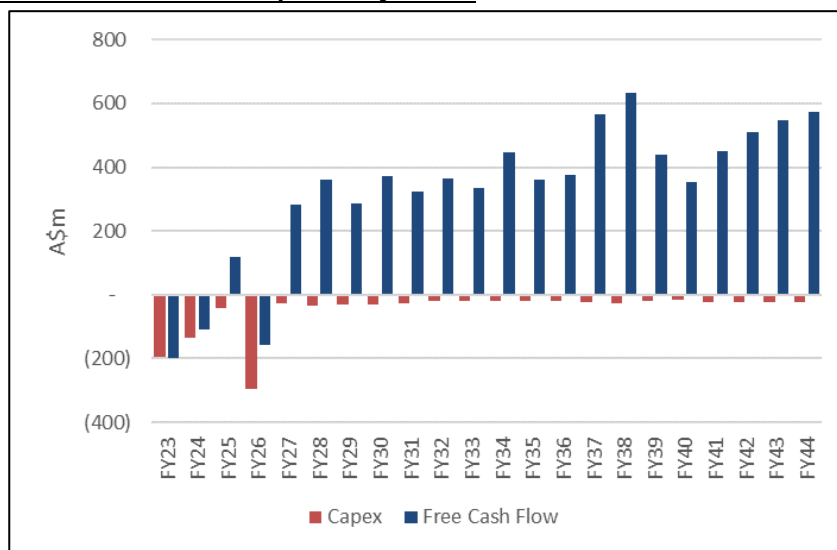
MALABAR FINANCIALS

PROJECT CASHFLOWS

- BSCP has compiled a detailed financial model which derives a bottom-up comprehensive assessment of the potential mine cash flows for both operating scenarios (Stage 1 and Stage 2).
- Our model indicates that the Maxwell mine should generate very strong cash flows over its defined operating life to 2037 (Stage 1) or 2044 (Stage 2) based on our commodity price assumptions. On average over the life of the mine, once Stage 2 is in operation (300m longwall) we estimate post-tax free cash flows of A\$400-\$600m per year for approximately 20 years based on the currently defined mine-plan.
- Average EBITDA margins of 60-70% are projected based on BSCP's assumed base case coal prices of US\$90/t for NEWC6000 benchmark export thermal coal (US\$95/t for Maxwell thermal coal) and US\$130/t for semi-soft coking coal. Our assumption for AUDUSD across the profile of our projections is 0.75.
- We assume that over the life of the mine, Maxwell will generate A\$18.8bn in sales, A\$11.5bn in mine EBITDA, incur A\$1bn in capital costs (including sustaining capex commitments over the life of the mine), as well as pay A\$1.3bn in NSW State Government royalties and A\$3bn in corporate taxes.
- As shown in the chart below, the low-cost profile of the Maxwell 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

- We have superimposed the capex profile to illustrate its lumpy nature, concentrated in 2023-24 for Stage 1 and 2026-27 for Stage 2 in our model.

FINANCING THE PROJECT

We compare our sources and uses of funds with those presented by Malabar. Recall we have added 5% to the pre-production capital cost of Maxwell. We have also taken a more conservative view on gearing of the company as it ramps up to first production.

Sources and Uses to Completion (A\$m)	Malabar A\$m	BSCP A\$m
Sources	A\$m	A\$m
Coal prepayment facility	75	75
Senior Debt	165	165
New equity	165	165
Existing cash	22	22
Total Sources	428	428
Uses	A\$m	A\$m
Capex	369	369
Finance costs & working capital*	-1	8
Land loan repayment	15	-
Closing cash to balance sheet	45	51
Total Uses	428	428

Source: BSCP and Malabar presentation (draft), January 2022

Points to note are:

- A\$75m coal prepay facility was executed in November 2021.
- 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.



- A\$165m senior debt facility. This has been successfully negotiated with an Asian credit fund.
- We assume a cost of 10% for the coal prepay and asset finance facilities and 12% for the senior debt.
- Around \$118m in equity will be available from the exercise of 94m \$1.25 options (see “Balance Sheet” below). To add a level of conservatism to our cashflow projections we have also assumed that a further \$47m will be raised in new equity at a price of \$1.25/share, taking the total of new equity to \$165m.

As discussed above, we have assumed in our model that the Stage 2 expansion will be delayed by 12-18 months, with first expanded production from 2028. According to our estimates the expansion capex can be funded from the balance sheet, supported by strong free cashflow from the mine in 2025 and 2026. In these years we estimate FCF of around \$250m and assume debt repayments do not start until 2028.

THE MALABAR BALANCE SHEET

Malabar currently has a clean balance sheet, with around A\$22m in cash (following a \$25m institutional placement and a 10:1 rights issue at \$1.00 per share in mid 2021). This issue came with 3 options for every share issued, with options priced at \$1.25 which can be exercised at the earlier of 10 June 2022 or 30 days after notification from Malabar that financing terms have been agreed.

Malabar also has \$15m in debt associated with past land purchases. This is a revolving facility which can be paid out at any time.

The following table is taken from our financial summary (page 2) and illustrates how the Malabar balance sheet may evolve over time.

Balance Sheet	Units	Jun-23e	Jun-24e	Jun-25e	Jun-26e	Jun-27e
Cash	A\$m	221	111	231	31	232
Receivables	A\$m	1	15	34	41	61
Inventory	A\$m	-	18	42	50	74
PP&E	A\$m	290	409	406	651	614
Other	A\$m	36	36	36	36	36
Assets	A\$m	548	589	749	809	1,017
Creditors	A\$m	1	15	34	41	61
Borrowings	A\$m	268	297	297	297	297
Other	A\$m	37	37	37	37	37
Liabilities	A\$m	306	348	368	374	394
Net Assets	A\$m	242	241	382	435	623
Liquidity & Leverage	Units	Jun-23e	Jun-24e	Jun-25e	Jun-26e	Jun-27e
Borrowings	A\$m	268	297	297	297	297
Net Debt / (Cash)	A\$m	47	185	65	266	64
Gearing: Net Debt / (Net Debt + Equity)	%	16%	43%	15%	38%	9%
Net Debt / EBITDA	x	11.3x	2.4x	0.3x	1.2x	0.2x
EBIT Interest Cover	x	n/a	n/a	n/a	5.6x	9.7x

Source: BSCP estimates

Points to note include:

- By mid 2023 the debt facilities (discussed above) are forecast to be largely fully drawn. Together with some \$165m in equity this will allow full funding of Stage 1.
- As discussed, we have delayed the commencement of Stage 2 by 18 months, which allows the build of cash to fully fund the expansion.
- This allows gearing to at around 43% during the early years of construction. Interest cover looks manageable.
- We have assumed that the debt facilities will not be begun to be paid down until 2027, with the debt fully paid some 7 years later. This is our interpretation of Malabar's debt structuring.
- As discussed below ("Free cashflow") we have adopted these assumptions in that it allows Malabar to begin to pay dividends in 2026, the first year of full production. This might be quite an attractive proposition for shareholders.
- As we are not yet familiar with the nature of the senior debt facility, it is not clear as to what proportion of the cashflow might be required for cash sweeps. Therefore there is some risk attached to the capacity of the company to pay dividends at the level this report is suggesting.
- In summary, the Malabar balance sheet appears never to be excessively geared during the build up to full production.

VALUATION OF MALABAR

- **MAXWELL MINE PROJECT NPV** The majority of Malabar's valuation is attributed to the Maxwell mine, with small increments apportioned to the Whynot satellite and the Spur Hill extension.
- A summary of our key assumptions for Maxwell are as follows:
 - Commercial production commencing in FY24 and continuing until FY44 (21 years)
 - Around 5.5mtpa of saleable coal production, around 75% SSCC, 25% 6100-6200kcal 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.
 - LOM saleable coal production of 114mt
 - A\$52/t FOB cost of coal (excluding royalties).
 - A\$620m total development capital expenditure to cover Stage 1 (\$370m) and Stage 2 works (\$250M).



- Approximately A\$20m per year sustaining capital expenditure primarily reflecting mine development and maintenance of the longwall and process plant
- Our DCF analysis derives a valuation for the Maxwell mine of an impressive A\$2.4 billion which as we discuss below makes up over 90% of our consolidated valuation for Malabar.

VALUATION OF OTHER ASSETS

- **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. For the financial year ended 31-Dec-20, PWCS reported a net profit of A\$23.5m. We crudely capitalise the current PWCS NPAT at a rate of 5.0% and derive a valuation of \$470m. Malabar's 7.4% stake is therefore worth approximately A\$35m on this basis.
- 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. We assume that this will be in the order of 200MW or greater.
- Malabar's landholdings in the Upper Hunter Valley are uniquely located adjacent to the Liddell and Bayswater Power Stations and large transmission lines. Hence, we adopt a valuation of A\$10m for the solar farms and battery storage projects optionality that Malabar possess.

Valuation Summary of Malabar's Other Assets

Other Assets	A\$m
Surplus Land & Water Rights	50
Port Investments	35
Antienne Rail Spur	15
Solar Generation Assets	10
Total	110

Source: Company Reports, BSCP Estimates

MALABAR VALUATION



- The present value of the projected Maxwell cash flows is calculated to be A\$2.2bn (unrisked, 8% discount rate).
- We incorporate separate valuations for the Whynot and Spur Hill developments (risk-weighted at 50% and 25% respectively)
- We assume a nominal \$110m to reflect the value of other assets.
- We deduct A\$88m 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 398m (see “Capital Structure” below), which derives a fully diluted per share valuation of \$6.95 per share.

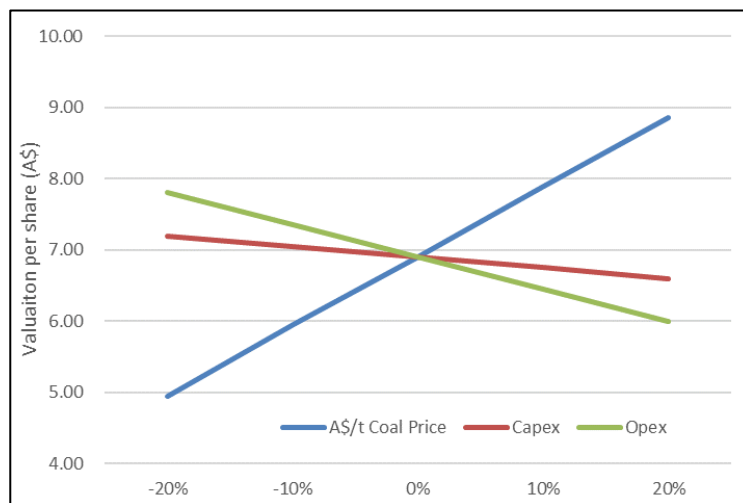
Malabar Valuation

Valuation	A\$m	Equity	Risk	A\$m	A\$/share
Maxwell Mine - Stage 1 & 2	2,423	100%	100%	2,423	5.56
Whynot	107	100%	75%	80	0.18
Spur Hill	679	100%	25%	170	0.39
Other Assets	110	100%	100%	110	0.25
Corporate Costs	(88)	100%	100%	(88)	(0.20)
Net Cash (Debt)	7	100%	100%	7	0.02
Cash from options & new equity	165	100%	100%	165	0.38
Total	3,404			2,868	6.60
WACC					8.0%
FPO Shares					291
Additional Equity Raise (\$1.25/share)					38
Options exercised @ \$1.25/share strike					94
Performance Rights					12
Fully Diluted SOI					436

Source: BSCP Estimates

VALUATION SENSITIVITIES

- Coal prices assumed in our valuation analysis are significantly below current spot prices where SSCC is currently trading at over US\$360/t and thermal at around \$400/t. As we discuss above that thermal coal is trading at a premium even to semi-soft coking coal is hardly sustainable. Applying a “spot case” scenario of the current global energy crisis-driven spot prices for the life of the mines derives a quite remarkable valuation for our base case of over A\$30/share.
- Consensus coal price forecasts anticipate more moderate prices going forwards with benchmark thermal coal prices forecast to revert to a long-term price of US\$90/t (Newcastle spec) and semi-soft coking coal to US\$130/t, as we have adopted in our base case forecasts. We believe these to be quite conservative estimates, with price risk to the upside.
- The sensitivity analysis presented below demonstrates that coal prices are by far the most sensitive input. With the project’s long mine life the sensitivity to capex is relatively low.

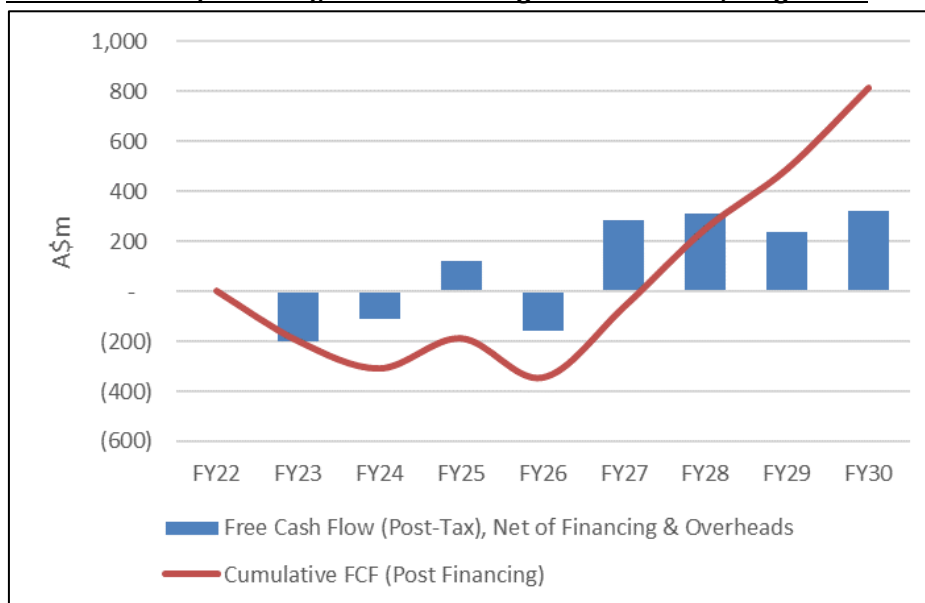


Source: BSCP Estimates

FREE CASH FLOW ANALYSIS AND THE POTENTIAL FOR DIVIDEND PAYMENT

- We used the mine’s free cashflow estimates, illustrated above and have adjusted for financing repayments and future capital requirements, in particular for the Stage 2 expansion.
- Maxwell is a strongly cash generative project and based on our forecasts (which involves a 1 year delay in the expansion) cumulative free cashflow post-construction should never move into negative territory.

Free Cash Flow (Post-Tax), Net of Financing and Overheads, Stage 1 + 2



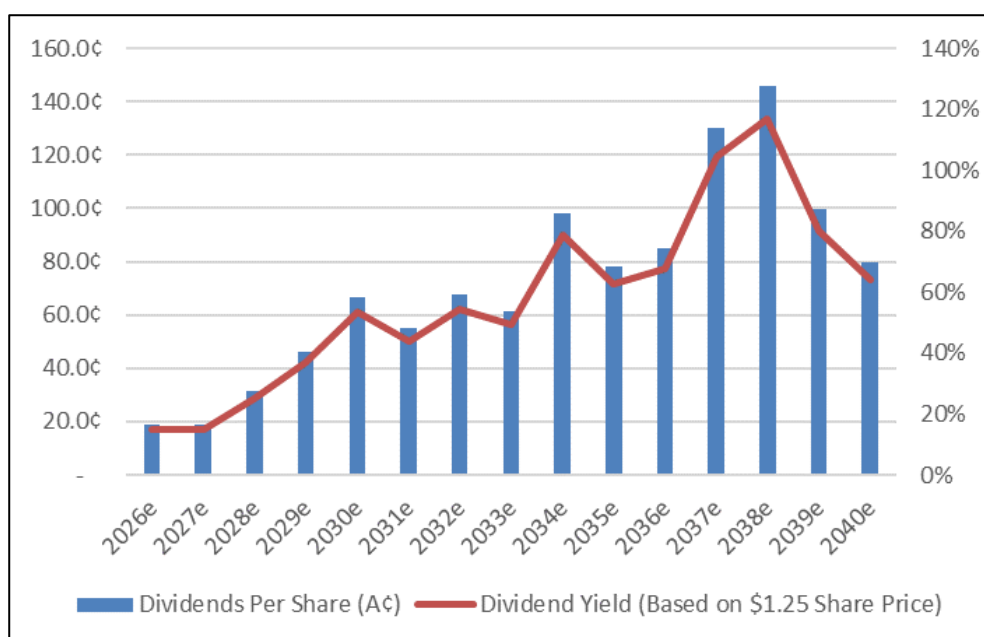
Source: BSCP Estimates

- Once the mine is in production, our analysis suggests that then average free cash flow yield after deducting all financing repayments and corporate overheads can be as high as 80-



120% based on our coal price and currency assumptions priced off the options exercise price of \$1.25.

- As shown in the following chart, we demonstrate that with the proposed capex schedule and with the potential to restructure project debt once in production, Malabar could be in the position of paying dividends at a modest level in the early years. But beyond peak capex in 2027, the ability of the company to deliver a strong dividend flow is very real.
- Based on our analysis, the company could afford to pay an 18-19c dividend in 2026 - 2027, before expanding to around 30-60c/share. Beyond 2033 strong free cashflow could deliver extremely attractive dividends. This is likely to represent an attractive outlook for Malabar investors.



Source: BSCP estimates



CAPITAL STRUCTURE AND MAJOR SHAREHOLDERS

- Malabar will have approximately 398m shares on issue with the options and performance rights included in the total share count.
- A summary list of the major shareholders is also included in the table below. The top seven shareholders account for approximately 70% of the register.

Malabar, capital structure			
Fully paid ordinary shares	m	291.5	73.3%
Options	m	94.0	23.7%
Performance rights	m	12.0	3.0%
	m	397.6	
Price of options (exp. 10 June 2022)	\$	1.25	
Capital raised with the exercise of options	\$m	117.6	
Major shareholders			
Hans Mendes (AMCI)		15%	
Fritz Kundrum (AMCI)		15%	
Tony Haggarty		14%	
Andy Plummer		13%	
Allan Davies		5%	
Wayne Seabrook		4%	
Simon Keyser		3%	
Total		70%	

Source: Company Reports

BOARD AND MANAGEMENT

- Without question one of Malabar's core strengths is the calibre of its board and management. Malabar is effectively an offspring of Whitehaven Coal (WHC ASX), a successful thermal coal producer from the Gunnedah Basin. There are many common threads amongst shareholders, board members and management. The history of wealth creation within this group is impressive.
- Malabar has been managed by Executive Chair Mr Wayne Seabrook, an engineer by background but more recently as a financial consultant, with deep experience in the global coal industry. Prior to his involvement with Malabar he had advised on many coal transactions in the coal sector, including Whitehaven, Excel Coal, Coronado and many others. Mr Seabrook oversaw the IPO of Malabar in 2013, took it private in 2017 and that year acquired the Drayton assets from Anglo American. He has been responsible for the oversight of the Maxwell feasibility study and the successful grant of its mining lease. At the executive level Mr Seabrook is supported by Mr James Johnson, General Manager of Development and Operations and Mr Paul Verner as CFO.
- Mr Johnson has over 20 years' experience in the Australian coal mining industry and is highly experienced in underground coal mining. Starting his career at the coal face he has held several key management positions including Engineering Manager and Production Manager during the construction and production ramp up of Glencore's Ulan West



Underground mine. Prior to joining Malabar in 2019, James was the Operations Manager at Glencore's Ulan Underground mine.

- Mr Verner has more than 15 years of accounting, finance, and resources experience. Prior to joining Malabar, he was the Group Treasurer at Whitehaven Coal Limited and was responsible for raising the capital to fund the Narrabri Underground and Maules Creek coal mines. He gained previous accounting and finance experience at Pricewaterhouse Coopers, Allco Financial Group, and Babcock & Brown Limited.
- The mine management team in the Hunter Valley is currently being recruited with most key positions filled. Malabar's team in the Hunter now totals some 12 people.
- The backgrounds of board members and key shareholders are summarised in the following slide from Malabar.



Board members	Background/ Experience	Shareholding
Tony Haggarty	<p>Prior roles include;</p> <ul style="list-style-type: none"> Managing director of Whitehaven Coal from 2008 to 2013. Founder and Managing Director of Excel Coal. BP Coal in Australia and London, and Aqjcoal as Managing Director of its Australian subsidiary. 	14%
Wayne Seabrook	<ul style="list-style-type: none"> Resource experience encompassing exploration, feasibility, approvals, construction, operations, and finance internationally and Australia. Prior roles include directorships of ASX-listed resource and resource services companies. Advised on major transactions including; Coronado (Carragh), Excel Coal, Whitehaven Coal, Cliffs Natural Resources, Felix Resources, Rio Tinto, AMCI, Petroz, Nexus, and Arrow Energy. Chairman of ASX-listed Qube Holdings Limited. 	4%
Allan Davies	<p>Prior roles include;</p> <ul style="list-style-type: none"> Chief Operating Officer of Whitehaven Coal from 2008 to 2012; and Founding Executive Director of Excel Coal with oversight of mine development and operations. 	5%
Brian Beem	<ul style="list-style-type: none"> Global resources investment and corporate finance experience. Currently Managing Director at AMCI Group serving on the boards of Conuma Coal Resources Ltd, Fitzroy QLD Resources Ltd and AMCI Investments Pty Ltd, amongst others. <p>Prior roles include;</p> <ul style="list-style-type: none"> Investment Merrill Lynch, and a principal at First Reserve Corp. 	(Represents interests of Mende and Kundrun)
Tony Galligan	<p>Prior roles include;</p> <ul style="list-style-type: none"> General Manager Infrastructure with Whitehaven Coal. Chairman of Newcastle Coal Infrastructure Group. Director Coal and Director Development with the NSW Government. 	Independent
Other key shareholders		
Hans Mende	<ul style="list-style-type: none"> Co-Founded AMCI in 1986 and led growth to multi-billion \$ global enterprise. Former board member of resources companies including; Whitehaven Coal, Felix Resources, Alpha Natural Resources (USA) Inc and Foundation Coal (USA) Inc. 	15%
Fritz Kundrun	<ul style="list-style-type: none"> Co-Founded AMCI in 1986 and led growth to multi-billion \$ global enterprise. More than 40 years of mining experience including, finance, mine engineering and operations with major coal companies and banks in Australia and the USA. 	15%
Andy Plummer (member of Malabar's finance committee)	<p>Prior roles include;</p> <ul style="list-style-type: none"> Executive Director of Whitehaven Coal from 2008 to 2012; and Executive Director of Excel Coal from 1994 to 2006. 	13%
Simon Keyser (member of Malabar's finance committee)	<ul style="list-style-type: none"> More than 20 years experience of finance experience specialising in resources and energy sectors. Advised on major transactions involving among others; Coronado (Carragh), Excel Coal, Whitehaven Coal, Felix Resources, Austral Coal, AMCI, Queenstand Gas, Bow Energy and Arrow Energy. 	3%



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 41%, based on our 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 and a representative of coal group AMCI, the level of experience in developing coal operations in NSW is impressive. Furthermore the board and leadership team owns around 38% of the company. Shareholder interests are certainly aligned with those of the board and management.

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 2024/25 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 prepay tonnes, equipment finance and what could be quite expensive debt.
- From a technical viewpoint, it is hard to identify weaknesses with the Maxwell project. 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 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 it can be seen that the Maxwell-Spur Hill precinct selling 10-12Mtpa of mainly SSCC (with high quality thermal). 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 executed a memorandum of understanding with EDF Renewables to develop large scale renewable energy projects 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 CO₂ 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.
- Proximity to a blight on the Upper Hunter Coalfield, BHP’s Mt Arthur open cut, may draw adverse attention in the future.



INVESTMENT SUMMARY

- Malabar's Maxwell-Spur Hill projects represent one of the last large scale coking coal/thermal coal projects in the Hunter Valley, and likely one of the last of its size to be developed in NSW.
- The 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.
- As such, and with a combined resource of over 1.4 billion tonnes and with the production of up to 8Mtpa (ROM), we believe it is appropriate to classify this as a Tier 1 project.
- It is hard to fault the work undertaken by Malabar's management. To our knowledge, Maxwell is one of the few 'greenfield' coal projects to have been fully permitted in the last 10 years.
- Mining will use conventional longwall methods. Mining risks look to be low.
- Important to the project's viability has been to access the Drayton mine infrastructure at very low cost and to integrate this into Maxwell's development. This has reduced capital costs by at least A\$300m (within a total pre-production capital bill we estimate at \$424m). This places the project at the low end of the capital intensity curve.
- The project is forecasted to be low operating cost and well inside the lowest cost quartile of the global industry cost curve. This will ensure the mine's survival during cycle lows.
- Assuming funding sources of A\$165m in debt, \$75m in coal pre-pay and around \$75m in deferred payments for the Stage 1 longwall, together with around A\$165m in new equity (from the exercise of \$1.25/share options and new equity), funding for Stage 1 is largely complete.
- We recognise that supply of coking coals could be in short supply going forward. We conclude that a 'stronger for longer' outlook for coal prices is possible but we have taken quite conservative pricing estimates going forward at US\$130/t for SSCC and US\$90/t for Newcastle benchmark thermal.
- Based on these assumptions we have estimated a post-tax NPV₈ of A\$2.4bn, with a very attractive project IRR of 41%.
- The project has a number of further development options, from the addition of small early tonnages from the Whynot Seam to the integration of neighbouring Spur Hill project and the opportunity to potentially double production.
- Together, these could add over A\$750m to our unrisksed valuation.
- On a fully funded basis we have estimated an NPV₈/share of A\$6.60, a significant premium to the assumed pricing of new equity (at \$1.25/share).
- In this report we have also forecast Malabar's dividend paying capacity. Should the Malabar board be more focussed on dividend flow (therefore free cashflow yield) our base case model has deferred the longwall expansion for 12-18 months.
- Our modelling suggests that Malabar can commence the payment of dividends at a modest rate from 2026 to 2027, ramping up to around to a range of 60c to \$1.40/share from 2030. We assume all dividends will be fully franked.
- At both last year's entitlement/institutional placement price (\$1/share) and the price to exercise options (\$1.25), Malabar looks very inexpensive based on its discount to our appraised NPV₈ and its capacity to pay future dividends.

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Disclosures

Dr Chris Baker, an authorised representative of BSCP, certifies that the advice in this report reflects his honest view of the company. He has 29 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 does not own 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.



BRIDGE STREET
CAPITAL PARTNERS

Appendix 1

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