BRIDGE STREET
CAPITAL PARTNERS

Dr Chris Baker
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Malabar Resources Ltd

(MBR. Unlisted. Market value A$1.76bn at A$2.92/share*)

Merger will significantly derisk the Maxwell mine and MBR balance sheet. Increased certainty of dividend flow for Malabar holders.

No surprise that New Hope (ASX NHC) has bid for the unlisted coal producer Malabar (MBR): it is already a 26% shareholder in the company and has representation on the board. At first glance we were somewhat underwhelmed by the terms of the bid, a 14.5% premium to recent trades and at quite a significant discount to our appraised NPV. However, on balance this looks to be an attractive offer which significantly derisks the critical ramp-up phase of the Maxwell longwall, currently underway and provides a stronger financial platform for executing Malabar's future projects. Moreover, it seems likely to offer MBR shareholders access to dividend flow much earlier than might otherwise have been the case.

With the structure of the Scheme of Arrangement, shareholders have the luxury of time and the benefit of independent technical and financial reports upon which to make a final decision. Reports are due by the end of the year. It also allows other groups time to evaluate MBR and perhaps launch a competitive bid.

Details and timing of NHC's bid for MBR are summarised in Appendix 1. In summary:

Exchange ratio	0.5000	NHC shares per Malabar share
NHC closing price (16 Oct 2026)	A$5.84	A$ per share
Implied price	A$2.92	A$ per Malabar share
New NHC shares issued	227.8	m shares
Malabar shares acquired (excl. NH stake)	455.6	m shares
New Hope's existing stake	156.4	m shares
Malabar shares, fully diluted	612.0	m shares
New Hope's existing stake (%)	25.6%	%
Equity value (100%, fully diluted)	A$1.79bn	A$bn
Net debt (30 Jun 2026)	A$0.627bn	A$bn
Enterprise value	A$2.41bn	A$bn
Pro forma ownership – NHC holders	79%	%
Pro forma ownership – other Malabar holders	21%	%
Malabar share of combined Enterpise Value	39%	%

- Critical to a decision for shareholders will be a detailed independent report to evaluate whether this deal is fair and reasonable for all MBR shareholders. **The indicative timetable allows for delivery of the scheme booklet to shareholders in Dec 26/Jan 27 with the scheme implementation in Feb/Mar 27, assuming it is approved by shareholders**. The scheme requires 75% of MBR shares to be voted in favour and 50% by number of shareholders. We understand there are around 350 separate shareholders.
- Malabar directors (excluding NHC's board representative) hold some 13% of the shares and have unanimously supported the merger, as have NHC directors.
- An important condition precedent is that the Japanese Fair Trading Commission must approve the merger. This we think will be a formality, but one which needs to be obtained.

While NHC's bid is at a significant discount to our valuation, MBR shareholders will be able to access NHC's strong cashflow and dividends. Our estimates suggest the payment of over $2 in dividends from MBR over the next 5 years at a 90% payout ratio (likely unfranked) or $1.30-1.40/share at a 50% payout ratio. The merged group, again based on our forecasts, has the capacity to pay $1.6-1.70 in dividends (at a 50% payout ratio) over the same period, and these are almost certain to be fully franked.

The merged company is undeniably attractive: Post merger NHC's annual coal sales are forecast to grow from around 12Mt to over 20Mt with the opportunity to add a second longwall unit (~6-7Mtpa saleable) at Maxwell/Maxwell North, subject to a successful feasibility study and permitting. The investment metrics are attractive, with a combined EV/EBITDA two years out of 3.1x (assuming $60mpa of post-tax synergies are realised), a fully franked dividend yield of over 5-6% and an NPV_8 of over $8.00/share.

**Malabar Resources is an unlisted public company. This price quoted is based on the share price of New Hope on the day of the bid.*

The **advantages** of the bid to Malabar shareholders, as we see them, are as follows:

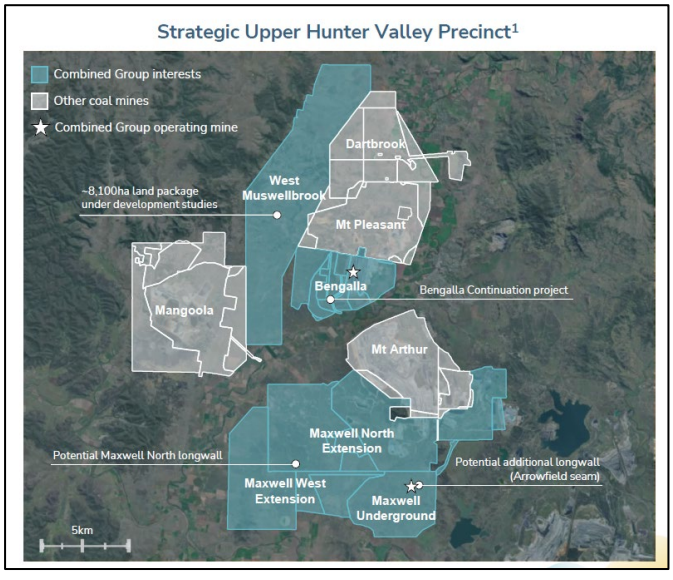
- The Maxwell mine should become significantly derisked within NHC's multi-mine/low cost/high cashflow structure.
- There are likely to be significant cost, operational, marketing and tax synergies between the two companies.
- Additional capital to bring the Maxwell longwall to full production will be readily available.
- The merged company will be significantly less geared than MBR alone. After taking on MBR's debt, we estimate the merged group will be in a net cash position in 2028/29.
- The average cost of capital for the merged group will likely be significantly less than MBR alone.
- MBR shareholders gain immediate access to NHC's cashflow and its history of strong fully franked dividend payment.
- The merger is likely to bring forward dividend payment for MBR shareholders.
- MBR shareholders will gain significant liquidity for their shares.
- A Maxwell North expansion strategy can be advanced quickly.

This **risks/disadvantages** for Malabar shareholders, as we see them, are as follows:

- This is a 100% scrip bid, so MBR shareholders carry significant value risk, driven by the NHC share price and the thermal coal price (which in the current energy crisis remains over US$150/t).
- Short term dividend outlook for MBR shareholders is not definitive and is driven by the NHC board.
- The bid is at a significant discount to our valuation of MBR.
- Dilution of an exposure to what could become a low-cost Tier 1 6-7Mpta longwall operation at Maxwell.
- Dilution of an exposure to Maxwell's significant resource base and long-term expansion potential.
- Dilution of an exposure to the recently acquired resource base of the Maxwell North project.
- Increased exposure to NHC's open cut operations and cost pressures associated with higher fuel costs.
- Permitting risks attached to mine life extensions for Bengalla beyond its current 12-13 years.
- Increased exposure to thermal coal (against the potential for increasing steel making coal from Maxwell).

What follows are our thoughts on the merger and its potential benefits for MBR shareholders. Many of these issues, especially regarding the valuation of MBR are likely to be addressed in the forthcoming independent expert reports, due by the end of the year.

There is operational logic in the merger…but what is the capacity of the Maxwell mine and what are the synergies?



- MBR's Maxwell operations are located close to NHC's 80%-owned low cost, open cut Bengalla mine in the Upper Hunter. This is a world class open cut mining operation providing over 10mtpa of thermal coal (100% basis) to Asian power stations. It is well managed and appears to draw strong support from the local community.
- What is the capacity of the Maxwell underground? We await further details from the Scheme's technical report, but were surprised that the joint announcement suggested that total production (from the Woodlands Hill longwall and the Whynot board and pillar) would amount to just 5.5mtpa saleable coal.
- We assume this is a conservative projection in the recent announcement as MBR has guided to 6.5Mtpa of saleable coal from Maxwell in the past. The PV of 1Mtpa of even thermal coal represents a material difference in value. We retain peak production of 6.5Mtpa of saleable coal from Maxwell in our valuation.

Operating coal mines *100% basis, unless noted*	BENGALLA	NAC NEW ACLAND COAL	MALABAR Maxwell
Location	Muswellbrook, NSW	Oakey, QLD	Muswellbrook, NSW
Combined Group Interest (%)	80% JV	100%	100%
Mine Type	Open-cut	Open-cut	Underground
Coal Type	Thermal	Thermal	Thermal & SSCC
Expected Life (Years)[1]	13+	14+	20+
Resources (Mt)	584	636	2,320[2]
FY26 Saleable Production (Mt)	8.2 (80%)	3.3	0.6
Long-term Saleable Production Target (Mtpa)[3]	8.4 (80%)	5.0	5.5

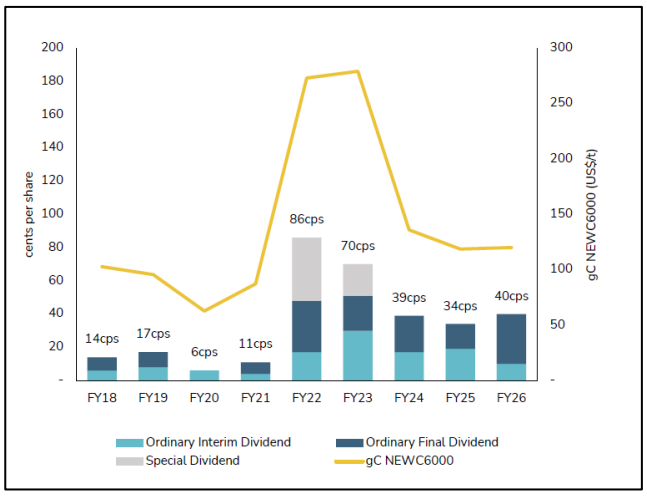
- At their recent presentation, NHC and MBR talked to synergies associated with the merger. These include:
    - **Marketing and logistics**. NHC presented a marketing 'what if': blending relatively low energy coal from Bengalla (and possibly New Acland) with MBR's higher CV coal from Maxwell which together could deliver a NEWC6000 spec product. This is likely to achieve a value premium over the low-grade thermal product. We estimate the benefit for blending alone could be around **A$30-40mpa** on an after tax basis (~$7/t or so). We estimate the transport and loading volume benefits could be a further **$15-20mpa**.
    - **Access to a skilled workforce**. Impossible to quantify the benefit here, but skilled labour in the Hunter remains tight, we understand. Shortages in the past have resulted in delays to the construction of the Maxwell mine.
    - **Head office costs**. MBR's head office is lean. Hence, we have assumed modest savings of **$7-14mpa (after tax)**.
    - **Access to lower cost debt**. In the presentation NHC spoke to the recent refinancing of a $300m convertible note at a headline coupon rate of an attractive 2.6%. We estimate the true cost of this instrument at around 7.5% incorporating the option value of the convertible, but still significantly lower than MBR's current cost of debt capital at around 12-14%.
    - **Tax advantages**. As we've seen in other takeovers (eg Gold Fields takeover of Gold Road in 2025), the revaluation of asset carrying values can significantly defer tax liabilities. This we believe will require a ruling from the ATO (which no doubt will be sought), and we've not included this is our valuation.
- In total the after-tax synergies could total over A$60mpa. Total synergies over our assumed 18 year combined mine life we estimate at around A$550m ($NPV_8$) which we have incorporated into our NPV for the merged group.

Balance sheet issues and cost of capital.

- As at 30 June 2026, MBR's senior debt facility totalled $491m. Add to this ~$202m in coal pre-pays ($15.7m of which is a current liability), debt now totals some $692m, offset by $64m in cash. MBR is therefore quite highly geared at around 126% debt/equity as it moves toward full production.
- We learned from the recent presentation that the average cost of MBRs debt capital is around 12-14%.
- The company has recently chosen to bring forward capital spending with a staged widening of the longwall panels which we estimate will see an additional ~$100m in capital required for the current year. This has been funded by a A$100m subordinated term facility maturing in March 2031.
- Our forecasts suggest that strong cashflows (especially at current elevated thermal coal prices) should allow quite rapid repayment of debt at full production levels.
- During 2025/26 NHC re-purchased the bulk of senior convertible notes (due 2029), replaced with a $300m facility due in 2032 at an impressively low headline pre-tax interest rate of 2.625% (with a true cost more like 7.5% incorporating convertible option value). At the end of July, NHC's net cash position was ~$536m.
- Merging the NHC and MBR balance sheets (as at last balance dates) will see a combined debt position of around $930m and cash of ~$843m for a net debt of a very manageable ~$92mm. This provides ample flexibility to fully fund Maxwell's ramp up to full capacity and take on any risk of unexpected production disruptions.
- With strong A$ coal prices NHC's cash position is forecast to build quickly. Earnings estimates (from our associate QValue) has NHC's free cashflow at over $500m for 2026/27. There is clearly little stress within the merged balance sheet.

The merger could pull forward dividends for Malabar shareholders

- Many MBR shareholders bought into the Maxwell story with the expectation of significant dividend flow from a low cost, long mine life operation. Disappointingly we have had to push back our dividend expectations for MBR as Maxwell become progressively delayed and as capital costs expanded.
- Our earlier assumptions had us paying first dividends in 2027. Our current modelling now has MBR's first payment in 2028, and this we estimate will be at a fairly modest level of 5c/share, increasing to 20c in 2029 and to 50c in 2030 and beyond. The early dividends are likely to be unfranked.
- NHC has a long history of dividend payment. No surprise that NHC's dividend payout is closely linked to the thermal coal price, as illustrated in the following chart.



- In the following table we have merged earnings for NHC (from our associate QValue) and MBR and calculated the level of dividend flow that might be available for shareholders over the next 5 years. We have used common commodity price assumptions and also assumed that MBR will be selling a proportion of its product as semi-soft coking coal. We have also included the A$60mpa after tax synergies described above, but only from 2027/28.
- A merger with NHC should see dividends flow to all shareholders (including shareholders coming in from the MBR merger). And in this table we've assumed the merged group will pay out 50% of earnings. This may be a conservative estimate.

		2025a	2026a	2027e	2028e	2029e	2030e	2031e	Div 2027 to 2031 (5 years)
Malabar estimates, recalulated to number of merged shares									
NPAT	A$m	-10.4	-62.2	20.8	216.1	319.9	293.3	303.5	
Number of shares (1:2 basis)	m	301.1	301.1	301.1	301.1	301.1	301.1	301.1	
EPS	c				71.8	106.2	97.4	100.8	
Case 1 Payout	%	-	-	-	15%	35%	90%	90%	
Dividend	A$	-	-	-	10.8¢	37.2¢	87.7¢	90.7¢	215.6¢
Yield (at $2.97/share)	%	-	-	-	3.7%	12.7%	30.0%	31.1%	
Franking					uf	uf	uf	uf	
Case 2 Payout	%	-	-	-	15%	35%	50%	50%	
Dividend	A$	-	-	-	10.8¢	37.2¢	48.7¢	50.4¢	136.3¢
Yield (at $2.97/share)	%	-	-	-	3.6%	12.5%	16.4%	17.0%	
Franking					uf	uf	uf	uf	
New Hope actuals/estimates, per NHC share*									
NPAT	A$m	390.9	179.1	446.3	425.4	415.4	404.7	404.7	
Number of shares	m	843.8	843.8	843.8	843.8	843.8	843.8	843.8	
EPS	c	46.3¢	21.2¢	52.9¢	50.4¢	49.2¢	48.0¢	48.0¢	
Dividend	%	34.0¢	40.0¢	26.0¢	25.0¢	24.0¢	24.0¢	24.0¢	123.0¢
Payout	A$	73%	188%	49%	50%	49%	50%	50%	
Yield (at $5.94/share)	%	5.7%	6.7%	4.4%	4.2%	4.0%	4.0%	4.0%	
Franking		ff	ff	ff	ff	ff	ff	ff	
Assuming merger of NHC and MBR from 1/1/27*. MBR to receive full dividend from NHC in FY2027.									
Number of shares post merger	m	-	-	1071.6	1071.6	1071.6	1071.6	1071.6	
Combined NPAT incl synergies from 27/28	A$m	-	-	446.3	727.2	821.0	783.7	783.7	
EPS	c	-	-	41.6	67.9	76.6	73.1	73.1	
Payout	%	-	-	50%	50%	50%	50%	50%	
Dividend	c	-	-	20.8¢	33.9¢	38.3¢	36.6¢	36.6¢	166.2¢
Yield (at $5.94/share)	%	-	-	3.5%	5.7%	6.4%	6.2%	6.2%	
Franking				ff	ff	ff	ff	ff	

Source: QValue and BSCP estimates

- **We estimate dividends over the next 5 years for the merged group could be in the range 160-170c/share**, compared with NHC alone of 123c and for Malabar at over 200c (90% payout) or 130-140/share (50% payout). **And ex-MBR shareholders should receive a dividend in early 2027** (subject to the timing of the Scheme of Arrangement).
- The quantum of dividends is far from guaranteed, but with cashflows from three low-cost operations and with a strong coal price, the risk of a deferral of dividends is much lower. Moreover, a good proportion of the dividends from the merged company are likely to be franked. **NHC's franking account sat at around $724m at 31 July 2026.**
- **We were surprised as to why the merger proposal presents conditions around the potential payment of an interim dividend in 2027 (with an ex date likely at the end of March 2027). Should the finalisation of the Scheme be delayed – and the timetable is tight – MBR shareholders may miss the NHC interim dividend. However the merger ratio will be adjusted to account for this, as presented in the scheme document (see Appendix 1).**

Valuation issue 1. What is the "right" value for the Maxwell longwall within MBR?

- **Our project valuation is ~$3.5bn based on an 8% real discount rate**. Our after-tax NPV_8 for the current longwall, assuming it can achieve the previously guided 6.5Mtpa is around A$3.5bn. This assumes over 60% of the mine's saleable product is ultimately a semi-soft coking coal product. Commodity and FX assumptions are: NEWC6000

thermal coal price of US$120/t (FOB) with semisoft a 30% premium to this price and FX of 75c against the US$. (The Whynot board and pillar mine's value is included in this valuation, but is small compared to that of the longwall).

- **This drops to just under $3bn as a thermal coal-only producer**. At current thermal coal prices there appears to be little justification for the production of a coking product, other than to provide trial shipments and building future volumes with the Japanese steel mills. Assuming 100% thermal coal production for the life of mine our valuation drops to under A$3bn, with the production of a greater volume thermal coal but at a lower price. (Here we have had to make some assumptions regarding the cost structure of Maxwell as a 100% thermal coal producer as washery costs and recoveries are offset).
- **Further capital required to enhance the current production ramp-up.** To achieve a 6-7Mtpa saleable rate the longwall panels are to be widened from the current 145m to 250m and finally to 300m (from 2028). We have brought forward an incremental capital charge of $100m for this accelerated build up in production.
- **We assume an 18 year life for the Maxwell longwall**. This we've assumed is achieved with a move of the longwall from the current Woodlands Hill seam from 2034 into the lower Arrowfield seam. A capital cost of $200m has been included in our valuation for this move. We have not included any value for the move to a third seam.
- **But what is the right discount rate**? We employ an 8% real discount rate for all our corporate valuations which fails to recognise the differing costs of capital for specific companies. As we discuss below, the cost of NHC's debt is significantly lower than that for MBR. We estimate (and stress it is an estimate) that NHC's weighted average cost of capital is around 7.5-8.5% real (assuming a 3% long term inflation rate), whereas MBR could be as high as 8.5-11.5% real (and possibly a little higher).
- We have compiled the following sensitivity table for our NPV of Malabar at a variety of discount rates.

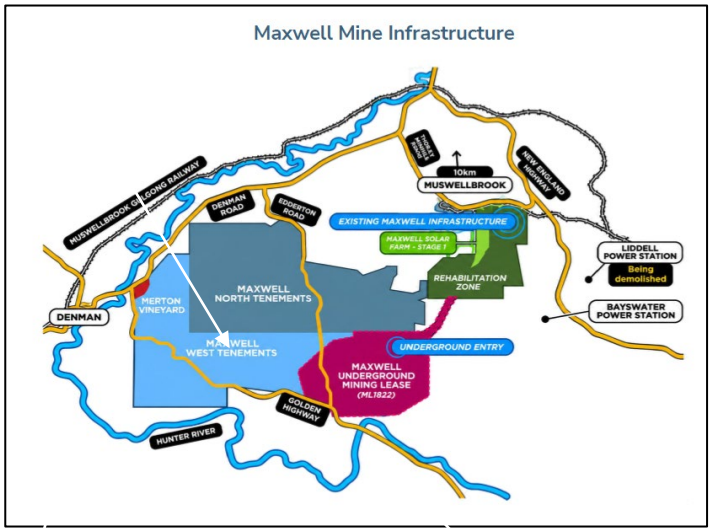
Valuation sensitivity	A$/share	Difference
Discount rate 8% real	5.72	-
Discount rate 10% real	4.93	-14%
Discount rate 12% real	4.28	-29%

Source: BSCP estimates

- Even assuming a 12% (real) discount rate, the NHC bid is significantly lower than our valuation.
- We await further details from the forthcoming Independent Expert Report, including a release of reserves for the Maxwell project before adjusting our valuation.

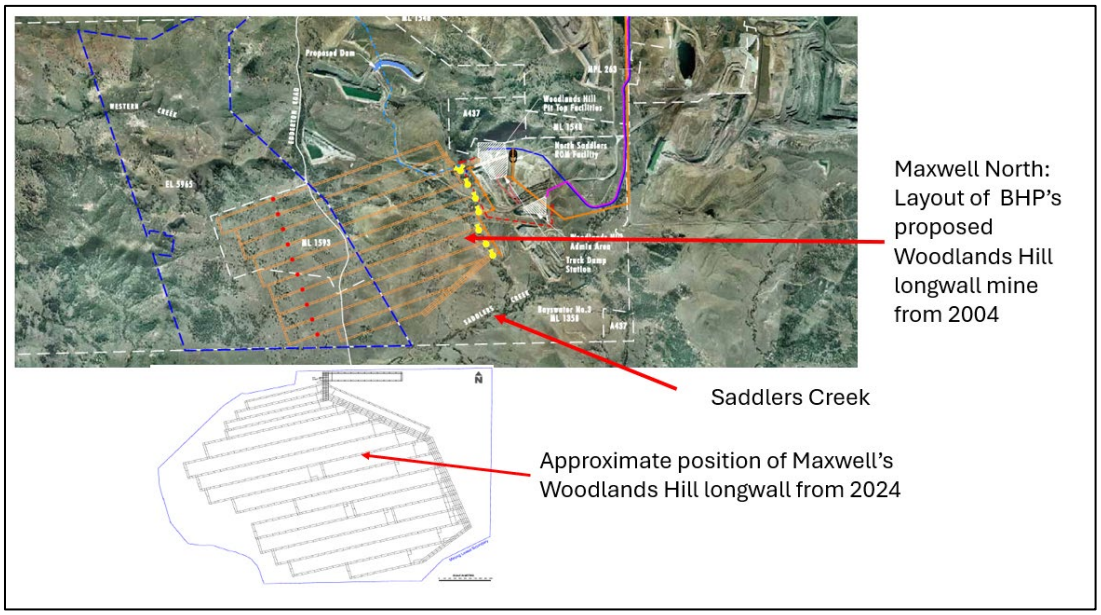
Valuation issue 2. Significant potential value from the Maxwell North acquisition.

- In our March 2026 report we discussed at length Malabar's acquisition of several exploration and mining tenements together with associated freehold land from BHP's neighbouring Mt Arthur Coal (MAC) project. The expansion project, Maxwell North, encompasses immediate extensions to the economic coal seams at Maxwell.



Source: New Hope/Malabar presentation, 2026

- We saw this effectively nil cost acquisition as a win-win for both groups. The current Mt Arthur open-cut operation is scheduled for closure in 2030 and will now be able to access one of Malabar's old open cut voids for tailings disposal in the short term. In return Malabar obtains ownership of several of BHP's adjoining mining leases and exploration licences. As a result, Malabar and its Maxwell underground mines may have the opportunity to grow coal sales beyond the proposed 6-7Mtpa capacity.
- The current Maxwell longwall mine is based on the Woodlands Hill seam where mining is limited to the north by the tenement boundary with MAC (and also a small watercourse) and to the west by a narrowing seam thickness. Consolidation of the tenements is logical, and potentially highly value-accretive for Malabar and we see the likelihood that, subject to permitting, a longwall mine of comparable capacity (6–7Mtpa of saleable coal) could potentially be integrated with the current Maxwell mine, as illustrated below.



Source: Compiled from BHP Environmental Assessment Proposed Mt Arthur Underground Project (2006) and Malabar AGM presentation 2024.

- It's possible that the extension of the current 8-9 year mine life of the existing Woodlands Hill seam longwall could be extended to the north into the newly acquired leases, potentially doubling the current known reserves of the Woodlands Hill seam at the current mining rate.
- The longer term mine plan for the Maxwell mine has been to move the longwall panel to lower seams as the Woodlands Hill reserves become depleted, extending the mine life to the mid-2040s.
- Should the existing Woodlands Hill mine extend to say 15-20 years with the incorporation of Maxwell North resources, it's possible that a second longwall face could be established in the lower Arrowfield and Bowfield seams. This could potentially supply a further 6-7Mt of semi-soft coking coal and thermal coal benefiting from significant economic synergies with the existing mining operation.
- This could take Maxwell's capacity to over 12Mtpa, rivalling that of NHC's Bengalla mine. And potentially over 50% of the product could be premium soft coking coal. This is a very attractive long term outlook, but of course is dependent on the outcome of a feasibility study and final permitting.
- Both developments are likely to be regarded as extensions to existing operations which should enable mining leases to be extended beyond Maxwell's current 8Mtpa limit. Precedent in NSW has already been set. The Independent Planning Commission recently approved Yancoal and Glencore's HVO extension, NSW's largest coal mine, allowing about 429 million tonnes to be mined until 2045. The mine was due to close late this year, putting about 1,500 jobs at risk.

Valuation issue 3. Maxwell resource base now over 2 billion tonnes

- Since the acquisition of the seven MAC tenements Malabar geologists have been busy aggregating data from some 2,400 drillholes. This has generated a combined resource of an impressive 2.3 billion tonnes (ROM) in total, significantly above our earlier estimates of 1.65-1.9Bn tonnes.

Depth (m)	Measured (Mt)	Indicated (Mt)	Measured + Indicated (Mt)	Inferred (Mt)	Total (Mt)
0 – 100	153.5	108.6	262.1	72.6	334.7
100 – 200	142.3	354.6	496.9	123.6	620.5
200 – 300	112.3	194.7	307.0	146.6	453.6
300 – 400	143.3	194.4	337.7	188.0	525.7
400 – 500	50.6	143.9	194.5	191.5	386.0
Total	**602.0**	**996.2**	**1,598.2**	**722.3**	**2,320.5**
Total (rounded)	**600**	**1,000**	**1,600**	**700**	**2,300**

Source: Malabar June 2026 quarterly

- Not all the contained coal will be economic – this is yet to be determined by future mining studies – but we think it's safe to conclude that Malabar will be operating underground coal mines, producing thermal and semi-soft coking coal for many decades to come.
- Importantly around 80% of the 955Mt aggregated resource shallower than 200m report to the Measured and Indicated categories. This will allow the completion of one or more bankable feasibility studies within the tenements and will likely establish a reserve for one or more extensions to Malabar's Maxwell mine.
- **We considered this to have been an excellent deal for Malabar** with the opportunity to potentially double production at relatively low capital intensity and therefore to add significant value to the current Maxwell project.

- As we discussed in our earlier report it is too early to confidently place a valuation around the Maxwell North deposits. However, as a first pass approach we have assumed that Malabar will look to replicate the current Woodlands Hill longwall within Maxwell North as follows:
    - A comparable production rate delivering around 6-7Mt in sales per year from the Maxwell North Woodlands Hill seam.
    - A comparable product mix, around two-thirds semi-soft coking coal, one third high energy thermal coal
    - Pre-production capital of A$750m (including working capital), from 2032, around 65–70% of the capital associated with the current development.
    - Cash operating costs of A$80/t FOB (real terms), a premium to our forecast costs for the current Woodlands Hill longwall.
- Practically it could make more sense to allow the existing longwall within the Woodlands Hill seam to be relocated north of Saddlers Creek into the Maxwell North tenement. A second longwall mine could then be developed on the Arrowfield and Bowfield seams, both of which we believe extend into Maxwell North.
- So, conceptually, we have the **Maxwell/Maxwell North mine complex producing at a rate of around 12-13Mtpa of sales from the mid-2030s**, subject to successful permitting. Increased coal volumes will be handled by an expanded wash plant and existing rail loading facilities. Port capacity in Newcastle should not be an issue within this timeframe.
- **The viability of this potential expansion will be driven by the completion of feasibility studies and, of course, by permitting**. Permitting is challenging in NSW. Malabar has demonstrated that even in the face of staunch opposition, mining leases can be secured.
- These assumptions generate a post-tax NPV8 of A$1.15bn. Given the risks still attached to the project's development, we have discounted the valuation by 75%, suitably conservative in our view.
- None of this future value appears to be recognised in the NHC merger terms.

The Japan Fair Trading Commission…a show-stopper?

- The Japan Fair Trading Commission (JFTC) treats Australian coal deals as within its reach whenever they affect seaborne supply to Japan. Its concern is future concentration in premium coal, especially Queensland hard coking coal and Hunter Valley thermal coal. It has formally investigated only the largest combination, BHP–Rio 20 years ago, and typically has cleared mid-sized deals and asset sales.
- The JFTC cleared Glencore's rival bid for Rio Tinto's Coal & Allied 10 years ago. Japanese buyers pushed back. One of Japan's biggest coal buyers warned the antitrust regulator that Glencore's purchase of Rio's Hunter Valley mines would give it a dominant supply position and hurt competition. Regardless, the deal went ahead.
- We don't see an approval from the JFTC as a show stopper but delays are possible.

Continuity of management

- MBR Executive Chairman Wayne Seabrook and NED Tony Haggarty will join the NHC board on implementation of the Scheme. This is clearly a positive for the merged group.

Conclusions

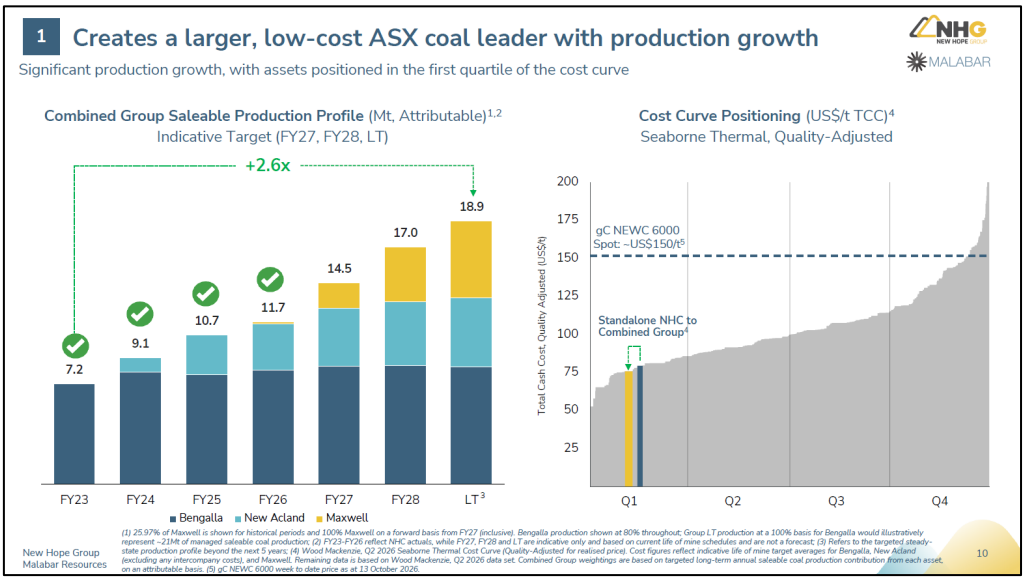
- Our first view of the NHC offer was focussed on the significant discount the bid placed against our perceived value of Malabar shares. Our valuation is predicated on the successful ramp up of the Maxwell longwall plus the small Whynot mine to a rate of around 6.5Mtpa by 2029, and assuming sales of premium semi-soft coking coal can make up around 60% of sales volumes. As well, we have allocated a modest valuation to the Maxwell North opportunity.

- This discount might imply that NHC is unwilling to pay fully for the Maxwell mine, not yet at full production and perhaps not for significant future volumes of coking coal in the medium term, given thermal prices remain above US$150/t (which is no bad thing of course).

- It also seems NHC is unwilling to pay much for the significant resource base and expansion opportunities offered by the recent Maxwell North acquisition. Admittedly this is a longer-term opportunity and will face several years of permitting. That said, a Maxwell North development appears to be a replica of the current Maxwell operation and is likely to be seen by regulators as an extension to existing Maxwell operations, rather than a greenfield project. Furthermore, we wonder what other consolidation opportunities might still be available in the area.

- Many MBR shareholders were drawn in by the prospect of generous dividends from strong cashflows which have since been somewhat delayed. The merger of the two groups should allow former MBR holders to participate in NHC's strong cashflows (especially at the current strong coal prices) and with the company's strong franking account (currently over A$700m), obtain dividend flow potentially from early 2027.

- The merged company is undeniably attractive: Assuming a successful merger, NHC's coal sales are forecast to grow from around 12Mt to over 20Mt (by our estimates). And then there could be the opportunity to add a second longwall unit at Maxwell/Maxwell North. The following slide from the recent presentation summarises the opportunity of building the merged group into a large, low cost thermal/coking coal producer.



- As shown in the following table, a proforma merger of the two companies (with synergies applied from 2027/28) the investment metrics are attractive, with a P/E (2028/29) of under 8.3x, EV/EBITDA of 3.1x and a fully franked dividend yield of around 6% (assuming a reasonably conservative 50% payout ratio). Based on our estimates, the company will be net cash by the end of 2027/28 and building cash so may have the opportunity to consider an increased payout ratio.
- Based on our valuation estimates for both companies, there is a significant transfer of value from MBR to NHC. QValue's NPV_8 for NHC is $5.85/share pre-merger (around the current share price). Post merger and assuming $550m in synergies, this valuation expands to over $8.00/share.
- Investors in MBR now have time to evaluate this opportunity, with the Scheme of Arrangement unlikely to finalise much before March 2027. Needless to say, the forthcoming Independent Expert Reports, due late 2026/early 2027 will be important documents.

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QVALUE
RESEARCH

+61 (0) 2 9002 5414
info@bridgestreetcapital.com.au
LEVEL 14, 234 GEORGE STREET
SYDNEY NSW 2000
BRIDGESTREETCAPITAL.COM.AU

FINANCIAL SUMMARY — New Hope Corporation + Malabar merged

Share Price	A$/sh	5.94
Shares on Issue	m	844
Market Cap (A$m)	A$m	5,012
Net Cash / (Debt) (A$m)	A$m	482
Enterprise Value (A$m)	A$m	4,530

Rating	**n/a**
NPV	8.14
Upside / (Downside)	37.0%
Dividend Yield	4.4%

Profit & Loss	**Units**	**Jul-26**	**Jul-27e**	**Jul-28e**	**Jul-29e**	**Jul-30e**
Revenue	A$m	1,804	2,145	2,994	3,347	3,383
Expenses	A$m	(1,290)	(1,647)	(1,833)	(1,986)	(2,104)
Synergies ($60mpa grossed up)	A$m	-	-	86	86	86
EBITDA	**A$m**	**514**	**498**	**1,246**	**1,447**	**1,365**
D&A	A$m	(239)	(221)	(279)	(294)	(302)
EBIT	**A$m**	**276**	**616**	**967**	**1,153**	**1,063**
Interest	A$m	(20)	22	(58)	(17)	20
Tax	A$m	(77)	(191)	(182)	(315)	(299)
Underlying NPAT	**A$m**	**179**	**446**	**727**	**821**	**784**
Exceptionals	A$m	(18)	-	-	-	-
Reported Profit	A$m	161	446	727	821	784

Cashflow	**Units**	**Jul-26**	**Jul-27e**	**Jul-28e**	**Jul-29e**	**Jul-30e**
EBITDA	A$m	514	498	1,246	1,447	1,365
Interest	A$m	(6)	22	(46)	(8)	28
Tax	A$m	(33)	(191)	(182)	(315)	(299)
Non-Regular Items & FX	A$m	31	-	-	-	-
Settlement of Provisional Pricing	A$m	-	-	-	-	-
Net Working Capital	A$m	57	(112)	(40)	-	-
Net Cash From Operations	**A$m**	**564**	**556**	**892**	**1,038**	**1,008**
Capex & Exploration	A$m	(193)	(95)	(148)	(110)	(112)
Acquisitions & Investments	A$m	32	-	-	-	-
Free Cash Flow	**A$m**	**403**	**461**	**732**	**916**	**884**
Borrowings	A$m	(40)	-	(83)	(156)	(94)
Equity	A$m	(3)	-	-	-	-
Dividend	A$m	(206)	(371)	(364)	(410)	(392)
Net Increase / (Decrease) in Cash	**A$m**	**154**	**90**	**286**	**350**	**398**

Balance Sheet	**Units**	**Jul-26**	**Jul-27e**	**Jul-28e**	**Jul-29e**	**Jul-30e**
Cash	A$m	778	575	754	1,183	1,547
Receivables	A$m	107	183	253	282	285
Inventory	A$m	127	66	151	186	190
PP&E	A$m	2,076	1,950	3,211	3,039	2,861
Intangibles	A$m	58	55	51	47	44
Investment in Malabar	A$m	352	352	-	-	-
Other	A$m	115	115	225	225	225
Assets	**A$m**	**3,615**	**3,296**	**4,644**	**4,961**	**5,151**
Creditors	A$m	131	95	165	194	197
Debt	A$m	243	801	718	562	468
Leases	A$m	147	147	147	147	147
Provisions	A$m	200	222	207	192	176
Tax Liabilities	A$m	209	209	209	209	209
Other	A$m	71	71	250	250	250
Liabilities	**A$m**	**1,000**	**986**	**1,696**	**1,553**	**1,446**
Net Assets	**A$m**	**2,615**	**2,311**	**2,948**	**3,408**	**3,705**

Liquidity & Leverage	**Units**	**Jul-26**	**Jul-27e**	**Jul-28e**	**Jul-29e**	**Jul-30e**
Interest-Bearing Loans	A$m	243	801	718	562	468
Lease Liabilities	A$m	147	147	147	147	147
Total Borrowings	A$m	**389**	**948**	**865**	**709**	**614**
Net Cash / (Debt)	A$m	536	(226)	35	621	1,079
Gearing: Net Debt / (Net Debt + Equity)	%	-17%	11%	-1%	-15%	-23%
Net Debt / EBITDA	x	(1.0)x	0.5x	(0.0)x	(0.4)x	(0.8)x
EBIT Interest Cover	x	14.0x	(28.5)x	16.8x	69.2x	(54.0)x

Per Share Data (¢)	**Jul-26**	**Jul-27e**	**Jul-28e**	**Jul-29e**	**Jul-30e**
Shares Out (m)	844	844	1,145	1,145	1,145
EPS (¢)	21.1¢	52.4¢	63.5¢	71.7¢	68.5¢
Dividend (¢)	40.0¢	26.0¢	31.8¢	35.9¢	34.2¢
# Payout Ratio (%)	189%	50%	50%	49%	51%
Net Tangible Assets (A$)	3.03	2.67	2.53	2.94	3.20
Book Value (A$)	3.10	2.74	2.58	2.98	3.24
Free Cash Flow (A$)	0.48	0.55	0.64	0.80	0.77

Valuation Metrics	**Jul-26**	**Jul-27e**	**Jul-28e**	**Jul-29e**	**Jul-30e**
P/E (x)	28.1x	11.3x	9.4x	8.3x	8.7x
Dividend Yield (%)	6.7%	4.4%	5.3%	6.0%	5.8%
FCF Yield (%)	8.0%	9.2%	10.8%	13.5%	13.0%
EV / Sales	2.5x	2.1x	1.5x	1.4x	1.3x
EV / EBITDA	8.8x	9.1x	3.6x	3.1x	3.3x
EV / EBIT	16.4x	7.4x	4.7x	3.9x	4.3x

Operating Metrics (%)	**Jul-26**	**Jul-27e**	**Jul-28e**	**Jul-29e**	**Jul-30e**
EBITDA Margin	29%	23%	42%	43%	40%
EBIT Margin	15%	29%	32%	34%	31%
Net Profit Margin	10%	21%	24%	25%	23%
ROIC	13%	24%	33%	41%	40%
Return on Assets	5%	14%	16%	17%	15%
Return on Equity	7%	19%	25%	24%	21%
Effective Tax Rate	30%	30%	20%	28%	28%

Key Assumptions	**Jul-26**	**Jul-27e**	**Jul-28e**	**Jul-29e**	**Jul-30e**
NEWC6000 (US$/t FOB)	120	120	120	120	120
AUDUSD	0.68	0.75	0.75	0.75	0.75
Equity Coal Sales	11.8	13.0	17.9	19.7	19.9

Coal Sold (100%)	**Jul-26**	**Jul-27e**	**Jul-28e**	**Jul-29e**	**Jul-30e**
Bengalla (mt)	9.9	10.3	10.7	10.7	10.7
Malabar (mt)	-	2.4	4.4	6.1	6.3
New Acland (mt)	2.6	3.6	5.0	5.0	5.0
Total	12.5	16.2	20.1	21.9	22.0

Valuation	**A$m**	**Equity**	**Risk**	**A$m**	**A$/share**
Bengalla	3,416	80%	100%	2,732	2.39
New Acland Stage 3	1,731	100%	100%	1,731	1.51
Maxwell	3,769	100%	100%	3,769	3.29
Maxwell North	1,153	100%	25%	288	0.25
Property	100	100%	100%	100	0.09
Queensland Bulk Handling	400	100%	100%	400	0.35
Merger synergies	550	100%	100%	550	0.48
Corporate Costs	(164)	100%	100%	(164)	(0.14)
Net Cash / (Debt)	(92)	100%	100%	(92)	(0.08)
Total	**9,579**			**9,315**	**8.14**
WACC					8%
FPO Shares Out					1,145
Other					-
Shares on issue (Diluted)					**1,145**

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Appendix 1

New Hope / Malabar Scheme – Summary of Terms

Oct 21, 2026

(Note: this summary has been prepared using "Claude". It is recommended that investors review the SOA booklet in detail before making a final decision regarding the merger.)

New Hope (ASX: NHC) will acquire the ~74% of Malabar Resources it does not own via a court-approved scheme, paying 0.5000 New Hope shares per Malabar share.

Consideration

Item	Term
Exchange ratio	0.5000 NHC shares per Malabar share (cl 4.9)
Implied price	A$2.92 per share at NHC close of A$5.84 (16 Oct 2026)
Equity value (100%, fully diluted)	~A$1.8bn
Enterprise value	~A$2.4bn (net debt ~A$627m at 30 Jun 2026)
New NHC shares issued	~227.8m
Pro forma ownership	NHC holders ~79%, other Malabar holders ~21%
New Hope's existing stake	156.4m shares (~26%): excluded, receives nothing, not voted

- New shares rank equally with existing NHC shares and will be ASX-quoted (cl 4.3).
- Fractions round to the nearest whole share, 0.5 rounding up; New Hope can aggregate holdings split to game rounding (cl 4.7).
- **Dividend adjustment (cl 4.9):** New Hope may pay one cash Permitted Dividend before implementation, either a special or an interim for 1 Aug 2026 to 31 Jan 2027. The ratio then rises by 1 + D/(V − D), where V is NHC's 5-day VWAP before the announcement and D is the dividend per share after excluding the first A$25m of total payout.
- **Performance rights (cl 4.8):** Malabar's 9.8m rights vest and convert to shares before the record date; any left are cancelled.
- **Overseas holders (cl 4.4):** holders outside Australia, NZ and the US are ineligible unless New Hope agrees; their shares go to a sale agent, who sells and remits the proceeds.
- **Tax (cl 4.5–4.6):** New Hope won't deny scrip-for-scrip CGT rollover for Australian-resident holders on capital account. It may withhold foreign-resident CGT under Subdivision 14-D, subject to declarations.

Conditions precedent (cl 3.1)

All must be met or waived by 8am on the Second Court Date. Either party can terminate after 5 business days of consultation if one fails, and the End Date is 8 months from signing (~19 June 2027).

Condition	Benefit / can waive
Japan Fair Trade Commission approval	Both
Any ASIC / ASX relief the parties agree is needed	Both
No restraining order from any authority	Both
Malabar shareholder approval: 75% of votes cast and a majority by number (New Hope is not able to vote)	Cannot be waived
Court approval	Cannot be waived
Independent Expert finds the scheme in Malabar holders' best interests and doesn't withdraw	Malabar
No New Hope Prescribed Event, no New Hope MAC, New Hope warranties materially true	Malabar
No Malabar Prescribed Event, no Malabar MAC, Malabar warranties materially true	New Hope
Malabar performance rights dealt with	New Hope

- **MAC:** events reducing the target's model NPV by 20% or more. Changes in law and in general market conditions (including commodity prices, interest rates and FX) are excluded, unless the hit is disproportionate compared with other Australian coal producers.
- **Prescribed Events (Schedule 1):** include share issues, buy-backs, dividends, new or amended debt facilities, major asset sales and insolvency. Malabar cannot pay any dividend. New Hope may pay only its Permitted Dividend, and may still do 10/12 on-market buy-backs, DRP issues, convertible note conversions and performance-rights issues.

Malabar Board recommendation (cl 6)

All Malabar directors except New Hope nominee Rob Bishop recommend the scheme and intend to vote their ~79.4m shares (~13% fully diluted) in favour. The recommendation holds absent a Superior Proposal and while the Independent Expert remains supportive.

A director may change their recommendation if:

- the Independent Expert concludes the scheme is not in holders' best interests;
- a Superior Proposal is received;
- the Board determines, on written legal advice, that its fiduciary duties require it; or
- a regulator orders a director to abstain.

Deal protection (cl 9)

Malabar is bound by standard exclusivity until termination, the End Date or implementation.

- **No-shop:** Malabar cannot solicit rival proposals.

- **No-talk and no due diligence:** This applies only to an unsolicited proposal that could reasonably lead to a Superior Proposal, and only after the Board takes written legal advice.
- **Notification:** Malabar must tell New Hope of any approach within 1 business day, including the bidder's identity and terms.
- **Matching right:** New Hope has 5 business days to counter a Superior Proposal, and 3 business days for each later material variation.
- **Existing parties:** Malabar must ask anyone given confidential information to return or destroy it, and must enforce, not waive, any standstill.

Break fees (cl 11)

The break fee is reciprocal at A$17.4m each way. It also caps each party's total liability under the SID, except for fraud, wilful misconduct or intentional breach. No fee is payable if the scheme becomes Effective, and shareholder rejection alone triggers no fee.

Payer	Triggers
Malabar → New Hope	A Malabar director changes their recommendation (not where the expert turns negative for reasons other than a rival bid); a rival bidder announced during exclusivity gets more than 50% or completes within 12 months; Malabar terminates for a Superior Proposal; Malabar material breach; a Malabar Prescribed Event within its control kills the deal
New Hope → Malabar	New Hope material breach; a New Hope Prescribed Event within its control kills the deal

Termination (cl 10)

- New Hope can terminate if any Malabar director withdraws or qualifies their support.
- Either party can terminate for a material breach not remedied within 10 business days.
- Malabar can terminate to accept a Superior Proposal, after the matching process.
- Either party can terminate for a failed condition after the 5-business-day consultation.

Governance (cl 12)

- Wayne Seabrook and Tony Haggarty join the NHC board on implementation, subject to normal onboarding checks. The NHC board is capped at 8 directors.
- Malabar's directors and officers keep 7 years of indemnity, and Malabar may buy 7-year D&O run-off cover.

Indicative timetable

Implementation is targeted by March 2027.

Event	Timing
First Court hearing and Scheme Booklet	December 2026 / January 2027
Scheme Meeting	January / February 2027

Event	Timing
Second Court hearing	February / March 2027
Effective, Record and Implementation Dates	February / March 2027

Source

New Hope / Malabar joint ASX release, 19 October 2026, with the Scheme Implementation Deed, Scheme and Deed Poll appended (file supplied by user).

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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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