

15 September 2015

ASX Market Announcements

Australian Securities Exchange

Joint venture restructure and non-renounceable entitlement offer

Malabar Coal Limited (**Malabar** or **Company**) announces that it has entered into binding agreements for the restructure of the joint venture for the Spur Hill Underground Coal Coking Project. As a result of the restructure, Malabar will increase its stake in the project from 38.27%¹ to 100%, on paying \$3 million to the joint venture partner. Malabar will also make a series of deferred payments totalling \$13 million on defined milestones and grant a 1.75% royalty on coal sales to the joint venture partner.

Under the previous arrangement Malabar had the right to obtain up to 80% of the project (from the current 38.27% stake) via incremental farm-in expenditure of circa \$30 million and payments totalling \$40 million to the joint venture partner. Further details regarding the restructure are set out in the investor presentation lodged with the ASX today.

To assist in funding the initial payment and the costs of the restructure Malabar today announced that it will proceed with a non-renounceable entitlement offer of, subject to rounding, 75,000,000 fully paid ordinary shares to raise up to \$6 million (**Entitlement Offer**). The proceeds raised will also be used to fund the planned exploration program and contribute to working capital.

Under the Entitlement Offer, eligible shareholders will be able to subscribe for 15 new ordinary shares in the Company for every 17 existing shares (**New Shares**) held at 7.00pm (AEST) on 21 September 2015 (**Record Date**) at an offer price of \$0.08 (**Offer Price**).

The Offer Price represents a 23.81% discount to the closing price of Malabar shares on 11 September 2015 (the trading day before this announcement), and a discount of 14.24% to the theoretical ex-rights price.²

Three of the Company's major shareholders (being shareholders associated with Simon Keyser and Wayne Seabrook, directors of the Company) have committed to take up entitlements representing 5,625,000 New Shares or 13.6% of the New Shares to be issued under the Entitlement Offer. The Entitlement Offer is also fully underwritten by four existing shareholders, including two associated with the directors, Hans Mende and Andy Plummer, each of whom will also take up their own Entitlement.³ The underwriters will receive an aggregate fee of 1% of the proceeds raised from the Entitlement Offer not including the proceeds raised from the underwriters taking up their Entitlement.

¹ As at 30 June 2015

² The Theoretical Ex-Rights Price (**TERP**) is the theoretical price at which Malabar Coal shares should trade immediately following the ex-date for the Entitlement Offer assuming 100% take up of the Entitlement Offer. TERP is a theoretical calculation only and the actual price at which Malabar Coal's shares trade immediately following the ex-date for the Entitlement Offer will depend on many factors and may not approximate TERP.

³ The underwriters can terminate the underwriting agreement if the major shareholders do not apply for their full commitment

The Entitlement Offer is expected to open on 23 September 2015 and close on 8 October 2015. Further details of the Entitlement Offer are contained in the investor presentation and information and entitlement offer booklet which will be released to the market platform today as a separate market announcement.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'W. Seabrook', is enclosed in a thin black rectangular border.

Wayne Seabrook
Chairman
Malabar Coal Limited

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