

15 September 2015

Dear Shareholder

Malabar Coal Limited entitlement offer – notice to ineligible shareholders

Today Malabar Coal Limited ACN 151 691 468 (**Malabar** or **Company**) announced a 15 for 17 pro rata non-renounceable entitlement offer of fully paid ordinary shares in Malabar at an issue price of \$0.08 (**New Shares**) to raise approximately \$6 million (**Entitlement Offer**).

The proceeds of the Entitlement Offer will be applied principally to fund the \$3 million payment to our joint venture partner for the Spur Hill Underground Coking Coal Project as part consideration for the restructure of the Spur Hill joint venture.

Terms of the Entitlement Offer

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 (**Entitlements**).

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.¹

Eligible shareholders may also apply for additional New Shares in excess of their Entitlement at the same price as under the Entitlement Offer (**Top-Up Facility**). Additional New Shares will only be available under the Top-Up Facility where there is a shortfall between applications for New Shares received from eligible shareholders and the number of New Shares proposed to be issued under the Entitlement Offer.

Malabar will offer the New Shares for issue without disclosure to investors under section 708AA(2)(f) *Corporations Act 2001* (Cth) (**Corporations Act**) as notionally modified by ASIC Class Order 08/35 (**CO 08/35**). On 15 September 2015 Malabar lodged an Information Booklet for the Entitlement Offer with ASX, a copy of which will be sent to each Eligible Shareholder (along with a personalised Entitlement and Acceptance Form) on or about 23 September 2015.

Eligibility of shareholders to participate in the Entitlement Offer

The Entitlement Offer is only available to Eligible Shareholders. This letter is to inform you that Malabar has determined that you are not an Eligible Shareholder and you are therefore ineligible to apply for the New Shares. **You are not required to do anything in response to this letter.**

¹ The underwriters can terminate the underwriting agreement if the major shareholders do not apply for their full commitment

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A person is eligible to participate in the Entitlement Offer as an **Eligible Shareholder** where the person is a registered holder of Malabar shares as at 7.00pm (AEST) on the Record Date who:

- (a) has a registered address in Australia or New Zealand or is a Shareholder that Malabar has otherwise determined is eligible to participate;
- (b) subject to a determination by Malabar as outlined in (a), is not in the United States and is not a nominee or custodian acting for the account or benefit of a person in the United States; and
- (c) is eligible under all applicable securities laws to receive an offer under the Entitlement Offer.

As you do not satisfy the criteria for eligibility, Malabar is unfortunately unable to extend the Entitlement Offer to you.

Further information

If you have any queries, please contact Malabar on +61 2 8248 1272 (within Australia) between 8.30 am and 5.30 pm (AEST) Monday to Friday during the offer period or, alternatively, consult your stockbroker, solicitor, accountant or other professional financial adviser.

On behalf of the directors, I thank you for your continued support of Malabar.

Yours sincerely



Wayne Seabrook
Chairman
Malabar Coal Limited

This notice does not constitute an offer to sell or the solicitation of an offer to buy, any securities in the United States. No action has been or will be taken to register, qualify or otherwise permit a public offering of the Entitlements or New Shares in any jurisdiction outside Australia or New Zealand. In particular, the Entitlements and New Shares have not been, and will not be, registered under the US Securities Act of 1933 or the securities laws of any state or other jurisdiction of the United States. Accordingly, the Entitlements may not be taken up by, and the New Shares may not be offered or sold to, persons in the United States, except in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act and any applicable securities laws of any state or other jurisdiction of the United States.

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