

INVESTMENT HIGHLIGHTS

- Large underground coking coal project
- High quality, well-known coal seams
- Proximity to infrastructure
- Competitive operating costs
- Experienced board and management

BOARD OF DIRECTORS & CEO

Wayne Seabrook
Chairman

Hans Mende
Non-executive Director

Andy Plummer
Non-executive Director

Simon Keyser
Non-executive Director

Tony Galligan
Independent Non-executive
Director

Peter Doyle
CEO

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QUARTERLY ACTIVITIES REPORT

For the period ended
30 September 2013

ACHIEVEMENTS FOR THE QUARTER:

- ✳ **Further resource definition drilling completed**
- ✳ **Pre-feasibility studies advanced**
- ✳ **Three further strategic land acquisitions completed**
- ✳ **Update to JORC Resources for the Spur Hill Underground Coking Coal Project (“Project”) expected in the December quarter**
- ✳ **Project expected to lodge an application for a Gateway certificate in the near future following the release of the Gateway criteria by the NSW Government and the environmental assessment work completed during the quarter**

Malabar Coal Limited (“**Malabar**” or the “**Company**”) (ASX: MBC) is pleased to provide its Quarterly Activities Report for the 3 month period ended 30 September 2013.

Project Activities

✳ Resource definition and data collection

During the quarter, Malabar completed the Phase 1 resource definition drilling programme on the Spur Hill Underground Coking Coal Project (“**Project**”):

- Data from the first 22 holes of this programme (completed prior to the quarter) was used to update the estimate of JORC Compliant Resources which is detailed in the Malabar ASX Release dated 9 July 2013 (see pages 5 and 6 of this ASX Release).
- A further 4 drill holes were completed during the quarter.
- An update to the estimate of JORC Compliant Resources is being prepared.

✳ Mine design and infrastructure

During the quarter Malabar advanced pre-feasibility studies, including;

- Underground mine design and scheduling;
- Design and costing for coal handling and preparation facilities; and,
- Design of mine surface infrastructure.

✳ Environmental and project approvals

On 3 October 2013 the NSW Government released the Gateway criteria in regard to its Strategic Regional Land Use Plans. The Government also announced the formation of the Gateway Panel and timelines for assessment of applications. The permitting progress for the Project had been delayed prior to these announcements.

Given the substantial resource definition, environmental and engineering studies completed we will be in a position to make the application for a Gateway certificate for the Project in the near future. On issue of a Gateway certificate a Development Application and Environmental Impact Statement submission will be made as soon as practicable thereafter.

Environmental baseline studies advanced during the quarter included:

- Surface water monitoring;
- Ground water monitoring;
- Aboriginal cultural heritage surveys;
- Flora and fauna surveys;
- Transport surveys; and
- Soils and agricultural land capability studies.

Environmental assessment work progressed during the quarter to support the forthcoming Gateway application included:

- Preparation of a preliminary subsidence assessment;
- Development of a groundwater model; and
- Preparation of an agricultural impact statement.

Strategic Land Purchases

Three additional strategic land acquisitions were completed during the quarter. Ownership of these properties assists in locating the Project's surface infrastructure.

Financial

During the quarter, Malabar's expenditure on Project activities and studies was \$2.04 million and a further \$4.59 million (net of a \$2.73 million drawdown on a financing facility) was spent on the three strategic land acquisitions. Cash on hand was \$10.55 million as at 30 September 2013.

In accordance with the Project Farm-In agreement Malabar has earned an additional 3.56% interest in the Project during the quarter. Hence, as at 30 September 2013 Malabar has a 33.4% interest in the Project and the right to increase its stake in the Spur Hill Project to 80%.

Contact details

For media inquiries please call:

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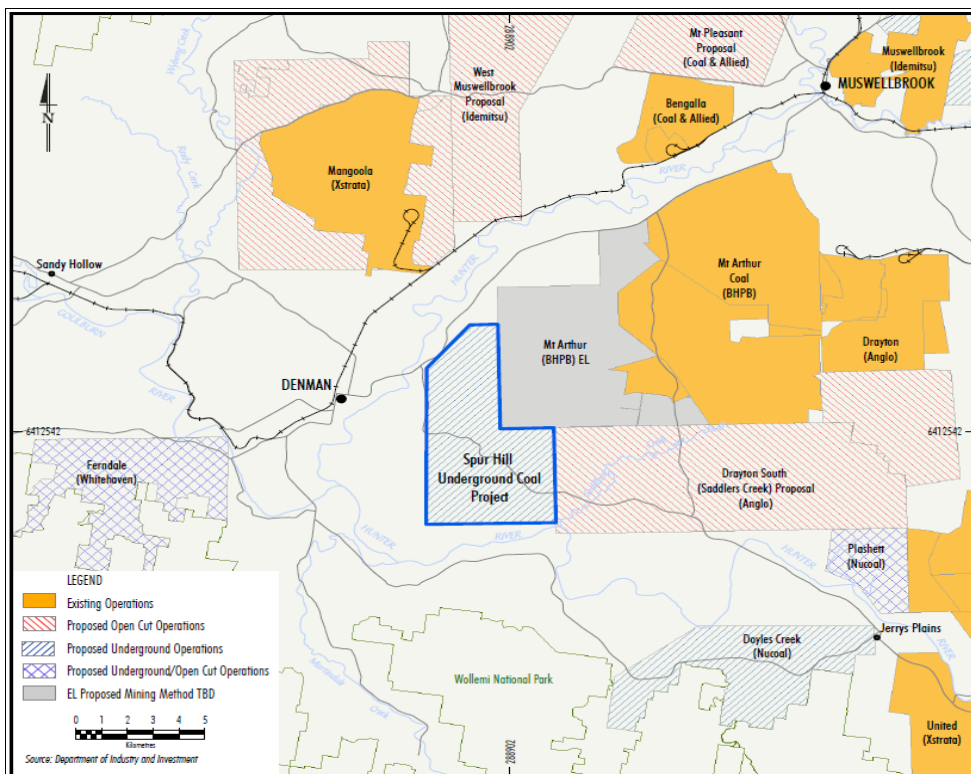
✳ About the Spur Hill Underground Coking Coal Project



SHUCCP is located in the Upper Hunter Valley coal corridor in NSW and has the potential to become a major underground coking coal mine.

The Directors of Malabar believe that an underground mine can produce approximately 6 to 8 Mtpa Run of Mine coal for more than 20 years.

The target seams are likely to produce: soft coking coal, semi-soft coking coal, PCI and export thermal coal.



✳ JORC Compliant Resources

Table 1: July 2013 JORC report

Seam	Western Zone			Eastern Zone	Total	Exploration Target
	Indicated Mt	Inferred Mt	Total Mt	Inferred Mt	Indicated + Inferred Mt	Mt
WL2	0.0	43.9	43.9	0.0	43.9	
WL1	0.0	20.0	20.0	0.0	20.0	
Whybrow	45.2	16.4	61.6	1.8	63.4	
Redbank Creek Upper	0.0	0.0	0.0	3.0	3.0	
Redbank Creek Middle	0.0	0.0	0.0	3.3	3.3	
Redbank Creek Lower	39.9	12.0	51.9	6.0	57.9	
Wambo	38.8	5.6	44.4	14.6	59.0	
Whynot	98.5	13.6	112.1	22.2	134.3	
Glen Munro	5.9	7.6	13.5	1.7	15.2	
Woodlands Hill ^A	0.0	0.0	0.0	0.0	0.0	80
Arrowfield	14.5	0.0	14.5	0.0	14.5	
Bowfield	28.0	8.4	36.4	19.8	56.2	
Warkworth	62.7	40.4	103.1	22.7	125.8	
Mount Arthur	0.0	12.3	12.3	13.8	26.1	
Total	333.5	180.2	513.7	108.9	622.6	80.0

Note A - Woodlands Hill:

Woodlands Hill is a higher ash seam with raw ash averaging c. 42%. Washing at CF1.60 produces coal of c. 12% ash at a yield of c. 52%. Until further drilling and investigation is carried out, these characteristics mean that the Woodlands Hill seam will remain an Exploration Target.

✱ Coal quality

As outlined in the Malabar IPO prospectus there are five underground seams in the Western Underground Zone of the project that will be considered as development targets (namely, Whybrow, Wambo, Whynot, Bowfield and Warkworth) with the better of these being the Wambo, Whynot and Bowfield seams.

Table 2: Coal quality of target underground coal seams in Western Zone

WESTERN ZONE	Raw (average) air dried		F1.60 (average) air dried								Mt
	Ash %	Moist %	Ash %	Moist %	Yield %	Energy (Mj/kg)	FC %	Vol %	CSN	Sulphur %	
Whybrow											
<i>Indicated</i>	30.1	4.5	10.9	4.3	64.5	28.6	51.1	33.8	3.6	0.49	45.2
<i>Inferred</i>	29.5	4.8	9.7	4.4	64.6	28.9	51.9	34.1	3.1	0.51	16.4
Wambo											
<i>Indicated</i>	11.6	3.8	5.3	4.2	87.8	30.8	55.0	35.4	4.2	0.41	38.8
<i>Inferred</i>	12.7	4.0	5.4	4.3	85.8	30.8	55.6	34.8	3.7	0.43	5.6
Whynot											
<i>Indicated</i>	16.7	4.3	5.3	4.3	81.6	30.8	55.3	35.1	4.4	0.41	98.5
<i>Inferred</i>	16.8	4.3	5.2	4.3	80.7	30.8	55.7	34.9	4.4	0.40	13.6
Bowfield											
<i>Indicated</i>	14.8	3.0	8.2	2.9	86.2	30.6	58.7	30.2	4.7	0.43	28.0
<i>Inferred</i>	16.2	2.8	8.2	2.8	82.3	30.6	61.5	27.5	4.5	0.44	8.4
Warkworth											
<i>Indicated</i>	20.3	2.4	9.8	2.7	79.2	30.3	62.3	25.3	4.7	0.42	62.7
<i>Inferred</i>	23.1	2.4	10.2	2.6	75.4	30.2	64.4	22.7	4.2	0.44	40.4

✱ Competent Persons Statement

The information in this ASX Release that relates to Exploration Results and JORC Mineral Resources for the Spur Hill Underground Coking Coal Project is based on information compiled by Mr Darryl Stevenson. Mr Darryl Stevenson is the Principal Geologist and employee of Geological and Mining Services Australia Pty Ltd, an independent consultancy group specialising in mineral resource estimation, evaluation and exploration. Mr Darryl Stevenson is a Member of The Australasian Institute of Mining and Metallurgy. He has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Darryl Stevenson consents to the inclusion in this ASX Release of the matters based on his information in the form and context in which it appears.