

MALABAR COAL LIMITED ABN 29 151 691 468 (COMPANY)

ANNEXURE A: CORPORATE GOVERNANCE STATEMENT

DATE: Wednesday 23 January 2013

Annexure A Corporate Governance Statement

ASX Principles/Recommendations	Compliance	MBC Corporate Governance Charter Reference http://www.malabarcoal.com.au	Disclosure Requirement for Non Compliance
Principle 1			
Principle 1 – Lay solid foundations for management and oversight. Companies should establish and disclose the respective roles and responsibilities of board and management.			
Recommendation 1.1: Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions. Box 1.1 Content of a director’s letter upon appointment	Comply	SECTION A.1	Not Applicable
Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.	Comply	SECTION F.3	Not Applicable
Recommendation 1.3: Companies should provide the information indicated in the Guide to reporting on Principle 1.	Comply		Not Applicable
Principle 2			
Principle 2 – Structure the board to add value. Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.	Comply	SECTION A.1	Not Applicable
Recommendation 2.1: A majority of the board should be independent directors. Box 2.1: Relationships affecting independent status.	Does not comply	SECTION A.1 (c)	The Board considers that the current composition of the Board is appropriate for the Company’s size and stage of development. A greater proportion of independent directors will be introduced on to the Board in due course.

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Recommendation 2.2: The chair should be an independent director.	Does not comply	SECTION A.1 (c)	<p>The Board considers that Wayne Seabrook is the most appropriate candidate for the chairmanship:</p> <ul style="list-style-type: none"> • Wayne has more than 30 years of resources sector and corporate finance experience. • He is independent of management and likely to exercise unfettered and independent judgement. • He has experience, background and skills required by the Board. • He has broad project development experience from previous roles with Alcoa, Macraes Mining, Minproc Engineers, & Barclay-Mowlem. Wayne has also held senior corporate finance roles with Macquarie Bank, Challenger and Wilson HTM. He has managed transactions for many coal companies including; Felix Resources, Whitehaven Coal, Excel Coal, Cleveland-Cliffs, and AMCI. • Wayne's skills are complementary to the skills of other Directors. • Wayne offers personal qualities which will promote a critical and objective review of the Company's performance. • The Company is considered to be a medium sized business, without the capacity to appoint additional independent directors. • Wayne offers opinions with balanced participation and commitment.

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Recommendation 2.3: The roles of chair and chief executive officer should not be exercised by the same individual.	Comply	SECTION A.1 (c)	Not Applicable
Recommendation 2.4: The board should establish a nomination committee.	Comply	SECTION F	Not Applicable
Recommendation 2.5: Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Comply	SECTION F	Not Applicable
Recommendation 2.6: Companies should provide the information indicated in the Guide to reporting on Principle 2.	Comply		Not Applicable
Principle 3			
Principle 3 – Promote ethical and responsible decision-making. Companies should actively promote ethical and responsible decision-making.			
Recommendation 3.1: Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> • the practices necessary to maintain confidence in the company's integrity • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. • Box 3.1: Suggestions for the content of a code of conduct 	Comply	SECTION A.5	Not Applicable

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<p>Recommendation 3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.</p> <p>Box 3.2: Suggestions for the content of a diversity policy.</p>	Comply	SECTION I	Not Applicable
<p>Recommendation 3.3: Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.</p>	Comply	SECTION I.4	Not Applicable
<p>Recommendation 3.4: Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.</p>	Comply	SECTION 1.4	Not Applicable
<p>Recommendation 3.5: Companies should provide the information indicated in the Guide to reporting on Principle 3.</p>	Comply		Not Applicable
Principle 4			

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Principle 4 – Safeguard integrity in financial reporting Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.			
Recommendation 4.1: The board should establish an audit committee.	Comply	SECTION D	Not Applicable
Recommendation 4.2: The audit committee should be structured so that it: <ul style="list-style-type: none"> • consists only of non-executive directors • consists of a majority of independent directors • is chaired by an independent chair, who is not chair of the board • has at least three members. 	Does not comply	SECTION D.1	The Board considers that maintaining two (2) audit committee members, instead of three (3), is appropriate for the Company’s size. The company secretary and representatives of the auditors may be invited to form part of the Audit Committee from time to time.
Recommendation 4.3: The audit committee should have a formal charter.	Comply	SECTION D	Not Applicable
Recommendation 4.4: Companies should provide the information indicated in the Guide to reporting on Principle 4.	Comply		Not Applicable
Principle 5			
Principle 5 – Make timely and balanced disclosure. Companies should promote timely and balanced disclosure of all material matters concerning the company.			

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<p>Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.</p> <p>Box 5.1: Continuous disclosure policies</p>	Comply	SECTION H.11	Not Applicable
<p>Recommendation 5.2: Companies should provide the information indicated in the Guide to reporting on Principle 5.</p>	Comply		Not Applicable
Principle 6			
<p>Principle 6 – Respect the rights of shareholders. Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.</p>			
<p>Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.</p> <p>Box 6.1: Using electronic communications effectively</p>	Comply	SECTION H.11	Not Applicable
<p>Recommendation 6.2: Companies should provide the information indicated in the Guide to reporting on Principle 6.</p>	Comply		Not Applicable
Principle 7			
<p>Principle 7 – Recognise and manage risk Companies should establish a sound system of risk oversight and management and internal control.</p>			

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Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Comply	SECTION E.4	Not Applicable
Recommendation 7.2: The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Comply	SECTION E	Not Applicable
Recommendation 7.3: The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Comply	SECTION D.4	Not Applicable
Recommendation 7.4: Companies should provide the information indicated in the Guide to reporting on Principle 7.	Comply		Not Applicable
Principle 8			
Principle 8 – Remunerate fairly and responsibly. Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.			

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<ul style="list-style-type: none"> Recommendation 8.1: The board should establish a remuneration committee. 	Comply	SECTION F	Not Applicable
<p>Recommendation 8.2: The remuneration committee should be structured so that it:</p> <ul style="list-style-type: none"> consists of a majority of independent directors is chaired by an independent chair has at least three members. 	Does not comply	SECTION F.1	The Board considers that maintaining two (2) remuneration committee members, instead of three (3), and not having majority of independent directors or an independent chairman, is appropriate for the Company's size and stage of development. In due course, one or more independent directors will be appointed to chair the remuneration committee.
<ul style="list-style-type: none"> Recommendation 8.3: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives. Box 8.1: Guidelines for executive remuneration packages Box 8.2: Guidelines for non-executive director remuneration 	Comply	SECTION F.3	Not Applicable
<ul style="list-style-type: none"> Recommendation 8.4: Companies should provide the information indicated in the Guide to reporting on Principle 8. 	Comply		Not Applicable