



20 June 2017

Dear Shareholder

Pro rata renounceable entitlement offer to raise up to approximately \$78.3 million

On 19 June 2017, Baralaba Coal Company Limited ACN 112 682 158 (**Baralaba** or **Company**) (ASX: BCL) announced a 2 for 1 pro rata renounceable entitlement offer of approximately 313,171,836 fully paid new ordinary shares in Baralaba (**New Shares**) to seek to raise up to approximately \$78.3 million (**Entitlement Offer**).

The record date for the Entitlement Offer is 7.00pm (Sydney time) on Thursday, 22 June 2017 (**Record Date**). The Entitlement Offer is open to **Eligible Shareholders**, being persons who:

- are registered as a holder of fully paid ordinary shares in Baralaba (**Shares**) on the Record Date;
- have an address on the Baralaba share register in Australia, New Zealand (and where they have a registered address in New Zealand, continue to be a registered holder of Shares as at 9.00am (Sydney time) on 23 June 2017 (being the time that the Entitlement Offer opens) or in any other permitted jurisdiction if the holder is an institutional or professional investor);
- are not in the United States and are not acting for the account or benefit of persons in the United States (except for Approved US Shareholders, as that term is defined in the Prospectus (defined below) (**Approved US Shareholders**)); and
- other than those holders of Shares who have an address on the Baralaba share register in Australia, are eligible under all applicable laws to receive an offer under the Entitlement Offer without a prospectus, disclosure document, product disclosure statement or any lodgement, filing, registration or qualification.

We are sending you this letter because, according to our records, you are an Eligible Shareholder.

Details of the Entitlement Offer are set out in the prospectus dated 19 June 2017 (**Prospectus**) which was lodged with the Australian Securities and Investments Commission and released on the Australian Securities Exchange (**ASX**) on that date. A copy of the Prospectus is available to Eligible Shareholders from the Company's website at www.baralabacoalcompany.com.au or by calling the Company's share registry on 1300 552 270 (from within Australia) or +61 3 9415 4000 (from outside of Australia) from 8.30am to 5.30pm during the Entitlement Offer offer period. Eligible Shareholders will be mailed a Prospectus together with an Entitlement and Acceptance Form on 23 June 2017.

Key information regarding the Entitlement Offer is as follows:

New Shares issued under the Entitlement Offer will be offered at \$0.25 per New Share (**Offer Price**), which represents a discount of approximately 44.4% to the closing price of the Company's Shares on ASX on 16 June 2017 (the last day of trading before Baralaba announced the Entitlement Offer) and a 21.1% discount to the theoretical ex-rights price.

Eligible Shareholders who take up their entitlement in full under the Entitlement Offer may also apply for additional New Shares at the Offer Price in excess of their entitlement (**Additional New Shares**). Additional New Shares which are applied for by Eligible Shareholders will, if there is a sufficient shortfall from Eligible Shareholders who do not take up their entitlement in full or from New Shares that would have been offered to ineligible shareholders of the Company had they been eligible to participate in the Entitlement Offer and such allocation will not breach section 606 of the *Corporations Act 2001* (Cth), be

allocated first in priority to those Eligible Shareholders who apply for Additional New Shares and who hold less than a marketable parcel of Shares to the extent necessary to increase their shareholding in the Company to a marketable parcel. Additional New Shares will, however, only be allocated to Eligible Shareholders if available and to the extent that the Company so determines, in its absolute discretion. The Company may apply any scale-back to applications for Additional New Shares if determined at the discretion of the Directors.

The Entitlement Offer is managed and partially underwritten by Ord Minnett Limited, who will underwrite the Entitlement Offer to the extent of the pre-commitment and sub-underwriting commitment which has been received from a major shareholder of Baralaba, Liberty Metals & Mining Holdings, LLC (**Liberty Metals & Mining**), in respect of the Entitlement Offer. Ord Minnett Limited will be paid an aggregate fixed retainer of \$400,000 and an aggregate management and advisory fee comprising:

- 4% of the proceeds of the Entitlement Offer where such proceeds are \$5,000,000 or less;
- 5% of the proceeds of the Entitlement Offer where such proceeds are between \$5,000,001 to \$10,000,000; or
- 6% of the proceeds of the Entitlement Offer where such proceeds are in excess of \$10,000,000,

provided that such fees will not be paid on any amounts which are received in respect of the pre-commitments and sub-underwriting from the Company's major shareholders.

Baralaba's largest shareholder, Liberty Metals & Mining, has shown strong support by pre-committing to take up its entitlement under the Entitlement Offer, and to sub-underwrite any shortfall under the Offer, up to the number of New Shares that would result in its post-Entitlement Offer shareholding in Baralaba not exceeding 49%. In addition, Harum Energy Australia Pty Ltd has provided a commitment to Baralaba that it will take up all of its entitlement under the Entitlement Offer and Maylion Pty Ltd has provided a commitment to Baralaba that it will take up its entitlement for New Shares at the Offer Price up to an aggregate value of approximately \$9.3 million.

Following the completion of the Entitlement Offer (assuming the Entitlement Offer is fully subscribed), Baralaba will have issued an additional 313,171,836 New Shares and will have approximately 469,757,754 million Shares in total on issue at that time.

Use of proceeds

The net proceeds raised from the Entitlement Offer will primarily be used to fund the restart of the Baralaba North mine and to pay the costs of the Entitlement Offer. The Entitlement Offer will also reduce Baralaba's indebtedness to its major Shareholder, Liberty Metals & Mining. Further details of the proposed use of proceeds are set out in the Prospectus.

Actions required by Eligible Shareholders

Shareholders whose registered address is outside Australia or New Zealand (other than Approved US Shareholders and institutional shareholders in certain permitted jurisdictions), or who are otherwise ineligible to participate under the terms of the Entitlement Offer, will not be eligible to participate in the Entitlement Offer and will have their entitlements sold in the bookbuild that will be undertaken in connection with the Entitlement Offer (**Entitlement Offer Bookbuild**).

Eligible Shareholders, you may do any one of the following:

- take up all or part of your entitlement (ie acquire up to 2 New Shares at the Offer Price for every 1 Share you hold as at the Record Date) and renounce the balance;
- take up all of your entitlement and apply for Additional New Shares in excess of your Entitlement;
- sell all or part of your entitlement:
 - on ASX; or
 - through the Entitlement Offer Bookbuild at the Offer Price; or
- do nothing, in which case you will be deemed to have renounced your entitlement (and those renounced entitlements will be transferred and potentially sold in the Entitlement Offer Bookbuild at the Offer Price on your behalf).

As the Entitlement Offer is renounceable, Eligible Shareholders may sell all or part of their entitlement on ASX at the prevailing market price for entitlements.

The entitlements:

- of Eligible Shareholders (or acquirers of entitlements on ASX) who do not take up some or all of their entitlements; or
- which would otherwise have been available to ineligible shareholders and have not been sold on ASX by the nominee and then taken up by acquirers,

will be offered for subscription at the Offer Price to certain institutional investors on behalf of renouncing shareholders and relevant ineligible shareholders through the Entitlement Offer Bookbuild. Such Eligible Shareholders, acquirers and relevant ineligible shareholders will not receive any payment or value for such entitlements.

Eligible Shareholders who wish to sell their entitlements in full on ASX must instruct their broker and provide details as requested from their Entitlement and Acceptance Form. All ASX sales of entitlements must be made by close of the retail entitlement trading period (27 June 2017).

Eligible Shareholders who wish to sell part of their entitlements through a broker and accept for the balance must:

- in respect of the part of their entitlements to be sold on ASX, instruct their broker and provide details as requested from their Entitlement and Acceptance Form; and
- in respect of the part of their entitlements to be accepted, complete and return their Entitlement and Acceptance Form with the requisite application monies or pay the requisite application monies by BPAY® by following the instructions set out in their Entitlement and Acceptance Form.

All sales on ASX of Eligible Shareholder entitlements must be effected by close of the retail entitlement trading period (27 June 2017).

Other information

Offers of New Shares will be made under the Prospectus which was prepared in accordance with section 713 of the *Corporations Act 2001* (Cth). Eligible shareholders should carefully consider the Prospectus before deciding to apply for New Shares under the Entitlement Offer. Eligible shareholders who wish to acquire New Shares will need to complete the application form in or accompanying the Prospectus. A copy of the Prospectus is available to Eligible Shareholders from the Company's website at www.baralabacoalcompany.com.au or by calling the Company's share registry on 1300 552 270 (from within Australia) or +61 3 9415 4000 (from outside of Australia) from 8.30am to 5.30pm during the Entitlement Offer offer period.

Key dates

Other key dates for shareholders are as follows:

Event	Date
Announcement of Entitlement Offer	19 June 2017
Shares quoted ex-entitlement on ASX (Entitlement trading on ASX begins and deferred settlement trading commences)	21 June 2017
Record Date for the Entitlement Offer	7.00pm (Sydney time) on Thursday, 22 June 2017
Entitlement Offer opens	9.00am (Sydney time) on Friday, 23 June 2017
Mailing of personalised Entitlement and Acceptance Form and this Prospectus to Eligible Shareholders completed	23 June 2017
Entitlement trading on ASX ends	27 June 2017
Entitlement Offer closes	5.00pm (Sydney time) on Tuesday, 4 July 2017
Entitlement Offer Bookbuild (if required)	6 July 2017

Event	Date
Settlement of New Shares and Additional New Shares issued under the Entitlement Offer	10 July 2017
Issue of New Shares and Additional New Shares under the Entitlement Offer	11 July 2017
Despatch of holding statements	12 July 2017
Normal trading of New Shares and Additional New Shares issued under the Entitlement Offer expected to commence on ASX	12 July 2017

Applications for New Shares under the Entitlement Offer may only be made on the Entitlement and Acceptance Form which accompanies the Prospectus, via BPAY® or, for Approved US Shareholders and institutional Eligible Shareholders, as instructed by the Company or Ord Minnett Limited. Eligible Shareholders who wish to participate in the Entitlement Offer should read the Prospectus carefully. For further information on the Entitlement Offer you should contact your professional advisor or call Baralaba's share registry on 1300 552 270 (from within Australia) or +61 3 9415 4000 (from outside of Australia) from 8.30am to 5.30pm (Sydney time), Monday to Friday during the Entitlement Offer period.

On behalf of Baralaba, I invite you to consider this investment opportunity and thank you for your ongoing support of Baralaba.

Yours sincerely



Daniel Gall
Company Secretary
Baralaba Coal Company Limited