

## JUNE 2017 QUARTERLY REPORT

Paringa Resources Limited ("Paringa" or "Company") (ASX:PNL) is pleased to present its quarterly report for the period ending June 30, 2017. Highlights during, and subsequent to, the quarter include:

### ***Construction to Begin Imminently at Poplar Grove***

- Excavation activities for the site development set to begin imminently with first coal production expected 12 months from the construction start date;
- Pre-construction activities commenced with acquisition of all required surface properties for the Poplar Grove mine site, commencement of mobilization of site excavation equipment and establishment of power to the mine site;
- Executed a fixed price turnkey contract for the design, procurement, construction and commissioning of the Poplar Grove Mine's coal handling and preparation plant ("CHPP") and barge load-out facility;
- Executed a contract for the excavation activities for the mine site, preparation plant facility area, refuse area at the Poplar Grove Mine and the barge load-out facility; and
- Following a competitive bidding process, all major contracts for the development of the Poplar Grove Mine have now been awarded on a fixed price basis significantly reducing pricing and timing risk.

### ***Poplar Grove Financing Completed***

- Accepted a committed letter of offer from Macquarie Bank Limited to provide a fully underwritten five-year US\$20 million Project Loan Facility ("PLF") to develop the Poplar Grove Mine;
- Completed a placement of 102 million shares at an issue price of A\$0.52 per share to Institutional and Sophisticated investors to raise A\$53 million ("Placement"); and
- The Placement, the PLF and existing cash reserves complete the funding required for the development of Poplar Grove Mine.

### ***Appointed U.S. based CEO and Strengthened Operational Team***

- Appointed highly regarded U.S. based banking and coal executive, Mr. Grant Quasha, as Managing Director and Chief Executive Officer of the Company, with Mr Todd Hannigan moving to Deputy Chairman and remaining actively engaged in the direction of the Company; and
- Continue to strengthen the construction and operational team with key executive appointments in mine engineering, coal processing and design, health and safety and accounting.

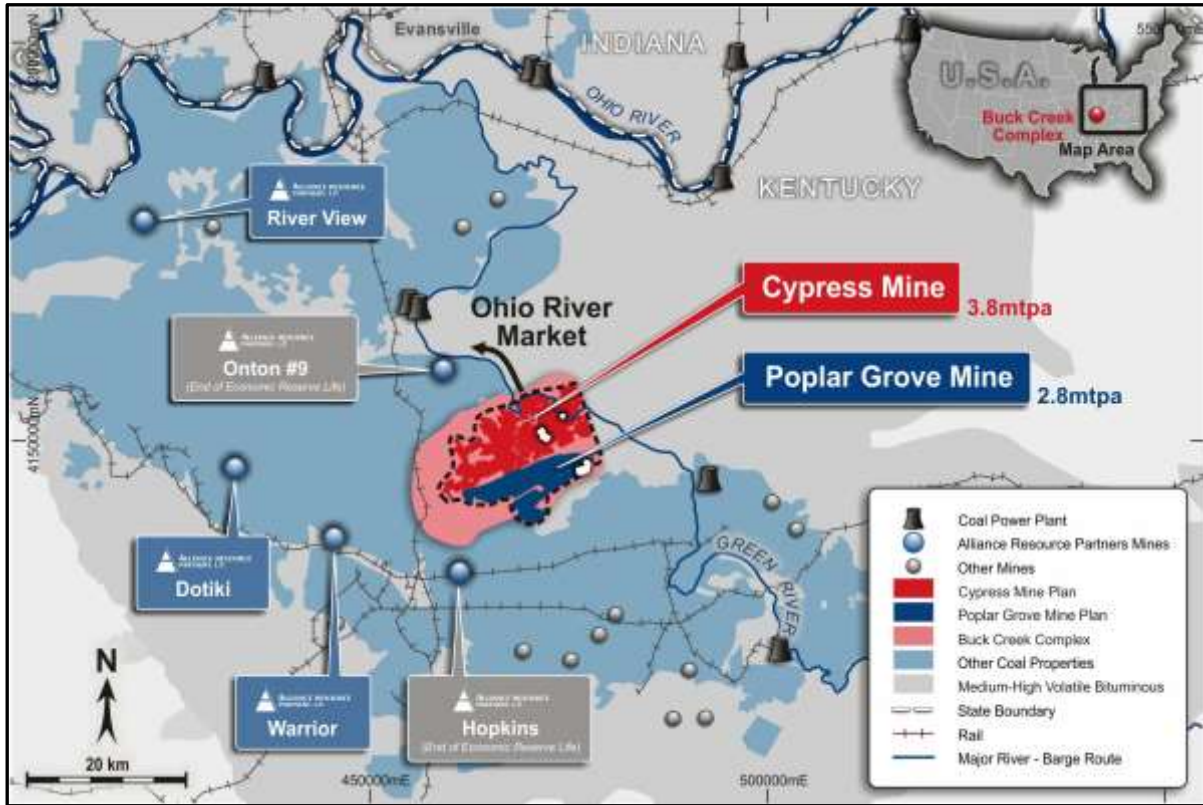
### ***Next Steps***

- Start construction of the Poplar Grove Mine imminently, beginning with site development;
- Continue discussions with utilities located within the Ohio River and South-East markets, potentially leading to additional sales contracts;
- Begin construction of the CHPP and barge load-out facility by end of Q4 2017;
- Continue discussions with advisers for a potential listing on a major US stock exchange; and
- Paringa remains on track to begin first coal production at Poplar Grove 12 months from start of construction.

For further information contact:

**Grant Quasha**  
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*Map of Buck Creek Complex and Local Mining Operations in Western Kentucky (Illinois Basin)*

## BUCK CREEK COMPLEX

Buck Creek coal mining complex (“Buck Creek Complex”) is located in the Western Kentucky region of the Illinois Basin which is one of the most prolific coal producing regions in the United States.

The Buck Creek Complex comprises almost 40,000 acres of coal leases and includes two developing mines:

1. **Poplar Grove Mine:** Permitted 2.8 Mtpa thermal coal mine which is now fully financed with construction of the initial box-cut development commencing imminently and first coal expected 12 months from start of construction; and
2. **Cypress Mine:** Permitted 3.8 Mtpa Cypress Mine with construction set to begin by early 2019.

Refer above for a map of Paringa’s Poplar Grove and Cypress Mines and current and historical coal mining in the Western Kentucky region of the Illinois Basin.

## **Low Risk Mine Developments**

Paringa's plan is to develop low capital and operating cost mines located near low cost river transportation in the Illinois coal basin, with both mines fully permitted to begin construction.

Once Poplar Grove is constructed, Paringa will make low risk, low cost mine developments to grow its coal production to 6.6 Mtpa and beyond. The Company will underpin this additional growth with long-term sales contracts to ensure that additional capacity investments are low risk and generate high levels of free cash flow. The Company's development plan can be summarized as follows:

### ✓ *Begin Construction at Poplar Grove Mine by mid-2017*

Paringa will start initially with the simple, low-cost construction of the 2.8 Mtpa Poplar Grove Mine during 2017, with total initial capital estimated at US\$44.7 million. The construction period of the Poplar Grove Mine is approximately 12 months.

### ✓ *Access Poplar Grove's WK No.9 Seam 12 months from start of construction*

Paringa aims to deliver first coal production from the WK No.9 seam 12 months from start of construction. Poplar Grove's WK No.9 seam will be mined throughout the entirety of the project's 25 year mine life.

### ✓ *Access the Poplar Grove Mine's WK No.11 Seam in 2020*

By 2020, Paringa will be accessing the WK No.11 seam from the "northern limb" of Poplar Grove's mine plan, through an incline excavated using continuous mining equipment. Capital for construction of the WK No.11 incline and vertical shafts is approximately US\$15.8 million which will be funded out of Poplar Grove operating cashflow. During the 2033 year, Paringa will also access the WK No.11 from the "southern limb" of Poplar Grove's mine plan.

### ✓ *Begin Production at Cypress Mine by 2021*

The Cypress Mine is fully permitted with all technical studies completed (i.e. BFS level). Depending on market conditions, Paringa will begin construction of the Cypress Mine in early-2019, finishing approximately late-2020 with first coal production expect early-2021.

## **Simple Mine Construction and Operations**

The simplicity of the Poplar Grove mine construction, coal mining operations and coal processing techniques provide relatively low execution and operational risks compared to other new mine developments, for example:

### ○ *Simple, quick access to the WK No.9 seam*

Access to the WK No.9 seam at Poplar Grove will be via low cost surface excavation followed by underground development using continuous mining equipment.

### ○ *Well understood mining techniques and equipment*

Paringa will be adopting the same mining method, using the same mining equipment, mining the same coal seams as other Illinois Basin producers.

○ *Simple coal processing methods*

Due to the similar high qualities of the WK No.9 and WK No.11 coal seams, Paringa will process both seams at the Poplar Grove coal handling and processing plant (“CHPP”) using a 2-stage dense media circuit.

○ *Low cost access to Ohio River Market*

After coal processing, clean coal is sampled and delivered to open storage then loaded into trucks for transportation to the permitted Buck Creek barge load-out facility located on the Green River.

**Buck Creek Development Timetable**

Buck Creek	2017				2018				2019				2020				2021			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b><u>Poplar Grove</u></b>																				
Technical Studies	✓																			
Permitting	✓																			
Financing		✓																		
Construction																				
Production (WK No.9)																				
WK No.11 Incline																				
Production (WK No.11)																				
<b><u>Cypress</u></b>																				
Construction																				
Commercial Production																				

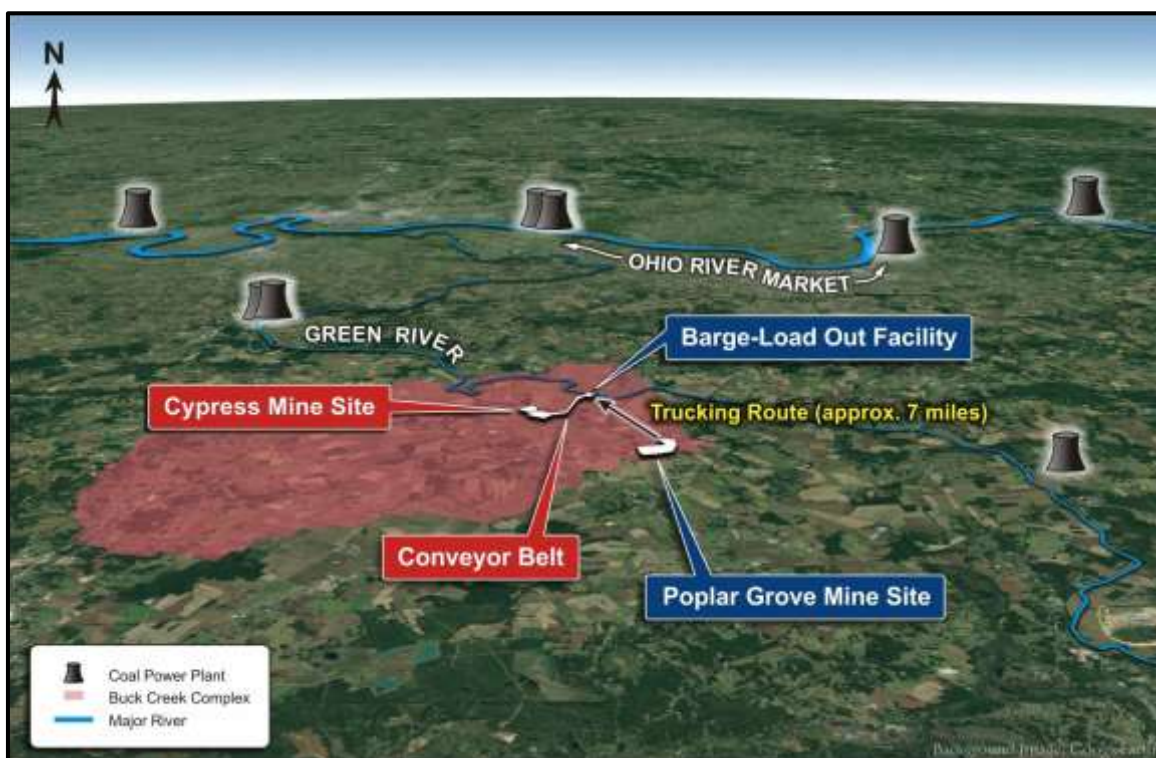
*Development Timeline of the Poplar Grove and Cypress Mines (2017 to 2021)*

**Next Steps**

The Company has an exciting 12 months ahead with a substantial amount of activity scheduled for the Poplar Grove Mine, including:

- Start construction of the Poplar Grove Mine imminently, beginning with site development;
- Continue discussions with utilities located within the Ohio River and South East markets, potentially leading to additional sales contracts;
- Begin construction of the CHPP and barge load-out facility by end of Q4 2017;
- Continue discussions with advisers for a potential listing on a major US stock exchange; and
- Begin first coal production at Poplar Grove 12 months from the start of construction.





*The Buck Creek Complex including the Permitted Poplar Grove and Cypress Mines, and Permitted Barge Load-Out Facility*

## CORPORATE

### **US\$20 Million Debt Facility**

In April 2017, the Company accepted a Committed Letter of Offer (“CLOO”) from Macquarie Bank Limited (“Macquarie”) to provide a fully underwritten five-year US\$20 million Project Loan Facility (“PLF”) to develop the Poplar Grove Mine.

Macquarie will also provide a US\$1.7 million Letter of Credit Facility (“LCF”) to allow Paringa to collateralize environmental and other bonding obligations required for the construction and operation of the Poplar Grove mine.

The key terms of the PLF are typical of a facility of this nature, including a floating interest rate comprising the 3 month LIBOR plus a margin of 10.5% pa during construction, falling to a 9.5% margin for the remainder of the loan. The facility can be repaid at the end of any quarterly interest period, throughout the term of the loan, without penalty.

Provision of the facilities are subject to execution of formal documentation and satisfaction of a number of conditions precedent. It is anticipated that the PLF will be drawn in 2018, only after incurring the project equity requirement in developing Poplar Grove.

### **A\$53 Million Equity Placement**

In April 2017, the Company announced that it has successfully completed a book build and received commitments for a placement of 102 million shares at an issue price of A\$0.52 per share to Institutional and Sophisticated investors to raise A\$53 million.

Proceeds from the Placement will be used to construct the Company’s Poplar Grove Coal Mine located in the Western Kentucky region of the Illinois Basin in the United States and for working capital.

The Placement completes the funding required for the development of Poplar Grove Mine and, together with the US\$20 million PLF from Macquarie Bank Limited and existing cash reserves, the Company will be fully funded to develop the Poplar Grove Mine.

Argonaut acted as Lead Manager to the Placement with Hartleys Limited and Curran & Co acting as Co-Managers to the Placement.

### ***Appointment of US Based Managing Director and CEO***

During the quarter, Paringa appointed a highly regarded U.S. based coal executive Mr. Grant Quasha as Managing Director and Chief Executive Officer of the Company, effective from 19 June 2017. Mr Todd Hannigan will move to Deputy Chairman and will remain actively engaged in the direction of the Company. Mr Tom Todd will move to a Non-Executive Director role and Mr Taso Arima will step down from his Non-Executive Director position.

Mr. Quasha's previous role was the Chief Commercial Officer of Bowie Resource Partners, LLC, the largest producer of Western bituminous coal in the United States, where he was responsible for corporate strategy, business development, sales, marketing, and logistics.

Mr. Quasha has extensive experience in the U.S. natural resource sector, having previously been the North American Manager of Corporate and Structured Finance at Trafigura AG and prior to that an investment banker in JPMorgan's New York Mining and Metals division. Mr. Quasha holds a Bachelor of Arts degree, Cum Laude, from Harvard College and a Master of Business Administration degree with Distinction from Harvard Business School.

Mr. Quasha is based in Kentucky and will lead Paringa's highly experienced construction and operational team. In addition, Mr. Quasha will focus on securing additional coal sales contracts and increasing the market awareness of Paringa with U.S. based retail and institutional investors as the Company evolves from an emerging coal developer to the Illinois Basin's next mid-tier coal producer.

### ***Strengthening US Construction and Operational Team***

During the quarter, Paringa continued to strengthen its construction and operational team with key executive appointments in mine engineering, coal processing and design, health and safety and accounting.

### ***Final Vendor Payment***

In April 2017, the Company successfully amended the terms of the final vendor payment required as part of the Company's original acquisition of the Buck Creek coal leases in 2012 ("Acquisition"). The Acquisition previously required the Company paying a final vendor payment of US\$12 million ("Final Payment") by March 2018.

The Final Payment has now been reduced to US\$6 million, in return for early payment as follows: (a) US\$2.25 million payable immediately (this has now been paid); and (b) US\$3.75 million payable upon the earlier of 31 December 2017 or the date on which the Company closes on a debt financing that provides sufficient funds for the development, construction and operation of the Poplar Grove Mine.

## EXPLORATION INTERESTS

### ***Buck Creek Coal Leases***

At the end of the quarter, Paringa controlled approximately 39,500 gross acres (15,985 ha) of coal leases in Kentucky, United States, which comprise the Buck Creek Mining Complex. The area is controlled by Paringa through over 300 individual coal leases with private mineral owners.

### ***Arkoma Coal Leases***

At the end of the quarter, Paringa controlled approximately 14,000 gross acres (approximately 5,600 ha) of coal leases in Arkansas, United States which comprise the Arkoma Project. The area is controlled by Paringa through approximately 400 individual coal leases with private mineral owners.

## Forward Looking Statements

This report may include forward-looking statements. These forward-looking statements are based on Paringa's expectations and beliefs concerning future events. Forward looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of Paringa, which could cause actual results to differ materially from such statements. Paringa makes no undertaking to subsequently update or revise the forward-looking statements made in this announcement, to reflect the circumstances or events after the date of that announcement.

## Competent Persons Statements

The information in this report that relates to Exploration Results, Coal Resources, Coal Reserves, Mining, Coal Preparation, Infrastructure, Production Targets and Cost Estimation was extracted from Paringa's ASX announcements dated March 28, 2017 entitled "Expanded BFS Results Confirms Development Pathway to A\$850 million NPV" and December 2, 2015 entitled 'BFS Confirms Buck Creek will be a Low Capex, High Margin Coal Mine' which are available to view on the Company's website at [www.paringaresources.com.au](http://www.paringaresources.com.au).

The information in the original ASX announcements that related to Exploration Results and Coal Resources is based on, and fairly represents, information compiled or reviewed by Mr. Kirt W. Suehs, a Competent Person who is a Member of The American Institute of Professional Geologists. Mr. Suehs is employed by Cardno. Mr. Suehs has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity being undertaken 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' and to qualify as a Qualified Person as defined in the 2011 Edition of the National Instrument 43-101 and Canadian Institute of Mining's Definition Standards on Mineral Reserves and Mineral Resources.

The information in the original ASX announcements that related to Coal Reserves, Mining, Coal Preparation, Infrastructure, Production Targets and Cost Estimation is based on, and fairly represents, information compiled or reviewed by Messrs. Justin S. Douthat and Gerard J. Enigk, both of whom are Competent Persons and are Registered Members of the Society for Mining, Metallurgy & Exploration. Messrs. Douthat and Enigk are employed by Cardno. Messrs. Douthat, and Enigk have sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity being undertaken to qualify as Competent Persons as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' and to qualify as Qualified Persons as defined in the 2011 Edition of the National Instrument 43-101 and Canadian Institute of Mining's Definition Standards on Mineral Reserves and Mineral Resources.

Paringa confirms that: a) it is not aware of any new information or data that materially affects the information included in the original ASX announcements; b) all material assumptions and technical parameters underpinning the Coal Resource, Coal Reserve, Production Target, and related forecast financial information derived from the Production Target included in the original ASX announcements continue to apply and have not materially changed; and c) the form and context in which the relevant Competent Persons' findings are presented in this presentation have not been materially modified from the original ASX announcements.



## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

**Name of entity**

Paringa Resources Limited

**ABN**

44 155 933 010

**Quarter ended ("current quarter")**

30 June 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	-	(1,330)
(b) development	(533)	(533)
(c) production	-	-
(d) staff costs	(943)	(2,438)
(e) administration and corporate costs	(486)	(1,035)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	42	112
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material):		
(a) investor relations & corporate	(402)	(972)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(2,322)</b>	<b>(6,196)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(5,636)	(5,641)
(b) tenements (see item 10)	(92)	(744)
(c) investments	-	-

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## Mining exploration entity and oil and gas exploration entity quarterly report

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
	(d) other non-current assets	(536)	(536)
<b>2.2</b>	<b>Proceeds from the disposal of:</b>		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
<b>2.3</b>	<b>Cash flows from loans to other entities</b>	-	-
<b>2.4</b>	<b>Dividends received (see note 3)</b>	-	-
<b>2.5</b>	<b>Other (provide details if material):</b>		
	(a) deferred consideration	(3,003)	(4,970)
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(9,267)</b>	<b>(11,891)</b>
<b>3.</b>	<b>Cash flows from financing activities</b>		
<b>3.1</b>	<b>Proceeds from issues of shares</b>	<b>53,150</b>	<b>68,076</b>
<b>3.2</b>	<b>Proceeds from issue of convertible notes</b>	-	-
<b>3.3</b>	<b>Proceeds from exercise of share options</b>	-	-
<b>3.4</b>	<b>Transaction costs related to issues of shares, convertible notes or options</b>	<b>(3,028)</b>	<b>(3,930)</b>
<b>3.5</b>	<b>Proceeds from borrowings</b>	-	-
<b>3.6</b>	<b>Repayment of borrowings</b>	-	-
<b>3.7</b>	<b>Transaction costs related to loans and borrowings</b>	-	-
<b>3.8</b>	<b>Dividends paid</b>	-	-
<b>3.9</b>	<b>Other (provide details if material)</b>	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>50,122</b>	<b>64,146</b>
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
<b>4.1</b>	<b>Cash and cash equivalents at beginning of period</b>	<b>7,858</b>	<b>407</b>
<b>4.2</b>	<b>Net cash from / (used in) operating activities (item 1.9 above)</b>	<b>(2,322)</b>	<b>(6,196)</b>
<b>4.3</b>	<b>Net cash from / (used in) investing activities (item 2.6 above)</b>	<b>(9,267)</b>	<b>(11,891)</b>
<b>4.4</b>	<b>Net cash from / (used in) financing activities (item 3.10 above)</b>	<b>50,122</b>	<b>64,146</b>

## Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(1,121)	(1,196)
4.6	<b>Cash and cash equivalents at end of period</b>	45,270	45,270

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	45,270	7,858
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	45,270	7,858

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
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353

-

Payments to directors for services and defined contribution plans.

**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
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-

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Not applicable.

## Mining exploration entity and oil and gas exploration entity quarterly report

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

During the quarter, the Company accepted a committed letter of offer from Macquarie Bank Limited to provide a five-year US\$20 million secured Project Loan Facility ("PLF") and a US\$1.7 million Letter of Credit Facility ("LCF"). The key terms of the PLF are typical of a facility of this nature, including a floating interest rate comprising the 3-month LIBOR plus a margin of 10.5% pa during construction, falling to a 9.5% margin for the remainder of the loan. Provision of the facilities are subject to execution of formal documentation and satisfaction of a number of conditions precedent.

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Exploration and evaluation	-
9.2 Development	-
9.3 Production	-
9.4 Staff costs	(1,070)
9.5 Administration and corporate costs	(650)
9.6 Other (provide details if material): (a) project capital expenditure	(2,850)
<b>9.7 Total estimated cash outflows</b>	<b>(4,570)</b>

<b>10. Changes in tenements (items 2.1(b) and 2.2(b) above)</b>	<b>Tenement reference and location</b>	<b>Nature of interest</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter</b>
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	-	-	-	-
10.2 Interests in mining tenements and petroleum tenements acquired or increased	Buck Creek Complex located in Kentucky, USA	Coal leases with private mineral owners	100% (39,797 acres)	100% (39,511 acres)

**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:

  
.....  
(Director/Company secretary)

Date: 26 July 2017

Print name: Gregory Swan

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.