

ASX Announcement

## POSITIVE FIRST ROUND DISCUSSIONS WITH PARINGA'S TARGET POWER MARKETS

### HIGHLIGHTS:

- *Positive initial round of discussions between Paringa and local power utilities accepting Illinois Basin coal within the highly efficient, low cost Ohio River Market*
- *Initial feedback confirms that there is demand for new independent sources of coal in the Ohio River Market to increase the diversity of local supply*
- *Recognition by potential customers that the Buck Creek project is a major potential source of coal for the Ohio River Market and is well advanced with major permits already issued*
- *Potential customers have confirmed the opportunity to secure "mine opening contracts" to underpin the financing and construction of the Buck Creek Project*
- *Paringa is well positioned to participate in the Ohio River Market's coal solicitation (ie sales) process following completion of the PFS in the first half of 2015*
- *Paringa will continue to rapidly complete the remaining technical studies with the aim of commencing mine construction in 2015*

---

Paringa Resources Limited ("**Paringa**" or "**Company**") is pleased to provide an update to the Pre-Feasibility Study ("**PFS**") which has commenced in the northeastern quadrant of the Company's Buck Creek Project (the "**Buck Creek Project**") located in the high growth Illinois Coal Basin in Kentucky, USA.

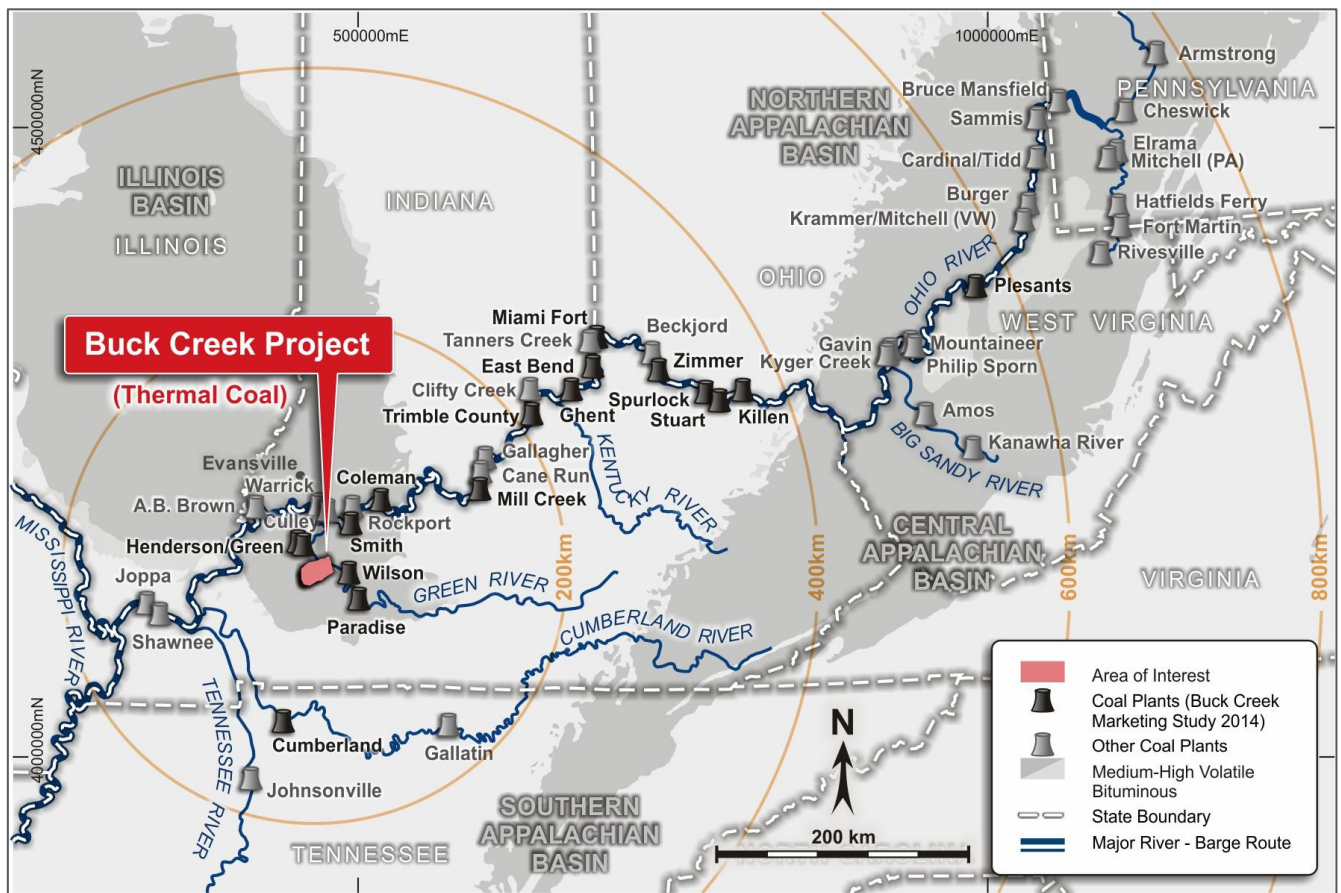
Following the appointment of Jim Plaisted as Vice President of Coal Sales and Marketing in June 2014, Paringa completed initial discussions with the domestic scrubbed coal-fired power generators within the Ohio River Market. These discussions are a first step in preparation of Paringa's formal participation in upcoming market solicitations for thermal coal in the Ohio River Market. The high margin Buck Creek Project, with access to low cost barge transportation, is in an excellent position to leverage from the continued growth in demand for Illinois Basin coal and offers the potential to be a new reliable, independent source of fuel supply for power plants in the region.

Paringa's Chief Executive Officer, Mr David Gay, said "*We are rapidly progressing the PFS for the Buck Creek Project and are delighted with the feedback we have received to date from Paringa's target market - the Ohio River Market. We are looking forward to progressing discussions with coal-fired power utilities in relation to coal contracts that will underpin the financing and construction of the Buck Creek Project.*"

For further information contact:

**David Gay**  
Chief Executive Officer

**Nathan Ainsworth**  
Business Development

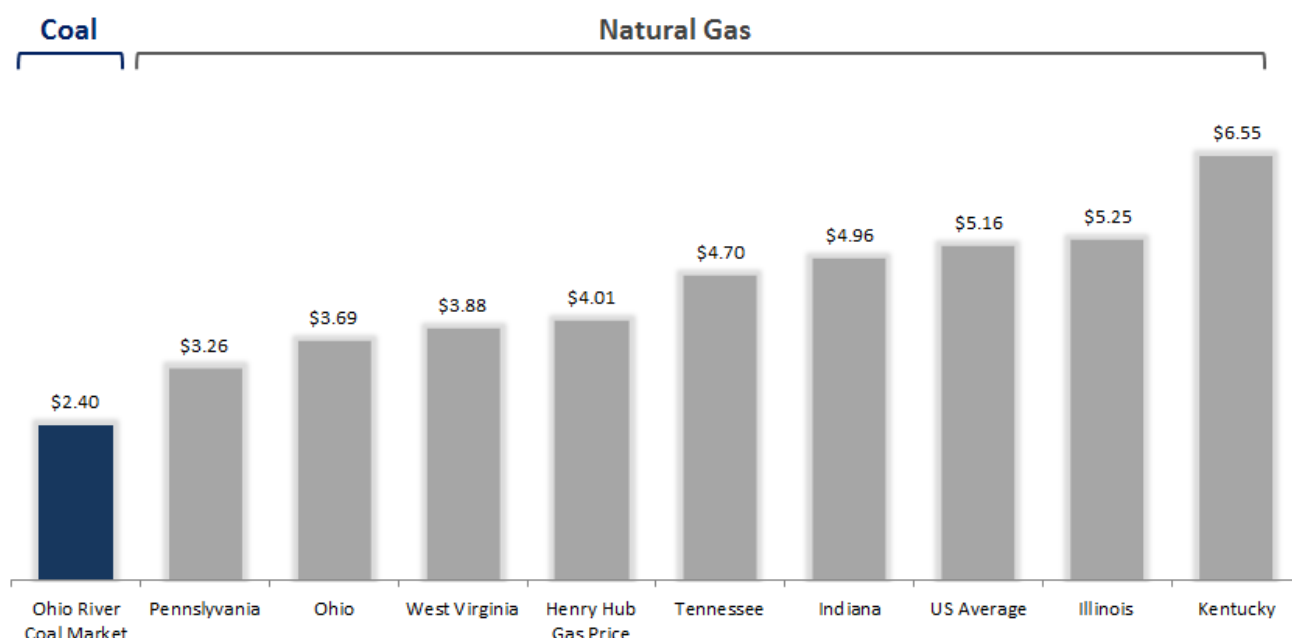


**Figure 1: Buck Creek's Target Market – Ohio River Market**

## Buck Creek's Target Market – Ohio River Market

The initial target market for Buck Creek's coal is the lucrative Ohio River Market consisting of large, scrubbed domestic power plants currently receiving Illinois Basin coal by barge along the Green, Ohio and Cumberland rivers. Access to Illinois Basin coal provides a significant cost advantage for coal fired power plants. The cost of coal transportation via barge using the major waterways in the US (e.g. Ohio River) is significantly lower than the cost of transporting coal via rail.

Within the regional Ohio River market directly accessible via barge from the Buck Creek Project, there are over 18 power plants operated by 10 different utilities that have traditionally received product similar to Buck Creek's coal. These plants are relatively modern, highly efficient base load power plants which have some of the lowest fuel costs in the country, averaging ~US\$2.40/mmbtu (equivalent to US\$55 per ton of coal). When compared to the average delivered natural gas price for electricity generation of US States adjacent to the Ohio River Market (see Figure 2), coal sourced from the Illinois Basin for the Ohio River Market will continue to remain competitive.



**Figure 2: Comparison of Delivered Cost of Coal at the Plant for the Ohio River Market and the Average Delivered Cost of Natural Gas at the Plant for Electricity Generation for States Adjacent to the Ohio River Market (US\$/mmbtu)**

(Source - State data: EIA (June 2014); Henry Hub Gas Price: EIA (September 2014))

The growth in Illinois Basin coal demand in the Eastern region of the US is expected to continue as fuel buyers continue to target the most competitive fuel source for their power stations. The majority of Eastern US power plants are now equipped with scrubbers to remove sulfur from their emissions and fuel buyers can now source the lowest cost source of delivered coal rather than give priority to sulfur contents. The large investment into scrubber capacity in the US (+US\$30 billion from 2007 to 2012) has led to higher demand for the higher sulfur, lower cost Illinois Basin coal and significantly lower demand from other higher cost coal basins such as the Appalachian basins.

Investor sentiment within the Illinois Basin continues to improve with the recent NYSE listing of major Illinois coal producer Foresight Energy Partners, LP on a historical Price to Earnings ratio of 22x, valuing the business at over US\$2.5 billion. In addition, Hallador Energy Company recently acquired Vectren

Corporation's 6 million tons per annum Indiana coal business, which transports coal only by rail, for over US\$300 million in cash on a historical Enterprise Value to EBITDA multiple of over 10x.

## **Initial Discussions with Target Markets**

Following the appointment of Jim Plaisted as Vice President of Coal Sales and Marketing in June 2014, Paringa has now completed the first round of discussions with the domestic scrubbed coal-fired power generators within the Ohio River Market. Mr Plaisted's previous position was General Manager of Alliance Coal, LLC a subsidiary of Alliance Resource Partners, LP, and was responsible for the marketing and sale of all coal produced from all seven of Alliance's Illinois Basin operations.

A summary of feedback received from Paringa's initial discussions with the Ohio River Market generators is as follows:

- Initial feedback confirms that there is demand for new independent sources of coal in the Ohio River Market to increase the diversity of local supply;
- Recognition by potential customers that the Buck Creek project is a major potential source of coal for the Ohio River Market and is well advanced with major permits already issued;
- Potential customers have confirmed the opportunity to secure "mine opening contracts" to underpin the financing and construction of the Buck Creek Project (Note: A mine opening contract is simply a contract for coal before the mine is constructed. The contract typically allows the coal developer to finance the mine and is generally longer term than a typical contract); and
- Paringa is well positioned to participate in the Ohio River Market's coal solicitation (ie sales) process following completion of the PFS in the first half of 2015.

The permitted Buck Creek Project is one of the last remaining large-scale undeveloped blocks of high quality coal with direct barge access to the Ohio River system that is not controlled by a major US coal producer. Paringa will continue to ramp up discussions with coal-fired power stations in light of next year's financing negotiations and pending construction of the Buck Creek Project.

## ABOUT THE BUCK CREEK PROJECT

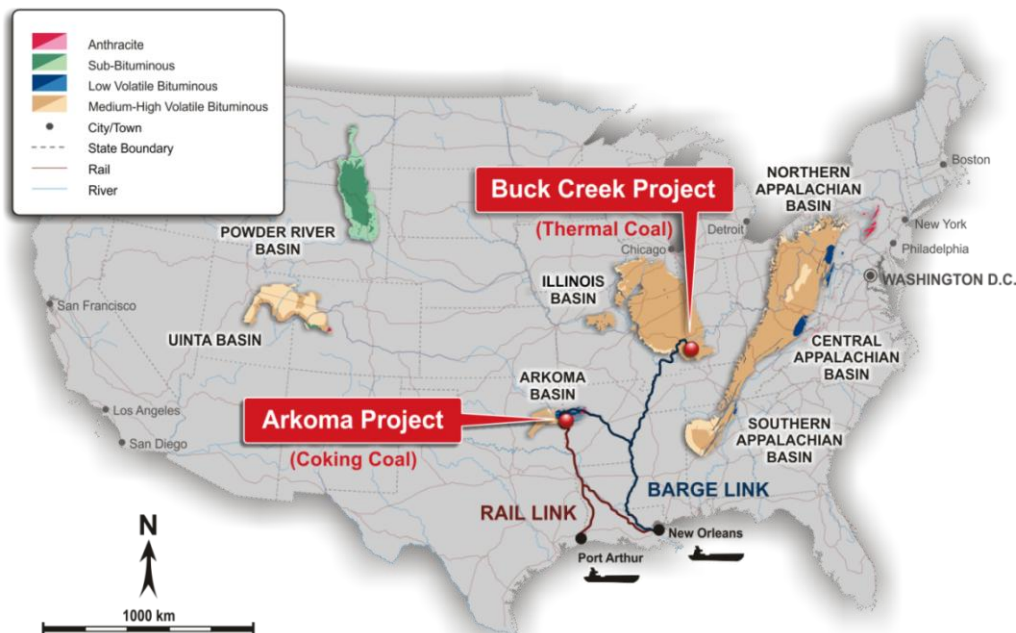
The Buck Creek Project is located in the Western Kentucky region of the Illinois Coal Basin which is one of the largest and lowest cost coal producing regions in the USA. Paranga controls over 26,000 gross acres (~10,500 ha) of coal leases within an area of interest of approximately 72,000 acres (~28,000 ha).

The Buck Creek Project has a JORC Coal Resource Estimate of 154 million tons (~140 million tonnes) of high quality thermal coal with over 88% in the Measured & Indicated categories. The Buck Creek Project is one of the few remaining high quality thermal coal projects within the WK No.9 Seam that is not controlled by one of the major USA coal companies and offers one of the highest quality, highest heating value products in the Illinois Coal Basin.

The Buck Creek Project is located adjacent to the Green River which provides year round access to the Ohio and Mississippi rivers systems which feed domestic coal-fired power plants and coastal export coal terminals in the Gulf of Mexico.

Buck Creek Project – Coal Resource Estimate (WK No.9 Seam)				
Measured (Mt)	Indicated (Mt)	Total Measured and Indicated (Mt)	Inferred (Mt)	Total (Mt)
32.1	104.8	136.9	17.5	154.4

Buck Creek Project – Coal Quality (+4% Eq. Moisture)	
Calorific Value	6,564 kcal/kg (11,814 Btu/lb)
Ash	8.7%
Yield – In Seam from Core Analyses	92.3%





**Forward Looking Statements**

*This announcement 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.*

*The Company advises that the information relating to the Scoping Study referred to in this announcement is based on lower-level technical and preliminary economic assessments, and is insufficient to support estimation of Ore Reserves or to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the Scoping Study will be realised.*

**Competent Persons Statement (North American Projects)**

*The information in this announcement that relates to the Exploration Results, Coal Resources, Mining, Coal Preparation, Infrastructure, Production Targets and Cost Estimation was extracted from Paringa's ASX announcements dated 24 March 2014 entitled 'Scoping Study Confirms Strong Fundamentals of the Buck Creek Project' and 4 November 2013 entitled 'Maiden Coal Resource of 154 Million Tons Defined in Illinois Coal Basin' 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 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 MM&A. 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 Mining, Coal Preparation, Infrastructure, Production Targets and Cost Estimation is based on information compiled or reviewed by Messrs. Justin S. Douthat, Gerard J. Enigk and George Oberlick, all of whom are Competent Persons and are Registered Members of the Society for Mining, Metallurgy & Exploration (SME). Messrs. Douthat, Enigk and Oberlick are employed by Cardno MM&A. Messrs. Douthat, Enigk and Oberlick have sufficient experience that is relevant to the type of mining, coal preparation and cost estimation 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, 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.*