

NOT FOR RELEASE OR DISTRIBUTION IN THE UNITED STATES

21 May 2018

Dear Shareholder

PARINGA RESOURCES LIMITED ENTITLEMENT OFFER – NOTIFICATION TO INELIGIBLE RETAIL SHAREHOLDERS

I am writing to you as the registered holder of shares with a registered address outside of Australia and New Zealand in Paringa Resources Limited (**Paringa** or the **Company**).

On Thursday, 17 May 2018, the Company announced an accelerated non-renounceable pro rata entitlement offer on the basis of one new fully paid ordinary share (**New Share**) for every three fully paid ordinary shares in the Company (**Share**) held by eligible shareholders at an issue price of A\$0.22 per New Share to approximately A\$23.2 million (before associated costs) (**Entitlement Offer**). The Company is also undertaking a placement of 31,818,182 Shares at A\$0.22 per Share to sophisticated and professional investors to raise approximately A\$7.0 million (before costs) (**Placement**). This letter is to inform you about the Entitlement Offer and Placement, and to explain why you will not be able to subscribe for New Shares under the Entitlement Offer. You should read this letter carefully to understand what this means for you.

This letter is not an offer to issue New Shares to you, nor an invitation for you to apply for New Shares. **You are not required to do anything in response to this letter.**

The Entitlement Offer

The Entitlement Offer is underwritten by Argonaut Capital Limited and comprises of an institutional component (**Institutional Entitlement Offer**) and an offer to Eligible Retail Shareholders (as defined below) (**Retail Entitlement Offer**). The Institutional Entitlement Offer raised approximately A\$12.2 million, and the Retail Entitlement Offer is expected to raise approximately A\$11.0 million. A total of approximately 105,641,900 New Shares will be issued (subject to rounding) under the institutional and retail components of the Entitlement Offer.

The Company will use the funds raised from the Entitlement Offer (after costs) to complete the construction of the Poplar Grove Mine, including an optimised coal seam access, upfront equipment lease payments, to satisfy the equity condition precedent to drawdown of the Macquarie Bank Limited debt financing facility, and for general working capital purposes.

The Entitlement Offer is being made by way of an offer document in accordance with section 708AA of the Corporations Act 2001 (Cth) (**Corporations Act**) (as modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84), meaning that no prospectus needs to be prepared (**Offer Document**).

The Retail Entitlement Offer is being made to Eligible Retail Shareholders (as defined below) on the basis of one New Share for every three existing ordinary shares held at 5.00pm (WST) on Monday, 21 May 2018 (**Record Date**), at an offer price of A\$0.22 per New Share.

Documents relating to the Retail Entitlement Offer were lodged with the ASX today and are expected to be despatched to Eligible Retail Shareholders on or before Thursday, 24 May 2018.

Eligibility to participate in the Retail Entitlement Offer

An Eligible Retail Shareholder is a holder of ordinary shares who:

- (a) was a registered holder of ordinary shares in the Company as at 5.00pm (WST) on the Record Date;
- (b) has a registered address in Australia or New Zealand;
- (c) is not in the United States and is not acting for the account or benefit of any person in the United States;
- (d) was not invited to participate under the Institutional Entitlement Offer and was not treated as an ineligible institutional shareholder under the Institutional Entitlement Offer; and
- (e) is eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer.

The restrictions upon eligibility under the Retail Entitlement Offer arise because of the legal and regulatory requirements in countries other than Australia and New Zealand, and the potential costs to Paringa of complying with these legal and regulatory requirements compared with the relatively small number of shareholders in those countries, the relatively small number of existing Paringa ordinary shares they hold and the relatively low value of New Shares to which those shareholders would otherwise be entitled.

Paringa has determined, pursuant to section 9A(3)(a) of the Corporations Act and Listing Rule 7.7.1(a) of the ASX Listing Rules, that it would be unreasonable to make offers to shareholders with a registered address in countries outside Australia and New Zealand on the Record Date.

Unfortunately, according to our records, you do not satisfy the criteria for an Eligible Retail Shareholder, accordingly, in compliance with ASX Listing Rule 7.7.1(b) and section 9A(3)(b) of the Corporations Act, Paringa wishes to advise that it is unable to extend to you the opportunity to participate in the Retail Entitlement Offer. If our records are incorrect on this matter, please contact the Company Secretary of Paringa, Gregory Swan, on 61 8 9322 6322. You will not be sent the documents relating to the Retail Entitlement Offer or be able to subscribe for New Shares under the Retail Entitlement Offer.

Notwithstanding the above, Paringa may agree to extend the Retail Entitlement Offer to certain institutional shareholders who did not participate in the Institutional Entitlement Offer or to other retail shareholders, subject to compliance with applicable laws.

Shortfall Offer

If the Entitlement Offer is not fully subscribed, the directors reserve the right, subject to any restrictions imposed by the Corporations Act and Listing Rules, to issue New Shares not otherwise taken up under the Entitlement Offer (**Shortfall Shares**) in accordance with the shortfall allocation policy detailed in the Offer Document (**Shortfall Offer**).

The Shortfall Offer will be a separate offer made pursuant to the Offer Document. The issue price of the Shortfall Shares will be A\$0.22 each, being the same price as the New Shares being offered under the Entitlement Offer.

Offer Document

The Company will lodge the Offer Document with ASX on Monday, 21 May 2018, and it is available on the ASX website at www.asx.com.au and also on the Company's website at www.paringaresources.com. The Company expects to dispatch the Offer Document to shareholders of the Company on or about Thursday, 24 May 2018. The Offer Document will provide further details of the Entitlement Offer and the Shortfall Offer in detail.

If you have any queries in relation to the Entitlement Offer or the Shortfall Offer, please do not hesitate to contact the Company Secretary of Paringa, Gregory Swan, on 61 8 9322 6322.

On behalf of the Board, we thank you for your continued support of the Company.

Yours faithfully



Gregory Swan
Company Secretary

Important Notices

This notice is issued by Paringa Resources Limited. This notice is not a prospectus or offering document under Australian law or under any other law. It is for information purposes only and does not constitute an offer, invitation or recommendation to subscribe for, retain or purchase any securities in Paringa in any jurisdiction. This letter does not constitute financial product advice and does not and will not form part of any contract for the acquisition of Paringa ordinary shares.

This letter does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or any other country. No action has been or will be taken to register, qualify or otherwise permit a public offering of the New Shares in any jurisdiction outside Australia or New Zealand. In particular, the New Shares have not been, and will not be, registered under the U.S. Securities Act of 1933 or the securities laws of any state or other jurisdiction of the United States. Accordingly, the New Shares may not be offered or sold to persons in the United States except in a transaction exempt from, or not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws.

Because of legal restrictions, you must not send copies of this letter or any material in relation to the Entitlement Offer to any person outside Australia or New Zealand. Failure to comply with these restrictions may result in violations of applicable securities law.

The provision of this document is not, and should not be considered as, a securities recommendation or financial product advice. The information in this document is general information only, and does not take into account your individual objectives, taxation position, financial situation or needs. Before acting on the information, you should consider the appropriateness of the information, having regard to your objectives, taxation position, financial situation or needs. If you are unsure of your position, please contact your stockbroker, accountant, taxation adviser, financial adviser or other professional adviser.