

JUNE 2018 QUARTERLY REPORT

Paringa Resources Limited ("Paringa" or "Company") (ASX: PNL) is pleased to present its quarterly report for the period ending June 30, 2018.

Highlights during, and subsequent to, the quarter include:

- Completion of Poplar Grove's coal handling and preparation plant ("CHPP") structural steel erection and installation of all process equipment;
- Completion of concrete pouring for the thickener on July 18th, with pouring of concrete floors in the plant continuing throughout August;
- Completion of pilot holes for the intake and return shafts at Poplar Grove, having intersected the projected depths on June 2nd and June 12th respectively;
- Completion of reaming of the intake shaft on July 16th with lining of the shaft completed on July 23rd;
- The Poplar Grove decline reached 768 feet of 1,495 feet total decline length as at July 17th;
- After challenging ground and water conditions in the early part of construction, the decline advance rate increased due to better ground conditions, improved productivity and moving to full shots. The current forecast has the intersection of first coal in late November;
- A copy of the latest Poplar Grove Mine construction update video is now available on the Company's website and at the following link: <https://youtu.be/P7c--bnRifo>
- Executed formal documentation with Macquarie Bank Limited to provide a two tranche US\$21.7 million secured Project Loan Facility ("PLF");
- Paringa remains on track to satisfy all conditions precedent to the PLF and expects to drawdown the PLF as required over the remainder of 2018;
- Executed a secured financing package with Komatsu to finance the purchase of mining equipment for the Poplar Grove Mine;
- Advanced negotiations with one of the largest electric utilities in the U.S. for a new two-year sales contract, which is expected to be executed in the coming weeks;
- This new sales agreement will satisfy the additional coal sales condition precedent for drawdown of the second tranche of the PLF;
- The majority of Poplar Grove's 2018 and 2019 production offtake is contracted with LG&E and KU, with future coal sales contracts focused on delivery from 2020 onwards;
- Completed an institutional placement and entitlement offer to raise A\$30.2 million before costs; and
- Market conditions continue to improve in the Illinois Coal Basin ("ILB"). During the first half of 2018 there was a significant increase in pricing in coal markets, with ILB prices up by ~12% and the Q1 2019 API2 Futures index up ~20% during the quarter.

For further information contact:

Todd Hannigan

Interim Chief Executive Officer

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CONSTRUCTION PROGRESS AT POPLAR GROVE

Construction at the Poplar Grove Mine is progressing well, with development of the decline to intersect first coal remaining the critical path activity.

Coal Handling and Preparation Plant & Materials Handling

Structural steel erection in the coal handling and preparation plant (“CHPP”) is now complete and all process equipment is installed.

Concrete pouring for the thickener was complete on July 18th, with pouring of concrete floors in the plant ongoing through August.

Electrical work remains on schedule, with the 12 kV electrical circuit feeding the CHPP energized on July 11th, and electrical works forecast to be complete during August.

Water balance and commissioning of the CHPP is on target for October.

Work on the Materials Handling system progressed throughout the quarter with the installation of the steel structure for the Run-Of-Mine (“ROM”) Reclaim, Plant Feed and Clean Coal Collecting conveyors. Erection of the clean coal radial stacker was completed.

Work in the coming months will be focused on the commencement of commissioning activities, including staffing the plant and initial water balance testing, leading to processing of first coal.



Figure 1: CHPP viewed through the ROM reclaim conveyor at Poplar Grove

River Dock

Progress at the river dock is on schedule, with concrete work for the shore anchors scheduled for completion by end of July. Progress to refurbish the work barge continues at the vendor's facility in Henderson, Kentucky.

Delivery of the work barge is scheduled for August once work to install the conveyors is underway.

Activities ahead will be focused on the erection and completion of conveyor systems, with commissioning scheduled for November in anticipation of first coal.

Shafts & Ventilation

Shaft pilot holes for the intake and return shafts were completed during the quarter. Reaming of the intake shaft was completed on July 16th with lining of the shaft completed on July 23rd.

Reaming of the return shaft is scheduled to commence in late July with projected completion of both shafts targeted for late August.

Going forward, work will be focused on completing fabrication and installation of the ventilation fan, with targeted commissioning in November.



Figure 2: Drilling the shaft pilot holes at Poplar Grove

Decline

Progression of the decline excavation reached 768 feet of 1,495 feet as of July 17th.

As forecast, ground conditions in the decline were initially weak and were coupled with high water ingress. The mining contractor utilized shorter rounds to ensure safe mining activities.

Once the decline moved past the initial poor ground conditions, the contractor saw improved productivity and was able to move to full shots. The current forecast has the intersection of first coal in late November.

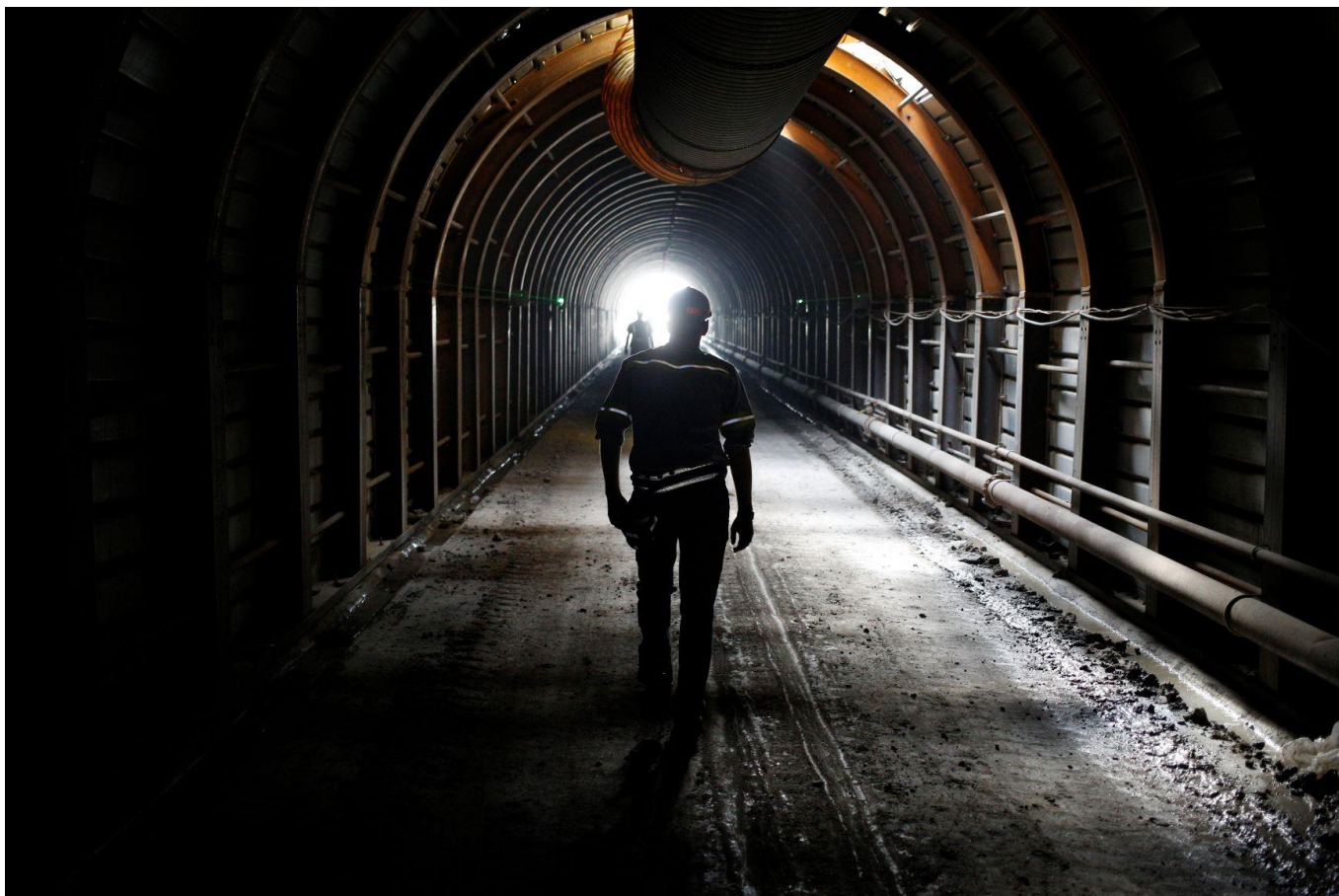


Figure 3: Decline development continues at Poplar Grove

Other

Excavation and site development work for the levee construction and the plant and refuse area was completed in early-July.

Site development work is ongoing and is expected to be completed in August, with backfilling of the slope box cut scheduled to commence shortly thereafter.

Paringa strengthened its on-site team with the addition of an Engineering Manager and Mine Superintendent, initially focused on successful delivery of the decline. Both employees are highly experienced professionals in coal developments and operations, having previously been employed by Peabody Energy and Alliance Resource Partners, two of the largest coal companies in the U.S.

COAL SALES AGREEMENTS

LG&E and KU

Paringa has a cornerstone coal sales contract with LG&E and KU, one of the biggest fuel buyers within the Ohio River, to sell 4,750,000 tons of its product from 2018 to 2022.

Additional Coal Sales Contract

The Company is in advanced negotiations with one of the largest electric utilities in the U.S. for a new two-year sales contract.

The Company expects the agreement to be executed in the coming weeks, which in turn will satisfy the additional coal sales condition precedent for drawdown of the US\$6.7 million second tranche of the PLF.

COAL MARKET UPDATE

Market conditions continue to improve in the Illinois Coal Basin. During the first half of 2018 there was a significant increase in pricing in coal markets, with Illinois Coal Basin prices up by ~12% and the Q1 2019 API2 Futures index up ~20% during the quarter.

The significant increase in international demand and pricing has led to a shift in coal sales from domestic consumption to export, with less coal available domestically in the U.S. Additionally, above average summer temperatures in the U.S. have reduced domestic stockpiles above forecast.

Data released for May 2018 saw a 540 Kt reduction in power generation coal stockpiles. Stockpiles typically increase from April to May, and only three other times in the past 27 years has utility inventories declined during this period. The May 2018 decrease in stockpiles is evidence that total stockpiles continue to erode, highlighting the potential for a shortage in supply in H2 2018 and beyond.

Power generation coal stocks now stand at 128.4 Mt, the lowest level for the end of May since 2005 and the lowest in terms of days of supply since 2011. Further, working gas in underground storage is below average, and is approaching the 5 year minimum threshold.



Figure 4: Q1 2019 API2 Rotterdam Coal Futures (US\$/t)¹

¹ Intercontinental Exchange <https://www.theice.com/products/243/API2-Rotterdam-Coal-Futures/specs>

It is clearly apparent that as Paringa moves closer to first coal, the local utility market's appetite in partnering with the Company for a secure source of supply is steadily increasing.

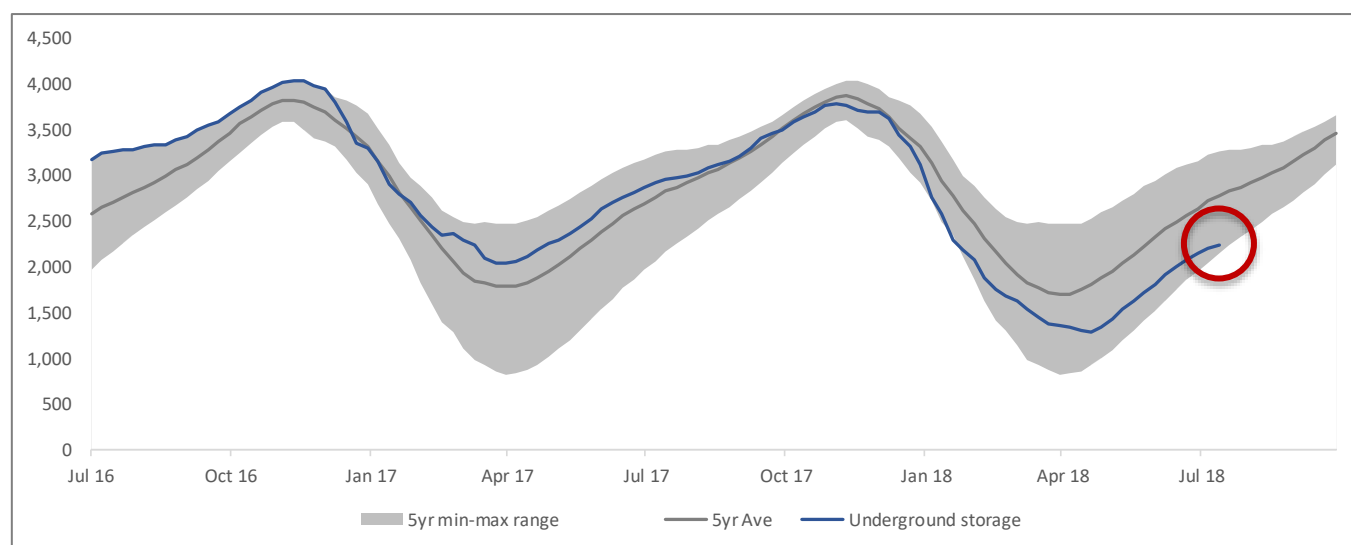


Figure 5: Working gas in underground storage compared with the 5-year maximum and minimum (bcf)²

CORPORATE

Capital Raising

During the quarter, the Company completed an institutional placement and entitlement offer of 137.4 million ordinary shares at A\$0.22 each to raise A\$30.2 million before costs. Argonaut acted as Lead Manager, Bookrunner and Underwriter to the Placement.

Debt Facility

During the quarter, the Company executed formal documentation with Macquarie Bank Limited to provide a two tranche US\$21.7 million secured Project Loan Facility.

Drawdown of the PLF is conditional on a number of conditions precedent, including execution of certain tripartite agreements, compliance with certain financial covenants, no material adverse change with respect to Paringa, and drawdown of the second tranche of US\$6.7 million is also conditional on execution of an additional coal sales contract for specified amounts before October 31, 2018. The Company remains on track to satisfy all conditions precedent and expects to drawdown the PLF in instalments as required over the remainder of 2018.

Equipment Financing

During the quarter, the Company executed a secured financing package for mining equipment at the Poplar Grove Mine with Komatsu (and its subsidiary Joy Underground Mining) to finance the purchase of equipment, funding the majority of the upfront capital costs for the key mining and ancillary equipment.

Improved lease rates were negotiated by agreeing to provide upfront deposits, representing approximately 10% of the equipment cost. In addition, the Company will enter into a Life Cycle Management Agreement with Komatsu and Joy to maintain and repair the equipment, including rebuilds.

² U.S. Energy Information Administration <http://ir.eia.gov/ngs/ngs.html>

BUCK CREEK COAL LEASES

At the end of the quarter, Paringa controlled approximately 40,751 gross acres (16,491 ha) of coal leases in Kentucky, United States, which comprise the Buck Creek Mining Complex. The area is controlled by Paringa through approximately 300 individual coal leases with private mineral owners.

During the quarter, Paringa directly leased approximately 87 additional gross acres (35 ha) of coal from individual mineral owners at the Buck Creek Mining Complex.

ABOUT BUCK CREEK COMPLEX

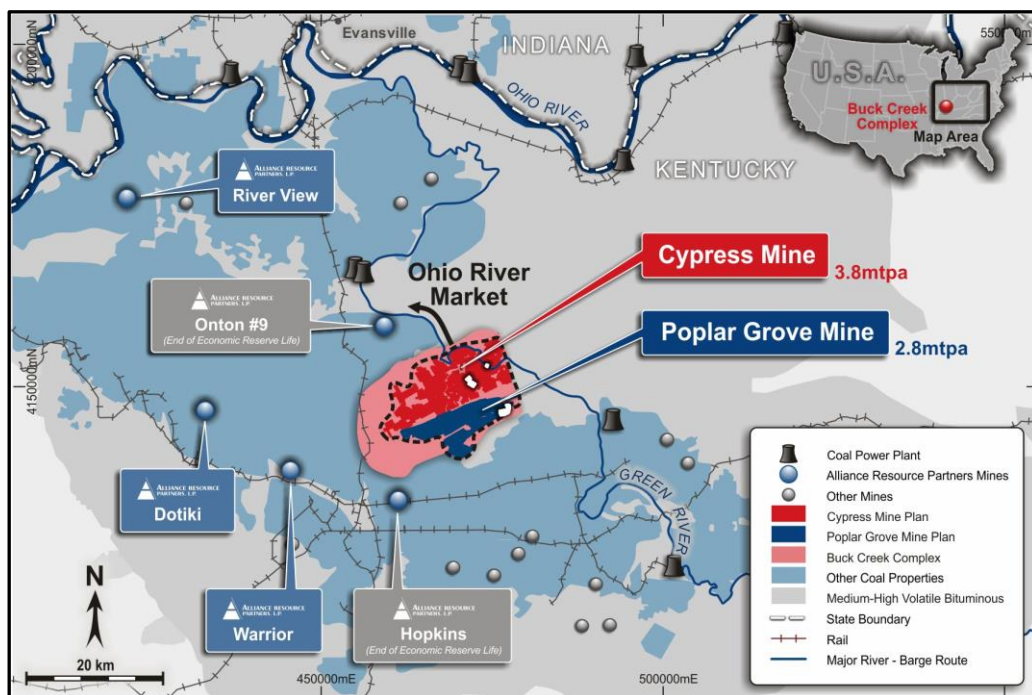
Paringa Resources Limited is an emerging U.S. energy provider developing the high margin, low capex Buck Creek Mine Complex ("Buck Creek Complex") located in the growing Illinois Coal Basin ("ILB").

The Buck Creek Complex includes two fully permitted thermal coal mines: (1) the Poplar Grove Mine with planned production of 2.8 million tons per annum ("Mtpa"); and (2) the Cypress Mine with planned production of 3.8 Mtpa.

Construction is well underway at the Poplar Grove Mine, with first coal expected to be produced during Q4 2018. The Group's objective is to become the next major Illinois Coal Basin producer by developing low capital and operating cost mines located near low cost river transportation in the ILB.

Once the Poplar Grove Mine is constructed, the Group has the potential to make low risk, low cost mine developments to grow its coal production to 6.6 Mtpa and beyond. The Group 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 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.



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

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, Production Targets, Mining, Coal Preparation, Infrastructure, and Cost Estimation was extracted from Paringa's ASX announcements dated May 17, 2018 entitled 'Equity Raising Investor Presentation', 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.

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")

June 30, 2018

Consolidated statement of cash flows	Current quarter US\$000	Year to date (12 months) US\$000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	-	(15)
(b) development	-	-
(c) production	-	-
(d) staff costs	(758)	(2,903)
(e) administration and corporate costs	(267)	(1,569)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	30	342
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)	-	-
1.9 Net cash from / (used in) operating activities	(995)	(4,145)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(8,383)	(23,929)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	(482)	(1,763)

Consolidated statement of cash flows		Current quarter US\$000	Year to date (12 months) US\$000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material):		
	(a) deferred consideration	-	(3,750)
2.6	Net cash from / (used in) investing activities	(8,865)	(29,442)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	22,678	22,678
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	120
3.4	Transaction costs related to issues of shares, convertible notes or options	(1,372)	(1,410)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	21,306	21,388

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	11,161	34,802
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(995)	(4,145)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(8,865)	(29,442)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	21,306	21,388

Consolidated statement of cash flows		Current quarter US\$000	Year to date (12 months) US\$000
4.5	Effect of movement in exchange rates on cash held	16	20
4.6	Cash and cash equivalents at end of period	22,623	22,623

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 US\$000	Previous quarter US\$000
5.1	Bank balances	22,623	11,161
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	22,623	11,161

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
US\$000**

255

-

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
US\$000**

-

-

Not applicable.

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end US\$000	Amount drawn at quarter end US\$000
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.		

* In May 2018, the Company signed a facility agreement with Macquarie Bank Limited to provide a two-tranche US\$21.7 million secured Project Loan Facility ("PLF"). 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% pa margin for the remainder of the loan, plus usual undertakings and events of default for a facility of this nature. The PLF is repayable by December 2022. Drawdown of the PLF is subject to satisfaction of a number of conditions precedent and the Company expects to drawdown the PLF during the second half of 2018.

9. Estimated cash outflows for next quarter	US\$000
9.1 Exploration and evaluation	-
9.2 Development	-
9.3 Production	-
9.4 Staff costs	(800)
9.5 Administration and corporate costs	(300)
9.6 Other (provide details if material): (a) project capital expenditure	(14,500)
9.7 Total estimated cash outflows	(15,600)

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
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% (40,664 acres)	100% (40,751 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: July 26, 2018

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.