

## DECEMBER 2018 QUARTERLY REPORT

**Paringa Resources Limited (“Paringa” or “Company”) (NASDAQ: PNRL, ASX: PNL)** is pleased to present its quarterly report for the period ending December 31, 2018.

Highlights during, and subsequent to, the quarter include:

### ***Coal Sales Contracts***

- The Company signed two additional sales contracts for 2,050,000 tons of coal from 2019 to 2023 with major local utilities.
- The signing of the contracts highlights the strong appetite from customers to seek an independent source of supply in a regional market where up to 90% of coal is produced by two companies.
- In January 2019, Paringa executed a coal sales agreement with Big Rivers Electric Corporation (“BREC”) to sell up to 1,400,000 tons of coal from 2019 to 2023.
- BREC operates two major local coal fired power stations, the Robert D Green and D.B. Wilson plants, located in very close proximity to Paringa on the Green River.
- In October 2018, the Company executed a coal sales agreement with Ohio Valley Electric Corp. and Indiana-Kentucky Electric Corp. (“OVEC-IKEC”) to sell 650,000 tons of coal from 2019 to 2020.
- OVEC-IKEC’s largest shareholder is American Electric Power (“AEP”), one of the largest electric utilities in the United States.
- The Company is making final preparations with its cornerstone customer, LG&E and KU, one of the biggest fuel buyers within the Ohio River market, to ship on its 4,750,000-ton sales contract.
- The sales agreement with BREC takes Paringa’s total 5-year contracted sales position to 6,800,000 tons.

### ***Commencing initial mining operations at Poplar Grove***

- The Polar Grove slope has reached its final length, allowing bottom development and construction of the mine turnout. Access to the coal seam has enabled the Company’s construction contractor to commence initial mining operations and bottom development.
- The coal handling and preparation plant (“CHPP”) was successfully operated to test equipment and control functionality.
- Final exterior cladding of the CHPP is complete and the plant is ready to receive coal produced from the mine.
- Other materials handling infrastructure at the mine and CHPP has been commissioned and is operational, with run of mine material from the slope being transferred to the CHPP via conveyor.
- The Ainsworth dock on the Green River is structurally complete with only punch list work remaining before it can receive coal processed by the CHPP.
- The mine & plant bathhouses, warehouses, workshops and office buildings are complete, with Paringa staff currently transitioning to these facilities.
- Hiring events held to recruit employees were highly effective, drawing over 250 experienced local applicants.

### ***Interception of the Kentucky Number 9 coal seam with the Poplar Grove slope***

- On December 19, the Company intercepted the West Kentucky #9 (WK #9) coal seam with the Poplar Grove primary transportation slope. The slope has now reached its final length of 1,479 feet.
- Interception of the coal seam by the Poplar Grove slope was one of the final construction milestones which will lead to the commercial production of coal.
- Access to the coal seam has enabled the Company's construction contractor to commence initial mining operations and bottom development.

### ***Appointment of U.S. based Chief Executive Officer & Managing Director***

- The Company appointed Mr. Egan Antill as Chief Executive Officer & Managing Director, effective from December 12, 2018.
- Mr. Antill studied Engineering at the University of Queensland and early in his career worked for Mount Isa Mines Ltd and Caterpillar of Australia Ltd.
- He then completed an MBA at Yale University and spent the next 20 years on Wall Street where he raised capital for and provided strategic advice to global Metals and Mining companies.
- Mr. Antill's focus will be on delivering the mine ramp-up and unlocking shareholder value.

### ***Nasdaq listing***

- In October 2018, the Company announced that its ADRs were approved for listing on Nasdaq and trading has commenced in the U.S. under the ticker symbol "PNRL".
- The Company's ordinary shares will continue to trade on the Australian Stock Exchange under the symbol "PNL".

### ***Next Quarter***

The key milestones for the next quarter include:

- Delivery of first processed coal to customers.
- Production of processed coal and commencement of barge operations from the Ainsworth Dock.
- Ramp-up of the CHPP and materials handling infrastructure.
- Transition of mining from contractor-led to company-run operations.

For further information contact:

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## CONSTRUCTION PROGRESS AT POPLAR GROVE

### ***CHPP and surface infrastructure***

Throughout the quarter, the plant was operated in order to test equipment and control functionality, with all testing successfully completed. Final exterior cladding of the CHPP is complete and the plant is ready to receive coal produced from the mine.



***Figure 1: Processing equipment inside the Poplar Gove CHPP***

Other materials handling infrastructure at the mine and CHPP is operational, with run of mine material from the slope portal being transferred to the CHPP via conveyor. Progress on the construction of the slope conveyor drive continues and will be complete prior to installation of the underground portion of the system.

### ***Mine Ventilation System***

The intake (downcast) and return (upcast) ventilation shafts were completed during the quarter, allowing for the installation and commissioning of the main mine fan and emergency escape hoist.

### ***River dock***

The Ainsworth dock on the Green River is structurally complete, with only punch list work remaining before it can receive coal processed by the CHPP. All mobile equipment required for operation of the dock has been delivered and is on site. Additionally, Paringa's trucking contractor has taken delivery of a fleet of new coal trucks that will transport processed coal from the CHPP to the Ainsworth dock.

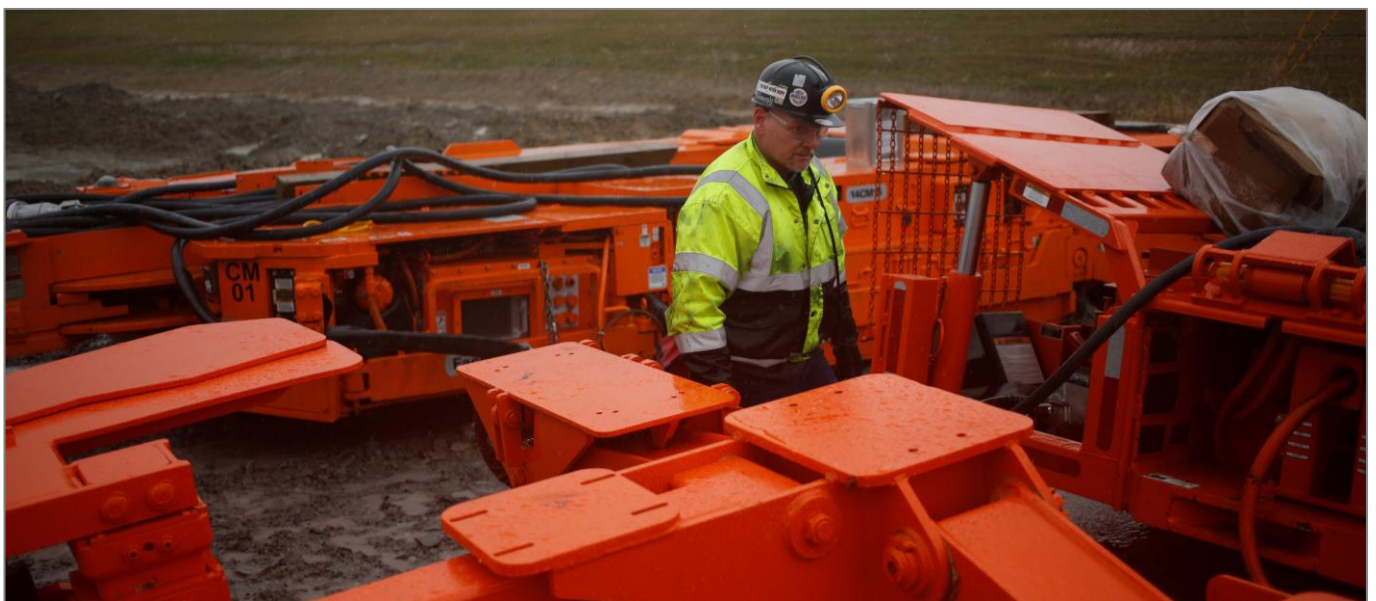




*Figure 2: Ainsworth dock, work barge and tugboat*

### ***Mining equipment***

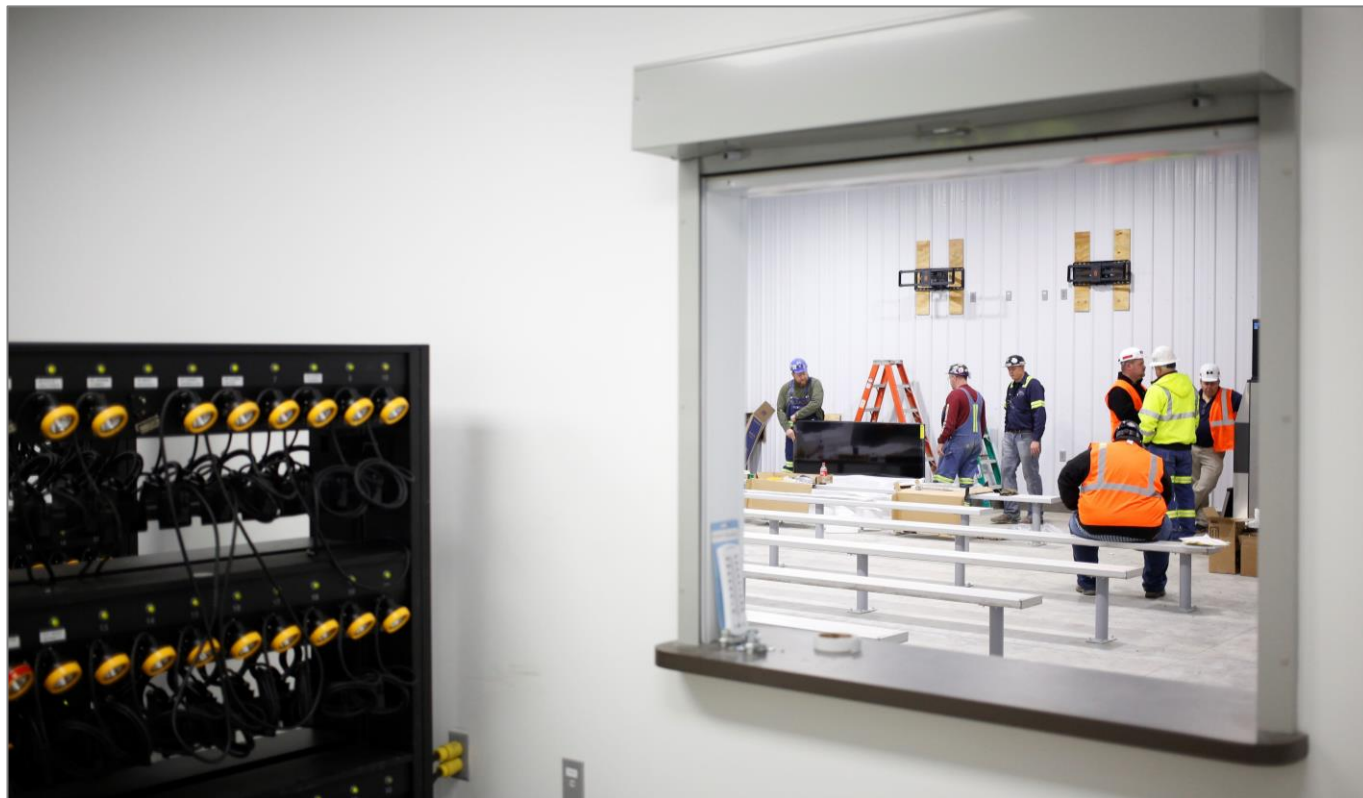
Mining at Poplar Grove will initially consist of two super-section units (“Units”), each operating two continuous miners, two roof bolters, four battery coal haulers, two battery utility scoops, and one feeder / breaker. In addition, various support equipment will be utilized to transport employees and supplies, perform construction work and maintain the mine. The Company has taken delivery of all equipment necessary for initial mining from Komatsu Mining (formerly Joy Global) and other suppliers.



*Figure 3: Paringa’s Mine Foreman inspects newly delivered mining machinery*

### ***Support Facilities***

The mine & plant bathhouses, warehouses, workshops and office buildings are complete, with Paringa staff currently transitioning to these facilities.



***Figure 4: Paringa mining employees and personal protective equipment rack at the bathhouse***

### ***Hiring and Staffing***

During the quarter, Paringa hosted hiring events to recruit employees to staff the Poplar Grove Mine and Preparation Plant. These events were highly effective, drawing over 250 experienced local applicants. Hiring and training of the hourly workforce is underway.

Paringa also filled several key roles in operations, safety, and management during the quarter. New employees have many years of experience in Illinois Basin coal mining and join the Paringa team from companies such as Alliance Coal and Murray Energy.

### **INTERCEPTION OF THE KENTUCKY NUMBER 9 COAL SEAM WITH THE POPLAR GROVE SLOPE**

On December 19, the Company intercepted the West Kentucky #9 (WK #9) coal seam with the Poplar Grove primary transportation slope. The slope has now reached its final length of 1,479 feet. Interception of the coal seam by the Poplar Grove slope is one of the final construction milestones leading to the commercial production of coal.

Over the coming weeks, Paringa's slope contractor will mine within the WK #9 coal seam to connect the slope and the previously-completed return (upcast) ventilation shaft. Once the slope contractor completes the connection to the return shaft, Paringa's mining equipment and labor will be mobilized to mine to the completed intake (downcast) shaft, allowing the main mine fan to be started and the permanent ventilation



system to be established. These activities will produce coal which will be processed at the CHPP and sold to customers.



**Figure 5: Underground mining activities at Poplar Grove**

Completion of the slope project was delayed due to the slope contractor being unable to achieve budgeted production because of various equipment downtime and operational issues. As the slope project is a fixed price contract, the cost for these delays will not increase the cost of slope construction.

Additionally, the U.S. Mine Safety & Health Administration (MSHA) has recently required changes to the ventilation scheme in the Company's underground development plan, delaying the installation and commissioning of the slope conveyor.

The delays caused by the contractor and the MSHA changes will set the final completion of the slope and bottom development back by an estimated six to eight weeks. The delays have been communicated to Paringa's cornerstone customer, LG&E and KU. The Company's sales contract with LG&E and KU is in good standing, with the parties having recently signed an amendment to extend the dates for key contract milestones.

## **CORPORATE**

### ***Additional Coal Sales Contracts***

In January 2019, the Company signed a sales agreement with Big Rivers Electric Corporation ("BREC") for coal sales from its Poplar Grove Mine, totaling up to 1,400,000 tons of coal from 2019 to 2023.

The Poplar Grove Mine's direct barge access to the Green and Ohio River systems provides a significant transportation cost advantage over many other coal operations in the region, with BREC's R.D. Green and D.B. Wilson plants located in very close proximity to Paringa on the Green River.

In October 2018, the Company executed a coal sales agreement with Ohio Valley Electric Corp. and Indiana-Kentucky Electric Corp. ("OVEC-IKEC") to sell 650,000 tons of coal from 2019 to 2020.

OVEC-IKEC's largest shareholder is American Electric Power ("AEP"), one of the largest electric utilities in the United States. The contract satisfied the additional coal sales condition precedent for drawdown of the US\$6.7 million second tranche of the Macquarie Project Loan Facility.

The Company already 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 coal from 2019 to 2023. The Company's sales contract with LG&E and KU is in good standing, with the parties recently signing an amendment to extend the dates for key contract milestones.

## BUCK CREEK COAL LEASES

At the end of the quarter, Paringa controlled approximately 40,875 gross acres (16,542 hectares) of coal leases in Kentucky, United States, which comprise the Buck Creek Mining Complex. The area is controlled by Paringa through approximately 340 individual coal leases with private mineral owners.

During the quarter, Paringa directly leased approximately 90 additional gross acres (36 hectares) of coal from individual mineral owners at the Buck Creek Mining Complex.

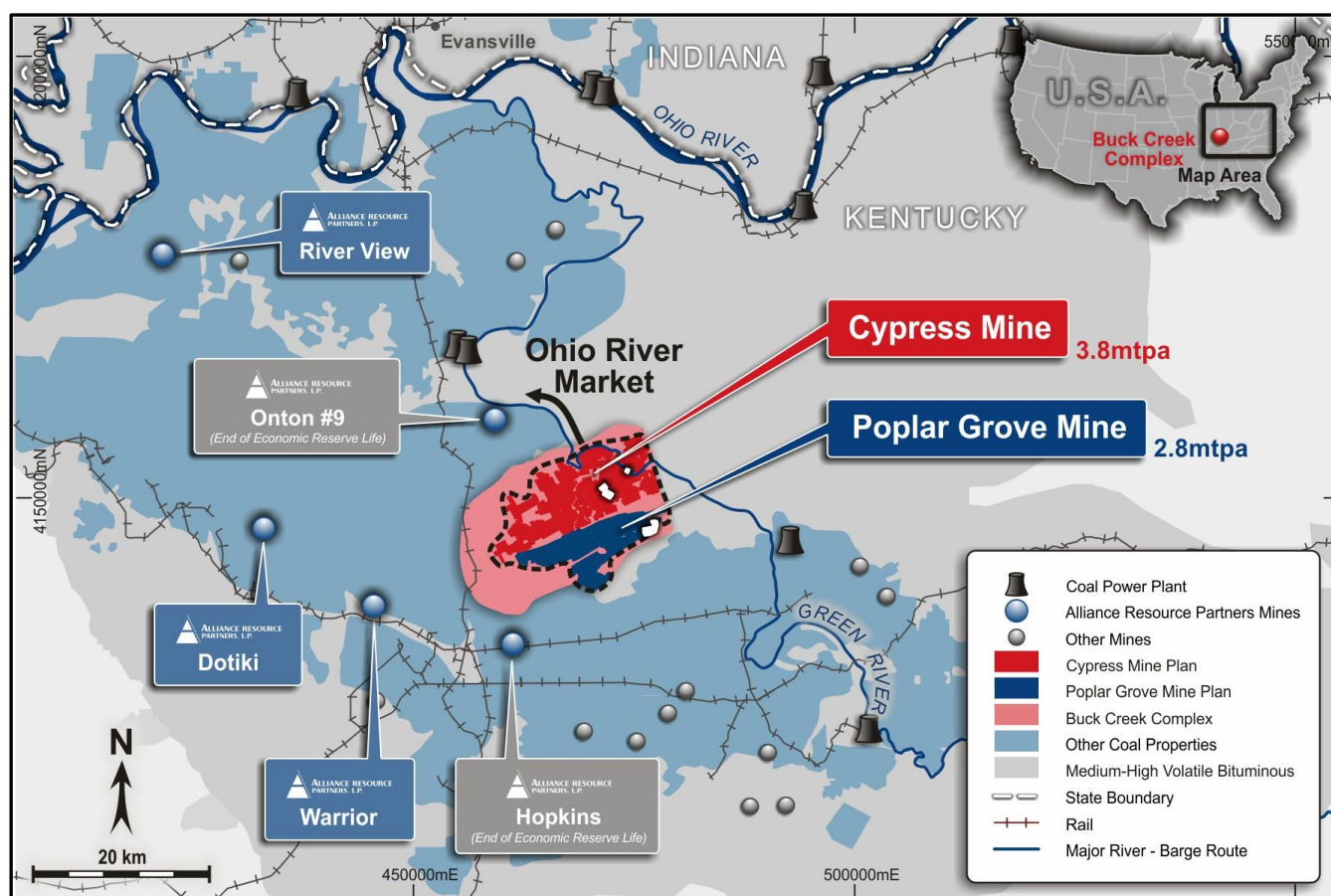


Figure 6: Map of Buck Creek Complex and Local Mining Operations in Western Kentucky (Illinois Basin)

## **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, Mining, Coal Preparation, Infrastructure, Production Targets 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](http://www.paringaresources.com).

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 announcement 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")

December 31, 2018

| Consolidated statement of cash flows                      | Current quarter<br>US\$000 | Year to date<br>(6 months)<br>US\$000 |
|---|----------------------------|---------------------------------------|
| <b>1. Cash flows from operating activities</b>            |                            |                                       |
| 1.1 Receipts from customers                               |                            |                                       |
| 1.2 Payments for  |                            |                                       |
| (a) exploration & evaluation                              | -                          | -                                     |
| (b) development   | -                          | -                                     |
| (c) production  | -                          | -                                     |
| (d) staff costs   | (821)                      | (1,677)                               |
| (e) administration and corporate costs                    | (553)                      | (1,090)                               |
| 1.3 Dividends received (see note 3)                       | -                          | -                                     |
| 1.4 Interest received                                     | 88                         | 163                                   |
| 1.5 Interest and other costs of finance paid              | (110)                      | (110)                                 |
| 1.6 Income taxes paid                                     | -                          | -                                     |
| 1.7 Research and development refunds                      | -                          | -                                     |
| 1.8 Other (provide details if material)                   | -                          | -                                     |
| <b>1.9 Net cash from / (used in) operating activities</b> | <b>(1,396)</b>             | <b>(2,714)</b>                        |

|  |          |          |
|--|----------|----------|
| <b>2. Cash flows from investing activities</b> |          |          |
| 2.1 Payments to acquire:                       |          |          |
| (a) property, plant and equipment              | (11,152) | (21,422) |
| (b) tenements (see item 10)                    | -        | -        |
| (c) investments                                | -        | -        |
| (d) other non-current assets                   | (71)     | (159)    |

| <b>Consolidated statement of cash flows</b> |   | <b>Current quarter<br/>US\$000</b> | <b>Year to date<br/>(6 months)<br/>US\$000</b> |
|---|---|------------------------------------|--|
| 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)                   | -                                  | -  |
| <b>2.6</b>                                  | <b>Net cash from / (used in) investing activities</b> | <b>(11,223)</b>                    | <b>(21,581)</b>                                |

|             |   |            |               |
|-------------|---|------------|---------------|
| <b>3.</b>   | <b>Cash flows from financing activities</b>                                 |            |               |
| 3.1         | Proceeds from issues of shares  | -          | -             |
| 3.2         | Proceeds from issue of convertible notes                                    | -          | -             |
| 3.3         | Proceeds from exercise of share options                                     | -          | -             |
| 3.4         | Transaction costs related to issues of shares, convertible notes or options | -          | (101)         |
| 3.5         | Proceeds from borrowings  | 421        | 15,421        |
| 3.6         | Repayment of borrowings   | (11)       | (11)          |
| 3.7         | Transaction costs related to loans and borrowings                           | (260)      | (1,647)       |
| 3.8         | Dividends paid  | -          | -             |
| 3.9         | Other (provide details if material)   | -          | -             |
| <b>3.10</b> | <b>Net cash from / (used in) financing activities</b>                       | <b>150</b> | <b>13,662</b> |

|            |  |               |               |
|------------|--|---------------|---------------|
| <b>4.</b>  | <b>Net increase / (decrease) in cash and cash equivalents for the period</b> |               |               |
| 4.1        | Cash and cash equivalents at beginning of period                             | 24,410        | 22,623        |
| 4.2        | Net cash from / (used in) operating activities (item 1.9 above)              | (1,396)       | (2,714)       |
| 4.3        | Net cash from / (used in) investing activities (item 2.6 above)              | (11,223)      | (21,581)      |
| 4.4        | Net cash from / (used in) financing activities (item 3.10 above)             | 150           | 13,662        |
| 4.5        | Effect of movement in exchange rates on cash held                            | (2)           | (51)          |
| <b>4.6</b> | <b>Cash and cash equivalents at end of period</b>                            | <b>11,939</b> | <b>11,939</b> |

| <b>5. Reconciliation of cash and cash equivalents</b><br>at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | <b>Current quarter<br/>US\$000</b> | <b>Previous quarter<br/>US\$000</b> |
|--|------------------------------------|-------------------------------------|
| 5.1 Bank balances  | 11,939                             | 24,410                              |
| 5.2 Call deposits  | -                                  | -                                   |
| 5.3 Bank overdrafts  | -                                  | -                                   |
| 5.4 Other (provide details)  | -                                  | -                                   |
| <b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>   | <b>11,939</b>                      | <b>24,410</b>                       |

**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**

(80)

-

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.



| <b>8. Financing facilities available</b><br><i>Add notes as necessary for an understanding of the position</i>   | <b>Total facility amount<br/>at quarter end<br/>US\$000</b> | <b>Amount drawn at<br/>quarter end<br/>US\$000</b> |
|--|---|--|
| 8.1 Loan facilities:   |   |  |
| Project loan facility <sup>(1)</sup>   | 21,700  | 15,000   |
| Equipment financing facility <sup>(2)</sup>  | 26,500  | 5,618  |
| 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. |   |  |

<sup>(1)</sup> In September 2018, the Company reached financial close for its US\$21.7 million Project Loan Facility ("PLF") from Macquarie Bank Limited ("Macquarie") and completed drawdown of the first US\$15.0 million tranche of the PLF, having satisfied all conditions precedent under the Facility Agreement ("Facility") to achieve financial close and drawdown the first tranche of the PLF. The funds from the second tranche are expected to be drawn during the March 2019 quarter. 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.

<sup>(2)</sup> The Company has entered into a secured financing facility with Komatsu (and its subsidiary Joy Underground Mining) to finance the purchase of up to US\$19.0 million of equipment from Komatsu for use at the Poplar Grove Mine, on instalment terms. Komatsu has also agreed to provide an additional equipment financing facility of up to US\$7.5 million for the purchase of non-Komatsu equipment. Interest rates vary for each piece of equipment, based on standard commercial rates for leased mining equipment in the United States. Improved lease rates were negotiated by agreeing to provide upfront deposits, representing approximately 10% of the equipment cost.

| <b>9. Estimated cash outflows for next quarter</b> | <b>US\$000</b>  |
|--|-----------------|
| 9.1 Exploration and evaluation                     | -               |
| 9.2 Development                                    | -               |
| 9.3 Production                                     | (1,800)         |
| 9.4 Staff costs                                    | (800)           |
| 9.5 Administration and corporate costs             | (1,100)         |
| 9.6 Other (provide details if material):           |                 |
| (a) project capital expenditure                    | (10,800)        |
| <b>9.7 Total estimated cash outflows</b>           | <b>(14,500)</b> |

| 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% (40,785 acres)              | 100% (40,875 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: January 31, 2019

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.