



PARINGA RESOURCES LIMITED

ACN 155 933 010

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## OFFER DOCUMENT

For a non-renounceable pro-rata entitlement offer of New Shares at an issue price of A\$0.05 each, on the basis of one (1) New Share for every five (5) Shares held on the Record Date (**Offer**).

This document is important and requires your immediate attention.  
It should be read in its entirety. If you do not understand its content or are in doubt as to the course you should follow, you should consult your stockbroker or other professional adviser without delay.

This Offer Document is not a prospectus. It does not contain all of the information that an investor would find in a prospectus or which may be required in order to make an informed investment decision regarding, or about the rights attaching to, the New Shares offered by this Offer Document.

The Offer opens on 29 October 2019 and closes at 5:00pm (WST time) on 8 November 2019. Valid acceptances must be received before the Offer closes.

Please read the instructions in this document and on the accompanying Entitlement and Acceptance Form regarding the acceptance of your Entitlement.

**NOT FOR RELEASE INTO THE UNITED STATES OR TO U.S. PERSONS OR IN ANY JURISDICTION  
WHERE THIS DOCUMENTATION DOES NOT COMPLY WITH THE RELEVANT REGULATIONS**

## **IMPORTANT INFORMATION**

This Offer Document is issued pursuant to section 708AA of the Corporations Act 2001 (Cth) (as modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84) for the offer of New Shares without disclosure to investors under Part 6D.2 of the Corporations Act. This Offer Document has been prepared by Paringa Resources Limited ACN 155 933 010 and was lodged with ASX on 21 October 2019. ASX takes no responsibility for the content of this Offer Document.

This Offer Document is not a prospectus and does not contain all of the information that an investor would find in a prospectus or which may be required by an investor in order to make an informed investment decision regarding, or about the rights attaching to, New Shares. Nevertheless, this Offer Document contains important information and requires your immediate attention. It should be read in its entirety. If you are in any doubt as to how to deal with this Offer Document, you should consult your professional adviser as soon as possible.

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Offer Document. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Offer.

### **Eligibility**

The Entitlement and Acceptance Form accompanying this Offer Document is important. Applications for New Shares by Eligible Shareholders can only be made on an original Entitlement and Acceptance Form, as sent with this Offer Document. If acceptance is by BPAY® there is no need to return an Entitlement and Acceptance Form. The Entitlement and Acceptance Form sets out an Eligible Shareholder's Entitlement to participate in the Offer. Please refer to the instructions in Section 2 regarding the acceptance of your Entitlement and completion of the Entitlement and Acceptance Form.

By returning an Entitlement and Acceptance Form, you acknowledge that you have received and read this Offer Document and you have acted in accordance with the terms of the Offer detailed in this Offer Document.

### **No updates to Offer Document**

The information in this Offer Document may not be complete and may be changed, modified or amended at any time by the Company, and is not intended to, and does not, constitute representations and warranties of the Company. Neither the Company, nor any other advisor of the Company intends to update this Offer Document or accepts any obligation to provide the recipient with access to information or to correct any additional information or to correct any inaccuracies that may become apparent in the Offer Document or in any other information that may be made available concerning the Company. Potential investors should conduct their own due diligence investigations regarding the Company.

### **Overseas shareholders**

Unless the Directors determine otherwise, the Offer is not being extended, and New Shares will not be issued, to Shareholders with a registered address which is outside Australia or New Zealand. It is not practicable for the Company to comply with the securities laws of overseas jurisdictions (other than those mentioned above) having regard to the number of overseas Shareholders, the number and value of New Shares those Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction.

No action has been taken to permit the offer of New Shares under this Offer Document in any jurisdiction other than Australia or New Zealand. The distribution of this Offer Document in jurisdictions outside Australia or New Zealand may be restricted by law and therefore persons outside of Australia or New Zealand and into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities laws. Applications from Shareholders with a registered address in a jurisdiction other than Australia or New Zealand will not be accepted.

This Offer Document does not constitute an offer of New Shares in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Offer Document.

## **Notice to nominees and custodians**

Shareholders resident in Australia or New Zealand holding Shares on behalf of persons who are resident in other jurisdictions are responsible for ensuring that taking up any New Shares does not breach regulations in the relevant jurisdiction. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

## **Speculative investment**

An investment in New Shares should be considered highly speculative. Refer to Section 3 for details of the key risks applicable to an investment in the Company.

Persons wishing to apply for New Shares should read this Offer Document in its entirety in order to make an informed assessment of the assets and liabilities, financial position and performance, profits and losses and prospects of the Company and the rights and liabilities attaching to New Shares.

This Offer Document does not take into account the investment objectives, financial or taxation or particular needs of any Applicant. Before making any investment in the Company, each Applicant should consider whether such an investment is appropriate to his/her particular needs, their individual risk profile for speculative investments, investment objectives and individual financial circumstances. If persons considering applying for New Shares have any questions, they should consult their stockbroker, solicitor, accountant or other professional adviser.

There is no guarantee that New Shares will make a return on the capital invested, that dividends will be paid on the New Shares or that there will be an increase in the value of the New Shares in the future.

## **Privacy**

The Company collects information about each Applicant provided on an Entitlement and Acceptance Form for the purposes of processing the Application and, if the Application is successful, to administer the Applicant's security holding in the Company.

By submitting an Entitlement and Acceptance Form, each Applicant agrees that the Company may use the information provided by an Applicant on the Entitlement and Acceptance Form for the purposes detailed in this Offer Document and may disclose it for those purposes to the Share Registry, the Company's related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory authorities.

If you do not provide the information required on the Entitlement and Acceptance Form, the Company may not be able to accept or process your Application. An Applicant has a right to gain access to the information that the Company holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to the Company's registered office.

## **Website**

No document or information included in the Company's website is incorporated by reference into this Offer Document.

## **Currency**

All financial amounts contained in this Offer Document are expressed as Australian dollars unless otherwise stated.

## **Rounding**

Any discrepancies between totals and sums and components in tables contained in this Offer Document are due to rounding.

## **Glossary**

Defined terms and abbreviations used in this Offer Document are detailed in the glossary of terms in Section 5.

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## 1. Details of the Offer

### 1.1 The Offer

The Company is making a non-renounceable pro-rata entitlement offer of New Shares at an issue price of A\$0.05 each, on the basis of one (1) New Share for every five (5) Shares held on the Record Date, in accordance with section 708AA of the Corporations Act, to raise approximately A\$5.1 million (before costs) (**Offer**).

The key purpose of the Offer is to assist with funding the development of the Company's Poplar Grove Mine and for general working capital purposes. The Company also aims to satisfy the US\$5.0 million equity raising (after costs) condition in respect of the Proposed Royalty Financing and Proposed Term Loan Amendment by conducting the Offer.

The Offer is fully underwritten by Argonaut Capital Limited. Refer to Section 1.9 for further details.

As at the Record Date, the Company expects to have on issue approximately 505.8 million Shares, approximately 42.2 million Options and 15.7 million Performance Rights. Approximately 101.2 million New Shares will be issued under the Offer (assuming no Options are exercised or Performance Rights are converted before the Record Date and the Underwriter places the Shortfall Shares pursuant to the Underwriting Agreement). If all of the existing Options and Performance Rights are exercised or converted before the Record Date, a total of 112.7 million New Shares will be issued under the Offer.

Where the determination of the Entitlement of any Eligible Shareholder results in a fraction of a New Share, such fraction will be rounded up to the nearest whole New Share.

All of the New Shares will rank equally with the Shares on issue at the date of this Offer Document. Refer to Section 4 for a summary of the rights attaching to New Shares.

This Offer Document is also for the offer of the Shortfall Shares to Eligible Shareholders. Refer to Section 1.7 for further information and details of the Shortfall Offer.

### 1.2 Previous Offer

On 21 October 2019, the Company advised that the retail component of its previously announced 1 for 4 pro-rata accelerated non-renounceable entitlement offer at an issue price of A\$0.07 per share (**Previous Offer**) had lapsed. The Company did not accept any applications received under the retail component of the Previous Offer and all application monies received will be refunded.

The institutional component of the Company's previously announced 1 for 4 pro-rata accelerated non-renounceable entitlement offer (**Institutional Entitlement Offer**) was completed on 20 September 2019 and raised approximately A\$3.1 million. Institutions who accepted the Institutional Entitlement Offer will be issued an additional 2 new shares for every 5 shares subscribed for under the Institutional Entitlement Offer, for no further consideration, to reflect the revised pricing of the New Offer (**Top Up Shares**). The Top Up Shares will be issued ex-entitlement.

### 1.3 Proposed Timetable

Event	Date
Lodgement of Offer Document & Appendix 3B with ASX	Monday, 21 October 2019
Notice of Offer sent to Optionholders	Monday, 21 October 2019
Notice of Offer sent to Shareholders	Wednesday, 23 October 2019

Event	Date
Shares quoted on an "Ex" basis	Thursday, 24 October 2019
Record Date (at 5:00pm WST)	Friday, 25 October 2019
Offer Document and Entitlement and Acceptance Form despatched to Eligible Shareholders	Tuesday, 29 October 2019
Opening Date of Offer	Tuesday, 29 October 2019
Last day to extend the Closing Date*	Tuesday, 5 November 2019
Closing Date of Offer (at 5:00pm WST)	Friday, 8 November 2019
Securities quoted on a deferred settlement basis	Monday, 11 November 2019
Notification of Shortfall	Tuesday, 12 November 2019
Anticipated date for issue of the New Shares and deferred settlement trading ends	Thursday, 14 November 2019
Anticipated date for dispatch of holding statements	Friday, 15 November 2019

This timetable is indicative only and subject to change.

\* Subject to the Listing Rules, the Directors (subject to the agreement of the Underwriter) reserve the right to extend the Closing Date for the Offer. Any extension will have a consequential effect on the anticipated date of issue for the New Shares.

## 1.4 Use of funds

If the conditions to the Proposed Royalty Financing are satisfied and complete, and assuming that no Options or Performance Rights are exercised or converted prior to the Record Date (and the Underwriter places the Shortfall Shares pursuant to the Underwriting Agreement), the Company expects to have the following source of funds available:

Source of Funds	US\$ <sup>(3)</sup>	A\$ <sup>(3)</sup>
Entitlement Offer <sup>(1)</sup>	US\$3.5 million	A\$5.1 million
Previous Institutional Entitlement Offer	US\$2.1 million	A\$3.1 million
Proposed Royalty Financing <sup>(2)</sup>	US\$9.0 million	A\$13.0 million
Cash balance (1 September 2019)	US\$5.4 million	A\$7.8 million
<b>Total</b>	<b>US\$20.0 million</b>	<b>A\$29.0 million</b>

<sup>(1)</sup> Assumes the Offer and Shortfall Offer are fully subscribed.

<sup>(2)</sup> Assumes the conditions to the Proposed Royalty Financing are satisfied and the Proposed Royalty Financing is completed. Refer to ASX announcement dated 18 September 2019 for further details on the terms of the Proposed Royalty Financing.

<sup>(3)</sup> Assumes an AUD:USD exchange rate of 0.69.

The Company intends to apply the total funds of US\$20.0 million (refer to source of funds table above), as follows:

Description <sup>(1)</sup>	US\$ <sup>(2)</sup>	A\$ <sup>(2)</sup>
Poplar Grove Mine capital expenditures	US\$5.7 million	A\$8.2 million
Working capital and Poplar Grove Mine operating expenditures	US\$5.5 million	A\$8.1 million
Interest and transaction costs <sup>(3)</sup>	US\$3.5 million	A\$5.1 million
Minimum cash balance	US\$5.0 million	A\$7.2 million
Estimated costs of the Offer <sup>(4)</sup>	US\$0.3 million	A\$0.4 million
<b>Total</b>	<b>US\$20.0 million</b>	<b>A\$29.0 million</b>

Notes:

(1) 1 October 2019 to 31 January 2020.

(2) Assumes an AUD:USD exchange rate of 0.69.

(3) Transaction costs associated with the Proposed Royalty Financing and Proposed Term Loan Amendment.

(4) Comprising ASX fees, legal costs, underwriting fee, printing and share registry costs.

The above statements in respect of use of funds are statements of the Board's intentions as at the date of this Offer Document. The allocation of funds may change depending on a number of factors, including the outcome of operational and development activities, regulatory developments, market and general economic conditions and environmental factors. In light of this, the Board reserves the right to alter the way the funds are applied.

## 1.5 Capital structure on completion of the Offer

	Number of Shares	Number of Options	Number of Performance Rights
Balance at the date of this Offer Document	505,826,021	42,188,888 <sup>(1)(3)(4)</sup>	15,695,000 <sup>(2)(4)</sup>
To be issued to institutional investors who participated in the Previous Offer (Top Up Shares)	17,829,936	Nil	Nil
To be issued under the Offer <sup>(5)</sup>	101,165,205	Nil	Nil
<b>Balance after the Offer</b>	<b>624,821,162<sup>(6)</sup></b>	<b>42,188,888</b>	<b>15,695,000</b>

Notes:

(1) Comprising:

- (i) 575,000 unquoted options exercisable at A\$0.60 on or before 31 December 2023;
- (ii) 575,000 unquoted options exercisable at A\$0.50 on or before 31 December 2023;
- (iii) 575,000 unquoted options exercisable at A\$0.40 on or before 31 December 2023;
- (iv) 575,000 unquoted options exercisable at A\$0.30 on or before 31 December 2023;
- (v) 4,444,444 unquoted options exercisable at A\$0.66 on or before 5 April 2021;
- (vi) 4,444,444 unquoted options exercisable at A\$0.34 on or before 10 September 2022;
- (vii) 18,000,000 unquoted options exercisable at A\$0.20 on or before 30 April 2023;
- (viii) 7,000,000 unquoted options exercisable at A\$0.20 on or before 12 September 2023; and
- (ix) 6,000,000 unquoted options exercisable at A\$0.33 on or before 30 June 2021.

(2) Comprising:

- (i) 4,635,000 unquoted performance rights subject to the First Coal Production Milestone and expiring on 31 December 2019;
- (ii) 5,560,000 unquoted performance rights subject to the Nameplate Production Milestone and expiring on 31 December 2020;
- (iii) 2,500,000 unquoted performance rights subject to the 1.7 Mtpa Coal Production Milestone and expiring on 31 December 2020; and
- (iv) 3,000,000 unquoted performance rights subject to the 2.7 Mtpa Coal Production Milestone and expiring on 31 December 2021.

(3) Not including 30,000,000 unquoted options with an exercise price of A\$0.06 and 30,000,000 unquoted options with an exercise price of A\$0.07 which the Company may issue to lenders, and not adjusted for the 25,000,000 unquoted options previously issued to lenders which may be cancelled, if the Proposed Term Loan Amendment described in the ASX announcement dated 18 September 2019 proceeds, subject to shareholder approval and applicable ASX waivers being obtained.

- (4) Not including 2,000,000 unquoted options exercisable at A\$0.06 on or before 31 December 2021, 3,000,000 unquoted options exercisable at A\$0.07 on or before 31 December 2021, 750,000 unquoted performance rights subject to the 1.7 Mtpa Coal Production Milestone and expiring on 31 December 2021, 1,250,000 unquoted performance rights subject to the 2.7 Mtpa Coal Production Milestone and expiring on 31 December 2022, to be issued to the Company's new operations executive, Mr. Jim Middleton, as part of his remuneration arrangements.
- (5) Subject to rounding. Assumes no Shares are issued pursuant to the exercise of options or vesting of the performance rights.
- (6) A royalty financing fee equal to 3% of the value of the Proposed Royalty Financing (described in ASX announcement dated 18 September 2019) will be payable in Shares to Argonaut Capital Limited at an issue price equal to A\$0.05 upon the Royalty Financing completing. The above table does not include these Shares.

## 1.6 Entitlements and acceptance

The Entitlement of Eligible Shareholders to participate in the Offer is determined on the Record Date and is shown on the Entitlement and Acceptance Form accompanying this Offer Document.

Acceptance of a completed Entitlement and Acceptance Form by the Company creates a legally binding contract between the Applicant and the Company for the number of New Shares accepted by the Company. The Entitlement and Acceptance Form does not need to be signed to be a binding acceptance of New Shares.

If the Entitlement and Acceptance Form is not completed correctly it may still be treated as valid. The Directors' decision as to whether to treat the acceptance as valid and how to construe, amend or complete the Entitlement and Acceptance Form is final.

## 1.7 Shortfall Offer

Any New Shares under the Offer that are not applied for will form the Shortfall Shares. The offer to issue Shortfall Shares is a separate offer under the Offer Document (**Shortfall Offer**).

Under this Offer Document, the Company offers to issue the Shortfall Shares to investors at A\$0.05 each, being the same price as the New Shares being offered under the Offer.

The Shortfall Offer is currently scheduled to close on the Closing Date but the Directors (subject to the agreement of the Underwriter) reserve the right to extend the date that the Shortfall Offer closes by up to three months after the closing date of the Offer, without prior notice.

An Application for Shortfall Shares accompanied by payment of Application Monies does not guarantee the allotment of any Shortfall Shares. The Shortfall Shares will be allocated within three months after the Closing Date.

## 1.8 Shortfall Allocation Policy

Unless otherwise agreed between the Company and the Underwriter, if there is a Shortfall, the Company will allocate Shortfall Shares according to the following priority:

- (a) Shortfall Shares may be allocated to any Eligible Shareholder who has applied for Shortfall Shares under the Shortfall Offer. If there is an oversubscription for Shortfall Shares, the Company will scale back allocations of Shortfall Shares to Eligible Shareholders at the Board's sole and absolute discretion;
- (b) if following the allocation in paragraph (a), there remains a Shortfall, those unallocated Shortfall Shares may be allocated to any Shortfall Applicant who has applied for Shortfall Shares under the Shortfall Offer. If there is an oversubscription for Shortfall Shares, the Company will scale back allocations of Shortfall Shares to Shortfall Applicants, at the Board's sole discretion; and
- (c) if following the allocation in paragraph (b), there remains a Shortfall, those unallocated Shortfall Shares will then be allocated to the Underwriter in



accordance with the Underwriting Agreement. The Underwriter intends to allocate these Shortfall Shares to various sub-underwriters.

Shortfall Shares will not be offered or issued to any Applicant if, in the view of the Directors and the Underwriter, to do so would increase that Applicant's voting power in the Company above 19.9% or otherwise result in a breach of the Listing Rules, the Corporations Act or any other applicable law.

## 1.9 Underwriting Agreement

The Offer is fully underwritten by Argonaut Capital Limited (**Underwriter**). The Underwriter has agreed to underwrite any offer shares not applied for by eligible shareholders under the Offer (**Shortfall Shares**).

The Company has agreed to pay the Underwriter an underwriting fee of 5% on the total amount to be offered under the Offer.

The Company and the Underwriter have provided various representations, warranties and undertakings in connection with (amongst other things) the conduct of the Offer.

Subject to certain exceptions, the Company has agreed to indemnify the Underwriter, its affiliates and related bodies corporate and their respective directors, officers, partners and employees (each an **Indemnified Party**) from and against all losses directly or indirectly suffered or claims made against an Indemnified Party arising out of or in connection with the Offer or the associated documentation.

The Underwriter may terminate its underwriting obligations upon the occurrence of certain termination events, which are customary in nature. These termination events are as follows (described in summary form only):

- (a) any of the documentation associated with the Offer contains a material omission or a statement that is, or becomes, misleading or deceptive;
- (b) the Company becomes required to give and does not give a correcting notice under the Corporations Act;
- (c) the Company is prevented from issuing New Shares in accordance with the timetable detailed in this Offer Document by ASIC, ASX or any court or government agency;
- (d) the term sheet entered into with Tribeca Global Resources Credit Pty Limited on or about 18 September 2019 associated with the Proposed Royalty Financing and Proposed Term Loan Amendment is terminated or a condition of the term sheet becomes incapable of satisfaction and is not waived, or the Underwriter takes the view, acting reasonably, that the Proposed Royalty Financing is not capable of completion;
- (e) the Takeovers Panel makes a declaration of unacceptable circumstances in relation to the affairs of the Company;
- (f) the S&P / ASX All Ordinaries Index or S&P / ASX Small Resources Index fall more than 10% from the date of the Underwriting Agreement over a period of three continuous business days;
- (g) a director of the Company or a related entity is charged with an indictable offence; or

- (h) the Company or a related entity takes any steps to undertake a return of capital or to pass a resolution in relation to financial assistance without the prior written consent of the Underwriter.

The Underwriter may also terminate its underwriting obligations on the occurrence of certain customary termination events if it has reasonable grounds to believe, and does believe that the event has or is likely to have a materially adverse effect on the success of the Offer, or has given or could reasonably be expected to give rise to a contravention by, or a liability of the Underwriter. These termination events are as follows (described in summary form only):

- (a) the Company's bankers terminating or amending the terms of any existing facility to the Company's detriment or claiming repayment or accelerated repayment of any facility or requiring additional security for any existing facility;
- (b) there is a change in law which does or is likely to prohibit, restrict or regulate the business of the Company, the Offer or the operation of stock markets generally;
- (c) the Company or a related entity fails to comply with the Listing Rules, the Corporations Act or any other applicable law in relation to the Offer;
- (d) the Company alters its capital structure or its Constitution without the prior written consent of the Underwriter;
- (e) there is an outbreak of hostilities or a material escalation of hostilities (whether war has been declared or not) after the date of the Underwriting Agreement involving any one or more of Australia, Japan, Russia, the United Kingdom, the United States of America or the People's Republic of China, other than hostilities involving Afghanistan or Iraq, any country bordering Afghanistan or Iraq or any Arab country (being a country the majority of whose inhabitants are of Arab ethnicity);
- (f) a force majeure, which prevents or delays an obligation under the Underwriting Agreement, lasts in excess of 2 weeks;
- (g) the Company is in material default or materially breaches any warranty or covenant given or made by it under the Underwriting Agreement;
- (h) an adverse change occurs which materially impacts or is likely to impact the assets, operational or financial position of the Company or a related entity;
- (i) any person is appointed under any legislation in respect of companies to investigate the affairs of the Company or a related entity in respect of the Offer;
- (j) there is a material omission from the results of the due diligence investigation performed in respect of the Offer or the results of the investigation or the verification material are false or misleading;
- (k) a prescribed occurrence occurs, other than as contemplated by the Underwriting Agreement or with the Underwriter's consent (not to be unreasonably withheld or delayed);
- (l) the Company becomes insolvent or suspends payment of its debts generally; or
- (m) a judgment in an amount exceeding A\$200,000 is obtained against the Company or a related entity and is not set aside or satisfied within 7 days.

## 1.10 Dilution and effect on the control of the Company

Shareholders should note that if they do not participate in the Offer, their holdings are likely to be diluted by approximately 19% (as compared to their holdings and number of Shares on issue as at the date of this Offer Document). Examples of how the dilution may impact Shareholders are detailed in the table below:

Holder	Shareholding as at Record Date	% at Record Date	Entitlements under the Offer	Shareholdings if Offer not taken up	% post Offer <sup>(1)</sup>
Example Shareholder 1	20,000,000	3.95%	4,000,000	20,000,000	3.20%
Example Shareholder 2	10,000,000	1.98%	2,000,000	10,000,000	1.60%
Example Shareholder 3	5,000,000	0.99%	1,000,000	5,000,000	0.80%
Example Shareholder 4	2,050,000	0.41%	500,000	2,050,000	0.33%
Example Shareholder 5	1,000,000	0.20%	200,000	1,000,000	0.16%

Notes:

- (1) The dilutionary effect shown in the table is the maximum percentage on the assumption that those Entitlements that are not accepted are placed under the Shortfall Offer. If all Entitlements are not accepted and some or the entire resulting Shortfall was not subsequently placed, the dilution effect for each Shareholder not accepting their Entitlement would be a lesser percentage.

No New Shares or Shortfall Shares will be issued to any Applicant if, in the view of the Directors, to do so would increase that Applicant's voting power in the Company above 19.9% or otherwise result in a breach of the Listing Rules, the Corporations Act or any other applicable law.

The Offer is not expected to give rise to control implications for the Company albeit that the effect of the Offer on the voting power in the Company, for the purposes of the Corporations Act, is dependent upon the number of New Shares and Shortfall Shares taken up.

## 1.11 Directors' interests and participation

The relevant interest of each Directors in the securities of the Company as at the date of this Offer Document, together with their respective Entitlements, is detailed in the table below:

Director	Shares Held	Options Held	Performance Rights Held	Entitlement (Number of New Shares)
Mr Ian Middlemas	14,015,152	-	-	2,803,030
Mr Todd Hannigan	12,111,104	-	1,750,000	2,422,221
Mr Egan Antill	-	2,300,000	5,500,000	-
Mr David Gay	3,520,292	-	2,100,000	-(2)
Mr Jonathan Hjelte	1,449,001	-	-	-(2)
Mr Richard McCormick	1,000,000	-	-	-(2)
Mr Thomas Todd	6,949,359	-	875,000	1,389,872

Notes:

- (1) Assumes no options are exercised and no performance rights vest prior to the Record Date.  
(2) Messrs David Gay, Jonathan Hjelte and Richard McCormick are Ineligible Shareholders and are therefore not entitled to participate in the Offer.

## **1.12 Minimum subscription**

There is no minimum subscription for the Offer.

## **1.13 Opening and closing dates**

The Offer opens on the Opening Date, namely Tuesday, 29 October 2019. The Company will accept Entitlement and Acceptance Forms until 5:00pm (WST time) on the Closing Date, namely Friday, 8 November 2019, or such other date as the Directors in their absolute discretion shall determine, subject to the Listing Rules.

Please note that payment made by BPAY® must be received no later than 5:00pm (WST time) on the Closing Date. It is the responsibility of all Eligible Shareholders to ensure that their BPAY® payments are received by the Company on or before the Closing Date.

## **1.14 Issue and despatch**

The expected dates for issue of New Shares offered by this Offer Document and despatch of holding statements is expected to occur on the dates specified in the timetable detailed in Section 1.2.

It is the responsibility of Applicants to determine their allocation prior to trading in the New Shares. Applicants who sell New Shares before they receive their holding statements will do so at their own risk.

## **1.15 Application Monies held on trust**

All Application Monies will be held on trust in a bank account maintained solely for the purpose of depositing Application Monies received pursuant to this Offer Document until the New Shares are issued. All Application Monies will be returned (without interest) if the New Shares are not issued.

## **1.16 ASX quotation**

Application will be made to the ASX for the official quotation of the New Shares on ASX. If the ASX does not grant quotation of the New Shares within 3 months after the date of this Offer Document (or such period as ASX allows), no New Shares will be issued and the Company will repay, as soon as practicable, without interest, all Application Monies received pursuant to the Offer.

ASX takes no responsibility for the contents of this Offer Document. The fact that ASX may grant quotation of the New Shares is not to be taken in any way as an indication of the merits of the Company or the New Shares.

## **1.17 Rights and liabilities**

The Shares offered under this Offer Document will rank equally in respect of dividends and have the same rights in all other respects (e.g. voting, bonus issues) as existing Shares.

A summary of the rights and liabilities attaching to Shares are detailed in Section 4.

## **1.18 Withdrawal**

The Directors may at any time decide to withdraw this Offer Document and the Offer, in which case, the Company will return all Application Monies (without interest) in accordance with the Corporations Act.

## 1.19 CHESS

The Company participates in the Clearing House Electronic Subregister System, known as CHESS. ASX Settlement Pty Ltd (a wholly owned subsidiary of ASX) operates CHESS in accordance with the Listing Rules and ASXS Operating Rules.

Under CHESS, Applicants will not receive a certificate but will receive a statement of their holding of New Shares.

If you are registered on the Issuer Sponsored subregister, your statement will be despatched by Computershare Investor Services Pty Limited and will contain the number of New Shares issued to you under this Offer Document and your security holder reference number.

A CHESS statement or Issuer Sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their holding changes. Shareholders may request a statement at any other time. However, there may be a charge associated with the provision of this service.

## 1.20 Overseas shareholders

Unless the Director determine otherwise, no Offer will be made to Shareholders with a registered address outside Australia or New Zealand (**Ineligible Shareholders**).

The Company is of the view that it is unreasonable to make the Offer to Shareholders outside Australia or New Zealand due to a small number of such Shareholders and the number and value of New Shares these Shareholders would be offered, the cost of complying with applicable regulations in jurisdictions outside Australia or New Zealand and the administrative burden that will place on the Company in making the Offer available to Shareholders outside Australia or New Zealand.

**This Offer Document and accompanying Entitlement and Acceptance Form do not, nor are they intended to, constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an Offer.**

Shareholders resident in Australia or New Zealand holding Shares on behalf of persons who are resident overseas are responsible for ensuring that taking up an Entitlement under the Offer does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

## 1.21 Taxation implications

The Directors do not consider it appropriate to give Shareholders advice regarding the taxation consequences of subscribing for New Shares under this Offer Document. The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Shareholders.

Shareholders should consult their professional tax adviser in connection with subscribing for New Shares under this Offer Document.

## 1.22 Risk factors

An investment in New Shares should be regarded as speculative. In addition to the general risks applicable to all investments in listed securities, there are specific risks associated with an investment in the Company which are described in Section 3.

### **1.23 Option holders and Performance Rights holders**

Option holders and Performance Rights holders are not entitled to participate in the Offer, unless they exercise their Options or their Performance Rights convert and they are registered as the holder of the resulting Shares by the Record Date and they are not Ineligible Shareholders.

### **1.24 Notice to nominees and custodians**

The Offer is being made to all Eligible Shareholders. Nominees and custodians with registered addresses in the eligible jurisdictions may also be able to participate in the Offer in respect of some or all of the beneficiaries on whose behalf they hold Shares, provided that the applicable beneficiary would satisfy the criteria for an Eligible Shareholder.

Nominees and custodians which hold Shares as nominees or custodians will have received, or will shortly receive, a letter from the Company. Nominees and custodians should consider carefully the contents of that letter and note in particular that the Offer is not available to:

- (a) beneficiaries on whose behalf they hold Shares who would not satisfy the criteria for an Eligible Shareholder; and
- (b) persons in the United States or persons acting for the account or benefit of persons in the United States (to the extent such person holds Shares for the account or benefit of such person in the United States).

Due to legal restrictions, nominees and custodians may not send copies of this Offer Document or accept the Offer on behalf of any person in the United States or other jurisdiction outside Australia or New Zealand.

The Company is not required to determine whether or not any registered Shareholder is acting as a nominee or custodian or the identity or residence of any beneficial owners of Shares. Persons acting as nominees or custodians for other persons must not take up Entitlements on behalf of, or send any documents related to the Offer to, any persons outside Australia and New Zealand.

Nominees and custodians may not distribute any part of this Offer Document or the Entitlement and Acceptance Form in any other country outside Australia and New Zealand without the consent of the Company, taking into consideration applicable securities laws.

### **1.25 Continuous disclosure obligations**

The Company is a "disclosing entity" (as defined in section 111AC of the Corporations Act) for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX and, as such, the Company is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules.

Specifically, the Company is required to notify ASX of information about specific events and matters as they arise for the purposes of ASX making that information available to the securities markets conducted by the ASX. In particular, the Company has an obligation under the Listing Rules (subject to certain exceptions) to notify the ASX immediately of any information of which it is or becomes aware which a reasonable person would expect to have a material effect on the price or value of its securities.

This Offer Document is intended to be read in conjunction with the publicly available information in relation to the Company, which has been notified to ASX, and does not include information that would be included in a disclosure document or which investors ought to have regard to in deciding whether to subscribe for New Shares under the Offer.

Investors should therefore have regard to the other publically available information in relation to the Company before making a decision whether or not to invest.

All announcements made by the Company are available from its website [www.paringaresources.com](http://www.paringaresources.com) or the ASX website [www.asx.com.au](http://www.asx.com.au).

Additionally, the Company is required to prepare and lodge with ASIC yearly and half-yearly financial statements accompanied by a directors' statement and report, and an audit report or review. These reports are released to ASX and published on the Company's and ASX websites.

This Offer Document (including the Entitlement and Acceptance Form) and the contracts that arise from the acceptance of the Applications are governed by the laws applicable in Western Australia and each applicant submits to the non-exclusive jurisdiction of the courts of Western Australia.

## **1.26 Cleansing notice**

The Company has lodged with ASX a notice in accordance with section 708AA of the Corporations Act. This notice may be reviewed on the websites of the Company and ASX.

## **1.27 Enquiries concerning Offer Document**

Any questions in relation to this Offer Document should be directed to the Company Secretary by telephone on +61 (0)8 9322 6322.

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# **2. Action Required by Shareholders**

## **2.1 What Eligible Shareholders may do**

Your entitlement to participate in the Offer will be determined on the Record Date. The number of New Shares to which Eligible Shareholders are entitled to is shown on the personalised Entitlement and Acceptance Form. Eligible Shareholders may:

- (a) accept all of their Entitlement (refer to Section 2.2);
- (b) accept all of their Entitlement and apply for New Shares in excess of their Entitlement by applying for Shortfall Shares (refer to Section 2.3);
- (c) accept a proportion of their Entitlement and allow a balance to lapse (refer to Section 2.4);
- (d) not take up their Entitlement (refer to Section 2.5).

## **2.2 Acceptance of ALL of your Entitlement under the Offer**

If you wish to accept your Entitlement in full, you should complete the Entitlement and Acceptance Form in accordance with the instructions set out on the form and submit your acceptance either electronically by BPAY® or together with a cheque by mail to reach the Share Registry prior to the Closing Date. Please read the instructions carefully.

### **Payment by cheque**

Completed Entitlement and Acceptance Forms must be accompanied by a cheque in Australian dollars, crossed "Not Negotiable" and made payable to "Paringa Resources Limited" and be lodged at any time after the Opening Date, and on or before the Closing Date, at the Share Registry (by post) at:

**By Post:**

Computershare Investor Services Pty Limited  
GPO Box 505  
Melbourne VIC 3001  
Australia

**Payment by BPAY®**

Alternatively, Entitlements may be accepted electronically using BPAY®, in which case you are not required to return the Entitlement and Acceptance Form. You can simply make payment for the total number of New Shares accepted by using the Biller Code and the personalised Reference Number set out in your Entitlement and Acceptance Form. You must ensure that acceptance and payment by BPAY® is received no later than 5:00pm (WST time) on 8 November 2019.

Instructions for making payment by BPAY® are set out in your Entitlement and Acceptance Form. You should be aware that your own financial institution may impose earlier cut-off times with regards to electronic payments and you should therefore take this into consideration when making payment.

**2.3 Acceptance of ALL of your entitlement and applying for Shortfall Shares**

If you wish to accept your Entitlement in full and apply for New Shares in excess of your Entitlement by applying for Shortfall Shares, you should complete the Entitlement and Acceptance Form in accordance with the instructions contained in this Offer Document and detailed on the Entitlement and Acceptance Form, including the number of New Shares you wish to accept under the Offer and apply for under the Shortfall Offer and the total Application Monies (calculated at \$0.05 per New Share accepted under the Offer and applied for under the Shortfall Offer). Please read the instructions carefully.

**Payment by cheque**

Completed Entitlement and Acceptance Forms must be accompanied by a cheque in Australian dollars, crossed "Not Negotiable" and made payable to "Paringa Resources Limited" and be lodged at any time after the Opening Date, and on or before the Closing Date, at the Share Registry (by post) at the address listed in Section 2.2.

**Payment by BPAY®**

Alternatively, Entitlements may be accepted electronically using BPAY®, in which case you are not required to return the Entitlement and Acceptance Form. You can simply make payment for the total number of New Shares accepted by using the Biller Code and the personalised Reference Number set out in your Entitlement and Acceptance Form. You must ensure that acceptance and payment by BPAY® is received no later than 5:00pm (WST time) on 8 November 2019.

Instructions for making payment by BPAY® are set out in your Entitlement and Acceptance Form. You should be aware that your own financial institution may impose earlier cut-off times with regards to electronic payments and you should therefore take this into consideration when making payment.

**2.4 Acceptance of PART of your Entitlement and allowing the balance to lapse**

Should you wish to only take up part of your Entitlement, then applications for New Shares under this Offer Document must be made on the Entitlement and Acceptance Form which accompanies this Offer Document, in accordance with the instructions referred to in this Offer Document and on the Entitlement and Acceptance Form. Please read the instructions carefully.



Complete the Entitlement and Acceptance Form by filling in the details in the spaces provided, including the number of New Shares you wish to accept and the Application Monies (calculated at A\$0.05 per New Share accepted).

### **Payment by cheque**

Completed Entitlement and Acceptance Forms must be accompanied by a cheque in Australian dollars, crossed "Not Negotiable" and made payable to "Paringa Resources Limited" and be lodged at any time after the Opening Date, and on or before the Closing Date at the Share Registry (by post) at the address listed in Section 2.2.

### **Payment by BPAY®**

Alternatively, Entitlements may be accepted electronically using BPAY®, in which case you are not required to return the Entitlement and Acceptance Form. You can simply make payment for the total number of New Shares accepted by using the Biller Code and the personalised Reference Number set out in your Entitlement and Acceptance Form. You must ensure that acceptance and payment by BPAY® is received no later than 5:00pm (WST time) on 8 November 2019.

Instructions for making payment by BPAY® are set out in your Entitlement and Acceptance Form. You should be aware that your own financial institution may impose earlier cut-off times with regards to electronic payments and you should therefore take this into consideration when making payment.

If you take no further action, the balance of your Entitlement will lapse and you will have forfeited any potential benefit to be gained from taking up or selling that part of your Entitlement.

## **2.5 Entitlement not taken up**

If you take no action you will not be allocated New Shares and your Entitlement will lapse. Your Entitlement to participate in the Offer is non-renounceable and will not be tradeable or otherwise transferable. If you do not wish to accept any of your Entitlement under the Offer, you are not obliged to do anything. You will receive no benefit or New Shares and your Entitlement under the Offer will become Shortfall Shares.

The number of Shares you hold and the rights attached to those Shares will not be affected should you choose not to accept any of your Entitlement, however your percentage holding in the Company will be diluted.

## **2.6 Representations by Applicants**

By completing and returning an Entitlement and Acceptance Form or paying any Application Monies by BPAY®, in addition to the representations set out elsewhere in this Offer Document and the Entitlement and Acceptance Form, you:

- (a) if participating in the Offer, represent to the Company that you are an Eligible Shareholder;
- (b) acknowledge that you have received a copy of this Offer Document and an Entitlement and Acceptance Form, and read them both in their entirety;
- (c) agree to be bound by the terms of the Offer, the provisions of this Offer Document and the Constitution;
- (d) authorise the Company to register you as the holder(s) of the New Shares allotted to you;

- (e) declare that all details and statements in the Entitlement and Acceptance Form are complete and accurate;
- (f) declare that you are over 18 years of age and have full legal capacity and power to perform all your rights and obligations under the Entitlement and Acceptance Form;
- (g) acknowledge that once the Entitlement and Acceptance Form is returned, or a BPAY® payment instruction is given in relation to any Application Monies, the Application may not be varied or withdrawn except as required by law;
- (h) agree to accept and be issued up to the number of New Shares specified in the Entitlement and Acceptance Form at the issue price of A\$0.05 per New Share;
- (i) authorise the Company and its respective officers or agents to do anything on your behalf necessary for the New Shares to be issued to you, including to act on instructions of the Share Registry upon using the contact details set out in the Entitlement and Acceptance Form;
- (j) if participating in the Offer, declare that you were the registered holder at 5:00pm (WST time) on the Record Date of the Shares indicated on your personalised Entitlement and Acceptance Form as being held by you at 5:00pm (WST time) on the Record Date;
- (k) acknowledge the statement of risks in Section 3 and that an investment in the Company is subject to risk;
- (l) represent and warrant that the law of any place does not prohibit you from being given this Offer Document and the Entitlement and Acceptance Form, nor does it prohibit you from accepting New Shares and that if you participate in the Offer, that you are eligible to do so; and
- (m) represent and warrant that you are not in the United States and you are not acting for the account or benefit of a person in the United States.

## **2.7 Brokerage**

No brokerage or stamp duty is payable by Eligible Shareholders who accept their Entitlement.

## **2.8 Enquiries concerning your Entitlement**

If you have any queries concerning your Entitlement, please contact the Company Secretary, Gregory Swan, on +61 8 9322 6322.

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# **3. Risk Factors**

There are a number of factors, both specific to the Company and of a general nature, which may, either individually or in combination, affect the future operation, exploration, development and financial performance and/or financial position of the Company, its prospects, and/or the value of the Shares. Many of the circumstances giving rise to these risks are beyond the control of the Company, the Directors or its management.

Set out below are the areas the Directors regard as the major risks associated with an investment in the Company. However, the following is not an exhaustive list or explanation of all risks that prospective investors may face when making an investment in the Company and should be used as guidance only. These risks and uncertainties are not the only ones facing the Company.

The order in which risks are presented is not necessarily an indication of the likelihood of the risks actually materialising, of the potential significance of the risks or of the scope of any potential harm to the Company's business operations, prospects, financial condition and operational results.

Additional risks and uncertainties relating to the Company that are not currently known to the Company, or that the Company currently deems immaterial, may individually or cumulatively also have a material adverse effect on the Company's business operations, prospects, financial condition and operational results.

If any such risks should occur, the price of the Shares may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Company is suitable for them in the light of their personal circumstances. There may also be additional risks (including financial and taxation risks) that you should consider in light of your own personal circumstances.

### **3.1 Risks specific to the Company, the Offer and the Shortfall Offer**

#### **(a) Proposed Tribeca Term Loan Amendment and Proposed Royalty Financing conditional and not definitively agreed**

The Company has entered into a term sheet with Tribeca in respect of the Proposed Royalty Financing and Proposed Term Loan Amendment. The term sheet has been approved by Tribeca's investment committee but remains conditional and subject to the Company raising US\$5 million in equity (net of costs) (**Capital Raising Condition**), legal and tax due diligence by Tribeca, confirmation that the royalty can be granted, and completion of formal documentation. The ability to satisfy conditions is outside the control of the Company. If any of these conditions are not satisfied the Proposed Term Loan Amendment and Proposed Royalty Financing will not proceed unless otherwise agreed by Tribeca.

The Company is seeking to satisfy the Capital Raising Condition by conducting the Offer. If the Company does not raise sufficient funds to be able to satisfy the Capital Raising Condition the Company will not be able to satisfy the Capital Raising Condition unless it can successfully take other steps to raise the remaining capital.

Subject to becoming effective, the Proposed Royalty Financing and Proposed Term Loan Amendment will ensure that the events of default caused by the previously announced termination of the Company's supply agreement with Big Rivers Electric Corporation ("BREC") on 17 July 2019 and the funding gap issues arising from the slower than expected ramp-up of the Poplar Grove Mine are cured.

If the Proposed Royalty Financing and Proposed Term Loan Amendment do not proceed, then the Company will need to negotiate an extension or waiver with Tribeca and/or raise additional capital to avoid an event of default under the TLF. Events of default entitle Tribeca and the Company's other financiers to exercise certain remedies, including acceleration of repayment of borrowings or the enforcement of security interests over the Company's assets. In such event there is a risk that the Company would become insolvent, unless the Company was able to raise additional funds through equity or debt financing or disposal of assets.

#### **(b) Production Risk**

The Company is currently in the process of ramping-up the Poplar Grove Mine and does not expect to reach free cash flow until February 2020. The Company

may encounter unexpected difficulties, including shortages of materials or delays in delivery of materials, unexpected operational events, facility or equipment malfunctions or breakdowns, unusual or unexpected adverse geological conditions, cost overruns, regulatory issues, adverse weather conditions and other catastrophes, such as explosions, fires, floods and accidents, increases in the level of labor costs and the existence of any labor disputes, and adverse local or general economic or infrastructure conditions. In addition, there will be operating losses which need to be funded as the Poplar Grove Mine undergoes commissioning and ramps-up to full production. The development of the Company's properties involves numerous regulatory, environmental, political and legal uncertainties which are beyond the Company's control and that may cause delays in, or increased costs associated with, their completion. Accordingly, the Company may not be able to complete the development of the Poplar Grove Mine on schedule, at the budgeted cost or at all, and any delays beyond the expected development periods or increased costs above those expected to be incurred could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows and ability to pay dividends to Shareholders.

(c) **Commodity prices**

The value of the Company's assets may be affected by fluctuations in commodity prices and exchange rates, such as the USD denominated Illinois Basin thermal coal prices and the AUD / USD exchange rate.

These prices can fluctuate, and are affected by numerous factors beyond the control of the Company. These factors include weather patterns, demand for alternative energy sources, forward selling by producers, and production cost levels of substitute fuels (such as natural gas). Other factors include outcome of future sales contract negotiations, industrial production levels, changes in coal demand, changes in the supply of seaborne coal, changes in international freight rates and the cost of substitutes for coal, expectations regarding inflation, the financial impact of movements in interest rates, coal price forward curves, global economic trends, confidence and conditions, and domestic and international fiscal, monetary and regulatory policy settings.

Future production from the Company's mineral properties will be dependent upon the Illinois Basin thermal coal price being sufficient to make these properties economic. If the Company achieves development success which leads to viable mining production, its financial performance will be highly dependent on the prevailing commodity prices. These factors can affect the value of the Company's assets and the supply and demand characteristics of Illinois Basin thermal coal, and may have an adverse effect on the viability of the Company's development and production activities, its ability to fund those activities and the value of its assets. The Company does not currently hedge against coal price volatility.

(d) **The Company may be adversely affected by fluctuations in foreign exchange rates**

The Company operates in the USA where the Company's capital expenditure and ongoing expenditure and sales contracts are denominated in United States Dollars. The Company currently does not engage in any hedging or derivative transactions to manage foreign exchange risk. Upon completion of the offer of New Shares, the Company intends to convert some or all of the Australian dollar proceeds raised into United States Dollars. As the Company's operations change, its directors will review this policy periodically going forward. There can be no assurance that fluctuations in foreign exchange rates will not have a material adverse effect upon the Company's financial performance and results of operations.

(e) **The Company's future performance is uncertain**

The Company has not commenced commercial production on any of its properties and does not expect the Poplar Grove mine to reach near full production capacity until the end of the 2020 calendar year and therefore does not expect to generate substantial revenue until that period. The Company has experienced losses from exploration and ramp-up operations and expects to continue to incur losses until production reaches the required level. There can be no assurance that the Company will be profitable in the future. The Company's operating expenses and capital expenditures are likely to increase in coming months as needed for consultants, personnel and equipment associated with construction, commissioning, ramp-up and commercial production of its operations. The amounts and timing of expenditures will depend on the progress of construction activities and production ramp-up.

The Company expects to continue to incur losses until such time as its properties enter into commercial production and generate sufficient revenues to fund its continuing operations.

(f) **The Company has limited operating history**

The Company has limited operating history on which it can base an evaluation of its prospects. The Company may encounter risks and difficulties experienced by companies whose performance is dependent upon newly-constructed assets, such as any one of our properties failing to perform as expected, having higher than expected operating costs, having lower than expected customer revenues, or suffering equipment breakdown, failures or operational errors. The Company may have less success in achieving a consistent operating level capable of generating cash flows from our operations as compared to a company whose major assets have longer operating histories. Despite this, members of the Company's Board of Directors and management team have considerable experience in developing and mining of coal projects both globally and within the USA.

The future success of the Company is dependent upon a number of factors, including the successful ramping-up to full production of the Poplar Grove Mine.

(g) **Title to Properties**

There are no assurances that the property title for the Company's projects are free from defects. There is no assurance that such rights and title interests will not be revoked or significantly altered to the detriment of the Company. There can be no assurances that the Company's rights and title interests will not be challenged or impugned by third parties. Defects in title could limit the Company's ability to recover coal from these properties or result in significant unanticipated costs.

The Company conducted its exploration and development activities on properties that are leased. The mine portal and coal handling and preparation plant has been constructed on land owned by the Company. However, as is standard industry practice in the USA, title to most of the Company's leased properties and mineral rights is not thoroughly verified by an attorney until a permit to mine the property is obtained and substantial construction activities have commenced, and in some cases, title is never fully verified by an attorney. Accordingly, actual or alleged defects in title or boundaries may exist, which may result in the loss of the Company's right to mine on the property or in unanticipated costs to obtain leases or mining contracts to allow the Company to conduct its mining operations on the property, which could adversely affect its business and profitability. In addition, from time to time, the rights of third parties for competing uses of

adjacent, overlying or underlying lands, such as oil and gas activity, coalbed methane, pipelines, roads, easements and public facilities, may affect the Company's ability to operate as planned if its title is not superior or arrangements cannot be negotiated.

In order to obtain, maintain or renew leases or mining contracts to conduct mining operations on property where these defects exist, the Company may in the future have to incur unanticipated costs. In addition, the Company is continuing with its leasing program to secure additional leased properties within the project area however there can be no guarantee that the Group will secure additional leasing and the Company may not be able to successfully negotiate new leases or mining contracts for properties containing additional reserves, or maintain its leasehold interests in properties where it has not commenced mining operations during the term of the lease. As a result, the Company's results of operations, business and financial condition may be materially adversely affected.

(h) **Climate change and energy conservation efforts**

Concerns associated with global climate change have resulted in, and are expected to continue to result in, decreased coal-fired plant capacity and utilization, phasing out and closing of many existing coal-fired power plants, fewer new coal-fired power plants, increased mining costs and decreased demand and prices for coal, thereby reducing the Company's revenues and adversely affecting the results of the Company's operations and the value of its coal reserves. Emissions from coal consumption and production are subject to pending and proposed regulations as part of regulatory initiatives to address global climate change. In addition certain banks and other financing sources have taken action to limit available financing for the development of new coal-fueled power plants. Future laws aimed at reducing greenhouse gas emissions could result in significant costs on many coal fired power stations, which may make them unprofitable. The Company could incur substantial additional costs to comply with new laws, regulations and policies to the extent they extend to coal mining operations.

The Company expects many of the newer power plants needed in the USA will be fueled by natural gas as they are cheaper to construct and permits to construct the are easier to obtain. Future environmental regulation of greenhouse gas emissions could accelerate the use by utilities of fuels other than coal. The ability of energy conservation technologies, public initiatives and government incentives and regulatory changes to reduce electricity consumption or to support forms of renewable energy could all adversely affect demand for and the price of coal.

(i) **Agreements for sales or off-take**

The Company has entered into coal sales agreements with Louisville Gas and Electric Company and Kentucky Utilities Company ("LG&E and KU") and Indiana-Kentucky Electric Corporation, a wholly owned subsidiary of Ohio Valley Electric Corporation ("OVEC-IKEC") for the physical delivery of coal from its projects. A third coal sales agreement with BREC was terminated on 17 July 2019. The Company may enter into additional coal sales contracts.

These contracts are generally designed to provide protection against the fluctuations in the price of coal. If the Company fails to meet its obligations in terms of product quantity, quality or timing of supply, it may face a risk that the contract is cancelled. This could have a material adverse effect upon the Company's financial performance and results of operations.

(j) **Additional agreements for sales or off-take**

To date, the Company has only entered into three sales and off-take agreements in respect of its planned coal production from its projects. These agreements were with LG&E and KU, OVEC-IKEC, and BREC (terminated on 17 July 2019).

The Company may have difficulty in finding additional off-take partners who are prepared to enter into long term off-take agreements with a party that does not have a proven production profile. If the Company is not able to negotiate such long term agreements then the expansion of the project, in particular the Cypress Mine, may be delayed or prevented.

Assuming the Company is able to secure additional sales or off-take agreements in the future, it may depend upon a small number of large customers, the loss of any of which, or inability to collect payment from, could adversely affect its results of operations and financial condition.

Furthermore, the Company's ability to receive payment for coal sold and delivered depends on the continued creditworthiness of its customers. If it is unable to collect payments from any of these customers, its financial condition and results of operations could be materially adversely affected. Should the Company be unable to find customers to purchase its produced volume, its financial results may be adversely affected.

(k) **Mineral resource and mineral reserve estimates**

The Company's mineral resources and mineral reserves are estimates. Such estimates are expressions of judgment based on drilling results, past experience with mining properties, knowledge, experience, industry practice and many other factors. Estimates which are valid when made may change substantially when new information becomes available. Mineral resource and reserve estimation is an interpretive process based on available data and interpretations and thus estimations may prove to be inaccurate.

For most new mine developments the actual quality and characteristics of mineral deposits cannot be known until mining takes place, and will almost always differ from the assumptions used to develop resources. Further, mineral reserves are valued based on future costs and future prices and consequently, the actual mineral reserves and mineral resources may differ from those estimated, which may result in either a positive or negative effect on operations. Any inaccuracy in the Company's mineral reserves and mineral resources estimates could result in lower than expected revenues, higher than expected costs, decreased profitability and asset impairments.

(l) **Mining Risks**

When compared with many industrial and commercial operations, mining and mineral processing projects are relatively high risk. Each mineral deposit is unique. The occurrence and quality of the deposit, as well as its behaviour during mining and processing can never be wholly predicted. Estimations of the tonnes, quality and overall yield of a deposit are not precise calculations but are based on interpretation and samples from drilling, which, even at close drill hole spacing, represent a very small sample of the entire orebody.

(m) **Operational risk**

The Company's development and mining activities will be subject to numerous operational risks, many of which are beyond the Company's control. The Group's production ramp-up and coal mining operations are subject to operating risks that

could impact the amount of coal produced at its coal mines, delay coal deliveries or increase the cost of mining for varying lengths of time. The Company's operations may be curtailed, delayed or cancelled as a result of factors such as adverse weather conditions, changes or variations in geologic, hydrologic or other conditions, mechanical difficulties, shortages in or increases in the costs of consumables, spare parts, plant and equipment, external services failure (such including energy and water supply), industrial disputes and action, difficulties in commissioning and operating plant and equipment, IT system failures, mining, processing and loading equipment failures and unexpected maintenance problems or plant breakdown, difficulties associated with mining under or around surface obstacles, mine safety accidents, including fires and explosions from methane and other sources, a shortage of skilled and unskilled labour and compliance with governmental requirements. Hazards incidental to the development and mining of mineral properties such as unusual or unexpected geological formations may be encountered by the Company. Industrial and environmental accidents could lead to substantial claims against the Company for injury or loss of life, and damage or destruction to property, as well as regulatory investigations, clean up responsibilities, penalties and the suspension of operations.

If any of these or other conditions or events occur in the future, they may increase the cost of mining or delay or halt production or sales to our customers, which could adversely affect our results of operations or decrease the value of our assets. The Company will endeavour to take appropriate action to mitigate these operational risks (including by ensuring legislative compliance, properly documenting arrangements with counterparties, and adopting industry best practice policies and procedures) or to insure against them, but the occurrence of any one or a combination of these events may have a material adverse effect on the Company's performance and the value of its assets. The Group has in place a framework for the management of operational risks and an insurance program which provides insurance coverage for a number of these operating risks.

(n) **Environment**

The operations and proposed activities of the Company are subject to State and Federal laws in the United States, regulations and permits concerning the environment. If such laws are breached or modified, the Company could be required to cease its operations and/or incur significant liabilities including penalties, due to past or future activities.

As with most mining operations, the Company's activities are expected to have an impact on the environment. It is the Company's intention to conduct its activities to an appropriate standard of environmental obligation, including in compliance in all material respects with relevant environmental laws. Nevertheless, there are certain risks inherent in the Company's activities which could subject the Company to extensive liability.

The Company intends to produce both higher sulfur and low sulfur coal. Significant increases in the price of emissions allowances could reduce the competitiveness of higher sulfur coal compared to low sulfur coal and possibly natural gas at power plants not equipped to reduce sulfur dioxide emissions.

The cost and complexity in complying with the applicable environmental laws and regulations may affect the viability of potential developments of the Company's projects, and consequently the value of those projects, and the value of the Company's assets.



(o) **Competition**

The mineral resource industry is competitive in all of its phases. The Company competes with other companies, including major coal mining companies. Some of these companies have greater financial and other resources than the Company and, as a result, may be in a better position to compete for sales contracts, the recruitment and retention of qualified employees, coal leases and new business opportunities. If the Company cannot compete effectively with these other companies, it may have a material adverse effect on the Company's performance.

The Company competes with numerous other coal producers in various regions of the United States for domestic and international sales. The Company also expects to compete in international markets against coal producers in other countries. International demand for U.S. coal exports also affects coal demand in the United States. This competition affects coal prices and could adversely affect the Company's to retain or attract coal customers. Increased competition from the Illinois Basin, the threat of increased production from competing mines and natural gas price declines with large basis differentials have all historically contributed to soft market conditions. In the past, high demand for coal and attractive pricing brought new investors to the coal industry, leading to the development of new mines and added production capacity. Subsequent overcapacity in the industry has contributed, and may in the future contribute, to lower coal prices.

Potential changes to international trade agreements, trade concessions, foreign currency fluctuations or other political and economic arrangements may benefit coal producers operating in countries other than the United States. The Company cannot assure you that it will be able to compete on the basis of price or other factors with companies that in the future may benefit from favorable foreign trade policies or other arrangements. Coal is sold internationally in U.S. dollars and, as a result, general economic conditions in foreign markets and changes in foreign currency exchange rates may provide international competitors with a competitive advantage. If our competitors' currencies decline against the U.S. dollar or against our overseas customers' local currencies, those competitors may be able to offer lower prices for coal to customers. Furthermore, if the currencies of our overseas customers, if any, were to significantly decline in value in comparison to the U.S. dollar, those customers may seek decreased prices for the coal the Company sells to them. Consequently, currency fluctuations could adversely affect the competitiveness of our coal in international markets, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

The most important factors on which the Company expects to compete are delivered price (i.e., the cost of coal delivered to the customer, including transportation costs, which are generally paid by our customers either directly or indirectly), coal quality characteristics, contract flexibility (e.g., volume optionality and multiple supply sources) and reliability of supply. Some competitors may have, among other things, larger financial and operating resources, lower per ton cost of production, or relationships with specific transportation providers. The competition among coal producers may impact our ability to retain or attract customers and could adversely impact our revenues and cash available for distribution. In addition, declining prices from an oversupply of coal in the market could reduce our revenues and cash available for distribution.

(p) **Foreign Operations and Government Regulation Risks**

The Company's projects are located in the USA and, as such, the operations are exposed to various levels of political, economic and other risks and uncertainties.

Changes in mining or investment policies or shifts in political attitude in the USA, changes to US legislation or government policies that affect coal mining, processing, development and mineral exploration activities, income tax laws, royalty regulations, government subsidies and environmental issues, may adversely affect the operations or profitability of the Company. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, increasingly stringent standards for carbon dioxide pollution, restrictions on production, price controls, export controls, currency remittance, income taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety.

The mining, processing and development activities of the projects are subject to various laws in the USA governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use, indigenous land claims, and other matters.

Furthermore, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development or adversely impact the Group's mineral properties. Amendments to current laws and regulations governing operations and activities of mining, including those aimed at reducing greenhouse gas emissions, or more stringent implementation thereof, could have a substantial adverse impact on the Company.

Failure to comply strictly with applicable laws, regulations and local practices relating to mineral rights applications and tenure, could result in loss, reduction or challenging of its interests. Due to the extensive regulatory requirements, violation of laws, regulations and permits may occur at our operations from time to time and may result in significant costs to us to correct the violations, as well as substantial civil or criminal penalties and limitations or shutdowns of the Company's operations.

**(q) The Company relies on key personnel**

The Company is dependent on a number of key management personnel, including the services of certain key employees and consultants. The Company's ability to manage its development and mining activities will depend in large part on the ability to retain current personnel and attract and retain new personnel, including management, technical and a skilled workforce. The loss of the services of one or more key management personnel could have a material adverse effect on the Company's ability to manage and expand the business.

It may be difficult for the Company to attract and retain suitably qualified and experienced people, given the modest size of the Company compared with other industry participants. If the Company cannot do so, this could have a material adverse effect on the Company's ability to manage and expand the business.

**(r) Health, safety and environment**

A range of health, safety and environmental risks exist with coal mining activities. Accidents, environmental incidents and real or perceived threats to the environment could result in a loss of the Group's social licence to operate leading to delays, disruption or the shut-down of operations. Federal and state regulatory authorities in the USA following significant health and safety incidents, such as fatalities, can order a facility to be temporarily or permanently closed. Potential environment and safety risks include equipment failure, human errors in underground operations, vehicle and mining equipment interactions, roof fall hazards in underground operations, and fires and explosions from methane and

other sources. The Group has a comprehensive environmental, health and safety management system to mitigate the risk of incidents and to ensure compliance with environmental and safety laws.

**(s) The Company has uninsured risks**

The business of the Company is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, changes in the regulatory environment and natural phenomena such as inclement weather conditions and floods. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to properties of the Company or others, delays in mining, monetary losses and possible legal liability.

Although the Company maintains insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations and insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks because of high premiums or other reasons. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

**(t) The Company's partners, contractors and agents may become insolvent**

The Directors are unable to predict the risk of financial failure or default by a participant in any venture to which the Company is, or may become a party; or insolvency or other managerial failure by any of the contractors used by the Company in any of its activities; or insolvency or managerial failure by any of the other service providers used by the Company for any activity.

**(u) Litigation risks**

Legal proceedings may arise from time to time in the course of the Company's activities from parties such as suppliers, customers, regulatory agencies, environmental groups and/or investors. There have been a number of cases where the rights and privileges of mining and exploration companies have been the subject of litigation. The Directors cannot preclude that such litigation may be brought against the Company or a member of the Company in the future from time to time.

**(v) Dividends**

Payment of future dividends by the Company will be at the discretion of the Company's Board after taking into account many factors, including, but not limited to, the Company's operating results, financial condition and current and anticipated cash needs. As a result, shareholders may have to rely on capital appreciation, if any, to earn a return on investment in the Company in the foreseeable future. Furthermore, the Company may in the future become subject to contractual restrictions on, or prohibitions against, the payment of dividends.

(w) **Changes in law, government policy and accounting standards**

The Company's activities may be impacted by regulatory or other changes implemented by the United States of America, the Commonwealth or Western Australian governments. A change in laws that impact on the Company's operations, such as land access, environmental protection, carbon emissions, labour, mining, taxation and royalties, could have an adverse impact on the Company's operations. Mining industry activities are subject to discretionary regulations and approvals, the exercise of which cannot always be predicted.

Changes in accounting standards or the interpretation of those accounting standards that occur after the date of this offer document may impact adversely on the Company's reported financial performance.

(x) **Insurance**

The Company intends to ensure that insurance is maintained to address insurable risks within ranges of coverage the Company believes to be consistent with industry practice, having regard to the nature of the Company's activities. However, no assurance can be given that the Company will be able to obtain insurance cover for all risks faced by the Company at reasonable rates or that the insurance cover it arranges will be adequate and available to cover all possible claims. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company.

(y) **Global financial conditions**

Global economic conditions, both domestic and global, may affect the performance of the Group. Adverse changes in macroeconomic conditions, including global and U.S. growth rates, the cost and availability of credit, the rate of inflation, interest rates, exchange rates, government policy and regulations, general consumption and consumer spending, input costs, employment rates and industrial disruptions, among others, are variables which while generally outside the Group's control. A slowdown in the financial markets or other economic conditions may result in material adverse impacts on the Group's businesses and its operational and financial performance, and position.

(z) **Economic downturns and disruptions in the global financial**

Economic downturns and disruptions in the global financial markets have from time to time resulted in, among other things, extreme volatility in securities prices, severely diminished liquidity and credit availability, rating downgrades of certain investments and declining valuations of others. These sorts of disruptions, and in particular, the tightening of credit in financial markets, could result in a decrease in the demand for and the price of coal. Changes in the value of the U.S. dollar relative to other currencies, particularly where imported products are required for the mining process, could result in materially increased operating expenses. Any prolonged global, national or regional economic recession or other similar events could adversely affect the demand for and price of coal.

(aa) **Customers**

The Company depends on a limited number of customers for a significant portion of its revenues. The failure to obtain additional customers or the loss of all or a portion of the revenues attributable to any customer as a result of competition, creditworthiness, inability to negotiate extensions or replacement of contracts or otherwise, could have adversely affect our financial condition, results of operations or cash flows.

(bb) **A shortage of skilled mining labour in the United States**

Efficient coal mining using complex and sophisticated techniques and equipment requires skilled labourers proficient in multiple mining tasks, including mining equipment maintenance. Any shortage of skilled mining labour reduces the productivity of experienced employees who must assist in training unskilled employees. If a shortage of experienced labour occurs, it could have an adverse impact on our labour productivity and costs and our ability to expand production in the event there is an increase in the demand for our coal, which could adversely affect our financial condition or results of operations.

(cc) **Coal competes with natural gas and renewable energy sources**

Coal competes with natural gas and renewable energy sources, and the price of these sources can therefore affect coal sales. The natural gas market has been volatile historically and prices in this market are subject to wide fluctuations in response to relatively minor changes in supply and demand. Changes in supply and demand could be prompted by any number of factors, such as worldwide and regional economic and political conditions; the level of global exploration, production and inventories; natural gas prices; and transportation availability. Natural gas prices have declined significantly in recent years and may continue to decline, which could lead to reduced coal sales and have a material adverse effect on our financial condition, results of operations or cash flows.

In addition, state and federal mandates in the USA for increased use of electricity from renewable energy sources also have an impact on the market for our coal. Several states in the USA have enacted legislative mandates requiring electricity suppliers to use renewable energy sources to generate a certain percentage of power. There have been numerous proposals to establish a similar uniform, national standard although none of these proposals have been enacted to date. Possible advances in technologies and incentives, such as tax credits, to enhance the economics of renewable energy sources could make these sources more competitive with coal. Any reduction in the amount of coal consumed by electric power generators could reduce the price of coal that the Company mines and sells, thereby reducing our revenues and materially and adversely affecting our business and results of operations.

(dd) **Major equipment and plant failures**

The Company expects to depend on several major pieces of mining equipment and preparation plants to produce and ship coal, including, but not limited to, longwall mining systems, preparation plants, and transloading facilities. If any of these pieces of equipment or facilities suffered major damage or were destroyed by fire, abnormal wear, flooding, incorrect operation or otherwise, the Company may be unable to replace or repair them in a timely or cost efficient manner.

(ee) **Unions**

None of the Company's employees are currently represented under collective bargaining agreements. However, under the U.S. National Labor Relations Act, employees have the right at any time to form or affiliate with a union. Any future unionization of our employees or the employees of third-party contractors who mine coal for the Company could adversely affect the stability of production and reduce profitability. Therefore, all of the Company's work force may not remain union-free in the future, and legislative, regulatory or other governmental action could make it more difficult to remain union-free. If some or all of the Company's currently union-free operations were to become unionized, it could adversely affect productivity and increase the risk of work stoppages. In addition, even if the Company remains union-free, its operations may still be adversely affected by

work stoppages at unionized companies, particularly if union workers were to orchestrate boycotts against the Company's operations.

(ff) **Conflicts with competing holders of mineral rights and rights to use adjacent, overlying or underlying lands**

The Company's operations at times face potential conflicts with holders of other mineral interests such as coalbed methane, natural gas and oil reserves. Some of these minerals are located on, or are adjacent to, some of the Company's coal reserves and active operations, potentially creating conflicting interests between the Company and the holders of those interests. From time to time the Company acquires these minerals ourselves to prevent conflicting interests from arising. If, however, conflicting interests arise and the Company does not acquire the competing mineral rights, the Company may be required to negotiate its ability to mine with the holder of the competing mineral rights. Furthermore, the rights of third parties for competing uses of adjacent, overlying or underlying lands, such as oil and gas activity, coalbed methane, pipelines, roads, easements and public facilities, may affect the Company's ability to operate as planned if its title is not superior or arrangements cannot be negotiated. If the Company is unable to reach an agreement with these holders of such rights, or to do so on a cost-effective basis, the Company may incur increased costs and its ability to mine could be impaired, which could materially and adversely affect the Company's business and results of operations.

(gg) **Fluctuations in transportation costs and the availability or reliability of transportation**

The Company expects that transportation costs will represent a significant portion of the total cost of coal for its customers and, as a result, the cost of transportation will be a critical factor in a customer's purchasing decision. Increases in transportation costs could make coal a less competitive source of energy or could make the Company's coal production less competitive than coal produced from other sources. Disruption of transportation services due to weather-related problems, flooding, drought, accidents, mechanical difficulties, strikes, lockouts, bottlenecks or other events could temporarily impair our ability to supply coal to customers. Due to the difficulty in arranging alternative transportation, these operations are particularly at risk to disruptions, capacity issues or other difficulties with that carrier's transportation services, which could adversely impact our revenues and results of operations. The Company's transportation providers may face difficulties in the future that may impair its ability to supply coal to our customers, resulting in decreased revenues. If there are disruptions of the transportation services provided by the Company's primary rail or barge carriers that transport its coal and the Company is unable to find alternative transportation providers to ship its coal, its business could be adversely affected.

Conversely, significant decreases in transportation costs could result in increased competition from coal producers in other parts of the USA. For instance, difficulty in coordinating the many eastern coal loading facilities, the large number of small shipments, the steeper average grades of the terrain and a more unionized workforce are all issues that combine to make coal shipments originating in the eastern United States inherently more expensive on a per-mile basis than coal shipments originating in the western United States. Historically, high coal transportation rates from the western coal producing areas into certain eastern markets limited the use of western coal in those markets. Lower rail rates from the western coal producing areas to markets served by eastern U.S. coal producers have created major competitive challenges for eastern coal producers. In the event of further reductions in transportation costs from western coal

producing areas, the increased competition with certain eastern coal markets could have a material adverse effect on our business, financial condition and results of operations.

(hh) **Access to infrastructure**

Mining, processing, development and exploration activities depend, to a significant degree, on adequate infrastructure. In the course of developing future mines, the Company, may need to construct and support the construction of infrastructure, which includes permanent water supplies, tailings storage facilities, power, maintenance facilities and logistics services and access roads. Reliable rail facilities, roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could materially adversely affect the Company's operations, financial condition and results of operations. Any such issues arising in respect of the supporting infrastructure or on the Company's sites could materially adversely affect the Company's results of operations or financial condition. Furthermore, any failure or unavailability of the Company's operational infrastructure (for example, through equipment failure or disruption to its transportation arrangements) could materially adversely affect the production output from its mines or impact its exploration activities or development of a mine or project.

(ii) **Interruptions to supply of services and equipment may have a material adverse effect on operations**

The Company relies on the supply and availability of various services and equipment in order to successfully run its operations. For example, timely delivery of mining equipment and availability of such equipment is essential to the Company's ability to produce coal.

(jj) **Exploration Risks**

The exploration for and development of mineral deposits is speculative and involves significant risks. Whether a mineral deposit will be commercially viable depends on a number of factors, including the particular attributes of the deposit, such as size, grade and proximity to infrastructure, metal prices, government regulation, land tenure, land use, and environmental protection. There is no certainty that the expenditures made by the Company towards the search for, and evaluation of mineral deposits, will result in discoveries of commercial quantities of ore.

(kk) **Capital requirements and debt finance risk**

The Company plans to fund its operations with existing cash balances, debt financing and future cash flows from operations. Accordingly the Company's funding plans may be negatively affected by unavailability of debt finance, higher than anticipated capital expenditures or lower than expected cash flow from operations. If the Company requires further funding for the development of the Poplar Grove Coal Mine, and sufficient funds are not available from either debt or equity markets to satisfy the Company's requirements, the Company may be required to reduce the scope of its operations and scale back its development programme as the case may be. There is no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.

(ll) **Feasibility Study**

Feasibility studies, including the Company's bankable feasibility study, are used to determine the economic viability of a mineral deposit. Such studies require the Company to make numerous assumptions, including assumptions about capital and operating costs and future coal prices. These assumptions are made at the time the study is completed based on information then available. Actual costs or revenues may vary significantly and adversely from the estimates used in such studies, including the bankable feasibility study. Accordingly, the economic viability of the Poplar Grove Mine, or the amount of mineral deposits that the Company will be able to economically extract, may differ materially from previous estimates provided by the Company.

(mm) **Regulatory risk**

Mining companies must obtain numerous regulatory permits that impose strict conditions on various environmental and safety matters in connection with coal mining. The permitting rules are complex and change over time, potentially in ways that may make mining companies' ability to comply with the applicable requirements more difficult or impractical or even preclude the continuation of ongoing operations or the development of future mining operations. If the Company is unable to obtain and renew applicable permits, leases or other rights necessary for its operations, there may be adverse implications for the Company's production, results of operations or cash flow.

### **3.2 General investment risks**

(a) **Price of Shares**

The Shares are subject to general market risks applicable to all securities listed on a stock exchange. This may result in fluctuations in the Share price that are not explained by the performance of the Company.

The price at which Shares are quoted on the ASX may increase or decrease due to a number of factors, some of which may not relate directly or indirectly to the Company's performance or prospects.

There is no assurance that the price of the Shares will increase in the future, even if the Company's earnings increase.

Some of the factors which may affect the price of the Shares include:

- (i) fluctuations in the domestic and international markets for listed stocks;
- (ii) general economic conditions, including interest rates, inflation rates, exchange rates, commodity and oil prices or changes to government;
- (iii) fiscal, monetary or regulatory policies, legislation or regulation;
- (iv) inclusion in or removal from market indices;
- (v) the nature of the markets in which the Company operates;
- (vi) general operational and business risks;
- (vii) variations in sector performance, which can lead to investors exiting one sector to prefer another; and



- (viii) initiatives by other sector participants which may lead to investors switching from one stock to another.

Deterioration of general economic conditions may also affect the Company's business operations, and the consequent returns from an investment in Shares.

In the future, the sale of large parcels of Shares may cause a decline in the price at which the Shares trade on ASX.

**(b) Tax law and application**

The application of and change in relevant tax laws (including income tax, goods and services tax (or equivalent), rules relating to deductible liabilities, or changes in the way those tax laws are interpreted, will or may impact the tax liabilities of the Company or the tax treatment of a Shareholder's investment. An interpretation or application of tax laws or regulations by a relevant tax authority that is contrary to the Company's view of those laws may increase the amount of tax paid or payable by the Company.

Both the level and basis of tax may change. Any changes to the current rate of company income tax (in Australia or the United States) and / or any changes in tax rules and tax arrangements (again in Australia or the United States) may increase the amount of tax paid or payable by the Company, may also impact Shareholder returns and could also have an adverse impact on the level of dividend franking / conduit foreign income and Shareholder returns. In addition, an investment in Shares involves tax considerations which may differ for each Shareholder. Each Shareholder is encouraged to seek professional tax advice in connection with any investment in the Company.

**(c) Force majeure events**

Events may occur within or outside Australia and the United States that could impact upon global, Australian, US or other local economies relevant to the Company's financial performance, the operations of the Company and the price of the Shares. These events include but are not limited to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other man-made or natural events or occurrences that can have an adverse effect on the demand for the Company's services and its ability to conduct business. The Company has only a limited ability to insure against some of these risks.

**(d) Accounting standards**

Australian Accounting Standards (**AAS**) are adopted by the AASB and are not within the control of the Company and its Directors. The AASB may, from time to time, introduce new or refined AAS, which may affect the future measurement and recognition of key statement of profit or loss and statement of financial position items. There is also a risk that interpretation of existing AAS, including those relating to the measurement and recognition of key statement of profit or loss or statement of financial position items may differ. Any changes to the AAS or to the interpretation of those standards may have an adverse effect on the reported financial performance and position of the Company.

**(e) Shareholder dilution**

In the future, the Company may elect to issue further Shares in connection with fundraisings, including to raise proceeds for acquisitions. While the Company will be subject to the constraints of the Listing Rules regarding the percentage of its

capital it is able to issue within a 12 month period (other than where exceptions apply), Shareholders may be diluted as a result of such fundraisings.

**(f) Trading in Shares may not be liquid**

There is no guarantee that there will be an ongoing liquid market for the Shares. Accordingly, there is a risk that, should the market or the Shares become illiquid, the Shareholders will be unable to realise their investment in the Company.

**(g) General economic and financial market conditions**

The operating and financial performance of the Company is influenced by a variety of general domestic and global economic and business conditions that are outside the control of the Company. There is a risk that prolonged deterioration in general economic conditions may impact the demand for the Company's products and negatively impact the Company's financial performance, financial position, cash flows, dividends, growth prospects and Share price.

### **3.3 Investment Highly Speculative**

The above list of risks ought not to be taken as exhaustive of the risks faced by the Company or by prospective investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the New Shares. The New Shares carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares. Prospective investors should consider that the investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for New Shares.

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## **4. Rights attaching to New Shares**

### **4.1 General**

The New Shares to be issued pursuant to this Offer Document are ordinary shares and will, as from their allotment, rank equally in all respects with all existing Shares.

The rights attaching to the Shares arise from a combination of the Constitution, statute and general law. Copies of the Constitution are available for inspection during business hours at the Company's registered office.

A summary of the more significant rights is detailed below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders.

### **4.2 Reports and notices**

Shareholders are entitled to receive all notices, reports, accounts and other documents required to be furnished to Shareholders under the Constitution, the Corporations Act and the Listing Rules.

### **4.3 General meetings**

Directors may call a meeting of Shareholders whenever they think fit. Members may call a meeting as provided by the Corporations Act. All Shareholders are entitled to a notice of meeting. A meeting may be held in two or more places linked together by audio-visual communication devices. A quorum for a meeting of Shareholders is 2 eligible voters.

The Company will hold annual general meetings in accordance with the Corporations Act and the Listing Rules.

Shareholders are entitled to be present in person, or by proxy, attorney or representative (in the case of a company) to speak and to vote at general meetings of the Company.

#### **4.4 Voting**

Subject to any rights or restrictions at the time being attached to any class or classes of shares, at a general meeting of the Company on a show of hands, every Shareholder present in person, or by proxy, attorney or representative (in the case of a company) has one vote and upon a poll, every Shareholder present in person, or by proxy, attorney or representative (in the case of a company) has one vote for any Share held by the Shareholder.

A poll may be demanded by the chairperson of the meeting, any 5 Shareholders present and entitled to vote in person or by proxy, attorney or representative or by any one or more Shareholders holding at least 5% of the total voting rights of all Shareholders having the right to vote.

#### **4.5 Dividends**

The Directors may declare and authorise the distribution to Shareholders of dividends from the Company. The Directors may determine the property to constitute the dividend and fix the time for distribution. Except to the extent that the terms of issue of shares provide otherwise, each dividend must be distributed according to the amount paid up on the Share in a manner calculated in accordance with the Constitution.

#### **4.6 Winding up**

Subject to any rights or restrictions attached to a class of shares, on a winding up of the Company, any surplus must be divided among the Shareholders in the proportions which the amount paid (including amounts credited) on the Shares of a Shareholder is of the total amounts paid and payable (including amounts credited) on the Shares of all Shareholders. Subject to any rights or restrictions attached to a class of shares, on a winding up of the Company, the liquidator may, with the sanction of a special resolution of the Shareholders:

- (a) distribute among shareholders the whole or any part of the property of the Company; and
- (b) decide how to distribute the property as between the holders of different classes of shares.

#### **4.7 Transfer of shares**

Generally, Shares in the Company are freely transferable, subject to formal requirements, and to the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia.

#### **4.8 Issue of further shares**

The Directors may, subject to any restrictions imposed by the Constitution and the Corporations Act, allot, issue, grant options over, or otherwise dispose of, further shares with or without preferential rights on such terms and conditions as they see fit.

## **4.9 Directors**

The business of the Company is to be managed by or under the direction of the Directors.

Directors are not required under the Constitution to hold any Shares.

Unless changed by the Company in general meeting, the minimum number of Directors is 3. The existing Directors may appoint a new Director to fill a casual vacancy or as an addition to the Board. Any such Director must retire at the next following annual general meeting of the Company (at which meeting he or she may be eligible for election as a Director).

The Constitution contains provisions relating to the rotation and election of directors. No Director other than the Managing Director may hold office later than the third annual general meeting after his or her appointment or election, without submitting himself or herself for re-election.

## **4.10 Offer of shares**

Subject to the requirements of the Corporations Act and if applicable, the Listing Rules, the issue of shares by the Company is under the control of the Directors. Under the Constitution the Company is empowered, without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, to issue shares with preferred, deferred or other rights.

## **4.11 Variation of shares and rights attaching to shares**

Shares may be converted or cancelled with member approval and the Company's share capital may be reduced in accordance with the requirements of the Corporations Act.

Class rights attaching to a particular class of shares may be varied or cancelled with the consent in writing of holders of 75% of the shares in that class or by a special resolution of the holders of shares in that class.

## **4.12 Unmarketable parcels**

The Company may procure the disposal of Shares where the member holds less than a marketable parcel of Shares within the meaning of the Listing Rules (being a parcel of Shares with a market value of less than A\$500). To invoke this procedure, the Directors must first give notice to the relevant member holding less than a marketable parcel of Shares, who may then elect not to have his or her Shares sold by notifying the Directors.

## **4.13 Share buy-backs**

The Company may buy-back Shares in itself in accordance with the provisions of the Corporations Act.

## **4.14 Indemnity and insurance of officers**

Under the Constitution, the Company is obliged, to the extent permitted by law, to indemnify an officer (including Directors) of the Company against liabilities incurred by the officer in that capacity, against costs and expenses incurred by the officer in successfully defending civil or criminal proceedings.

To the extent permitted by law, the Company may also pay the premium on any insurance policy for any person who is or has been, an officer against a liability incurred by that person in his or her capacity as an officer of the Company.

#### 4.15 Changes to the constitution

The Constitution can only be amended by a special resolution passed by at least three quarters of the members present and voting at a general meeting of the Company. At least 28 days' written notice specifying the intention to propose the resolution as a special resolution must be given.

#### 4.16 Listing Rules

Provided the Company remains admitted to the Official List of the ASX, then despite anything in the Constitution, no act may be done that is prohibited by the Listing Rules, and authority is given for acts required to be done by the Listing Rules. The Constitution will be deemed to comply with the Listing Rules, as amended from time to time.

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### 5. Defined Terms

These definitions are provided to assist persons in understanding some of the expressions used in this Offer Document.

**A\$** means Australian dollars.

**1.7 Mtpa Coal Production Milestone** means achievement of quarterly annualized coal production rate of 1,700,000 tons per annum from the Poplar Grove Mine.

**2.7 Mtpa Coal Production Milestone** means achievement of quarterly annualized coal production rate of 2,700,000 tons per annum from the Poplar Grove Mine.

**Applicant** means a person who submits an Entitlement and Acceptance Form or Shortfall Application Form.

**Application** means a valid acceptance of New Shares under the Offer made pursuant to the Entitlement and Acceptance Form or a valid application for Shortfall Shares under the Shortfall Offer made pursuant to an Entitlement and Acceptance Form or a Shortfall Application Form.

**Application Monies** means application monies for New Shares received by the Company from an Applicant.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited ACN 008 624 691 or, where the context permits, the Australian Securities Exchange operated by ASX Limited.

**ASXS** means ASX Settlement Pty Ltd ACN 008 504 532.

**ASXS Operating Rules** means the operating rules of ASXS, except to the extent of any relief given by ASXS.

**Board** means the board of Directors.

**Business Day** means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day.

**CHESS** means ASX Clearing House Electronic Subregistry System.

**Closing Date** means the closing date detailed in Section 1.2.

**Company** means Paringa Resources Limited ACN 155 933 010.

**Constitution** means the constitution of the Company.

**Corporations Act** means *Corporations Act 2001* (Cth).

**Directors** means the directors of the Company.

**Eligible Contractor** means contractors engaged by the Company and its subsidiaries who are determined by the Board to be eligible participants for the purposes of the Performance Rights Plan.

**Eligible Employee** means full time employees, permanent part-time employees (including Executive and Non-Executive Directors) of the Company and its subsidiaries and any other person determined by the Board to be an Eligible Employee for the purposes of the Performance Rights Plan.

**Eligible Shareholder** means a person who:

- (a) is a Shareholder at 5:00pm (WST) on the Record Date;
- (b) has a registered address in Australia or New Zealand as recorded with the Share Registry as at the Record Date;
- (c) is not in the United States, and is not acting for the account or benefit of a person in the United States; and
- (d) is eligible under all applicable securities laws to receive an offer under the Offer.

**Entitlement** means the entitlement of an Eligible Shareholder to participate in the Offer.

**Entitlement and Acceptance Form** means the Entitlement and Acceptance Form attached to, or accompanying this Offer Document, that sets out the Entitlement of an Eligible Shareholder to subscribe for New Shares pursuant to the Offer.

**Ineligible Shareholder** has the meaning given in Section 1.20.

**Institutional Entitlement Offer** has the meaning given in Section 1.2.

**Investor Presentation** means the investor presentation released on ASX on 18 September 2019.

**Issuer Sponsored** means securities issued by an issuer that are held in uncertificated form without the holder entering into a sponsorship agreement with a broker, or without the holder being admitted as an institutional participant in CHESS.

**Listing Rules** means the Listing Rules of the ASX.

**New Share** means a new Share proposed to be issued pursuant to the Offer.

**Offer** means the offer described in Section 1.1.

**Offer Document** means this Offer Document dated 21 October 2019.

**Option** means an option to acquire a Share.

**Opening Date** means the opening date detailed in Section 1.2.

**Performance Condition** means, in relation to each Performance Right, the performance related conditions, which must be satisfied, or circumstances which must exist before a Performance Right can be exercised.

**Performance Right** means a right granted under the Performance Rights Plan to be issued or transferred one Share, subject to the Performance Rights Plan and the Performance Right Agreement (and including the satisfaction of any Performance Conditions).

**Performance Right Agreement** means the written agreement between the Company and the Eligible Contractor or Eligible Employee evidencing the grant of the Performance Right.

**Performance Rights Plan** means the Performance Right Plan of the Company, a copy of which can be obtained by contacting the Company.

**Poplar Grove Mine** means the Poplar Grove Mine operated by the Company and located in western Kentucky, Illinois Basin.

**Previous Offer** has the meaning given in Section 1.2.

**Proposed Royalty Financing** means the proposed and conditional US\$9 million royalty financing from Tribeca Global Resources Credit Ltd and/or other lenders to the Company (see the Investor Presentation for further details).

**Proposed Term Loan Amendment** means the proposed amendments to the Term Loan Facility agreement between Tribeca, Company and other parties (see the Investor Presentation for further details).

**Record Date** means 5:00pm (WST time) on the date detailed in Section 1.2.

**Section** means a section of this Offer Document.

**Share** means an ordinary fully paid share in the capital of the Company.

**Shareholder** means a holder of Shares.

**Share Registry** means Computershare Investor Services Pty Limited.

**Shortfall** means the New Shares not applied for under the Offer.

**Shortfall Application Form** means the application form attached to, or accompanying this Offer Document, to be used for the purposes of applying for Shortfall Shares under the Shortfall Offer.

**Shortfall Applicant** means an person who applies for Shortfall Shares but who is not an Eligible Shareholder.

**Shortfall Offer** has the meaning given in Section 1.7.

**Shortfall Shares** has the meaning given in Section 1.9.

**Top Up Shares** has the meaning given in Section 1.2.

**Underwriter** has the meaning given in Section 1.9.

**Underwriting Agreement** means the underwriting agreement between the Company and the Underwriter dated 21 October 2019.

**US\$** means United States dollars.

**WST** means Australian Western Standard Time, being the time in Perth, Western Australia.



