

MARCH 2020 QUARTERLY REPORT

Paringa Resources Limited (“Paringa” or “Company”) (ASX:PNL) presents its quarterly report for the period ending 31 March 2020.

Poplar Grove sale process

During the quarter, the Company’s wholly owned subsidiary, Hartshorne Holdings, LLC and its U.S. affiliates (together, “Hartshorne”) filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the Western District of Kentucky (the “Bankruptcy Court”).

The chapter 11 cases are ongoing and Hartshorne continues to operate its coal business and manage its properties as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

On 30 March 2020, the Bankruptcy Court approved, on a final basis, Hartshorne’s debtor-in-possession financing, which authorised Hartshorne to, among other things, obtain post-petition secured financing of US\$7.625 million from certain of its current senior secured lenders with Tribeca Global Resources Credit Pty Ltd (“Tribeca”) serving as agent. The financing is expected to provide sufficient liquidity to fund Hartshorne’s operations while it executes a sale process for its assets under section 363 of the Bankruptcy Code.

In connection with this debtor-in-possession financing agreement, Hartshorne has commenced a marketing process for the sale of its assets pursuant to section 363 of the Bankruptcy Code. On 25 March 2020, the Bankruptcy Court approved the order authorizing Hartshorne to proceed with the bidding procedures relating to the sale of all or a portion of Hartshorne’s assets.

The auction for Hartshorne’s assets is expected to take place on or around 17 June 2020 and closing of the sale transaction(s) is expected to occur on or before 19 July 2020. However, this timetable remains subject to change with the Bankruptcy Court’s approval. Although there cannot be any guarantee of a successful outcome for the sale process, Hartshorne and its advisors are currently in discussion with several parties who have expressed potential interest for Hartshorne’s assets.

Poplar Grove operations

During the quarter, on 18 February 2020, the Poplar Grove Mine was reduced from two super-section mining units to one mining unit.

Hartshorne loaded total coal shipments of approximately 189 thousand tons (“Kt”) during the March quarter, compared to approximately 182 Kt shipped during the December quarter.

Other

The Company’s securities remain suspended from trading on the Australian Securities Exchange (“ASX”) until the Company can make further announcements on the above.

During the quarter, The Nasdaq Stock Market (“Nasdaq”) announced that it will delist the Company from Nasdaq, effective as of 30 April 2020.

POPLAR GROVE OPERATIONS

A summary of Hartshorne's coal production and sales for the March quarter is as follows:

POPLAR GROVE PRODUCTION SUMMARY ¹				
	Quarter ended Mar. 31, 2020	Quarter ended Dec. 31, 2019	Change Quarter / Quarter	9 months ended Mar. 31, 2020
ROM production (kt)	367.5	323.0	+14%	963.4
Saleable coal production (kt) ²	192.1	173.6	+11%	511.0
CCE - ROM inventory movement (kt) ³	2.8	(0.5)	n/a	1.2
ROM stockpiles (kt)	1.2	2.5	-52%	1.2
Saleable coal stockpiles (kt)	8.2	4.8	+71%	8.2
Saleable coal loaded (kt)	189.3	182.0	+4%	507.1
Realised sales per ton (US\$)	\$41.60	\$41.17	+1%	\$41.56

Coal sales

Hartshorne loaded total coal shipments of approximately 189 Kt during the March quarter, compared to approximately 182 Kt shipped during the December quarter.

Sales continued throughout the quarter to Louisville Gas and Electric Company and Kentucky Utilities Company ("LG&E-KU") and Indiana-Kentucky Electric Corporation, a wholly owned subsidiary of Ohio Valley Electric Corporation ("OVEC-IKEC"), whose major shareholder is American Electric Power ("AEP"), with average qualities meeting or exceeding specifications under the sales contract.

Hartshorne receives a price premium on energy content sold to LG&E-KU and OVEC-IKEC above contract value.

Subsequent to the end of the quarter, on 13 April 2020, Hartshorne received a force majeure notification from OVEC-IKEC related to COVID-19 pandemic. The notice states that OVEC-IKEC will contact Hartshorne to discuss measures that OVEC-IKEC believe are necessary with respect to OVEC-IKEC's obligations under the contract. It is unknown what these measures may be.

Mining operations

During the quarter, on 17 February 2020, Worker Adjustment and Retraining Notifications were issued to 160 employees of Hartshorne. Subsequently the workforce was reduced by 44 employees and the Poplar Grove Mine was reduced from two super-section mining units ("Units") to one Unit on 18 February 2020.

Hartshorne has also implemented new mine management, including a new mine superintendent, and a revised management reporting structure.

After closing Unit 2 and reopening, Hartshorne has added additional haulage units and additional roof bolting capacity to Unit 1, both of which led to improved mining productivity for Unit 1.

Since reopening, Unit 1's average performance was approximately 553 feet per unit shift for the period from 18 February to 31 March, compared to an average performance across both Units prior to closing Unit 2 of approximately 293 feet per unit shift for the period from 1 January to 17 February.

¹ Units of mass in US tons

² Coal processed by the preparation plant

³ Clean Coal Equivalent ("CCE") content of ROM mined but not processed

Processing operations

Overall processing yields for the quarter totaled 52.3%. Overall yields after Unit 2 was closed averaged 55.3%, for the period from 18 February to 31 March.

Construction of the plate press addition was completed during the quarter.

COVID-19 update

To ensure the health and wellbeing of our people and contractors, Hartshorne has implemented a range of measures to minimise the risk of infection and rate of transmission of COVID-19. These measures include increased hygiene practices, health screenings, restrictions on non-essential travel, establishing infection control procedures, and encouraging and facilitating remote working arrangements where practicable.

Operationally, mining and processing activities at Poplar Grove are currently continuing unaffected with employees adapting well to new protocols and procedures.

Hartshorne continues to actively evaluate the situation for all risks to employees and general operational safety and will make any required adjustments as the situation evolves.

Safety

Two Lost Time Accidents ("LTAs") were recorded during the quarter.

Mining Tenements

Hartshorne owns the Buck Creek Complex, which consists of the operating Poplar Grove mine and the undeveloped Cypress mine located in the western Kentucky section of the Illinois coal basin, or the Illinois Basin.

At the end of the quarter, Hartshorne controlled approximately 40,114 gross acres (16,234 hectares) of coal leases in Kentucky, United States, which comprise the Buck Creek Mining Complex. The area is controlled by Hartshorne through approximately 331 individual coal leases with private mineral owners.

During the quarter, Hartshorne did not enter into any new coal leases.

CORPORATE

Poplar Grove sale process

During the quarter, on 20 February 2020, the Company's wholly owned subsidiary, Hartshorne, filed voluntary petitions for relief under chapter 11 of title 11 of the Bankruptcy Code in the United States Bankruptcy Court to facilitate a value-maximizing sale of its operating Poplar Grove coal mine, undeveloped Cypress coal project and other business assets.

The chapter 11 cases are ongoing and Hartshorne continues to operate its coal business and manage its properties as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

On 30 March 2020, the Bankruptcy Court approved, on a final basis, Hartshorne's debtor-in-possession financing, which authorised Hartshorne to, among other things, obtain post-petition secured financing of US\$7.625 million from certain of its current senior secured lenders with Tribeca serving as agent. The financing is expected to provide sufficient liquidity to fund Hartshorne's operations while it executes a sale process for its assets under section 363 of the Bankruptcy Code.

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The auction for Hartshorne's assets is expected to take place on or around 17 June 2020 and closing of the sale transaction(s) is expected to occur on or before 19 July 2020. However, this timetable remains subject to change with the Bankruptcy Court's approval. Although there cannot be any guarantee of a successful outcome for the sale process, Hartshorne and its advisors are currently in discussion with several parties who have expressed potential interest for Hartshorne's assets.

Board and management changes

During the quarter, Mr. Egan Antill resigned as Managing Director and Chief Executive Officer and Mr. Dominic Allen resigned as Vice President, Finance of the Company.

Nasdaq delisting

During the quarter, The Nasdaq Stock Market ("Nasdaq") announced that it will delist the Company from Nasdaq, as a result of Hartshorne filing for protection under chapter 11 of the Bankruptcy Code. The Company's American Depositary Shares were suspended from trading on Nasdaq on 5 March 2020 and have not traded on Nasdaq since that time. Nasdaq filed a Form 25 with the Securities and Exchange Commission (the "SEC") on 20 April 2020 to complete the delisting. The delisting will become effective as of 30 April 2020.

The Company's ADSs may continue to be traded over-the-counter on the OTC Bulletin Board or in the "pink sheets" if one or more market makers seeks and obtains approval by the Financial Industry Regulatory Authority to continue quoting in the Company's ADSs.

Related Party Payments

During the quarter, the Group made payments of approximately US\$187,000 to related parties and their associates. These payments relate to executive directors' remuneration and executive directors' 401(k) contributions.

Forward Looking Statements

This report may include forward-looking statements. These forward-looking statements are based on the Company's expectations and beliefs concerning future events. Forward looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of the Company, which could cause actual results to differ materially from such statements. The Company makes no undertaking to subsequently update or revise the forward-looking statements made in this announcement, to reflect the circumstances or events after the date of that announcement.

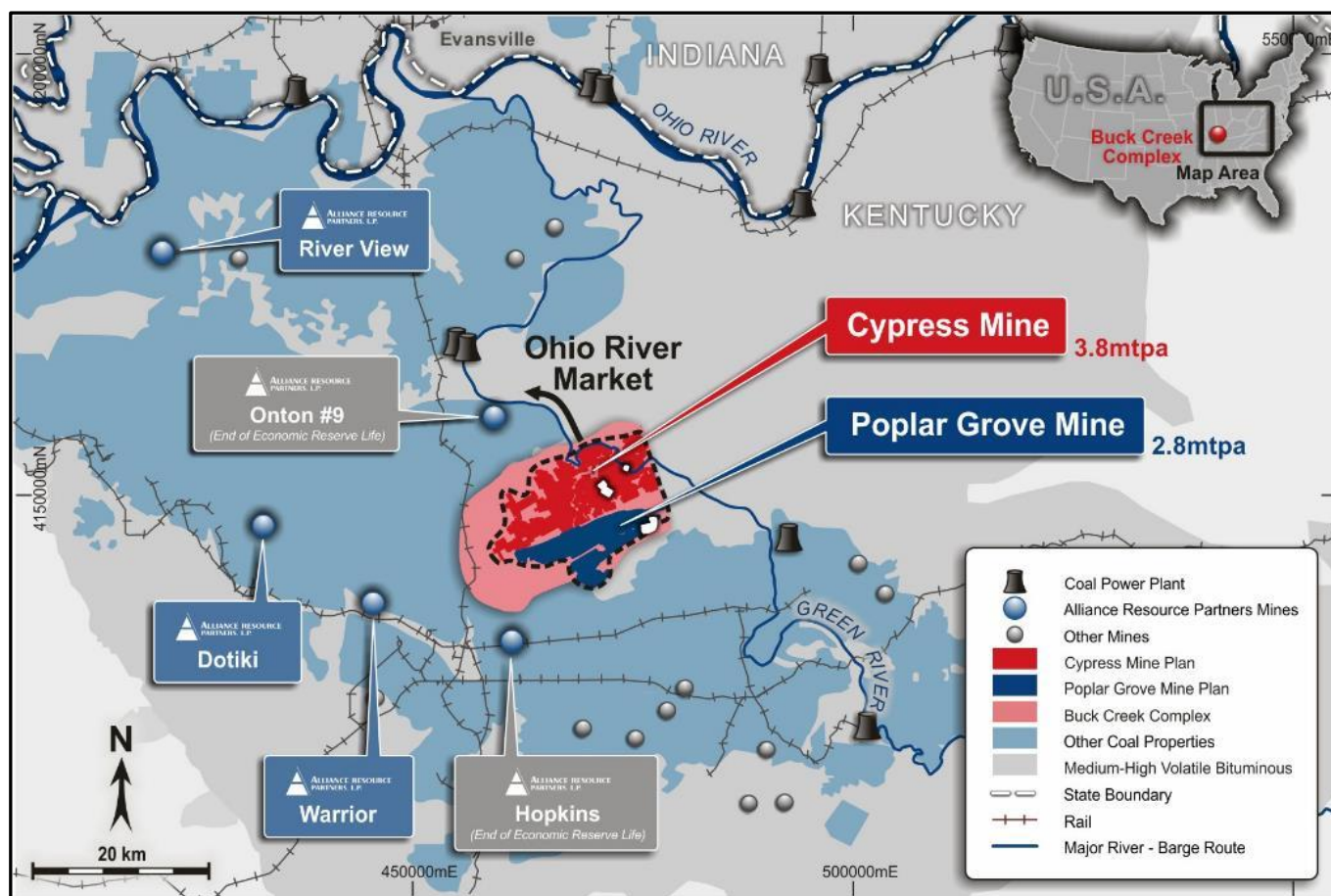
This announcement has been authorised for release by the Company's President & Executive Director, Mr. David Gay.

For further information contact:

David Gay

President & Executive Director

dgay@paringaresources.com



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

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Paringa Resources Limited

ABN

44 155 933 010

Quarter ended ("current quarter")

31 March 2020

Consolidated statement of cash flows		Current quarter US\$000	Year to date (9 months) US\$000
1. Cash flows from operating activities			
1.1 Receipts from customers ⁽¹⁾		-	-
1.2 Payments for			
(a) exploration & evaluation (if expensed)		-	-
(b) development		-	-
(c) production ⁽¹⁾		-	-
(d) staff costs ⁽¹⁾		(742)	(2,613)
(e) administration and corporate costs		(1,047)	(2,617)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		16	56
1.5 Interest and other costs of finance paid ⁽²⁾		-	(753)
1.6 Income taxes paid		-	-
1.7 Government grants and tax incentives		-	-
1.8 Other (provide details if material):			
(a) insurance proceeds		148	922
(b) bankruptcy costs		(2,093)	(2,093)
1.9 Net cash from / (used in) operating activities		(3,718)	(7,098)
⁽¹⁾ Prior to the declaration of commercial production, all mine commissioning and ramp-up production costs incurred at Poplar Grove (including direct staff costs), net of any revenues derived from coal sales, are capitalised against mine development costs. Accordingly, these costs are not included in 'cash flows from operating activities' and instead, are included in 'cash flows from investing activities'.			
⁽²⁾ Prior to the declaration of commercial production, all interest paid on borrowings relating to the development of Poplar Grove is capitalised against mine development costs. Accordingly, these costs are not included in 'cash flows from operating activities' and instead, are included in 'cash flows from investing activities'.			

Consolidated statement of cash flows		Current quarter US\$000	Year to date (9 months) US\$000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	-
	(a) property, plant and equipment:		
	(i) capitalised mine development costs and other plant & equipment	(495)	(6,403)
	(ii) capitalised mine operating expenditures, net of revenues ⁽¹⁾	(1,783)	(8,256)
	(iii) capitalised interest paid, relating to mine development ⁽²⁾	-	(1,411)
	(c) exploration & evaluation (if capitalised)	-	-
	(d) investments	-	-
	(e) other non-current assets	(36)	(164)
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	1
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material):		
	(a) bankruptcy escrow account	(1,000)	(1,000)
2.6	Net cash from / (used in) investing activities	(3,314)	(17,233)
<p>⁽¹⁾ Prior to the declaration of commercial production, all mine commissioning and ramp-up production costs incurred at Poplar Grove (including direct staff costs), net of any revenues derived from coal sales, are capitalised against mine development costs. Accordingly, these costs are included in 'cash flows from investing activities'.</p> <p>⁽²⁾ Prior to the declaration of commercial production, all interest paid on borrowings relating to the development of Poplar Grove is capitalised against mine development costs. Accordingly, these costs are included in 'cash flows from investing activities'.</p>			

Consolidated statement of cash flows		Current quarter US\$000	Year to date (9 months) US\$000
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	5,546
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(13)	(324)
3.5	Proceeds from borrowings	1,250	1,947
3.6	Repayment of borrowings	(1)	(2,034)
3.7	Transaction costs related to loans and borrowings	-	(742)
3.8	Dividends paid	-	-
3.9	Other (provide details if material): (a) proceeds from royalty financing	-	9,000
3.10	Net cash from / (used in) financing activities	1,236	13,393
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,881	12,038
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,718)	(7,098)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3,314)	(17,233)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,236	13,393
4.5	Effect of movement in exchange rates on cash held	(6)	(21)
4.6	Cash and cash equivalents at end of period	1,079	1,079

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter US\$000	Previous quarter US\$000
5.1 Bank balances	78	394
5.2 Call deposits	1,001	6,487
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,079	6,881

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
US\$000**

(187)

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Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

7. Financing facilities

Note: the term 'facility' includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end US\$000	Amount drawn at quarter end US\$000
7.1 Loan facilities:		
Tribeca term loan facility ⁽¹⁾	40,000	40,000
Tribeca DIP loan facility ⁽²⁾	7,625	1,250
Komatsu equipment financing facility ⁽³⁾	22,020	22,020
Other	166	166
7.2 Credit standby arrangements	-	-
7.3 Other (please specify):		
Tribeca royalty ⁽⁴⁾	9,000	9,000
7.4 Total financing facilities	78,811	72,436

7.5 Unused financing facilities available at quarter end	6,375
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7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

- ⁽¹⁾ Hartshorne has a US\$40 million term loan facility ("TLF") from Tribeca Global Resources Credit Pty Ltd ("Tribeca") (as agent). The TLF is secured, has a floating interest rate comprising the U.S. Prime Rate (subject to a floor of 5.50% p.a.) plus a margin of 7.5% p.a. (increased to 9.5% p.a. until such time that two consecutive quarters of EBITDA of no less than US\$4.0 million has been delivered), and is repayable no later than 30 April 2022. In order to maintain Hartshorne's cash position to continue its operations, and after consultation with Tribeca, Hartshorne deferred payment of the 31 December 2019 quarterly interest and fees required under the TLF, totalling approximately US\$1,462,000. This deferral triggered an event of default under the term loan facility which gives Tribeca the right to demand immediate full repayment of the TLF. The parent entity, Paringa, has guaranteed to Tribeca (as agent) the performance of its subsidiary, Hartshorne, in relation to the TLF. The effect of the guarantee is that Paringa has guaranteed to pay any outstanding amounts if Hartshorne does not meet their obligations under the terms of TLF. Tribeca issued a letter to Hartshorne and Paringa (as a guarantor of Hartshorne's obligations under the TLF) that notifies the existence of the event of default and reserving its rights in respect of such default.
- ⁽²⁾ Hartshorne has a priming, super priority, senior secured, debtor-in-possession ("DIP") loan facility from Tribeca (as agent) in an aggregate principal amount of US\$7.625 million. In February 2020, US\$1.25 million was drawn by Hartshorne in accordance with the DIP loan agreement. The DIP loan shall bear interest at a rate equal to 10% p.a., which shall be paid-in-kind through the maturity date. At any time while an 'event of default' under the DIP loan agreement has occurred and is continuing, all amounts owing under the DIP loan will bear interest at an interest rate equal to 11% p.a., which shall also be paid-in-kind through the maturity date. The maturity date is: (A) the later of (i) the date that is 120 days after the DIP loan closing date, provided that such date shall be extended automatically for one 30-day period in the event that Hartshorne have received one or more 'qualified bids' under the section 363 sale process or (ii) 5 business days after the expiration of the section 363 sale closing date; or (B) the earlier of (i) the consummation of an acceptable section 363 sale, (ii) the effective date of a plan of reorganization or liquidation, and (iii) the date of acceleration of the DIP loan in accordance with the terms of DIP loan agreement. In no event shall the maturity date be later than 150 days from the 'petition date' (20 February 2020).
- ⁽³⁾ Hartshorne has a secured financing facility with Komatsu (and its subsidiary Joy Underground Mining) to finance the purchase of up to US\$19.0 million of equipment from Komatsu for use at the Poplar Grove Mine, on instalment terms. Komatsu has also agreed to provide an additional equipment financing facility of up to US\$7.5 million for the purchase of non-Komatsu equipment. Interest rates vary for each piece of equipment, based on standard commercial rates for leased mining equipment in the United States. Improved lease rates were negotiated by agreeing to provide upfront deposits, representing approximately 10% of the equipment cost.
- ⁽⁴⁾ Hartshorne has granted a 2% gross revenue royalty over the Buck Creek Mining Complex to SP2 Royalty Co, LLC (an entity of which certain funds advised by Tribeca are members) to raise US\$9 million. The event of default existing under the TLF gives SP2 the right to demand an immediate make whole payment of US\$9.0 million.

8. Estimated cash available for future operating activities	US\$000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(3,718)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	-
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(3,718)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	1,079
8.5 Unused finance facilities available at quarter end (Item 7.5)	6,375
8.6 Total available funding (Item 8.4 + Item 8.5)	7,454
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	2

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Not applicable

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Not applicable

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Not applicable

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 30 April 2020

Authorised by: Company Secretary
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.