

## REVISED JUNE 2020 QUARTERLY REPORT

**Paringa Resources Limited (“Paringa” or “Company”) (ASX:PNL)** provides a revised quarterly report for the period ending 30 June 2020. This revised version includes additional information as required by ASX Listing Rule 5.3.5.

This announcement has been authorised for release by the Company Secretary, Mr Gregory Swan.

For further information contact:

**David Gay**

Executive Director & President

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## JUNE 2020 QUARTERLY REPORT

**Paringa Resources Limited (“Paringa” or “Company”) (ASX:PNL)** presents its quarterly report for the period ending 30 June 2020.

### ***Poplar Grove Sale Process***

During the quarter, the Company’s wholly owned subsidiary, Hartshorne Holdings, LLC and its U.S. affiliates (together, “Hartshorne”) continued the marketing process for the sale of its assets pursuant to section 363 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”).

In June 2020, Hartshorne filed a notice that it did not designate a stalking horse bidder, did not receive any qualified bids for their assets by the bid deadline and, in accordance with Hartshorne’s rights under the Bankruptcy Court-approved bidding procedures, Hartshorne was cancelling the auction.

In late June 2020, Hartshorne filed a notice stating that it had executed an asset purchase agreement with Hartshorne’s prepetition and postpetition secured financier, Tribeca Global Resources Credit Pty Ltd (“Tribeca”), to purchase, among other assets, two coal supply contracts between Hartshorne and (1) Louisville Gas and Electric Company and Kentucky Utilities Company (“LG&E-KU”), and (2) Ohio Valley Electric Corporation Indiana-Kentucky Electric Corporation (“OVEC-IKEC”) (the “Tribeca APA”).

A sale hearing to approve the Tribeca APA occurred on 21 July through 23 July 2020. The Bankruptcy Court has not yet issued a decision on whether to approve the Tribeca APA.

After the Tribeca APA is approved, all of Hartshorne’s remaining assets are intended to be disposed of through an orderly liquidation process and a chapter 11 plan of liquidation.

### ***Poplar Grove Operations***

In late June 2020, Hartshorne began to wind down mining operations of the remaining mining unit at the Poplar Grove mine. Hartshorne is in the process of returning mining equipment to those parties that have asserted liens on such equipment, including Komatsu Financial, LP and Ally Bank.

Hartshorne loaded total coal shipments of approximately 195 thousand tons (“Kt”) during the June quarter, compared to approximately 189 Kt shipped during the March 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 Company was delisted from The Nasdaq Stock Market (“Nasdaq”).

## POPLAR GROVE OPERATIONS

A summary of Hartshorne's coal production and sales for the June 2020 quarter is as follows:

POPLAR GROVE PRODUCTION SUMMARY <sup>1</sup>				
	Quarter ended Jun 30, 2020	Quarter ended Mar 31, 2020	Change Quarter / Quarter	12 months ended Jun 30, 2020
ROM production (kt)	350.6	367.5	-5%	1,314
Saleable coal production (kt) <sup>2</sup>	192.2	192.1	-	703.1
CCE - ROM inventory movement (kt) <sup>3</sup>	2.8	2.8	n/a	1.1
ROM stockpiles (kt)	5.9	1.2	+392%	5.9
Saleable coal stockpiles (kt)	3.1	8.2	-62%	3.1
Saleable coal loaded (kt)	194.9	189.3	-3%	702
Realised sales per ton (US\$)	\$41.28	\$41.60	-1%	\$41.48

### Coal sales

Hartshorne loaded total coal shipments of approximately 195 Kt during the June quarter, compared to approximately 189 Kt shipped during the March quarter.

Sales continued throughout the quarter to LG&E-KU, with average qualities meeting or exceeding specifications under the sales contract.

During the quarter, Hartshorne delivered no coal shipments to OVEC-IKEC pursuant to the force majeure notification they received on 13 April 2020 related to COVID-19 pandemic.

### Mining and processing operations

On 29 June 2020, Worker Adjustment and Retraining Notifications were issued to 111 employees of Hartshorne. Subsequently the workforce was reduced by 68 employees and Hartshorne began winding down their mining operations at the Poplar Grove Mine and shifting to care and maintenance.

Hartshorne is in the process of returning mining equipment to those parties that have asserted liens on such equipment, including Komatsu Financial, LP and Ally Bank.

Overall processing yields for the quarter totaled 55%.

### COVID-19 update

To ensure the health and wellbeing of Hartshorne's employees and contractors, Hartshorne has continued to implement a range of measures to minimize 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. As employees or their immediate family begin showing symptoms of COVID-19, Hartshorne proactively demands that such employees refrain from returning to work until 14 calendar days after the employee is symptom-free.

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

<sup>1</sup> Units of mass in US tons

<sup>2</sup> Coal processed by the preparation plant

<sup>3</sup> Clean Coal Equivalent ("CCE") content of ROM mined but not processed

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***

No 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, Hartshorne continued the marketing process for the sale of its assets pursuant to section 363 under chapter 11 of title 11 of the Bankruptcy Code in the Bankruptcy Court.

On 5 May 2020, Hartshorne filed a notice containing a list of executory contracts and unexpired leases that could be assumed and assigned to a successful purchaser. After receiving three objections to the notice, the Bankruptcy Court agreed to continue the objections until the sale hearing.

On 15 June 2020, Hartshorne filed a notice that Hartshorne did not designate a stalking horse bidder, did not receive any qualified bids for their assets by the bid deadline and, in accordance with Hartshorne’s rights under the Bankruptcy Court-approved bidding procedures, Hartshorne was cancelling the auction.

On 22 June 2020, following a Bankruptcy Court hearing, the Bankruptcy Court entered an order providing that the date of the sale hearing was continued from 24 June 2020 to 1 July 2020 to provide Hartshorne, Tribeca, the Official Committee of Unsecured Creditors (the “Committee”), and other parties in interest with more time to negotiate a consensual resolution of various sale hearing issues.

On 26 June 2020, after further negotiations, Hartshorne requested, among other things, that the date of the sale hearing be continued to 13 July 2020 to provide the Parties more time to negotiate. On 29 June 2020, the Bankruptcy Court entered the order to further continue the sale hearing.

On 29 June 2020, Hartshorne filed a notice stating that Hartshorne had executed an asset purchase agreement with Hartshorne’s prepetition and postpetition secured financier, Tribeca, to purchase, among other assets, two coal supply contracts between Hartshorne Mining Group, LLC and (1) LG&E-KU, and (2) OVEC-IKEC. The notice also stated that after the sale is approved, significant personal and real property assets will remain with Hartshorne, which Hartshorne intends to dispose of through an orderly liquidation process and a chapter 11 plan of liquidation.

A sale hearing to approve the Tribeca APA occurred on 21 July through 23 July 2020. The Bankruptcy Court has not yet issued a decision on whether to approve the Tribeca APA.

### ***Related Party Payments***

During the quarter, the Group made payments of approximately US\$103,000 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 Executive Director, Mr. David Gay.

For further information contact:

**David Gay**

Executive Director & President

[dgay@paringaresources.com](mailto:dgay@paringaresources.com)

## 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")

30 June 2020

Consolidated statement of cash flows		Current quarter US\$000	Year to date (12 months) US\$000
<b>1. Cash flows from operating activities</b>			
1.1 Receipts from customers <sup>(1)</sup>		-	-
1.2 Payments for			
(a) exploration & evaluation		-	-
(b) development		-	-
(c) production <sup>(1)</sup>		-	-
(d) staff costs <sup>(1)</sup>		(449)	(3,062)
(e) administration and corporate costs		(155)	(2,776)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		3	60
1.5 Interest and other costs of finance paid <sup>(2)</sup>		-	(754)
1.6 Income taxes paid		-	-
1.7 Government grants and tax incentives		-	-
1.8 Other (provide details if material):			
(a) insurance proceeds		-	922
(b) bankruptcy costs		(2,130)	(4,222)
<b>1.9 Net cash from / (used in) operating activities</b>		<b>(2,731)</b>	<b>(9,832)</b>
<sup>(1)</sup> 3Prior 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'.			
<sup>(2)</sup> 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 (12 months) US\$000
<b>9.2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(a) property, plant and equipment:		
	(i) capitalised mine development costs and other plant & equipment	(43)	(6,493)
	(ii) capitalised mine operating expenditures, net of revenues <sup>(1)</sup>	(334)	(8,590)
	(iii) capitalised interest paid, relating to mine development <sup>(2)</sup>	-	(1,411)
	(c) exploration & evaluation	-	-
	(d) investments	-	-
	(e) other non-current assets	2	(112)
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	(500)	(1,500)
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(875)</b>	<b>(18,105)</b>
<sup>(1)</sup> 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'.			
<sup>(2)</sup> 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'.			

Consolidated statement of cash flows		Current quarter US\$000	Year to date (12 months) US\$000
<b>3.</b>	<b>Cash flows from financing activities</b>		
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	-	(324)
3.5	Proceeds from borrowings	6,181	8,128
3.6	Repayment of borrowings	-	(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
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>6,181</b>	<b>19,574</b>
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	1,079	12,038
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,731)	(9,832)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(875)	(18,105)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	6,181	19,574
4.5	Effect of movement in exchange rates on cash held	4	(17)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>3,658</b>	<b>3,658</b>



<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter US\$000</b>	<b>Previous quarter US\$000</b>
5.1 Bank balances	99	78
5.2 Call deposits	3,559	1,001
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>3,658</b>	<b>1,079</b>

**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**

(103)

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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.*

	<b>Total facility amount at quarter end US\$000</b>	<b>Amount drawn at quarter end US\$000</b>
7.1 Loan facilities:		
Tribeca term loan facility <sup>(1)</sup>	40,000	40,000
Tribeca DIP loan facility <sup>(2)</sup>	7,625	7,431
Komatsu equipment financing facility <sup>(3)</sup>	22,020	22,020
Other	166	166
7.2 Credit standby arrangements	-	-
7.3 Other (please specify):		
Tribeca royalty <sup>(4)</sup>	9,000	9,000
7.4 <b>Total financing facilities</b>	<b>78,811</b>	<b>78,617</b>

7.5 <b>Unused financing facilities available at quarter end</b>	194
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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.

- <sup>(1)</sup> 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.
- <sup>(2)</sup> 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. 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).
- <sup>(3)</sup> 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.
- <sup>(4)</sup> 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.

<b>8. Estimated cash available for future operating activities</b>	<b>US\$000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(2,731)
8.2 (Payments for exploration & evaluation classified as investment activities) (item 2.1(d))	-
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(2,731)
8.4 Cash and cash equivalents at quarter end (item 4.6)	3,658
8.5 Unused finance facilities available at quarter end (item 7.5)	194
8.6 Total available funding (item 8.4 + item 8.5)	3,852
8.7 <b>Estimated quarters of funding available (item 8.6 divided by item 8.3)</b>	<b>1.4</b>

*Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.*

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

8.8.1. 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?

No. Hartshorne has executed an asset purchase agreement to sell certain of its assets to Tribeca and intends to sell the remainder of its assets through an orderly liquidation process. Following completion of the sale and orderly liquidation process, Hartshorne's net operating cash outflows are expected to substantially reduce.

8.8.2. 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?

Yes. Hartshorne has obtained debtor-in-possession financing of US\$7.625 million from certain of its current senior secured lenders which is expected to provide sufficient liquidity to fund Hartshorne's operations while it executes a sale and orderly liquidation process for its assets. Following completion of the sale and orderly liquidation process, Paringa will assess options to recapitalise and raise additional funds for future working capital requirements.

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

Yes. Hartshorne has obtained debtor-in-possession financing of US\$7.625 million from certain of its current senior secured lenders which is expected to provide sufficient liquidity to fund Hartshorne's operations while it executes a sale and orderly liquidation process for its assets. Following completion of the sale and orderly liquidation process, Paringa will assess options to recapitalise and raise additional funds for future working capital requirements.

*Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.*

## **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: 27 July 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.