

## JUNE 2016 QUARTERLY REPORT

Paringa Resources Limited (“**Paringa**” or “**Company**”) (ASX:PNL) is pleased to present its quarterly report for the period ending June 30, 2016. Highlights during, and subsequent to, the quarter include:

### ***Buck Creek Mine Complex***

- Successfully amended the coal sales agreement with LG&E and KU for coal to be delivered from Paringa’s proposed Buck Creek No.2 Mine (“No.2 Mine”) with future sales totalling US\$205 million.
- Almost 60% of No.2 Mine’s annual production during the 5 year sales agreement is now contracted with LG&E and KU, significantly de-risking the project for potential financiers.
- Commenced a Bankable Feasibility Study (“BFS”) on the No.2 Mine which is set for completion during 2016.
- Completed final estimates for all the major capital items to develop the No.2 Mine, the results of which will be incorporated into the BFS currently being completed.
- Final capital expenditure estimate (“Capex”) for the No.2 Mine has been reduced to US\$39 million.
- Significant reductions also expected to the operating costs at the No.2 Mine due to continued reductions in the costs of labour, materials, supplies, leased equipment and fuels.
- Permitting process for the No.2 Mine has also begun so construction can begin by mid-2017.

### ***Corporate***

- Successfully completed a book build for a placement of 38.2 million shares to Institutional and sophisticated investors in Australia and the U.S. to raise gross proceeds of A\$6.5 million.
- Proceeds from the placement will be used to complete the BFS for the No.2 Mine and provide funding for the Company to commence development of the No.2 Mine by mid-2017.

### ***Next Steps***

- Complete revised operating costs, mine development design and infrastructure advantages of the No.2 Mine.
- Complete the Bankable Feasibility Study on the Buck Creek No.2 Mine.
- Expedite permitting process for the Buck Creek No.2 Mine and secure remaining coal leases.
- Continue advanced discussions with equity and debt financiers to fund the construction of the Buck Creek Mine Complex.
- Continue discussions with local utilities who operate scrubbed coal fired power plants within the Ohio River and South East Markets for additional future coal sales.

For further information contact:

**David Gay**  
President & CEO

**Nathan Ainsworth**  
VP, Business Development

## BUCK CREEK MINE COMPLEX

### ***Successful Amendment to the Cornerstone Coal Sales Contract***

During the quarter, the Company successfully amended its coal sales agreement with Louisville Gas and Electric Company and Kentucky Utilities Company (“LG&E and KU”) for coal to be delivered from Paringa’s proposed No.2 Mine, with future sales totalling US\$205 million.

In October 2015, Paringa signed a coal sales agreement with LG&E and KU to deliver coal from the No.1 Mine. In February 2016, the Company decided to develop the No.2 Mine first following exceptional results from a Scoping Study which demonstrated the No.2 Mine to be a high margin 1.8 Mtpa mine, with low capex of only US\$39 million.

Following this change in strategy, the Company needed to amend the original sales contract with LG&E and KU to reflect delivery of coal from the No.2 Mine, which was successfully completed in May 2016. The amended contract is on substantially the same terms as the original contract. Most importantly, coal volumes and coal specifications remain unchanged. Fixed sale prices have changed slightly to reflect recent sales data, and the project development milestones and delivery schedule have been updated for the No.2 Mine.

Under the amended agreement, Paringa is contracted to deliver a total of 4.75 million tons of its 11,200 btu/lb product over a 5-year period, starting in 2018. The amended contracted fixed coal sales prices for Paringa’s 11,200 btu/lb coal spec begins at US\$40.50 per ton for the first 750,000 tons of coal delivered to LG&E and KU, escalating to US\$45.75 per ton for the final 1,000,000 tons sold.

The No.2 Mine’s access to the Green and Ohio River systems provides a significant transportation advantage to other Illinois Basin coal producers. The LG&E and KU coal sales agreement calls for fixed sales prices based on a Free-on-Board (“FOB”) basis delivered at the Buck Creek barge load-out facility on the Green River.

The LG&E and KU agreement specifies coal specifications for deliveries of the No.2 Mine’s coal on an “as received” basis:

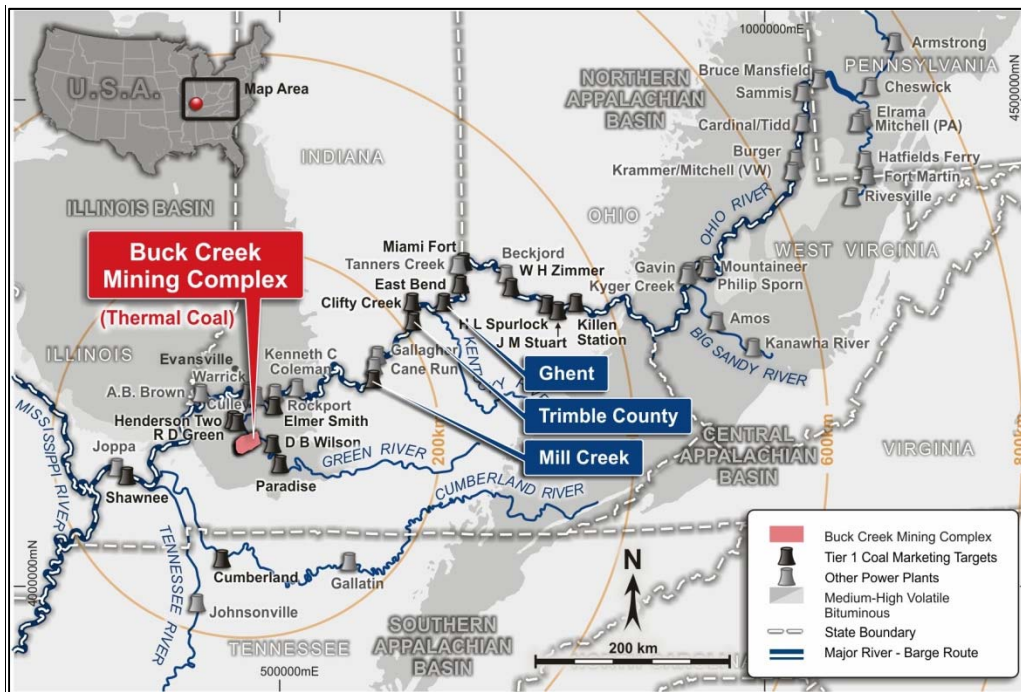
<b>Summary of LG&amp;E and KU Contract Coal Specifications</b>	
<b>Specifications</b>	<b>Guaranteed Monthly Weighted Average</b>
<b>Heating Content (Btu/lb)</b>	min. 11,200 Btu/lb
<b>Moisture</b>	max. 10.00 lbs/mmbtu
<b>Ash</b>	max. 11.00 lbs/mmbtu
<b>Chlorine</b>	max. 0.18 lbs/mmbtu

Paringa is expected to start construction of the No.2 Mine in mid-2017, begin production by the end of 2018, and reach full production of 1.8 Mtpa by the end of 2019.

### ***About LG&E and KU***

LG&E and KU are subsidiaries of the PPL Corporation (NYSE: PPL) family of companies and are regulated utilities that serve a total of 1.2 million customers. LG&E and KU have consistently ranked among the best companies for customer service in the United States. LG&E and KU own three power plants within Paringa’s initial target Ohio River Market (Trimble County, Ghent and Mill Creek) that are almost exclusively supplied by the Illinois Basin.

PPL Corporation is one of the largest investor-owned companies in the US utility sector. PPL Corporation has a Moody's/S&P investment grade credit rating, market capitalization of US\$25.2 billion, US\$7.6 billion in 2015 annual revenue and 10.5 million utility customers in the US and UK.



**Figure 1: Buck Creek Mine Complex and LG&E and KU's Power Plants within the Ohio River Market**



**Figure 2: LG&E and KU's Trimble County Power Plant on the Ohio River**  
(Note: Cooling tower is releasing water vapor)

**Final Capex Estimate for No.2 Mine at US\$39 million**

During the quarter, Paringa also finalized the Capex estimate for the construction and development of the Company's No.2 Mine. Paringa's proposed 1.8 million ton per annum ("Mtpa") No.2 Mine is located immediately south of the Company's proposed 3.8 Mtpa Buck Creek No.1 Mine ("No.1 Mine"), both located within the Buck Creek Mine Complex.

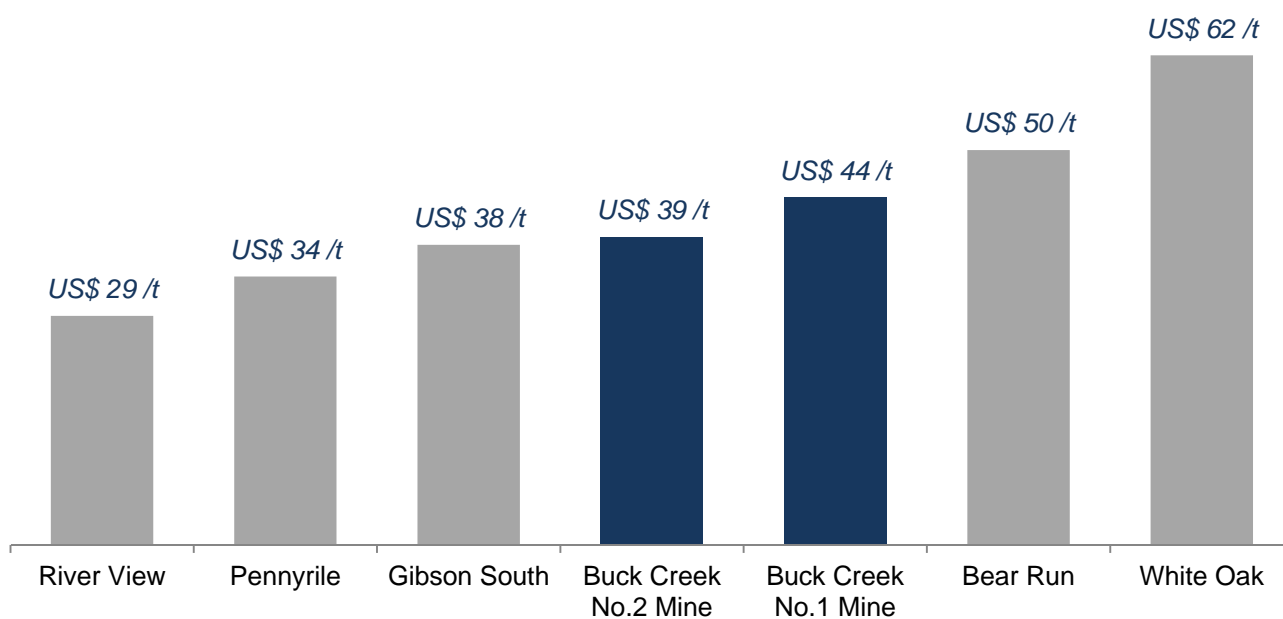
The final Capex estimate, based on pricing provided by vendors and contractors, encompasses all major capital items including site development, electrical substation, “box-cut” access to the coal seam, surface facilities, coal preparation plant, materials handling and the Green River barge load-out facility.

Compared to the previous Capex estimate of US\$44 million for the No.2 Mine, this final Capex estimate has reduced by US\$5 million to US\$39 million due to continued reductions in the costs of labour, materials, and supplies as well as the optimization of the facility’s design.

The reduction in Capex is also an indication of the availability of highly experienced coal industry contractors and the competition among contractors to win mine development work in the Illinois Basin. The final Capex estimate will be incorporated into the BFS which is set for completion during 2016.

Capital costs for the No.2 and No.1 Mines have been benchmarked against similar underground mines in the region that mine the Western Kentucky No.9 (“WK No.9”) coal seam in similar conditions, utilizing identical mining and processing techniques and equipment.

In addition, the capital intensity (inclusive of leased equipment) of the No.2 Mine is similar to other new coal developments in the Illinois Basin by public listed companies that have started construction since 2007.



**Figure 3: Capital Intensity of New Illinois Basin Mine Developments**

*(Capital Intensity = (Capex + Capital Cost of Leased Equipment) / Nameplate Coal Production)*

A full breakdown of the capex figures for the No.2 Mine will be provided as part of the BFS. The final capital cost adopted in the BFS may change slightly if the costs of labour, materials, and supplies change between now and completion of the BFS.

**Commenced Bankable Feasibility Study at the No.2 Mine**

Since the acquisition of the Buck Creek Mine Complex in 2013, Paringa’s US team of experienced mine engineers have prepared a geological model for the entire Buck Creek Mining Complex (not just the No.1 Mine area) which resulted in the discovery of a section of shallow coal to the south of the No.1 Mine area.

This discovery led to Paringa commencing technical studies on this shallow section of coal and based on the exceptional results of these studies, Paringa will now develop the low capex No.2 Mine first, followed by the No.1 Mine, as part of a staged development strategy for building a new “mid-tier”, high margin Illinois Basin coal company.

Following the successful completion of the Scoping Study for the No.2 Mine, Paringa also has commenced a BFS on the No.2 Mine. Paringa has re-appointed Cardno (“Cardno”) to manage the BFS. Cardno has almost 40 years of expertise, including numerous underground coal mining projects, and provides mining engineering services to underground mining operations incorporating the latest technologies throughout the world.

### ***Commenced Permitting at the No.2 Mine***

During the quarter, the Company began the mine permitting process at the No.2 Mine. The No.2 Mine requires standard permits for mining, surface facilities, refuse storage and transportation.

Paringa has retained Associated Engineers, Inc, a consultancy firm with significant experience in permitting new coal mines in the Illinois Basin. Based on the Company’s experience in successfully completing the permitting process for the No.1 Mine, Paringa expects to secure these standard mine permits to start construction of the No.2 Mine by the June quarter of 2017.

### ***Next Steps***

The Company has an exciting quarter ahead with a substantial amount of activity scheduled for the Buck Creek Mining Complex over the coming months, including:

- Complete revised operating costs, mine development design and infrastructure advantages of the No.2 Mine.
- Complete the Bankable Feasibility Study on the Buck Creek No.2 Mine.
- Expedite permitting process for the Buck Creek No.2 Mine and secure remaining coal leases.
- Continue advanced discussions with equity and debt financiers to fund the construction of the Buck Creek Mine Complex.
- Continue discussions with local utilities who operate scrubbed coal fired power plants within the Ohio River and South East Markets for additional future coal sales.

## **CORPORATE**

### ***Capital Raising***

Subsequent to the end of the quarter, the Company successfully completed a book build for a placement of 38,200,000 shares at an issue price of A\$0.17 per share to Institutional and sophisticated investors in Australia and the United States to raise gross proceeds of A\$6,494,000 (“Placement”).

The proceeds from the Placement will be used to complete the BFS for the No.2 Mine and provide funding for the Company to commence development of the No.2 Mine by mid-2017.

Curran & Co and Argonaut acted as Lead Managers to the Placement.

## **EXPLORATION INTERESTS**

### ***Buck Creek Coal Leases***

At the end of the quarter, Paringa controlled approximately 35,913 gross acres (~14,534 ha) of coal leases in Kentucky, United States which comprise the Buck Creek Mining Complex. The area is controlled by Paringa through approximately 254 individual coal leases with private mineral owners.

During the quarter, Paringa directly leased approximately 1,136 additional gross acres (~460 ha) of coal from individual mineral owners at the Buck Creek Mining Complex.

### ***Arkoma Coal Leases***

At the end of the quarter, Paringa controlled approximately 14,000 gross acres (~5,600 ha) of coal leases in Arkansas, United States which comprise the Arkoma Project. The area is controlled by Paringa through approximately 400 individual coal leases with private mineral owners.

## **Forward Looking Statements**

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

## **Competent Persons Statements**

The information in this report that relates to Exploration Results, Coal Resources, Coal Reserves, Mining, Coal Preparation, Infrastructure, Production Targets and Cost Estimation was extracted from Paringa's ASX announcements dated December 2, 2015 entitled 'BFS Confirms Buck Creek will be a Low Capex, High Margin Coal Mine' and February 15, 2016 entitled 'Buck Creek Transforms to a Staged Low Capex Development' which are available to view on the Company's website at [www.paringaresources.com.au](http://www.paringaresources.com.au).

The information in the original ASX announcements that related to Exploration Results and Coal Resources is based on, and fairly represents, information compiled or reviewed by Mr. Kirt W. Suehs, a Competent Person who is a Member of The American Institute of Professional Geologists. Mr. Suehs is employed by Cardno. Mr. Suehs has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' and to qualify as a Qualified Person as defined in the 2011 Edition of the National Instrument 43-101 and Canadian Institute of Mining's Definition Standards on Mineral Reserves and Mineral Resources.

The information in the original ASX announcements that related to Coal Reserves, Mining, Coal Preparation, Infrastructure, Production Targets and Cost Estimation is based on, and fairly represents, information compiled or reviewed by Messrs. Justin S. Douthat and Gerard J. Enigk, both of whom are Competent Persons and are Registered Members of the Society for Mining, Metallurgy & Exploration. Messrs. Douthat and Enigk are employed by Cardno. Messrs. Douthat, and Enigk have sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity being undertaken to qualify as Competent Persons as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' and to qualify as Qualified Persons as defined in the 2011 Edition of the National Instrument 43-101 and Canadian Institute of Mining's Definition Standards on Mineral Reserves and Mineral Resources.

Paringa confirms that: a) it is not aware of any new information or data that materially affects the information included in the original ASX announcements; b) all material assumptions and technical parameters underpinning the Coal Resource, Coal Reserve, Production Target, and related forecast financial information derived from the Production Target included in the original ASX announcements continue to apply and have not materially changed; and c) the form and context in which the relevant Competent Persons' findings are presented in this presentation have not been materially modified from the original ASX announcements.

## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

PARINGA RESOURCES LIMITED

ABN

44 155 933 010

Quarter ended ("current quarter")

30 JUNE 2016

#### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for:		
(a) exploration & evaluation	(804)	(3,899)
(b) development	-	-
(c) production	-	-
(d) administration	(154)	(672)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	7	72
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material):		
(a) investor relations	(106)	(488)
(b) corporate advisory costs	-	(131)
<b>Net Operating Cash Flows</b>	<b>(1,057)</b>	<b>(5,118)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	(127)	(548)
(b) equity investments	-	-
(c) other fixed assets	-	(177)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other:		
(a) deferred consideration	(653)	(653)
<b>Net investing cash flows</b>	<b>(780)</b>	<b>(1,378)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(1,837)</b>	<b>(6,496)</b>

+ See chapter 19 for defined terms.

**Appendix 5B****Mining exploration entity and oil and gas exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(1,837)	(6,496)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	-	5,100
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other:		
	(a) share issue costs	-	(298)
	<b>Net financing cash flows</b>	-	4,802
	<b>Net increase (decrease) in cash held</b>	(1,837)	(1,694)
1.20	Cash at beginning of quarter/year to date	2,218	2,104
1.21	Exchange rate adjustments to item 1.20	26	(3)
1.22	<b>Cash at end of quarter</b>	407	407

**Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	214
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	
	Payments to Directors for services and superannuation.	

**Non-cash financing and investing activities**

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Not Applicable

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Not Applicable

+ See chapter 19 for defined terms.

### Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	800
4.2 Development	-
4.3 Production	-
4.4 Administration	100
<b>Total</b>	<b>900</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	407	276
5.2 Deposits at call	-	1,942
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>407</b>	<b>2,218</b>

### Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements and petroleum tenements acquired or increased			

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity and oil and gas exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3)	Amount paid up per security (see note 3)
7.1 <b>Preference securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	154,899,000	154,899,000	N/A	N/A
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	<u>Options</u>		<u>Ex. price</u>	<u>Expiry date</u>
	2,250,000	-	\$0.30	31/08/2017
	150,000	-	\$0.30	31/12/2016
	1,500,000	-	\$0.20	31/12/2016
	1,500,000	-	\$0.45	30/06/2018
	7,500,000	-	\$0.50	31/07/2018
	500,000	-	\$0.50	31/12/2018
	<u>Rights</u>			
	2,256,000	-	-	31/12/2016
	3,668,334	-	-	31/12/2017
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter	<u>Rights</u>			<u>Expiry date</u>
	(1,150,000)	-	-	30/06/2016
	(70,000)	-	-	31/12/2016
	(120,000)	-	-	31/12/2017
7.11 <b>Debentures</b> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <i>(totals only)</i>				

+ See chapter 19 for defined terms.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does ~~does not~~\* (*delete one*) give a true and fair view of the matters disclosed.

Sign here: ..... Date: 29 July 2016  
(~~Director~~/Company secretary)

Print name: Gregory Swan

### Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 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.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.