

## PARINGA REACHES FINANCIAL CLOSE AND COMPLETES FIRST DRAWDOWN OF DEBT FACILITY

**Paringa Resources Limited (ASX: PNL)** is pleased to announce that it has reached financial close for its US\$21.7 million Project Loan Facility (“**PLF**”) from Macquarie Bank Limited (“**Macquarie**”) to develop the Poplar Grove Mine.

Paringa has now drawn the first US\$15 million tranche of the PLF, having satisfied all conditions precedent under the Facility Agreement (“**Facility**”) to achieve financial close and drawdown the first tranche of the PLF. The funds from the second tranche are not currently required and will not be drawn before Q1 2019.

Paringa’s Interim Chief Executive Officer, Mr. Todd Hannigan, said: *“The completion of first drawdown is a significant milestone in the Company’s progress towards first coal production at Poplar Grove. We are pleased to have Macquarie as a financier and we have worked diligently with Macquarie’s technical, legal and financial teams to meet their high standards of due diligence.”*

As announced on May 17, 2018, Paringa entered into a US\$21.7 million Project Loan Facility with Macquarie Bank Limited to fund construction of the Poplar Grove Mine. The key terms of the PLF are a floating interest rate comprising the 3-month LIBOR plus a margin of 10.5% pa during construction, falling to a 9.5% pa margin for the remainder of the loan. The facility can be repaid at the end of any quarterly interest period, throughout the term of the loan, without penalty. The PLF is repayable by December 30, 2022.

Paringa has also issued 4.4 million options to Macquarie with an exercise price of A\$0.34, expiring 4 years from the date of issue.

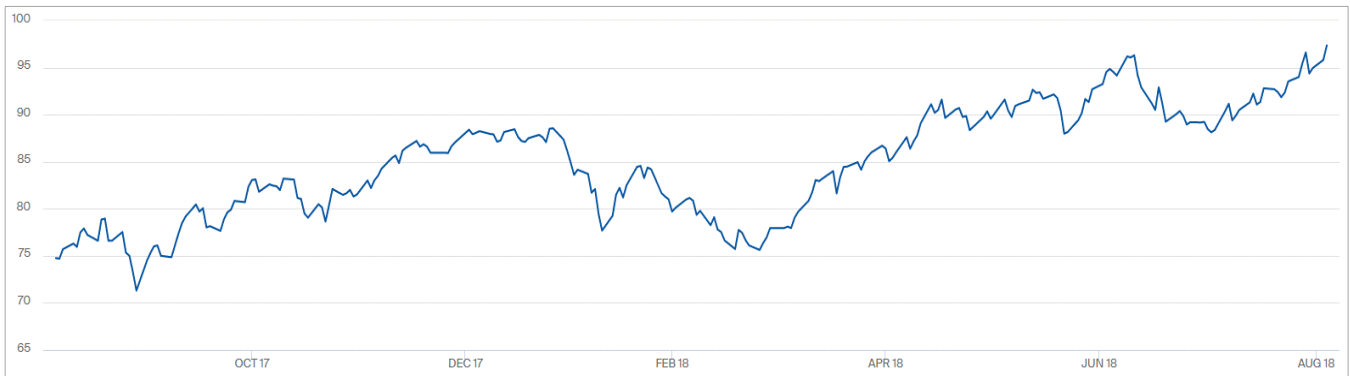
### Coal Market Update

Market conditions in the Illinois Coal Basin (“**ILB**”) continue to strengthen and coal prices have moved higher in response. Recently, there has been a material uptick in tendering from local utilities to replenish stocks and secure coal for future years. The option to export coal remains wide open and FOB netback prices remain attractive against domestic sales.

Pricing in the Illinois Coal Basin is up by nearly 20% in 2018 with occurrences of individual spot sales of approximately US\$44.50 per ton, exceeding Paringa’s contracted 2019 and 2020 rates with LG&E.

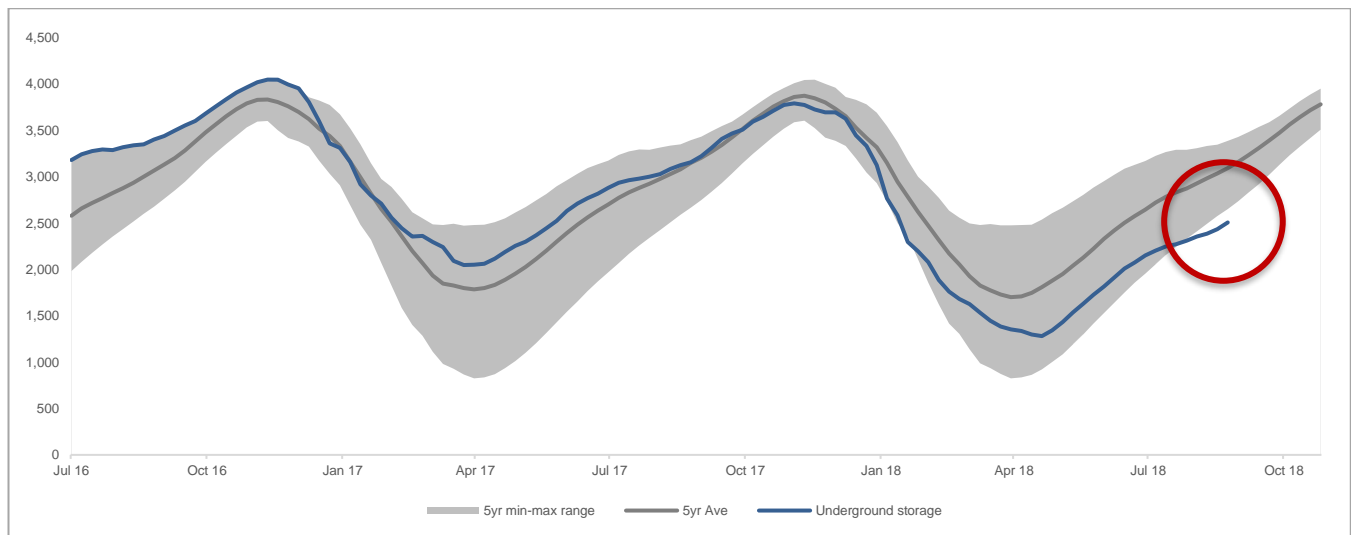
The Q1 2019 API2 Futures index moved higher again to over US\$98.75 per ton in early September, more than double its Q1 2016 low. The discount for ILB thermal coal shipped to Europe has fallen since the beginning of the year due to tightening international supplies and rising logistical costs. The increase in international demand and pricing has led to a shift in coal sales from domestic consumption to export, from less than 18 million tons of net exports in 2016 to potentially 55 million tons in 2018. With less coal available domestically in the U.S., coal stockpiles have continued to fall.

US Energy Information Administration data released for June 2018 saw a large draw of 7 million tons in power generation coal stockpiles, with national coal stocks for power generation falling to approximately 70 days of burn. On current trends, coal stockpiles may fall to less than 60 days by the end of the year.



**Figure 1: Q1 2019 API2 Rotterdam Coal Futures (US\$/t) (as at September 5, 2018)<sup>1</sup>**

Further, working gas stocks in underground storage are now well below average, and have now broken out below the minimum 5-year range. Strong growth in natural gas demand, decreased domestic gas stocks coupled with a large pipeline of LNG projects targeting the export of U.S. gas provide the potential for a strong medium-term increase in natural gas pricing.



**Figure 2: Working gas in underground storage compared with the 5-year maximum and minimum (bcf) (released August 30, 2018)<sup>2</sup>**

### Poplar Grove Construction Update

Construction at the Poplar Grove Mine is progressing rapidly, with first coal expected to be reached during December 2018.

A copy of the latest Poplar Grove Mine construction update video is now available on the Company’s website and at the following link: <https://youtu.be/UainsHHe7k>

Construction of the coal handling and preparation plant (“CHPP”) continues on schedule with all process equipment and piping installed. Water balance of the plant began on August 30, 2018 with no issues encountered. Installation of the materials handling system continues on schedule.

The Ainsworth Dock work barge and fleeting buoys are in place awaiting the installation of the conveyor structures which commence in September. The Komatsu / Joy Global surface reclaim feeder is complete and awaiting delivery.

<sup>1</sup> Intercontinental Exchange <https://www.theice.com/products/243/API2-Rotterdam-Coal-Futures/specs>

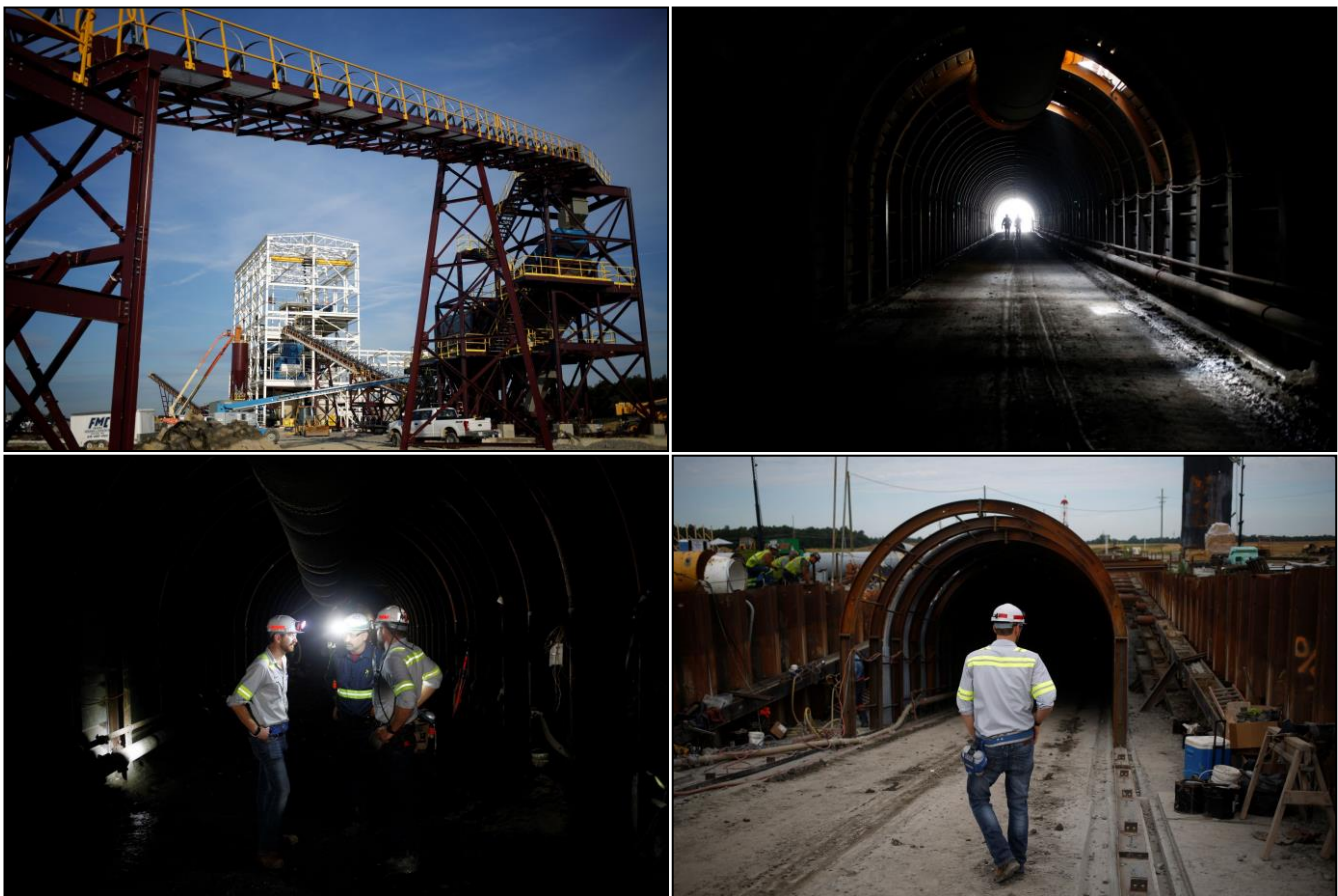
<sup>2</sup> U.S. Energy Information Administration <http://ir.eia.gov/ngs/ngs.html>

Development of the intake and return shafts was completed in August, ahead of schedule.

Progress of the decline was impacted for 9 days in August by an incident whereby the slope contractor overfilled the decline box cut with concrete backfill causing deformation of five steel arches. Paringa worked closely with the Mine Health and Safety Administration (“MSHA”) to rectify the issue and to recommence mining.

A twin-boom track-mounted roof bolter was placed in service in late August, to increase the bolting rate and reduce cycle times, which will lead to improvements to the decline productivity.

The decline excavation reached 933 feet of 1,465 feet total decline length as of September 6, 2018, and first coal is now expected to be intersected in mid-December.



*Figure 3: Poplar Grove Construction Works on the Slope and Coal Handling & Preparation Plant*

## **About Paringa**

Paringa Resources Limited (ASX: PNL) is an emerging U.S. energy provider developing the high margin, low capex Buck Creek Mine Complex (“Buck Creek Complex”) located in the growing Illinois Coal Basin (“ILB”). The Buck Creek Complex includes two fully permitted thermal coal mines: (1) the Poplar Grove Mine with planned production of 2.8 million tons per annum (“Mtpa”); and (2) the Cypress Mine with planned production of 3.8 Mtpa. Construction is well advanced at the Poplar Grove Mine, with first coal expected to be produced in late Q4 2018.

The Group’s objective is to become the next major Illinois Coal Basin producer by developing low capital and operating cost mines located near low cost river transportation in the ILB. Once the Poplar Grove Mine is constructed, the Group has the potential to make low risk, low cost mine developments to grow its coal production to 6.6 Mtpa and beyond. The Group will underpin this additional growth with long-term

sales contracts to ensure that additional capacity investments are low risk and generate high levels of free cash flow.

### **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.

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