

SEPTEMBER 2019 QUARTERLY REPORT

Paringa Resources Limited (“Paringa” or “Company”) (NASDAQ: PNRL, ASX: PNL) is pleased to present its quarterly report for the period ending September 30, 2019.

Highlights during, and subsequent to, the quarter include:

Coal sales

- Paringa delivered total coal shipments of 136 thousand tons (“Kt”) during the September quarter, up from approximately 26Kt shipped during the June quarter.
- Commenced coal sales to its second customer and generated September quarter sales of approximately US\$5.7 million.
- Paringa expects a further increase in sales during the December quarter as the operations continue to ramp up.

Mining & processing

- Unit 1 continues to ramp up and achieved ~85% of nameplate Mains productivity in the #1 West Main through the second half of September.
- Unit 2 has successfully been relocated to the #1 South Main, away from the geological fault, which will allow the Unit to continue to ramp up production.

Corporate

- Executed a term sheet with Tribeca Global Resources Credit Pty Limited to grant a royalty to Tribeca to raise US\$9.0 million before costs, in addition to the US\$10.0 million second tranche of the Company’s Term Loan Facility.
- After quarter end, completed a 1 for 4 pro-rata institutional entitlement offer to raise approximately A\$3.1 million and announced a new fully underwritten 1 for 5 pro-rata entitlement offer to raise approximately A\$5.1 million.
- Recent industry consolidation in the Illinois Basin provides a strong environment for additional Paringa coal sales.

POPLAR GROVE PRODUCTION SUMMARY ¹				
	Quarter ended Sep. 30, 2019	Quarter ended Jun. 30, 2019	Change Quarter / Quarter	3 months ended Sep. 30, 2019
ROM production (kt)	277.6	95.0	192%	277.6
Saleable coal production (kt) ²	143.3	26.7	437%	143.3
CCE - ROM inventory movement (kt) ³	(2.7)	4.6	n/a	n/a
ROM stockpiles (kt)	3.7	9.3	(5.7)	3.7
Saleable coal stockpiles (kt)	8.0	0.4	7.6	8.0
Saleable coal loaded (kt)	140.3	26.3	434%	140.3
Realized sales per ton (US\$)	\$41.98	\$42.35	-1%	\$41.98

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



Figure 1: Barge loading at Paringa's Ainsworth Dock on the Green River

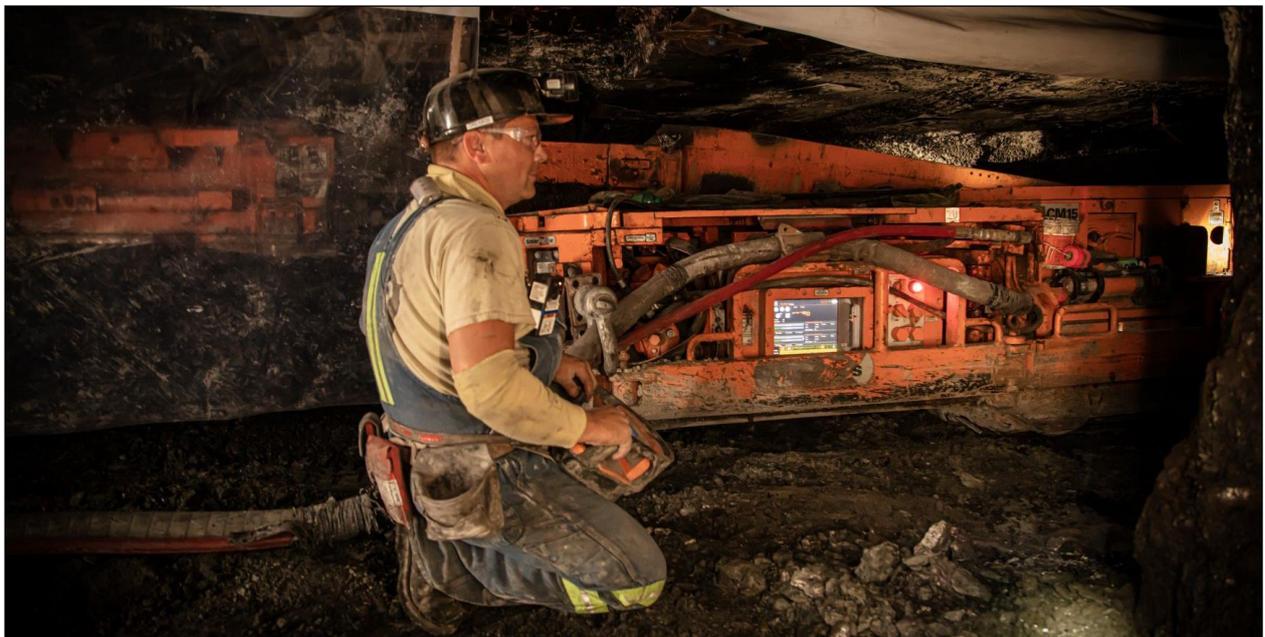


Figure 2: Underground continuous miner in operation at Poplar Grove

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POPLAR GROVE OPERATIONS

Coal sales

Paringa continued to ramp up shipping of coal to customers during the September quarter, with approximately 136Kt of product barged from the Company's dock on the Green River, up from approximately 26Kt shipped during the June quarter.

September quarter coal sales equate to revenues of approximately US\$5.7 million (US\$23 million on an annualised basis). The Company expects a further increase in sales during the December quarter as the operations continue to ramp up. Coal is sold by Paringa on a free-on-board ("FOB") basis, with the Company's customers responsible for the transportation of coal.

During the quarter, the Company commenced coal sales to Indiana-Kentucky Electric Corporation, a wholly owned subsidiary of Ohio Valley Electric Corporation ("OVEC-IKEC"). Coal is procured by American Electric Power ("AEP") on behalf of OVEC-IKEC. AEP is OVEC-IKEC's major shareholder and one of the largest electric energy companies in the U.S. with a market capitalization of ~US\$46 billion. The Company also continues to ramp up sales to its cornerstone customer Louisville Gas and Electric Company and Kentucky Utilities Company ("LG&E and KU").

Finished coal product from Poplar Grove is designed to include around 20% – 30% of raw material ("bypass tons") in addition to the fully washed portion to achieve a finished product energy content of around 11,200 – 11,300 Btu/lb per Paringa's coal sales contracts. The finished product currently being produced contains an energy content significantly higher than 11,200 – 11,300 Btu/lb, with the Company receiving a pricing premium for the sale of these tons.

Paringa maintains a strong pipeline of forward sales, with ~100% of 2019, ~75% of 2020 and ~50% of the next 5 year's production pre-sold. Paringa's contract book remains in a favorable position for domestic sales in the Illinois Coal Basin, where sales contracts are typically negotiated on 1 to 2 year terms. The Company continues to maintain good standing with its current customers and has recently executed a contract amendment to improve payment terms for a key coal sales contract.

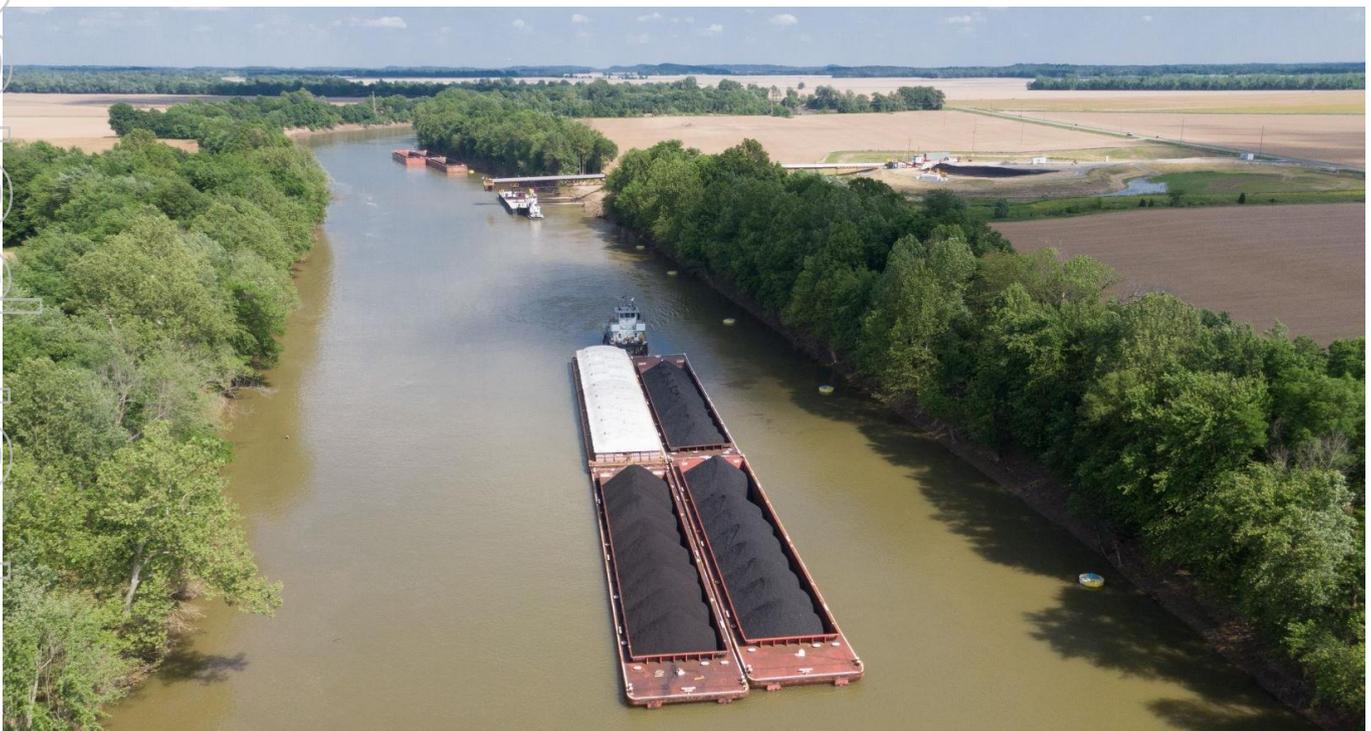


Figure 3: Poplar Grove coal being barged on the Green River

Mining and processing operations

Unit 1 mining activities continue to progress well, with continuous miner activities achieving ~85% of nameplate Mains productivity¹ through the second half of September in the Mains areas of the mine.

The ramp up in Unit 1 productivity is largely attributable to operational efficiencies plus the cumulative benefits of alterations to coal cutting processes and mining unit support arrangements. It is anticipated that the Company will reach full nameplate productivity through continuous improvements and an increase in available underground mining area over the coming months.

Unit 2 has successfully been relocated away from the previously encountered geological fault, and has recently recommenced regular operations, which will allow the Unit to continue to ramp up production.

Paringa utilizes room and pillar operations at Poplar Grove, an efficient and low-cost mining method widely employed in coal mines around the world. Room and pillar mining is undertaken by continuous mining units (“Unit”), with each Unit consisting of two CMs and other ancillary equipment. Paringa plans to operate three Units at Poplar Grove, with each Unit projected to produce approximately 0.9 Mt tons of clean coal per annum at full capacity. Unit 3 is scheduled for commissioning in late 2020, enabling total Poplar Grove production of up to 2.8 Mtpa of clean coal on an annualized run-rate basis.

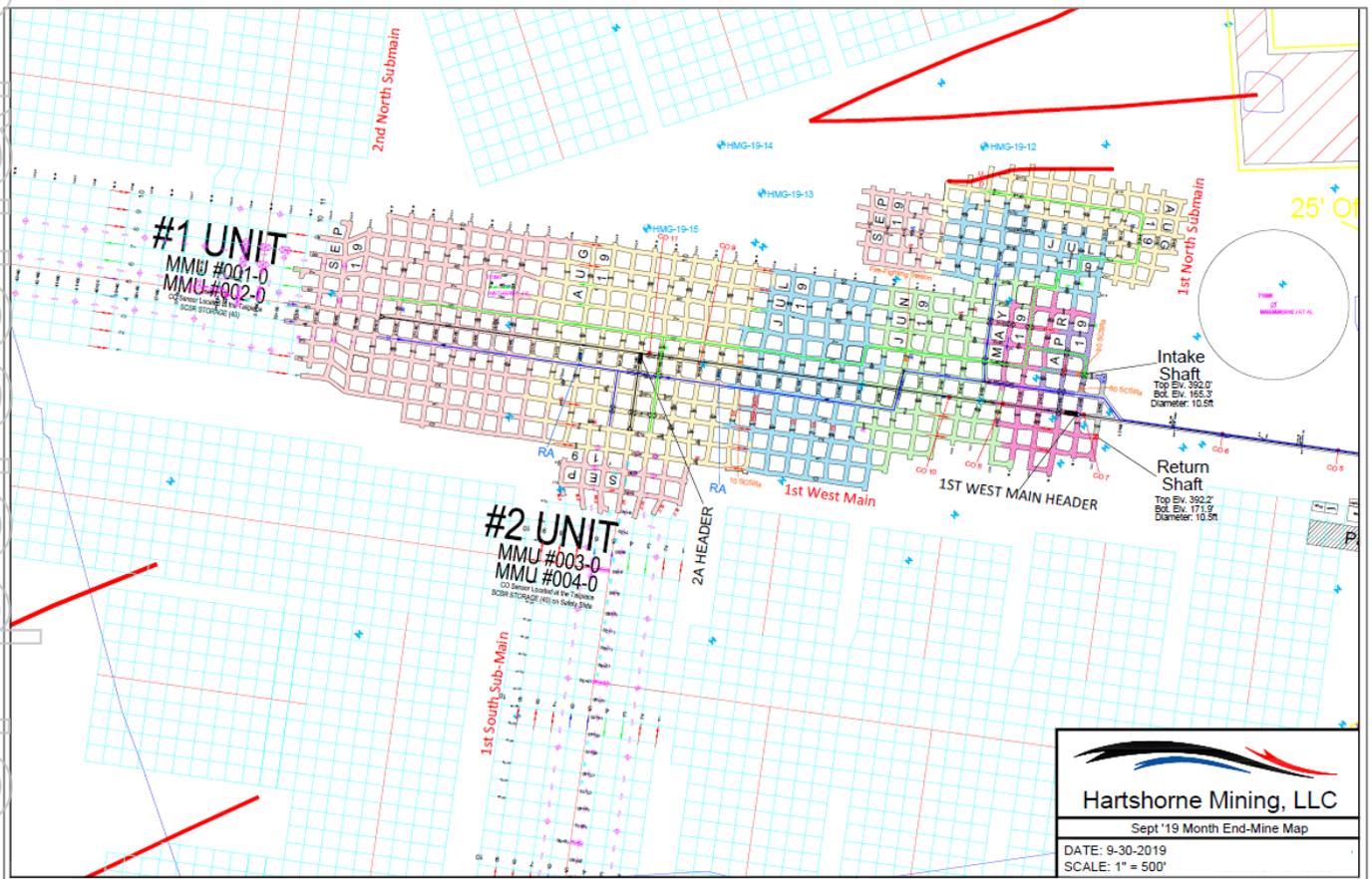


Figure 4: Poplar Grove mine map at September 30

Safety

No Lost Time Accidents (“LTAs”) were recorded during the quarter, with the Company recording 273 days without a LTA to September 30, 2019.



Figure 5: Continuous miner at a coal face at Poplar Grove

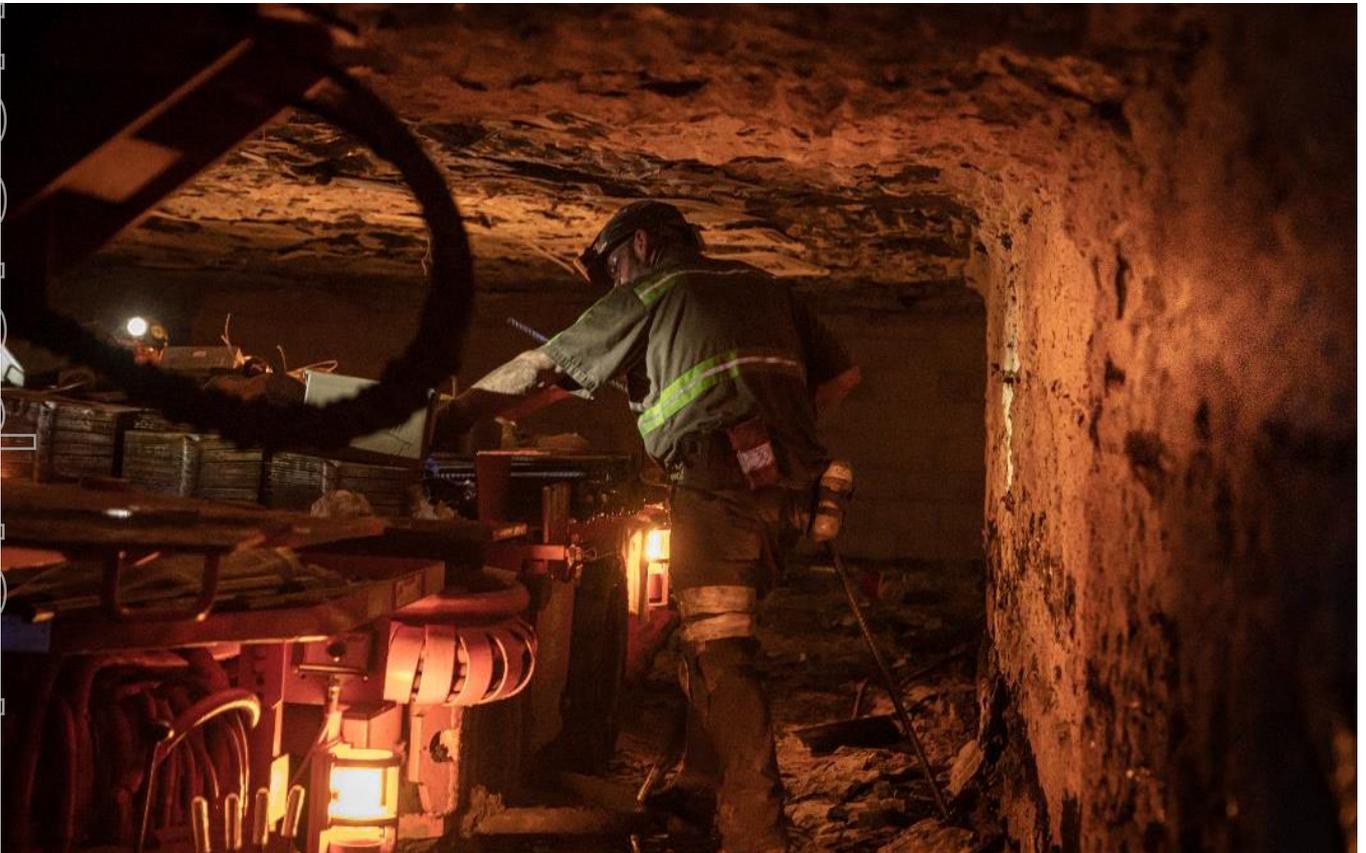


Figure 6: Underground mining activities at Poplar Grove



Figure 7: Roof bolting activities at Poplar Grove



Image 8: Processed coal being loaded for transport to the Company dock on the Green River

CORPORATE

Royalty Financing and Entitlement Offers

After quarter end, the Company executed a term sheet with Tribeca Global Resources Credit Pty Limited (“Tribeca”) to grant a 2% gross revenue royalty to Tribeca to raise US\$9.0 million before costs (“Proposed Royalty Financing”). The term sheet also provided for amendments to the Term Loan Facility from Tribeca (as agent) to, amongst other things, resize the second tranche of the Term Loan Facility from US\$16.0 million to US\$10.0 million, and to ensure that the previously announced termination of the Company's supply agreement with Big Rivers Electric Corporation and issues arising from a funding gap do not result in any events of default under the Term Loan Facility (“Proposed Term Loan Amendment”).

The term sheet has been approved by Tribeca's Investment Committee but remains conditional upon completion of a minimum US\$5.0 million equity raising after costs by the Company, completion of legal and tax due diligence by Tribeca, confirmation that the royalty can be granted, and completion of formal documentation.

In order to satisfy the minimum US\$5.0 million equity raising condition in respect of the Proposed Royalty Financing and Proposed Term Loan Amendment, the Company announced that it would make a 1 for 4 pro-rata entitlement offer of new shares to eligible shareholders at an offer price of A\$0.07 each (“Previous Offer”). The Previous Offer comprised an institutional entitlement offer to be conducted on an accelerated basis (“Institutional Entitlement Offer”) and a retail entitlement offer (“Retail Entitlement Offer”).

After quarter end, the Company completed the Institutional Entitlement Offer to raise approximately A\$3.1 million and announced that it had cancelled the Retail Entitlement Offer and will instead undertake a new fully underwritten 1 for 5 pro-rata entitlement offer of new shares to eligible shareholders at an offer price of A\$0.05 each to raise approximately A\$5.1 million (“New Offer”). The New Offer is fully underwritten by Argonaut Capital Limited. In addition, 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”).

Proceeds from the Proposed Royalty Financing and Entitlement Offers will be used to fund Poplar Grove's mine ramp-up to positive cashflow.

Illinois Basin (“ILB”) coal market

Western Kentucky coal markets are almost entirely domestic sales to utilities for power generation, underpinned by demand for power from large-scale manufacturing and industry in the region. Paringa is now shipping coal to both of its major customers, and maintains a very strong pipeline of forward sales, with ~100% of 2019, ~75% of 2020 and ~50% of the next 5 years' production pre-sold.

In Paringa's primary sub-region of the ILB in western Kentucky, approximately 5.8 Mt of supply capacity has recently been consolidated by Alliance Resource Partners (“Alliance”), who acquired and then closed the Pennyrile Mine (~1.3 Mtpa capacity) in September and closed the high-cost Dotiki mine (~4.5 Mtpa capacity) in August.

Consolidation in the western Kentucky market is positive for Paringa, which is now the only significant independent supplier of coal outside of Alliance and Murray Energy Corporation. Local utilities are incentivised to contract with new suppliers such as Paringa in order to assist with market balance, providing a strong environment for additional Paringa coal sales.

Management changes

Subsequent to the end of the quarter, Mr. Rick Kim left as Chief Operating Officer of the Company.

The Company recently appointed Mr. Jim Middleton as Executive Advisor to the Board, with specific responsibility to provide guidance to the Company's Poplar Grove coal mine in the United States, to assist in further developing safe, efficient, reliable and cost effective mine operations.

Mr. Middleton is an experienced underground mining executive with a long and successful history of running coal mining operations for major natural resource companies, including Glencore, BHP, Xstrata, Exxon Coal and Coal & Allied. Mr. Middleton has an extensive track record of developing, transforming and managing low cost, high productivity underground coal mines.

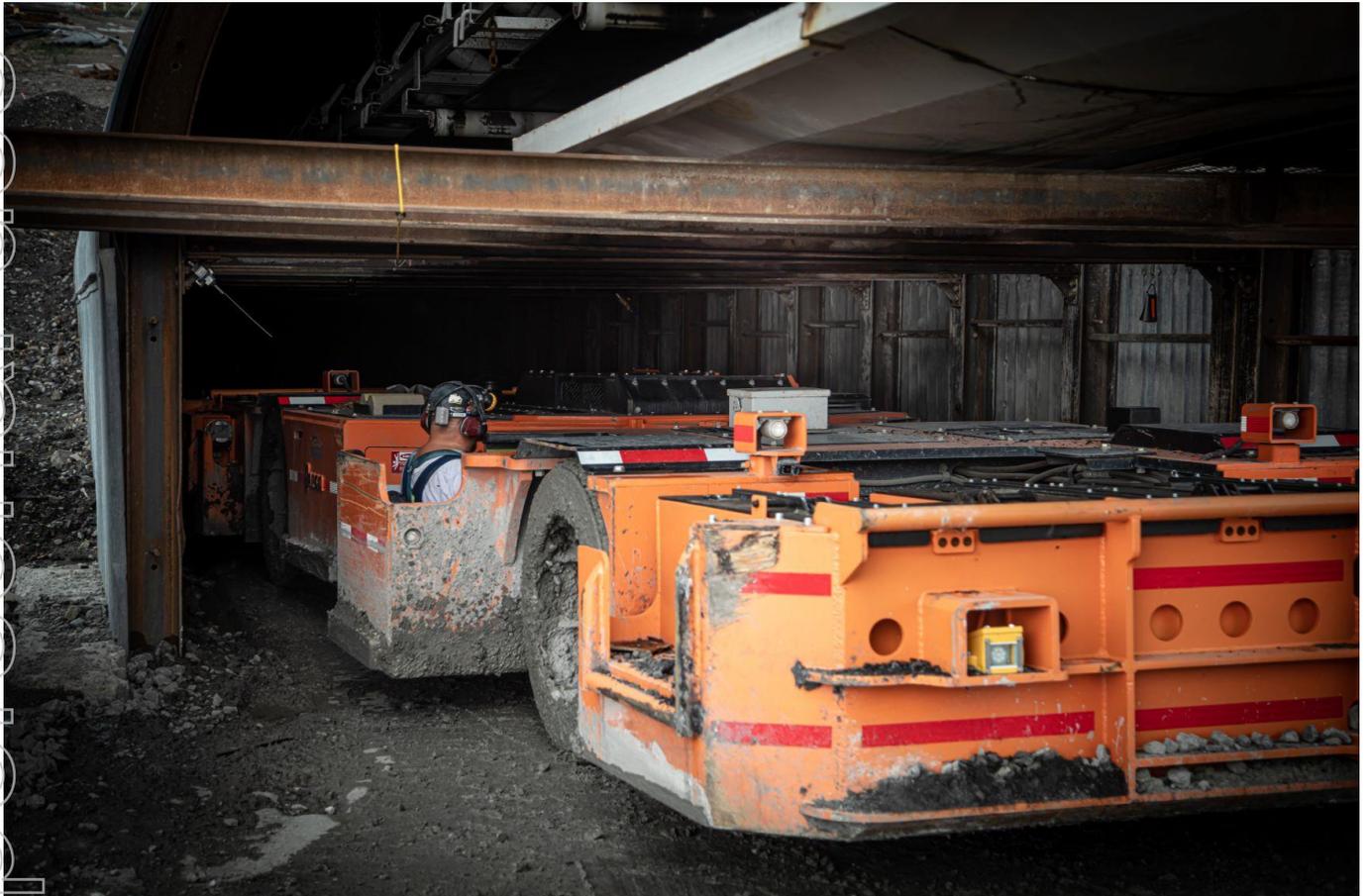


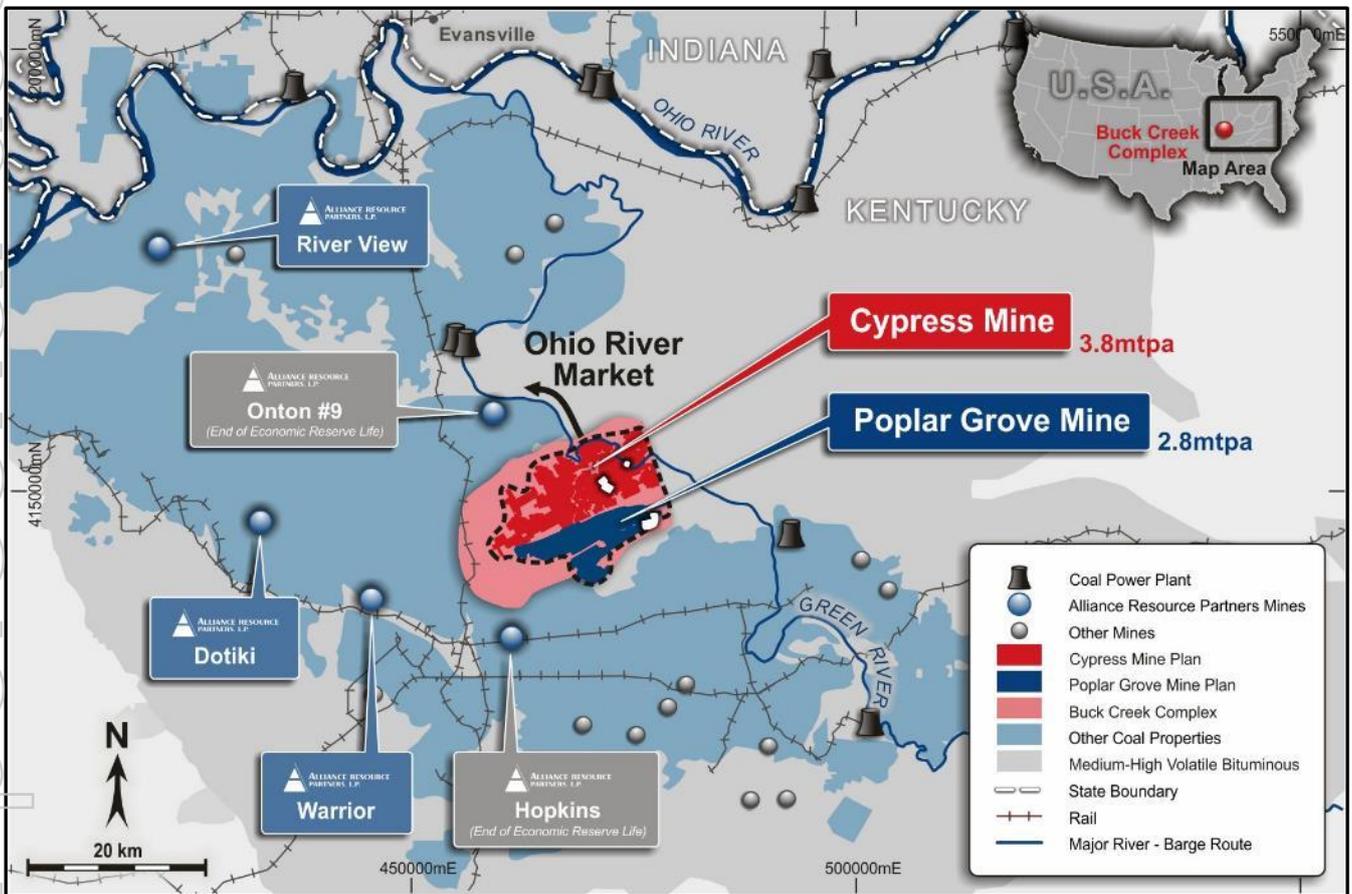
Image 9: Underground mining equipment entering the Poplar Grove slope

ABOUT PARINGA RESOURCES

Paringa Resources Limited operates the low cost, high quality Poplar Grove Mine, part of the Buck Creek Complex located in the Illinois Coal Basin in western Kentucky.

The Buck Creek Complex includes two fully permitted thermal coal mines: (1) the operating Poplar Grove Mine with production capacity ramping up to 2.8 Mtpa; and (2) the permitted Cypress Mine with planned production capacity of 3.8 Mtpa. Construction of the Poplar Grove Mine has been completed and production ramp-up is underway, with full production capacity targeted in late 2020. The Company also has plans to develop the Cypress Mine.

Western Kentucky is one of the world’s best mining jurisdictions due to its access to low cost power, utilities, transportation and non-union labor pool. Mining conditions at Poplar Grove are similar to those encountered in neighboring mines, which rank as some of the most productive room-and-pillar operations in the world.



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

BUCK CREEK COAL LEASES

At the end of the quarter, Paringa 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 Paringa through approximately 331 individual coal leases with private mineral owners.

During the quarter, Paringa entered into 1 new coal lease with private mineral owners totaling approximately 18 gross acres (7 hectares) of coal at the Buck Creek Mining Complex.

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 May 17, 2018 entitled 'Equity Raising Investor Presentation', March 28, 2017 entitled 'Expanded BFS Results Confirms Development Pathway to A\$850 million NPV' and December 2, 2015 entitled 'BFS Confirms Buck Creek will be a Low Capex, High Margin Coal Mine' which are available to view on the Company's website at www.paringaresources.com.

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 announcement 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, 01/05/13, 01/09/16

Name of entity

Paringa Resources Limited

ABN

44 155 933 010

Quarter ended ("current quarter")

30 September 2019

Consolidated statement of cash flows	Current quarter US\$000	Year to date (3 months) US\$000
1. Cash flows from operating activities		
1.1 Receipts from customers ⁽¹⁾	-	-
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	-	-
(c) production ⁽¹⁾	-	-
(d) staff costs ⁽¹⁾	(1,042)	(1,042)
(e) administration and corporate costs	(684)	(684)
1.3 Dividends received	-	-
1.4 Interest received	28	28
1.5 Interest and other costs of finance paid ⁽²⁾	(379)	(379)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material):		
(a) insurance proceeds	150	150
1.9 Net cash from / (used in) operating activities	(1,927)	(1,927)

⁽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 capitalized 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 capitalized 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 (3 months) US\$000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment:		
	(i) capitalized mine development costs and other plant & equipment	(1,794)	(1,794)
	(ii) capitalized mine operating expenditures, net of revenues ⁽¹⁾	(4,010)	(4,010)
	(iii) capitalized interest paid, relating to mine development ⁽²⁾	(1,411)	(1,411)
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	(62)	(62)
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	1	1
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) 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)	-	-
2.6	Net cash from / (used in) investing activities	(7,276)	(7,276)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	2,110	2,110
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(72)	(72)
3.5	Proceeds from borrowings	550	550
3.6	Repayment of borrowings	(970)	(970)
3.7	Transaction costs related to loans and borrowings	(350)	(350)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	1,268	1,268

⁽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 capitalized against mine development costs. Accordingly, these costs 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 capitalized 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 (3 months) US\$000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	12,038	12,038
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,927)	(1,927)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(7,276)	(7,276)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,268	1,268
4.5	Effect of movement in exchange rates on cash held	(8)	(8)
4.6	Cash and cash equivalents at end of period	4,095	4,095

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	2,190	116
5.2	Call deposits	1,905	11,922
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)	4,095	12,038

6. Payments to directors of the entity and their associates

- | | Current quarter
US\$000 |
|--|----------------------------|
| 6.1 Aggregate amount of payments to these parties included in item 1.2 | (225) |
| 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3 | - |
| 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2 | |

Payments to directors for services and defined contribution plans.

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Mining exploration entity and oil and gas exploration entity quarterly report

7. Payments to related entities of the entity and their associates		Current quarter US\$000
7.1	Aggregate amount of payments to these parties included in item 1.2	-
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Not applicable.

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end US\$000	Amount drawn at quarter end US\$000
8.1 Loan facilities:		
Term loan facility ⁽¹⁾	50,000	40,000
Equipment financing facility ⁽²⁾	26,500	24,537
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.	

⁽¹⁾ The Company has a Term Loan Facility ("TLF") from Tribeca Global Resources Credit Pty Limited (as agent) ("Tribeca"). The first US\$40 million tranche of the TLF was drawn during the June 2019 quarter. Drawdown of the second US\$10 million tranche of the TLF is expected in the first half of 2020 subject to satisfaction of certain ramp-up tests and other customary conditions precedent. The key terms of the three-year TLF are typical of a facility of this nature, including a floating interest rate comprising the US Prime Rate plus a margin of 7.50% pa, plus usual undertakings and events of default for a facility of this nature. The TLF is repayable by April 2022.

⁽²⁾ The Company 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.

9. Estimated cash outflows for next quarter	US\$000
9.1 Exploration and evaluation	-
9.2 Development	-
9.3 Production	-
9.4 Staff costs	(800)
9.5 Administration and corporate costs	(900)
9.6 Other (provide details if material):	
(a) mine capital expenditures and operating expenditures, net of revenues from coal sales	(6,400)
9.7 Total estimated cash outflows⁽¹⁾	(8,100)

⁽¹⁾ In addition, during the next quarter, the Company expects to receive cash inflows of A\$5.1 million before costs from its fully underwritten 1 for 5 pro-rata entitlement offer and US\$9.0 million before costs from its proposed royalty financing with Tribeca.

Mining exploration entity and oil and gas exploration entity quarterly report

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	-	-	-	-
10.2	Interests in mining tenements and petroleum tenements acquired or increased	Buck Creek Complex located in Kentucky, USA	Coal leases with private mineral owners	100% (40,096 acres)	100% (40,114 acres)

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.

Sign here: 
(Director/Company secretary)

Date: October 31, 2019

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.