PARINGA RESOURCES LIMITED

17 March 2015

ASX Announcement

PARINGA DELIVERS EXCEPTIONAL PRE-FEASIBILITY STUDY AT THE BUCK CREEK NO.1 MINE

HIGHLIGHTS:

- ***Pre-Feasibility Study ("PFS") results confirms technical viability and robust economics of the Buck Creek No.1 Mine ("Project") located within the growing Illinois Coal Basin***
- ***Potential to establish a low capex, high margin business underpinned by low risk, long term sales contracts with local utilities that provide a highly competitive source of base-load energy in the region***
- ***Significant improvements compared to previous Scoping Study results, including increased product yield, increased coal production, and decreased operating costs***
- ***Key PFS results for Buck Creek No.1 Mine summarised as follows:***
    - ***Annual ROM Production** (Steady State Average)* — ***5.2 million tons per year***
    - ***Annual Production** (Steady State Average)* — ***3.8 million tons per year***
    - ***Total Operating Costs FOB Barge** (Steady State Average)* — ***US$30.19 per ton***
    - ***Annual EBITDA** (Steady State Average)* — ***US$81 million***
    - ***Total Initial Capital*** — ***US$127 million***
    - ***Initial Marketable Ore Reserve*** — ***63 million tons***
    - ***Initial Mine Life** (Ore Reserves Only)* — ***18 years***
- ***Low operating costs are comparable to adjacent underground coal operations that also mine the highly productive WK No.9 coal seam***
- ***Established infrastructure underpins low capital cost development with all major capital items in the PFS based on tender submissions received from leading mining services firms***
- ***Direct barge access to the local Ohio River Market provides a significant transportation cost advantage compared to other Illinois Basin operations***
- ***Conservative PFS sales price assumptions were benchmarked against recent long-term contracted coal sales with local utilities***
- ***Potential for the Project's strong financial returns to materially improve as domestic and international coal markets recover***
- ***Paringa aims to lock-in forward sales contracts with local utilities that will underpin the financing and construction of the Project***
- ***Project is a first stage development within a larger mining complex with excellent optionality for high margin, low capex expansions***

Paringa Resources Limited ("**Paringa**" or "**Company**") is pleased to announce the results of a Pre-Feasibility Study ("**PFS**") on the Buck Creek No.1 Mine ("**Project**") within the Buck Creek Mining Complex, located in the low cost and highly productive Illinois Coal Basin in Kentucky, USA. The PFS

has been prepared in accordance with JORC Code 2012 Edition ("**JORC Code**") and National Instrument NI 43-101 'Standards of Disclosure for Mineral Projects' ("**NI 43-101**").

Utilising the Project's initial Marketable Ore Reserve Estimate of 62.6 million tons of coal, the Project can support production of 5.2 million tons per annum ("**Mtpa**") Run-of-Mine ("**ROM**") coal yielding approximately 3.8Mtpa of saleable clean coal at steady state production. The low capex, high margin Project is expected to achieve average earnings before interest, taxes, depreciation, and amortization ("**EBITDA**") of US$81 million per annum (steady state) with average annual total operating costs (steady state; inclusive of royalties and severance taxes) of US$30.19 per ton Free On Board Barge ("**FOB Barge**") at the Project's barge load-out facility.

Table 1: Coal Price Sensitivity Analysis					
Adjustment to Sales Forecasts	**-10%**	**-5%**	**Base Case**	**+5%**	**+10%**
Annual EBITDA (Steady State)	US$66m	US$75m	US$81m	US$93m	US$102m

Paringa's Chief Executive Officer, Mr David Gay, said: "*The PFS has confirmed that the Buck Creek No.1 Mine is a strategic, high margin, low capex asset located in the heartland of the Illinois Basin coal industry, one of the world's best mining jurisdictions. We are in an enviable position in that we have a low capex and permitted coal project with steady-state annual production of 3.8 Mtpa that generates strong EBITDA margins of circa 35% in the current market, with further potential for the Project's strong financial returns to materially improve as domestic and international coal markets recover.*"

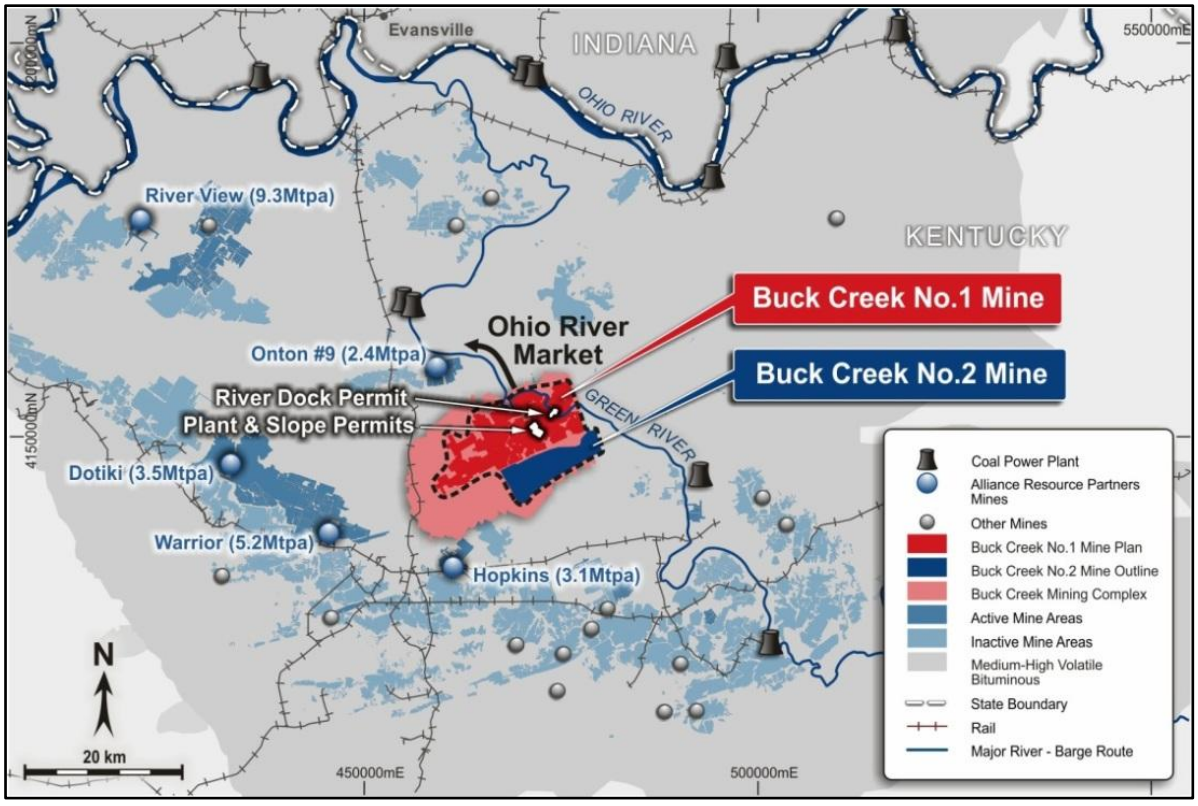

Figure 1: Buck Creek No.1 Mine Plan, No.2 Mine Layout and Adjacent Alliance Operations

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Introduction

Paringa is pleased to report the results of the PFS for the Buck Creek No.1 Mine prepared by Cardno Inc. ("**Cardno**"), with input from local experts. The PFS incorporates a revised mine plan based on an initial Marketable Ore Reserve Estimate generated from the upgraded resource, results from an optimisation study ("**Optimisation Study**") to redesign the coal handling and preparation plant ("**CHPP**"), permitting advancements, securing strategic coal leases and other Project refinements since the completion of the Scoping Study in March 2014.

Key results of the PFS are as follows:

Table 2: Strong Project Fundamentals *(to a maximum accuracy variation +/- 10%)*		
Initial Capital Costs		
Mine Site Development and Infrastructure	US$79 million	
CHPP & Barge Load-Out Facility	US$48 million	
Total Initial Capital Cost	**US$127 million**	
Production (tons)		
Average ROM Coal Production Steady State	5.2 Mtpa	
Total ROM Coal Produced Life-of-Mine ("**LOM**")	86.2 million	
Average Product Yield	73.5%	
Mine Life	18 years	
Average Saleable Coal Production Steady State	3.8 Mtpa	
Total Saleable Coal Produced LOM	63.4 million	
Start of Construction	Early 2016	
Start of Production Ramp-Up	Early 2018	
Cashflow		
Average Sales Price Received (per ton)	**2018**	**2035**
	US$47.36/t	US$55.63/t
Average Annual Operating Costs (steady state)	US$30.19 per ton	
Average Annual Operating Cashflow (steady state)	US$81 million	

Comparison of Results from PFS and Scoping Study

Paringa announced to Australian Securities Exchange ("**ASX**") during March 2015 the results of an Optimisation Study to redesign the CHPP to produce a washed and blended coal product, leading to a substantial improvement in the project's fundamentals. The Optimisation Study was conducted following discussions with future customers within the Ohio River Market in relation to their coal specification requirements.

Compared to the results of the Scoping Study released in February 2014, the PFS results show an improvement in average product yield, leading to increased saleable coal production and sales revenue, and a decrease in operating costs (per ton basis). The increase to the initial capital cost of the Project in

the PFS compared to the Scoping Study (US$108 million) is partly due to the additional capital cost incurred from the redesign of the CHPP following the results of the Optimisation Study.

Table 3: Comparison of Scoping Study and PFS

Item	Scoping Study	PFS
Average Product Yield	71.3%	**73.5%**
Average Annual Production (Steady State)	3.4 Mtpa	**3.8 Mtpa**
Average Sales Price Received (FY18)	US$51.98 /y	**US$47.36 /t**
Average Sales Price Received (FY30)	US$57.63 /t	**US$53.04 /t**
Total Operating Costs (FOB Barge) (Steady State)	$33.21 /t	**$30.19 /t**
Average Annual EBITDA (Steady State)	US$77 million	**US$81 million**
Total Initial Capital	US$108 million	**US$127 million**

Next Steps

Paringa will look to commence the Bankable Feasibility Study ("**BFS**") on the Project in the near future. During the BFS phase, the Company will undertake further mine scheduling, geotechnical, coal processing, ventilation, project infrastructure and utility studies aimed at identifying opportunities to further enhance project fundamentals.

The Company will also continue negotiations with future customers within the lucrative Ohio River Market, with the goal of executing a forward sales agreement ("**FSA**") or mine opening contract. This FSA is considered a bankable document and will assist the Company in discussions with potential financiers to raise the required funds to construct the Project. Following execution of this FSA, the Company will enter into the coal solicitation programs of various other power utilities within the Ohio River Market to sell future coal from the Project. Paringa has been placed on each potential customer's "qualified supplier listing" and will receive notification of all future coal solicitations.

Paringa has also begun assessing opportunities to incrementally expand production at the Buck Creek Mining Complex, forming part of a staged multi-project development program. The Company announced to the ASX in November 2014, that it had begun technical studies at the Buck Creek No.2 Mine. This second mine development has the potential to be a low capital cost project due to the shallow coal seam from surface at the mine portal and the ability to utilise existing infrastructure at the proposed Buck Creek No.1 Mine. The Company has already begun development drilling at Buck Creek No.2, and it is expected to complete the technical study in 2015.

The Company will also continue its aggressive leasing program focusing on securing strategic leases in the western half of the Buck Creek Mining Complex. Depending on the success of this leasing program, the Company may consider a third mine development which will service the expanding South Atlantic rail market in the US.

Building a High Margin Business in the Growing Illinois Basin

The Illinois Basin is now the second largest and the fastest growing coal basin in the US with production forecast to increase from 137 million tons in 2014 to over 200 million tons by 2020. The growth in the Illinois Basin is set to displace higher cost coal basins (e.g. Central Appalachia) as coal-fired power plants in the Eastern US power market continue to install scrubber technology (removes ~97% of SO_2) allowing these plants to burn the lowest cost coal on a delivered basis (i.e. Illinois Basin coal).

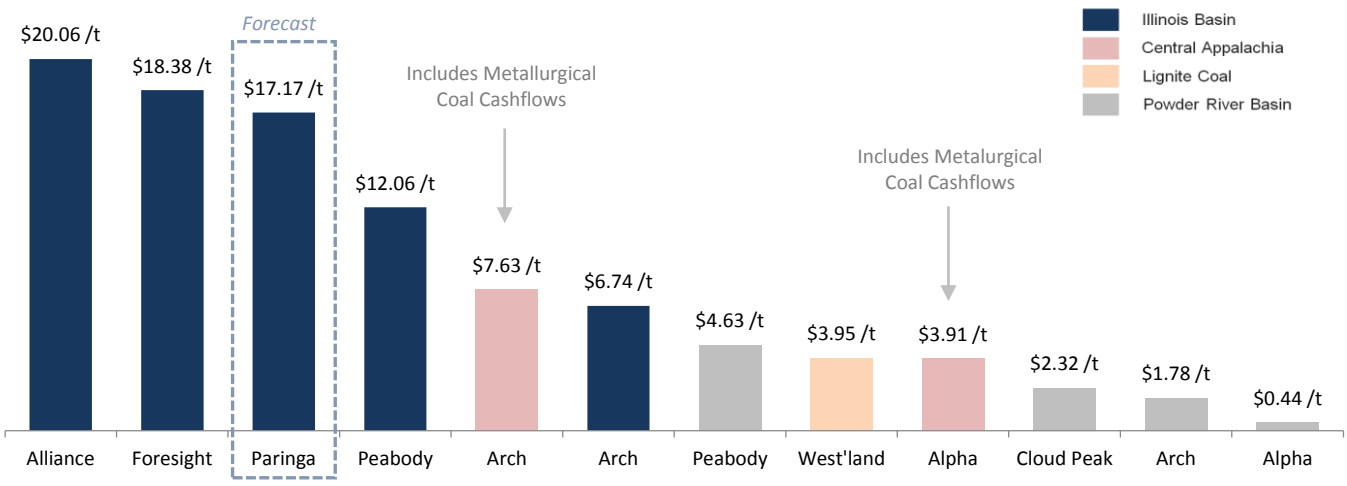
By 2020, it is expected that 100% of the coal-fired power fleet in the Eastern US will be scrubbed. In addition, scrubber technology at power plants removes other hazardous air pollutants such as mercury and are largely compliant with the Mercury Air Toxics Standards ("MATS") expected to come into effect in 2015.

The Illinois Basin is a highly sought-after coal basin as many efficient coal producers are able to sustain high margins despite weak international and domestic coal prices. Provided below is an overview showing why the Illinois Basin has become an attractive high margin market:

- ✓ Premium product – significantly higher heating content (~40 percent) than Powder River Basin coals;
- ✓ Highly productive underground mining operations and low operating (US$28 to US$35 per ton FOB Barge) and transportation costs results in a cheap fuel source for end-users;
- ✓ Superior transportation logistics compared to the Powder River Basin and Central Appalachian Basins; and
- ✓ More favorable permitting regime than the Central Appalachian Basin.

Provided below is a comparison of the available EBITDA margins (FY14) of selected public US coal companies operating within the Illinois Basin, Powder River Basin, Central Appalachian Basin and lignite coal fields, that together produced almost 615 million tons of coal in 2014.

EBITDA Margins for Public US Coal Producers by Key Basin (FY14)



Paringa forecast margin based on forecast sales price for FY18 of US$47.36/t and average annual operating costs of US$30.19/t (FOB Barge)

Figure 2: EBITDA Margins for Public US Coal Producers by Relevant Coal Basins (FY14)

The PFS results indicate the Project generates significant positive cashflow using sales price assumptions benchmarked to recent contracted sales with local utilities and operating costs comparable to adjacent operations. Provided below is the Project's EBITDA, Net Cash Flow (after tax, ungeared) and annual production from the start of construction in 2016 through to completion of the Project in 2035.

Project EBITDA, Net Cash Flow (After Tax) and Annual Production (2016 to 2035)

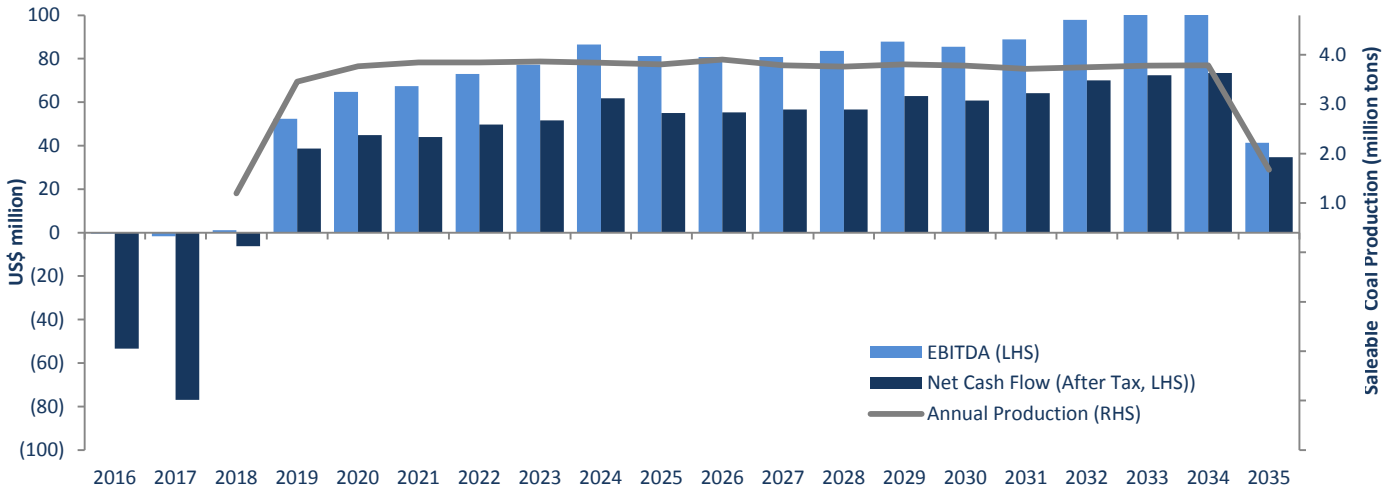


Figure 3: Project EBITDA, Net Cash Flow (After Tax, Ungeared) and Annual Production (2016 to 2035)

Low Operating Costs

The average annual operating costs per clean ton of coal during steady state production ("all-in cash costs") is approximately US$30.19 per ton (FOB Barge), including the cost of leased mining equipment, royalties and severance taxes. Royalties include the average royalty rate paid to mineral owners of 4.1% of the gross sales value FOB Barge and an overriding royalty of 0.5%. The Study assumes all mining equipment will be leased.

The Project's low operating cost results from the following inherent advantages:

- Western Kentucky No.9 ("**WK No.9**") coal seam within the Project area is a relatively flat lying (i.e. 2^{o} to 3^{o} dip), consistent, and laterally continuous coal seam resulting in high productivity;
- Excellent underutilised infrastructure and close proximity to the Green River provides low-cost barge access to the lucrative Ohio River Market consisting of large, scrubbed, and efficient base load power plants;
- Proximal to local mining services and equipment providers;
- Located within a mature coal mining district with access to highly skilled non-union labour;
- Competitive power and utilities costs; and
- Economic rights to the coal are generally owned by the local landowners (e.g. farmers) who are highly supportive of the Project.

Table 4: Low Operating Costs	
Average Annual Operating Costs (Steady State)	**US$ per ton**
Labour and Benefits	7.71
Operating & Maintenance	9.40
Power & Utilities	0.97
General & Administration	0.78
Leased Equipment	1.84
Sub-total Direct Mining Costs	**20.70**
CHPP & Barge Load-Out Facility	3.51
Taxes & Insurance	1.29
Royalties	2.37
Severance Taxes	2.32
Average Annual Operating Costs	**30.19**

Paringa's Buck Creek Mining Complex is adjacent to some of the most productive and highly profitable thermal coal mines in the US, owned by Alliance Resource Partners, LLC ("**Alliance**"). Alliance produced over 30 million tons in 2014 from its eight 100% owned Illinois Basin operations. Paringa will be mining the same coal seam (WK No.9), utilising the same mining methods and same mining equipment as Alliance. Provided below are Alliance's average total operating expenses for their eight Illinois Basin mines from 2009 to 2014:

Alliance Average Total Operating Expenses for Illinois Basin Operations (2009 to 2014)

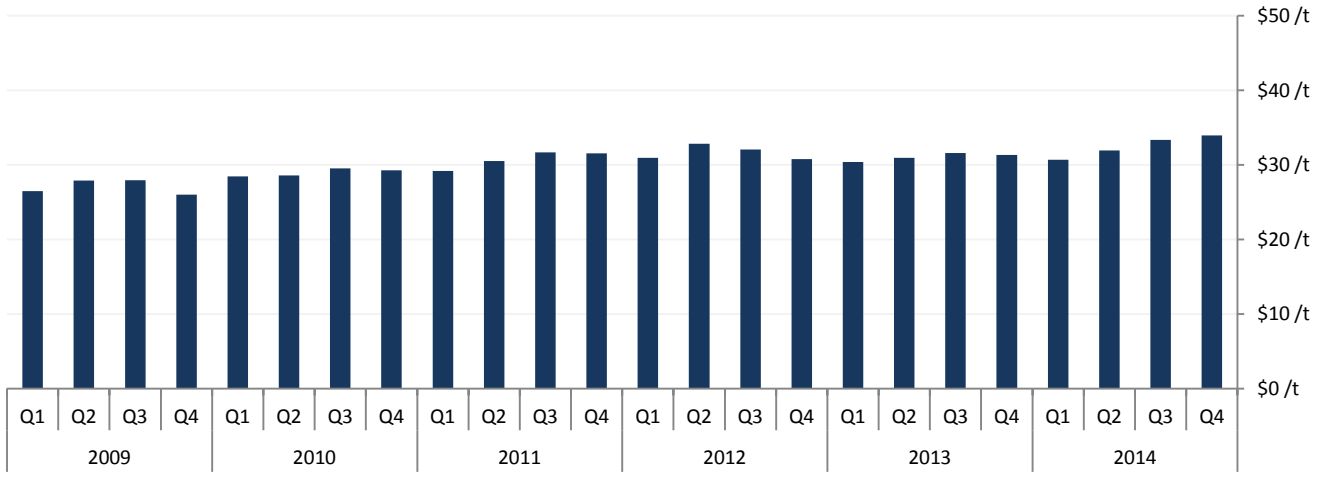


Figure 4: Alliance Average Total Operating Expense for Illinois Basin Operations (2009 to 2014)

Operating costs for the Project are projected for each year of the PFS mine plan taking into account projected annual ROM production, clean production and feet of advance. Operating cost projections are based on Cardno and Company estimates of production, yield, staffing, wages, employee benefits, maintenance expenses, equipment life cycles, supply and operating costs and coal preparation costs.

Low Capital Development Costs

The Project is located in one of the best-serviced and infrastructure advantaged coal regions in the US. Total initial capital is estimated at US$127 million which includes the cost of surface property, surface and underground mine development and infrastructure estimated at US$79 million and the cost of a 700 tph wash plant, barge load-out and surface facilities of US$48 million.

Table 5: Capital Costs

Capital Item	US$ million
Mine Development Costs	12.2
Slope (ie Decline) and Shafts	54.2
Surface Facilities & Infrastructure	13.3
Sub-total Mine Development	**79.7**
Coal Preparation Plant	33.9
Refuse Disposal Site	1.0
Overland Conveyor	8.0
Barge Load-Out Facility	4.7
Sub-total CHPP & Load-Out	**47.6**
Total Initial Capital Cost	**127.3**

The total initial capital cost with an added 10% contingency reserve is US$141 million. Sustaining capital for the mine, mine site infrastructure and CHPP have been estimated at US$78.5 million over Life of Mine. In addition, the Company has assumed all capital items will be sourced as new equipment.

All construction services, construction personnel, contractors and parts are expected to be supplied by firms who are operating in the region. Capital costs for the Project have been benchmarked against similar underground mines in the region that mine the Project's WK No.9 coal seam in similar conditions, utilising identical mining and processing techniques and equipment. In addition, the capital intensity (inclusive of leased equipment) of the Project is similar to other new coal developments in the Illinois Basin by public listed companies that have started construction since 2007:

Table 6: Capital Intensity of Recent Illinois Basin Developments

Mine	Owner	Construction Start Year	Nameplate Production	Capex Intensity
River View (CM)	Alliance	2007	8.4 Mtpa	US$29 /t
Bear Run (DL)	Peabody	2009	5.2 Mtpa	US$50 /t
White Oak #1 (LW)	Alliance/Private	2011	6.5 Mtpa	US$62 /t
Gibson South (CM)	Alliance	2011	5.2 Mtpa	US$38 /t
Pennyrile (CM)	Rhino	2013	2.0 Mtpa	US$34 /t
Average				**US$43 /t**
Buck Creek No.1 (CM)	Paringa	2016	3.8 Mtpa	US$49 /t

Capital Intensity = Total Capital divided by Nameplate Production; Capex includes all mining equipment to full production
Note: (CM) – Continuous Miner; (LW) – Longwall; (DL) – Surface Dragline
Source: Company Filings

Target Customer Base – Ohio River Market

The initial target market for the Project's coal is the lucrative Ohio River Market consisting of large, scrubbed domestic power plants currently receiving Illinois Basin coal by barge along the Green, Ohio and Cumberland Rivers.

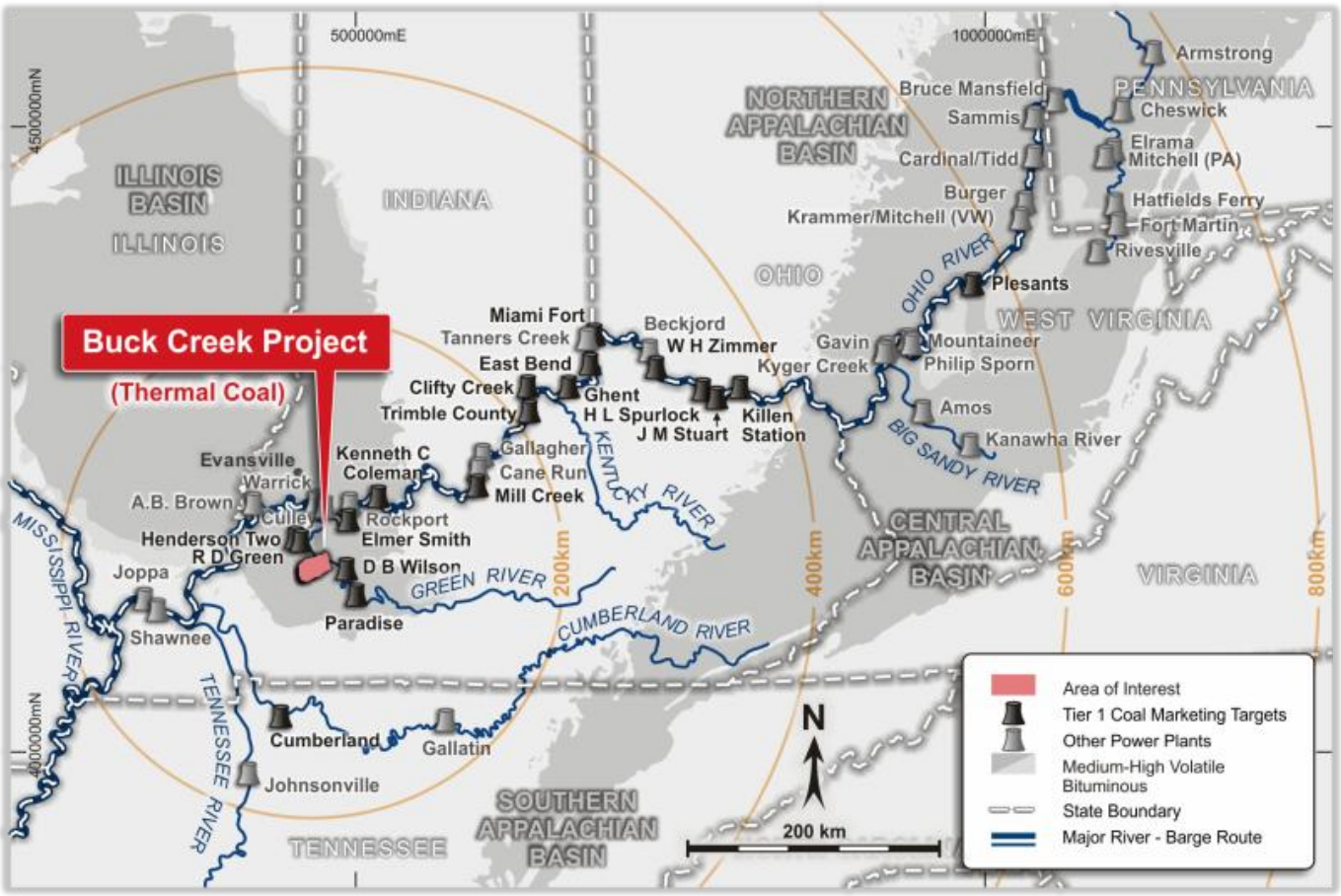


Figure 5: Buck Creek Mining Complex and Paringa's Target Market within the Ohio River Market

Figure 6: Typical Modern Coal Fired Power Plants on the Ohio River

(Left: 2.4GW JM Stuart Plant, Right: 1.4GW Zimmer Plant)

Within the Ohio River Market surrounding the Project, Paringa has identified 16 "Tier 1" coal marketing targets operated by 9 different utilities that have traditionally received fuel similar to the Project's coal.

Latest available data indicates Paringa's target market received over 50 million tons of coal in 2013. Latest available 2014 data (for the 11 month period ending November 2014), also indicates the average delivered cost of coal (at the plant) for Paringa's target market is US$53.18 per ton, which is equivalent to a gas price of US$2.29 mmbtu. Direct access to Illinois Basin coal via river transportation provides a significant cost advantage for these coal fired power plants. The cost of coal transportation via barge using the major waterways in the US (e.g. Ohio River) is significantly lower than the cost of transporting coal via rail.

Table 7: Paringa's Target Market 2013 Coal Burn and 2014 Average Delivered Coal Costs

Plant	Owner	Capacity (MW)	Installed Scrubbers?	2013 Coal Burn (Mt)	Delivery Method	2014 Delivered Cost ($US/t)	2014 Delivered Cost ($US/mmbtu)
Clifty Creek	AEP	1.3	Y	2.3	B	67.76	2.98
DB Wilson	Big Rivers	0.4	Y	1.1	B/T	50.26	2.15
RD Green	Big Rivers	0.4	Y	1.2	B/T	49.42	2.17
JM Stuart	DPL	2.4	Y	5.4	B	51.30	2.20
Killen	DPL	0.6	Y	1.4	B	49.44	2.18
East Bend	Duke	0.6	Y	1.6	B	50.11	2.17
Miami Fort	Duke	1.0	Y	3.7	B	48.40	2.06
WH Zimmer	Duke	1.3	Y	3.5	B	51.06	2.11
HL Spurlock	EKPC	1.4	Y	3.7	B	53.91	2.38
Henderson 2	Henderson	0.4	Y	0.9	B/T	57.66	2.38
Ghent	LG&E	2.0	Y	6.2	B	51.04	2.25
Mill Creek	LG&E	1.5	Y	3.9	B/R	56.04	2.34
Trimble County	LG&E	1.3	Y	2.9	B	51.07	2.31
Elmer Smith	OMU	0.4	Y	1.4	T	44.36	2.02
Cumberland	TVA	2.4	Y	5.5	B	57.79	2.41
Paradise	TVA	2.2	Y	5.5	B/T	52.18	2.25
Total		**19.7**	***Total***	**50.2**	***Average***	**53.18**	**2.29**

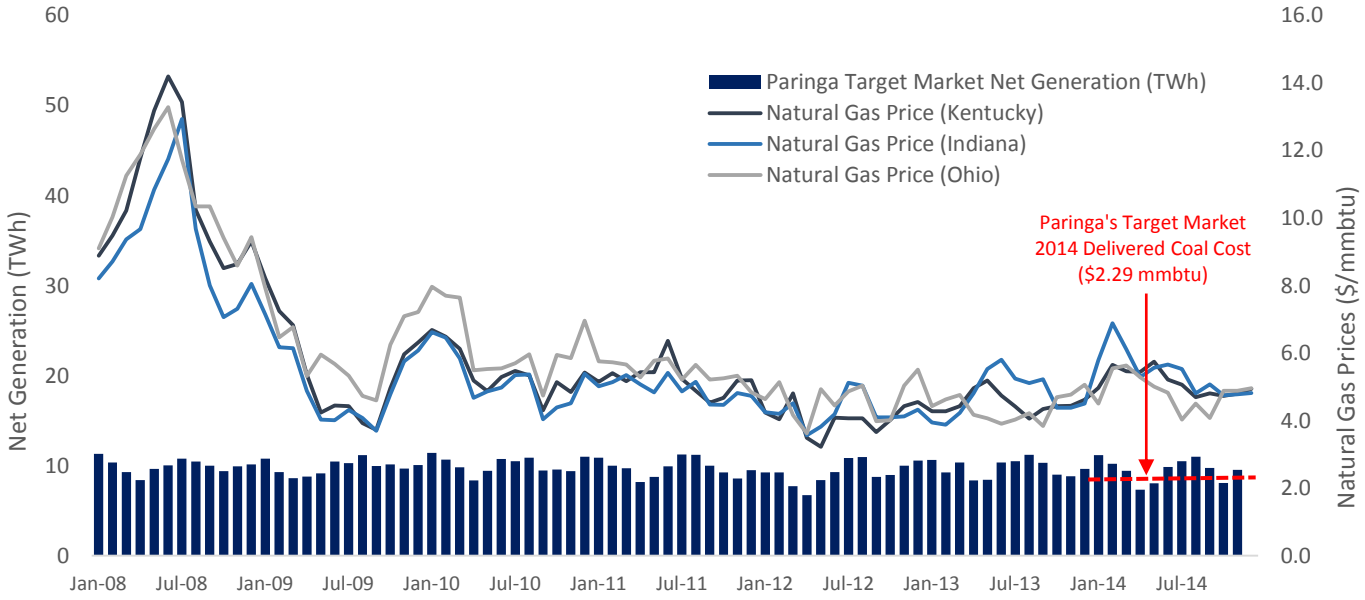
Note: B – Barge; T – Truck; R – Rail
Source: EIA

Due to natural gas pipeline and storage capacities, and transportation costs, the delivered cost of natural gas to the states of Kentucky, Indiana and Ohio is typical higher than the price of delivered natural gas throughout much of the North Eastern US. Latest available data indicates that for the month of December 2014, the delivered cost of natural gas averaged US$4.94 per mmbtu in Kentucky, US$4.82 per mmbtu in Indiana and US$4.96 per mmbtu in Ohio (source: EIA). The Henry Hub Gas Price averaged US$3.48 per mmbtu for that same month.

Paringa's target market along the Ohio River has remained a highly competitive source of power due to the relatively low delivered cost of heating content (via coal) of US$2.29 per mmbtu, compared to the

delivered cost of natural gas in the region (+US$4.80 per mmbtu). Paringa's target market has continued to generate a consistent, low cost, base-load, fuel source despite volatility in the regional delivered natural gas price. Provided below is a comparison of the delivered price of natural gas for the state of Kentucky, Indiana and Ohio compared to the net power generated (measured in TWh) by Paringa's 16 target market customers along the Ohio River from 2008 to 2014.

Paringa's Target Market Net Energy Generation (TWh) and Delivered Cost of Natural Gas per State



Source: EIA

Figure 7: Paringa's Target Market Net Energy Generation (TWh) and Delivered Cost of Natural Gas per State

Whilst Paringa's target market is largely insulated from the impact of volatile natural gas prices and is relatively stable in terms of coal demand, over the past 10 years coal supply into the market has become increasingly concentrated into one to two major US coal producers. Based on discussions with Paringa's target market, new independent sources of supply are highly valued.

Discussions with Target Market

The coal specifications for each coal fired power plant are typically driven by a combination of different plant operating characteristics, environmental requirements and economic considerations. As a result, the Company has optimised specifications for future coal sales to consist of a washed, higher heating content product and a blended, lower heating content product. Based on discussions with targeted customers, the Company will provide two products:

1. Product A – Fully Washed (11,800 Btu/lb); and
2. Product B – Blended (11,200 Btu/lb).

The Company believes that it will sell approximately 30 percent of its annual production as Product A - Fully Washed coal with the remaining 70 percent will be sold as Product B – Blended.

Recent Contracted Sales Data

Every year, Paringa's target market solicits for coal before and after the US winter period. These coal supply agreements will define the quantity (tons), the quality (i.e. heating content, ash, etc) and the sales price of the coal that is to be delivered to a location identified by the utility. Provided below are the latest coal supply agreements between utilities located in the State of Kentucky and local Illinois Basin coal producers signed between July 2014 to January 2015 (for the delivery of coal from 2016 onwards).

Table 8: Recent Contracted Sales for Utilities Located in Kentucky (Unadjusted)

Date	Company	Utility	Term (Years)	Tons (mt)	Heating Content (Btu/lb)	Sales Price (US$/t)			
						2016	2017	2018	2019
Jan-15	Foresight	EKPC	2	0.48	11,300	48.50	50.50	-	-
Jan-15	Alliance	LG&E	1	1.5	11,500	48.74	-	-	-
Jan-15	Alliance	LG&E	1	1.5	12,000	47.00	-	-	-
Jan-15	Ken American	Big Rivers	4	1.8	11,700	47.75	49.00	50.30	51.65
Dec 14	Armstrong	LG&E	2	2.0	11,000	42.80	44.00	-	-
Dec 14	Ken American	LG&E	4	3.0	11,800	48.50	49.38	51.00	52.00
Dec-14	Alliance	LG&E	2	1.44	11,500	46.70	48.25	-	-
Dec-14	Alliance	EKPC	2	0.48	11,500	47.20	47.20	-	-
Aug 14	Alliance	EKPC	2	0.48	11,500	47.95	49.75	-	-
Jul-14	Rhino	LG&E	2	1.6	11,300	48.25	50.00	-	-
Jul 14	Ken American	LG&E	0	1.0	11,800	48.50	-	-	-

The non-adjusted contracted sales prices reflected in Table 8 above, have been adjusted in Table 9 for differences in heating content and transportation costs, reflecting equivalent FOB Barge sales prices for Paringa's Product A - Fully Washed coal (11,800 Btu/lb).

Table 9: Recent Contracted Sales for Utilities Located in Kentucky (Adjusted)

Date	Company	Utility	Term (Years)	Tons (mt)	Heating Content (Btu/lb)	Sales Price (US$/t)			
						2016	2017	2018	2019
Jan-15	Foresight	EKPC	2	0.48	11,300	48.07	50.05	-	-
Jan-15	Alliance	LG&E	1	1.5	11,500	48.74	-	-	-
Jan-15	Alliance	LG&E	1	1.5	12,000	46.22	-	-	-
Jan-15	Ken American	Big Rivers	4	1.8	11,700	45.76	49.77	51.08	52.44
Dec 14	Armstrong	LG&E	2	2.0	11,000	43.58	44.80	-	-
Dec 14	Ken American	LG&E	4	3.0	11,800	48.50	49.38	51.00	52.00
Dec-14	Alliance	LG&E	2	1.44	11,500	47.92	49.51	-	-
Dec-14	Alliance	EKPC	2	0.48	11,500	48.43	48.43	-	-
Aug 14	Alliance	EKPC	2	0.48	11,500	49.10	51.05	-	-
Jul-14	Rhino	LG&E	2	1.6	11,300	47.82	49.56	-	-
Jul 14	Ken American	LG&E	0	1.00	11,800	48.50	-	-	-

Conservative Sales Price Assumptions

Forecast coal sales prices used in the PFS are based on Hanou Energy Consulting, LLC's Illinois Basin Coal Price & Demand Forecast: 2014-2034. A base price for the Project's Product A - Fully Washed product (11,800 Btu/lb) was established from the forecast. Based on washability data and preparation plant design calculations, the Project's Product B - Blended coal is expected to have a quality of 11,200 Btu/lb. This lower heating content product will be subject to a price adjustment for heating content and ash.

As a result, the estimated average sales prices for the Project ranges from $47.36 per ton to $55.63 per ton between 2018 and 2035. The weighted average sales prices for both products is shown below:

Table 10: Selected Average Sales Forecasts (US$ per ton)					
2018	**2019**	**2020**	**2025**	**2030**	**2035**
47.36	47.81	48.26	50.59	53.04	55.63

Coal Resource

Paringa previously announced to the ASX (February 2015), an update to the Coal Resource Estimate ("**CRE**") reported in accordance with the JORC Code 2012. The updated CRE comprised of 211 million tons (~192 million tonnes) in the Measured and Indicated categories.

Table 11: Buck Creek Mining Complex – Coal Resource Estimate							
CRE Tonnage (Mt)					**Product Quality (+4% Eq. Moisture)**		
Measured	Indicated	**Total Measured & Indicated**	Inferred	**Total**	Calorific Value	Ash	Yield
57.7	153.5	**211.2**	5.3	**216.5**	11,855 Btu/lb (6,583 Kcal/kg)	8.4%	92.9%

The updated CRE incorporated results from an additional 4 air rotary holes and 14 diamond core holes drilled by Paringa from 2013 to 2014. Also added were 5 Kentucky Geological Survey core holes on portions of the recently acquired 8,500 acres of mineral property leased by Paringa since the maiden CRE was released in November 2013. Drilling has confirmed the WK No.9 seam to demonstrate lateral stratigraphic and coal quality continuity.

A total of 186 bore holes were used in the estimation, including 103 Kentucky Geological Survey core holes, 29 Buck Creek Resources LLC core holes, 10 Buck Creek Resources LLC rotary holes, 14 Hartshorne Mining LLC core holes, 4 Hartshorne Mining LLC rotary holes, and 26 gas wells.

The Buck Creek Mining Complex coal resource is in the WK No. 9 coal seam approximately 620 feet below the surface at the proposed mine portal site. The coal seam is flat lying with a modest dip of 2 to 3 degrees generally to the northwest and toward the centre of the bowl-shaped Illinois Coal Basin. Thickness of the WK No. 9 coal seam modelled in the CRE averages approximately 3.8 feet (46 inches), a suitable seam thickness for high-productivity underground mining with approximately 0.7 feet (8 inches) of out-of-seam mining needed to achieve an average mining height of 4.5 feet (54 inches) required for equipment clearance. Seam and mining heights are similar to a number of underground mines in the region.

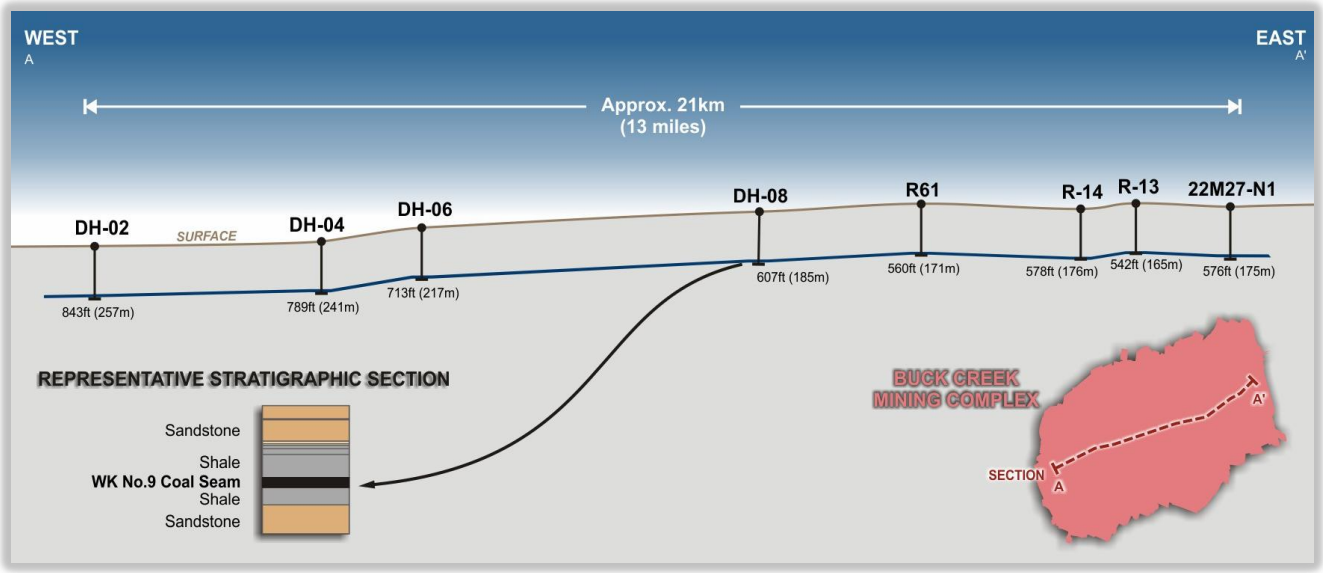


Figure 8: Cross Section and Stratigraphic Column of the WK No.9 within the Project

Coal Quality

The Project has particularly attractive coal quality properties compared to existing and new mines being developed in the Illinois Basin. On a product basis, after a 4% addition to equilibrium moisture, the coal has a high heat content of 11,855 Btu/lb which compares very favourably with the larger producing mines in the Illinois Basin. Since thermal coal mines are ultimately selling energy, this factor makes the Project's quality very attractive as a new source of energy from the Illinois Basin.

Table 12: Buck Creek Mining Complex – Coal Quality Specifications

Raw Proximate Analysis (As Received)						**Washed Core Quality** (Equilibrium Moisture +4%)		
EQ Moisture	Ash	Volatile Matter	Fixed Carbon	Chlorine	HGI	Calorific Value (Btu/lb)	Ash	Yield @ 1.60 Float
6.6%	11.9%	37.1%	44.5%	0.18%	60	11,855	8.4%	92.9%

One of the more important characteristics to be considered in the Illinois Basin is the chlorine content since chlorine corrodes power plant boilers. The Project's chlorine content is a relatively low 0.18% and thus has a significant advantage over many new developments in the Illinois Basin which often have values exceeding 0.3%. The ash content of the Project's coal averages 8.4% and the sulphur content (2.8%) is slightly lower than the average typically seen across the Illinois Basin. The Project's coal quality provides confidence that the coal will be an attractive product in the growing scrubbed domestic and international thermal coal markets.

Maiden Ore Reserve Estimate

The Project's initial Marketable Ore Reserve Estimate of 62.6 million tons of thermal coal has been defined from initial Recoverable Ore Reserve Estimate of 85.2 million tons. The Marketable Ore Reserve is classified as a Proven and Probable Ore Reserve Estimate, of which 16.4 million tons (or 26 percent) is considered proven and 46.3 million tons (or 74 percent) is considered probable (after the application of all mining factors).

The Ore Reserve Estimate underpinning the production target has been reported in accordance with the JORC Code and CIMDS (as adopted May 10, 2014) and has been prepared under the direction of Mr Justin Douthat, a Competent Person who is a Registered Member of the Society of Mining, Metallurgy and Exploration and Mr Kirt Suehs, a Competent Person who is a Member of The American Institute of Professional Geologists. The Ore Reserve Estimate has been generated from the PFS mine plan which is based entirely on Measured and Indicated Coal Resource of 211 million tons and does not take into account Inferred Resources.

Table 13: Maiden Ore Reserve Estimate

Recoverable Coal Reserve (Mt)			Product Yield	Marketable Coal Reserve (Mt)		
Proven	Probable	**Total**	%	Proven	Probable	**Total**
22.25	62.91	**85.16**	73.54%	16.36	46.27	**62.63**

Proven and probable coal reserves were derived from the defined coal resource considering relevant mining, processing, infrastructure, economic (including estimates of capital, revenue, and cost), marketing, legal, environmental, socio-economic, and regulatory factors. They are presented on an as-received, recoverable basis.

Mine Development Plan

The Project is a well-defined coal resource, which is located in an area with a long history of coal mining. Proposed production from the mine will come exclusively from utilising the room-and-pillar method. The selection of underground room-and-pillar mining is validated by examining the method of mining used by adjacent operations which are some of the highest productivity room-and-pillar mines in the world.

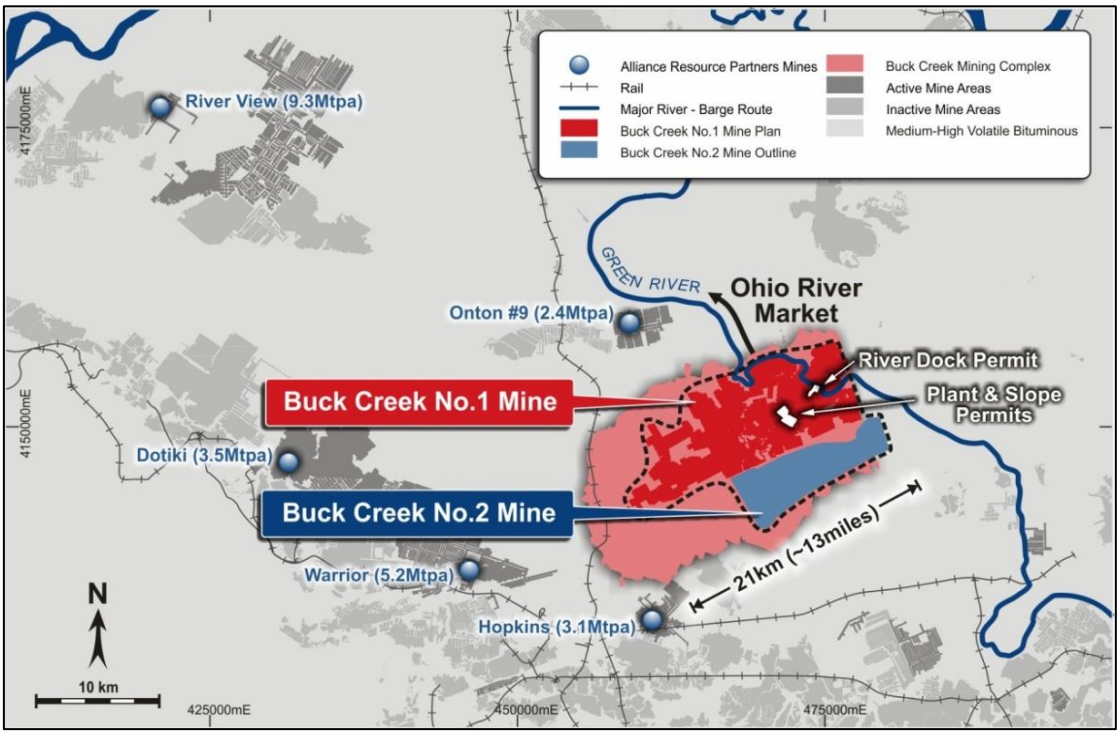


Figure 9: Buck Creek No.1 Mine Plan

In addition, the room-and-pillar mining method with continuous miners has received all of the necessary approvals from regulatory agencies at nearby operations and is supported by well-established equipment models with a ready supply of repair and replacement parts. No prototype equipment has been selected for use in the Project.

Paringa's US-based executive staff has vast coal mining experience and, more specifically, operational experience in the WK No. 9 coal seam. The seasoned backgrounds of the leadership team will enable the successful development and execution of a sound business plan that incorporates management best-practices, engineering design, personnel selection and training, equipment selection, and a mine plan to maximize safe mine production and high productivity.

Coal Seam Access

Access to the proposed mine will be provided by a slope for transport of personnel, materials, and ROM coal, and a two-compartment vertical shaft for mine ventilation. The mine slope (decline entryway from the surface to the coal seam) will accommodate a conveyor belt to transport ROM coal to the surface and a travelway for the transportation of personnel, supplies, and equipment.

Figure 10: Example of a Slope Portal Transporting ROM Coal to Preparation Plant

The slope is designed as an 18-foot wide by 16-foot high slope constructed at an 8.5 degree gradient that measures approximately 3,800 feet in length from the bottom of the box cut to the coal seam. This length includes an allowance for a vertical curve at the bottom of the slope to provide room for a level segment of the slope belt for conveyor transfer points.

A dual-compartment vertical airshaft will be constructed in order to ventilate the mine. One-half of the shaft will be designed for intake (fresh) air, and the other will carry return air which has coursed through the mine picking up dust. The shaft will be constructed on the permitted surface site by conventional drilling, blasting and mucking from the surface to a depth of approximately 620 feet. The finished (concrete-lined) inside diameter of the shaft will be 25 feet and divided by a concrete wall in the center.

Mining Method

Production will be by room-and-pillar mining with four super-section units with a total of eight continuous miners (i.e. two continuous miners per super-section unit). Each super-section will be equipped with four battery haulers discharging onto a belt feeder/breaker, which provides surge capacity to reduce hauler dump time.

In addition, each super-section will be equipped with two dual-head roof bolting machines to provide roof support in mined entries. The super-sections will also require scoops for clean-up of spillage, distribution of supplies and materials, and other utility purposes.

Personnel and supplies will be transported from the surface, down the slope, and to the mine's working sections with battery or diesel-powered rubber-tired equipment. Supplies will generally be loaded in trailers on the surface and transported to the operating sections or areas designated for material use. Rehandling and stockpiling supplies underground (in areas other than active working sections) will be minimized to reduce labour and damage to supplies.

Figure 11: Typical Underground Super-Section Mining Equipment

Mine Production

The PFS mine plan includes a total production of 86.2 million raw (ROM) tons and 63.4 million clean, marketable tons over an 18-year period. This schedule includes a two-year ramp-up period and a period

when production declines (Year 18) as current mine area is depleted. At planned productivity, each super-section will produce approximately 2,300 to 2,400 tons of ROM coal per shift. ROM production for the Project will total approximately 5.2 million tons per year at full production.

Average product yield is estimated at 73.5 percent (which includes direct shipment/preparation plant bypass of approximately 14 percent of the ROM production). This will yield an average of approximately 1,675 to 1,765 tons of clean coal from each unit-shift of production. Annual production will total approximately 3.8 million marketable tons at full production.

Productivity

Favourable geology, established mining infrastructure, including coal mining equipment and services industries, and access to highly skilled population centres within the Illinois Basin, lends itself to some of the most productive underground mining in the US. Mine production is most often measured by feet of entry advance per shift which provides an assessment of crew and equipment performance independent of geologic conditions. The continuous miner advance rate projected for the Project is 560 feet per super-section unit-shift which is comparable to the performance of other producers in western Kentucky and other parts of the ILB.

The Project is proximal to some of the largest and highest margin thermal coal mines in the US. Based on 2013 data, nine out of the top ten most productive non-longwall underground coal mines in the US are based in the Illinois Basin. The River View mine, which began production in 2009, produced 9.3 million tons in 2013, is the largest non-longwall (e.g. room-and-pillar) mine and the second most productive in the US. In developing the Project, Paringa will seek to replicate the productivity of underground mines in the region.

Local Mining Industry

With mining operations dating back to the early 1800's, western Kentucky's coal mining industry is one of the oldest and most extensively developed coal regions in the US. At full production, staffing for the Project operation is expected to total 288 employees, be non-unionised, highly skilled and sourced predominately from nearby population centres.

The Project is extremely well-serviced by all major mining equipment manufacturers and mine service and supply centres. Major mining equipment manufacturers have rebuild and component service exchange centres located near the proposed mine site. A major network of mining service providers including slope, shaft, and preparation plant construction companies are located in the immediate area.

Mine Site Infrastructure, Coal Handling & Preparation Plant

The mine portal, coal preparation plant, and refuse disposal facility will be located in McLean County in the east-central portion of the Property. An overland conveyor will connect the mine and plant to a barge load-out on the Green River, approximately two miles to the northeast along Kentucky Route 138.

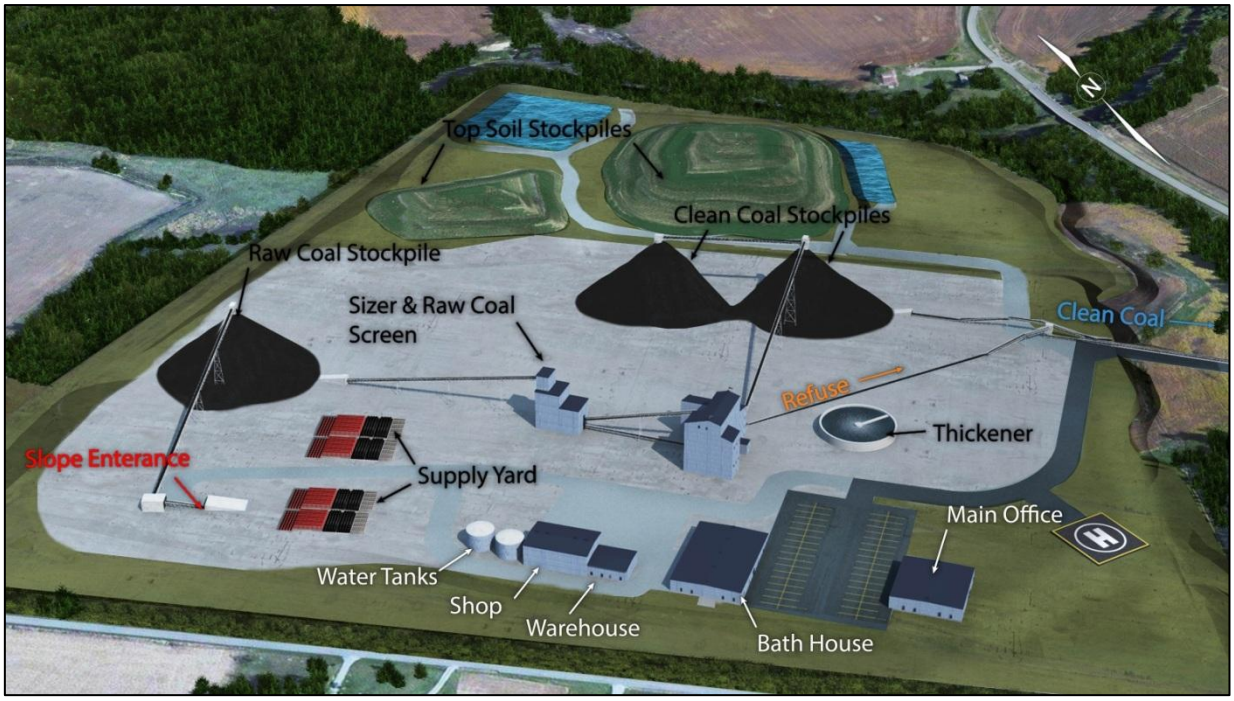


Figure 12: Project Site Plan Layout

Processing

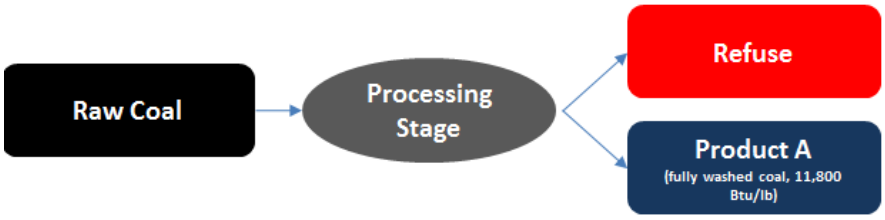
The Project will include a modern, fully integrated, coal preparation plant in order to provide a consistent product, which meets the specifications of its customers. At full production, the coal preparation plant will be capable of processing 5.2 million tons of ROM coal annually, which equates to approximately 3.8 million marketable tons per year. The plant will be scheduled for operation 302 days each year, which represents an average six-day per week work schedule for 52 weeks (less 10 holidays).

Based on feedback from Paringa's potential Tier-1 customers, the Project's CHPP has been redesigned to produce both a fully-washed and blended product as shown below:

- **Product A - Fully Washed Product (11,800 Btu/lb)**

  Raw coal from the underground mine is transferred via conveyor belt to the CHPP for screening and processing. All raw coal is immediately washed and stockpiled as a fully washed, higher heating content 11,800 Btu/lb product. It is estimated that 30% of total sales from the Project will be a fully washed product (Product A) with a preparation plant yield, for this product estimated at 67.1%.

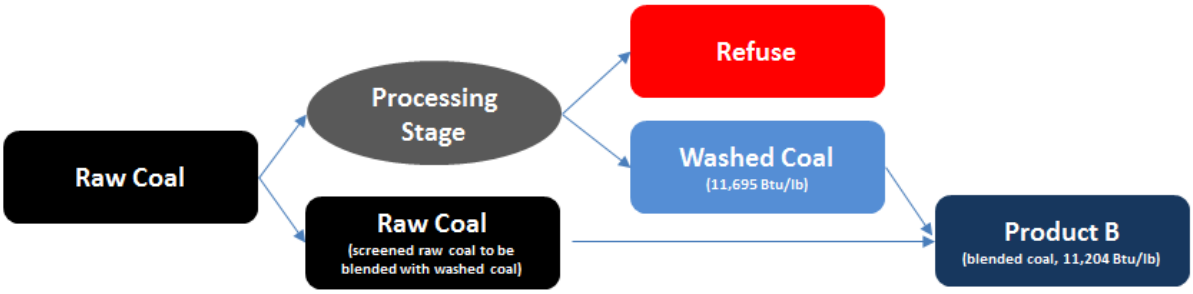
  Overview of Producing Product A – Fully Washed Product



- **Product B - Blended Product (11,200 Btu/lb, 12% Ash)**

  Raw coal from the underground mine is transferred via conveyor belt to the CHPP for screening and processing. Approximately 20% of raw coal bypasses the processing stage and is subsequently blended with fully washed coal. This blended product is stockpiled, separately from Product A, as an 11,200 Btu/lb product with maximum 12% ash. It is estimated that 70% of total sales the Project will be a blended product (Product B) with a preparation plant yield, for this product, estimated at 76.7%.

  Overview of Producing Product B – Blended Product



An overview of the product mix and their relative CHPP yields and coal specifications are shown below:

Table 14: Project Product Mix and Quality

Product	Product Mix	CHPP Yield	Moisture (a.r.)	Ash (a.r.)	Heating Content (a.r.) (Btu/lb)	Heating Content (a.r.) (Kcal/kg)
A – Fully Washed	30%	67.1%	11.12%	7.90%	11,800 Btu/lb	6,552 Kcal/Kg
B – Blended	70%	76.7%	10.90%	11.72%	11,200 Btu/lb	6,221 Kcal/kg
Weighted Average		**73.5%**	**11.0%**	**10.57%**	**11,380 Btu/lb**	**6,320 Kcal/kg**

Materials Handling

Clean coal (originating from the stockpiles located at the preparation plant) will be reclaimed using a system of underground feeders and placed on a 42-inch wide conveyor system. The conveyors, totaling approximately 13,500 feet in length, will run from the plant's clean coal piles over the controlled right-of-way and continue onto the dock site. At the dock site, the conveyor will dump coal into a 2,000-ton capacity bin which allows the loading of barges without re-handling coal. The bin will be equipped with two feeders allowing trucks to be loaded or coal to be transferred to the barge loader.

Figure 13: Example of a Conveyor Belt to Barge Load-Out Facility on the Ohio River

Barge Load-Out Facility

The Company currently has a fully-permitted barge load-out facility approximately two miles northeast of the Project's plant site. As part of the PFS, the Company assessed alternate locations for the barge load-out facility to increase the productivity of loading coal onto the barge. As a result, Paringa has identified a new optimised barge load-out facility and has executed a lease option agreement with the landowner. The Company has already begun permitting of the new optimised barge load-out facility, and the time necessary to procure the necessary permit approvals is not expected to significantly impact the construction or operation of the Project.

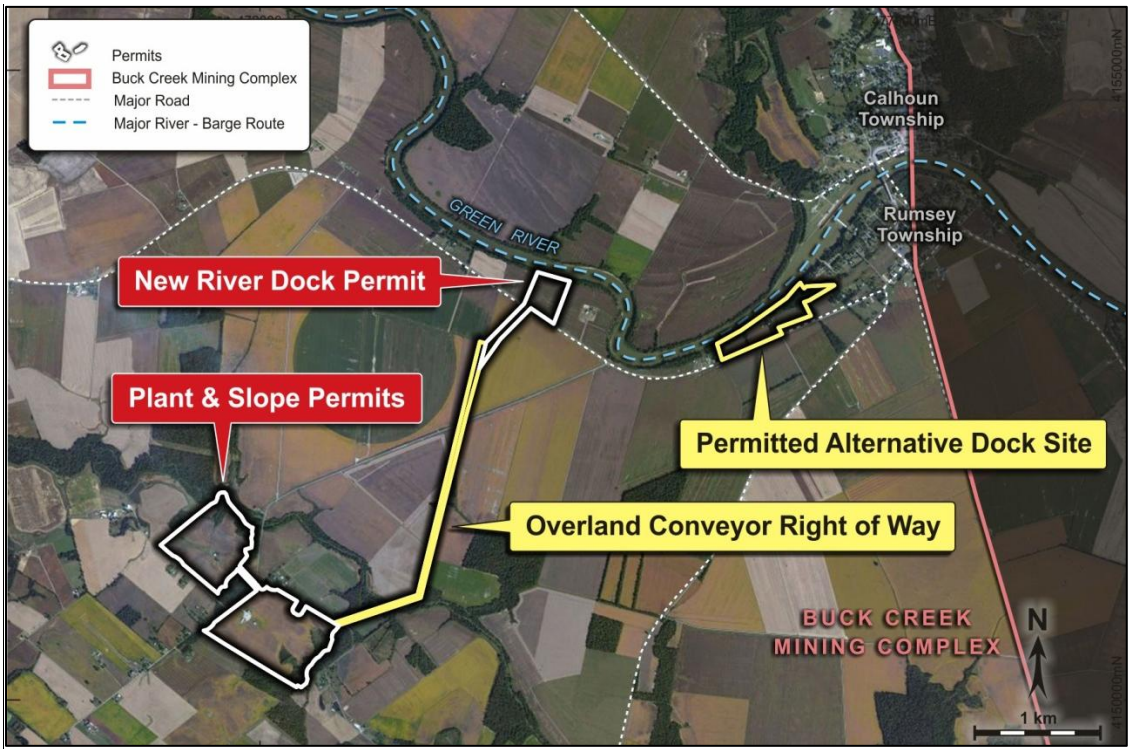


Figure 14: Aerial Photo of Proposed Mine Plant and Slope, and Barge Load-Out Locations

The barge load-out facility will consist of a ground-based tower connected to a floating work barge by a 48-inch wide, 170-foot long, loading conveyor. The tower will stand approximately 45 feet above the river and 90 feet away from the river bank with a 30-foot wide by 120-foot long work barge anchored on piers situated 30 feet from the river bank. The system will have a design capacity of 2,500 tons per hour.

Barge Waterways

The primary market access point for the Project's saleable product is via barge on the Green River. The Green River is part of the Mississippi River System, a 12,350-mile (19,871 km) network of navigable waterways serving much of the Eastern and Midwestern US. On the Mississippi, coal is the largest commodity, by volume, and accounts for over 20 percent of all coal consumed in the US.

Figure 15: View of 4-Barge Tow along the Green River

The Project's permitted barge load-out facility is located at mile marker 62 on the Green River, as measured from the confluence with the Ohio River. The Green River meets the Ohio River at mile marker 784, which is approximately 169 miles (271 km) from the Mississippi River and 145 miles (233 km) from the Tennessee and Cumberland Rivers.

The width of the Green River enables a two-by-two arrangement (two-barges wide and two-barges long) for barge tows originating from the Project's barge load-out facility. Standard coal barges are typically 195 feet long, 35 feet wide with a draft of 9 feet and a capacity of 1,500 tons each. Once on the Ohio River, the loaded barges will be fleeted and assembled into larger tows (i.e. 9 to 16 barge tows) to be moved to the coal power plant or export facility.

Alternative Coal Transportation

It is proposed that coal produced at the Project will be shipped from a barge load-out facility located on the Green River, but occasional shipments to nearby power plants by truck may be arranged. Future studies will assess the possibility of utilising the Calvert City Terminal barge to rail trans-loading service. Located approximately 220 river miles from the Project's barge load-out facility, SCH Services Calvert City Terminal is capable of loading railcars for delivery to customers on the CSX, NS, UP, CN, or BNSF railroads through a connection with the P&L Railroad.

Access to Seaborne Markets

To access coal export terminals in the Gulf of Mexico, barge tows from the Project barge load-out facility will travel down the Green, Ohio and Mississippi Rivers. The average transit time to the Gulf Coast is approximately 11 days with the base rate for barging being approximately US$15.00 to US$16.50 per ton. Coal terminals along the Mississippi River are capable of loading cape-sized vessels with up to 120,000 tons (~100,000 tonnes) of coal for service coal markets in Europe, South America and Asia.

Power and Water

The Project is located in a region serviced by two separate electric utility providers, Kentucky Utilities and Big Rivers Electric Corporation, both of which are capable of supplying the 69-kv service required. Major transmission and distribution lines are located within the Project. Power rates are currently in the range of 6 cents to 7 cents per kWh.

Fresh water for the Project's mine and plant will be pumped from the barge load-out facility on the Green River along the corridor provided for the overland conveyor. To supply the mine office and bathhouse, potable water will be accessed from the local public water system supplied by the City of Calhoun.

Permitting and Socioeconomic Position

Paringa has two distinct permitted areas for the Project, the plant site and the barge load-out facility. Both areas are permitted by Hartshorne and the rights to develop the surface are controlled via option agreements. Surface rights to the new optimised barge load-out site and associated conveyor right-of-way are currently held under an option to lease with full rights to develop the surface. The permitting of the new optimised barge load-out facility site is currently underway, and the Company does not expect this routine permit approval process to impose delays in the construction of the Project.

Routine permits that have not been submitted will be submitted on an as-needed basis prior to the commencement of construction. The outstanding permits (with the exception of those required for the new optimised barge load-out facility) are not considered to be long lead times and none of the outstanding permits are expected to impose delays to the Project's timeline.

Environmental Audit

Cardno was retained to perform an Environmental Audit for the Project in 2013. As part of this Environmental Audit, Cardno reviewed federal, state, and local regulatory records, investigated historical uses of the subject property and potential sources of environmental contamination of the parcel and conducted interviews with State agency personnel to evaluate whether Recognized Environmental Conditions (RECs) or conditions indicative of releases and threatened releases of hazardous substances are on, at, in, or adjacent to the subject property. This Environmental Audit did not reveal the presence of any RECs associated with the subject property or operations proposed at the subject property.

Population Centres

The Project is located in the western section of Kentucky approximately 30 miles south of Henderson, Kentucky (population 28,757) and between the towns of Calhoun (population 763) to the east and Hanson (population 742) to the west. The property is located within a 45-minute drive of Evansville, Indiana (metro population of 358,676) and within a two-hour drive of Louisville, Kentucky (metro

population of 569,135) and Nashville, Tennessee (metro population of 1,589,934). Given the importance of coal mining to the region, community attitudes towards new underground coal mine developments are positive.

Net Present Value

The (ungeared) Net Present Value after tax is US$267 million at an 8% discount rate (real), and the (ungeared) IRR is 26%. The Project is expected to exhibit levels of profitability that would contribute value to Paringa shareholders.

Table 15: Project Net Present Value

Discount Rate (Real)	8%	10%
NPV	US$267.4 million	US$202.2 million

Sensitivity Analysis

Sensitivity of the (ungeared) NPV results to changes in the key drivers of the DCF model are presented in the table below:

Table 16: Project NPV Sensitivity Analysis

	NPV at 8% discount rate (US$ million)				
	-10%	-5%	Base Case	+5%	+10%
Production	196.6	232.0	267.4	302.8	338.1
Sales Price	171.4	219.4	267.4	315.4	363.4
Controllable Costs	296.2	281.8	267.4	253.0	238.6
Capex	282.2	274.8	267.4	260.0	252.6

Study Consultants

The PFS was managed by Cardno with utilisation of local industry consultants, with expertise in coal mine development in the Illinois Basin region, to analyse the various components of the PFS, including (but not limited to) the design of slope and shafts, design of the mine, design of processing facilities, and the preparation of coal marketing studies. Cardno has over 38 years of expertise in mining engineering, mine reserve evaluation, feasibility studies, and due diligence services for mining and resource projects across the globe, and is a subsidiary of Cardno Limited, an ASX-200 professional infrastructure and mining services company.

Table 17: Buck Creek PFS Consultants

Consultant	Activity
Cardno, Inc.	Geology, Mineral Resource and Reserve Estimation, and Mine Planning, Site Planning, and PFS Management
Strategic Energy Resolutions, Inc.	Market Assessment and Preliminary Marketing Plan
SNL Financial LC	Market Price Forecasts
Energy Venture Analysis, Inc.	Market Price Forecasts

Hanou Energy Consulting, LLC	Market Price Forecasts
Appalachian Mining & Engineering, Inc.	Ground Control Design
Keystone Mining Services, LLC	Ground Control Analysis and Slope Design
General Mine Contracting, Inc.	Preliminary Preparation Plant Design and Cost Estimation
Powell Companies, Inc.	Preliminary Preparation Plant Design
Robertson Process LLC	Preliminary Preparation Plant Design and Cost Estimation
William E. Groves Construction, Inc.	Electrical System Preliminary Design and Cost Estimation
Robertson Process LLC	Electrical System Preliminary Design and Cost Estimation
T&D Solutions	Electrical System Preliminary Design and Cost Estimation
Pittman Mine Service, LLC	Preliminary Design and Cost Estimates for Slope and Shafts
Cowin & Company, Inc.	Preliminary Design and Cost Estimates for Slope and Shafts
Frontier Kemper Mining Construction	Preliminary Design and Cost Estimates for Slope and Shafts
Associated Engineers, Inc.	Permitting Information and Surveying
Magnum Drilling Services, Inc.	Exploration Core Drilling Services
Hawkey & Kline Coring & Drilling, Inc.	Exploration Core Drilling Services
3D Dycus Diamond Drilling, LLC	Exploration Core Drilling Services
Standard Laboratories, Inc.	Analytical Laboratory Testing Services
SGS North America, Inc.	Analytical Laboratory Testing Services
Precision Testing Laboratory, Inc.	Analytical Laboratory Testing Services

SUMMARY OF ORE RESERVE ESTIMATE AND REPORTING CRITERIA

Material assumptions

The PFS, Coal Reserves, Production Targets, and forecast financial information derived from the PFS, Coal Reserve, Production Target contained in this announcement, are based on the material assumptions contained within this announcement which are summarised below:

Table 1: Assumptions	
Maximum Accuracy Variation	+/- 10 to 20%
Minimum LOM	18 years
Mining Method	Underground / room-and-pillar
Average Seam Thickness	46 inches
Average Mining Height	54 inches
Total Work Days per Year	276
Productivity Rate (feet advance per unit shift at steady state production)	560 feet
Annual ROM Coal Production (tons)	5.2 Mtpa
Capacity CHPP	700 raw tons per hour
Utilisation CHPP	90%
Yield CHPP	73.5%
Processing Method	Dense Media 2stage
Annual Clean Coal Production (tons)	3.8 Mtpa
Average Direct Mining Costs (Steady State)	US$20.70 per ton
Average CHPP costs (Steady State)	US$3.51 per ton
Average Other (Steady State)	US$5.98 per ton
Total Average Operating Costs (Steady State)	US$30.19 per ton
Total Initial Capital Costs	US$127 million
Total Initial Capital Costs (plus contingency)	US$141 million
Mine Royalty	4.1%
Leased Equipment - Operating Lease	Costs included in Average Direct Mining Costs
Leased Equipment - Interest Rate (Real Basis)	6.0%
Leased Equipment - Term	5 to 7 years
Leased Equipment - Original Cost	US$21 million
Leased Equipment - Residual Value	20%
Mine Overriding Royalty	0.5%
Kentucky State Severance Taxes	4.5%
Coal Sales Price (2018)	US$47.36 per ton
Coal Sales Price (2023)	US$49.65 per ton
Coal Sales Price (2028)	US$52.05 per ton
Coal Sales Price (2035)	US$55.63 per ton
Corporate Tax Rate	25%
Discount Rate (8%)	8%

Coal Reserve classification criteria

Proven and probable Coal Reserves were calculated only on the measured and indicated portion of the Coal Resources for the Project. The coal reserve was calculated using Carlson Mining software by applying a detailed mine design and LOM mine production scheduling to the resource model, also created in Carlson Mining. A minimum underground mining height of 54 inches (based on typical mining practices and/or equipment capabilities) was used to determine out-of-seam dilution (*OSD*) and project raw production tons. Production data outputs from LOM sequencing were exported into Microsoft® Excel spreadsheets and summarized on an annual basis for processing within the economic model. Coal reserves are estimated based on a mining recovery that ranges from 30 to 61 percent, and an effective plant yield of 73.5 percent. The Coal Reserves estimate has been classified as proven and probable based on guidelines specified in the JORC Code. The Coal Resources in this report are reported inclusive of Coal Reserves.

Mining method and assumptions

Hartshorne anticipates commencing construction at the proposed Buck Creek No. 1 Mine in the first quarter of 2016, with initial production planned for the first quarter of 2018. Access to the coal seam will be via decline slope, with ventilation provided through vertical shafts. Production from the proposed Buck Creek No. 1 Mine will come exclusively from continuous miner units using room-and-pillar methods. Production sections will be configured as super-sections, each equipped with two continuous miners, four haulage units, two roof-bolting machines and one feeder/ breaker for enhanced productivity. Production sections will be equipped with four battery-powered haulers to move material from the continuous miner to the mine's conveyors. Haulage units will discharge onto a belt feeder/breaker, which provides a limited amount of surge capacity to reduce hauler dump time. Feeders also provide more uniform transfer of raw coal onto the section conveyor. Two dual-head roof bolting machines will install immediate roof support in mined entries. Battery scoops will be used for cleanup of spillage, distribution of supplies and materials and other utility purposes on the production sections.

At full production, staffing for the operation is expected to total 288 employees, and each section will produce approximately 2,300 to 2,400 tons of run-of-mine (*ROM*) coal per shift; ROM production for Buck Creek will total approximately 5.1 million to 5.3 million tons per year. Clean coal recovery is calculated at approximately 73.5 percent, (which includes average direct shipment/preparation plant bypass of approximately 14 percent of the ROM production) yielding an average of approximately 1,680 to 1,755 tons of clean coal from each unit-shift of production. Annual production will total approximately 3.7 to 3.9 million clean, marketable tons at full production.

Processing method and assumptions

In order to optimize product yields and to conform with market needs and specifications, the Buck Creek preparation plant will be designed and equipped to incorporate direct ship ROM coal blended with fully-washed product. Based on customer coal quality needs, approximately 30 percent of the marketable coal produced by Hartshorne is required to be a fully-washed product with heating content of 11,800 Btu/lb. The remaining 70 percent of the marketable coal will be a blend of raw and processed coal that will have a heating content of 11,200 Btu/lb. The plant is designed as a 700-raw-ton-per-hour facility. The *minus two-inch* plant feed will be separated into coarse and fine material at a one-millimeter size separation as it crosses two single-deck raw coal de-slime screens. The coarser material (*plus one-millimeter* size fraction) will be processed in a heavy media cyclone; the finer coal (*minus one millimeter*) will be processed by classifying cyclones and spirals. The *minus 150-micron* material is lost as effluent. Coarse and fine refuse will be combined and subsequently exit the plant on a 36-inch refuse collecting conveyor at an anticipated rate of 239 tons per hour with a surface-moisture of 9.4 percent. Coarse refuse will be dewatered utilizing drain & rinse and high frequency screens. Fine refuse will be dewatered using plate and frame presses.

The combined refuse will be placed in the permitted refuse-disposal facilities on the southeast side of Pack Church Road as dry material with no impoundment. The total surface property available to Hartshorne contains adequate refuse capacity for the life of the Project. All property to be used for refuse disposal are flat to slightly rolling and will not require any valley fills.

The capital cost of the coal preparation plant, refuse disposal site, and materials-handling system is expected to total $34.9 million. That total excludes permitting, site preparation, power substation and distribution, which are included in mine and site development capital estimates. The capital costs projected for the river dock and overland conveyor system are estimated at $12.7 million. The LOM average plant cash cost is estimated to be $2.66 per clean ton sold for the assumed product mix.

The proposed Buck Creek preparation plant will use standard equipment and processes for gravity separation of coal and reject; it will also use mechanical dewatering processes. Similar equipment to that proposed for the Buck Creek plant is currently in use at other ILB preparation plants. The proposed method for disposal of refuse material is consistent with those of neighboring operations.

Coal quality parameters applied

The WK No. 9 seam on the Project contains an average in-seam raw ash content of 11.85 percent, raw sulfur content of 4.01 percent and raw thermal (heat) content of 11,893 British thermal units per pound (*Btu/lb.*) at the average as-received moisture content of 6.28 percent. Based on the preparation plant information and product mix described in the Processing Methods and Assumptions section above, the average product coal quality is projected to contain an ash content of 10.57 percent, sulfur content of 3.01 percent, heat content of 11,383 Btu/lb and 5.3 lbs. SO2. The effective plant yield is 73.5 percent.

Coal Reserve estimation methodology

Grid files prepared from the geological database were used in the estimation of coal resources, including both seam thickness and elevation models encompassing the WK No. 9 seam. Coal seam thickness and base-of-coal-seam structure grid files were used to define the top and bottom of the coal horizon. The grid models were developed using Carlson Mining software, which was also used to develop LOM projections and production timing sequence plans. A minimum underground mining height of 54 inches, based on typical mining practices and/or equipment capabilities, was used to determine OSD and project raw production tons. A project schedule and estimated capital and operating costs (+/-10 to 20 percent in accuracy) have been developed. Annual production will total approximately 3.7 to 3.9 million clean, marketable tons at full production.

Other material modifying factors

Economic

A detailed financial model and discounted cash flow analysis was been prepared in order to demonstrate the economic viability of the Coal Reserves. The NPV of the projected cash flows is $267 million at an 8% (real) discount rate, with an IRR of 26%.

Marketing

Paringa has identified 16 “Tier 1” coal marketing targets operated by 9 different utilities that have traditionally received fuel similar to the Project’s coal. Latest available data indicates Paringa’s target market received over 55 million tons of coal in 2013. Whilst Paringa’s target market is largely insulated from the impact of volatile natural gas prices and is relatively stable in terms of coal demand, over the past 10 years coal supply into the market has become increasingly concentrated into one to two major US coal producers. Based on discussions with Paringa’s target market, new independent sources of supply are highly valued.

Infrastructure

The Project is a well-defined coal resource, which is located in an area with a long history of coal mining. The primary market access point for the Project's saleable product is via barge on the Green River. The Green River is part of the Mississippi River System, a 12,350-mile (19,871 km) network of navigable waterways serving much of the Eastern and Midwestern US. The Project is located in a region serviced by two separate electric utility providers, Kentucky Utilities and Big Rivers Electric Corporation, both of which are capable of supplying the 69-kv service required. Fresh water for the Project's mine and plant will be pumped from the barge load-out facility on the Green River along the corridor provided for the overland conveyor.

Environmental, Permitting, Legal and Socioeconomic Position

Hartshorne has two distinct permitted areas for the proposed Buck Creek No. 1 Mine. Both areas are permitted by Hartshorne and the rights to develop the surface are controlled via option agreements. The larger of the areas is the proposed location of the mine site and preparation facilities; while the smaller site is an alternate barge load-out site on the Green River. The primary barge load-out site and associated conveyor right-of-way are currently held under an option to lease with full rights to develop the surface. The permitting of this site is underway (the permit approval process is not expected to impose delays in the construction of the Project).

Paringa controls approximately 33,500 gross acres (~13,557 ha) of coal leases in Kentucky, United States which comprise the Buck Creek Mining Complex. The area is controlled by Paringa through approximately 402 individually leased mineral property tracts. The percentage of the leased coal rights on individual leases varies between 5% and 100%. Kentucky state law allows the owner (or controller) of a partial interest to develop and enjoy the coal rights in a manner consistent with 100% control, therefore leases with partial interests (i.e. less than 100%) can be mined. The coal leases grant Paringa the coal and coal rights with respect to the leased premises, together with the right to mine coal by the underground mining method only and the right to remove the coal seam gas and coal mine gas by any method from under the leased premises. All of the coal leases are with private owners and the agreements are fundamentally identical with a term of 20 years for the date of execution. The coal leases require the payment of an annual minimum royalty and an earned royalty which are industry standard in the region. The annual minimum royalty is an annual per acre charge during the term of the coal leases. Once mining operations commence, the annual minimum royalty is reduced by the amount of earned royalty due on mined coal. All annual minimum royalty payments are recoupable against any earned royalty due under the coal leases on a lease-by-lease basis.

Forward Looking Statements

This announcement 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 Statement

The information in this announcement that relates 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. Mr. Suehs consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates 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. Messrs. Douthat and Enigk consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

JORC TABLE 1 CHECKLIST OF ASSESSMENT AND REPORTING CRITERIA

Section 1 Sampling Techniques and Data

Criteria	JORC Code explanation	Commentary
Sampling techniques	> Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as downhole gamma sondes, or handheld XRF instruments, etc.). These examples should not be taken as limiting the broad meaning of sampling. > Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used. > Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information.	> Prior to 1950, Oil and gas drilling was the primary source of seam thickness and elevation data for the WK No.9 Seam, which is also known as the West Kentucky No. 9 (WK No.9) seam; no core samples were retrieved. > In 1950 the Kentucky Geological Survey (KGS) began acquiring core data from drill holes in and adjacent to the property; no core samples from this drilling have been physically examined by Hartshorne. > In 2009 Buck Creek Resources (BCRs) began a drilling program that continued through 2011. The program consisted of diamond core drilling designed for seam delineation and acquisition of coal samples and air rotary holes for seam delineation. > Paringa Resources (PNL) conducted drilling programs in 2013 and 2014 to retrieve coal core samples for quality analyses and seam thickness determination. The programs consisted of 14 diamond core drill holes and 4 air rotary holes. All holes were used for seam delineation and the diamond core holes were also used for coal quality sampling.
Drilling techniques	> Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc.) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc.).	> One continuous core, DH-11, was taken during the BCRs drilling programs and 3-inch diameter core samples were produced. HMG drilling programs included two continuous core drill holes producing 2.50 inch diameter core samples. > Both PNL and BCRs spot core drilling consisted of 6.625-inch diameter holes followed by 3-inch diameter conventional core samples of the roof, seam, and floor. > Both HMG and BCRs air rotary drilling consisted of 6.625-inch diameter bore holes.
Drill sample recovery	> Method of recording and assessing core and chip sample recoveries and results assessed. > Measures taken to maximise sample recovery and ensure representative nature of the samples. > Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.	> Core recoveries were monitored and were generally good at greater than 95%. > Coal core samples used for quality analysis contained greater than 95% recovery. > Where available, core recovery thickness was reconciled with the thickness interpreted from geophysical logs.
Logging	> Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies. > Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc.) photography. > The total length and percentage of the relevant intersections logged.	> Drill holes were geologically logged by the driller and those producing core were also logged by a geologist. > All holes drilled during the BCRs 2009 through 2011 programs and HMG 2013 through 2014 programs were geophysically logged using a downhole density and gamma tool. A sonic log was performed on 14 of the BCR's drill holes and on 16 of the PNL drill holes. > In the case of core drill holes, lithological logs were correlated with the geophysical logs and seam thickness and elevation adjusted where appropriate.

Criteria	JORC Code explanation	Commentary
Sub-sampling techniques and sample preparation	> If core, whether cut or sawn and whether quarter, half or all core taken. > If non-core, whether riffled, tube sampled, rotary split, etc. and whether sampled wet or dry. > For all sample types, the nature, quality and appropriateness of the sample preparation technique. > Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples. > Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling. > Whether sample sizes are appropriate to the grain size of the material being sampled.	> Core was not divided for sampling.
Quality of assay data and laboratory tests	> The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total. > For geophysical tools, spectrometers, handheld XRF instruments, etc., the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc. > Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established.	> Sample analysis was carried out by Standard Laboratories, Inc., SGS North America Inc. and Precision Testing Laboratory and performed to American Society for Testing and Materials (ASTM) standards. > Analyses were performed on an as-received, air dry and washed basis unless otherwise stated. > Geophysical tools are calibrated by the logging company (Cardno GLS) and where possible, validated using a calibration hole.
Verification of sampling and assaying	> The verification of significant intersections by either independent or alternative company personnel. > The use of twinned holes. > Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols. > Discuss any adjustment to assay data.	> All coal intersection data used to generate the geologic model has been cross referenced with the lithological and geophysical logs by Cardno. > Coal quality was adjusted to reflect an addition of 4% moisture to the equilibrium moisture. > Coal quality results were verified with laboratory analysis sheets by Cardno geologist before inclusion into the geologic model and use in the resource estimate.
Location of data points	> Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation. > Specification of the grid system used. > Quality and adequacy of topographic control.	> Coordinates for the drill hole locations are in the Kentucky South, State Plane system, North American Datum 1927. Surveyed locations were available for all of the drill holes from the 2009 through 2011 drilling program. Coordinates for the oil and gas wells and those drill holes obtained from the KGS were provided by the KGS and the method of determination is unknown. > Topography is based on the United States Geological Survey's (USGS) topographic 7.5 minute quadrangle maps.
Data spacing and distribution	> Data spacing for reporting of Exploration Results. > Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied. > Whether sample compositing has been applied.	> Various sources of data where utilized, as such, spacing of the drill holes used to model the WKY9 seam resource varied across the property ranging from 500 feet (152m) in the eastern portion of the property to 10,000 feet (3,048m) in the western portion of the property. > As prescribed by the USGS the following distances between points of observation were used to define the corresponding Resource category arcs: - Inferred Resources – greater than 3,960 feet (1,207m) but less than 15,840 feet (4,828m) or 3 miles apart. - Indicated Resources – 3,960 feet (1,207m) apart. - Measured Resources – 1,320 feet (402m) apart. > Correlation of the WKY9 seam is relatively simple due to the thickness and continuity of the seam. > Inferred, Indicated, and Measured resource classifications have been reported which reflects the expansive spacing and extent of the supporting data used for the resource estimate.

Criteria	JORC Code explanation	Commentary
Orientation of data in relation to geological structure	> Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type. > If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.	> Drill holes have been vertically drilled. No downhole deviation logs have been collected and it is therefore not know if the drill holes have deviated away from vertical. Based on an average depth of 800 feet (244m), any deviation is expected to be insignificant and immaterial to the geologic characterization of the property. > Horst and graben faults that exist on the property are part of the Rough Creek fault system and have been accurately identified by the KGS. > The dip of the coal seam ranges from 2.0 to 3.0 degrees except for areas directly adjacent to the faulting, where the dip can potentially increase.
Sample security	> The measures taken to ensure sample security.	> Sample handling procedures were developed for the project and are understood to have been employed by BCRs and PNL during exploration.
Audits or reviews	> The results of any audits or reviews of sampling techniques and data.	> Cardno has reviewed all available geological information for the property in developing the geologic model. The data is suitable and has been used for the purpose of generating an updated Resource estimate compliant with the 2012 edition of the JORC Code and the 2014 Edition of the Australian Guidelines for the Estimation and Classification of Coal Resources.

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	> Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings. > The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.	> The Buck Creek project is located within the Carbondale Formation of the Illinois Basin between the towns of Hanson and Calhoun in Hopkins and McLean Counties, Kentucky. The geologic model and Resource estimate prepared by Cardno was for the region identified as the area of interest but concentrated on the coal controlled properties. > All coal is leased from numerous private owners through the payment of an annual minimum royalty and an earned royalty. > On 80% of the controlled property by area, once mining operations commence, the annual minimum royalty is reduced by the amount of earned royalty due on mined coal. On these leases the annual minimum royalty payments are recoupable against any earned royalty due under the coal leases on a lease-by-lease basis. > On the remaining 20% of controlled property by area, the annual minimum royalties are not recoupable against the earned royalty. > There are no known legal or environmental encumbrances that would impede coal property acquisition.
Exploration done by other parties	> Acknowledgment and appraisal of exploration by other parties.	> The oil and gas exploration was carried out by several drilling entities. The largest collection of drill holes was carried out by the KGS in the 1950's. BCRs conducted three different drilling programs between 2009 and 2011. > Oil and gas wells were used in the resource study largely for structural control.
Geology	> Deposit type, geological setting and style of mineralisation.	> The project is located in the West Kentucky Coal Fields, which is part of the Illinois Basin. The thickest and most continuous coal seams, including the WKY#9 seam, are found in the Carbondale Formation. The Carbondale Formation consists largely of shale, sandstone siltstone, limestone and to a lesser extent fireclays and coal. > Coal seams dip on average 2.0 to 3.0 degrees toward the center of the basin which lies toward the northwest portion of the property.

Criteria	JORC Code explanation	Commentary
Drill hole Information	> A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes: > easting and northing of the drill hole collar > elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar > dip and azimuth of the hole > down hole length and interception depth > hole length. > If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.	> A detailed list of the updated PNL and KGS drill holes used to define the resource can be found in Appendix 1 of this report titled “Drill Hole Details.” > For coal quality drill hole locations, see Appendix 1: Drill Hole Details > All drill holes are provided with a Kentucky South NAD 27 easting and northing coordinate. > All drill holes have been vertically drilled on flat topography.
Data aggregation methods	> In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (e.g. cutting of high grades) and cut-off grades are usually Material and should be stated. > Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail. > The assumptions used for any reporting of metal equivalent values should be clearly stated.	> Coal quality results have been documented in this report. Average values can be found in Table 2: Buck Creek Mining Complex Seam Coal Quality Specifications. Coal quality was not used as a limiting parameter. > Average coal quality values were generated and summarized in Microsoft® Excel.
Relationship between mineralisation widths and intercept lengths	> These relationships are particularly important in the reporting of Exploration Results. > If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported. > If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (e.g. ‘down hole length, true width not known’).	> Coal thickness values from all coal intersections and down hole geophysical logs are considered to be vertical thicknesses. Seam dip of approximately 2.0 to 3.0 degrees has little effect on the vertical thickness of the seam.
Diagrams	> Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.	> Appropriate geologic and coal quality maps, diagrams and exhibits are included in this report.
Balanced reporting	> Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.	> All of the available exploration data from PNL, BCRs and the KGS have been included in the geologic model. > A select group of oil and gas wells of suitable resolution were also used in modelling the Resource.
Other substantive exploration data	> Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.	> Informational material available from the KGS was used to assist in the Resource estimate.
Further work	> The nature and scale of planned further work (e.g. tests for lateral extensions or depth extensions or large-scale step-out drilling). > Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.	> The WKY9 seam extends in all directions beyond the limits defined by the area of interest. Outcrop and potential seam thinning to the east, along with previous mining around the property, are the most obvious limits to potential resource expansion. > Further work is expected to include additional exploration, geotechnical testing, coal quality analyses, and coal property acquisition.

Section 3 Estimation and Reporting of Mineral Resources

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
Database integrity	> Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for Mineral Resource estimation purposes. > Data validation procedures used.	> All data has been validated prior to being imported into the geological database used to build the geological model. > Seam picks for all core drill holes have been compared to lithological logs, sample intervals, and geophysical logs where available.
Site visits	> Comment on any site visits undertaken by the Competent Person and the outcome of those visits. > If no site visits have been undertaken indicate why this is the case.	> No site visit has been undertaken by the Cardno CP geologist, however site visits by a Cardno mining engineer has occurred. > The CP has worked with the exploration geologists and other Hartshorne personnel involved in the exploration. > The CP is familiar with the area through working with other projects in the area and is experienced in the type of depositional environment of the coal seams being explored. > A site visit by the CP Geologist was considered not to be required as the data provided was sufficient to develop the geological model and Resource estimate. Furthermore, there is currently no mining of the WK No. 9 seam or infrastructure on the property.
Geological interpretation	> Confidence in (or conversely, the uncertainty of) the geological interpretation of the mineral deposit. > Nature of the data used and of any assumptions made. > The effect, if any, of alternative interpretations on Mineral Resource estimation. > The use of geology in guiding and controlling Mineral Resource estimation. > The factors affecting continuity both of grade and geology.	> A total of 186 drill holes have been used to define the WKY9 seam coal deposit and provide the basis for a good understanding of the geology of the project area. > Three mines in the WKY9 seam are actively operating in areas to the north, west and south of the area of interest as shown on the diagram included in this report. > Faulting is present throughout the area, the extent of which is well documented by the KGS. > The geology of the Buck Creek Project is sufficiently understood through the exploration data and historical public records for estimation of the Resource.
Dimensions	> The extent and variability of the Mineral Resource expressed as length (along strike or otherwise), plan width, and depth below surface to the upper and lower limits of the Mineral Resource.	> The geological model for the Buck Creek Resource Boundary covers an area in excess of 73,800 acres, 33,500 of which are currently leased. > The overburden thickness varies from less than 400 feet (122m) in the south eastern portion of the property to more than 1,100 feet (335m) in the north western corner.
Estimation and modelling techniques	> The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation parameters and maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen include a description of computer software and parameters used. > The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data. > The assumptions made regarding recovery of by-products. > Estimation of deleterious elements or other non-grade variables of economic significance (e.g. sulphur for acid mine drainage characterisation). > In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed. > Any assumptions behind modelling of selective mining units. > Any assumptions about correlation between variables. > Description of how the geological interpretation was used to control the resource estimates. > Discussion of basis for using or not using grade	> Exploration and oil and gas drill hole information was used to develop a geologic model, which was used as the basis of the Resource estimation. > Coal seams were identified from drill holes based on lithological logging by a competent geologist, and cross referenced with downhole geophysical survey logs where available. > Seam correlation across the drill holes was completed by a BCRs and Cardno geologists. All correlations were verified by Cardno. > Coal seams from cored drill holes were sampled and sent to laboratory for testing. > Geological data was imported into Surfer 8 and Carlson Mining® (formerly SurvCADD®) geological modelling software in the form of Microsoft® Excel files incorporating, drill hole collars, seam and thickness picks, bottom seam elevations and raw and washed coal quality. These data files were validated prior to importing into the software. > Once imported, a model was created for all of the mapped seam and geologic and quality features. > The geological model was verified and reviewed. > Resources were estimated by defining seam thickness at each point of observation and by defining resource confidence arcs around the points of observation. > Points of observation for Measured and Indicated confidence arcs were defined for all drill holes that intersected the seam. > As prescribed by the USGS the following distances between

Criteria	JORC Code explanation	Commentary
	cutting or capping. > The process of validation, the checking process used, the comparison of model data to drill hole data, and use of reconciliation data if available.	points of observation were used to define the corresponding Resource category arcs:
		a) Inferred Resources – greater than 3,960 feet (1,207m) but less than 15,840 feet (4,828m) or 3 miles apart. b) Indicated Resources – 3,960 feet (1,207m) apart. c) Measured Resources – 1,320 feet (402m) apart. > Resources were then estimated from the geological model using the resource categorization polygons for the WKY9 seam to limit the estimate to within the area defined by each polygon.
Moisture	> Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content.	> Resource tonnage has been estimated and reported on an in-situ air dry basis. > Equilibrium moisture is reported to range between 3.9% and 8.1%. > Resource tons estimated on an as received moisture basis will be less than Resource tons reported on an equilibrium moisture + 4.0 percent moisture basis. Therefore, reporting Resource tons on an as received moisture basis is a more conservative approach
Cut-off Parameters	> The basis of the adopted cut-off grade(s) or quality parameters applied.	> Resource tonnage was estimated within the approximately 33,500 acres of controlled coal. > Resource tons were terminated at a minimum seam thickness of 3.0 feet. > A 200-foot mine exclusion zone was applied to each side and terminus of the identified faults. > No coal quality cut-off parameters were applied.
Mining factors or assumptions	> Assumptions made regarding possible mining methods, minimum mining dimensions and internal (or, if applicable, external) mining dilution. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential mining methods, but the assumptions made regarding mining methods and parameters when estimating Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the mining assumptions made.	> No mining factors (i.e., dilution, coal loss, recoverable resources at selective mining block size) have been applied.
Metallurgical factors or assumptions	> The basis for assumptions or predictions regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions regarding metallurgical treatment processes and parameters made when reporting Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the metallurgical assumptions made.	> The WKY9 seam is a thermal product therefore no metallurgical assumptions have been applied in estimating the Resource.
Environmental factors or assumptions	> Assumptions made regarding possible waste and process residue disposal options. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a greenfields project, may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made.	> No environmental assumptions have been built into the geological model or the Resource estimate. > Cardno is not aware of any significant environmental risk or encumbrances to mine development associated with the Buck Creek Project. The land is currently primarily used for farming.

Criteria	JORC Code explanation	Commentary
Bulk density	> Whether assumed or determined. If assumed, the basis for the assumptions. If determined, the method used, whether wet or dry, the frequency of the measurements, the nature, size and representativeness of the samples. > The bulk density for bulk material must have been measured by methods that adequately account for void spaces (vugs, porosity, etc), moisture and differences between rock and alteration zones within the deposit. > Discuss assumptions for bulk density estimates used in the evaluation process of the different materials.	> Laboratory derived seam densities measured in pounds per cubic foot were established for each BCRs coal sample analysed and used to estimate the Resource tons. Seam density was not determined for the coal samples recovered during PNLs 2013-2014 drilling programs. > Coal Resources were estimated and reported on an as received basis. > Resource tons estimated on an as received moisture basis will be less than Resource tons reported on an equilibrium moisture + 4.0 percent moisture basis. Therefore, reporting Resource tons on an as received moisture basis is a more conservative approach.
Classification	> The basis for the classification of the Mineral Resources into varying confidence categories. > Whether appropriate account has been taken of all relevant factors (ie relative confidence in tonnage/grade estimations, reliability of input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data). > Whether the result appropriately reflects the Competent > Person's view of the deposit.	> The Resource has been classified based on suitable distances from points of observations prescribed in the United States Geological Survey (USGS) Circular 891 and the United States Security and Exchange Commission's (SEC) Industry Guide 7. > Points of observation that included seam thickness have been extracted from cored drill holes, air rotary drill holes and a select few oil and gas wells.
Audits or reviews	> The results of any audits or reviews of Mineral Resource estimates.	> The geological model and Resource estimation have been conducted by Mr. Kirt W. Suehs, Senior Geologist with Cardno. > Cardno constructed the geological model after validation of the raw data and data processed previously by personnel from BCRs. Additionally, Cardno reviewed, processed, and integrated results of PNLs 2013 and 2014 drilling programs into the model. > The geological model was reviewed by checking the data in the geologic model against the actual data. > The geological model was verified by a series of cross sections and contour plans. > Mr. Justin Douthat, Business Unit Manager – Mining Advisory Services for Cardno and Mr. Peter Taylor, Principal and Business Unit Manager – Mining Advisory Services, peer reviewed the resource estimation and found it to be satisfactory with no fatal flaws.
Discussion of relative accuracy/ confidence	> Where appropriate a statement of the relative accuracy and confidence level in the Mineral Resource estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors that could affect the relative accuracy and confidence of the estimate. > The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used. > These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.	> The geological model used for the Resource estimation has been constructed by Cardno and all data has been validated. > Resource estimation has been completed using standard coal estimation methods which are deemed appropriate for this deposit. > Resources have been categorized based on valid points of measurements and distances from points of observation as prescribed in the USGS Circular 891 and the SEC's Industry Guide 7. > The categories reflect the underlying confidence in the resources over the Project area.

Section 4 Estimation and Reporting of Ore Reserves

(Criteria listed in the preceding section also apply to this section.)

<table>
<tr><th>Criteria</th><th>JORC Code explanation</th><th>Commentary</th></tr>
<tr><td rowspan="2">Mineral Resource estimate for conversion to Ore Reserves</td><td>> Description of the Mineral Resource estimate used as a basis for the conversion to an Ore Reserve.</td><td>> The original coal resource estimate for the Property was prepared by Cardno and presented in the TR titled “Resource Estimate for the Buck Creek Property as of August 14, 2013 – Located in McLean and Hopkins Counties, Kentucky” dated November 2013.
> The coal resource estimate was subsequently updated in conjunction with this Pre-Feasibility Study (PFS) in order to incorporate additional exploration and coal quality data, along with changes in mineral property control since the 2013 TR.
> The relative accuracy of, and confidence in, the coal resource tonnage estimates are judged to be in conformance with current industry best-practices; they are of sufficient reliability to support the life-of-mine (LOM) plans and coal reserve estimates.</td></tr>
<tr><td>> Clear statement as to whether the Mineral Resources are reported additional to, or inclusive of, the Ore Reserves.</td><td>> Coal resources are reported inclusive of the coal reserves.</td></tr>
<tr><td>Site visits</td><td>> Comment on any site visits undertaken by the Competent Person and the outcome of those visits.</td><td>> A site visit, including Cardno’s representative Mr. George Oberlick, P.E., was made to the Buck Creek Property on December 17 and 18, 2013. Mr. Oberlick served as an advisor in development of the PFS. As part of the 2013 site visit, Cardno met with Hartshorne personnel to discuss Hartshorne’s planned future operations. Cardno also visited the locations for the proposed surface facilities, river dock and underground mine.
> A subsequent site visit to the Buck Creek Property occurred on October 29, 2014 by Mr. Gerard Enigk, P.E., who is one of the CPs for this report. As part of the 2014 site visit, Cardno met with Hartshorne to discuss the proposed Buck Creek operations. The following observations were made:
- Site access is well established and not likely to be impacted by adverse weather conditions
- Public utilities (electrical power, potable water) are available at the site
- Relatively flat-lying topography will help minimize earthwork-related construction and expense</td></tr>
<tr><td>Study status</td><td>> The type and level of study undertaken to enable Mineral Resources to be converted to Ore Reserves.</td><td>> The Study is classified as a PFS, and was undertaken by a team of industry professionals as listed below:
<table>
<tr><td>Cardno</td><td>Geology, Mineral Resource and Reserve Estimation, and Mine Planning, Site Planning, and PFS Management</td></tr>
<tr><td>Strategic Energy Resolutions, Inc.</td><td>Market Assessment and Preliminary Marketing Plan</td></tr>
<tr><td>SNL Financial LC</td><td>Market Price Forecasts</td></tr>
<tr><td>Energy Venture Analysis, Inc.</td><td>Market Price Forecasts</td></tr>
<tr><td>Hanou Energy Consulting, LLC</td><td>Market Price Forecasts</td></tr>
<tr><td>Appalachian Mining & Engineering, Inc.</td><td>Ground Control Design</td></tr>
<tr><td>Keystone Mining Services, LLC</td><td>Ground Control Analysis and Slope Design</td></tr>
<tr><td>General Mine Contracting, Inc.</td><td>Preliminary Preparation Plant Design and Cost Estimation</td></tr>
<tr><td>Powell Companies, Inc.</td><td>Preliminary Preparation Plant Design</td></tr>
<tr><td>Robertson Process LLC</td><td>Preliminary Preparation Plant Design and Cost Estimation; Electrical System Preliminary Design</td></tr>
<tr><td>William E. Groves Construction, Inc.</td><td>Electrical System Preliminary Design and Cost Estimation</td></tr>
</table></td></tr>
</table>

Criteria	JORC Code explanation	Commentary	
		T&D Solutions	Electrical System Preliminary Design and Cost Estimation
		Pittman Mine Service, LLC	Preliminary Design and Cost Estimates for Slope and Shafts
		Overland Conveyor Co., Inc.	Slope Conveyor Preliminary Design and Cost Estimation
		Cowin & Company, Inc.	Preliminary Design and Cost Estimates for Slope and Shafts
		Frontier Kemper Mining Construction	Preliminary Design and Cost Estimates for Slope and Shafts
		Associated Engineers, Inc.	Permitting Information
		Magnum Drilling Services, Inc.	Exploration Core Drilling Services
		Hawkey & Kline Coring & Drilling, Inc.	Exploration Core Drilling Services
		3D Dycus Diamond Drilling, LLC	Exploration Core Drilling Services
		Standard Laboratories, Inc.	Analytical Laboratory Testing Services
		SGS North America, Inc.	Analytical Laboratory Testing Services
		Precision Testing Laboratory, Inc.	Analytical Laboratory Testing Services
	> The Code requires that a study to at least Pre-Feasibility Study level has been undertaken to convert Mineral Resources to Ore Reserves. Such studies will have been carried out and will have determined a mine plan that is technically achievable and economically viable, and that material Modifying Factors have been considered.	> Coal reserves are based on an independent evaluation of the coal geology and a PFS of the coal reserve deposits contained within the controlled property. > A PFS economic analysis was completed, including discounted cash flow (DCF). Sensitivities to annual production, sales price, operating costs and capital costs were analyzed. > Coal reserves are presented on a recoverable basis and were derived from the controlled coal resources considering relevant modifying factors.	
Cut-off parameters	> The basis of the adopted cut-off grade(s) or quality parameters applied.	> No coal quality cut-off parameters were applied.	

Criteria	JORC Code explanation	Commentary
Mining factors or assumptions	> The method and assumptions used as reported in the Pre-Feasibility or Feasibility Study to convert the Mineral Resource to an Ore Reserve (i.e. either by application of appropriate factors by optimisation or by preliminary or detailed design).	> Grid files prepared from the geological database were used in the estimation of coal resources, including both seam thickness and elevation models encompassing the WK No. 9 seam. > The grid models were developed using Carlson Mining software, which was also used to develop LOM projections and production timing sequence plans.
	> The choice, nature and appropriateness of the selected mining method(s) and other mining parameters including associated design issues such as pre-strip, access, etc.	> The selection of the underground room-and-pillar mining method (with no second mining) is dictated by the size and configuration of the proposed mine boundary and the stipulation in the mineral leases that mining will not result in surface subsidence. > Access to the coal seam will be via decline slope, with ventilation provided through vertical shafts. > Standard mining equipment, as deployed in neighboring mines, will be used at Buck Creek.
	> The assumptions made regarding geotechnical parameters (e.g. pit slopes, stope sizes, etc.), grade control and pre-production drilling.	> Geotechnical parameters and coal quality characteristics are based on laboratory results from samples taken from the coal seam, overlying strata, and underlying strata. These samples were taken from core obtained during exploration drilling. > A detailed geotechnical study was completed by AME in December 2013 titled “Ground Control Design for the Buck Creek Reserve West Kentucky #9 Seam”.
	> The major assumptions made and Mineral Resource model used for pit and stope optimisation (if appropriate).	> Pillar design is based on geotechnical characteristics defined during exploration drilling and laboratory testing of the coal seam, overlying strata, and underlying strata.
	> The mining dilution factors used.	> Dilution is based on the minimum mining height required (54 inches) for the equipment selected for the operation, resulting

Criteria	JORC Code explanation	Commentary
		in an average dilution of approximately 8 inches for the reserve.
	> The mining recovery factors used.	> Resource recovery used in the PFS is based on pillar design which incorporates geotechnical parameters defined by laboratory samples, mining depth at specific locations, and on practices at adjacent mines. Mining recovery ranges from 30% to 61%.
	> Any minimum mining widths used.	> Productivity and ground control design are based on mining widths of 19 feet. This width is consistent with the geotechnical design and practices at adjacent mines and is compatible with continuous mining room-and-pillar production equipment.
	> The manner in which Inferred Mineral Resources are utilised in mining studies and the sensitivity of the outcome to their inclusion.	> No Inferred Mineral Resources are included in the reserves or PFS financial model.
	> The infrastructure requirements of the selected mining methods.	> Provisions for supporting infrastructure are included in the capital expense estimates and include the following: - Offices and warehouse buildings - Bath house facilities - Power substation and connection to local utility - Coal Handling and Preparation Plant - Slope and shafts for seam access - Overland conveyor to barge-loading dock - Barge loading dock on the Green River

Criteria	JORC Code explanation	Commentary
Metallurgical factors or assumptions	> The metallurgical process proposed and the appropriateness of that process to the style of mineralisation.	> Processing will include crushing, heavy media separation, spiral separation, and mechanical dewatering. The plant will have the capability for a percentage of the run-of-mine feed to bypass the plant in order to produce a different quality product.
	> Whether the metallurgical process is well-tested technology or novel in nature.	> Processes are typical of those used in the coal industry, and are in use at adjacent coal processing plants.
	> The nature, amount and representativeness of metallurgical test work undertaken, the nature of the metallurgical domaining applied and the corresponding metallurgical recovery factors applied.	> Processes have been simulated by numerous float/sink tests on coal cores from exploration drilling using specific gravity of 1.6 based on 38 samples. Results indicate an average 93% float recovery of the coal seam.
	> Any assumptions or allowances made for deleterious elements.	> No significant effects on product quality are anticipated from dilution material; Float product quality was used to model final product quality.
	> The existence of any bulk sample or pilot scale test work and the degree to which such samples are considered representative of the orebody as a whole	> No bulk sample or pilot scale work has been completed.
	> For minerals that are defined by a specification, has the ore reserve estimation been based on the appropriate mineralogy to meet specifications?	> Average heat value, ash, and sulfur of the test results for the WK No. 9 seam at Buck Creek indicate suitability for local thermal markets.
Environmental	> The status of studies of potential environmental impacts of the mining and processing operation. Details of waste rock characterisation and the consideration of potential sites, status of design options considered and, where applicable, the status of approvals for process residue storage and waste dumps should be reported.	> Cardno was retained by Hartshorne to perform an Environmental Audit for the Project. > This Audit did not reveal the presence of any Recognized Environmental Conditions associated with the subject property or operations proposed at the subject property. > The designed refuse disposal areas are all on surface property controlled under existing option agreements and are located within 1.25 miles of the preparation plant. > The total refuse volume required for the life of the Buck Creek Project is estimated at 18.2 million cubic yards (MCY). The total available storage capacity is sufficient for the LOM refuse disposal needs of the Project (approximately 23.3 MCY).
Infrastructure	- The existence of appropriate infrastructure: availability of land for plant development, power, water, transportation (particularly for bulk commodities), labour, accommodation; or the ease with which the infrastructure can be provided, or	> The Buck Creek Project is located in McLean County, Kentucky; the required project infrastructure is readily available. > Paved roads provide access to the Area of Interest and

<table>
<tr><th>Criteria</th><th>JORC Code explanation</th><th>Commentary</th></tr>
<tr><td></td><td>accessed.</td><td>planned facilities.
> High-voltage power is available and sufficient to operate the mine, plant and associated facilities.
> Potable water for offices and bathhouse facilities is available from a nearby community.
> Water needed for processing coal and underground use can be readily supplied from the Green River.
> The Green River dock site will be the primary avenue for shipment of coal to customers.
> Western Kentucky is an established coal mining region, and workers are readily available from nearby existing communities.
> Social infrastructure such as schools, hospitals, and commercial establishments are available in the surrounding communities.</td></tr>
<tr><th>Criteria</th><th>JORC Code explanation</th><th>Commentary</th></tr>
<tr><td>Costs</td><td>> The derivation of, or assumptions made, regarding projected capital costs in the study.
> The methodology used to estimate operating costs.</td><td>> Capital and operating cost estimates were prepared by Hartshorne and Cardno.
> The mine will be operated by Hartshorne.
> Capital costs are based on vendor quotations.
> Mobile equipment is assumed to be leased, with costs provided by equipment manufacturers.
> Operating costs are estimated based on Hartshorne and Cardno information from adjacent operations, and on the productivity and mine plan components of the PFS.
> Estimated operating costs for steady-state operating years is shown below:
<table><tr><th>Average Annual Operating Costs (steady-state)</th><th>US$ per ton</th></tr><tr><td>Labour Costs</td><td>7.71</td></tr><tr><td>Operating & Maintenance</td><td>9.40</td></tr><tr><td>Power & Utilities</td><td>0.97</td></tr><tr><td>General & Administration</td><td>0.78</td></tr><tr><td>Leased Equipment</td><td>1.84</td></tr><tr><td>Subtotal Direct Mining Costs</td><td>20.70</td></tr><tr><td>CHPP & Barge Load-Out Facility</td><td>3.51</td></tr><tr><td>Taxes & Insurance</td><td>1.29</td></tr><tr><td>Royalties</td><td>2.37</td></tr><tr><td>Severance Tax</td><td>2.32</td></tr><tr><td>Average Annual Operating Costs</td><td>30.19</td></tr></table></td></tr>
<tr><td></td><td>> Allowances made for the content of deleterious elements.</td><td>> No allowances have been made for deleterious elements; no impact to quality from deleterious elements is anticipated.</td></tr>
<tr><td></td><td>> The derivation of assumptions made of metal or commodity price(s), for the principal minerals and co- products.</td><td>> Sales price assumptions for the Buck Creek product is based on a market study by Hanou Energy Consulting, LLC, titled “Illinois Basin Coal Price & Demand Forecast 2014 – 2034”.
> The coal price used to generate the expected revenue for all fully-washed coal sold from Buck Creek and which ranges from $49.46 to $58.03 per ton during the mine’s life.
> Approximately 30 percent of annual production is projected to be sold as fully washed coal; the remaining 70 percent is projected to be sold as a blended product.
> The blended product is predicted to have a quality of 11,200 Btu/lb. and 5.5 lbs. SO_2 which meets the specifications of the target customers.
> The lower-quality blended product will be subject to a price deduction for having a heating content less than 11,800 resulting in sales prices for the blended coal ranging from $46.46 to $54.60 during the mine’s life.
> The estimated average revenue (the weighted average of both products) ranges from $47.36 per ton to $55.63 per ton.</td></tr>
<tr><td></td><td>> Derivation of transportation charges.</td><td>> Transportation costs are based on barge rates for delivery to power plants along the Green River and Ohio River.</td></tr>
</table>

Criteria	JORC Code explanation	Commentary
	> The basis for forecasting or source of treatment and refining charges, penalties for failure to meet specification, etc.	> Processing costs are based on experience at adjacent operations. Sales price is based on average delivered quality.
	> The allowances made for royalties payable, both Government and private.	> The combination of royalties from all mineral leases is 4.1 percent of gross sales price plus a 0.5% override to Buck Creek Resources.
Revenue factors	> The derivation of, or assumptions made regarding revenue factors including head grade, metal or commodity price(s) exchange rates, transportation and treatment charges, penalties, net smelter returns, etc.	> Average projected product coal quality is consistent with both the site-specific laboratory data available for the Property and adjacent mining operations currently producing in the WK No. 9 seam. > Average coal sales prices as defined above. > All prices are based on 2015 constant United States dollars. > Processing costs based on producing two products as described above. > Materials handling costs, including overland conveyor and dock costs, are included in the DCF model. > A $0.50 per ton discount was applied to all coal shipped from Buck Creek to account for the additional transportation cost of shipping from the Green River.
	> The derivation of assumptions made of metal or commodity price(s), for the principal metals, minerals and co-products.	> Coal sales prices as defined above.
Market assessment	> The demand, supply and stock situation for the particular commodity, consumption trends and factors likely to affect supply and demand into the future.	> Coal price forecasts, transportation, and market assessment were based on the Hanou Energy Consulting, LLC report titled "Illinois Basin Coal Price & Demand Forecast 2014-2034", which forecasts the market and pricing for Illinois Basin coals, and Strategic Energy Resolution's report titled "Buck Creek Project Market Assessment and Preliminary Marketing Plan," which provides information on the United States coal industry, the Illinois Basin (ILB), and the Ohio River utility market. > Information on historical ILB pricing was also obtained from IHS Energy.
	> A customer and competitor analysis along with the identification of likely market windows for the product.	> The Project is well-positioned to take advantage of the lowest cost transportation option, which is delivery by barge on the Ohio River system to electrical utility customers. > In addition, the project is located in close proximity to several power plants which purchase fuel by truck. > The Ohio River utility market provides a stable customer base for the marketing and sales of Buck Creek coal, largely on account of the targeted plants already being retrofitted with pollution controls and the fact that they provide base-load generation.
	> Price and volume forecasts and the basis for these forecasts.	> Annual production will total approximately 3.7 to 3.9 million marketable tons at full production. > The estimated average revenue ranges from $47.36 per ton to $55.63 per ton.

Criteria	JORC Code explanation	Commentary
Economic	> The inputs to the economic analysis to produce the net present value (NPV) in the study, the source and confidence of these economic inputs including estimated inflation, discount rate, etc.	> Excluding debt, the NPV of the projected cash flows beginning in the year 2015 is $267 million at an 8-percent (real) discount rate. > The internal rate-of-return is 26 percent. > Capital is projected to be committed beginning in 2016 > All costs and prices are based on 2015 constant United States dollars. **Initial Capital Costs** - Mine Site Development and Infrastructure = $79.7 million - Coal Handling & Preparation Plant & Barge Load-Out Facility = $47.6 million - Total Initial Capital Cost = $127.3 million **Production (tons)** - Average run-of-mine (ROM) Coal Production Steady State = 5.2 Mtpa

<table>
<tr><th>Criteria</th><th>JORC Code explanation</th><th>Commentary</th></tr>
<tr><td></td><td></td><td>- Total ROM Coal Produced Life-of-Mine = 86.2 million tons
- Effective CHPP Yield = 73.5%
- Life of Mine = 18.0 years
- Average Clean Coal Production Steady State = 3.8 Mtpa
- Total Saleable Coal Produced LOM* = 63.4 million tons
- Start of Construction = Q1 2016
- Start of Production Ramp-Up = Q1 2018
Cash flow
- Average Sales Price Received (per ton) = 2018 is $47.36/ton and 2035 is $55.63/ton
- Average Cash Operating Costs = $30.19 per ton
- Average Annual Operating Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) (steady state) = $81 million
- NPV = $267 million
- Internal rate of return (IRR) = 26%
Note: * Approximately 0.73 million product tons are excluded from the estimate of coal reserves due to lack of mineral control.</td></tr>
<tr><td></td><td>> NPV ranges and sensitivity to variations in the significant assumptions and inputs.</td><td>> The sensitivity study shows the NPV at the 8-percent (real) discount rate when Base Case annual production tonnages, sales prices, operating costs and capital costs are increased and decreased in increments of 5 percent within a +/-10-percent range.
<table>
<tr><th>Minus 10%</th><th>NPV ($000)</th></tr>
<tr><td>Production (tons)</td><td>$196,623</td></tr>
<tr><td>Sales Value</td><td>$171,394</td></tr>
<tr><td>Controllable Costs</td><td>$296,209</td></tr>
<tr><td>Capital Expenditures</td><td>$282,180</td></tr>
<tr><td>Minus 5%</td><td></td></tr>
<tr><td>Production (tons)</td><td>$232,003</td></tr>
<tr><td>Sales Value</td><td>$219,388</td></tr>
<tr><td>Controllable Costs</td><td>$281,796</td></tr>
<tr><td>Capital Expenditures</td><td>$274,782</td></tr>
<tr><td>Base Case</td><td></td></tr>
<tr><td>Production (tons)</td><td>$267,383</td></tr>
<tr><td>Sales Value</td><td>$267,383</td></tr>
<tr><td>Controllable Costs</td><td>$267,383</td></tr>
<tr><td>Capital Expenditures</td><td>$267,383</td></tr>
<tr><td>Plus 5%</td><td></td></tr>
<tr><td>Production (tons)</td><td>$302,762</td></tr>
<tr><td>Sales Value</td><td>$315,377</td></tr>
<tr><td>Controllable Costs</td><td>$252,970</td></tr>
<tr><td>Capital Expenditures</td><td>$259,984</td></tr>
<tr><td>Plus 10%</td><td></td></tr>
<tr><td>Production (tons)</td><td>$338,142</td></tr>
<tr><td>Sales Value</td><td>$363,371</td></tr>
<tr><td>Controllable Costs</td><td>$238,557</td></tr>
<tr><td>Capital Expenditures</td><td>$252,585</td></tr>
<tr><td></td><td></td></tr>
</table></td></tr>
<tr><td>Social</td><td>> The status of agreements with key stakeholders and matters leading to social license to operate.</td><td>> Stakeholder support has been strong during the property acquisition and permitting processes. Almost all mineral leases are held with resident land owners or families of resident land owners providing an enormous opportunity for economic gain in a relatively small community.</td></tr>
<tr><td>Other</td><td>To the extent relevant, the impact of the following on the project and/or on the estimation and classification of the Ore Reserves:

> Any identified material naturally occurring risks.</td><td>

> No material naturally occurring risks have been identified.</td></tr>
<tr><td></td><td>> The status of material legal agreements and marketing arrangements.</td><td>> Mining and water quality permits are approved as discussed below.
> Hartshorne has received strong support from potential utility customers, and will continue negotiations with these potential customers with the goal of executing a forward sales</td></tr>
</table>

Criteria	JORC Code explanation	Commentary
		agreement, whereby the utility will, prior to the start of construction, commit to buy coal from Hartshorne at a set price.
	> The status of government agreements and approvals critical to the viability of the project, such as mineral tenement status and government and statutory approvals. There must be reasonable grounds to expect that all necessary Government approvals will be received within the timeframes anticipated in the Pre-Feasibility or Feasibility study. Highlight and discuss the materiality of any unresolved matter that is dependent on a third part on which extraction of the reserve is contingent.	> The permit required for construction of the mine and plant was issued by the Kentucky Division of Mine Permits 4/3/2014. > The U.S. Army Corps of Engineers and Kentucky Division of Water have approved the associated 404/402 permits required for mine construction. > Other permits are being prepared (including the primary dock permit) or have been submitted.
Classification	> The basis for the classification of the Ore Reserves into varying confidence categories. Whether the result appropriately reflects the Competent Person's view of the deposit. The proportion of Probable Ore Reserves that have been derived from Measured Mineral Resources (if any).	> Measured and indicated resources have been converted to proven and probable reserves, respectively. > None of the probable coal reserves have been derived from measured resources. > The results of this PFS define an estimated initial recoverable ore (coal) reserve estimate of 85.16 million tons. > The results of this PFS define an estimated 62.63 million tons of proven and probable marketable coal reserves, of which 16.36 million tons (or 26 percent) is considered proven and 46.27 million tons (or 74 percent) is considered probable (after the application of all mining factors).
Audits or reviews	> The results of any audits or reviews of Ore Reserve estimates.	> Coal reserve estimate has been prepared by Cardno and reviewed internally. > No external reviews or audits have been completed.
Discussion of relative accuracy/ confidence	> Where appropriate a statement of the relative accuracy and confidence level in the Ore Reserve estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the reserve within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors which could affect the relative accuracy and confidence of the estimate.	> The PFS is based on a mine plan, project schedule and estimated capital and operating costs with an accuracy of +/- 10 to 20 percent. > The accuracy of and confidence in the tonnage estimates provided herein are judged to be in conformance with current industry best practices. > Based on the sensitivity analysis conducted, the Project's NPV is most sensitive to changes in sales value. Because of this, detailed sales and marketing analysis were undertaken to verify the data used in the study.
	> The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used.	> All modifying factors have been applied to design the proposed Buck Creek No. 1 Mine on a global scale as current local data reflects the global assumptions.
	> Accuracy and confidence discussions should extend to specific discussions of any applied Modifying Factors that may have a material impact on Ore Reserve viability, or for which there are remaining areas of uncertainty at the current study stage.	> An independent third-party expert should be retained in order to conduct an updated formal market study for the Project. > Ongoing efforts should be made to prepare and submit remaining permit applications necessary for construction and operation of the Project to the appropriate federal and state agencies.
	> It is recognised that this may not be possible or appropriate in all circumstances. These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.	> There has been no production to date, so no comparison to production or reconciliation data can be made.