



PARINGA RESOURCES LIMITED

ACN 156 933 910

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**NOTICE OF GENERAL MEETING**

**A General Meeting of the Company will be held at the Conference Room, Ground Floor, BGC Centre, 28 The Esplanade, Perth, Western Australia on 25 January 2017 at 10:00am (WST).**

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*This Notice of General Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.*

***Should you wish to discuss any matter please do not hesitate to contact the Company by telephone on (08) 9322 6322.***

## **NOTICE OF GENERAL MEETING**

Notice is hereby given that a general meeting of Shareholders of Paringa Resources Limited (**Company**) will be held at the Conference Room, Ground Floor, BGC Centre, 28 The Esplanade, Perth, Western Australia on 25 January 2017 at 10:00am (WST) (**Meeting**).

The Explanatory Memorandum to this Notice provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of this Notice.

The Directors have determined pursuant to regulation 7.11.37 of the *Corporations Regulations* 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on 23 January 2017 at 5.00 pm (WST).

Terms and abbreviations used in this Notice and the Explanatory Memorandum are defined in Schedule 1 of the Explanatory Memorandum.

## **AGENDA**

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### **1. Resolution 1 – Ratification of Prior Placement**

To consider and, if thought fit, to pass with or without amendment the following Resolution as an ordinary resolution:

*"That, pursuant to and in accordance with Listing Rule 7.4 and for all other purposes, Shareholders approve and ratify the prior issue of 19,247,619 Shares at an issue price of A\$0.42 each, on the terms and conditions in the Explanatory Memorandum accompanying this Notice."*

#### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by a person who participated in the Placement and any associate of that person (or those persons).

The Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairperson as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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### **2. Resolution 2 – Renewal of New Performance Rights Plan**

To consider, and if thought fit, to pass with or without amendment the following Resolution as an ordinary resolution:

*"That for the purposes of Listing Rule 7.2, Exception 9, and for all other purposes, Shareholders approve the Performance Rights Plan and the grant of Performance Rights under the Performance Rights Plan, on the terms and conditions in the Explanatory Memorandum."*

#### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by any Director (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and any of their associates.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or

- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

In accordance with section 250BD of the Corporations Act, a vote on this Resolution must not be cast by a person appointed as a proxy, where that person is either a member of the Key Management Personnel or a Closely Related Party of such member.

A vote may be cast by such person if the vote is not cast on behalf of a person who is excluded from voting on this Resolution, and:

- (a) the person is appointed as proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (b) the person is the Chairman and the appointment of the Chairman as proxy does not specify the way the proxy is to vote on this Resolution, but expressly authorises the Chairman to exercise the proxy even if this Resolution is connected with the remuneration of a member of the Key Management Personnel.

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### **3. Resolution 3 – Approval to Issue Performance Rights to a Director – Mr Todd Hannigan**

To consider, and if thought fit, to pass with or without amendment the following Resolution as an ordinary resolution:

*"Subject to the passing of Resolution 2, that for the purposes of Listing Rule 10.14 and for all other purposes, Shareholders approve the issue of up to 2,500,000 Performance Rights to Mr Todd Hannigan (and/or his nominee) on the terms and conditions in the Explanatory Memorandum."*

#### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by any Director (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and any of their associates.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

In accordance with section 250BD of the Corporations Act, a vote on this Resolution must not be cast by a person appointed as a proxy, where that person is either a member of the Key Management Personnel or a Closely Related Party of such member.

A vote may be cast by such person if the vote is not cast on behalf of a person who is excluded from voting on this Resolution, and:

- (a) the person is appointed as proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (b) the person is the Chairman and the appointment of the Chairman as proxy does not specify the way the proxy is to vote on this Resolution, but expressly authorises the Chairman to exercise the proxy even if this Resolution is connected with the remuneration of a member of the Key Management Personnel.

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### **4. Resolution 4 – Approval to Issue Incentive Options to a Director – Mr Todd Hannigan**

To consider, and if thought fit, to pass with or without amendment the following Resolution as an ordinary resolution:

*"That for the purposes of Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of up to 500,000 Incentive Options to Mr Todd Hannigan (and/or his nominee) on the terms and conditions in the Explanatory Memorandum."*

**Voting Exclusion:**

The Company will disregard any votes cast on this Resolution by Mr Todd Hannigan and any of his associates.

The Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

In accordance with section 250BD of the Corporations Act, a vote on this Resolution must not be cast by a person appointed as a proxy, where that person is either a member of the Key Management Personnel or a Closely Related Party of such member.

A vote may be cast by such person if the vote is not cast on behalf of a person who is excluded from voting on this Resolution, and:

- (a) the person is appointed as proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (b) the person is the Chairman and the appointment of the Chairman as proxy does not specify the way the proxy is to vote on this Resolution, but expressly authorises the Chairman to exercise the proxy even if this Resolution is connected with the remuneration of a member of the Key Management Personnel.

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**5. Resolution 5 – Approval to Issue Performance Rights to a Director – Mr Thomas Todd**

To consider, and if thought fit, to pass with or without amendment the following Resolution as an ordinary resolution:

*"Subject to the passing of Resolution 2, that for the purposes of Listing Rule 10.14 and for all other purposes, Shareholders approve the issue of up to 1,250,000 Performance Rights to Mr Thomas Todd (and/or his nominee) on the terms and conditions in the Explanatory Memorandum."*

**Voting Exclusion**

The Company will disregard any votes cast on this Resolution by any Director (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and any of their associates.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

In accordance with section 250BD of the Corporations Act, a vote on this Resolution must not be cast by a person appointed as a proxy, where that person is either a member of the Key Management Personnel or a Closely Related Party of such member.

A vote may be cast by such person if the vote is not cast on behalf of a person who is excluded from voting on this Resolution, and:

- (a) the person is appointed as proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (b) the person is the Chairman and the appointment of the Chairman as proxy does not specify the way the proxy is to vote on this Resolution, but expressly authorises the Chairman to exercise the proxy even if this Resolution is connected with the remuneration of a member of the Key Management Personnel.

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## 6. Resolution 6 – Approval to Issue Incentive Options to a Director – Mr Thomas Todd

To consider, and if thought fit, to pass with or without amendment the following Resolution as an ordinary resolution:

*"That for the purposes of Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of up to 500,000 Incentive Options to Mr Thomas Todd (and/or his nominee) on the terms and conditions in the Explanatory Memorandum."*

### **Voting Exclusion:**

The Company will disregard any votes cast on this Resolution by Mr Thomas Todd and any of his associates.

The Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

In accordance with section 250BD of the Corporations Act, a vote on this Resolution must not be cast by a person appointed as a proxy, where that person is either a member of the Key Management Personnel or a Closely Related Party of such member.

A vote may be cast by such person if the vote is not cast on behalf of a person who is excluded from voting on this Resolution, and:

- (a) the person is appointed as proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (b) the person is the Chairman and the appointment of the Chairman as proxy does not specify the way the proxy is to vote on this Resolution, but expressly authorises the Chairman to exercise the proxy even if this Resolution is connected with the remuneration of a member of the Key Management Personnel.

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## 7. Resolution 7 – Approval to Issue Performance Rights to a Director – Mr David Gay

To consider, and if thought fit, to pass with or without amendment the following Resolution as an ordinary resolution:

*"Subject to the passing of Resolution 2, that for the purposes of Listing Rule 10.14 and for all other purposes, Shareholders approve the issue of up to 3,000,000 Performance Rights to Mr David Gay (and/or his nominee) on the terms and conditions in the Explanatory Memorandum."*

### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by any Director (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and any of their associates.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

In accordance with section 250BD of the Corporations Act, a vote on this Resolution must not be cast by a person appointed as a proxy, where that person is either a member of the Key Management Personnel or a Closely Related Party of such member.

A vote may be cast by such person if the vote is not cast on behalf of a person who is excluded from voting on this Resolution, and:

- (a) the person is appointed as proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (b) the person is the Chairman and the appointment of the Chairman as proxy does not specify the way the proxy is to vote on this Resolution, but expressly authorises the Chairman to exercise the proxy even if this Resolution is connected with the remuneration of a member of the Key Management Personnel.

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Dated 23 December 2016

**BY ORDER OF THE BOARD**

A handwritten signature in black ink, appearing to read 'GS', with a long horizontal stroke extending to the right.

**GREG SWAN**  
Company Secretary

## **EXPLANATORY MEMORANDUM**

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### **1. Introduction**

This Explanatory Memorandum has been prepared for the information of Shareholders of the Company in connection with the business to be conducted at the Meeting to be held at the Conference Room, Ground Floor, BGC Centre, 28 The Esplanade, Perth, Western Australia on 25 January 2017 at 10:00am (WST).

This Explanatory Memorandum should be read in conjunction with, and forms part of, the accompanying Notice. The purpose of this Explanatory Memorandum is to provide information to Shareholders in deciding whether or not to pass the Resolutions in the Notice.

This Explanatory Memorandum includes the following information to assist Shareholders in deciding how to vote on the Resolutions:

Section 2:	Action to be taken by Shareholders
Section 3:	Resolution 1 – Ratification of Prior Placement
Section 5:	Resolution 2 – Renewal of New Performance Rights Plan
Section 6:	Resolution 3 – Approval to Issue Performance Rights to a Director – Mr Todd Hannigan
Section 7:	Resolution 4 – Approval to Issue Incentive Options to a Director – Mr Todd Hannigan
Section 8:	Resolution 5 – Approval to Issue Performance Rights to a Director – Mr Thomas Todd
Section 9:	Resolution 6 – Approval to Issue Incentive Options to a Director – Mr Thomas Todd
Section 9:	Resolution 7 – Approval to Issue Performance Rights to a Director – Mr David Gay
Schedule 1:	Definitions
Schedule 2:	Summary of the Performance Rights Plan
Schedule 3	Terms and Conditions of Incentive Options

The Schedules and Proxy Form are located at the end of the Explanatory Memorandum.

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### **2. Action to be taken by Shareholders**

Shareholders should read this Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

#### **2.1 Proxies**

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a 'proxy') to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions thereon. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Please note that:

- (a) a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

## 2.2 Voting Prohibition by Proxy Holders (Remuneration of Key Management Personnel)

In accordance with section 250BD of the Corporations Act, a vote on Resolution 2, 3, 4, 5, 6 or 7 must not be cast by a person appointed as a proxy, where that person is either:

- (a) a member of the Key Management Personnel; or
- (b) a Closely Related Party of such member.

However, a person described above may cast a vote on Resolution 2, 3, 4, 5, 6 or 7 if the vote is not cast on behalf of a person who is excluded from voting on Resolution 2, 3, 4, 5, 6 or 7 and:

- (a) the person is appointed as proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (b) the person is the Chairman and the appointment of the Chairman as proxy does not specify the way the proxy is to vote on the Resolution, but expressly authorises the Chairman to exercise the proxy even if the Resolution is connected with the remuneration of a member of the Key Management Personnel.

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## 3. Resolution 1 – Ratification of Prior Placement

### 3.1 General

On 16 December 2016, the Company completed an issue of 19,247,619 Shares at an issue price of A\$0.42 each to raise A\$8,084,000 before costs (**Prior Placement**).

The 19,247,619 Shares were issued pursuant to the Company's capacity under Listing Rule 7.1. Listing Rule 7.1 provides that the Company is entitled to issue Equity Securities up to 15% of its issued share capital through placements during any 12-month period, without needing prior shareholder approval (**15% Placement Capacity**).

Listing Rule 7.4 provides that if the Company in general meeting ratifies the previous issue of Equity Securities made pursuant to Listing Rule 7.1 (and provided that the previous issue did not breach Listing Rule 7.1) those Equity Securities will be deemed to have been made with shareholder approval for the purpose of Listing Rule 7.1.

The effect of passing Resolution 1 will be to allow the Company to retain the flexibility to issue equity securities in the future up to the 15% Placement Capacity set out in Listing Rule 7.1, without the requirement to obtain prior Shareholder approval.

Resolution 1 seeks ratification of the issue of 19,247,619 Shares under the Placement.

Resolution 1 is an ordinary resolution.

The Chairperson intends to exercise all available proxies in favour of Resolution 1.

### 3.2 Specific information required by Listing Rule 7.5

In accordance with Listing Rule 7.5, information is provided in relation to the Prior Placement as follows:

- (a) On 16 December 2016, the Company issued 19,247,619 Shares to institutional investors who are not related parties or associates of related parties of the Company.
- (b) The Shares were issued for A\$0.42 per Share.
- (c) The Shares issued were all fully paid ordinary shares in the capital of the Company and were issued on the same terms and conditions as the Company's existing Shares.
- (d) The Company will apply the funds raised pursuant to the Placement towards the costs and expenses associated with completing an updated Bankable Feasibility Study for a potential two coal seam operation at the Poplar Grove Mine and to provide funding for the Company to commence development of the Poplar Grove Mine and for the Company's general working capital purposes.



- (e) A voting exclusion statement is included in the Notice for Resolution 1.

### **3.3 Directors' recommendation**

The Directors unanimously recommend that Shareholders vote in favour of Resolution 1.

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## **4. Resolution 2 – Renewal of New Performance Rights Plan**

### **4.1 General**

Resolution 2 seeks Shareholder approval, pursuant to Listing Rule 7.2, Exception 9, to renew the Company's Performance Rights Plan, as required every 3 years under the Listing Rules.

To enable Performance Rights issued under the Performance Rights Plan to be exempted from contributing towards the rolling annual limit of 15% of issued Shares prescribed by Listing Rule 7.1, the approval of employee incentive schemes, such as the Performance Rights Plan, must be "refreshed" every three years

The Company last obtained approval under Listing Rule 7.2, Exception 9, when it adopted the Performance Rights Plan on 19 November 2013. Approval under Listing Rule 7.2, Exception 9 lasts for a period of three years and, consequently, that approval expired on 19 November 2016.

Accordingly, the Company is seeking to "renew" the approval of the Performance Rights Plan and the Company's ability to issue Performance Rights under the Performance Rights Plan as an exception to Listing Rule 7.1, for a period of a further 3 years from the date on which Resolution 2 is passed.

The Performance Rights Plan has operated since 19 November 2013. It is intended to assist the Company to attract and retain key staff, whether employees or contractors. The Board believes that grants made to Eligible Participants under the Performance Rights Plan will provide a powerful tool to underpin the Company's employment and engagement strategy, and that the Performance Rights Plan will:

- (a) enable the Company to incentivise and retain existing key management personnel and other Eligible Participants needed to achieve the Company's business objectives;
- (b) enable the Company to recruit, incentivise and retain additional key management personnel and other Eligible Participants needed to achieve the Company's business objectives;
- (c) link the reward of key staff with the achievement of strategic goals and the long term performance of the Company;
- (d) align the financial interest of participants of the Performance Rights Plan with those of Shareholders; and
- (e) provide incentives to participants of the Performance Rights Plan to focus on superior performance that creates Shareholder value.

The material terms of the Performance Rights Plan are the same as the Company's previously approved Performance Rights Plan other than the Board's decision to amend the Performance Rights Plan to exclude non-executive Directors from being eligible to participate in the plan.

The Chairman intends to exercise all available proxies in favour of Resolution 2.

### **4.2 Listing Rule 7.1 and Listing Rule 7.2, Exception 9**

Listing Rule 7.1 provides that a company must not (subject to specified exceptions), without the approval of shareholders, issue or agree to issue during any 12-month period any equity securities, or other securities with rights to conversion to equity (such as Performance Rights), if the number of those securities exceeds 15% of the number of ordinary securities on issue at the commencement of that 12-month period.

Listing Rule 7.2, Exception 9 operates as one of the exceptions to Listing Rule 7.1. The effect of Shareholder approval under Listing Rule 7.2, Exception 9 is that any issues of securities under the Performance Rights Plan are treated as having been made with the approval of Shareholders for the purposes of Listing Rule 7.1. Approval under Listing Rule 7.2, Exception 9 lasts for a period of three years.

### **4.3 Specific Information Required by Listing Rule 7.2**

In accordance with the requirements of Listing Rule 7.2 Exception 9(b), the following information is provided:

- (a) a summary of the material terms of the Performance Rights Plan is in Schedule 2;
- (b) since the Performance Rights Plan was adopted by Shareholders on 19 November 2013, a total of 10,813,333 Performance Rights have been issued to Directors, key employees and key contractors of the Company under the Performance Rights Plan, of which 2,315,666 Performance Rights have converted into 2,315,666 Shares upon satisfying the relevant performance conditions, and 8,497,667 Performance Rights have been cancelled. At the date of this Notice, the Company had no Performance Rights on issue; and
- (c) a voting exclusion statement has been included in the Notice for the purposes of Resolution 2.

#### 4.4 Directors' Recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 2.

## 5. Resolution 3 – Approval to Issue Performance Rights to a Director – Mr Todd Hannigan

### 5.1 General

Resolution 3 seeks Shareholder approval, pursuant to Listing Rule 10.14, for the grant of up to 2,500,000 Performance Rights to Mr Todd Hannigan (and/or his nominees), under the Performance Rights Plan, as part of the long-term incentive component of his remuneration as Managing Director and Chief Executive Officer of the Company.

Mr Hannigan was appointed Managing Director and Chief Executive Officer of the Company on 7 November 2016 and the proposed grant of Performance Rights to Mr Hannigan was announced on the same day.

Mr Hannigan was the Chief Executive Officer of Aston Resources Limited from 2010 to 2011. During this time, Aston Resources Limited significantly progressed the Maules Creek project, including upgrades to the project's resources and reserves, completion of all technical and design work for a definitive feasibility study, negotiation of two major project stake sales and joint venture agreements, securing port and rail access and progression of planning approvals to final stages. Mr Hannigan has worked internationally in the mining and resources sector for over 18 years with Aston Resources Limited, Xstrata Coal, Hanson PLC, BHP Billiton Limited and M.I.M. Holdings Limited. Mr Hannigan was appointed a Director of the Company on 21 May 2014.

In the Company's present circumstances, the Board considers that the grant of these Performance Rights to Mr Hannigan is a cost effective and efficient reward for the Company to make to appropriately incentivise the continued performance of Mr Hannigan and is consistent with the strategic goals and targets of the Company.

The Company has set performance criteria for these Performance Rights to ensure that they only vest upon achievement of fundamental milestones that will drive the long-term value of the Company's securities. The performance criteria are the satisfaction of the Construction Milestone, First Coal Production Milestone and Nameplate Production Milestone (described below).

The Performance Rights to be granted to Mr Hannigan will be granted pursuant to and in accordance with the Performance Rights Plan, subject to Shareholder approval being obtained in respect of Resolution 2. The Performance Rights will be granted to Mr Hannigan (and/or his nominees) with the following Performance Conditions and expiry dates:

Tranche	Performance Condition	Expiry Date	Allocation to Mr Todd Hannigan
1.	<b>Construction Milestone</b> means completion of 25% of the Poplar Grove Mine construction phase (as per the project development schedule and budget approved by the Board in accordance with the final bankable feasibility study).	31 December 2018	750,000
2.	<b>First Coal Production Milestone</b> means achievement of underground coal production from the Poplar Grove Mine.	31 December 2019	850,000
3.	<b>Nameplate Production Milestone</b> means achievement of quarterly nameplate coal production (as per the final bankable feasibility study) from the Poplar Grove Mine.	31 December 2020	900,000
		<b>Total</b>	<b>2,500,000</b>

The Performance Rights will automatically vest and be deemed to immediately become vested Performance Rights upon a Change in Control Event.

If the Performance Condition of a Performance Right is satisfied prior to the relevant expiry date, the Performance Right will vest and result in the issue of one Share in the Company for each Performance Right. If the Performance Condition of a Performance Right is not achieved by the expiry date, then the Performance Right will lapse.

The Performance Rights will lapse if Mr Hannigan ceases to be an Eligible Participant of the Company or its subsidiaries (except in the case of total and permanent disability, death and such other cases as the Board may determine).

Resolution 3 is an ordinary resolution. Resolution 3 is conditional on the approval of Resolution 2. If Resolution 2 is not passed, no Performance Rights will be granted to Mr Hannigan under Resolution 3.

The Chairman intends to exercise all available proxies in favour of Resolution 3.

## **5.2 Listing Rule 10.14**

Listing Rule 10.14 provides that an entity must not permit any of the following persons to acquire securities under an employee incentive scheme without the approval of ordinary shareholders:

- (a) a director;
- (b) an associate of a director; or
- (c) a person whose relationship with the entity or a person referred to in (a) or (b) above is, in ASX's opinion, such that approval should be obtained.

Resolution 3 seeks Shareholder approval, pursuant to Listing Rule 10.14, for the proposed grant of the Performance Rights to Mr Hannigan (and/or his nominee), because Mr Hannigan is a Director.

As Shareholder approval is sought under Listing Rule 10.14, approval under Listing Rule 7.1 is not required. Accordingly, the grant of Performance Rights to Mr Hannigan, pursuant to Resolution 3, will not reduce the Company's 15% capacity for the purposes of Listing Rule 7.1.

## **5.3 Specific information required by Listing Rule 10.15**

Listing Rule 10.15 requires that the following information be provided to Shareholders for the purpose of obtaining Shareholder approval for the grant of the Performance Rights to Mr Hannigan (and/or his nominee):

- (a) the Performance Rights will be granted to Mr Hannigan, Managing Director and Chief Executive Officer of the Company (and/or his nominee);
- (b) the maximum number of Performance Rights to be granted to Mr Hannigan pursuant to Resolution 3 is 2,500,000. The actual number of Performance Rights that vest is dependent on the achievement of the Performance Conditions as described above;
- (c) the Performance Rights will be granted as incentive Performance Rights and will be granted for nil cash consideration. The exercise price of the Performance Rights will also be nil consideration;
- (d) the only persons referred to in Listing Rule 10.14 who have received securities under the Performance Rights Plan since it was approved on 19 November 2013, is Mr David Gay (Director) who received 4,250,000 Performance Rights (for nil acquisition price), of which 900,000 have converted into 900,000 Shares upon satisfying the relevant performance conditions, and 3,350,000 Performance Rights have been cancelled;
- (e) under the rules of the Performance Rights Plan, Eligible Employees (including Executive Directors) and Eligible Contractors, as determined by the Board, are entitled to participate in the Performance Rights Plan;
- (f) a voting exclusion statement is included in the Notice;
- (g) there is no loan associated with the grant of the Performance Rights; and
- (h) the Company will grant the Performance Rights no later than 12 months (or such longer period of time as ASX may in its discretion allow) after the date of the Meeting.

#### **5.4 Directors' Recommendation**

The Directors (excluding Mr Todd Hannigan) unanimously recommend that Shareholders vote in favour of Resolution 3.

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## **6. Resolution 4 – Approval to Issue Incentive Options to a Director – Mr Todd Hannigan**

### **6.1 General**

Resolution 4 seeks Shareholder approval, pursuant to Listing Rule 10.11, for the grant of up to 500,000 Incentive Options to Mr Hannigan (and/or his nominee), as part of the long-term incentive component of his remuneration as Managing Director and Chief Executive Officer of the Company.

Mr Hannigan was appointed Managing Director and Chief Executive Officer of the Company on 7 November 2016 and the proposed grant of Incentive Rights to Mr Hannigan was announced on the same day.

Mr Hannigan was the Chief Executive Officer of Aston Resources Limited from 2010 to 2011. During this time, the company significantly progressed the Maules Creek project, including upgrades to the project's resources and reserves, completion of all technical and design work for a definitive feasibility study, negotiation of two major project stake sales and joint venture agreements, securing port and rail access and progression of planning approvals to final stages. Mr Hannigan has worked internationally in the mining and resources sector for over 18 years with Aston Resources Limited, Xstrata Coal, Hanson PLC, BHP Billiton Limited and M.I.M. Holdings Limited. Mr Hannigan was appointed a Director of the Company on 21 May 2014.

In the Company's present circumstances, the Board considers that the grant of these Incentive Options to Mr Hannigan is a cost effective and efficient reward for the Company to make to appropriately incentivise the continued performance of Mr Hannigan and is consistent with the strategic goals and targets of the Company.

There are no specific performance criteria on the Incentive Options as, given the speculative nature of the Company's activities and the small management team responsible for its running, it is considered the performance of Mr Hannigan and the performance and value of the Company are closely related. As such, the Incentive Options granted will generally only be of benefit if Mr Hannigan performs to the level whereby the value of the Company increases sufficiently to warrant exercising the Incentive Options.

The Incentive Options will be granted to Mr Hannigan (and/or his nominee) on the terms and conditions in Schedule 3.

Resolution 4 is an ordinary resolution.

The Chairman intends to exercise all available proxies in favour of Resolution 4.

### **6.2 Listing Rule 10.11**

In accordance with Listing Rule 10.11, the Company must not issue securities to a related party of the Company unless it obtains Shareholder approval.

The effect of passing Resolution 4 will be to allow the Company to issue 500,000 Incentive Options to Mr Todd Hannigan (and/or his nominee) without using up the Company's 15% placement capacity under Listing Rule 7.1.

### **6.3 Specific information required by Listing Rule 10.13**

Listing Rule 10.13 requires that the following information be provided to Shareholders:

- (a) the Incentive Options will be issued to Mr Todd Hannigan (and/or his nominee);
- (b) the maximum number of Incentive Options that will be issued to Mr Hannigan pursuant to Resolution 4 is 500,000 Incentive Options;
- (c) the Incentive Options will be issued no later than 1 month (or such longer period of time as ASX may in its discretion allow) after the date of the Meeting;
- (d) each Incentive Option will be granted for nil consideration;
- (e) each Incentive Option has an exercise price of A\$0.45 and is exercisable on or before 31 December 2018, and are otherwise subject to the terms and conditions in Schedule 3;

- (f) a voting exclusion statement is included in the Notice; and
- (g) as the Incentive Options are being issued for nil consideration, no funds are being raised from the issue.

#### 6.4 Directors' Recommendation

The Directors (excluding Mr Todd Hannigan) unanimously recommend that Shareholders vote in favour of Resolution 4.

## 7. Resolution 5 – Approval to Issue Performance Rights to a Director – Mr Thomas Todd

### 7.1 General

Resolution 5 seeks Shareholder approval, pursuant to Listing Rule 10.14, for the grant of up to 1,250,000 Performance Rights to Mr Thomas Todd (and/or his nominee), under the Performance Rights Plan, as part of the long-term incentive component of his remuneration as Executive Director of the Company.

Mr Todd was appointed Executive Director of the Company on 7 November 2016.

Mr Todd was the Chief Financial Officer of Aston Resources Limited from 2009 to November 2011. Prior to Aston Resources Limited, Mr Todd was Chief Financial Officer of Custom Mining Limited, where his experience included project acquisition and funding of project development for the Middlemount project prior to the sale of the company to Macarthur Coal Limited. A graduate of Imperial College, Mr Todd holds a Bachelor of Physics with first class Honours. He is a chartered accountant (Institute of Chartered Accountants in England and Wales) and a graduate of the Australian Institute of Company Directors.

In the Company's present circumstances, the Board considers that the grant of these Performance Rights to Mr Todd is a cost effective and efficient reward for the Company to make to appropriately incentivise the continued performance of Mr Todd and is consistent with the strategic goals and targets of the Company.

The Company has set performance criteria for these Performance Rights to ensure that they only vest upon achievement of fundamental milestones that will drive the long-term value of the Company's securities. The performance criteria are the satisfaction of the Construction Milestone, First Coal Production Milestone and Nameplate Production Milestone (described below).

The Performance Rights to be granted to Mr Todd will be granted pursuant to and in accordance with the Performance Rights Plan, subject to Shareholder approval being obtained in respect of Resolution 2. The Performance Rights will be granted to Mr Todd (and/or his nominee) with the following Performance Conditions and expiry dates:

Tranche	Performance Condition	Expiry Date	Allocation to Mr Thomas Todd
1.	<b>Construction Milestone</b> means completion of 25% of the Poplar Grove Mine construction phase (as per the project development schedule and budget approved by the Board in accordance with the final bankable feasibility study).	31 December 2018	375,000
2.	<b>First Coal Production Milestone</b> means achievement of underground coal production from the Poplar Grove Mine.	31 December 2019	425,000
3.	<b>Nameplate Production Milestone</b> means achievement of quarterly nameplate coal production (as per the final bankable feasibility study) from the Poplar Grove Mine.	31 December 2020	450,000
<b>Total</b>			<b>1,250,000</b>

The Performance Rights will automatically vest and be deemed to immediately become vested Performance Rights upon a Change in Control Event.

If the Performance Condition of a Performance Right is satisfied prior to the relevant expiry date, the Performance Right will vest and result in the issue of one Share in the Company for each Performance Right. If the Performance Condition of a Performance Right is not achieved by the expiry date, then the Performance Right will lapse.

The Performance Rights will lapse if Mr Todd ceases to be an Eligible Participant of the Company or its subsidiaries (except in the case of total and permanent disability, death and such other cases as the Board may determine).

Resolution 5 is an ordinary resolution. Resolution 5 is conditional on the approval of Resolution 2. If Resolution 2 is not passed, no Performance Rights will be granted to Mr Todd under Resolution 5.

The Chairman intends to exercise all available proxies in favour of Resolution 5.

## **7.2 Listing Rule 10.14**

Listing Rule 10.14 provides that an entity must not permit any of the following persons to acquire securities under an employee incentive scheme without the approval of ordinary shareholders:

- (a) a director;
- (b) an associate of a director; or
- (c) a person whose relationship with the entity or a person referred to in 5.2(a) or 5.2(b) above is, in ASX's opinion, such that approval should be obtained.

Resolution 5 seeks Shareholder approval, pursuant to Listing Rule 10.14, for the proposed grant of the Performance Rights to Mr Todd (and/or his nominee), because Mr Todd is a Director.

As Shareholder approval is sought under Listing Rule 10.14, approval under Listing Rule 7.1 is not required. Accordingly, the grant of Performance Rights to Mr Todd, pursuant to Resolution 5, will not reduce the Company's 15% capacity for the purposes of Listing Rule 7.1.

## **7.3 Specific information required by Listing Rule 10.15**

Listing Rule 10.15 requires that the following information be provided to Shareholders for the purpose of obtaining Shareholder approval for the grant of the Performance Rights to Mr Todd (and/or his nominee):

- (a) the Performance Rights will be granted to Mr Todd, Executive Director of the Company (and/or his nominee);
- (b) the maximum number of Performance Rights to be granted to Mr Todd pursuant to Resolution 5 is 1,250,000. The actual number of Performance Rights that vest is dependent on the achievement of the Performance Conditions as described above;
- (c) the Performance Rights will be granted as incentive Performance Rights and will be granted for nil cash consideration. The exercise price of the Performance Rights will also be nil consideration;
- (d) the only persons referred to in Listing Rule 10.14 who have received securities under the Performance Rights Plan since it was approved on 19 November 2013, is Mr David Gay (Director) who received 4,250,000 Performance Rights (for nil acquisition price), of which 900,000 have converted into 900,000 Shares upon satisfying the relevant performance conditions, and 3,350,000 Performance Rights have been cancelled;
- (e) under the rules of the Performance Rights Plan, Eligible Employees (including Executive Directors) and Eligible Contractors, as determined by the Board, are entitled to participate in the Performance Rights Plan;
- (f) a voting exclusion statement is included in the Notice;
- (g) there is no loan associated with the grant of the Performance Rights; and
- (h) the Company will grant the Performance Rights no later than 12 months (or such longer period of time as ASX may in its discretion allow) after the date of the Meeting.

## **7.4 Directors' Recommendation**

The Directors (excluding Mr Thomas Todd) unanimously recommend that Shareholders vote in favour of Resolution 5.

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## **8. Resolution 6 – Approval to Issue Incentive Options to a Director – Mr Thomas Todd**

### **8.1 General**

Resolution 6 seeks Shareholder approval, pursuant to Listing Rule 10.11, for the grant of up to 500,000 Incentive Options to Mr Todd (and/or his nominee), as part of the long-term incentive component of his remuneration as Executive Director of the Company.

Mr Todd was appointed Executive Director of the Company on 7 November 2016.

Mr Todd was the Chief Financial Officer of Aston Resources from 2009 to November 2011. Prior to Aston Resources, Mr Todd was Chief Financial Officer of Custom Mining, where his experience included project acquisition and funding of project development for the Middlemount project prior to the sale of the company to Macarthur Coal. A graduate of Imperial College, Mr Todd holds a Bachelor of Physics with first class Honours. He is a chartered accountant (Institute of Chartered Accountants in England and Wales) and a graduate of the Australian Institute of Company Directors.

In the Company's present circumstances, the Board considers that the grant of these Incentive Options to Mr Todd is a cost effective and efficient reward for the Company to make to appropriately incentivise the continued performance of Mr Todd and is consistent with the strategic goals and targets of the Company.

There are no specific performance criteria on the Incentive Options as, given the speculative nature of the Company's activities and the small management team responsible for its running, it is considered the performance of Mr Todd and the performance and value of the Company are closely related. As such, the Incentive Options granted will generally only be of benefit if Mr Todd performs to the level whereby the value of the Company increases sufficiently to warrant exercising the Incentive Options.

The Incentive Options will be granted to Mr Todd (and/or his nominee) on the terms and conditions in Schedule 3.

Resolution 6 is an ordinary resolution.

The Chairman intends to exercise all available proxies in favour of Resolution 6.

### **8.2 Listing Rules**

In accordance with Listing Rule 10.11, the Company must not issue securities to a related party of the Company unless it obtains Shareholder approval.

The effect of passing Resolution 6 will be to allow the Company to issue 500,000 Incentive Options to Mr Thomas Todd (and/or his nominee) without using up the Company's 15% placement capacity under Listing Rule 7.1.

### **8.3 Specific information required by Listing Rule 10.13**

Listing Rule 10.13 requires that the following information be provided to Shareholders:

- (a) the Incentive Options will be issued to Mr Thomas Todd (and/or his nominee);
- (b) the maximum number of Incentive Options that will be issued to Mr Todd pursuant to Resolution 6 is 500,000 Incentive Options;
- (c) the Incentive Options will be issued no later than 1 month (or such longer period of time as ASX may in its discretion allow) after the date of the Meeting;
- (d) each Incentive Option will be granted for nil consideration;
- (e) each Incentive Option has an exercise price of A\$0.45 and is exercisable on or before 31 December 2018, and are otherwise subject to the terms and conditions in Schedule 3;
- (f) a voting exclusion statement is included in the Notice; and
- (g) as the Incentive Options are being issued for nil consideration, no funds are being raised from the issue.

#### 8.4 Directors' Recommendation

The Directors (excluding Mr Thomas Todd) unanimously recommend that Shareholders vote in favour of Resolution 6.

## 9. Resolution 7 – Approval to Issue Performance Rights to a Director – Mr David Gay

### 9.1 General

Resolution 7 seeks Shareholder approval, pursuant to Listing Rule 10.14, for the grant of up to 3,000,000 Performance Rights to Mr David Gay (and/or his nominee), under the Performance Rights Plan, as part of the long-term incentive component of his remuneration as Executive Director of the Company.

Mr Gay is Executive Director and President of the Company, having previously served as the Company's Chief Executive Officer from 7 January 2014 to 7 November 2016.

Mr Gay is a Professional Mining Engineer with an MBA and has over 35 years of experience in developing coal projects in the USA. Mr Gay's experience covers the entire coal development chain including leasing, permitting, exploration, construction, commissioning, production, mergers & acquisitions and financing activities (including project finance, high yield bonds, bank debt, structured finance and equity). Prior to joining the Group, he was Vice President, Mergers and Acquisitions and Business Development at Alpha Natural Resources, one of the USA's largest coal producers. During his time, Alpha completed over US\$10 billion worth of mergers and acquisitions and transitioned into one of the largest coal companies in the US and the third largest coking coal exporter globally. Prior to that, Mr Gay led several large regional coal companies and was Business Unit President at Pittston Coal Group (20 years' experience) which at the time was the largest coking coal exporter worldwide.

In the Company's present circumstances, the Board considers that the grant of these Performance Rights to Mr Gay is a cost effective and efficient reward for the Company to make to appropriately incentivise the continued performance of Mr Gay and is consistent with the strategic goals and targets of the Company.

The Company has set performance criteria for these Performance Rights to ensure that they only vest upon achievement of fundamental milestones that will drive the long-term value of the Company's securities. The performance criteria are the satisfaction of the Construction Milestone, First Coal Production Milestone and Nameplate Production Milestone (described below).

The Performance Rights to be granted to Mr Gay will be granted pursuant to and in accordance with the Performance Rights Plan, subject to Shareholder approval being obtained in respect of Resolution 2. The Performance Rights will be granted to Mr Gay (and/or his nominee) with the following Performance Conditions and expiry dates:

Tranche	Performance Condition	Expiry Date	Allocation to Mr David Gay
1.	<b>Construction Milestone</b> means completion of 25% of the Poplar Grove Mine construction phase (as per the project development schedule and budget approved by the Board in accordance with the final bankable feasibility study).	31 December 2018	900,000
2.	<b>First Coal Production Milestone</b> means achievement of underground coal production from the Poplar Grove Mine.	31 December 2019	1,000,000
3.	<b>Nameplate Production Milestone</b> means achievement of quarterly nameplate coal production (as per the final bankable feasibility study) from the Poplar Grove Mine.	31 December 2020	1,100,000
<b>Total</b>			<b>3,000,000</b>

The Performance Rights will automatically vest and be deemed to immediately become vested Performance Rights upon a Change in Control Event.

If the Performance Condition of a Performance Right is satisfied prior to the relevant expiry date, the Performance Right will vest and result in the issue of one Share in the Company for each Performance Right. If the Performance Condition of a Performance Right is not achieved by the expiry date, then the Performance Right will lapse.



The Performance Rights will lapse if Mr Gay ceases to be an Eligible Participant of the Company or its subsidiaries (except in the case of total and permanent disability, death and such other cases as the Board may determine).

Resolution 7 is an ordinary resolution. Resolution 7 is conditional on the approval of Resolution 2. If Resolution 2 is not passed, no Performance Rights will be granted to Mr Gay under Resolution 7.

The Chairman intends to exercise all available proxies in favour of Resolution 7.

## **9.2 Listing Rule 10.14**

Listing Rule 10.14 provides that an entity must not permit any of the following persons to acquire securities under an employee incentive scheme without the approval of ordinary shareholders:

- (a) a director;
- (b) an associate of a director; or
- (c) a person whose relationship with the entity or a person referred to in (a) or (b) above is, in ASX's opinion, such that approval should be obtained.

Resolution 7 seeks Shareholder approval, pursuant to Listing Rules 10.14, for the proposed grant of the Performance Rights to Mr Gay (and/or his nominee), because Mr Gay is a Director.

A voting exclusion statement in respect of Resolution 7 is in the Notice.

As Shareholder approval is sought under Listing Rule 10.14, approval under Listing Rule 7.1 is not required. Accordingly, the grant of Performance Rights to Mr Gay, pursuant to Resolution 7, will not reduce the Company's 15% capacity for the purposes of Listing Rule 7.1.

## **9.3 Specific information required by Listing Rule 10.15**

Listing Rule 10.15 requires that the following information be provided to Shareholders for the purpose of obtaining Shareholder approval for the grant of the Performance Rights to Mr Gay (and/or his nominee):

- (a) the Performance Rights will be granted to Mr David Gay, Executive Director and President of the Company (and/or his nominee);
- (b) the maximum number of Performance Rights to be granted to Mr Gay pursuant to Resolution 7 is 3,000,000. The actual number of Performance Rights that vest is dependent on the achievement of the Performance Conditions as described above;
- (c) the Performance Rights will be granted as incentive Performance Rights and will be granted for nil cash consideration. The exercise price of the Performance Rights will also be nil consideration;
- (d) the only persons referred to in Listing Rule 10.14 who have received securities under the Performance Rights Plan since it was approved on 19 November 2013, is Mr David Gay (Director) who received 4,250,000 Performance Rights (for nil acquisition price), of which 900,000 have converted into 900,000 Shares upon satisfying the relevant performance conditions, and 3,350,000 Performance Rights have been cancelled;
- (e) under the rules of the Performance Rights Plan, Eligible Employees (including Executive Directors) and Eligible Contractors, as determined by the Board, are entitled to participate in the Performance Rights Plan;
- (f) a voting exclusion statement is included in the Notice;
- (g) there is no loan associated with the grant of the Performance Rights; and
- (h) the Company will grant the Performance Rights no later than 12 months (or such longer period of time as ASX may in its discretion allow) after the date of the Meeting.

## **9.4 Directors' Recommendation**

The Directors (excluding Mr David Gay) unanimously recommend that Shareholders vote in favour of Resolution 7.

## Schedule 1 - Definitions

In this Explanatory Memorandum and Notice

**ASIC** means Australian Securities and Investments Commission.

**ASX** means ASX Limited.

**Board** means the board of Directors.

**Chairman** means the person appointed to chair the Meeting convened by the Notice.

**Change in Control Event** has the meaning as defined in the Performance Rights Plan and summarised in Schedule 2.

**Closely Related Party** means:

- (a) a spouse or child of the member; or
- (b) has the meaning given in section 9 of the Corporations Act.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Director** means a director of the Company.

**Eligible Contractor** has the meaning as defined in the Performance Rights Plan and summarised in Schedule 2.

**Eligible Employee** has the meaning as defined in the Performance Rights Plan and summarised in Schedule 2.

**Eligible Participant** means an Eligible Contractor or an Eligible Employee.

**Explanatory Memorandum** means the explanatory memorandum attached to the Notice.

**Listing Rules** means the listing rules of ASX.

**Key Management Personnel** means persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

**Meeting** has the meaning given in the introductory paragraph of the Notice.

**Notice** means this notice of meeting.

**Incentive Option** means an option to subscribe for a Share on the terms and conditions in Schedule 3.

**Paringa and Company** means Paringa Resources Limited ABN 44 155 933 010.

**Performance Condition** means, in respect of a Performance Right, the relevant condition which must be satisfied in order for the Performance Right to vest.

**Performance Right** means a performance right granted under the Performance Rights Plan.

**Performance Rights Plan** means the Paringa Resources Limited Performance Rights Plan, as summarised in Schedule 2.

**Poplar Grove Mine** means the Company's proposed Poplar Grove Mine located in Kentucky, USA.

**Proxy Form** means the proxy form attached to the Notice.

**Resolution** means a resolution contained in this Notice.

**Schedule** means a schedule to this Notice.

**Section** means a section of the Explanatory Memorandum.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a shareholder of the Company.

**WST** means Western Standard Time, being the time in Perth, Western Australia.

In this Notice, words importing the singular include the plural and vice versa.

## Schedule 2 – Summary of Performance Rights Plan

Information about the Performance Rights Plan is outlined below. A copy of the Performance Right Plan can be obtained by contacting the Company.

### **Outline of the Performance Rights Plan**

This section gives a brief outline of how the Board intends to implement initial participation under the rules of the proposed Performance Rights Plan.

### **Participation**

Carefully designed, performance linked, equity plans are widely considered to be very effective in providing long term incentives to staff. As well, they are used to attract and retain staff by providing them with the opportunity to participate in the creation of a valuable personal asset – a financial stake in the Company.

As part of the Company's strategy, the Board wishes to be in a position to grant Performance Rights under the Performance Rights Plan to employees (including Executive Directors) and eligible contractors. A Performance Right is a right to be issued a Share upon satisfaction of certain performance conditions that are attached to the Performance Right, as determined by the Board. In accordance with the requirements of the Listing Rules, prior Shareholder approval will be required before any Director or related party of the Company can participate in the Performance Rights Plan.

### **Overview of the Plan rules and terms and conditions**

The Board is cognizant of general Shareholder concern that long-term equity based rewards for staff should be linked to the achievement by the Company of a performance condition. Performance Rights granted under the Performance Rights Plan to eligible participants will be subject to performance conditions as determined by the Board from time to time. These performance conditions must be satisfied in order for the Performance Rights to vest. Upon Performance Rights vesting, Shares are automatically issued.

The Board considers the Performance Rights Plan a crucial mechanism to encourage and retain high level executive, employee and contractor performance. The Board intends to implement the Performance Rights Plan, and set the performance conditions, in a manner designed to incentivise and reward high level executive, employee and contractor performance.

The main features of the Performance Rights Plan (and the terms and conditions to be attached to the Performance Rights Plan) are summarised as follows:

**Eligible Participants:** The eligible participants under the Performance Rights Plan are:

- (a) full time employees and permanent part-time employees (including Executive Directors) of the Company and its subsidiaries (**Eligible Employees**); and
- (b) contractors engaged by the Company and its subsidiaries who are determined by the Board to be eligible participants for the purposes of the Contractor Plan (**Eligible Contractors**).

In accordance with the Listing Rules, prior Shareholder approval will be required before any Director or related party of the Company can participate in the Performance Rights Plan and be granted Performance Rights.

**Compliance with ASIC Class Order:** An offer of Performance Rights may only be made under the Performance Rights Plan if the number of Shares that may be acquired on exercise of those Performance Rights, when aggregated with:

- (a) the number of Shares which would be issued if each outstanding offer, right or option to acquire unissued Shares, being an offer made or right or option acquired pursuant to the Performance Rights Plan or any other incentive schemes, were to be accepted or exercised (as the case may be); and
- (b) the number of Shares issued during the previous 5 years pursuant to the Performance Rights Plan or any other incentive schemes;

but disregarding an offer made, or Performance Right acquired or Share issued by way of or as a result of:

- (c) an offer to a person situated at the time of receipt of the offer outside Australia;

- (d) an offer that did not need disclosure to investors because of section 708 of the Corporations Act. Section 708 exempts the requirement of a disclosure document for the issue of securities in certain circumstances to investors who are deemed to have sufficient investment knowledge to make informed decisions, including professional investors, sophisticated investors and senior managers of the Company; or
- (e) an offer made under a disclosure document,

does not exceed 5% (or such other maximum permitted under any ASIC Class Order providing relief from the disclosure regime of the Corporations Act) of the total number of issued Shares as at the time of the offer.

**Individual Limits:** The Performance Right Plan does not set out a maximum number of Shares that may be made issuable to any one person or company.

**Consideration Payable:** Performance Rights will be issued for no consideration and no amount will be payable upon exercise thereof.

**Offer and Performance Conditions:** The Performance Rights issued under the Performance Rights Plan to eligible participants will be subject to performance conditions, determined by the Board from time to time and expressed in a written offer letter (**Offer**) made by the Company to the eligible participant which is subject to acceptance by the eligible participant within a specified period. The performance conditions may include one or more of (i) service to the Company of a minimum period of time (ii) achievement of specific performance conditions by the participant and/or by the Company (iii) a vesting period following satisfaction of performance conditions before the Performance Rights vest, or (iv) such other performance conditions as the Board may determine and set out in the Offer. The Board in its absolute discretion determines whether performance conditions have been met.

**Milestone Date, Expiry Date & Lapse:** Performance Rights will have an expiry date as the Board may determine in its absolute discretion and specify in the Offer. The Board is not permitted to extend an expiry date without Shareholder approval.

The performance conditions of Performance Rights will have a milestone date as determined by the Board in its absolute discretion and will be specified in the Offer. The Board shall have discretion to extend a milestone date where the Board (in its sole discretion) considers that unforeseen circumstances or events have caused a delay in achieving the performance condition by the milestone date. The Board shall not be permitted to extend the milestone date beyond the expiry date of the Performance Rights.

If a performance condition of a Performance Right is not achieved by the earlier of the milestone date or the expiry date then the Performance Rights will lapse. A Performance Right will also lapse if the Board determines the participant ceases to be an Eligible Employee or an Eligible Contractor for any reason (other than as a result of retirement, disability, bona fide redundancy or death).

**Retirement, Disability, Redundancy, Death or Removal as an Executive Director:** Under the Performance Rights Plan, upon the retirement, total and permanent disability, bona fide redundancy, death of a participant or, in the case of Executive Directors who are participants, removal from office as an Executive Director, then in respect of those Performance Rights which have not satisfied the performance condition but have not lapsed, then the participant shall be permitted to continue to hold those Performance Rights as if the participant was still an Eligible Employee.

**Forfeiture:** If a participant acts fraudulently or dishonestly or is in breach of his or her obligations to the Company, the Board will have the discretion to deem any Performance Rights to have lapsed and deem any Performance Rights that have become Shares to be forfeited. In the event the underlying Shares have been sold by the participant, the participant will be required to pay all or part of the net proceeds of that sale to the Company.

**Assignment:** Without prior approval of the Board, Performance Rights may not be transferred, assigned or novated, except, upon death, a participant's legal personal representative may elect to be registered as the new holder of such Performance Rights and exercise any rights in respect of them.

**Change of Control:** All Performance Rights automatically vest if a Change in Control Event occurs in respect of the Shares and/or assets of the Company. A "**Change in Control Event**" means:

- (i) an "**Asset Sale**" which means the announcement by the Company that a sale or transfer (in one transaction or a series of related transactions) of the whole or substantially the whole of the undertaking and business of the Company has been completed; or
- (j) a "**Share Sale**" which means:

- (i) the occurrence of the offeror under a takeover offer in respect of all Shares announcing that it has achieved acceptances in respect of 50.1% or more of the Shares and that takeover bid has become unconditional (except any condition in relation to the cancellation or exercise of the Incentive Options); or
- (ii) the announcement by the Company that shareholders of the Company have, at a Court convened meeting of shareholders, voted in favour, by the necessary majority, of a proposed scheme of arrangement under which all Shares are to be either cancelled or transferred to a third party, and the Court, by order, approves the proposed scheme of arrangement.

**Alteration in Share Capital:** Appropriate adjustments will be made to the number of Performance Rights in accordance with the Listing Rules in the event of a reconstruction of the share capital of the Company, such as a share consolidation, share split or other reduction of capital.

**Pro Rata Issue of Securities:** If, during the term of any Performance Rights, the Company makes a pro rata issue of securities to the Company's shareholders by way of a rights issue, the holder thereof shall be entitled to participate in the rights issue on the same terms as the Company's shareholders as if the holder held that number of Shares equal to the number of Shares issuable to the holder if all of the holder's Performance Rights were exercised prior to the record date for determining entitlement under the pro rata issue.

A holder will not be entitled to any adjustment to the number of Shares he or she is entitled to under any Performance Rights or adjustment to any performance condition which is based, in whole or in part, upon the Company's Share price, as a result of the Company undertaking a rights issue.

**Bonus Issue:** If, during the term of any Performance Rights, the Company completes a bonus issue, the number of Shares each Performance Rights holder is then entitled, shall be increased by that number of securities which the holder would have been issued if the Performance Rights then held by the holder were exercised immediately prior to the record date for the bonus issue.

**Participation in other Opportunities:** There are no participation rights or entitlements inherent in the Performance Rights though the Company will use its reasonable endeavours to ensure that each holder is given an opportunity to participate on the same basis as if his or her Performance Rights had been exercised.

**Termination, Suspension or Amendment:** The Board may terminate, suspend or amend the Plan at any time subject to any resolution of the Company required by the Listing Rules.

### Schedule 3 – Terms and Conditions of Incentive Options

#### 1. Entitlement

Each Incentive Option (together the **Incentive Options**) entitles the holder to subscribe for one ordinary share (**Share**) in Paringa Resources Limited (**Company**) upon exercise.

#### 2. Exercise Price, Vesting Date and Expiry Date

The Exercise Price, Vesting Date, and Expiry Date of each Incentive Option is referred to in the below table.

Incentive Option Class	Number	Exercise Price	Vesting Date	Expiry Date
Class A	1,000,000	A\$0.45	Date of Grant	31 December 2018

#### 3. Ceasing to be an Employee or Contractor

The Incentive Options will immediately lapse on that date which is the earlier of:

- (a) the Expiry Date referred to in the above table; or
- (b) in respect of the Incentive Options that have not already vested by the Vesting Date referred to in the above table, the date the Employee, Consultant or Director ceases to be an Employee, Consultant or Director of the Company because of:
  - (i) retirement (excluding retirement by rotation as a Director at a meeting of Shareholders where re-elected);
  - (ii) removal or termination (other than in the circumstances in item 3(c) below);
  - (iii) voluntary cessation;
  - (iv) by mutual agreement (unless the Board resolves otherwise); or
- (c) in respect of the Incentive Options whether vested or unvested as outlined above, the date the Employee, Consultant or Director ceases to be engaged as an Employee, Consultant or a Director of the Company because of dismissal by the Company:
  - (i) if the holder is an Employee, the date the holder is dismissed from employment with the Company for negligence, incompetence or misconduct;
  - (ii) if the holder is a Consultant, the date the holder's appointment is terminated for negligence, incompetence or misconduct;
  - (iii) if the holder is a Director, the date the holder is:
    - (A) disqualified from holding the office of director; or
    - (B) convicted of any criminal offence (other than an offence under any road traffic legislation in Australia or elsewhere for which a fine or non-custodial penalty is imposed) which in the reasonable opinion of the Board brings the holder or the Company into disrepute,

and thereafter no party shall have any claim against any other party arising under or in respect of the Incentive Options.

#### 4. Change in Control

The Incentive Options will immediately vest if a Change in Control Event occurs in respect of the Shares and/or assets of the Company. For the purposes of this item 4, a **"Change in Control Event"** means:

- (a) an “**Asset Sale**” which means the announcement by the Company that a sale or transfer (in one transaction or a series of related transactions) of the whole or substantially the whole of the undertaking and business of the Company has been completed; or
- (b) a “**Share Sale**” which means:
  - (iii) the occurrence of the offeror under a takeover offer in respect of all Shares announcing that it has achieved acceptances in respect of 50.1% or more of the Shares and that takeover bid has become unconditional (except any condition in relation to the cancellation or exercise of the Incentive Options); or
  - (iv) the announcement by the Company that shareholders of the Company have, at a Court convened meeting of shareholders, voted in favour, by the necessary majority, of a proposed scheme of arrangement under which all Shares are to be either cancelled or transferred to a third party, and the Court, by order, approves the proposed scheme of arrangement.

## 5. **Exercise Period**

The Incentive Options are exercisable at any time after the Vesting Date in item 2 above and on or prior to the Expiry Date.

## 6. **Notice of Exercise**

- (a) The Incentive Options may be exercised by notice in writing to the Company and payment of the Exercise Price for each Incentive Option being exercised.
- (b) Any notice of exercise of an Incentive Option received by the Company (**Notice of Exercise**) will be deemed to be a notice of the exercise of that Incentive Option as at the date of receipt.
- (c) The Incentive Options must be exercised in minimum parcels of 50,000 Incentive Options, but the Board may, in its absolute discretion, accept a Notice of Exercise that does not comply with this item 6(c).

## 7. **Shares issued on exercise**

Shares issued on exercise of the Incentive Options rank equally with the then Shares of the Company.

## 8. **Quotation of Shares on exercise**

Application will be made by the Company to ASX for official quotation of the Shares issued upon the exercise of the Incentive Options.

## 9. **Timing of issue of Shares and quotation of Shares on exercise**

Within 15 Business Days after the later of the following:

- (a) receipt of a Notice of Exercise given in accordance with these terms and conditions and payment of the Exercise Price for each Option being exercised; and
- (b) the earlier to occur of:
  - (i) when excluded information in respect to the Company (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information. If there is no such information the relevant date will be the date of receipt of a Notice of Exercise as set out in item 9(a) above; or
  - (ii) the holder elects that the Shares to be issued pursuant to the exercise of the Options will be subject to a holding lock for a period of 12 months in accordance with item 10 below,

the Company will:

- (c) allot and issue the Shares pursuant to the exercise of the Options;
- (d) in the circumstances where item 9(b)(i) applies, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act or lodge a prospectus with ASIC that qualifies the Shares issued upon exercise of the Options for resale under section 708A(11) of the Corporations Act;



- (e) in the circumstances where item 9(b)(ii) applies, apply a holding lock in accordance with item 9 in respect of the Shares issued upon exercise of the Options; and
- (f) apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

**10. Holding lock**

- (a) The holder may make an election as set out in item 9(b)(ii) at any time following delivery of a Notice of Exercise and payment of the Exercise Price for each Option being exercised.
- (b) If the holder makes an election pursuant to item 9(b)(ii), then:
  - (i) the Company will apply a holding lock on the Shares to be issued;
  - (ii) the Company shall release the holding lock on the Shares on the earlier to occur of:
    - A. the date that is 12 months from the date of issue of the Shares; or
    - B. the date the Company issues a disclosure document that qualifies the Shares for trading in accordance with section 708A(11) of the Corporations Act; or
    - C. the date a transfer of the Shares occurs pursuant to item 10(b)(iii); and
  - (iii) the Shares shall be transferable by the holder and the holding lock will be lifted provided that:
    - A. the offer of the Shares for sale does not require disclosure under section 707(3) of the Corporations Act;
    - B. the transferee warrants for the benefit of the holder and the Company that they are an exempt investor pursuant to one of the exemptions in section 708 of the Corporations Act; and
    - C. the transferee of the Shares agrees to the holding lock applying to the Shares following their transfer for the balance of the period in item 10(b)(ii).

**11. Participation in new issues**

There are no participation rights or entitlements inherent in the Incentive Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Incentive Options.

However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least ten business days after the issue is announced. This will give the holders of Incentive Options the opportunity to exercise their Incentive Options prior to the date for determining entitlements to participate in any such issue.

**12. Adjustment for bonus issues of Shares**

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment):

- (a) the number of Shares which must be issued on the exercise of an Incentive Option will be increased by the number of Shares which the Incentive Optionholder would have received if the holder of Incentive Options had exercised the Incentive Option before the record date for the bonus issue; and
- (b) no change will be made to the Exercise Price.

**13. Adjustment for rights issue**

If the Company makes an issue of Shares pro rata to existing Shareholders there will be no adjustment of the Exercise Price of an Incentive Option.

**14. Adjustments for reorganisation**

If there is any reconstruction of the issued share capital of the Company, the rights of the holders of Incentive Options may be varied to comply with the ASX Listing Rules which apply to the reconstruction at the time of the reconstruction.

**15. Adjustment for compliance with ASX Listing Rules**

The terms of the Incentive Options may be amended from time to time by the issue of a notice from the Company to the holder setting out the details of such amended terms. Any such amendment may only be made by the Company solely to the extent that it is necessary for the Company to comply with the ASX Listing Rules.

**16. Quotation of Incentive Options**

No application for quotation of the Incentive Options will be made by the Company.

**17. Incentive Options non transferable**

The Incentive Options are only transferable provided that the transfer of Incentive Options complies with section 707(3) of the Corporations Act.

**18. Lodgement Instructions**

Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". The application for shares on exercise of the Incentive Options with the appropriate remittance should be lodged at the Company's Registry.

**PARINGA RESOURCES LIMITED**  
**ABN 44 155 933 010**

**PROXY FORM** (Please complete both pages and sign where indicated overleaf)

The Company Secretary  
Paringa Resources Limited

**By delivery:**  
Level 9, 28 The Esplanade  
PERTH WA 6000

**By post:**  
PO Box 2519  
PERTH WA 6831

**By facsimile:**  
+61 8 9322 6558

**Name of Shareholder:**

**Address of Shareholder:**

**Number of Shares entitled to vote:**

Please mark  to indicate your directions. Please indicate your voting instructions overleaf. Further instructions for completing the form are also provided overleaf.

**Proxy appointments will only be valid and accepted by the Company if they are made and received no later than 48 hours before the Meeting.**

**Step 1 – Appoint a Proxy to Vote on Your Behalf**

I/We being Shareholder/s of the Company hereby appoint:

**The Chairman of the Meeting (mark box)**

**OR** if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy

or failing the person/body corporate named, or if no person/body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf, including to vote in accordance with the following directions (or, if no directions have been given, and to the extent permitted by law, as the proxy sees fit), at the General Meeting of the Company to be held at 10:00 am (Perth time) on 25 January 2017, at the Conference Room, Ground Floor, BGC Centre, 28 The Esplanade, Perth Western Australia and at any adjournment or postponement of that Meeting.

If 2 proxies are appointed, the proportion or number of votes that this proxy is authorised to exercise is [     ]% of the Shareholder's votes / [     ] of the Shareholder's votes. (An additional Proxy Form will be supplied by the Company, on request.

**Important – If the Chairman is your proxy or is appointed your proxy by default**

The Chairman of the Meeting intends to vote undirected proxies in favour of Resolutions 2, 3, 4, 5, 6 and 7.

If the Chairman of the Meeting is to be your proxy and you have not directed your proxy how to vote in respect of Resolutions 2, 3, 4, 5, 6 and 7 under Step 2 below, please place a mark in the box on the left.

By marking this box, you acknowledge that the Chairman of the Meeting may exercise your proxy even if he has an interest in the outcome of Resolutions 2, 3, 4, 5, 6 and 7, and that votes cast by the Chairman of the Meeting for those Resolutions, other than as proxy holder, would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman will not cast your votes on Resolutions 2, 3, 4, 5, 6 and 7, and your votes will not be counted in calculating the required majority if a poll is called on any of Resolutions 2, 3, 4, 5, 6 and 7.

The Chairman intends to vote all available proxies in favour of Resolutions 2, 3, 4, 5, 6 and 7. If the Chairman is your proxy or is appointed your proxy by default, unless you indicate otherwise by ticking either the 'for', 'against' or 'abstain' box in relation to Resolutions 2, 3, 4, 5, 6 and 7, you will be authorising the Chairman to vote in accordance with the Chairman's voting intentions on the Resolution, even if the Resolution is connected directly or indirectly with the remuneration of a member of Key Management Personnel.

**Step 2 – Instructions as to Voting on Resolutions**

The proxy is to vote for or against the Resolution referred to in the Notice as follows:

		For	Against	Abstain
Resolution 1	Ratification of Prior Placement			
Resolution 2	Approval of New Performance Rights Plan			
Resolution 3	Approval to Issue Performance Rights to a Director – Mr Todd Hannigan			
Resolution 4	Approval to Issue Incentive Options to a Director – Mr Todd Hannigan			
Resolution 5	Approval to Issue Performance Rights to a Director – Mr Thomas Todd			
Resolution 6	Approval to Issue Incentive Options to a Director – Mr Thomas Todd			
Resolution 7	Approval to Issue Performance Rights to a Director – Mr David Gay			

**Authorised signature/s**

This section **must** be signed in accordance with the instructions below to enable your voting instructions to be implemented.

Individual or Shareholder 1

Sole Director and Sole Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

\_\_\_\_\_  
Contact Name

\_\_\_\_\_  
Contact Daytime Telephone

\_\_\_\_\_  
Date

**Proxy Notes:**

A Shareholder entitled to attend and vote at the general meeting may appoint a natural person as the Shareholder's proxy to attend and vote for the Shareholder at that general meeting. If the Shareholder is entitled to cast 2 or more votes at the general meeting the Shareholder may appoint not more than 2 proxies. Where the Shareholder appoints more than one proxy the Shareholder may specify the proportion or number of votes each proxy is appointed to exercise. If such proportion or number of votes is not specified each proxy may exercise half of the Shareholder's votes. A proxy may, but need not be, a Shareholder of the Company.

If a Shareholder appoints a body corporate as the Shareholder's proxy to attend and vote for the Shareholder at that general meeting, the representative of the body corporate to attend the general meeting must produce the Certificate of Appointment of Representative prior to admission. A form of the certificate may be obtained from the Company's share registry.

You must sign this form as follows in the spaces provided:

Joint Holding:                    where the holding is in more than one name all of the holders must sign.

Power of Attorney:            if signed under a Power of Attorney, you must have already lodged it with the registry, or alternatively, attach a certified photocopy of the Power of Attorney to this Proxy Form when you return it.

Companies:                      a Director can sign jointly with another Director or a Company Secretary. A sole Director who is also a sole Company Secretary can also sign. Please indicate the office held by signing in the appropriate space.

If a representative of the corporation is to attend the general meeting the appropriate 'Certificate of Appointment of Representative' should be produced prior to admission. A form of the certificate may be obtained from the Company's Share Registry.

Proxy Forms (and the power of attorney or other authority, if any, under which the Proxy Form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the Proxy Form (and the power of attorney or other authority) must be deposited at or received by facsimile transmission at the Perth office of the Company (Level 9, 28 The Esplanade, Perth, WA, 6000, or by post to PO Box Z5083, Perth, WA, 6831 or Facsimile (08) 9322 6558 if faxed from within Australia or +618 9322 6558 if faxed from outside Australia) not less than 48 hours prior to the time of commencement of the Meeting (WST).