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Expanded BFS Confirms Low Capex And Low Risk Development Pathway To A\$850 Million NPV

NEW YORK, March 27, 2017 /PRNewswire/ -- Paringa Resources Limited (**Paringa** or "**Company**") (**ASX: PNL | OTCQX: PNGZF**) is pleased to announce the results of the expanded Bankable Feasibility Study ("**BFS**") for the Buck Creek coal mining complex ("**Buck Creek Complex**"), incorporating the expansion of the Poplar Grove Mine to include the WK No.11 seam. The Expanded BFS confirms the Buck Creek Complex's technical and economic viability, and demonstrates a Net Present Value ("**NPV**") of US\$655 million (A\$850 million) with initial project capex of only US\$44.7 million. The BFS was prepared to a maximum accuracy variation of +/- 10%.

The expanded BFS has been prepared in accordance with the JORC Code 2012 Edition ("**JORC Code**") and National Instrument NI 43-101 'Standards of Disclosure for Mineral Projects' ("**NI 43-101**"). Paringa has previously released the results of a BFS for the Poplar Grove Mine (WK No.9 seam only) and the Cypress Mine to the Australian Securities Exchange ("**ASX**") on 21 November 2016 and 2 December 2015 respectively.

The expanded BFS was managed by Marshall Miller & Associates, Inc. ("**MM&A**"), with utilisation of local industry consultants who have expertise in coal mine development in the Illinois Basin region. MM&A, previously owned by Cardno Limited, has managed all of Paringa's technical studies and has over 40 years of expertise in mine engineering, mine reserve evaluation, feasibility studies, and due diligence services for mining and resource projects, particularly in the US coal industry.

Please refer to Paringa's home page for access to the full ASX announcement:

www.paringaresources.com

INVESTMENT HIGHLIGHTS

- *Expanded Bankable Feasibility Study ("BFS") incorporates the second coal seam (WK No.11) at Poplar Grove Mine resulting in a 56% increase in mine production to 2.8 Mtpa from additional upfront capex of only US\$5 million, delivering a compelling 80% increase in NPV₈ to US\$310 million*
- *Expanded BFS highlights at Poplar Grove Mine:*
 - *Average Annual Production (steady state): **2.8 Mtpa** (up 56%)*
 - *"All-in" Opex (FOB Barge): **US\$29.24 per ton** (down 3.5%)*
 - *Average Annual EBITDA (steady state): **US\$67 million** (up 72%)*
 - *Total Initial Capex: **US\$44.7 million** (up 11%)*
 - *NPV₈: **US\$310 million (A\$403 million)** (up 80%)*
 - *IRR: **42%***

- *Mine Life: **25 years***
- *Combined development of the permitted 2.8 Mtpa Poplar Grove Mine, followed by the permitted 3.8 Mtpa Cypress Mine, elevates Paringa to a strategic **6.6 Mtpa Illinois Basin producer***
- *Expanded BFS highlights for the combined development of the Poplar Grove Mine, followed by the Cypress Mine:*
 - *Combined Average Annual Production (steady state): **6.6 Mtpa***
 - *Combined Average Annual EBITDA (steady state): **US\$163 million***
 - *Combined NPV₈: **US\$655 million (A\$850 million)***
 - *Mine Life: **25 years***
- *Paringa's staged mine developments will be supported with long term sales contracts, having already secured a fixed price, five year, US\$205 million cornerstone coal sales agreement with a major regional utility*
- *Paringa will now finalize negotiations with financiers for a competitive financing package to fund the development of the Poplar Grove Mine starting mid-2017 with first coal due mid-2018*
- *Paringa is now ready to begin construction at Poplar Grove, starting with exercising options to acquire the mine site land property, building electrical infrastructure and beginning mine excavation activities*

Paringa's CEO, Mr. Todd Hannigan, said: *"The successful completion of the enhanced BFS for Poplar Grove has exceeded all expectations and validates our decision to develop this high return mine first and then follow with the development of the Cypress mine. I believe it represents a compelling investment opportunity that will reward Paringa shareholders with strong, consistent cashflow over the expected 25-year mine life.*

"We aim to replicate the success of our local peers – we will be mining the same coal seams as they do, using the same mining methods, mining equipment and coal processing. We will deliver our high-quality coal into the nearby river market and we have already successfully de-risked our market entry by securing a 5-year, fixed priced, offtake contract with the largest utility in our market. In addition, we have excellent physical and intellectual infrastructure all around us, including; world class roads, rail, airports; low cost and reliable electricity; a wide range of highly skilled and competitive local suppliers, mining equipment manufacturers and miners.

"This is what makes this investment opportunity so compelling – it is a rare combination of a technically simple, low risk and low cost project, located in a first world business friendly jurisdiction, that will deliver strong, consistent cashflow and generate high returns on capital.

"We believe the outlook for our regional market remains strong, and as highlighted by the CEOs of key Illinois Basin producers, there has been a severe lack of investment in new mine developments in the basin, resulting in a potential future supply shortfall to meet improving demand. You can expect us to take advantage of favorable market conditions to lock in new forward sales contracts and accelerate our development strategy to become a strategic 6.6 Mtpa Illinois Basin producer."

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SOURCE Paringa Resources Limited