
PARINGA RESOURCES LIMITED

ACN 155 933 010

NOTICE OF GENERAL MEETING

TIME: 10:00am (WST)

DATE: 16 October 2013

PLACE: Plaza Level, BGC Centre, 28 The Esplanade, Perth, Western Australia

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+61 8) 6500 1900.

CONTENTS PAGE

Business of the Meeting (setting out the proposed resolutions)	3
Explanatory Statement (explaining the proposed resolutions)	4
Glossary	28
Schedule 1 – Pro Forma Balance Sheet as at 30 June 2013	29
Proxy Form	30

IMPORTANT INFORMATION

TIME AND PLACE OF MEETING

Notice is given that the meeting of the Shareholders to which this Notice of Meeting relates will be held at 10:00am (WST) on 16 October 2013 at:

Plaza Level, BGC Centre, 28 The Esplanade, Perth, Western Australia

YOUR VOTE IS IMPORTANT

The business of the Meeting affects your shareholding and your vote is important.

VOTING ELIGIBILITY

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 Shareholders at 5.00pm (WST) on 14 October 2013.

VOTING IN PERSON

To vote in person, attend the Meeting at the time, date and place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, members are advised that:

- each member has a right to appoint a proxy;
- the proxy need not be a member of the Company; and
- a member who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

New sections 250BB and 250BC of the Corporations Act came into effect on 1 August 2011 and apply to voting by proxy on or after that date. Shareholders and their proxies

should be aware of these changes to the Corporations Act, as they will apply to this Meeting. Broadly, the changes mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes is set out below.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does**:

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
 - the proxy is not recorded as attending the meeting;
 - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

BUSINESS OF THE MEETING

AGENDA

1. RESOLUTION 1 – APPROVAL FOR THE ACQUISITION OF HARTSHORNE COAL MINING LIMITED

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

“That, subject to the passing of Resolution 2, for the purpose of ASX Listing Rule 11.1.2 and for all other purposes, Shareholders approve the acquisition of Hartshorne Coal Mining Limited by the Company, on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, 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.

2. RESOLUTION 2 – APPROVAL FOR THE ISSUE OF CONSIDERATION SHARES

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

“That, subject to the passing of Resolution 1, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 61,000,000 Shares, on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, 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.

3. RESOLUTION 3 – ELECTION OF A DIRECTOR – MR IAN MIDDLEMAS

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

“That, subject to the passing of Resolutions 1 and 2, and completion of the Transaction, for the purposes of rule 6.1 of the Constitution, Mr Ian Middlemas is elected as a Director on and from the date of completion of the Transaction.”

4. RESOLUTION 4 – ELECTION OF A DIRECTOR – MR ANASTASIOS (TASO) ARIMA

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

"That, subject to the passing of Resolutions 1 and 2, and completion of the Transaction, for the purposes of rule 6.1 of the Constitution, Mr Anastasios (Taso) Arima is elected as a Director on and from the date of completion of the Transaction."

DATED: 16 SEPTEMBER 2013

BY ORDER OF THE BOARD

**NICK DAY
COMPANY SECRETARY**

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions which are the subject of the business of the Meeting.

1. OVERVIEW OF THE TRANSACTION

1.1 The Company

The Company was admitted to the official list of the ASX on 20 December 2012. The Company is a West Australian based, mining exploration company.

The Company currently holds a suite of exploration permits in Brazil prospective for gold and graphite, and since listing has been focussing its exploration on those exploration permits (**South America Projects**). The current principal activities of the Company include the exploration for gold and graphite at the South America Projects. Pursuant to its continuous disclosure obligations, the Company has kept the market fully informed and updated in relation to the ongoing exploration on these Brazilian Projects. Details of these projects and the work done to date are available on the Company's ASX announcements platform.

The Company is focussed on adding to its existing portfolio of assets and diversifying its asset base, and consistent with its disclosure in its initial public offering prospectus, has been considering proposals for the acquisition of new assets over the previous months, while continuing exploration work on its existing portfolio.

1.2 The Transaction

As announced on 3 September 2013, the Company has entered into a conditional Share Sale Agreement (**SSA**) with the shareholders of Hartshorne Coal Mining Limited (**Hartshorne**) for the Company to acquire 100% of the shares of Hartshorne (the **Transaction**).

Hartshorne is an Australian unlisted public company with an exploration portfolio of thermal and coking coal permits in North America and is currently in an early and brownfields exploration phase on its projects (**North America Projects**).

The SSA and Transaction are subject to a number of conditions precedent, set out in section 1.7 below.

The Company's pursuit of thermal and coking coal exploration activities in North America demonstrates its existing focus on exploration and on diversifying its existing portfolio of assets. The Board considers that Hartshorne's exploration portfolio fits within the Board's intention to identify high quality exploration projects that have the potential to diversify the Company's existing asset base.

ASX has advised the Company that in order to complete the Transaction, it will be required to seek the approval of its Shareholders for the acquisition of Hartshorne under ASX Listing Rule 11.1.2. The Company is also seeking Shareholder approval to issue 61,000,000 Shares to the shareholders of Hartshorne (**Consideration Shares**) as the consideration for the acquisition of Hartshorne.

Resolutions 1 and 2 are therefore inter-conditional, meaning that each Resolution must be passed in order for the Company to be able to proceed with the Transaction.

Upon successful completion of the Transaction, the Company will substantially diversify its asset portfolio through the acquisition of the North America Projects. The location and size of this strategic land holding in North America provides an opportunity for the Company to develop and diversify its exploration activities with a goal of discovering one or more coal deposits. The post-Transaction portfolio of assets will provide the Company with increased opportunities to exploit its assets than is available with the South America Projects.

1.3 Project Summary – North America Projects

The North America Projects consist of two projects (the Arkoma Coking Project and the Buck Creek Project).

The Buck Creek Project is a thermal coal project covering an area of 31,000 gross acres (~12,500 ha) and is situated in the Illinois Basin in Kentucky, USA. Unlike in Australia where mineral rights vest in the Crown, mineral rights in Kentucky vest with the landowner (unless sold or leased by the landowner). As a result, the Buck Creek Project comprises over 320 individual property lease arrangements with various landowners (or mineral right owners) in the region. Further details of these leases are provided at section 1.15(e) of the Explanatory Statement.

The Arkoma Project is a coking coal project covering an area of 14,000 gross acres (~6,000 ha) and is situated in the Arkoma Basin in Arkansas, USA. Unlike in Australia where mineral rights vest in the Crown, mineral rights in Arkansas vest with the landowner (unless sold or leased by the landowner). As a result, the Arkoma Project comprises over 400 individual property lease arrangements with various landholders (or mineral right owners) in the region. Further details of these leases are provided at section 1.15(h) of the Explanatory Statement.

Hartshorne also remains in negotiation with various landholders to acquire additional acreage on the projects.

Set out below is a diagram setting out the location of the North America Projects and their proximity to rail links, barge links and ports.

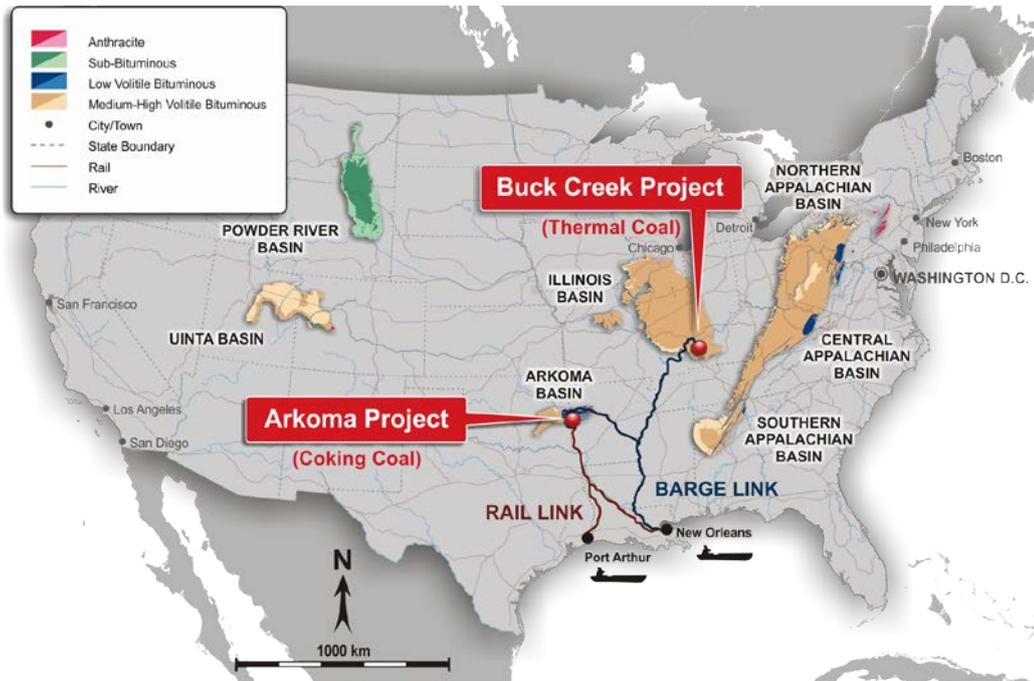


Figure 1: Location of the Buck Creek Thermal and Arkoma Coking Projects

1.4 Buck Creek Project

Hartshorne’s coal leases are situated in the Western Kentucky region of the Illinois Coal Basin (**ILB**) which is one of the most prolific coal producing regions in the United States. The West Kentucky No.9 coal seam (**WK No.9**), also known as the Springfield coal seam, is the target of the Buck Creek Project. The Springfield seam is the third largest producer of thermal coal in the USA, a country which produced ~1.1 billion tons (~1.0 billion tonnes) during 2012. The Buck Creek Project is one of the few remaining high quality thermal coal projects within the WK No.9 coal seam that is not controlled by one of the major US coal companies.

Location

The Buck Creek Project is located within McLean and Hopkins Counties in the State of Kentucky, USA. The Project is approximately 60km south of Hartshorne’s USA office in Evansville, Indiana and 280 km southwest of the state capital city of Frankfort, Kentucky.

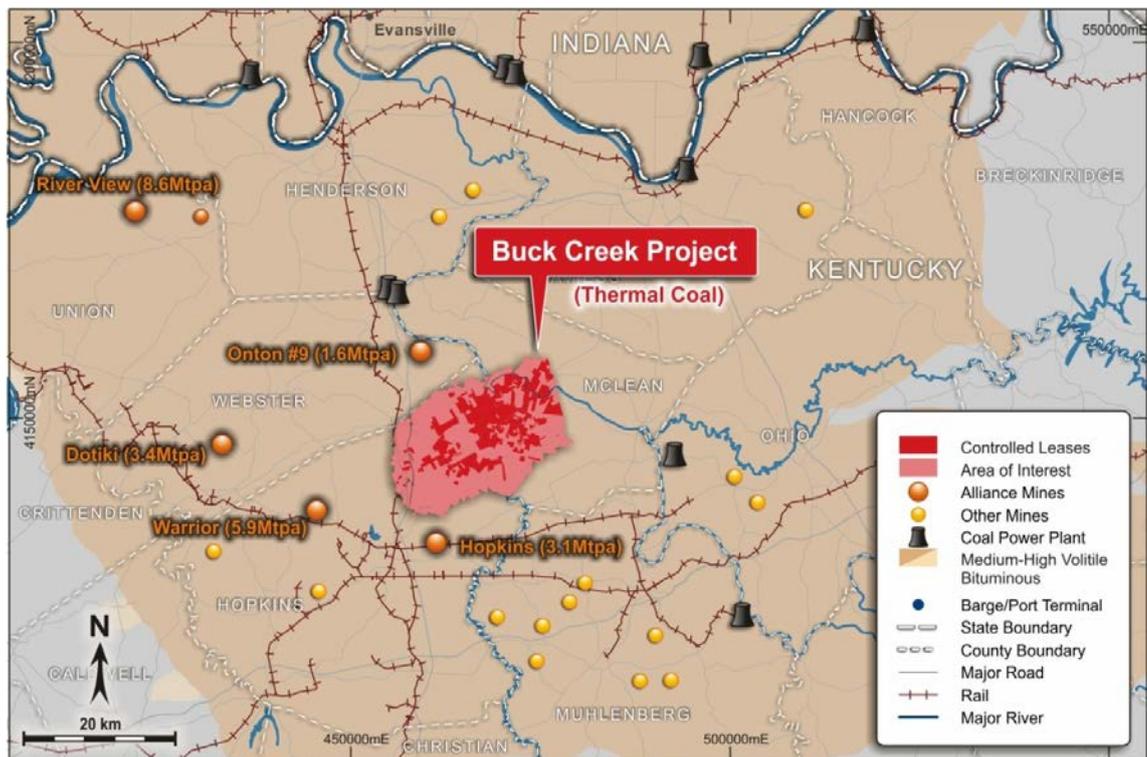


Figure 2: Buck Creek Project and Alliance Resources Partners LP coal mines

The topography of McLean and Hopkins Counties is characterized by patches of low hills separated by broad valley flats. The wide bottom farming lands along the Green River and its tributaries are the most striking feature of the terrain.

Infrastructure

The Buck Creek Project is located adjacent to the Green River which provides year round linkage to the Ohio and Mississippi rivers systems which feed domestic coal-fired power plants and coastal export coal terminals in the Gulf of Mexico. Buck Creek has already permitted a barge loading facility adjacent to the mine near mile marker 60 on the Green River.

Along the Green River coal is typically loaded into 1,350 ton barges, and then assembled into 4 barge tows. These barges are then consolidated into much larger 9 to 16 barge tows on the Ohio River. These barge tows travel down the Ohio and Mississippi Rivers to export facilities in the Gulf of Mexico. 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.

Additionally the region has access to a highly developed coal industry including a well-trained labour force, established power and water utilities and a very mature coal mining service industry, all of which are critical in the development of a low cost coal mining operation.

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. The base rate to load coal at these terminals is around US\$2.00 to US\$5.50 per ton.

Leases

Hartshorne controls over 31,000 gross acres (~12,500 ha) of coal leases typically with 20-year lease terms within an Area of Interest (refer to Figure 2) of almost 72,000

acres (~29,000 ha). Discussions are ongoing to increase the leasehold interest within this Area of Interest by directly leasing additional acreage from the individual mineral owners. Lease production royalty rates are the greater of US\$1.25 per ton or 4% of the sales value at the mine gate.

Hartshorne also holds options to purchase approximately 540 acres (~218 ha) of surface land to be used for the surface facilities of the underground mine, preparation plant, refuse disposal site and barge loading facility.

Permit Status

The Buck Creek Project includes approved permit applications for both a state mining permit and a United States federal 404 permit for the mine and barge load out facility. These are the key environmental permits required for the Buck Creek Project.

Geology

The WK No.9 coal seam (Springfield Seam) is the third most prolific coal seam by production in the USA with production of over 51 million tons (~46 million tonnes) in 2011. The WK No.9 coal seam is a laterally continuous coal seam that extends through a large part of the Illinois Basin and typically is relatively thick (3.0 to 4.5 feet).

The relatively simple geology of the region has led to the ILB having some of the highest productivities within its underground mines in the USA. Active mining to the North, West and South of the project area further enhances the understanding of the project geology and potential productiveness.

Approximately 163 drill holes have previously been drilled on the Buck Creek Project focused on the WK No.9 coal seam, including approximately 127 core holes, 10 rotary holes, and 26 oil and gas wells. A review of all existing drilling and exploration data is currently underway. The drilling database will form the basis for a Mineral Resource Estimate in accordance with the JORC Code.

Coal Quality

Buck Creek coal offers a relatively high heating value for the region. The coal is also considered a low chlorine coal by ILB standards and offers significant chlorine advantage over some of the most recent development projects in the region.

Coal quality based on 24 samples taken from the only 25 holes that had quality analysis from previous drilling on the Buck Creek Project (one sample was excluded from the analysis due to it possibly containing a large amount of out of seam dilution) is summarized below:

Clean Coal Quality (Eq. Moisture +4% @ 1.60 Float)	
Moisture	10.64%
Ash	8.44%
Calorific Value	11,808 Btu/lb
Sulfur	2.85%
Chlorine	0.20%

Development Plan

Hartshorne's strategy is to fast track the development of the Buck Creek Project as a potential large scale, low cost underground mining operation. The next stage in the development is to complete a JORC Code compliant Mineral Resource Estimate and progress the project through to a Scoping Study to delineate potential production rates, capital and operating costs. Hartshorne will continue to progress its leasing activities in the region.

1.5 Arkoma Project

Regional mapping and analysis of past coal production in the Arkoma basin led to the definition of this high value coking coal target area. Preliminary coal quality testing confirms low volatile hard coking coal, ranking highly in the international coking coal market.

Location

The Arkoma Project is located in Sebastian County along the Arkansas River Valley in the State of Arkansas, USA. The Project is approximately 25 km south of Fort Smith and 195 km from the state capital city of Little Rock.

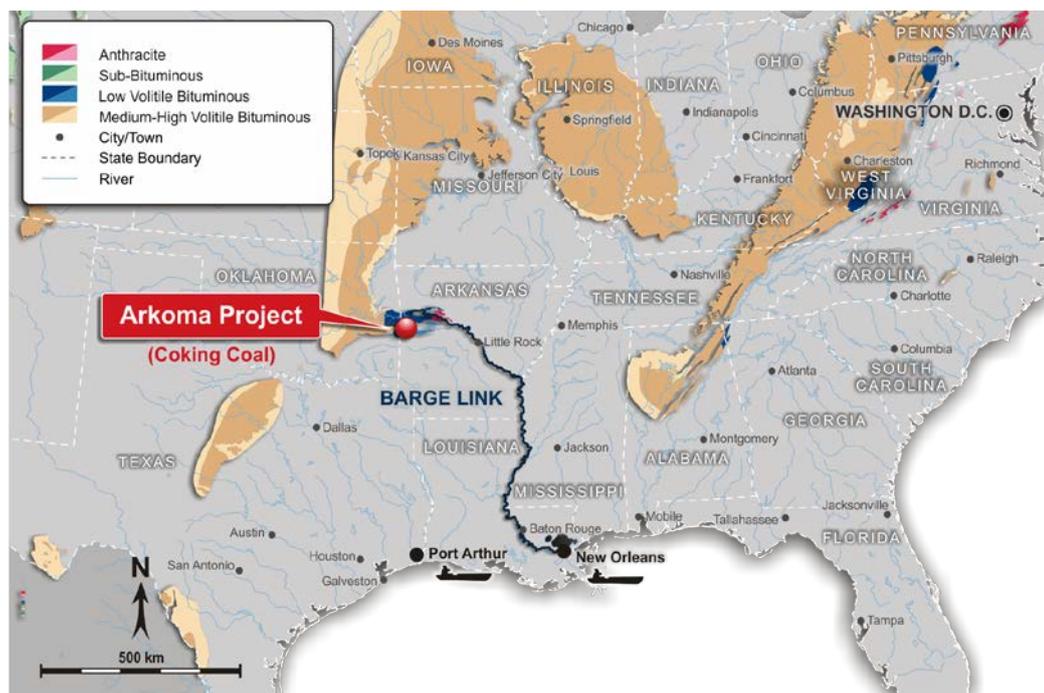


Figure 3: Arkoma Coking Project Location

The Arkansas River Valley is a low-lying region surrounding the valley of the Arkansas River and its major tributaries. Land use is mainly agricultural cropland, grazing land and woodlands. Surface rocks in this region consist of a sequence of coal-bearing sandstones and shales.

Infrastructure

The current preferred option for coal transportation from mine to port will involve the utilisation of haul roads to existing barge load out facilities on the Arkansas River to deep water coal terminals located in the Gulf of Mexico.

Trucking distances from the Project Area to the barge load out facilities at the Port of Van Buren, located on the navigable Arkansas River near Fort Smith is approximately 40 km and are to cost US\$4.00 to US\$6.00 per ton. Several third-party river terminal operators are available at the Port of Van Buren to load the coal onto barges. The base rate for barging coal from the Port of Van Buren to the Gulf of Mexico (New Orleans area) is approximately US\$15 per ton.

Hartshorne also has access to an extensive network of rail infrastructure as an alternative to barging which can also service the ports within Texas in addition to the ports in New Orleans.

Leases

Hartshorne has secured over 14,000 gross acres (~6,000 ha) of coal leases out of an area of interest of approximately 25,000 acres (~10,000 ha) with lease terms ranging from 5 to 15 years. The area is controlled by Hartshorne under a series of private coal leases. Mineral (coal) leases are generally with private parties who own the surface and mineral however, some of the mineral owners do not own the surface. Existing and anticipated lease production royalty rates range from 4% to 6% of the gross sales value and upfront lease payments of US\$40 to US\$60 per acre. Holding costs are extremely low at US\$1 per acre per year.

Geology

The primary geologic formations containing coal beds and occurring within the Arkoma Basin are the Boggy, Savanna, McAlester, Hartshorne Sandstone and Atoka. The Lower Hartshorne coal bed near the base of the McAlester formation is the thickest, most widespread and most economically important. Where the seam is present, thickness of the Lower Hartshorne seam ranges from 2.5 to 4.5 feet within portions of the property.

Coal Quality

Early analyses of existing exploration data indicated significant quantities of low volatile coking coal within the Arkoma Coking Coal Project area of interest. Based on this analysis, Hartshorne retained Cardno MM&A to conduct a core drilling program in April 2013, comprised of two core holes, to verify coal quality assumptions.

A summary of the coal washability and metallurgical coal analyses from the only core that was recovered from the two holes drilled by Hartshorne is provided below and confirms the presence of high value, low volatile metallurgical coals within the Arkoma Project.

Lower Hartshorne Coal Seam Key Coking Properties (dry basis)	
Volatile Matter	17.71 %
Ash	6.96 %
Sulfur	0.90 %
Free Swelling Index	8.5
Fluidity	30 ddpm
Mean Max Reflectance	1.63%

Development Plan

Hartshorne's strategy is to undertake an aggressive exploration program, including a core drilling and geophysical logging program, to delineate a maiden JORC Resource and increase confidence in coking quality.

1.6 Competent person's statement

The information in this Notice of Meeting that relates to Exploration Results is based on, and fairly represents, information compiled 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 MM&A. 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'. Mr Suehs consents to the inclusion in this Notice of Meeting of the matters based on his information in the form and context in which it appears.

1.7 Summary of Transaction

The proposed terms of the Transaction are as follows:

- (a) **(Consideration)**: in consideration for the acquisition of Hartshorne, the Company shall issue to the shareholders of Hartshorne 61,000,000 Shares (**Consideration Shares**) to be distributed according to their respective holdings of shares in Hartshorne at completion of the Transaction;
- (b) **(Conditions precedent)**: the acquisition of Hartshorne is subject to the satisfaction of the following conditions precedent:
 - (i) the Company's Shareholders passing all resolutions as are required under the Listing Rules, the Constitution of the Company and the Corporations Act to give effect to the Transaction;
 - (ii) the directors of Hartshorne procuring acceptance of offers to be made by the Company to the shareholders of Hartshorne equal to not less than 90% of the shares on issue in Hartshorne and all pre-emptive or other rights over any of those shares having been waived; and
 - (iii) receipt of all statutory and regulatory approvals and any other third party consents or waivers which are necessary or desirable to complete the Transaction;
- (c) **(Board)**: upon completion of the Transaction, Mr Ian Middlemas will be appointed as a non-executive Director of the Company and Mr Anastasios (Taso) Arima will be appointed as an executive Director, with Mr Luis Azevedo to step down as a Director of the Company. Profiles of the two proposed Directors are outlined in Sections 4 and 5 below;
- (d) **(Key Employees – Incentives)**: at the Company's AGM to be held in November 2013, the Company must seek Shareholder approval for the adoption of an employee share option plan and performance rights plan and within 5 days after such resolutions are passed must issue Options and Performance Rights to the key US based employees of Hartshorne as follows:

- (i) 3,950,000 Performance Rights which are subject to various performance conditions (including Pre-Feasibility Study, Bankable Feasibility Study, Construction and Production milestones) to be satisfied prior to the relevant expiry dates between 31 March 2015 and 31 March 2018; and
 - (ii) 1,500,000 Options with an exercise price of A\$0.20 and an expiry date of 31 December 2016.
- (e) **(Voluntary Trading Lock):** The Consideration Shares issued to the shareholders of Hartshorne will be subject to a voluntary escrow period of 12 months from completion of the Transaction, subject to certain specified exceptions (for example, in the event of a change in control of the Company).

1.8 Pro forma capital structure

The Transaction will affect the capital structure of the Company due to the issue of the Consideration Shares.

Current issued capital	Number
Shares on issue at the date of this Notice	61,083,334
Consideration Shares	61,000,000
Total Shares on issue on completion of the Transaction¹	122,083,334
Unlisted Options on issue at the date of this Notice (exercisable at A\$0.30 each)	2,400,000
Unlisted Options to be issued to the Key Employees after completion of the Transaction (exercisable at A\$0.20 each)	1,500,000
Unlisted Performance Rights to be issued to the Key Employees after completion of the Transaction	3,950,000
Total Options and Rights on issue after completion of the Transaction¹	7,850,000

Notes:

¹ Assumes no further securities are issued prior to settlement of the Transaction.

1.9 Pro forma balance sheet

An unaudited pro forma balance sheet of the Company following settlement of the Transaction and issues of all Securities contemplated by this Notice is set out in Schedule 1.

1.10 Cash position and proposed budget

The Company's cash position is approximately A\$7,600,000.

It is proposed that the budget for the next 12 months will be as follows:

Item	Amount
Working Capital and Corporate Costs	A\$1,800,000
Exploration costs on the North America Projects	A\$1,380,000
Exploration costs on the South America Projects	A\$750,000
Deferred project acquisition costs for the North America Projects	A\$750,000
TOTAL	A\$4,680,000

The Company will have sufficient funds to meet these expenditure commitments without raising further funds during this period.

Continuing exploration programs for the Company's North American and South American Projects will be determined with reference to the results received from exploration. Given the exploration work already undertaken on the existing South American Projects since listing, the majority of the expenditure for the next 12 months is expected to be on focussed on the North American Projects being acquired under the Transaction.

The above table is a statement of current intentions as at the date of this Notice. Intervening events may alter the way funds are ultimately applied by the Company.

1.11 Indicative timetable

Event	Date
Notice of Meeting despatched to Shareholders	16 September 2013
General Meeting	16 October 2013
Settlement Date of the Transaction	23 October 2013

1.12 Advantages of the Transaction

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on Resolution 1:

- (a) the Transaction represents a significant opportunity for the Company to acquire the North American Projects, which include an advanced stage high quality thermal coal project and a highly prospective coking coal exploration project;
- (b) the Transaction provides an opportunity for the Company to enhance and diversify its current suite of assets;
- (c) the new Directors and Key Employees provide an experienced set of skills to guide the growth of the Company; and

- (d) should the Company be successful with its exploration and development of the North American Projects, there is an opportunity to build substantial value for Shareholders.

1.13 Disadvantages of the Transaction

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on Resolution 1:

- (a) the Company will be changing the nature and scale of its activities, which may not be consistent with the objectives of all Shareholders;
- (b) the Transaction will result in the issue of the Consideration Shares to the Hartshorne Vendors which will have a dilutionary effect on the current holdings of Shareholders;
- (c) there is no guarantee that the exploration proposed to be conducted on the North America Projects will result in an economic outcome, and thus additional losses may be incurred; and
- (d) there are a number of risk factors associated with acquiring Hartshorne and operating in North America. These risks have been set out below at section 1.14 of the Explanatory Statement;

1.14 Risk factors

Shareholders should be aware that if the Transaction successfully completes, the Company will be changing the nature and scale of its activities. Based on the information available, a non-exhaustive list of risk factors are as follows:

(a) **Commodity Price Risks**

The price of coal fluctuates widely and is affected by numerous factors beyond the control of Hartshorne, such as industrial and retail supply and demand, exchange rates, inflation rates, changes in global economies, confidence in the global monetary system, forward sales of commodities by producers and speculators as well as other global or regional political, social or economic events. The supply of coal consists of a combination of new mine production and existing stocks held by governments, producers, speculators and consumers. Future production, if any, from Hartshorne's projects will be dependent upon the price of coal being adequate to make the project economic. Future price declines in the market value of coal could cause continued development of, and eventually commercial production from, the project to be rendered uneconomic. Depending on the price of coal, Hartshorne could be forced to discontinue production or development and may lose its interest in, or may be forced to sell, the project. There is no assurance that, even if commercial quantities of coal are produced, a profitable market will exist for them.

In addition to adversely affecting future reserve estimates, if any, of any project, declining commodity prices can impact operations by requiring a reassessment of the feasibility of the project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to the project. Even if the project is ultimately determined to be economically viable, the need to conduct

such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

(b) **Coal Quality**

Coal type and quality is known to vary across a wide spectrum of parameters. Hartshorne has conducted limited coal quality analysis on a relatively small number of drill cores recovered from Buck Creek and Arkoma Project. Whilst several coke strength prediction techniques have been developed using characteristics of the parent coals, the usefulness of these methods have been questioned by some coke experts and as yet there is not a universally acceptable prediction technique. If the quality of the coal is lower than currently anticipated, Hartshorne's prospects, value, projects and financial condition may be materially adversely affected.

(c) **Future Capital Needs and Additional Funding**

The exploration and any development of Hartshorne's projects will require substantial additional financing, including for infrastructure and payments to vendors for current and future projects. Failure to obtain sufficient financing may result in delaying or indefinite postponement of exploration and any development of Hartshorne's properties, a loss of Hartshorne's personnel or even a loss of its interest in some of its mining properties. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to Hartshorne. If Hartshorne obtains debt financing, it will be exposed to the risk of leverage and its activities could become subject to restrictive loan and lease covenants and undertakings. If Hartshorne obtains equity financing, existing shareholders may suffer dilution. There can be no assurance that Hartshorne would be successful in overcoming these risks or any other problems encountered in connection with such financings.

(d) **Resource and Reserve Estimates**

Ore Reserve and Mineral Resource estimates are expressions of judgment based on drilling results, past experience with mining properties, knowledge, experience, industry practice and many other factors. Estimates which are valid when made may change substantially when new information becomes available. Ore estimation is an interpretive process based on available data and interpretations and thus estimations may prove to be inaccurate.

The actual quality and characteristics of coal deposits cannot be known until mining takes place, and will almost always differ from the assumptions used to develop resources. Further, Coal Reserves are valued based on future costs and future prices and consequently, the actual Coal Reserves and Mineral Resources may differ from those estimated, which may result in either a positive or negative effect on operations.

Should Hartshorne's projects encounter mineralisation or formations different from those predicted by past drilling, sampling and similar examinations, resource estimates may have to be adjusted and mining plans may have to be altered in a way which could adversely affect Hartshorne's operations.

(e) **Access to Infrastructure and utilities**

Commercialisation of the Buck Creek and Arkoma Projects will require the development of, or access to, transport infrastructure, including road, barge, rail and port facilities. There can be no assurance that Hartshorne will obtain access to barge, rail or port facilities on commercially or economically feasible terms. Hartshorne will also require access to utilities such as power and water to conduct its operations.

Failure to procure such infrastructure could adversely impact Hartshorne's ability to carry out its operations.

(f) **Licences and Permits**

Hartshorne's mining exploration, development and, if applicable, operating activities are dependent upon the grant, or as the case may be, the maintenance of appropriate licences, concessions, leases, claims, permits and regulatory consents which may be withdrawn or made subject to limitations. The maintaining of licences, obtaining renewals, or getting licences granted, often depends on the Company being successful in obtaining required statutory approvals for its proposed activities and that the licences, concessions, leases, claims, permits or consents it holds will be renewed as and when required. There is no assurance that such renewals will be given as a matter of course and there is no assurance that new conditions will not be imposed in connection therewith.

(g) **Previous Exploration**

Historical and current activities on North America Projects could in the future give rise to costs for environmental rehabilitation, damage, control and losses. Hartshorne has to date received no indication or instruction that rehabilitation of these areas is required. The enforcement of any environmental regulation could lead to increased costs for the projects which in turn could adversely affect Hartshorne's financial performance and available cash reserves.

(h) **Limited Operating History**

Hartshorne has a limited operating history on which an evaluation of the prospects of each of its projects and its assets can be based.

The success of Hartshorne in the short to medium term is dependent upon a number of factors, including the successful:

- (i) identification of coal resources sufficient to supply the North America Projects over their life;
- (ii) completion of a positive feasibility study which demonstrates that mining of coal can be economically undertaken on the North America Projects;
- (iii) design, construction and commissioning of the infrastructure required for the North America Projects; and
- (iv) raising of the funding required to develop and operate the North America Projects.

The prospects of the North America Projects must be considered in light of the considerable risks, expenses and difficulties frequently encountered by companies in the early stage of exploration and development activities, particularly in the coal sector.

Furthermore, as the North America Projects have not yet commenced operations, there can be no guarantee that the business will operate in line with assumed cost structures. Should the level of costs required to operate the business be higher than anticipated then it may have a materially adverse effect on the future performance and prospects of Hartshorne.

There can be no assurance that the North America Projects will be profitable in the future. Should production commence, the operating expenses and capital expenditures of the North America Projects are likely to increase in future years as targeted coal is more difficult to extract.

The amounts and timing of expenditures will depend on the progress of ongoing exploration and development, the results of consultants' analyses and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, and other factors, many of which are beyond Hartshorne's control.

Hartshorne expects to incur losses on the North America Projects unless and until such time as the North America Projects enter into commercial production and generate sufficient revenues to fund their continuing operations. The development of the North America Projects will require the commitment of substantial resources. There can be no assurance that Hartshorne will generate any revenues or achieve profitability.

(i) **Foreign Exchange Risks**

Hartshorne's operating and capital expenditures are likely to be incurred in currencies other than Australian dollars (likely to be US Dollars) and any future revenues from the sale of coal are also likely to be in currencies other than Australian dollars. Any fluctuations in the exchange rates between these currencies and the Australian dollar could have a material adverse effect on Hartshorne's business, financial position and operating results.

(j) **Foreign Operations Risks**

The North America Projects are located in the USA and, as such, the operations of Hartshorne will be exposed to various levels of political, economic and other risks and uncertainties.

Changes, if any, in mining or investment policies or shifts in political attitude in the USA may adversely affect the operations or profitability of the Company. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety.

Failure to comply strictly with applicable laws, regulations and local practices relating to mineral rights applications and tenure, could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the operations or profitability of Hartshorne.

(k) **Government Regulation**

Any material adverse changes in government policies or legislation of the USA that affect coal mining, processing, development and mineral exploration activities, income tax laws, royalty regulations, government subsidies and environmental issues may affect the viability and profitability of Hartshorne' current and future projects.

The mining, processing, development and mineral exploration activities of the North America Projects are subject to various laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use, indigenous land claims, and other matters.

Furthermore, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Amendments to current laws and regulations governing operations and activities of mining or more stringent implementation thereof could have a substantial adverse impact on the current and any future project and hence Hartshorne.

(l) **Title to Properties**

There can be no assurances that the interest in the North America Projects is free from defects. There is no assurance that such rights and title interests will not be revoked or significantly altered to the detriment of Hartshorne. There can be no assurances that Hartshorne's rights and title interests will not be challenged or impugned by third parties. Defects in title in our North America Projects could limit our ability to recover coal from these properties or result in significant unanticipated costs.

Hartshorne conducts its exploration and development activities on properties that are leased. As is standard industry practice in the USA, title to most of Hartshorne's leased properties and mineral rights is not thoroughly verified until a permit to mine the property is obtained, and in some cases, title is not verified at all. Accordingly, actual or alleged defects in title or boundaries may exist, which may result in the loss of Hartshorne's right to mine on the property or in unanticipated costs to obtain leases or mining contracts to allow Hartshorne to conduct its mining operations on the property, which could adversely affect its business and profitability. In addition, from time to time, the rights of third parties for competing uses of adjacent, overlying or underlying lands, such as oil and gas activity, coalbed methane, pipelines, roads, easements and public facilities, may affect Hartshorne's ability to operate as planned if its title is not superior or arrangements cannot be negotiated.

(m) **Insurance and Uninsured Risks**

The business of Hartshorne is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to properties of Hartshorne or others, delays in mining, monetary losses and possible legal liability.

Any insurance policy taken out by Hartshorne will not cover all the potential risks associated with its operations and insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. It is not always possible to obtain insurance against all such risks and Hartshorne may decide not to insure against certain risks because of high premiums or other reasons. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to Hartshorne or to other companies in the mining industry on acceptable terms. Losses from these events may cause Hartshorne to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

(n) **No history of earnings**

Hartshorne has no history of earnings and has not commenced commercial production on any of its properties. Hartshorne has experienced losses from operations and expects to continue to incur losses for the foreseeable future. There can be no assurance that Hartshorne will be profitable in the future. Hartshorne's operating expenses and capital expenditures are likely to increase in future years as needed consultants, personnel and equipment associated with advancing exploration, and, if permitted, development and, potentially, commercial production of its properties, are added. The amounts and timing of expenditures will depend on the progress of ongoing exploration and development, the results of consultants' analyses and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, Hartshorne's acquisition of additional properties, government regulatory processes and other factors, many of which are beyond Hartshorne's control. It is expected that Hartshorne will continue to incur losses unless and until such time as its properties enter into commercial production and generate sufficient revenues to fund its continuing operations. The development of Hartshorne's properties will require the commitment of substantial resources.

There can be no assurance that Hartshorne will generate any revenues or achieve profitability.

(o) **Production and capital costs**

Hartshorne's business, results of operations and financial condition may vary with fluctuations in production and capital costs. Hartshorne's main production expenses are expected to be contractor costs, materials (including fuel, explosives and mining consumables), personnel costs and energy, and its main capital costs will be the development capital

expenditure for its projects. It is expected that certain capital expenditures will be made in US dollars. Changes in the costs of Hartshorne's mining and processing operations as well as its capital costs could occur as a result of unforeseen events, including international and local economic and political events (including movement in exchange rates), and could result in changes in coal reserve estimates. Many of these factors may be beyond Hartshorne's control. In addition, current capital cost estimates are based on conceptual engineering designs and there may be a material change to the estimates once construction has been completed. In past resource cycles, operating and capital costs have tended to increase as commodity prices have increased. Thus, Hartshorne may be faced with higher than currently expected operating and capital costs in the future.

(p) **Agreements for sales or off-take**

Hartshorne is yet to establish sales or off-take agreements in respect of its planned coal production from its projects. Assuming it is able to secure sales or off-take agreements in the future, it may depend upon a small number of large customers, the loss of any of which, or inability to collect payment from, could adversely affect its results of operations and financial condition.

Furthermore, Hartshorne's ability to receive payment for coal sold and delivered depends on the continued creditworthiness of its customers. If it is unable to collect payments from any of these customers, its financial condition and results of operations could be materially adversely affected. Should Hartshorne be unable to find customers to purchase its produced volume, its financial results may be adversely affected.

(q) **Coal forward contracts**

In order to secure additional debt funding, Hartshorne may be required to enter into various forward contracts for the physical delivery of some or all of its expected coal from its projects. These contracts are designed to provide protection against the fluctuations in the price of coal. If Hartshorne fails to meet its obligations in terms of product quantity, quality or timing of supply, it will face a risk that it will have to purchase the physical coal shortfall on-market to meet its obligations under the forward contracts. This could have a material adverse effect upon Hartshorne's financial performance and results of operations, especially if the price of coal has increased. If Hartshorne is able to determine through future exploration and studies that its projects are capable of economic development and Hartshorne decides to proceed with the development of its projects, Hartshorne will need to enter into offtake agreements for the product of mining operations.

Hartshorne may have difficulty in finding off-take partners who are prepared to enter into long term off-take agreements with a party that does not have a proven production profile. Long term off-take agreements may be required in order for Hartshorne to obtain financing for the development of the projects. If Hartshorne is not able to negotiate such long term agreements then the development of the projects may be delayed or prevented. If Hartshorne enters into any take-or-pay contracts for the off-take of its expected coal from the projects, these contracts may provide Hartshorne with market prices subject to escalating floor and ceiling prices while allowing Hartshorne

to benefit from some upside should the spot price for coal out-perform the ceiling prices. However, Hartshorne faces a risk of non-performance on these contracts as well as potential penalties if it fails to meet its obligations in terms of product quantity, quality or timing of supply. In addition, if Hartshorne fails to meet its obligations in terms of product quantity, quality or timing of supply, it faces a risk that it will have to purchase the physical coal shortfall on-market to meet its obligations under the take or-pay contracts. This could have a material adverse effect upon Hartshorne's financial performance and results of operations, especially if the price of coal has increased.

1.15 Material contracts

Set out below are summaries of the material contracts entered into by Hartshorne or its subsidiaries. Shareholders should note that certain key commercial terms of some of the material contracts summarised below which relate to the value of royalty payments and surface option extension fees payable by Hartshorne to landowners in respect of leases are not disclosed. This is because notwithstanding the fact that these leases have been entered into between Hartshorne and the relevant landowners and the commercial terms are set, Hartshorne is also currently in negotiations to acquire further leases from other third party landowners and disclosing such commercially sensitive information may have an adverse effect on such negotiations.

(a) Buck Creek Asset Purchase Agreement

Under the terms of the Asset Purchase Agreement between Buck Creek Resources, LLC ("Buck Creek") and its members and Hartshorne and its subsidiaries, Hartshorne Mining Group, LLC ("HMG"), Hartshorne Mining, LLC ("Hartshorne Mining"), and Hartshorne Land, LLC ("Hartshorne Land"), dated 28 March 2013, HMG, Hartshorne Mining and Hartshorne Land acquired: (a) coal leases covering approximately 24,000 acres of coal reserves (refer to 'Buck Creek Coal Leases' section below); (b) option agreements to acquire approximately 540 acres of surface property (refer to 'Buck Creek Surface Options' section below); (c) mining and related permits and permit applications, (refer to 'Buck Creek Coal Leases' section below); (d) all the mining information related to the coal reserves that are the subject of the coal leases; and (e) other miscellaneous contracts, tangible personal property and improvements relating to the aforementioned assets.

The consideration for the acquisition of the purchased assets comprised an initial cash payment of US\$500,000 (made at closing on 28 March 2013), a cash payment of a US\$750,000 due on the one-year anniversary of the closing, a cash payment of US\$1,000,000 due on the two-year anniversary of the closing, a promissory note of US\$9,770,967 due on the three-year anniversary of the closing (refer to 'Buck Creek Promissory Note' section below), and a 0.5% overriding royalty payable on the coal reserves (refer to 'Buck Creek Royalty Agreement' section below).

(b) Buck Creek Promissory Note

Pursuant to the terms of a Promissory Note, dated 28 March 2013, HMG, Hartshorne Mining and Hartshorne Land promised to pay to Buck Creek US\$9,770,967 on or before 28 March 2016.

The principal balance of the Promissory Note does not bear interest, except following an event of default. The Promissory Note is secured by a leasehold mortgage, security agreement and fixture filing.

The Promissory Note can be extinguished and paid in full, at the election of HMG, by returning or offering to return the purchased assets to Buck Creek at any time, including after or during an event of default.

(c) **Buck Creek Royalty Agreement**

Pursuant to the terms of the Overriding Royalty Agreement between Hartshorne Land and Buck Creek, dated 28 March 2013, Hartshorne Land agreed to pay Buck Creek an overriding royalty on all coal mined from property leased or subleased by Hartshorne Land within a defined reserve area in western Kentucky.

The overriding royalty is 0.5% of the gross sales price of all coal mined and sold from property leased or subleased by Hartshorne Land within the Reserve Area. Gross sales price is defined to be the total proceeds received by Hartshorne Land or its affiliates from the sale of the applicable coal F.O.B. the point where such coal is loaded in the barge, truck or rail car at the mine site.

(d) **Buck Creek Reversionary Agreement**

Under the terms of a Reversionary Agreement between Hartshorne Land and Buck Creek, dated 28 March 2013, Hartshorne Land granted Buck Creek an option (the "Reversionary Option") to acquire all or any of the leases or subleases held by Hartshorne Land or its affiliates in the Reserve Area under certain circumstances.

The Reversionary Option is triggered when: (a) Hartshorne Land has determined, in its sole discretion, that it has permanently ceased all efforts to pursue the exploration, development or operation of a coal mining operation utilizing the purchased assets; (b) all liens have been released or otherwise removed from the purchased assets; and (c) all restrictions on the purchased assets contained in any financing or similar agreements have been terminated. Once the Reversionary Option is triggered, Buck Creek has up to 60 days to exercise it.

The only consideration payable by Buck Creek in connection with the exercise of the Reversionary Option is its assumption of all obligations and liabilities under any leases or subleases it acquires pursuant thereto.

Notwithstanding the existence of the Reversionary Option, Hartshorne Land and its affiliates are free to sell, exchange, trade, encumber or otherwise transfer any leases or subleases, in whole or in part, free and clear of the restrictions contained in the Reversionary Agreement at any time before the Reversionary Option is triggered; provided, however, that, if Hartshorne Land sells, exchanges, trades or otherwise transfers, in a single transaction or a series of related transactions, leases and subleases representing at least 80% (by acreage) of all of its or its affiliates' real property interests located in the Reserve Area to an unrelated third party prior to the payment in full of the Promissory Note, Hartshorne Land must have the acquirer of such leases and subleases assume the Reversionary Agreement.

The term of the Reversionary Agreement expires on the earlier of: (a) the acquisition by Hartshorne Land or one or more of its affiliates of all of Buck Creek's interest in the Overriding Royalty Agreement; or (b) 60 days after the Reversionary Option has been triggered.

(e) **Buck Creek Coal Leases**

The coal leases acquired by Hartshorne Land from Buck Creek grant Hartshorne Land 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.

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.

The coal leases prohibit Hartshorne Land from conducting surface mining or strip mining on the leased premises and also prohibit construction of slopes, shafts, roads, ponds, ditches, buildings or any type of structure or facility on the surface of the leased premises; however, the coal leases grant Hartshorne Land the right to go through and under the leased premises as may be necessary and convenient to mine, transport, prepare, remove and sell the coal from the leased premises and from other lands within an 8-mile radius of the leased premises.

(f) **Buck Creek Surface Options**

The surface options acquired by Hartshorne Land from Buck Creek grant Hartshorne Land the right to acquire only the surface of the subject property.

The surface options can be extended by successive one year periods through 31 December 2017 by the payment of an annual extension fee.

The surface options permit Hartshorne Land to conduct exploration and title examination activities during the term.

(g) **Buck Creek Permits**

Hartshorne Mining currently hold (or is the process of being transferred) the following permits: (a) Mining Permit No. 875-5007; and (b) Corps of Engineers, Clean Water Act, Section 404, Permit No. LRL-2011-707.

In addition, the following permit applications are currently being reviewed by the applicable governmental authorities: (a) Kentucky Pollutant Discharge Elimination System, Permit Application No. KY0110515; and (b) Kentucky Division of Mine Reclamation Enforcement 401 Permit Application No. 875-5007-WQC-1.

As the development of the project continues, Hartshorne Mining will pursue additional permits from the Kentucky Division of Air Quality, the

United States Mine Safety and Health Administration and other governmental authorities.

(h) **Arkoma Coal Leases**

HCM Operations LLC holds coal leases in Arkansas. The coal leases grant HCM Operations the right to drill, explore, mine and remove only coal from the leased premises by underground mining and the right to use the surface of such leased premises for purposes incidental to coal mining operations.

The coal leases require the payment of an annual advance royalty and an earned royalty which are industry standard in the region. The initial annual advance royalty is a once-off per acre charge and subsequent annual advance royalty amounts are generally US\$1 per acre. All annual advance royalty payments can be credited against any earned royalty due under the coal leases on a lease-by-lease basis.

(i) **Directors Deeds of Indemnity**

The Company has entered into deeds of access, indemnity and insurance with each of the Directors.

The Company has undertaken, subject to the restrictions in the Corporations Act, to indemnify each Director and Officer in certain circumstances and to maintain Directors' and Officers' insurance cover (if available) in favour of each Director whilst a Director and for seven years after the Director or Officer has ceased to be a Director.

The Company has undertaken with each Director to provide access to any Company records which are either prepared or provided to the Director during the period in which he was a Director for a period of seven years after the Director has ceased to be a Director.

1.16 Plans for the Company if the Resolutions are not passed

If the Resolutions the subject of this Notice of Meeting are not passed and the Transaction does not complete, the Company will continue to develop its South America Projects, and look for additional potential projects in order to identify further projects to increase Shareholder value.

1.17 Directors' recommendation

The Directors of the Company unanimously recommend the Transaction and that Shareholders vote in favour of the Resolutions the subject of this Notice of Meeting. It is the view of the Directors that completion of the Transaction will give the Company's Shareholders the opportunity to participate in a potentially significant exploration and development programme in line with the Company's existing focus on exploration.

In addition, the Company's major shareholder, Silver Lake Resources Ltd, which holds 34% of the Company, intends to vote in favour of the Transaction.

2. RESOLUTION 1 – APPROVAL FOR THE ACQUISITION OF HARTSHORNE COAL MINING LIMITED

2.1 General

As outlined in section 1 of this Explanatory Statement, the Company has entered into the SSA, pursuant to which the Company has agreed, subject to Shareholder approval, to acquire 100% of the issued share capital of Hartshorne, the holder of the North American Projects.

Resolution 1 seeks Shareholder approval for this acquisition.

2.2 ASX Listing Rule 11.1

ASX Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature and scale of its activities, it must provide full details to ASX as soon as practicable and comply with the following:

- (a) provide to ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;
- (b) if ASX requires, obtain the approval of holders of its shares and any requirements of ASX in relation to the notice of meeting; and
- (c) if ASX requires, meet the requirements of Chapters 1 and 2 of the ASX Listing Rules as if the company were applying for admission to the official list of ASX.

ASX has indicated to the Company that the Transaction only requires the Company to obtain Shareholder approval for the Transaction for the purposes of ASX Listing Rule 11.1.2.

The Board recommends that Shareholders vote in favour of Resolution 1.

Resolution 1 is an ordinary resolution.

Resolution 1 is subject to the approval of Resolution 2.

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

3. RESOLUTION 2 – APPROVAL TO ISSUE CONSIDERATION SHARES

3.1 General

A summary of the Transaction is given at section 1 above. As noted, the consideration for the acquisition by the Company of Hartshorne is the issue by the Company of 61,000,000 Shares (**Consideration Shares**) to the shareholders of Hartshorne. Resolution 2 seeks Shareholder approval for the issue of the Consideration Shares.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 2 will be to allow the Company to issue the Consideration Shares pursuant to the Transaction during the period of 3 months

after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

3.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of the Consideration Shares:

- (a) the maximum number of Consideration Shares to be issued is 61,000,000;
- (b) the Consideration Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Consideration Shares will occur on the same date;
- (c) the Consideration Shares will be issued for nil cash consideration as they will be issued in satisfaction of the consideration for the acquisition of Hartshorne;
- (d) the Consideration Shares will be issued to the shareholders of Hartshorne, who are not related parties of the Company, or will be related parties of the Company only by virtue of this Transaction;
- (e) the Consideration Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) no funds will be raised from the issue of the Consideration Shares as they are being issued in consideration for the acquisition of Hartshorne.

Assuming no Options are exercised or other Shares issued and all of the Consideration Shares are issued, the number of Shares on issue would increase from 61,083,334 (being the number of Shares on issue as at the date of this Notice) to 122,083,334 and the shareholding of existing Shareholders would be diluted by 49.97%.

Following the issue of the Consideration Shares to the shareholders of Hartshorne, the existing Shareholders will hold approximately 50.03% of the issued share capital of the Company and the shareholders of Hartshorne will hold approximately 49.97%. There are 43 shareholders of Hartshorne who will be issued Consideration Shares. The largest shareholder of Hartshorne will be issued 14,825,000 Consideration Shares, constituting 12.14% of the issued share capital of the Company post the issue of the Consideration Shares. No other Hartshorne shareholder will be issued Consideration Shares constituting more than 10% of the issued share capital of the Company post the issue of the Consideration Shares.

The Board recommends that Shareholders vote in favour of Resolution 2.

Resolution 2 is an ordinary resolution.

Resolution 2 is subject to the approval of Resolution 1.

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

4. RESOLUTION 3 – ELECTION OF A DIRECTOR – MR IAN MIDDLEMAS

A summary of the Transaction is given at section 1 above. As noted, upon completion of the Transaction, Mr Ian Middlemas is to be appointed as a non-executive Director of the Company.

Resolution 3 seeks Shareholder approval for the election of Mr Middlemas as a Director. If Resolution 3 is passed, Mr Middlemas' appointment as a Director will take effect only on completion of the Transaction.

Mr Middlemas is a Chartered Accountant, a member of the Financial Services Institute of Australasia and holds a Bachelor of Commerce degree. He worked for a large international Chartered Accounting firm before joining the Normandy Mining Group where he was a senior group executive for approximately 10 years. He has had extensive corporate and management experience, and is currently Chairman of a number of ASX listed companies in the resources sector including Papillon Resources Ltd, Prairie Downs Metals Ltd, Equatorial Resources Ltd and Berkeley Resources Ltd. Mr Middlemas was formerly Chairman of Mantra Resources Ltd (acquired by ARMZ for A\$1.1 billion in 2011) and Coalspur Mines Limited who is developing a large scale thermal coal project in Canada.

Under rule 6.1(m) of the Constitution, a person may be elected to the office of Director at a general meeting if that person has been nominated by the Directors for election at that meeting. The Directors hereby nominate Mr Middlemas for election in accordance with the SSA.

The Board recommends that Shareholders vote in favour of Resolution 3.

Resolution 3 is an ordinary resolution.

Resolution 3 is subject to the approval of Resolutions 1 and 2.

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

5. RESOLUTION 4 – ELECTION OF A DIRECTOR – MR ANASTASIOS (TASO) ARIMA

A summary of the Transaction is given at section 1 above. As noted, upon completion of the Transaction, Mr Anastasios (Taso) Arima as a non-executive Director. If Resolution 4 is passed, Mr Arima's appointment as a Director will take effect only on completion of the Transaction.

Mr Arima has a strong combination of technical, financial and managerial skills and has extensive experience in the formulation and development of large scale bulk commodity projects. Mr Arima was a founder and former Executive Director of Coalspur Mines Limited, having been instrumental in the identification and acquisition of Coalspur's coal projects, as well as the corporate strategy and marketing of the company. At the time of his resignation from the Board, Coalspur's fully diluted market capitalisation was approximately A\$1.2 billion. Mr Arima has previously worked in the hydrocarbon division at WorleyParsons Limited, and was also an analyst for an investment banking firm, where he specialised in the technical and financial requirements of bulk commodity and other resource projects.

Under rule 6.1(m) of the Constitution, a person may be elected to the office of Director at a general meeting if that person has been nominated by the Directors for election at that meeting. The Directors hereby nominate Mr Arima for election in accordance with the SSA.

The Board recommends that Shareholders vote in favour of Resolution 4.

Resolution 4 is an ordinary resolution.

Resolution 4 is subject to the approval of Resolutions 1 and 2.

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

GLOSSARY

A\$ means Australian dollars.

US\$ means United States dollars

ASX means ASX Limited.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Chair means the chair of the Meeting.

Company means Paringa Resources Limited (ACN 155 933 010).

Consideration Shares has the meaning given in section 1.2.

Constitution means the Company's constitution.

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

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

General Meeting or **Meeting** means the meeting convened by the Notice.

North America Projects has the meaning given in section 1.2.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

Option means an option to acquire a Share.

Performance Right means a right to acquire a Share upon the satisfaction of specified performance criteria.

Proxy Form means the proxy form accompanying the Notice.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

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

Shareholder means a holder of a Share.

South America Projects has the meaning given in section 1.1

SSA has the meaning given in section 1.2.

Transaction has the meaning given in section 1.2.

WST means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE 1 – PROFORMA BALANCE SHEET AS AT 30 JUNE 2013

The Balance Sheets have been prepared to provide information on the assets and liabilities of the Company based on the most recent unaudited accounts (30 June 2013) and the pro-forma assets and liabilities of the Company as noted below. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

Balance Sheet as at 30 June 2013 (unaudited) and Pro Forma Balance Sheet as at the same date (unaudited)

Paringa Resources Limited	Prior to Transaction Paringa (unaudited) A\$	Pro-forma post Transaction (unaudited) A\$
ASSETS		
Current assets		
Cash and cash equivalents	8,007,091	8,820,038
Trade and other receivables	116,684	120,437
Other current assets	10,000	10,000
Total current assets	8,133,775	8,950,475
Non-current assets		
Property, plant and equipment	39,065	71,515
Other non-current assets	10,900	10,900
Exploration and evaluation expenditure	1,610,765	9,662,292
Total non-current assets	1,660,730	9,744,707
TOTAL ASSETS	9,794,505	18,695,182
LIABILITIES		
Current liabilities		
Trade and other payables	57,217	1,202,169
Provisions	10,939	10,939
Total current liabilities	68,156	1,213,108
Non-Current Liabilities		
Other liabilities	-	1,045,725
Total non-current liabilities	-	1,045,725
TOTAL LIABILITIES	68,156	2,258,833
NET ASSETS	9,726,349	16,436,349
EQUITY		
Contributed equity	10,400,784	17,110,784
Foreign currency translation reserve	11,969	11,969
Accumulated losses	(686,404)	(686,404)
TOTAL EQUITY	9,726,349	16,436,349

The above pro-forma Balance Sheet assumes that the deemed issue price of the 61 million Consideration Shares is A\$0.11.

APPOINTMENT OF PROXY FORM

PARINGA RESOURCES LIMITED
ACN 155 933 010

GENERAL MEETING

I/We

of:

being a Shareholder entitled to attend and vote at the Meeting, hereby appoint:

Name:

OR:

the Chair of the Meeting as my/our proxy.

or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Meeting to be held at 10.00am (WST), on 16 October 2013 at Plaza Level, BGC Centre, 28 The Esplanade, Perth, Western Australia, and at any adjournment thereof.

The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote.

Voting on business of the Meeting

		FOR	AGAINST	ABSTAIN
Resolution 1	Approval for the Acquisition of Hartshorne Coal Mining Limited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Approval for the Issue of Consideration Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Election of a Director – Mr Ian Middlemas	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Election of a Director – Mr Anastasios (Taso) Arima	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is: _____ %

Signature of Shareholder(s):

Individual or Shareholder 1

Sole Director/Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Date:

Contact name:

Contact ph (daytime):

E-mail address:

Consent for contact by e-mail:

YES NO

Instructions for Completing 'Appointment of Proxy' Form

1. **(Appointing a proxy):** A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. If a Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll. The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Shareholder who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointments do not specify the proportion or number of the Shareholder's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Shareholder.
2. **(Direction to vote):** A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. The direction may specify the proportion or number of votes that the proxy may exercise by writing the percentage or number of Shares next to the box marked for the relevant item of business. Where a box is not marked the proxy may vote as they choose subject to the relevant laws. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing instructions):**
 - **(Individual):** Where the holding is in one name, the Shareholder must sign.
 - **(Joint holding):** Where the holding is in more than one name, all of the Shareholders should sign.
 - **(Power of attorney):** If you have not already provided the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Form when you return it.
 - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held. In addition, if a representative of a company is appointed pursuant to Section 250D of the Corporations Act to attend the Meeting, the documentation evidencing such appointment should be produced prior to admission to the Meeting. A form of a certificate evidencing the appointment may be obtained from the Company.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
 - (a) post to Paringa Resources Limited, Suite 3, 224 Rokeby Road, Subiaco, Western Australia, 6008; or
 - (b) facsimile to the Company on facsimile number +61 8 6500 1999;so that it is received not less than 48 hours prior to commencement of the Meeting.

Proxy Forms received later than this time will be invalid.