

## Paringa Contracts Future Coal Sales Totaling US\$220 Million With A Major Utility

NEW YORK, Oct. 18, 2015 /PRNewswire/ --

### HIGHLIGHTS:

- Paringa has executed its "cornerstone" coal sales agreement with LG&E and KU, two of the largest fuel buyers within the Company's initial target Ohio River Market
- The coal sales agreement is for the Buck Creek No.1 Mine's 11,200 Btu/lb coal specification and will be sold at the proposed Green River barge load-out facility on an F.O.B. Barge basis
- Key fixed coal sales and fixed pricing terms of the coal sales agreement are summarised as follows:

| Table 1: Summary of Key Terms (with 11,800 btu/lb Equivalent Calculation and Buck Creek No.1 Operating Costs)                                       |                       |  |  |
|---|-----------------------|--|--|
| Year  | Contracted Production | Fixed Contract Price<br>(FOB Barge; 11,200 btu/lb) | 11,800 btu/lb Equivalent<br>Calculation <sup>1</sup> (FOB Barge) |
| 2018  | 750,000 tons          | US\$44.50 per ton                                  | US\$46.88 per ton  |
| 2019  | 1,000,000 tons        | US\$45.50  | US\$47.94  |
| 2020  | 1,000,000 tons        | US\$46.30  | US\$48.78  |
| 2021  | 1,000,000 tons        | US\$47.25  | US\$49.78  |
| 2022  | 1,000,000 tons        | US\$48.20  | US\$50.78  |
| Buck Creek No.1 Mine "All-in" Operating Costs per ton <sup>2</sup>  |                       | US\$30.19 per ton                                  |  |
| (1): Calculation of the 11,800 btu/lb equivalent price is = ((11,800 / 11,200) x price)   |                       |  |  |
| (2): Represents the average "all-in" operating costs per ton during the steady-state production as per the Pre-Feasibility Study released March 201 |                       |  |  |

- The coal sales agreement is a 7-year contract covering an initial 2-year construction period (2016 to 2017) and a 5-year production period (2018 to 2022)
- The coal sales agreement requires Paringa to meet certain construction milestones in developing the Buck Creek No.1 Mine
- LG&E and KU are subsidiaries of PPL Corporation, a diversified US energy company that has a market capitalisation of approximately US\$22.2 billion (NYSE: PPL)
- Execution of the cornerstone coal sales agreement will enable Paringa to facilitate final negotiations with financiers to develop the low-capex Buck Creek No.1 Mine

Paringa's President and Chief Executive Officer, Mr. David Gay, said: "I am very excited that Paringa has executed its cornerstone coal sales agreement with LG&E and KU. The contract is the culmination of over a year of due diligence, negotiations, documentation and approvals on both sides. We are very proud to be contracting with LG&E and KU and we will look forward to contracting additional coal sales as we move towards production."

Paringa Resources Limited ("**Paringa**" or "**Company**") (ASX: PNL; OTCQX: PNGZF) is pleased to advise that it has executed its "cornerstone" coal sales agreement with Louisville Gas and Electric Company and Kentucky Utilities Company ("**LG&E and KU**") for future coal sales from the proposed Buck Creek No.1 Mine, totaling US\$220 million of contracted sales.

Based on feedback from Paringa's potential "tier-1" customers within the Ohio River Market, the Buck Creek No.1 Mine's Coal Handling and Preparation Plant was redesigned as part of the Pre-Feasibility Study ("**PFS**") released to the ASX in March 2015, to produce both a fully-washed and a blended product. It is estimated that 30% of total sales from the Buck Creek No.1 Mine will be a fully washed 11,800 btu/lb product and 70% of total sales will be a 11,200 btu/lb product.

Paringa is expected to begin production at the Buck Creek No.1 Mine in 2018, reaching full production of 3.8mtpa by approximately 2020. Under the coal sales agreement, Paringa is contracted to deliver a total of 4.75 million tons over a 5-year period of its 11,200 btu/lb product, with 750,000 tons to be delivered in 2018 and 1,000,000 tons to be delivered in each year from 2019 to 2022.

The Buck Creek No.1 Mine's direct barge access to the Green and Ohio River systems provides a significant transportation advantage. The LG&E and KU coal sales agreement calls for fixed sales prices based on a Free-on-Board ("F.O.B.") Buck Creek No.1 Green River Barge Price", which is equivalent to a price for selling coal at the end of the Buck Creek No.1 Mine's conveyor belt at the Green River barge load-out facility.

The contracted fixed coal sales prices for Paringa's 11,200 btu/lb coal spec begins at US\$44.50 per ton in 2018, escalating to US\$48.20 per ton in 2022. By adjusting for heating content, the equivalent 11,800 btu/lb coal price implied under this coal sales agreement is US\$46.88 for 2018, increasing to US\$50.78 by 2022.

Provided below is a comparison of the five year (2018 to 2022) weighted average 11,200 btu/lb LG&E and KU contract prices to the PFS sales price assumptions which were adjusted for Paringa's blended 11,200 btu/lb coal product in the PFS:

| <b>Table 2: Comparison of LG&amp;E and KU, and PFS Model Weighted Average Contract Prices</b> |  |   |                   |
|---|--|---|-------------------|
| <b>Year</b>   | <b>LG&amp;E and KU Weighted Average Contract Price</b><br>(FOB Barge; 11,200 btu/lb) | <b>PFS Model Weighted Average Price</b><br>(FOB Barge; 11,200 btu/lb) | <b>Difference</b> |
| <b>2018 - 2022</b>  | US\$46.45 per ton  | US\$47.40 per ton   | (2%)              |

The LG&E and KU agreement specifies coal specifications for deliveries of Buck Creek No.1 Mine's coal on an "as received" basis:

| <b>Table 3: Summary of LG&amp;E and KU Contract Coal Specifications</b> |  |
|---|--|
| <b>Specifications</b>   | <b>Guaranteed Monthly Weighted Average</b> |
| <b>Heating Content (Btu/lb)</b>   | min. 11,200 Btu/lb                         |
| <b>Moisture</b>   | max. 10.00 lbs/mmbtu                       |
| <b>Ash</b>  | max. 11.00 lbs/mmbtu                       |
| <b>Chlorine</b>   | max. 0.18 lbs/mmbtu                        |

The LG&E and KU agreement includes standard project development milestones that are in line with the proposed Buck Creek No.1 Mine construction program. During this construction period, LG&E and KU will progressively monitor Paringa's performance in meeting these milestones. If the Company fails to achieve the relevant milestones, then LG&E and KU may terminate the agreement and the Company shall have no further obligations.

#### **About LG&E and KU**

LG&E and KU are subsidiaries of the PPL Corporation (NYSE: PPL) family of companies and are regulated utilities that serve a total of 1.2 million customers. LG&E and KU have consistently ranked among the best companies for customer service in the United States. LG&E and KU own three power plants within Paringa's initial target Ohio River Market (Trimble County, Ghent and Mill Creek) that are almost exclusively supplied by the Illinois Basin.

PPL Corporation is one of the largest investor-owned companies in the US utility sector. PPL Corporation has a Moody's/S&P investment grade credit rating, market capitalization of US\$22.2 billion, US\$11.5 billion in 2014 annual revenue and 10.5 million utility customers in the US and UK.

#### **BUCK CREEK MINING COMPLEX**

The Buck Creek Mining Complex is located 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. Paringa controls over 34,556 gross acres (~13,988 ha) of coal leases within an area of interest of approximately 72,000 acres (~28,000 ha). The Buck Creek Mining Complex is one of the few remaining contiguous high quality thermal coal projects within the Western Kentucky No. 9 ("**WK No. 9**") seam that is not controlled by one of the major United States coal companies. It offers one of the highest quality, highest heating value products in the ILB. The WK No. 9 is now the second largest producer of coal in the United States by coal seam.

The Buck Creek Mining Complex has a JORC Measured and Indicated Coal Resource Estimate of 211 million tons (~192 million tonnes) of high

quality thermal coal. The Project's Marketable Ore Reserve is classified as a Proven and Probable Ore Reserve Estimate, of which 16.4 million tons (or 26 percent) is considered proven and 46.3 million tons (or 74 percent) is considered probable.

| <b>Buck Creek Mining Complex – Coal Resource Estimate</b> |           |                                       |          |                      |  |          |              |
|---|-----------|---------------------------------------|----------|----------------------|--|----------|--------------|
| <b>CRE Tonnage (Mt)</b>                                   |           |                                       |          |                      | <b>Coal Quality (+4% Eq. Moisture)</b> |          |              |
| Measured  | Indicated | <b>Total Measured &amp; Indicated</b> | Inferred | <b>Total</b>         | Calorific Value                        | Ash      | Yield        |
| 57.7  | 153.5     | <b>211.2</b>                          | 5.3      | <b>216.5</b>         | 11,855 Btu/lb (6,583 Kcal/kg)          | 8.35%    | 92.9%        |
| <b>Buck Creek No.1 Mine Maiden Ore Reserve Estimate</b>   |           |                                       |          |                      |  |          |              |
| <b>Recoverable Coal Reserve (Mt)</b>                      |           |                                       |          | <b>Product Yield</b> | <b>Marketable Coal Reserve (Mt)</b>    |          |              |
| Proven  | Probable  | <b>Total</b>                          |          | %                    | Proven                                 | Probable | <b>Total</b> |
| 22.25   | 62.91     | <b>85.16</b>                          |          | 73.54%               | 16.36                                  | 46.27    | <b>62.63</b> |

The Buck Creek Mining Complex is located adjacent to the Green River which provides year-round linkage to the Ohio and Mississippi rivers systems. These systems feed domestic coal-fired power plants and coastal export coal terminals in the Gulf of Mexico.

#### **Forward Looking Statements**

This announcement may include forward-looking statements. These forward-looking statements are based on Paringa's expectations and beliefs concerning future events. Forward looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of Paringa, which could cause actual results to differ materially from such statements. Paringa makes no undertaking to subsequently update or revise the forward-looking statements made in this announcement, to reflect the circumstances or events after the date of that announcement.

#### **Competent Persons Statements**

The information in this announcement that relates to Exploration Results, Coal Resources, Coal Reserves, Mining, Coal Preparation, Infrastructure, Production Targets and Cost Estimation was extracted from Paringa's ASX announcements dated 17 March 2015 entitled 'Paringa Delivers Exceptional Pre-Feasibility Study at the Buck Creek No.1 Mine' and 25 February 2015 entitled 'Substantial 54% Increase in Measured and Indicated Coal Resources to 211 Million Tons' which are available to view on the Company's website at [www.paringaresources.com.au](http://www.paringaresources.com.au).

The information in the original ASX announcements that related to Exploration Results and Coal Resources is based on, and fairly represents, information compiled or reviewed by Mr. Kirt W. Suehs, a Competent Person who is a Member of The American Institute of Professional Geologists. Mr. Suehs is employed by Cardno. Mr. Suehs has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' and to qualify as a Qualified Person as defined in the 2011 Edition of the National Instrument 43-101 and Canadian Institute of Mining's Definition Standards on Mineral Reserves and Mineral Resources.

The information in the original ASX announcements that related to Coal Reserves, Mining, Coal Preparation, Infrastructure, Production Targets and Cost Estimation is based on, and fairly represents, information compiled or reviewed by Messrs. Justin S. Douthat and Gerard J. Enigk, both of whom are Competent Persons and are Registered Members of the Society for Mining, Metallurgy & Exploration. Messrs. Douthat and Enigk are employed by Cardno. Messrs. Douthat, and Enigk have sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity being undertaken to qualify as Competent Persons as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' and to qualify as Qualified Persons as defined in the 2011 Edition of the National Instrument 43-101 and Canadian Institute of Mining's Definition Standards on Mineral Reserves and Mineral Resources.

Paringa confirms that: a) it is not aware of any new information or data that materially affects the information included in the original ASX announcements; b) all material assumptions and technical parameters underpinning the Coal Resource, Coal Reserve, Production Target, and related forecast financial information derived from the Production Target included in the original ASX announcements continue to apply and have not materially changed; and c) the form and context in which the relevant Competent Persons' findings are presented in this presentation have not been materially modified from the original ASX announcements.

To view the original version on PR Newswire, visit <http://www.prnewswire.com/news-releases/paringa-contracts-future-coal-sales-totaling-us220-million-with-a-major-utility-300161661.html>

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