

BFS Confirms Buck Creek Will Be A Low Capex, High Margin Coal Mine

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BFS Highlights:

- **Average Annual EBITDA of US\$87m (A\$121 million)**
- **Low Capex of only US\$105 million**
- **Low Opex FOB barge of US\$29.37 per ton**
- **BFS results based on executed sales contract with a major Illinois Basin utility**
- **All major environmental permits received to commence construction**
- **US based debt and equity finance discussions progressing rapidly**
- **Results of the Scoping Study for the Buck Creek No.2 Mine due December 2015**

Paringa Resources Limited ("**Paringa**" or "**Company**") is pleased to announce the results of a Bankable Feasibility Study ("**BFS**") on the Buck Creek No.1 Mine ("**Project**"). The BFS confirms that the Buck Creek No.1 Mine will be a world class, low capex, high margin coal mine, and will generate EBITDA of over US\$87 million (A\$121million) per annum, even at current depressed coal prices.

Commenting on the completion of the BFS, Paringa's President and CEO, Mr David Gay, said:

"The BFS has produced an excellent result and has confirmed the Buck Creek No.1 Mine to be a compelling world-class mining project, generating strong EBITDA margins of over 35% despite the current depressed coal market in general.

"The 17% reduction in Capex to only US\$105 million has also resonated well with US funding providers, and with the Project's average annual EBITDA of US\$87 million (A\$121 million) per annum, has resulted in a much shorter payback period of upfront funding.

"Importantly for current funding activities and for investors, the BFS is based on actual contracted sale prices from the Company's binding agreement with a major Illinois Basin utility and a final bidding process with a large pool of local contractors for all major Capex items. In addition, we expect the Project's strong financial returns to increase even further as domestic coal markets recover.

"With the required environmental permits already in place, the BFS was the final stage before we commence construction of the Buck Creek No.1 Mine next year once funding has been finalized."

For further enquiries:

David Gay
President & CEO

Nathan Ainsworth
Vice-President of Business Development

Key Results from BFS

Table 1: Coal Sales Price Sensitivity Analysis					
Adjustment to Coal Sales Forecasts	-10%	-5%	Base Case	+5%	+10%
Annual EBITDA (US\$, Steady State)	US\$69m	US\$78m	US\$87m	US\$96m	US\$105m
Annual EBITDA (A\$, Steady State)	A\$96m	A\$108m	A\$121m	A\$128m	A\$146m

Note: assumed US\$0.72 per
A\$1.0

Table 2: Strong Project Fundamentals (to a maximum accuracy variation +/- 10%)

Initial Capital Costs		
Mine Site Development and Infrastructure	US\$61 million	
CHPP & Barge Load-Out Facility	US\$44 million	
Total Initial Capital Cost	US\$105 million	
Production (tons)		
Average ROM Coal Production Steady State	5.2 Mtpa	
Total ROM Coal Produced Life-of-Mine (" LOM ")	86.3 million	
Average Product Yield	73.5%	
Mine Life	18 years	
Average Saleable Coal Production Steady State	3.8 Mtpa	
Total Saleable Coal Produced LOM	63.5 million	
Start of Construction	Q1 2016	
Start of Production Ramp-Up	Q4 2017	
Construction Period	19 months	
Cashflow		
Average Sales Price Received (per ton)	2018	2035
	US\$45.99 /t	US\$55.63 /t
Average Annual Operating Costs (steady state)	US\$29.37 per ton	
Average Annual Operating Cashflow (steady state)	US\$87 million	

Buck Creek No.1 Mine: A World Class Mining Project

Despite the challenging environment for the US coal industry, the Project has a number of attributes that are consistent with a world class mining project:

Low Opex	Project's low opex of US\$29.37 (FOB Barge) is comparable to other newly developed room-and-pillar operations in the Illinois Basin
Low Capex	Project's low capex of US\$105 million is in line with the capital intensity of recent Illinois Basin developments
High Margins	Based on long term contracted sales, the Project will yield over +35% EBITDA margins at the bottom of the market
Established Coal Industry and Transport Infrastructure	Project is located in the heartland of the Western Kentucky coal industry and is adjacent to similar mining operations, providing strong benchmarks for opex, capex and sales
High Quality Product	Project's WK No.9 coal spec is a premium coal product that is increasingly being consumed throughout most parts of the Eastern US power market
Fully Permitted, First World Jurisdiction	All key environmental permits required to construct the Project and its Green River barge load-out facility have been approved
Stable Initial Target Market	Paringa's initial target market, the Ohio River Market, is a stable customer base largely insulated from the impact of natural gas prices, consuming around +55 million tons of coal per year
Growing Secondary Market	Paringa's secondary target market, South East Market, is a growing market for Illinois Basin Coal as it continues to displace the high cost Central Appalachian coal basin
Organic Growth Potential	Paringa has completed the BFS at Buck Creek No.1, is nearing completion of the Scoping Study at Buck Creek No.2 and is assessing the potential for a third mine development (Buck Creek No.3) in the western half of the Buck Creek Mining Complex
Experienced Management	Paringa's US based team are highly experienced in developing and operating coal projects in the US

Introduction

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

Utilizing the Project's Marketable Ore Reserve Estimate of 63.5 million tons of coal, the Project can support production of 5.2 million tons per annum ("**Mtpa**") Run-of-Mine ("**ROM**") coal yielding approximately 3.8Mtpa of saleable clean coal at steady state production.

The low capex, high margin Project is expected to achieve average earnings before interest, taxes, depreciation, and amortization ("**EBITDA**") of US\$87 million per annum (steady state) with average annual total operating costs (steady state; inclusive of royalties and severance taxes) of US\$29.37 per ton Free On Board Barge ("**FOB Barge**") at the Project's barge load-out facility.

Comparison of Results from BFS and PFS

Compared to the results of the Pre-Feasibility Study ("**PFS**") released in March 2015, the BFS results show a significant decrease in the total initial capital by US\$23 million to US\$105 million as a result of conducting a competitive bidding process with a large pool of local contractors experienced in developing coal mines in the Illinois Basin. With an additional 10% contingency, the total capital figure increases to US\$115 million.

In addition, the BFS results indicate a slight reduction in the average annual operating costs (FOB Barge) of US\$0.82 to US\$29.37 per ton as a result of a reduction in leased equipment costs (on a per ton basis), reduction in employee benefits insurance costs and the assumed removal of the vendor override royalty (0.5%) as part of the re-negotiation of the remaining vendor payments announced to the Australian Securities Exchange ("**ASX**") on 2 June 2015. Note, Paringa has not included the final vendor payments within the total initial capital of US\$105 million, however will account for the final vendor payments within the total financing requirement currently negotiated with US debt and equity financiers.

A comparison of the results from the BFS and PFS are as follows:

Item	BFS	PFS
Average Annual Production (Steady State)	3.8 Mtpa	3.8 Mtpa
Average Sales Price Received (FY18)	US\$45.99 /t	US\$47.36 /t
Average Sales Price Received (FY35)	US\$55.63 /t	US\$55.63 /t
Total Operating Costs (FOB Barge) (Steady State)	US\$29.37 /t	US\$30.19 /t
Average Annual EBITDA (Steady State)	US\$87 million	US\$81 million
Total Initial Capital	US\$105 million	US\$127 million

Next Steps

1. **Financing the Buck Creek No.1 Mine**

Following the execution of the cornerstone sales agreement with Louisville Gas and Electric Company and Kentucky Utilities Company ("**LG&E and KU**"), and the completion of the final bidding process for major capital items to develop the Project, Paringa will continue to progress advanced discussions with debt and equity financiers.

2. **Execute Additional Coal Sales Contracts**

The cornerstone sales contract executed with LG&E and KU is a 7-year contract covering an initial 2-year construction period (2016 to 2017) and a 5-year production period (2018 to 2022). LG&E and KU are two of the largest fuel buyers within the Company's initial target Ohio River Market, with significant resources to undertake a 12 month due diligence process, and are subsidiaries of PPL Corporation, a diversified US energy company that has a market capitalisation of approximately US\$22.6 billion (NYSE: PPL).

Paringa has also completed 12 months of due diligence identifying and building relationships with local utilities who operate scrubbed coal fired power plants along the Ohio River Market and who are buyers of the Project's Western Kentucky No.9 ("**WK No.9**") coal specification.

Following execution of the cornerstone sales agreement and completion of financing activities, Paringa will contract additional coal sales by participating in future solicited bids with local utilities during the North American Spring and Fall solicitation periods and will also approach local utilities to make unsolicited offers to sell coal outside of the solicitation periods. In addition, the Company will assess opportunities to sell coal into a secondary target South East Market, which is a growing market for Illinois Basin coal.

3. Results of Scoping Study for Buck Creek No.2 Mine

Paringa has also begun assessing opportunities to incrementally expand production at the Buck Creek Mining Complex, forming part of a staged multi-project development program. The Company announced to the ASX in November 2014, that it had begun technical studies (now Scoping Study) at the Buck Creek No.2 Mine. This second mine development has the potential to be a low capital cost project due to the shallow depth of the coal seam from the surface at the mine portal. The results of the Scoping Study for the Buck Creek No. 2 Mine are expected to be released during the December quarter of 2015.

Illinois Basin Update

Consistent with the rationalization of depleting resources and high cost mines across the US coal industry, several Illinois Basin producers have recently announced the closures of older or higher cost operations with continued consolidation into newer and lower cost mining operations. Recent company fillings from Illinois Basin producers have announced the following closures:

Mine	Owner	Production (FY14)	Close Date	Reason
Onton No.9	Alliance	2.8 mt	Closed	End of economic reserve life
Hopkins (Elk Creek)	Alliance	3.0 mt	2016	End of economic reserve life
Midway	Armstrong	2.5 mt	2016	End of economic reserve life
New Era	Murray	5.5 mt	2016	End of economic reserve life

In relation to the Onton No.9 and Hopkins mines owned by Alliance Resource Partners, LP ("**Alliance**"), it has been announced that the company is effectively transferring coal production to its recently acquired Illinois White Oak longwall mine and the expanding Western Kentucky River View room-and-pillar mine, which is estimated to produce nearly 10 million tons in 2015, making it the largest and most productive underground room-and-pillar coal mine in the US.

This rationalization of production within the Illinois Basin is a positive indication that producers are focused on maximizing margins which carefully protecting the market from over-production. This willingness from multiple producers to protect the market from oversupply is one of the primary reasons for the exceptional margins produced from this region.

The Illinois Basin's position at the bottom of the delivered cost curve for the Eastern US power markets, coupled with the recent scrubbing of US coal fired power plants which removes sulfur as a key consideration, are the key drivers for the basin's success. This position is dictated by both the consistent and highly productive geology of the basin, which lends itself to low cost underground mining methods, and the basins access to low cost barge and rail transportation

infrastructure. When both factors are taken into account, the Illinois Basin excels as one of the lowest cost delivered fuel sources into the Eastern US power market.

Given Illinois Basin's position on the delivered cost curve, it will continue to take market share from other higher cost coal basins as it has done over the past decade, typically displacing the higher cost Central Appalachian coal basin ("CAPP").

Illinois Basin: Competitive with Natural Gas

Even at currently depressed natural gas prices, coal remains a highly competitive and dominant energy source for the Ohio River market, which is the initial target market for the Buck Creek No. 1 Mine. This is primarily due to the lower production costs of the Illinois Basin coals and the extremely favorable logistical and transportation costs of barge supplied coal. With Illinois Basin coals supplying this region for a delivered cost of less than US\$2.50 per mmbtu, it is expected the Ohio River Market will remain strongly in favor of coal going forward.

Within the Northeast of the US, low cost natural gas from the Marcellus and Utica basins is expected to remain the most economic fuel for power generation. The physical limitations and costs of natural gas transportation rapidly increase the delivered cost of this natural gas as it moves towards the Ohio River Market or into the South East Market (represented by the high delivered cost of natural gas).

In the event natural gas prices rise in the future, there is the ability for US coal fired power plants based in the Ohio River Market and South East Market to increase utilization rates (i.e. "run harder"), potentially leading to an increase in Illinois Basin coal burn. This utilization demand dynamic is in addition to the coal basin switching dynamic that underpins the long term demand growth for Illinois Basin coals.

US\$220 Million Cornerstone Long Term Contract Secured

Paringa executed its "cornerstone" coal sales agreement with 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.

Year	Contracted Production	Fixed Contract Price (FOB Barge; 11,200 btu/lb)
2018	750,000 tons	US\$44.50 per ton
2019	1,000,000 tons	US\$45.50
2020	1,000,000 tons	US\$46.30
2021	1,000,000 tons	US\$47.25
2022	1,000,000 tons	US\$48.20

Buck Creek No.1 Mine "All-in" Operating Costs per ton	US\$29.37 per ton
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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 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.

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.

LG&E and KU are two of the largest fuel buyers within the Company's initial target Ohio River Market, with resources to perform a 12 month due diligence process on Paringa and the Project, and are subsidiaries of PPL Corporation, a diversified US energy company that has a market capitalisation of approximately US\$22.6 billion (NYSE: PPL).

Coal Sales Marketing Strategy Going Forward

For utilities within Paringa's initial target Ohio River Market, the duration of most standard sales contracts with coal producers is currently between one and three years. The Ohio River Market utilities are not currently contracting for the 2019 year and beyond.

Paringa will continue contracting additional coal sales with utilities in the Ohio River Market as the Company moves towards production in 2018. Paringa has been added to the "Qualified Bidders List" of all utilities within the Ohio River Market and will participate in all future solicited bids during the North American spring and fall solicitation periods. In addition, Paringa has begun approaching utilities to make unsolicited offers for future coal sales.

Over the coming months, the Company will add resources to its coal sales and marketing team to build relationships with utilities within the South East Market, a growing market for Illinois Basin coal. Provided below is an overview of Paringa's initial target Ohio River Market and the expanding South East Market.

Initial Target Market – Ohio River Market

A Stable Base-load Energy Source for the Region

The Project is in an enviable position in having direct barge access to the Green and Ohio rivers, providing a significant transportation cost advantage over other Illinois Basin and US coal producers. Paringa's initial target market is the 17 large base-load coal fired power plants located on the Ohio River. These plants consumed 55 million tons of coal in 2014, primarily from the Illinois Basin and have installed environmental controls and are fully compliant with Mercury and Air Toxics Standard ("MATS") regulations.

The Ohio River Market is an important base-load energy source for the region and is largely insulated from the volatility of natural gas prices. For example, there are no combined-cycle natural gas plants currently in the State of Kentucky. Given the cost competitiveness of Illinois Basin coal delivered to the Ohio River Market (approximately US\$2.00 to US\$2.30 per mmbtu) and the capital spent on installing environmental controls (+US\$35 billion in total in the US), the Ohio River Market will remain a vital source of energy for the region.

Provided below is an overview of the 17 large base-load energy power plants within the Ohio River Market:

Plant	Ghent	Trimble County	Mill Creek	Cumberland	Shawnee	Paradise	R.D. Green	D.B. Wilson	East Bend
State	KY	KY	KY	TN	KY	KY	KY	KY	KY
Plant Owner	LG&E	LG&E	LG&E	TVA	TVA	TVA	BREC	BREC	Duke

Regulated?	Yes	Yes	Yes	No	No	No	Yes	Yes	Yes
Scrubbers?	Yes	Yes	Yes	Yes	Planned	Yes	Yes	Yes	Yes
Capacity (GW)	2.0	1.3	1.5	2.5	1.4	2.3	0.5	0.4	0.6
Utilization (2014)	74%	66%	67%	66%	59%	66%	87%	82%	55%
Coal Burn (2014)	6.03 mt	3.29 mt	3.89 mt	6.11 mt	3.88 mt	5.89 mt	1.30 mt	1.34 mt	1.38 mt
% Illinois Basin Supplied	97%	81%	100%	82%	0%	100%	96%	100%	96%
Delivered Coal Price (2014, US\$ pe rmmbtu)	\$2.26	\$2.32	\$2.34	\$2.41	\$2.32	\$2.25	\$2.74	\$2.55	\$2.17
Primary Transport Method	Barge	Barge	Rail	Barge	Rail	Barge	Barge	Truck	Barge
Barge Load-out Location	Ohio River	Ohio River	Ohio River	Cumberland River	Ohio River	Green River	Green River	Green River	Ohio River

Table 7: Ohio River Market - Target Customers #2

Plant	W.H. Zimmer	J.M. Stuart	Killen Station	Miami Fort	Elmer Smith	Henderson 2	H.L. Spurlock	Clifty Creek
State	OH	OH	OH	OH	KY	KY	KY	IN
Plant Owner	Dynegy	Dynegy	AES	Dynegy	Owensboro City	Henderson City	EKPC	Multi-owned
Regulated?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Scrubbers?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Capacity (GW)	1.3	2.3	0.6	1.2	0.4	0.3	1.3	1.2
Utilization (2014)	62%	51%	73%	74%	67%	84%	73%	58%
Coal Burn (2014)	2.92 mt	4.64 mt	1.90 mt	3.36 mt	1.19 mt	1.02 mt	4.01 mt	2.85 mt
% Illinois Basin Supplied	43%	46%	48%	61%	100%	100%	54%	100%
Delivered Coal Price (2014, US\$ pe rmmbtu))	\$2.12	\$2.20	\$2.18	\$2.07	\$2.02	\$2.37	\$2.38	\$2.92

Primary Transport Method	Barge	Barge	Barge	Barge	Truck	Truck	Barge	Barge
Barge Load-out Location	Ohio River	Green River	Ohio River	Ohio River				

Secondary Target Market – South East

Switching from High Cost Central Appalachia Coal Supply to the Illinois Basin

Paringa has also identified a secondary target market, the South East Market, which has traditionally been supplied by the Central Appalachian region. Coal basin switching from the higher cost Central Appalachian coals to lower cost Illinois Basin coals has been facilitated by changing environmental standards.

These standards require installation of pollution control devices at coal fired power plants, including flue gas desulphurization units ("**Scrubbers**"). These Scrubbers now allow power plants to burn the cheapest fuels on a delivered basis with less regard to sulfur content, because almost all of the sulfur and other harmful chemicals are removed before being released to the atmosphere.

The increase in Scrubber installations in the US has provided an opportunity for low cost Illinois Basin coal to increasingly penetrate a large proportion of the Eastern U.S. power market which has been traditionally supplied by Central Appalachia. For example, the Illinois Basin's market share of the South East Market has increased from 5% in 2006, to a market share of 26% in 2014. The South East Market consumed approximately 20 million tons of Illinois Basin coal in 2014.

The typical "mine-gate" costs of Central Appalachian mines are between US\$55 to US\$70 per ton, compared to Paringa's "all-in" average annual operating costs of US\$29.37 per ton (FOB Barge). The key reason for this difference in operating cost structure is primarily due to the geology.

The typical "in-seam" yield (i.e. the percentage of coal from top to bottom of the coal seam) for Central Appalachian thermal coal mines ranges from 45% to 55%. The equivalent in-seam yield for Buck Creek's WK No.9 coal seam is 92.9%. This difference in in-seam yield is the largest single difference in explaining the difference in mine productivity and operating costs at the mine-gate.

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Realistic BFS Sales Price Assumptions

Paringa has adopted the LG&E and KU long term contract prices for the Project's Blended Product (11,200 Btu/lb) for the BFS from 2018 to 2022. Hanou Energy Consulting, LLC's latest Illinois Basin coal price forecast has been adopted for the Project's Fully Washed Product (11,800 btu/lb) for years 2018 to 2035 and for the Blended Product (11,200 btu/lb) for years 2023 to 2035.

A selection of the sales prices used in the BFS for Paringa's Fully Washed and Blended Products for the years 2018 to 2035 are summarised in the table below:

Table 8: Selected Average Sales Forecasts (US\$ per ton)					

Project Coal Specification	2018	2019	2020	2025	2030	2035
Fully Washed (11,800 Btu/lb)	49.46	49.92	50.39	52.81	55.35	58.03
Blended (11,200 Btu/lb)	44.50	45.50	46.30	49.64	52.06	54.60

Low Operating Costs

The average annual operating costs per clean ton of coal during steady state production ("all-in cash costs") is approximately US\$29.37 per ton (FOB Barge), including the cost of leased mining equipment, royalties and severance taxes. The average annual operating costs adopted in the BFS has been reduced by US\$0.82 from the PFS equivalent operating cost.

Average Annual Operating Costs (Steady State)	BFS (US\$ per ton)	PFS (US\$ per ton)	Variance (US\$ per ton)
Labor and Benefits	7.46	7.71	(0.25)
Operating & Maintenance	9.33	9.40	(0.07)
Power & Utilities	0.91	0.97	(0.06)
General & Administration	0.81	0.78	0.03
Leased Equipment	1.71	1.85	(0.14)
Sub-total Direct Mining Costs	20.22	20.69	(0.47)
CHPP & Barge Load-Out Facility	3.45	3.51	(0.06)
Taxes & Insurance	1.37	1.29	+0.08
Royalties (Average rate of 4.1%)	2.01	2.37	(0.36)
Severance Taxes	2.32	2.32	-
Average Annual Operating Costs	29.37	30.19	(0.82)

The reduction is largely due to a reduction in leased equipment costs (on a per ton basis) and the assumed removal of the vendor override royalty (0.5% of gross sales value) as part of the re-negotiation of the remaining vendor payments announced to the ASX on 2 June 2015.

Note, Paringa has not included the final vendor payments within the total initial capital of US\$105 million, however will account for the final vendor payments within the total financing requirement currently negotiated with debt financiers.

The Project's low operating costs result from the following inherent advantages:

- In-seam yield of the Project's WK No.9 seam is 92.9%, effectively almost pure coal, and the Project's mine plan being a relatively flat lying (i.e. 2° to 3° dip), consistent, and laterally continuous coal seam resulting in high productivity;
- Close proximity to the Green River provides direct low-cost barge access to the lucrative Ohio River Market consisting of large, scrubbed, and efficient base load power plants;
- Proximal to local mining services and equipment providers;
- Located within a mature coal mining district with access to highly skilled union-free labour;
- Competitive power and utilities costs; and
- Economic rights to the coal are generally owned by the local landowners (e.g. farmers) who are highly supportive of the Project.

Capex: Final Bidding Process Completed

Paringa received competitive bids for all major capital items in the BFS for the construction and development of the Project. These bids were received as a result of an extensive six month contract negotiation and bidding process for all major capital items including site development, electrical substation and infrastructure, slope (decline) construction, shaft excavation, mine fan and escape hoist, surface facilities, coal preparation plant, materials handling, overland conveyor belt and barge load-out facility.

Due to the competitive bidding process between several highly experienced contractors, there has been a significant saving to the quotes used in the initial total capital estimate for the PFS. This is an indication of the availability of highly experienced coal industry contractors and the competition among contractors to win mine development work in the Illinois Basin.

Total initial capital is estimated at US\$105 million which includes the cost of surface property, surface and underground mine development and infrastructure estimated at US\$61 million and the cost of a 700 tph wash plant, barge load-out and surface facilities of US\$44million. The total initial capital cost with an added 10% contingency reserve is US\$115 million. Sustaining capital for the mine, mine site infrastructure and CHPP have been estimated at US\$1.28 per ton.

A comparison of the Project's major capital cost items adopted in the BFS and PFS is shown below:

Capital Item	BFS (US\$ million)	PFS (US\$ million)	Variance (US\$ million)
Project Development	8.82	9.35	(0.53)
Electrical	3.07	3.62	(0.55)
Site Development	2.78	2.83	(0.05)
Surface Facilities	5.05	5.53	(0.48)
Slope	19.31	35.48	(16.17)
Slope Hoist	2.24	0.00	+2.24
Underground Development	3.92	2.76	+1.16
Shaft	6.80	10.50	(3.70)
Slope Belt	5.42	6.59	(1.17)

Fan, Escape and Hoist	1.77	1.66	+0.11
Engineering and Safety	1.47	1.33	+0.14
Sub-total Mine Development	60.65	79.65	(19.03)
Preparation Plant	19.55	18.51	+1.04
Materials Handling	20.14	23.38	(3.24)
River Dock	4.20	4.72	(0.52)
Refuse Disposal	0.10	1.00	(0.90)
Sub-total CHPP and Load-out	43.99	47.61	(3.62)
Total Initial Capital	104.60	127.28	(22.68)

Capital costs for the Buck Creek No.1 Mine have been benchmarked against similar underground mines in the region that mine the Project's WK No.9 coal seam in similar conditions, utilizing identical mining and processing techniques and equipment. In addition, the capital intensity (inclusive of leased equipment) of the Buck Creek No.1 Mine is similar to other new coal developments in the Illinois Basin by public listed companies that have started construction since 2007:

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

Capital Intensity = Total Capital divided by Nameplate Production; Capex includes all mining equipment to full production

6.6%	11.9%	37.1%	44.5%	0.18%	60	11,855	8.4%	92.9%
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One of the more important characteristics to be considered in the Illinois Basin is the chlorine content because chlorine is corrosive to the boilers of coal fired power plants. The Project's chlorine content is a relatively low 0.18% and thus has a significant advantage over many new developments in the Illinois Basin which often have values exceeding 0.3%. The ash content of the Project's coal averages 8.4% and the sulfur content of 2.8% is slightly lower than the average typically seen across the Illinois Basin. The Project's coal quality provides confidence that the coal will be an attractive product in the growing scrubbed domestic and international thermal coal markets.

Ore Reserve Estimate

The Project's Marketable Ore Reserve Estimate of 63.5 million tons of thermal coal has been defined from Recoverable Ore Reserve Estimate of 86.3 million tons. The Marketable Ore Reserve is classified as a Proven and Probable Ore Reserve Estimate, of which 16.5 million tons (or 26 percent) is considered proven and 46.9 million tons (or 74% percent) is considered probable (after the application of all mining factors).

Table 14: Project Ore Reserve Estimate						
Recoverable Coal Reserve (Mt)			Product Yield	Marketable Coal Reserve (Mt)		
Proven	Probable	Total	%	Proven	Probable	Total
22.49	63.84	86.33	73.54%	16.54	46.95	63.49

Coal Seam Access

Access to the proposed mine will be provided by a slope for transport of personnel, materials, and ROM coal, and a two-compartment vertical shaft for mine ventilation. The mine slope (decline entryway from the surface to the coal seam) will accommodate a conveyor belt to transport ROM coal to the surface and a travelway for the transportation of personnel, supplies, and equipment. Professional Geologists. The Ore Reserve Estimate has been generated from the BFS mine plan which is based entirely on Measured and Indicated Coal Resource of 224 million tons and does not take into account Inferred Resources.

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

Simple Mine Development Plan

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

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

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

The slope is designed as an 18-foot wide by 18-foot high slope constructed at a 16 degree gradient that measures approximately 2,500 feet in length from the bottom of the box cut to the coal seam. This length includes an allowance for a vertical curve at the bottom of the slope to provide room for a level segment of the slope belt for conveyor transfer points.

A dual-compartment vertical airshaft will be constructed in order to ventilate the mine. One-half of the shaft will be designed for intake (fresh) air, and the other will carry return air which has coursed through the mine. The shaft will be constructed on the permitted surface site by conventional drilling, blasting and mucking from the surface to a depth of approximately 650 feet. The finished (concrete-lined) inside diameter of the shaft will be 24 feet and divided by a concrete wall.

Mining Method

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

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

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

Mine Production

The BFS mine plan includes a total production of 86.3 million raw (ROM) tons and 63.5 million clean, marketable tons over an 18-year period. This schedule includes a two-year ramp-up period and a period when production declines (Year 18) as the current mine plan area is depleted. At planned productivity, each super-section will produce approximately 2,300 to 2,400 tons of ROM coal per shift. ROM production for the Project will total approximately 5.2 million tons per year at full production.

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

Productivity

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

The Project is proximal to some of the largest and highest margin thermal coal mines in the US. Based on 2013 data, nine out of the top ten most productive non-longwall underground coal mines in the US are based in the Illinois Basin. The River View mine, which began production in 2009, produced 9.3 million tons in 2014, is the largest non-longwall (e.g. room-and-pillar) mine and is the most productive in the US. In developing the Project, Paranga will seek to replicate the productivity of underground room-and-pillar mines in the region.

Local Mining Industry

With mining operations dating back to the early 1800's, western Kentucky's coal mining industry is one of the oldest and most extensively developed coal regions in the US. At full production, staffing for the Project operation is expected to total 283 employees, be non-unionised, highly skilled and sourced predominately from nearby population centres.

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

Mine Site Infrastructure and Coal Handling & Preparation Plant ("CHPP")

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

approximately two miles to the northeast along Kentucky Route 138.

Processing

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

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

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

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

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

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

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

Table 15: Project Product Mix and Quality						
Product	Product Mix	CHPP Yield	Moisture (a.r.)	Ash (a.r.)	Heating Content (a.r.) (Btu/lb)	Heating Content (a.r.) (Kcal/kg)
A – Fully Washed	30%	67.1%	11.12%	7.90%	11,800 Btu/lb	6,552 Kcal/Kg
B – Blended	70%	76.7%	10.90%	11.72%	11,200 Btu/lb	6,221 Kcal/kg
Weighted Average		73.5%	11.0%	10.57%	11,380 Btu/lb	6,320 Kcal/kg

Materials Handling

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

Barge Load-Out Facility

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

Barge Waterways

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

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

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

Alternative Coal Transportation

It is proposed that coal produced at the Project will be shipped from a barge load-out facility located on the Green River, but occasional shipments to nearby power plants by truck may be arranged. Future studies will assess the possibility of utilising barge to rail trans-loading services on the Tennessee, Ohio, and Big Sandy rivers.

Access to Seaborne Markets

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

Power and Water

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

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

Permitting, Surety Bonds and Socioeconomic Position

Permitting

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

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

Surety Bonds

In order to obtain mining permits, federal and state laws and regulations in the United States require coal mine operators to post collateral securing their obligations to reclaim land used for mining. The collateral can take the form of cash or other forms of collateral acceptable to the regulatory agency. Operators often prefer to submit surety bonds as collateral, which are agreements by a third party (the surety provider) with the regulatory agency to perform the reclamation obligations associated with a particular mining permit in the event the permit holder fails to perform those obligations. The surety provider collects a fee from the permit holder for providing the surety bond, and also may require the permit holder to submit collateral to the surety provider. Typically, however the amount of collateral required by the surety provider is substantially less than the face amount of the surety bond, with the result that submitting the surety bond as collateral to the regulatory agency is much less capital intensive for the mine operator

than submitting cash collateral to the regulatory agency.

A reputable surety bond provider has provided a surety bond in the amount of \$US85,300 to the Kentucky Department for Natural Resources on behalf of the Company's subsidiary, Hartshorne Mining, LLC, in connection with the permitting process for the Buck Creek Mine No. 1. The bond was provided after completing a rigorous due diligence process regarding Hartshorne and the Buck Creek Mine No. 1, which culminated in surety bond provider's issuance of a letter in September, 2015, confirming that Hartshorne has been conditionally approved for the issuance of up to US\$5.0 million in surety bonds.

Environmental Audit

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

Population Centres

The Project is located in the western section of Kentucky approximately 30 miles south of Henderson, Kentucky (population 28,757) and between the towns of Calhoun (population 763) to the east and Hanson (population 742) to the west. The property is located within a 45-minute drive of Evansville, Indiana (metro population of 358,676) and within a two-hour drive of Louisville, Kentucky (metro population of 569,135) and Nashville, Tennessee (metro population of 1,589,934). Given the importance of coal mining to the region, community attitudes towards new underground coal mine developments are positive.

Net Present Value

The (ungeared) Net Present Value ("**NPV**") after tax is US\$300 million (A\$416million) at an 8% discount rate (real), and the (ungeared) IRR is 30%. Compared to the PFS released in March 2015, the NPV for the Project has increased by US\$33 million as a result of a reduction in total initial capital of US\$23 million and a fall in average annual operating costs (steady state production) of US\$0.82 per ton.

Discount Rate (Real)	BFS	PFS
NPV (US\$)	US\$300 million	US\$267 million
NPV (A\$)	A\$416 million	A\$371 million

Adjustment to Coal Sales Forecasts	-10%	-5%	Base Case	+5%	+10%
NPV (US\$)	US\$204m	US\$252m	US\$300m	US\$348m	US\$396m
NPV (A\$)	A\$283m	A\$350m	A\$416m	A\$483m	A\$550m

Note: assumed US\$0.72 per

A\$1.0

The Project is expected to exhibit levels of profitability that would contribute value to Paringa shareholders. As the domestic coal market in general recovers, there is a strong potential for the Project's strong financial returns to materially improve.

To view the original version on PR Newswire, visit <http://www.prnewswire.com/news-releases/bfs-confirms-buck-creek-will-be-a-low-capex-high-margin-coal-mine-300186649.html>

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