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PARINGA RESOURCES LIMITED

# Successful Amendment To The Coal Sales Contract To Deliver Coal From No.2 Mine

NEW YORK, May 25, 2016 /PRNewswire/ --

- *Successful amendment to the* ***cornerstone coal sales agreement with LG&E and KU*** *for coal to be delivered from Paringa's proposed No.2 Mine, with future sales totalling US$205 million.*
- *Importantly,* ***60% of No.2 Mine's annual production*** *during the 5 year sales agreement is now contracted with LG&E and KU, significantly de-risking the project for potential financiers.*
- *Emergence of the No.2 Mine has* ***transformed the economics of the Buck Creek Mine Complex*** *and Paringa will now develop the No.2 Mine first, followed by the No.1 Mine*
- *A new staged development strategy will ultimately allow Paringa to become a* ***strategic 5.6 Mtpa supplier*** *of high quality coal into the Eastern US power market.*
- *Based on work completed to-date as part of the BFS for the No.2 Mine, Paringa expects* ***significant reductions to the operating and capital costs****.*
- *Potential for No.2 Mine to generate approximately* ***30% EBITDA margins*** *based on these "bottom of the market" fixed sales prices.*
- ***Construction at the No.2 Mine to start during Q2 2017*** *and begin production by mid-2018.*

Paringa Resources Limited ("**Paringa**" or "**Company**") is pleased to announce that it has successfully amended its coal sales contract with Louisville Gas and Electric Company and Kentucky Utilities Company ("**LG&E and KU**") following the Company's recent change in strategy which will see the low capex Buck Creek No.2 mine ("**No.2 Mine**") developed first, ahead of the Buck Creek No.1 Mine's ("**No.1 Mine**") proposed 3.8 million tons per annum ("**Mtpa**") coal project.

In October 2015, Paringa signed a coal sales agreement with LG&E and KU to deliver coal from the No.1 Mine. In February 2016, the Company decided to develop the No.2 Mine first following exceptional results from a Scoping Study which demonstrated the No.2 Mine to be a high margin 1.8 Mtpa mine with low capex of only US$44 million.

As a result, the amended cornerstone coal sales agreement with LG&E and KU now reflects delivery of coal from the No.2 Mine. The amended contract is on substantially the same terms as the original contract. Most importantly, coal volumes and coal specifications remain unchanged. Fixed sale prices have changed slightly to reflect recent sales data, and the project development milestones and delivery schedule have been updated for the No.2 Mine.

Commenting on the revised contract, Paringa's President and CEO, Mr David Gay, said: *"We are extremely pleased to formalize the transition of our coal sales contract from the*

*No.1 Mine over to the No.2 Mine. The fact that LG&E and KU are prepared to sign this major amendment to our sales contract confirms their belief that we will become a significant new source of production in the Illinois Basin and confirms the quality of the No.2 Mine. We are progressing rapidly with our Bankable Feasibility Study on the No.2 Mine and have already identified significant reductions in our operating and capital costs which have the potential to increase the value of the project considerably."*

**Amendment to the LG&E and KU Contract**

Paringa is expected to start construction of the No.2 Mine during second quarter of 2017, begin production by mid-2018, and reach full production of 1.8 Mtpa during 2019.

Following the Company's change in strategy to develop the No.2 Mine first, Paringa needed to amend the original sales contract for this change in strategy and to update the fixed sales prices to reflect recent coal sales data from the utility's recent coal solicitation period with US coal producers. The fixed sales prices contained in the original coal sales agreement have changed slightly and have resulted in a fall of 7% in the nominal total value of the coal sales contract from US$220 million to US$205 million.

Under the amended coal sales agreement, Paringa is contracted to deliver a total of 4.75 million tons of its 11,200 btu/lb product over a 5-year period, starting in 2018. The amended contracted fixed coal sales prices for Paringa's 11,200 btu/lb coal spec begins at US$40.50 per ton for the first 750,000 tons of coal delivered to LG&E and KU, escalating to US$45.75 per ton for the final 1,000,000 tons sold. The new fixed sales prices are as follows:

| **Table 1: Summary of Key Terms** | |
|---|---|
| **Contracted Production** | **Fixed Contract Price**<br>(FOB Barge; 11,200 btu/lb) |
| **0 - 750,000 tons** | **US$40.50 per ton** |
| **750,001 – 1,750,000** | **US$41.50** |
| **1,750,001 – 2,750,000** | **US$43.00** |
| **2,750,001 – 3,750,000** | **US$44.50** |
| **3,750,001 – 4,750,000** | **US$45.75** |

| | |
|---|---|
| **Total Sales Contract Value** | **US$205 million** |

The No.2 Mine's access to the Green and Ohio River systems provides a significant transportation advantage to other Illinois Basin coal producers. The LG&E and KU coal sales agreement calls for fixed sales prices based on a Free-on-Board ("**FOB**") basis delivered at the Buck Creek barge load-out facility on the Green River.

The LG&E and KU agreement includes coal specifications for deliveries of Buck Creek No.2 Mine's coal on an "as received" basis:

| **Table 2: Summary of LG&E and KU Contract Coal Specifications** | |
|---|---|
| **Specifications** | **Guaranteed Monthly Weighted Average** |
| **Heating Content (Btu/lb)** | min. 11,200 Btu/lb |
| **Moisture** | max. 10.00 lbs/mmbtu |
| **Ash** | max. 11.00 lbs/mmbtu |
| **Chlorine** | max. 0.18 lbs/mmbtu |

The amended LG&E and KU agreement includes standard project development milestones that are in line with the proposed Buck Creek No.2 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$25.2 billion, US$7.6 billion in 2015 annual revenue and 10.5 million utility customers in the US and UK.



SOURCE Paringa Resources Limited