

Paringa Resources Limited
(to be renamed 'GCX Metals Limited')

ABN 44 155 933 010

Annual Report
for the Year Ended
30 June 2020

CORPORATE DIRECTORY

DIRECTORS:

Mr Ian Middlemas – Non-Executive Chairman
Mr Todd Hannigan – Non-Executive Director
Mr Gregory Swan – Non-Executive Director

COMPANY SECRETARY:

Mr Gregory Swan – Company Secretary

REGISTERED OFFICE:

Level 9, 28 The Esplanade
Perth WA 6000

WEBSITE:

www.paringaresources.com

STOCK EXCHANGE LISTING:

Australian Securities Exchange (**ASX: PNL**)

SHARE REGISTRY:

Computershare Investor Services Pty Ltd
Level 11, 172 St Georges Terrace
Perth WA 6000
AUSTRALIA
Tel: +61 8 9323 2000

LAWYERS:

Thomson Geer Lawyers

AUDITOR:

William Buck Audit (WA) Pty Ltd

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DIRECTORS' REPORT

The Directors of Paringa Resources Limited present their report on the Consolidated Entity consisting of Paringa Resources Limited (proposed to be renamed 'GCX Metals Limited') ("Company" or "Paringa") and the entities it controlled at the end of, or during, the year ended 30 June 2020 ("Consolidated Entity" or "Group").

DIRECTORS

The names and details of the Company's Directors in office at any time during or since the end of the financial year are as follows:

Current Directors

| | |
|------------------|--|
| Mr Ian Middlemas | Non-Executive Chairman |
| Mr Todd Hannigan | Non-Executive Director |
| Mr Gregory Swan | Non-Executive Director (<i>appointed 26 February 2021</i>) |

Former Directors

| | |
|----------------------|---|
| Mr Egan Antill | Managing Director & Chief Executive Officer (<i>resigned 31 March 2020</i>) |
| Mr David Gay | Executive Director & President (<i>resigned 24 February 2021</i>) |
| Mr Jonathan Hjelte | Non-Executive Director (<i>resigned 26 February 2021</i>) |
| Mr Richard McCormick | Non-Executive Director (<i>resigned 26 February 2021</i>) |
| Mr Thomas Todd | Non-Executive Director (<i>resigned 25 February 2021</i>) |

Unless otherwise stated, Directors held their office from 1 July 2019 until the date of this report.

CURRENT DIRECTORS AND OFFICERS

Mr Ian Middlemas *B.Com, CA*
Non-Executive Chairman

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 a Director with a number of publicly listed companies in the resources sector.

Mr Middlemas was appointed as a Director of the Company on October 16, 2013 and as Chairman on January 7, 2014. During the three year period to the end of the financial year, Mr Middlemas has held directorships in Constellation Resources Limited (November 2017 – present), Apollo Minerals Limited (July 2016 – present), Berkeley Energia Limited (April 2012 – present), GreenX Metals Limited (August 2011 – present), Salt Lake Potash Limited (January 2010 – present), Equatorial Resources Limited (November 2009 – present), Peregrine Gold Limited (September 2020 – February 2022), Piedmont Lithium Limited (September 2009 – December 2020), Sovereign Metals Limited (July 2006 – present), Odyssey Gold Limited (September 2005 – present), and Cradle Resources Limited (May 2016 – July 2019).

Mr Todd Hannigan *B.Eng (Hons)*
Non-Executive Director

Mr Hannigan was the Chief Executive Officer of Aston Resources from 2010 to 2011. During this time, the company significantly progressed the Maules Creek project, including upgrades to the project's resources and reserves, completion of all technical and design work for the Definitive Feasibility Study, negotiation of two major project stake sales and joint venture agreements, securing port and rail access and progression of planning approvals to final stages. Mr Hannigan has worked internationally in the mining and resources sector for over 18 years with Aston Resources, Xstrata Coal, Hanson PLC, BHP Billiton and MIM.

Mr Hannigan was appointed as a Director of the Company on May 21, 2014, as Deputy Chairman on June 19, 2017. Mr Hannigan previously served as Interim CEO of the Company from June 18, 2018 to December 11, 2018 and as Managing Director and CEO of the Company from November 7, 2016 to June 19, 2017. During the three-year period to the end of the financial year, Mr Hannigan held directorships in IperionX Limited (February 2021 – present), Piedmont Lithium Limited (February 2021 – present) and GreenX Metals Limited (September 2014 – February 2021).

DIRECTORS' REPORT (Continued)

CURRENT DIRECTORS AND OFFICERS (Continued)

Mr Gregory (Greg) Swan *BCom, CA, FCIS, FFin*
Non-Executive Director and Company Secretary

Mr Swan is a Chartered Accountant with over 15 years' experience in the formation and development of publicly listed natural resources companies. He currently serves as Chief Financial Officer and/or Company Secretary for several listed companies that operate in the resources sector. He commenced his career at a large international Chartered Accounting firm and has since been involved with a number of mining exploration and development companies, including Piedmont Lithium Inc., Mantra Resources Limited, Papillon Resources Limited, and IperionX Limited.

Mr Swan was appointed as a Director of the Company on 26 February 2021 and as Company Secretary of the Company on 25 November 2013. During the three-year period to the end of the financial year, Mr Swan has not held a directorship in any other listed companies.

OPERATING AND FINANCIAL REVIEW

Overview

Subsequent to the end of the financial year, the Company announced that it would seek shareholder approval to undertake a share consolidation and capital raising to recapitalise the Company and to facilitate its shares being reinstated to trading on the Australian Securities Exchange ("ASX"), in addition to making several Board changes and seeking approval to change its name to 'GCX Metals Limited'.

The Company has also entered into an agreement to increase its gold-copper footprint in the Pilbara region of Western Australia by acquiring an 80% interest in granted exploration license E08/3197 located adjacent to the Company's Onslow Gold Project ("Acquisition").

The Australian Securities Exchange ("ASX") has confirmed that the Company's shares will be reinstated to trading on the ASX, subject to satisfying a number of conditions, including shareholder approval and raising additional funds to pursue the exploration of the Onslow Gold Project.

Share Consolidation

Subject to shareholder approval, the Company intends to undertake a 20 for 1 consolidation of its shares ("Share Consolidation"), thereby reducing the number of shares on issue to 31.6 million shares.

The rationale for the Share Consolidation is that it will create a more appropriate and effective capital structure for the Company and a share price more appealing to a broader range of investors.

The number of options on issue will also be consolidated on a 20 for 1 basis, with the exercise price of the options increasing in accordance with the consolidation ratio.

The Company expects to issue a notice of general meeting shortly.

Capital Raising

Following completion of the Share Consolidation, the Company will undertake a Capital Raising by way of a share placement ("Share Placement") of up to 40.0 million shares (on a post Consolidation basis) followed by a non-renounceable pro-rata entitlements offer ("Entitlements Offer") of up to 71.6 million shares (on a post Consolidation basis), at an issue price of \$0.05 per share, together with 1 free attaching option for every 3 shares subscribed for, to raise up to \$5.58 million before costs.

Under the Entitlements Offer, shareholders will be entitled to acquire 1 new share for every 1 share held at the record date (to be determined) at an issue price of \$0.05 per share, together with 1 free attaching option for every 3 shares subscribed for. This is the maximum allowable under ASX Listing Rules, which state that the ratio must not be greater than one share for each share held. New shares issued under the Share Placement will be eligible to participate in the Entitlements Offer.

The free attaching options to be issued under the Entitlements Offer and Share Placement will be exercisable at \$0.07 each, expiring 5 years from date of issue.

Deed of Release

The Company has entered into a deed of release ("Deed of Release") with the Group's secured lenders (the "Tribeca Parties"), whereby the Group's secured lenders will release Paringa from all obligations and liabilities as parent company guarantor to the Group's US\$40.0 million term loan facility ("Term Loan Facility") and related finance documents.

DIRECTORS' REPORT (Continued)

OPERATING AND FINANCIAL REVIEW (Continued)

Deed of Release (continued)

Tribeca have entered into the Deed of Release in return for being issued 35.0 million shares and 20.0 million options (10.0 million exercisable at \$0.07 each and 10.0 million exercisable at \$0.09 each, expiring 5 years from date of issue) in the Company on a post Share Consolidation basis, subject to shareholder approval.

The Deed of Release remains conditional upon completion of the Share Consolidation and Capital Raising, the appointment of two directors nominated by the Tribeca Parties to the Board of Directors of Paringa, and issue of the Consideration Securities to the Tribeca Parties.

The rationale for the Deed of Release is that the Company is currently unable to raise any further funds, incur any further liabilities or continue to undertake any operations. The Deed of Release provides certainty for existing shareholders and new investors by removing the Company's obligations and liabilities as guarantor of the loan.

Change of Name

The Company will seek shareholder approval to change its name to 'GCX Metals Limited'.

Board Changes

Mr Ben Cleary and Mr Haydn Smith from Tribeca will be appointed as Non-Executive Directors of the Company, pursuant to the Deed of Release signed between the Company and Tribeca.

Mr Ben Cleary is a Portfolio Manager and Director of Tribeca Investment Partners and is based in Singapore. He has had an extensive career in the natural resources sector over the last 20 years and the Tribeca Global Natural Resources strategies that he manages have been involved in over \$10 billion of transactions within the natural resources sector. Mr Cleary holds a Bachelor of Economics from the University of Queensland, a Graduate Diploma in Applied Finance from FINSIA and is a member of the Australian Institute of the Company Directors.

Mr Haydn Smith is a Portfolio Manager at Tribeca Investment Partners and is based in Sydney. Previously Mr. Smith had a 20-year career at Macquarie Bank where he was an Executive Director, Global Head of the bank's Mining Finance Group and Executive Committee Member of the Commodities and Financial Markets Group. Mr Smith holds a Bachelor of Commerce from the University of Sydney, a Graduate Diploma in Applied Finance from the FINSIA and is a member of the Australian Institute of the Company Directors.

Mr Ryan de Franck, Executive Director of the Valperlon Group and vendor of exploration license E08/3197, will also be appointed as Non-Executive Director of the Company following completion of the Acquisition.

Mr Ryan de Franck is currently Executive Director of the Valperlon Group, an Australian based project generation and corporate development group focused on the natural resources sector. Mr de Franck has a Bachelor of Commerce from the University of Western Australia, a Masters in Applied Finance from FINSIA and a Graduate Diploma in Mineral Exploration Geoscience from the Western Australian School of Mines.

Mr Todd Hannigan and Mr Gregory Swan will resign as Non-Executive Directors of the Company upon completion of the Acquisition, Share Consolidation, Capital Raising, and Deed of Release. Mr Gregory Swan will remain as Company Secretary of the Company.

Mr Ian Middlemas will continue as Non-Executive Chairman of the Company and Mr Mark Pearce will be appointed as an alternate director for Mr Middlemas. Mr Mark Pearce is a Chartered Accountant and is currently a director of several listed companies that operate in the resources sector. He has had considerable experience in the formation and development of listed resource companies and has worked for several large international Chartered Accounting firms. Mr Pearce is also a Fellow of the Governance Institute of Australia and a Fellow of the Financial Services Institute of Australasia.

Tenement Acquisition

The Company has entered into a Tenement Sale Agreement on 29 June 2021 to acquire an 80% interest in granted exploration license E08/3197 from an unrelated private company, Onslow Metals Group Pty Ltd. The consideration to be paid for the Acquisition will be:

- \$150,000 cash upon completion of the Acquisition;
- 7,500,000 shares in the capital of the Company on a post Share Consolidation basis upon completion of the Acquisition; and
- 7,500,000 deferred shares in the capital of the Company on a post Share Consolidation basis subject to and conditional upon delineation of a mineral resource in accordance with the JORC Code of at least 200,000 ounces of contained gold across E08/3197 at a resource grade no less than 1.5 grams per tonne gold, within 5 years from the date of completion of the Acquisition.

DIRECTORS' REPORT (Continued)

OPERATING AND FINANCIAL REVIEW (Continued)

Tenement Acquisition (continued)

The Company will also free-carry the 20% interest in E08/3197 retained by Onslow Metals Group Pty Ltd until the completion of a definitive feasibility study.

The Tenement Sale Agreement grants the Company with immediate access to E08/3197 to commence its planned exploration activities.

The issue of shares and deferred shares to Onslow Metals Group Pty Ltd is subject to approval of Paringa shareholders.

Onslow Gold Project

In late 2020 the Company applied for exploration license E08/3311 in the Pilbara region of Western Australia covering approximately 115 km² and considered prospective for gold and copper ("Onslow Gold Project"). The license was granted in July 2021.

The Company has also identified an opportunity to expand the footprint of the Onslow Gold Project by acquiring 80% of the adjacent granted exploration license E08/3197 covering approximately 188 km² from an unrelated private company.

The Acquisition will increase the size of the Company's Onslow Gold Project to approximately 303 km².

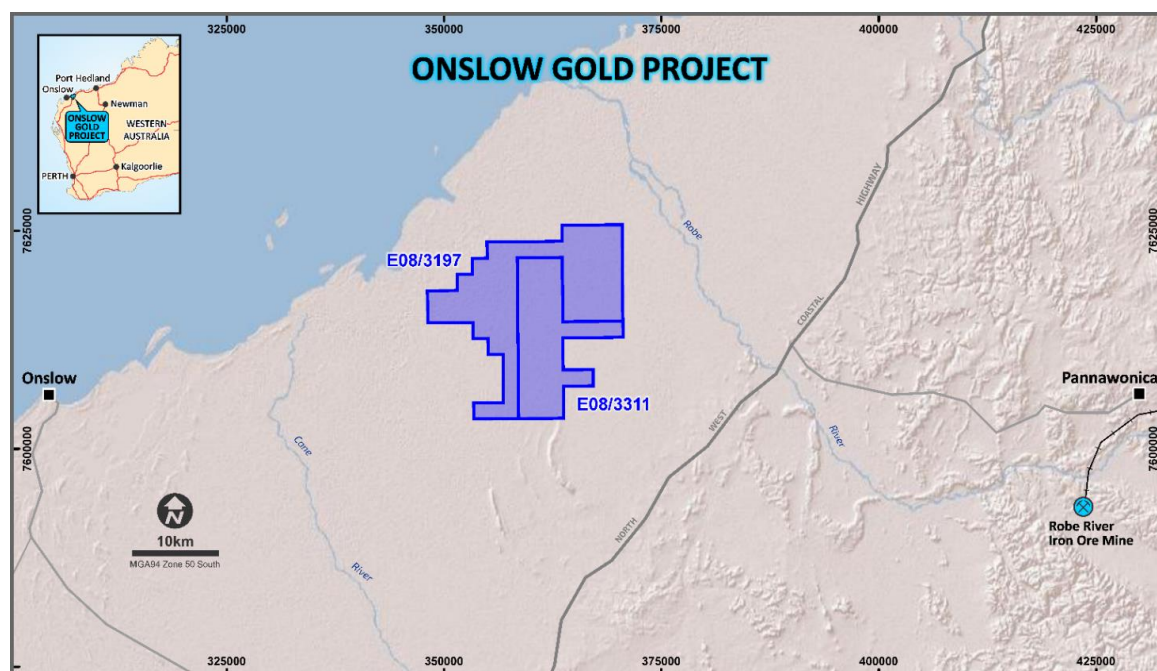


Figure 1: Location of Onslow Gold Project

The Onslow Gold Project is located in the northwestern extension of the Proterozoic Capricorn Orogen where nearby 1990's historic exploration identified the potential for Proterozoic BIF hosted Au and Iron Oxide Cu-Au mineralisation.

A recent review by Southern Geoscience Consultants on work conducted by WMC (1990's, Copper-Gold), Rio Tinto (2005-06, Iron Ore), and FMG (2012-15, Iron Ore) has confirmed that historic airborne magnetic and electromagnetic surveys have developed several anomalies that have never been drill tested and have been assessed to be worthy of further exploration.

The historical survey was flown using a coarse 600-meter line spacing and is considered to be ineffective compared to modern technology for the detection of deeper level bedrock conductors.

The Company has recently completed flying a new survey using a modern high powered AEM system using 200-meter line spacing which could highlight previously unknown deeper level bedrock conductors of interest as well as enhance and expand existing known anomalies.

Paringa will now focus its efforts on exploring the Onslow Gold Project.

DIRECTORS' REPORT (Continued)

OPERATING AND FINANCIAL REVIEW (Continued)

Re-Instatement to Trading on ASX

The Company's shares have been suspended from trading on the ASX since 23 December 2019. However, ASX has confirmed that the Company's shares will be reinstated to trading on ASX, subject to the satisfaction of a number of conditions, including the following:

- shareholders approving all resolutions required to effect the proposed Capital Raising;
- completion of the proposed Share Consolidation;
- completion of the Capital Raising, including confirmation that the Company has reached minimum subscription under the Entitlements Offer and Share Placement;
- satisfaction of all conditions precedent for the Deed of Release, including the issue of 35.0 million shares and 20.0 million options to the Tribeca Parties (on a post-Consolidation basis);
- the Company releasing a full form prospectus in relation to the proposed Capital Raising;
- the Company demonstrating compliance with Listing Rules 12.1 and 12.2 to the satisfaction of the ASX, including completion of a Phase 1 AEM survey on the Onslow Gold Project and announcing the commencement of a Phase 2 drilling program on the Onslow Gold Project;
- satisfying the 'working capital test' of at least \$1.5 million pursuant to Listing Rule 1.3.3(c); and
- lodgement of any outstanding documents required by Listing Rule 17.5 for the period since the Company's Shares were suspended from trading.

Capital Structure

The pro forma capital structure of the Company assuming completion of the Share Consolidation, Capital Raising, and Deed of Release is set out below:

| Capital Structure | Shares | Unlisted Options | Milestone Shares |
|--|--------------------|-------------------|------------------|
| Existing securities | 632,782,393 | 34,444,444 | - |
| Share Consolidation | (601,143,273) | (32,722,222) | - |
| Share Placement (assuming \$2,000,000 raised) | 40,000,000 | 13,333,333 | - |
| Entitlements Offer (assuming \$3,581,956 raised) | 71,639,120 | 23,879,707 | - |
| Deed of Release | 35,000,000 | 20,000,000 | - |
| Tenement Acquisition | 7,500,000 | - | 7,500,000 |
| Consultant Options | - | 1,000,000 | - |
| Total (after completion of Share Consolidation, Share Placement, Entitlements Offer, Deed of Release, Tenement Acquisition, and Consultant Options) | 185,778,240 | 59,935,262 | 7,500,000 |

Sale of United States coal projects

During the financial year, in February 2020, the Company's wholly owned subsidiary, Hartshorne Holdings, LLC ("Hartshorne"), and its U.S. affiliates, filed voluntary Chapter 11 petitions in the United States Bankruptcy Court for the Western District of Kentucky ("Bankruptcy Court") to facilitate a sale of its operating Poplar Grove coal mine, undeveloped Cypress coal project and other business assets.

Hartshorne obtained debtor-in-possession financing comprising post-petition secured financing of US\$7.625 million from certain of its current senior secured lenders with Tribeca serving as agent.

In connection with this debtor-in-possession financing agreement, Hartshorne commenced a marketing process for the sale of its assets pursuant to section 363 of the Bankruptcy Code. In March 2020, the Bankruptcy Court approved the order authorising Hartshorne to proceed with the bidding procedures relating to the sale of all or a portion of Hartshorne's assets.

DIRECTORS' REPORT (Continued)

OPERATING AND FINANCIAL REVIEW (Continued)

Sale of United States coal projects (continued)

Despite the Group's best efforts, the marketing and auction process for Hartshorne's assets was not successful. In June 2020, Hartshorne filed a notice that it did not designate a stalking horse bidder, did not receive any qualified bids for their assets by the bid deadline and, in accordance with Hartshorne's rights under the Bankruptcy Court-approved bidding procedures, Hartshorne cancelled the auction.

Subsequent to the end of the financial year, in September 2020, Hartshorne filed a proposed plan of liquidation, disclosure statement, and proposed plan solicitation procedures motion for the expedited wind down of their estates. The proposed plan of liquidation set forth the manner in which Hartshorne will complete its wind down through a liquidation trust. In October 2020, the Bankruptcy Court approved the solicitation procedures and conditionally approved the disclosure statement.

Subsequent to the end of the financial year, in February 2021, the Bankruptcy Court confirmed the plan of liquidation and, on 23 February 2021, the plan became effective and Hartshorne commenced the final stages of winding up the estates.

On the effective date, Hartshorne executed a liquidation trust agreement and transferred its remaining assets and liabilities to a liquidation trust, as well as assigning remaining critical contracts and insurance policies. Hartshorne funded the carve-out escrow with the majority of Hartshorne's cash-on-hand and transferred any remaining cash to the liquidation trust. The Hartshorne entities were dissolved on the effective date. The remaining assets will be liquidated by the trustee over time.

Poplar Grove mine operations

The Poplar Grove mine commenced operations during the financial year ended 30 June 2019. Production ramp-up continued during the first half of the financial year ended 30 June 2020, utilizing two mining units ("Units"). Unit 1 entered production in March 2019 and Unit 2 entered production in July 2019.

Mining in Unit 1 encountered an unplanned geological fault which led to substantial production issues in Unit 1 through December 2019. The coal seam was displaced approximately 12 feet and the decision was made to continue mining through the fault and up into the coal seam beyond the fault. Coal production on Unit 1 was significantly impacted due to cutting rock, mining through the faulted area, and bolting through the associated adverse conditions.

The occurrence of geological faults in the region are not uncommon, however this fault was not identified by any of the Company's consultants in preparing the mine plan.

Despite the Group's best efforts and progress, operational and technical challenges continued to prevent Poplar Grove from achieving anticipated volumes. In February 2020, after a thorough evaluation of near-term financial outlook and operational performance, Hartshorne's management team, Board of managers, and advisors decided to pursue a sales process for its assets.

In February 2020, the Poplar Grove mine transitioned from operations utilizing two Units to one Unit, following the decision to place Unit 2 on standby.

In June 2020, Hartshorne ceased operations at the Poplar Grove mine and shifted to care and maintenance. Hartshorne returned mining equipment to those parties that asserted liens on such equipment, including Komatsu Financial, LP and Ally Bank.

A summary of the Group's coal production and sales for the financial year is below:

| Poplar Grove Production Summary ¹ | | |
|--|-------------------------|-------------------------|
| | Year ended 30 June 2019 | Year ended 30 June 2020 |
| Run-of-mine ("ROM") coal production (kt) | 85.6 | 1,314 |
| Saleable coal production (kt) ² | 31.3 | 703.1 |
| Saleable coal loaded (kt) | 26.3 | 702 |
| Realized sales per ton (US\$) | \$42.35 | \$41.48 |

¹ Units of mass in U.S. short tons.

² Coal processed by the preparation plant.

DIRECTORS' REPORT (Continued)

OPERATING AND FINANCIAL REVIEW (Continued)

Corporate

During the financial year, the Company completed a 1 for 5 non-renounceable pro-rata entitlement offer ("Entitlement Offer") to raise approximately A\$5.1 million and a 1 for 4 accelerated non-renounceable pro-rata entitlement offer to institutions ("Institutional Entitlement Offer") to raise approximately A\$3.1 million.

During the financial year, the Company granted a royalty over the Company's Buck Creek Mining Complex to SP2 Royalty Co, LLC (an entity of which certain funds advised by Tribeca are members) to raise US\$9.0 million (before costs) ("Royalty Financing"). The key terms of the Royalty Financing are 2.0% of gross revenue from all coal leases within the Buck Creek Mining Complex for the life of the mine.

During the financial year, the Company also executed an amendment to its term loan facility ("Term Loan Facility") with Tribeca serving as agent ("Term Loan Amendment") to, amongst other things, resize the second tranche of the Term Loan Facility from US\$16.0 million to US\$10.0 million.

During the financial year, the Company was delisted from The Nasdaq Stock Market ("Nasdaq").

The Company's securities remain suspended from trading on the Australian Securities Exchange ("ASX"). However, ASX has confirmed that the Company's shares will be reinstated to trading on ASX, subject to the satisfaction of a number of conditions, including shareholder approval and raising additional funds to pursue the exploration of the Onslow Gold Project.

COVID-19

During the year, the outbreak of the 2019 novel strain of coronavirus causing a contagious respiratory disease known as COVID-19, and the subsequent quarantine measures imposed by the Australian and other governments, and related travel and trade restrictions have caused disruption to businesses and resulted in significant global economic impacts.

Results of Operations

The net loss of the Group for the year ended 30 June 2020 was US\$130.2 million (2019: US\$13.1 million). The major item contributing to the financial loss was loss from discontinued operations of US\$132.8 million (2019: US\$10.2 million) recognised in respect of the Poplar Grove mine.

Financial Position

At 30 June 2020, the Group had cash reserves of US\$0.1 million (2019: US\$12.0 million) and net liabilities of US\$60.8 million (2019: net assets of US\$67.3 million).

At 30 June 2020, Hartshorne had a US\$40.0 million Term Loan Facility ("TLF") from its secured lenders with Tribeca serving as agent, which was amended during the period. In order to maintain Hartshorne's cash position to continue its operations, and after consultation with Tribeca, Hartshorne deferred payment of the 31 December 2019 quarterly interest and fees required under its TLF, totalling approximately US\$1.5 million. This deferral triggered an event of default under the TLF which gives Tribeca the right to demand immediate full repayment of the TLF. Tribeca issued a letter to Hartshorne and the Company (as a guarantor of Hartshorne's obligations under the TLF) that notifies the existence of the event of default and reserving its rights in respect of such default.

In February 2020, the Company's wholly owned subsidiary, Hartshorne, and its U.S. affiliates, filed voluntary Chapter 11 petitions in the United States Bankruptcy Court to facilitate a sale of its operating Poplar Grove coal mine, undeveloped Cypress coal project and other business assets.

Hartshorne obtained debtor-in-possession financing comprising post-petition secured financing of US\$7.625 million from certain of its current senior secured lenders with Tribeca serving as agent. In connection with this debtor-in-possession financing agreement, Hartshorne commenced a marketing process for the sale of its assets pursuant to section 363 of the Bankruptcy Code. Despite the Group's best efforts, the marketing and auction process for Hartshorne's assets was not successful. In June 2020, Hartshorne filed a notice that it did not designate a stalking horse bidder, did not receive any qualified bids for their assets by the bid deadline and, in accordance with Hartshorne's rights under the Bankruptcy Court-approved bidding procedures, Hartshorne cancelled the auction.

DIRECTORS' REPORT (Continued)

OPERATING AND FINANCIAL REVIEW (Continued)

Financial Position (Continued)

Subsequent to the end of the financial year, in September 2020, Hartshorne filed a proposed plan of liquidation, disclosure statement, and proposed plan solicitation procedures motion for the expedited wind down of their estates. The proposed plan of liquidation set forth the manner in which Hartshorne will complete its wind down through a liquidation trust. In October 2020, the Bankruptcy Court approved the solicitation procedures and conditionally approved the disclosure statement. In February 2021, the Bankruptcy Court confirmed the plan of liquidation and, on 23 February 2021, the plan became effective and Hartshorne commenced the final stages of winding up the estates. On the effective date, Hartshorne executed a liquidation trust agreement and transferred its remaining assets and liabilities to a liquidation trust, as well as assigning remaining critical contracts and insurance policies and the Hartshorne entities were dissolved.

Subsequent to the end of the financial year, in September 2021, the Company announced that it would seek shareholder approval to undertake a share consolidation and capital raising to recapitalise the Company and to facilitate its shares being reinstated to trading on the Australian Securities Exchange ("ASX"). The Company intends to undertake a 20 for 1 consolidation of its shares ("Share Consolidation"), thereby reducing the number of shares on issue to 31.6 million shares. Following completion of the Share Consolidation, the Company will undertake a Capital Raising by way of a share placement ("Share Placement") of up to 40.0 million shares (on a post Consolidation basis) followed by a non-renounceable pro-rata entitlements offer ("Entitlements Offer") of up to 71.6 million shares (on a post Consolidation basis), at an issue price of \$0.05 per share, together with 1 free attaching option for every 3 shares subscribed for, to raise up to \$5.58 million before costs.

To facilitate the capital raising, the Company has entered into a deed of release ("Deed of Release") with the Group's secured lenders (the "Tribeca Parties"), whereby the Group's secured lenders will release Paringa from all obligations and liabilities as parent company guarantor to the Group's US\$40.0 million TLF and related finance documents. Tribeca have entered into the Deed of Release in return for being issued 35.0 million shares and 20.0 million options (10.0 million exercisable at \$0.07 each and 10.0 million exercisable at \$0.09 each, expiring 5 years from date of issue) in the Company on a post Share Consolidation basis, subject to shareholder approval. The Deed of Release remains conditional upon completion of the Share Consolidation and Capital Raising, the appointment of two directors nominated by the Tribeca Parties to the Board of Directors of Paringa, and issue of the Consideration Securities to the Tribeca Parties.

The Company's securities currently remain suspended from trading on the ASX, however ASX has confirmed that the Company's shares will be reinstated to trading on the ASX, subject to satisfying a number of conditions, including shareholder approval and raising additional funds to pursue the exploration of the Onslow Gold Project.

Earnings/(Loss) Per Share

| | 2020 (US\$) | 2019 (US\$) |
|---|-------------|-------------|
| Basic and diluted loss per share from continuing operations | - | (0.01) |
| Basic and diluted loss per share from discontinued operations | (0.23) | (0.02) |

Dividends

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

Environmental Regulation and Performance

The Consolidated Entity's operations are subject to various environmental laws and regulations under the relevant government's legislation. Full compliance with these laws and regulations is regarded as a minimum standard for all operations to achieve. The Directors are not aware of any non-compliance with environmental laws by the Consolidated Entity.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year consisted of mineral exploration and development.

DIRECTORS' REPORT (Continued)

OPERATING AND FINANCIAL REVIEW (Continued)

Business Strategies and Prospects for Future Financial Years

The objective of the Group is to create long-term shareholder value through the successful exploration and development of its projects. To achieve its objective, the Group currently has the following business strategies and prospects:

- Complete the Share Consolidation, Deed of Release, and Capital Raising;
- Seek reinstatement of the Company's securities to trading on ASX;
- Commence exploration activities at the Onslow gold project; and
- Consider new business opportunities which leverage off the Group's existing assets.

All of these activities are inherently risky and the Board is unable to provide certainty of the expected results of these activities, or that any or all of these likely activities will be achieved. The material business risks faced by the Group that could have an effect on the Group's future prospects, and how the Group manages these risks, include:

- *The Group's operations may be further disrupted, and the Group's financial results may be adversely affected by the novel coronavirus pandemic* – The outbreak of the 2019 novel strain of coronavirus causing a contagious respiratory disease known as COVID-19, and the subsequent quarantine measures imposed by the Australian and other governments, and related travel and trade restrictions have caused disruption to businesses and resulted in significant global economic impacts. As at 30 June 2020 these impacts have not had a significant effect on the Group's financial results or operations. However, as the impact of COVID-19 continues to evolve, including changes in government policy and business reactions thereto, if our staff are unable to work or travel due to illness or government restrictions, we may be forced to reduce or suspend our exploration and business development activities. In addition, as the COVID-19 pandemic and mitigation measures have also negatively impacted global economic conditions, this, in turn, could adversely affect our business in the future. Because of the highly uncertain and dynamic nature of events relating to the COVID-19 pandemic, it is not currently possible to estimate the impact of the pandemic on our business. However, these effects could have a material impact on our operations, and we will continue to monitor the COVID-19 situation closely;
- *The Group's exploration properties may never be brought into production* – The exploration for, and development of, mineral deposits involves a high degree of risk. Few properties which are explored are ultimately developed into producing mines. To mitigate this risk, the Group will undertake systematic and staged exploration and testing programs on its mineral properties and, subject to the results of these exploration programs, the Group will then progressively undertake a number of technical and economic studies with respect to its projects prior to making a decision to mine. However there can be no guarantee that the studies will confirm the technical and economic viability of the Group's mineral properties or that the properties will be successfully brought into production;
- *Fluctuations in commodity prices* – commodity prices fluctuate widely and are affected by numerous factors beyond the control of the Group. Future production, if any, from the Group's mineral exploration properties will be dependent upon the commodity price being adequate to make these properties economic. The Group currently does not engage in any hedging or derivative transactions to manage commodity price risk. As the Group's operations change, this policy will be reviewed periodically going forward;
- *The Group may not successfully acquire new projects* – the Group may pursue and assess other new business opportunities in the resources sector. These new business opportunities may take the form of direct project acquisitions, joint ventures, farm-ins, acquisition of tenements/permits, or direct equity participation. The Group's success in its acquisition activities depends on its ability to identify suitable projects, acquire them on acceptable terms, and integrate the projects successfully, which the Group's Board is experienced in doing. However, there can be no guarantee that any proposed acquisition will be completed or be successful. If a proposed acquisition is completed the usual risks associated with a new project and/or business activities will remain;
- *The Group's activities will require further capital* – the exploration and any development of future and current projects will require substantial additional financing. Failure to obtain sufficient financing may result in delaying or indefinite postponement of exploration and any development of the Group's projects or even a loss of project interest. 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 the Group;
- *Global financial conditions* – Economic conditions, both domestic and global, may affect the performance of the Group. Adverse changes in macroeconomic conditions, including global and Australian growth rates, the cost and availability of credit, the rate of inflation, interest rates, exchange rates, government policy and regulations, general consumption and consumer spending, input costs, employment rates and industrial disruptions, among others, are variables generally outside the Group's control. A slowdown in the financial markets or other economic conditions may result in material adverse impacts on the Group's businesses and its operational and financial performance, and position.

DIRECTORS' REPORT (Continued)

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Group during the financial year were as follows:

- (i) On July 19, 2019, the Company announced that the second mining unit ("Unit 2") had entered production at the Poplar Grove Mine, taking the total number of continuous miners ("CMs") in operation to four and significantly increasing the total quantity of coal mined per shift of operation;
- (ii) On July 19, 2019, the Company announced that Big Rivers Electric Corporation ("BREC") had elected to terminate its coal sales agreement with the Company (which represents a potential event of default under the TLF) due to the delayed delivery of first coal to BREC. Under the TLF, the Group had a period 90 days to replace the terminated contract with alternative arrangements which are acceptable to Tribeca, or to negotiate an extension or waiver of this requirement, otherwise an event of default is triggered under the TLF.;
- (iii) On August 24, 2019, the Company announced that an extended cut plan for Unit 1 at the Poplar Grove Mine had been approved, enabling the CMs to increase the depth of each cut into the coal seam from 20 ft to 40 ft;
- (iv) On September 17, 2019, the Company announced the appointment of Mr Jim Middleton as Executive Advisor to Paringa's Board, with specific responsibility to provide guidance to the Company's Poplar Grove Mine, to assist in further developing safe, efficient, reliable and cost effective mine operations. Mr Middleton is an experienced underground mining executive with a long and successful history of running coal mining operations for major natural resource companies, including Glencore, BHP, Xstrata, Exxon Coal and Coal & Allied;
- (v) On September 18, 2019, the Company announced that it had entered into a term sheet to grant a 2% gross revenue royalty to Tribeca Global Resources Credit Pty Limited ("Tribeca") to raise US\$9.0 million (before costs) ("Proposed Royalty Financing"), conditional upon completion of a minimum US\$5 million equity raising (after costs), legal and tax due diligence, and completion of formal documentation. The term sheet also provides for amendments to the Company's TLF with Tribeca (as agent) ("Proposed Term Loan Amendment") to, amongst other things, resize the second tranche of the TLF from US\$16 million to US\$10 million, and to ensure that the previously announced termination of the Company's supply agreement with BREC and issues arising from a funding gap do not result in any events of default under the TLF. Upon completion of the Proposed Royalty Financing and Proposed Term Loan Amendment, the Company: (a) will grant 60,000,000 new options to the lenders (30,000,000 with a strike price of A\$0.06 per option and 30,000,000 with a strike price of A\$0.07 per option) (subject to shareholder approval and ASX waivers); (b) cancel 25,000,000 options previously granted to the lenders (with a strike price of A\$0.20) (subject to shareholder approval and ASX waivers); and (c) issue shares to Argonaut Capital Limited in an amount equal to US\$270,000 at an issue price of A\$0.05 for financial advisory services provided in respect to the Proposed Royalty Financing;
- (vi) On September 18, 2019, the Company announced that it would make a non-renounceable accelerated pro rata entitlement offer to eligible Shareholders of new shares at an offer price of A\$0.07 each, on the basis of one (1) new share for every four (4) shares held on the record date ("Entitlement Offer"). The Entitlement Offer will comprise an Institutional Entitlement Offer to be conducted on an accelerated basis and a Retail Entitlement Offer. Net proceeds from the Entitlement Offer will be used to fund Poplar Grove's ongoing mine ramp-up, to satisfy the minimum US\$5 million equity raising in respect of the Proposed Royalty Financing and Proposed Term Loan Amendment, and for general working capital purposes;
- (vii) On September 20, 2019, the Company announced that it had completed the Institutional Entitlement Offer of its Entitlement Offer to raise approximately A\$3.1 million;
- (viii) On September 25, 2019, the Company announced that it had commenced coal sales to OVEC-IKEC. Coal is procured by AEP on behalf of OVEC-IKEC. AEP is OVEC-IKEC's major shareholder and one of the largest electric energy companies in the United States.
- (ix) On October 21, 2021, the Company announced that it had cancelled the Retail Entitlement Offer of its previously announced Entitlement Offer at an issue price of A\$0.07 per share and would now undertake a new re-priced fully underwritten 1 for 5 non-renounceable entitlement offer ("New Offer") to raise approximately A\$5.1 million before costs. In addition, institutions who accepted the Institutional Entitlement Offer will be issued an additional 2 new shares for every 5 shares subscribed for under the Institutional Entitlement Offer, for no further consideration, to reflect the revised pricing of the New Offer;

DIRECTORS' REPORT (Continued)

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS (Continued)

- (x) On 8 January 2020, the Company announced that Hartshorne had retained FTI Consulting, Inc. ("FTI") to perform a review of Hartshorne's near-term financial outlook and operational performance, including an assessment of additional financing required for operational needs or a potential trade sale. Hartshorne's focus has been on ramping up mining operations at the Poplar Grove mine. Operational and technical challenges have resulted in production levels not reaching expected volumes;
- (xi) On 8 January 2020, the Company announced that, in order to maintain Hartshorne's cash position, and after consultation with Tribeca, the agent for Hartshorne's secured lenders, Hartshorne had deferred payment of the 31 December 2019 quarterly interest and fees required under its TLF, totalling approximately US\$1.5 million. This deferral triggered an event of default under the TLF which gives Tribeca the right to demand immediate full repayment of the TLF. Tribeca issued a letter to Hartshorne and the Company (as a guarantor of Hartshorne's obligations under the TLF) that notifies the existence of the event of default and reserves its rights in respect of such default;
- (xii) On 21 February 2020, Hartshorne filed voluntary Chapter 11 petitions in the United States Bankruptcy Court for the Western District of Kentucky to facilitate a sale of its operating Poplar Grove coal mine, undeveloped Cypress coal project and other business assets;
- (xiii) On 21 February 2020, the Company announced that Hartshorne had obtained a commitment for a debtor-in-possession financing from several of its current secured lenders for which Tribeca will serve as agent. On 30 March 2020, the Bankruptcy Court approved, on a final basis, Hartshorne's debtor-in-possession financing, which authorised Hartshorne to, among other things, obtain post-petition secured financing of US\$7.625 million. The financing is expected to provide sufficient liquidity to fund Hartshorne's operations while it executes a sale process of its assets under section 363 of the United States Bankruptcy Code;
- (xiv) On 21 February 2020, the Company announced that, in connection with the debtor-in-possession financing agreement, Hartshorne would commence a marketing process for the sale of its assets pursuant to section 363 of the Bankruptcy Code, with the assistance of Hartshorne's investment bank, Perella Weinberg Partners LP. On 6 March 2020, Hartshorne filed a motion to authorise the sale of substantially all of their assets through one or more sales and to establish bidding procedures for the sale of substantially all of their assets. On 25 March 2020, the Bankruptcy Court approved the order authorising Hartshorne to proceed with the bidding procedures relating to the sale of all or a portion of Hartshorne's assets;
- (xv) On 28 February 2020, the Company advised that it had received a notice from The Nasdaq Stock Market ("Nasdaq") notifying the Company that, as a result of Hartshorne filing for protection under Chapter 11 of the U.S. Bankruptcy Code, and in accordance with Nasdaq Listing Rule 5101, the Company will be delisted from Nasdaq. Accordingly, trading of the Company's American Depository Shares ("ADSs") was suspended on 5 March 2020, and the Company was delisted from Nasdaq, effective 30 April 2020;
- (xvi) On 30 March 2020, the Company announced that Mr Egan Antill, Managing Director and Chief Executive Officer of the Company, had resigned from his executive and Board roles effective 31 March 2020;
- (xvii) On 15 June 2020, Hartshorne filed a notice that it did not receive any qualified bids for their assets by the bid deadline, did not designate a stalking horse bidder, and, in accordance with Hartshorne's rights under the Bankruptcy Court-approved bidding procedures, Hartshorne was cancelling the auction;
- (xviii) On 29 June 2020, Worker Adjustment and Retraining Notification ("WARN") letters were issued to 111 employees of Hartshorne. Subsequently the workforce was reduced by 68 employees and Hartshorne began winding down mining operations at the Poplar Grove mine and shifting to care and maintenance. Hartshorne began the process of returning mining equipment to those parties that have asserted liens on such equipment, including Komatsu Financial, LP and Ally Bank; and
- (xix) The outbreak of the 2019 novel strain of coronavirus causing a contagious respiratory disease known as COVID-19, and the subsequent quarantine measures imposed by the Australian and other governments, and related travel and trade restrictions have caused disruption to businesses and resulted in significant global economic impacts. As at 30 June 2020 these impacts have not had a significant effect on the Group's financial results or operations. However, as the impact of COVID-19 continues to evolve, including changes in government policy and business reactions thereto, if our staff are unable to work or travel due to illness or government restrictions, we may be forced to reduce or suspend our exploration and development activities. In addition, as the COVID-19 pandemic and mitigation measures have also negatively impacted global economic conditions, this, in turn, could adversely affect our business in the future. Due to the continually evolving nature of COVID-19 the Directors cannot reasonably estimate the effects that the COVID-19 pandemic could have on the Group in future periods, and believes that any disturbance may be temporary. However, there is uncertainty about the length and potential impact of any resultant disturbance. As a result, we are unable to estimate the potential impact on the company's future operations as at the date of these financial statements.

DIRECTORS' REPORT (Continued)

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

- (i) On 17 August 2020, Hartshorne requested authority from the Bankruptcy Court to sell its dock site equipment, raw coal stacker, and clean coal stacker located in McLean County, Kentucky to Castlen Marine, LLC for an aggregate cash consideration of US\$435,000. On 10 September 2020, the Bankruptcy Court approved the sale. Hartshorne is continuing to dispose of its remaining assets pursuant to the Sale Procedures and via private sale motions to the extent such sales exceed US\$250,000;
- (ii) On 28 September 2020, Hartshorne filed their proposed plan of liquidation, disclosure statement, and proposed plan solicitation procedures motion for the expedited wind down of their estates. The proposed plan of liquidation sets forth the manner in which Hartshorne will complete its wind down through a liquidation trust. On 5 October 2020, the Bankruptcy Court approved the solicitation procedures and conditionally approved the disclosure statement. Hartshorne has begun the process of soliciting votes to accept or reject the plan of liquidation;
- (iii) On 2 December 2020, the Bankruptcy Court approved the sale of: (a) certain coal washing structures and material handling structures, and all related assets located in McLean County, Kentucky; (b) Hartshorne's cash and other assets pledged as collateral for its reclamation and similar obligations, to the extent such cash or other assets are released to Hartshorne; (c) all cash or other funds held, deposited, or otherwise retained in connection with Hartshorne's workers' compensation insurance policies, to the extent such cash or other funds are released to Hartshorne; and (d) any claims of Hartshorne under chapter 5 of the Bankruptcy Code to Frozen Star Holdings II LLC ("Frozen Star"), an affiliate of Hartshorne's prepetition and postpetition secured financier, Tribeca (as agent), for an aggregate credit bid consideration of US\$4.5 million;
- (iv) On 29 December 2020, Hartshorne conducted a public auction for six tracts of real property (the "Real Property"). On 3 January 2021, Hartshorne notified the auction results, which included three sales totalling approximately 94.2 acres for an aggregate sale price of US\$507,310;
- (v) On 29 January 2021, the Company announced that it had applied for an exploration licence in the Pilbara region of Western Australia considered prospective for gold and copper. The exploration licence (application pending) covers approximately 115 km² and is located in the northwestern extension of the Proterozoic Capricorn Orogen where nearby 1990's historic exploration identified the potential for Proterozoic banded iron formation ("BIF") hosted gold and iron oxide copper-gold mineralisation;
- (vi) On 17 February 2021, the Bankruptcy Court confirmed the plan of liquidation and, on 23 February 2021, the plan of liquidation became effective. On 23 February 2021, Hartshorne executed a liquidation trust agreement and transferred its remaining assets and liabilities to a liquidation trust to be liquidated by the trustee over time, as well as assigning remaining critical contracts and insurance policies. The Hartshorne entities were dissolved on 23 February 2021;
- (vii) On 26 February 2021, the Company announced that Mr Gregory Swan had been appointed as a Director of the Company following the resignations of Messrs David Gay, Jonathan Hjelte, Richard McCormick and Thomas Todd. Messrs Ian Middlemas and Todd Hannigan remain as Directors of the Company;
- (viii) On 8 April 2021, the Company announced that William Buck Audit (WA) Pty Ltd had been appointed as auditor of the Company, following the resignation of Deloitte Touche Tohmatsu ("Deloitte") and ASIC's consent to the resignation in accordance with s329(5) of the Corporations Act 2001;
- (ix) On 9 September 2021, the Company accepted an offer from Arredo Pty Ltd, a company associated with Mr Ian Middlemas, to provide a \$400,000 loan facility to the Company to provide working capital to facilitate the Company's shares being reinstated to trading on the ASX. The loan is unsecured, interest-free, and repayable at call; and
- (x) On 30 September 2021, the Company announced that it would seek shareholder approval to undertake a share consolidation and capital raising to recapitalise the Company and to facilitate its shares being reinstated to trading on the Australian Securities Exchange ("ASX"). The Company will also make several Board changes and seek approval to change its name to 'GCX Metals Limited'. The Company has also entered into an agreement to increase its gold-copper footprint in the Pilbara region of Western Australia by acquiring an 80% interest in granted exploration license E08/3197 located adjacent to the Company's Onslow Gold Project ("Acquisition"). The ASX has confirmed that the Company's shares will be reinstated to trading on the ASX, subject to satisfying a number of conditions, including shareholder approval and raising additional funds to pursue the exploration of the Onslow Gold Project.

Other than the above, at the date of this report, there are no matters or circumstances, which have arisen since 30 June 2020 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2020, of the Group;
- the results of those operations, in financial years subsequent to 30 June 2020, of the Group; or
- the state of affairs, in financial years subsequent to 30 June 2020, of the Group.

DIRECTORS' REPORT (Continued)

DIRECTORS' INTERESTS

As at the date of this report, the Directors' interests in the securities of the Company are as follows:

| | Shares ¹ |
|------------------|---------------------|
| Mr Ian Middlemas | 16,800,000 |
| Mr Todd Hannigan | 13,733,325 |
| Mr Gregory Swan | 3,710,000 |

Notes:

¹ "Shares" means a fully paid ordinary share in the capital of the Company.

SHARE OPTIONS AND RIGHTS

At the date of this report the following Options and Rights have been issued over unissued Shares of the Company:

- 4,444,444 lender Options exercisable at A\$0.34 each on or before September 10, 2022; and
- 30,000,000 lender Options exercisable at A\$0.06 each on or before February 21, 2024.

During the year ended 30 June 2020, no Shares were issued as a result of the exercise of Options or conversion of Rights. Subsequent to year end, and up until the date of this report, no Shares have been issued as a result of the exercise of Options or conversion of Rights.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

The Constitution of the Company requires the Company, to the extent permitted by law, to indemnify any person who is or has been a Director or officer of the Company or Group for any liability caused as such a Director or officer and any legal costs incurred by a Director or officer in defending an action for any liability caused as such a Director or officer.

During or since the end of the financial year, no amounts have been paid by the Company or Group in relation to the above indemnities. During the year, the Company incurred an insurance premium of US\$86,808 (2019: US\$86,429) to provide adequate insurance cover for Directors and officers of the Company and its subsidiaries against any potential liability and the associated legal costs of a proceeding.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

DIRECTORS' REPORT (Continued)

REMUNERATION REPORT (AUDITED)

This Remuneration Report, which forms part of the Directors' Report, sets out information about the remuneration of Key Management Personnel ("KMP") of the Group.

Details of Key Management Personnel

Details of the KMP of the Group during or since the end of the financial year are set out below:

Current KMP

| | |
|------------------|---|
| Mr Ian Middlemas | Non-Executive Chairman |
| Mr Todd Hannigan | Non-Executive Director |
| Mr Gregory Swan | Non-Executive Director & Company Secretary <i>(appointed Director effective 26 February 2021)</i> |

Former KMP

| | |
|----------------------|--|
| Mr Egan Antill | Managing Director & Chief Executive Officer <i>(resigned effective 31 March 2020)</i> |
| Mr David Gay | Executive Director & President <i>(resigned effective 24 February 2021)</i> |
| Mr Jonathan Hjelte | Non-Executive Director <i>(resigned effective 26 February 2021)</i> |
| Mr Richard McCormick | Non-Executive Director <i>(resigned effective 26 February 2021)</i> |
| Mr Thomas Todd | Non-Executive Director <i>(resigned effective 25 February 2021)</i> |
| Mr Richard Kim | Chief Operating Officer of Hartshorne <i>(resigned effective 16 October 2019)</i> |
| Mr Bertrand Troiano | Chief Restructuring Officer of Hartshorne <i>(appointed 20 February 2020, resigned 24 February 2021)</i> |
| Mr Dominic Allen | Vice President, Finance of Hartshorne <i>(resigned effective 21 January 2020)</i> |
| Mr Bruce Czachor | Vice President, General Counsel & Director of Hartshorne <i>(resigned effective 24 February 2021)</i> |
| Mr Brent Hawley | General Manager of Hartshorne <i>(appointed 6 October 2019, terminated 4 December 2020)</i> |

Unless otherwise disclosed, the KMP held their position from 1 July 2019 until the date of this report.

Remuneration Policy

The Group's remuneration policy for its KMP has been developed by the Board taking into account the size of the Group, the size of the management team for the Group, the nature and stage of the Group's current operations, and market conditions and comparable salary levels for companies of a similar size and operating in similar sectors.

In addition to considering the above general factors, the Board has also placed emphasis on the following specific issues in determining the remuneration policy for KMP: (a) the Group is currently focused on undertaking exploration and development activities; (b) risks associated with small cap resource companies whilst exploring and developing projects; and (c) other than profit which may be generated from asset sales, the Company does not expect to be undertaking profitable operations until sometime after the commencement of commercial production on any of its projects.

The objective of the Group's remuneration structure reward framework is to ensure that reward for performance is competitive and appropriate for the results delivered. The remuneration framework provides a mix of fixed and variable remuneration, which incorporates a blend of short and long-term incentives. There is a deliberate emphasis on lower fixed base and higher variable results-based remuneration to ensure that management focus is aligned with that of shareholders. This has been achieved by ensuring that a significant proportion of executive's remuneration is 'at risk'. Long-term incentives are based on Company milestones linked to value drivers of the Poplar Grove Project.

Executive Remuneration

The Group's remuneration policy is to provide a fixed remuneration component and a performance based component (short term incentive and long-term incentive). The Board believes that this remuneration policy is appropriate given the considerations discussed in the section above and is appropriate in aligning executives' objectives with shareholder and business objectives.

Fixed Remuneration

Fixed remuneration consists of base salaries, as well as employer 401(k) contributions or contributions to superannuation funds, and other non-cash benefits. Non-cash benefits may include provision of car parking, health care benefits, health insurance and life insurance.

Fixed remuneration is reviewed annually by the Board. The process consists of a review of company and individual performance, relevant comparative remuneration externally and internally and, where appropriate, external advice on policies and practices. No external remuneration consultants were used during the financial year.

DIRECTORS' REPORT (Continued)

REMUNERATION REPORT (AUDITED) (Continued)

Executive Remuneration (Continued)

Performance Based Remuneration – Short Term Incentives

Some executives are entitled to an annual or semi-annual cash bonus upon achieving various key performance indicators ("KPI's"), as set by the Board. Having regard to the current size, nature and opportunities of the Company, the Board has determined that these KPI's will include measures such as:

- (a) successful exploration activities (e.g. completion of exploration programs within budgeted timeframes and costs);
- (b) successful development activities (e.g. completion of technical studies);
- (c) successful corporate activities (e.g. recruitment and management of key personnel and investor relations activities); and
- (d) successful business development activities (e.g. corporate transactions and capital raisings).

During the 2020 financial year, no KMP were entitled to STI cash bonuses and no STI cash bonuses were awarded.

Performance Based Remuneration – Long Term Incentives

The Group has adopted a long-term incentive plan ("LTIP") comprising the "Paringa Performance Rights Plan" (the "Plan") to reward KMP, key employees and contractors for long-term performance.

The Plan provides for the issuance of performance rights ("employee rights") which, upon satisfaction of the relevant performance conditions attached to the employee rights, will result in the issue of an ordinary share for each employee right. Employee rights are issued for no consideration and no amount is payable upon conversion thereof.

To achieve its corporate objectives the Company needs to attract and retain its key staff, whether employees or contractors. Grants made to eligible participants under the Plan will assist with the Company's employment strategy and will:

- (a) enable the Company to recruit, incentivise and retain KMP and other eligible employees and contractors needed to achieve the Company's strategic objectives;
- (b) link the reward of eligible participants with the achievements of strategic goals and the long term performance of the Company;
- (c) align the financial interests of eligible participants of the Plan with those of Shareholders; and
- (d) provide incentives to eligible participants of the Plan to focus on superior performance that creates Shareholder value.

Employee rights granted under the Plan to eligible participants will be linked to the achievement by the Company of certain performance conditions as determined by the Board from time to time. These performance conditions must be satisfied in order for the employee rights to vest. The employee rights also vest where there is a change of control of the Company. Upon employee rights vesting, ordinary shares are automatically issued for no consideration. If a performance condition of an employee right is not achieved by the expiry date then the employee right will lapse.

During the financial year, no employee rights were granted to executive KMP and no employee rights held by executive KMP vested. During the financial year, 9,875,000 employee rights held by executive KMP (or former executive KMP) were either forfeited or lapsed. At 30 June 2020, executive KMP (or former executive KMP) held 3,900,000 employee rights.

In addition, the Group has chosen to provide incentive options ("employee options") to some KMP as part of their remuneration and incentive arrangements in order to attract and retain their services and to provide an incentive linked to the performance of the Group. The Board has a policy of granting employee options to KMP with exercise prices at or above market share price (at the time of agreement). As such, the employee options granted to KMP are generally only of benefit if the KMP perform to the level whereby the value of the Group increases sufficiently to warrant exercising the employee options granted.

Other than service-based vesting conditions (if any), there are no additional performance criteria on the employee options granted to KMP, as given the speculative nature of the Group's activities at the time and the previously small management team responsible for its running, it is considered the performance of the KMP and the performance and value of the Group are closely related. The Company prohibits executives entering into arrangements to limit their exposure to employee options granted as part of their remuneration package.

DIRECTORS' REPORT (Continued)

REMUNERATION REPORT (AUDITED) (Continued)

Executive Remuneration (Continued)

Performance Based Remuneration – Long Term Incentives (Continued)

During the financial year, no employee options were granted to executive KMP and no employee options held by executive KMP were exercised. During the financial year, 2,300,000 employee options held by executive KMP were either forfeited or lapsed. At 30 June 2020, no employee options were held by executive KMP.

Non-Executive Director Remuneration

The Board's policy is for fees to Non-Executive Directors to be no greater than market rates for comparable companies for time, commitment and responsibilities. Given the current size, nature and risks of the Company, employee options and/or employee rights may also be used to attract and retain Non-Executive Directors. The Board determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. No external remuneration consultants were used during the financial year.

The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at a General Meeting. Director's fees paid to Non-Executive Directors accrue on a daily basis. Fees for Non-Executive Directors are not linked to the performance of the economic entity. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company and given the current size, nature and opportunities of the Company, Non-Executive Directors may receive employee options and/or employee rights in order to secure their initial or ongoing holding and retain their services. The Company prohibits non-executives entering into arrangements to limit their exposure to employee options granted as part of their remuneration package.

Fees for the Chairman are presently A\$50,000 (US\$35,065) per annum, however the Chairman, Mr Ian Middlemas, elected to receive no fees for the 2020 financial year. Fees for Non-Executive Directors are presently set at A\$30,000 (US\$21,039) per annum, however Non-Executive Directors elected to receive no fees from 1 January 2020 to 30 June 2020. These fees cover main board activities only. Non-Executive Directors may receive additional remuneration for other services provided to the Company, including, but not limited to, membership of committees.

Relationship between Remuneration of KMP and Shareholder Wealth

During the Company's exploration and development phases of its business, the Board anticipates that the Company will retain earnings (if any) and other cash resources for the exploration and development of its resource projects. Accordingly, the Company does not currently have a policy with respect to the payment of dividends and returns of capital. Therefore, there was no relationship between the Board's policy for determining, or in relation to, the nature and amount of remuneration of KMP and dividends paid and returns of capital by the Company during the current and previous four financial years.

The Board did not determine, and in relation to, the nature and amount of remuneration of the KMP by reference to changes in the price at which shares in the Company traded between the beginning and end of the current and the previous four financial years.

Discretionary annual cash bonuses are based upon achieving various non-financial key performance indicators as detailed under "Performance Based Remuneration – Short Term Incentive" and are not based on share price or earnings. However, as noted above, certain KMP may receive Incentive Options and Performance Rights which will be of greater value to KMP if the value of the Company's shares increases.

Relationship between Remuneration of KMP and Earnings

As discussed above, the Company is currently undertaking exploration and development activities, and does not expect to be undertaking profitable operations (other than by way of potential material asset sales) until sometime after the successful commercialisation, production and sales of commodities from one or more of its projects. Accordingly, the Board does not consider earnings during the current and previous four financial years when determining, and in relation to, the nature and amount of remuneration of KMP.

DIRECTORS' REPORT (Continued)

REMUNERATION REPORT (AUDITED) (Continued)

Emoluments of Directors and Other KMP

Details of the nature and amount of each element of the emoluments of each Director and KMP of Paringa Resources Limited are as follows:

| 2020 | Short-term benefits | | | Post-employment benefits US\$ | Share-based payments US\$ | Termination Payments US\$ | Total US\$ | Performance related % |
|-----------------------------------|-----------------------|--------------------|---------------|----------------------------------|------------------------------|------------------------------|---------------|--------------------------|
| | Salary & fees US\$ | Cash Bonus US\$ | Other US\$ | | | | | |
| Current KMP | | | | | | | | |
| Mr Ian Middlemas | - | - | - | - | - | - | - | - |
| Mr Todd Hannigan | 10,241 | - | - | 973 | (545,683) | - | (534,469) | - |
| Mr Gregory Swan ¹ | - | - | - | - | (165,103) | - | (165,103) | - |
| Former KMP | | | | | | | | |
| Mr Egan Antill ² | 271,923 | - | - | 11,415 | (181,316) | - | 102,022 | - |
| Mr David Gay ³ | 280,000 | - | 24,280 | 11,200 | (918,771) | - | (603,291) | - |
| Mr Jonathan Hjelte ⁴ | 10,234 | - | - | - | - | - | 10,234 | - |
| Mr Richard McCormick ⁵ | 10,234 | - | - | - | - | - | 10,234 | - |
| Mr Thomas Todd ⁶ | 10,241 | - | - | - | (272,841) | - | (262,600) | - |
| Mr Richard Kim ⁷ | 65,423 | - | 4,240 | 2,585 | (479,406) | 47,654 | (359,504) | - |
| Mr Bertrand Troiano ⁸ | 700,000 | - | - | - | - | - | 700,000 | - |
| Mr Dominic Allen ⁹ | 84,538 | - | - | - | (88,693) | - | (4,155) | - |
| Mr Bruce Czachor ¹⁰ | 100,000 | - | - | 4,000 | (51,584) | - | 52,416 | - |
| Mr Brent Hawley ¹¹ | 127,885 | - | 16,633 | 5,115 | (113,159) | - | 36,474 | - |
| | 1,670,719 | - | 45,153 | 35,288 | (2,816,556) | 47,654 | (1,017,742) | - |

| 2019 | Short-term benefits | | | Post-employment benefits US\$ | Share-based payments US\$ | Termination Payments US\$ | Total US\$ | Performance related % |
|--------------------------------|-----------------------|--------------------|---------------|----------------------------------|------------------------------|------------------------------|---------------|--------------------------|
| | Salary & fees US\$ | Cash Bonus US\$ | Other US\$ | | | | | |
| Directors | | | | | | | | |
| Mr Ian Middlemas | 24,624 | - | - | - | - | - | 24,624 | - |
| Mr Todd Hannigan | 21,223 | - | - | 2,016 | 248,078 | - | 271,317 | 91% |
| Mr Egan Antill ² | 192,500 | - | 4,593 | 3,231 | 181,316 | - | 381,640 | 48% |
| Mr David Gay | 280,000 | - | 24,097 | 11,000 | 263,246 | - | 578,343 | 46% |
| Mr Jonathan Hjelte | 21,223 | - | - | - | - | - | 21,223 | - |
| Mr Richard McCormick | 21,223 | - | - | - | - | - | 21,223 | - |
| Mr Thomas Todd | 21,223 | - | - | 1,025 | 124,039 | - | 146,287 | 85% |
| Other KMP | | | | | | | | |
| Mr Richard Kim | 210,000 | - | 36,039 | 8,400 | 161,752 | - | 416,191 | 39% |
| Mr Dominic Allen ⁹ | 123,846 | - | 16,110 | - | 120,073 | - | 260,029 | 46% |
| Mr Bruce Czachor | 100,000 | - | 15,665 | 4,000 | 36,268 | - | 155,933 | 23% |
| Mr Gregory Swan ¹ | - | - | - | - | 69,395 | - | 69,395 | 100% |
| Mr Adam Anderson ¹² | 100,846 | - | 11,838 | 3,800 | (48,132) | 31,667 | 100,019 | - |
| | 1,116,708 | - | 108,342 | 33,472 | 1,156,035 | 31,667 | 2,446,224 | - |

Notes:

¹ Mr Swan provides services as the Company Secretary through a services agreement with Apollo Group Pty Ltd. During fiscal 2020, Apollo Group Pty Ltd was paid A\$90,000 (2019: A\$180,000) for the provision of a fully serviced office and administrative, accounting and company secretarial services to the Company, based on a monthly retainer of A\$15,000.

² Mr Egan Antill was appointed effective 12 December 2018 and resigned effective 31 March 2020.

³ Mr David Gay resigned after the end of the financial year, effective 24 February 2021.

⁴ Mr Jonathan Hjelte resigned after the end of the financial year, effective 26 February 2021.

⁵ Mr Richard McCormick resigned after the end of the financial year, effective 26 February 2021.

⁶ Mr Thomas Todd resigned after the end of the financial year, effective 25 February 2021.

⁷ Mr Richard Kim resigned 16 October 2019.

⁸ Mr Bertrand Troiano was appointed effective 20 February 2020 and resigned after the end of the financial year, effective 24 February 2021.

⁹ Mr Dominic Allen was appointed effective 13 August 2018 and resigned effective 21 January 2020.

¹⁰ Mr Bruce Czachor resigned after the end of the financial year, effective 24 February 2021.

¹¹ Mr Brent Hawley was appointed effective 6 October 2019 and was terminated after the end of the financial year, effective 4 December 2020.

¹² Mr Adam Anderson ceased employment effective 9 January 2019.

DIRECTORS' REPORT (Continued)

REMUNERATION REPORT (AUDITED) (Continued)

Options and Rights Granted to KMP

No employee options or employee rights were granted to KMP of the Group during the financial year. Details of the values of employee options and employee rights held by KMP that lapsed or were forfeited during the 2020 financial year are as follows:

| 2020 | No. of Options & Rights granted as part of remuneration during year | No. of Options & Rights granted as remuneration that vested during year | No. of Options & Rights granted as remuneration that lapsed or were forfeited during year ¹ | Value of Options & Rights granted as remuneration during year ² US\$ | Value of Options & Rights granted as remuneration that were exercised during year ³ US\$ | Value of Options & Rights included in remuneration for year US\$ |
|--------------------|---|---|--|---|---|--|
| Current KMP | | | | | | |
| Mr Todd Hannigan | - | - | (850,000) | - | - | (545,683) |
| Mr Gregory Swan | - | - | (200,000) | - | - | (165,103) |
| Former KMP | | | | | | |
| Mr Egan Antill | - | - | (7,800,000) | - | - | (181,316) |
| Mr David Gay | - | - | (1,000,000) | - | - | (918,771) |
| Mr Thomas Todd | - | - | (425,000) | - | - | (272,841) |
| Mr Richard Kim | - | - | (700,000) | - | - | (479,406) |
| Mr Dominic Allen | - | - | (1,000,000) | - | - | (88,693) |
| Mr Bruce Czachor | - | - | (100,000) | - | - | (51,584) |
| Mr Brent Hawley | - | - | (100,000) | - | - | (113,159) |
| Total | - | - | (12,175,000) | - | - | (2,816,556) |

Notes:

¹ 9,875,000 rights previously granted to KMP as part of remuneration during the 2017, 2018 and 2019 financial years were forfeited or lapsed during the 2020 financial year. 2,300,000 options previously granted to KMP as part of remuneration during the 2019 financial year were forfeited during the 2020 financial year. Any share-based payment expense previously recognised under AASB 2 in respect of these employee rights and employee options has been reversed in the 2020 financial year.

² Determined at the time of grant per AASB 2. For details on the valuation of options and rights, including models and assumptions used, please refer to Note 19 of the financial statements.

³ Determined at the time of exercise or conversion at the intrinsic value.

Option and Right holdings of Key Management Personnel

| 2020 | Held at 1 July 2019 | Granted as Remuneration | Options or Rights Exercised/Converted | Options or Rights Lapsed or Forfeited | Held at 30 June 2020 | Vested & exercisable at 30 June 2020 |
|----------------------|------------------------|-------------------------|---------------------------------------|---------------------------------------|------------------------|--------------------------------------|
| Directors | | | | | | |
| Mr Ian Middlemas | - | - | - | - | - | - |
| Mr Todd Hannigan | 1,750,000 | - | - | (850,000) | 900,000 | - |
| Mr Gregory Swan | 450,000 | - | - | (200,000) | 250,000 | - |
| Former KMP | | | | | | |
| Mr Egan Antill | 7,800,000 | - | - | (7,800,000) | -(²) | -(²) |
| Mr David Gay | 2,100,000 | - | - | (1,000,000) | 1,100,000 | - |
| Mr Jonathan Hjelte | - | - | - | - | - | - |
| Mr Richard McCormick | - | - | - | - | - | - |
| Mr Thomas Todd | 875,000 | - | - | (425,000) | 450,000 | - |
| Mr Richard Kim | 1,300,000 | - | - | (700,000) | 600,000 ⁽²⁾ | -(²) |
| Mr Bertrand Troiano | -(¹) | - | - | - | - | - |
| Mr Dominic Allen | 1,000,000 | - | - | (1,000,000) | -(²) | -(²) |
| Mr Bruce Czachor | 300,000 | - | - | (100,000) | 200,000 | - |
| Mr Brent Hawley | 500,000 ⁽¹⁾ | - | - | (100,000) | 400,000 | - |
| | 16,075,000 | | | (12,175,000) | 3,900,000 | - |

Notes:

¹ As at date of appointment.

² As at date of resignation.

DIRECTORS' REPORT (Continued)

Shareholdings of Key Management Personnel

| 2020 | Held at 1 July 2019 | Granted as Remuneration | Options or Rights Exercised | Share Purchases | Share Sales | Held at 30 June 2020 |
|----------------------|------------------------|----------------------------|-----------------------------------|--------------------|----------------|-------------------------|
| Current KMP | | | | | | |
| Mr Ian Middlemas | 14,015,152 | - | - | 2,784,848 | - | 16,800,000 |
| Mr Todd Hannigan | 12,111,104 | - | - | 1,622,221 | - | 13,733,325 |
| Mr Gregory Swan | 3,350,000 | - | - | 360,000 | - | 3,710,000 |
| Former KMP | | | | | | |
| Mr Egan Antill | - | - | - | - | - | - ⁽²⁾ |
| Mr David Gay | 3,520,292 | - | - | - | - | 3,520,292 |
| Mr Jonathan Hjelte | 1,449,001 | - | - | - | - | 1,449,001 |
| Mr Richard McCormick | 1,000,000 | - | - | - | - | 1,000,000 |
| Mr Thomas Todd | 6,949,359 | - | - | 589,872 | - | 7,539,231 |
| Mr Richard Kim | 460,530 | - | - | - | - | 460,530 ⁽²⁾ |
| Mr Bertrand Troiano | - ⁽¹⁾ | - | - | - | - | - |
| Mr Dominic Allen | 191,669 | - | - | - | - | 191,669 ⁽²⁾ |
| Mr Bruce Czachor | - | - | - | - | - | - |
| Mr Brent Hawley | 33,836 ⁽¹⁾ | - | - | - | - | 33,836 |
| | 43,080,943 | - | - | 5,356,941 | - | 48,437,884 |

Notes:

⁽¹⁾ As at date of appointment.

⁽²⁾ As at date of resignation.

Employment Contracts with Directors and Other KMP

At the date of this report, Paringa does not have any employees. All Directors have a letter of appointment confirming the terms and conditions of their appointment as Director of the Company.

Loans with KMP

No loans were provided to or received from KMP during the year ended 30 June 2020.

End of Remuneration Report.

DIRECTORS' MEETINGS

The number of meetings of Directors held during the year and the number of meetings attended by each Director was as follows:

| | Board Meetings | | Audit Committee Meetings | |
|----------------------|------------------------------|-----------------|------------------------------|-----------------|
| | Number eligible to attend | Number attended | Number eligible to attend | Number attended |
| Mr Ian Middlemas | 2 | 2 | - | - |
| Mr Todd Hannigan | 2 | 2 | - | - |
| Mr Gregory Swan | - | - | - | - |
| Mr Egan Antill | 2 | 2 | - | - |
| Mr David Gay | 2 | 2 | - | - |
| Mr Jonathan Hjelte | 2 | 2 | 1 | 1 |
| Mr Richard McCormick | 2 | 2 | 1 | 1 |
| Mr Thomas Todd | 2 | 1 | 1 | 1 |

The Audit Committee was dissolved during the 2020 financial year. At 30 June 2020, there were no Board committees.

NON-AUDIT SERVICES

During the year, no non-audit services were provided by the Group's auditor (or by another person or firm on the auditor's behalf).

DIRECTORS' REPORT (Continued)

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2020 has been received and can be found on page 21 of the Directors' Report.

ROUNDING TO THE NEAREST THOUSAND DOLLARS

The amounts contained in the financial report have been rounded to the nearest thousand dollars (where rounding is applicable) where noted (\$000) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2017/191. The Company is an entity to which this legislative instrument applies.

Signed in accordance with a resolution of the Directors.



GREG SWAN
Director

25 February 2022

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE
CORPORATIONS ACT 2001 TO THE DIRECTORS OF PARINGA RESOURCES
LIMITED**

I declare that, to the best of my knowledge and belief during the year ended 30 June 2020 there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

William Buck Audit (WA) Pty Ltd
ABN 67 125 012 124

CM

Conley Manifis
Director

Dated this 25th day of February 2022

ACCOUNTANTS & ADVISORS

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**CONSOLIDATED STATEMENT OF PROFIT OR
LOSS AND OTHER COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 30 JUNE 2020

| | Note | 2020 US\$000 | 2019 US\$000 |
|---|------|------------------|-----------------|
| Continuing operations | | | |
| Corporate and administrative expenses | | (318) | (1,057) |
| Employment expenses | | (43) | (300) |
| Business development expenses | | (143) | - |
| Finance income | | 2 | 55 |
| Net foreign exchange loss | | (14) | (46) |
| Share-based payment benefit/(expense) | 19 | 3,114 | (1,504) |
| Profit/(loss) before tax from continuing operations | | 2,598 | (2,852) |
| Income tax expense | 2 | - | - |
| Profit/(loss) for the year from continuing operations | | 2,598 | (2,852) |
| Discontinued operations | | | |
| Loss after tax from discontinued operations | 25 | (132,779) | (10,245) |
| Net profit/(loss) for the year | | (130,181) | (13,097) |
| Net loss attributable to members of Paringa Resources Limited | | (130,181) | (13,097) |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange differences on translation of foreign operations | | - | - |
| Total other comprehensive income/(loss) for the year, net of tax | | - | - |
| Total comprehensive loss for the year, net of tax | | (130,181) | (13,097) |
| Total comprehensive loss attributable to members of Paringa Resources Limited | | (130,181) | (13,097) |
| Basic and diluted profit/(loss) per share from continuing operations (US\$ per share) | 16 | - | (0.01) |
| Basic and diluted loss per share from discontinued operations (US\$ per share) | 16 | (0.23) | (0.02) |

The above Consolidated Statement of Profit or Loss and other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

| | Note | 2020 US\$000 | 2019 US\$000 |
|---|------|-----------------|-----------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 4 | 80 | 12,038 |
| Trade and other receivables | 5 | 6 | 834 |
| Inventories | 6 | - | 730 |
| Other assets | 7 | - | 519 |
| Assets held for sale | 25 | 38,909 | - |
| Total Current Assets | | 38,995 | 14,121 |
| Non-Current Assets | | | |
| Property, plant and equipment | 8 | - | 115,567 |
| Other assets | 7 | - | 4,261 |
| Total Non-Current Assets | | - | 119,828 |
| TOTAL ASSETS | | 38,995 | 133,949 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | 9 | 175 | 5,028 |
| Interest-bearing loans and borrowings | 10 | - | 4,274 |
| Provisions | 12 | - | 193 |
| Liabilities directly associated with assets held for sale | 25 | 99,625 | - |
| Total Current Liabilities | | 99,800 | 9,495 |
| Non-Current Liabilities | | | |
| Interest-bearing loans and borrowings | 10 | - | 54,441 |
| Provisions | 12 | - | 2,708 |
| Total Non-Current Liabilities | | - | 57,149 |
| TOTAL LIABILITIES | | 99,800 | 66,644 |
| NET ASSETS/(LIABILITIES) | | (60,805) | 67,305 |
| EQUITY | | | |
| Contributed equity | 13 | 109,520 | 104,050 |
| Reserves | 14 | 946 | 4,331 |
| Accumulated losses | 15 | (171,271) | (41,076) |
| TOTAL EQUITY | | (60,805) | 67,305 |

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF CHANGES IN
EQUITY**
FOR THE YEAR ENDED 30 JUNE 2020

| | Note | Contributed Equity US\$000 | Share- Based Payments Reserve US\$000 | Foreign Currency Translation Reserve US\$000 | Accumulated Losses US\$000 | Total Equity US\$000 |
|---|-------------|----------------------------------|---|--|----------------------------------|----------------------------|
| Balance at 1 July 2019 | | 104,050 | 6,684 | (2,353) | (41,076) | 67,305 |
| Effect of adoption of AASB 16 | | - | - | - | (14) | (14) |
| Balance at 1 July 2019 (restated) | | 104,050 | 6,684 | (2,353) | (41,090) | 67,291 |
| Net loss for the year | | - | - | - | (130,181) | (130,181) |
| Exchange differences on translation of foreign operations | | - | - | - | - | - |
| Total comprehensive income/(loss) for the year | | - | - | - | (130,181) | (130,181) |
| Issue of shares | 13(a) | 5,544 | - | - | - | 5,544 |
| Share issue costs | 13(a) | (345) | - | - | - | (345) |
| Share based payments | 14(b) | 271 | (3,385) | - | - | (3,114) |
| Balance at 30 June 2020 | | 109,520 | 3,299 | (2,353) | (171,271) | (60,805) |
| Balance at 1 July 2018 | | 102,278 | 5,356 | (2,353) | (28,191) | 77,090 |
| Net loss for the year | | - | - | - | (13,097) | (13,097) |
| Exchange differences on translation of foreign operations | | - | - | - | - | - |
| Total comprehensive income/(loss) for the year | | - | - | - | (13,097) | (13,097) |
| Conversion of employee rights | 13(a),14(b) | 1,465 | (1,465) | - | - | - |
| Forfeiture/lapse of employee options | 14(b) | - | (212) | - | 212 | - |
| Grant of lender options | 14(b) | - | 1,505 | - | - | 1,505 |
| Issue of advisor shares | 13(a) | 319 | - | - | - | 319 |
| Share issue costs | 13(a) | (16) | - | - | - | (16) |
| Share based payments | 14(b) | 4 | 1,500 | - | - | 1,504 |
| Balance at 30 June 2019 | | 104,050 | 6,684 | (2,353) | (41,076) | 67,305 |

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

| | Note | 2020 US\$000 | 2019 US\$000 |
|--|-------|-----------------|-----------------|
| Cash flows from operating activities | | | |
| Payments to suppliers and employees | | (11,697) | (7,476) |
| Interest received | | 54 | 255 |
| Interest paid | | (1,122) | (404) |
| Other income received | | - | 10 |
| Net cash outflow from operating activities | 4 | (12,765) | (7,615) |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | | (14,537) | (58,308) |
| Payments for advanced royalties | | (381) | (445) |
| Payments for security deposits and bonds | | (817) | (306) |
| Proceeds from insurance recoveries | | 922 | - |
| Net cash outflow from investing activities | | (14,813) | (59,059) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | 10(a) | 8,898 | 81,880 |
| Repayment of borrowings | 10(a) | (3,186) | (19,494) |
| Proceeds from royalty financing | 11(a) | 9,000 | - |
| Proceeds from issue of shares | 13(a) | 5,544 | - |
| Payments for share issue costs | | (345) | (107) |
| Payment of principle portion of lease liabilities | | (34) | - |
| Payments for borrowing costs | | (666) | (6,143) |
| Net cash inflow from financing activities | | 19,211 | 56,136 |
| Net decrease in cash and cash equivalents | | (8,367) | (10,538) |
| Net foreign exchange differences | | (14) | (47) |
| Cash and cash equivalents at beginning of the year | | 12,038 | 22,623 |
| Cash and cash equivalents at the end of the year | 4 | 3,657 | 12,038 |

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in preparing the financial report of Paringa Resources Limited ("Paringa" or "Company") and its consolidated entities ("Consolidated Entity" or "Group") for the year ended 30 June 2020 are stated to assist in a general understanding of the financial report.

Paringa Resources Limited is a for profit company limited by shares, incorporated and domiciled in Australia. Our ordinary shares have been listed on the Australian Securities Exchange, or ASX, since 2012 under the symbol "PNL".

The Group's principal activities are mineral exploration and development.

The financial report of the Group for the year ended 30 June 2020 was authorised for issue in accordance with a resolution of the Directors on 25 February 2022.

(a) Basis of Preparation

This general-purpose financial report has been prepared in accordance with Australian Accounting Standards ("AASBs") and other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. The financial report complies with Australian Accounting Standards and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The financial report has been prepared on a historical cost basis and is presented in United States dollars (US\$). Amounts in the financial statements are rounded to the nearest thousand dollars, unless otherwise indicated.

Going concern

The consolidated financial statements have been prepared on the going concern basis, which assumes the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

For the year ended 30 June 2020, the Group has incurred net losses of US\$130.2 million (2019: US\$13.1 million), has net liabilities of \$60.8 million (2019: Net assets of \$67.3 million) experienced net cash outflows from operating activities of US\$12.8 million (2019: US\$7.6 million) and net cash outflows from investing activities of US\$14.8 million (2019: US\$59.1 million).

At 30 June 2020, the Company had a US\$40.0 million TLF from Tribeca (as agent), which was amended during the year. In order to maintain the Group's cash position, and after consultation with Tribeca, the Group deferred payment of the 31 December 2019 quarterly interest and fees required under its TLF, totalling approximately US\$1.5 million. This deferral triggered an event of default under the TLF which gave Tribeca the right to demand immediate full repayment of the TLF. Tribeca has issued a letter to Hartshorne and its U.S. affiliates and the Company (as a guarantor of Hartshorne's obligations under the TLF) that notifies the existence of the event of default and reserving its rights in respect of such default. In addition, at 30 June 2020, the Company had a US\$9.0 million royalty payable to SP2 Royalty Co, LLC ("SP2") (an entity of which certain funds advised by Tribeca are members) ("Royalty"). The event of default existing under the TLF gives SP2 the right to demand an immediate make whole payment of US\$9.0 million. Accordingly, the US\$40.0 million TLF and US\$9.0 million Royalty have been classified as current liabilities at 30 June 2020.

In February 2020, Hartshorne filed voluntary Chapter 11 petitions in the United States Bankruptcy Court to facilitate a sale of its assets. In support of its ongoing operations, Hartshorne obtained a commitment for a debtor-in-possession financing in the amount of US\$7.625 million from several of its current senior secured lenders for which Tribeca will serve as agent. The financing was expected to provide sufficient liquidity to fund Hartshorne's operations while it executes a sale process of its assets under section 363 of the United States Bankruptcy Code. In September 2020, Hartshorne filed a proposed plan of liquidation, disclosure statement, and proposed plan solicitation procedures motion for the expedited wind down of their estates. The proposed plan of liquidation set forth the manner in which Hartshorne would complete its wind down through a liquidation trust. In October 2020, the Bankruptcy Court approved the solicitation procedures and conditionally approved the disclosure statement. In February 2021, the Bankruptcy Court confirmed the plan of liquidation and, on 23 February 2021, the plan became effective and Hartshorne commenced the final stages of winding up the estates. On the effective date, Hartshorne executed a liquidation trust agreement and transferred its remaining assets and liabilities to a liquidation trust, as well as assigning remaining critical contracts and insurance policies. Hartshorne funded the carve-out escrow with the majority of Hartshorne's cash-on-hand and transferred any remaining cash to the liquidation trust. The Hartshorne entities were dissolved on the effective date.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

(continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of Preparation (continued)

Going concern (continued)

The Company requires additional funding to continue as a going concern. In this regard, subsequent to the end of the financial year, in September 2021, the Company announced that it would seek shareholder approval to undertake a share consolidation and capital raising to raise up to \$5.58 million before costs. The capital raising will comprise a share placement ("Share Placement") of up to 40.0 million shares (on a post Consolidation basis) followed by a pro-rata entitlements offer ("Entitlements Offer") of up to 71.6 million shares (on a post Consolidation basis), at an issue price of \$0.05 per share, together with 1 free attaching option for every 3 shares subscribed for, to raise up to \$5.58 million before costs.

To facilitate the capital raising, the Company has entered into a deed of release ("Deed of Release") with the Group's secured lenders (the "Tribeca Parties"), whereby the Group's secured lenders will release Paringa from all obligations and liabilities as parent company guarantor to the Group's US\$40.0 million term loan facility ("Term Loan Facility") and related finance documents. Tribeca have entered into the Deed of Release in return for being issued 35.0 million shares and 20.0 million options (10.0 million exercisable at \$0.07 each and 10.0 million exercisable at \$0.09 each, expiring 5 years from date of issue) in the Company on a post Share Consolidation basis, subject to shareholder approval. The Deed of Release remains conditional upon completion of the Share Consolidation and Capital Raising, the appointment of two directors nominated by the Tribeca Parties to the Board of Directors of Paringa, and issue of the Consideration Securities to the Tribeca Parties.

The Directors are confident that they will be able to complete the Share Consolidation and Capital Raising and satisfy all conditions precedent to the Deed of Release, and accordingly, consider that it is appropriate to prepare the financial statements on the going concern basis. Should the Company be unable to complete the Share Consolidation and Capital Raising and satisfy all conditions precedent to the Deed of Release, a material uncertainty may exist that could cast substantial doubt on the ability of the Group to continue as a going concern and therefore, whether it will be able to realise its assets and extinguish its liabilities in the normal course of business.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

(b) New standards, interpretations and amendments adopted by the Group

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

New and revised standards and amendments thereof and interpretations effective for the current reporting period that are relevant to the Group include:

- AASB 16 *Leases*
- AASB Interpretation 23 *Uncertainty over Income Tax Treatments*
- AASB 2017-7 Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures
- AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle
- AASB 2018-2 Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement

The adoption of the aforementioned standards has no impact on the financial statements of the Company as at 30 June 2020. A discussion on the adoption of AASB 16 and Interpretation 23 is included below.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

AASB 16 Leases

AASB 16 *Leases* has replaced the previous accounting requirements for leases under AASB 117 *Leases*.

The Group applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in accumulated losses at 1 July 2019. Accordingly, the comparative information presented for prior periods is not restated – i.e. it is presented, as previously reported, under AASB 117 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in AASB 16 have not generally been applied to comparative information.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

(continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New standards, interpretations and amendments adopted by the Group (continued)

AASB 16 Leases (continued)

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in AASB 16.

On transition to AASB 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and IFRIC 4 were not reassessed for whether there is a lease under AASB 16.

As a lessee

As a lessee, the Group leases primarily property assets. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under AASB 16, the Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are now on-balance sheet. At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of property the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

Leases classified as operating leases under AASB 117

Previously, the Group classified property leases as operating leases under AASB 117. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 July 2019. The Group has measured its right-of-use assets at their carrying amount as if AASB 16 had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application.

The Group used a number of practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

Leases classified as finance leases under AASB 117

The Group did not have any leases that were previously classified as finance leases under AASB 117.

Impact on transition

On transition to AASB 16, the Group recognised additional right-of-use assets and additional lease liabilities, recognising the difference in accumulated losses. The impact on transition is summarised below.

| | As previously reported US\$000 | AASB 16 adjustment US\$000 | As restated at 1 July 2019 US\$000 |
|-------------------------------|-----------------------------------|----------------------------------|--|
| Property, plant and equipment | 115,567 | 192 | 115,759 |
| Other financial liabilities | - | (206) | (206) |
| Accumulated losses | (41,076) | (14) | (41,090) |

When measuring liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied is 13%.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

(continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New standards, interpretations and amendments adopted by the Group (continued)

AASB Interpretation 23

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of AASB 112 Income Taxes ("AASB 112") and does not apply to taxes or levies outside the scope of AASB 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.

There was no impact on the financial report from the Group's adoption of AASB Interpretation 23.

(c) New standards, interpretations and amendments not yet applied by the Group

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2020. Those which may be relevant to the Group are set out in the table below.

| Standard or Interpretation | Application Date of Standard | Application Date for Group |
|---|------------------------------|----------------------------|
| AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business | 1 January 2020 | 1 July 2020 |
| AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material | 1 January 2020 | 1 July 2020 |
| <i>Conceptual Framework for Financial Reporting</i> (Conceptual Framework) | 1 January 2020 | 1 July 2020 |
| 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework | 1 January 2020 | 1 July 2020 |

(d) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company and the results of all subsidiaries.

Control is achieved when the Company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power to affect its returns. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power.

Subsidiaries are all those entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies, is exposed or has rights to variable returns from its involvement and has the ability to use its power to affect the returns of those entities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases. Intercompany transactions and balances, income and expenses and profits and losses between Group companies, are eliminated.

A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction. All investments in subsidiaries made by the parent are held at cost.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

(continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(f) Trade and Other Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for expected credit losses.

Unbilled receivables relate to goods sold for which invoices have not yet been issued to the customer but represent the Group's unconditional right to consideration for goods sold, because only the passage of time is required before payment of the consideration is due. These amounts are recognised and measured in the same manner as other trade receivables.

If collection of the amounts is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current.

As the majority of receivables are short term in nature, their carrying amount is assumed to be the same as their fair value.

(g) Inventories

Coal stockpiles are physically measured or estimated and valued at the lower of cost and net realisable value. Cost represents the weighted average cost and includes direct purchase costs and an appropriate portion of fixed and variable production overhead expenditure, including depreciation and amortisation, incurred in converting materials into finished goods.

Materials and supplies are valued at the lower of cost and net realisable value. Any allowance for obsolescence is determined by reference to specific stock items identified. A regular and on-going review is undertaken to establish the extent of surplus items and an allowance is made for any potential loss on their disposal.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(h) Property, Plant and Equipment

(i) Cost and valuation

All classes of property, plant and equipment are measured at historical cost.

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in the Statement of Profit or Loss and other Comprehensive Income as incurred.

(ii) Depreciation and Amortisation

Depreciation is provided on a straight-line basis on all plant and equipment. Mine properties are amortised on a unit-of-production basis over the economically recoverable reserves of the mine concerned.

| | 2020 | 2019 |
|--|--------------------|--------------------|
| Major depreciation and amortisation periods are: | | |
| Land and buildings | 25 years | 25 years |
| Plant and equipment | 2 – 20 years | 2 – 20 years |
| Mine development properties | Unit of production | Unit of production |

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(iii) Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

(continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Property, Plant and Equipment (continued)

(iv) Mine development properties

'Mine development properties' consist of costs transferred from exploration properties when a decision is made to proceed with development and costs of subsequent mine development and construction.

Mine development properties are not amortised until construction is completed and the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management. For a new mine, this occurs upon commencement of 'commercial production'. 'Commercial production' is the level of activities intended by management for a mine, or a mine and plant complex, to be capable of operating in the manner intended by management. At 30 June 2020, the Group determined that 'commercial production' had not yet been reached.

Any mine operating costs incurred, net of proceeds received from selling product produced, prior to the commencement of 'commercial production' in the process of preparing an asset to be capable of operating in the manner intended by management, are capitalised in the cost of the asset. Capitalisation of operating costs, net of sale proceeds received, ceases upon the commencement of 'commercial production'.

The Group also capitalises borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that take a substantial period of time to get ready for their intended use or sale. Capitalisation of borrowing costs ceases once the qualifying assets commence 'commercial production' or are otherwise ready for their intended use or sale.

After the commencement of 'commercial production', all assets included in 'mine development properties' are then transferred to 'mine properties' (see below). At this time, amortisation commences.

(v) Mine properties

'Mine properties' consist of capitalised exploration, evaluation, feasibility, development, construction, commissioning, and other capitalised expenditures transferred from 'mine development properties' when a mining property reaches 'commercial production', as well as costs of subsequent mine development costs incurred in the production stage. Mine properties are stated at cost, less accumulated amortisation and accumulated impairment losses.

Mine properties are amortised on a unit-of-production basis over the economically recoverable reserves of the mine concerned, resulting in an amortisation charge proportional to the depletion of the economically recoverable mineral reserves. Amortisation begins at the commencement of 'commercial production'.

(i) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date.

They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

(j) Loans and borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost.

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised under plant and equipment at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For the majority of borrowings, the fair values are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature. Refer to Note 1(u) for fair value estimation accounting policy.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(l) Interest Income

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

(m) Income tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose on goodwill or in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against tax liabilities and the deferred tax liabilities relate to the same taxable entity and the same taxation authority.

Paringa Resources Limited and its wholly-owned Australian subsidiaries have not yet formed an income tax consolidated group under the tax consolidation regime.

(n) Employee Entitlements

(i) Short-term and Long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably. Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

(continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Employee Entitlements (continued)

(ii) *Defined contribution plans*

Eligible U.S. employees participate in the Group's defined contribution 401(k) savings plan, under which eligible employees may elect to make voluntary contributions to the plan up to a specified amount of their compensation. The Group makes matching contributions based on a percentage of an employee's eligible compensation. Eligible Australian employees receive statutory employer contributions to employee superannuation funds. These contributions are charged as expenses when incurred. These contributions are not defined benefits programs. Consequently, there is no exposure to market movements on employee superannuation liabilities or entitlements.

(o) Revenue

Revenue from the sale of coal is recognised when control over the inventory has transferred to the customer. Coal is sold by the Group on a free-on-board ("FOB") basis at its barge load-out facility on the Green River, with the Group's customers responsible for the transportation of coal. Accordingly, control is considered to have passed when the third-party transport provider arranged by the customer takes physical possession. Since the Group has not yet reached Commercial Production, all sales proceeds have been included as a reduction of costs incurred in the Mine Development Asset and accordingly no revenue has been presented in the consolidated statement of profit or loss and other comprehensive income (also refer to Note 1(h)(iv)).

(p) Advance royalties

Rights to coal mineral leases are often acquired and/or maintained through advance royalty payments. Where royalty payments represent prepayments recoupable against future production, they are recorded as an asset, with amounts expected to be recouped within one year classified as a current asset. As mining occurs on these leases, the royalty prepayments are charged to operating expenses. The Group assesses the recoverability of royalty prepayments based on estimated future production. Royalty prepayments estimated to be non-recoverable are expensed.

(q) Earnings per Share

Basic earnings per share ("EPS") is calculated by dividing the net profit or loss attributable to members of the Company for the reporting period, after excluding any costs of servicing equity, by the weighted average number of Ordinary Shares of the Company, adjusted for any bonus issue.

Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after-tax effect of financing costs associated with dilutive potential Ordinary Shares and the effect on revenues and expenses of conversion to Ordinary Shares associated with dilutive potential Ordinary Shares, by the weighted average number of Ordinary Shares and dilutive Ordinary Shares adjusted for any bonus issue.

(r) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(s) Segment Reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the Board of Directors.

Operating segments have been identified based on the information provided to the chief operating decision makers, being the executive management team.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

(continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Segment Reporting (continued)

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments". Further information on segmental reporting is included in Note 21.

(t) Impairment of Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(u) Fair Value Estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for that asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

As disclosed above, the fair value of financial instruments traded in active markets, Level 1 in the hierarchy noted above is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

(continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Issued and Unissued Capital

Ordinary Shares are classified as equity. Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(w) Foreign Currencies

(i) *Functional and presentation currency*

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in United States dollars which is the Company's functional and presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the Statement of Profit or Loss and other Comprehensive Income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the other Comprehensive Income.

(iii) *Group companies*

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- items of equity are translated at the historical exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the Statement of Profit or Loss and other Comprehensive Income in the period in which the operation is disposed.

(x) Share-Based Payments

Equity-settled share-based payments are provided to officers, employees, consultants and other advisors. These share-based payments are measured at the fair value of the equity instrument at the grant date. Fair value is determined using the Black-Scholes option pricing model. Further details on how the fair value of equity-settled share-based payments has been determined can be found in Note 19.

The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At each reporting date, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the share-based payments reserve.

Equity-settled share-based payments may also be provided as consideration for the acquisition of assets. Where Ordinary Shares are issued, the transaction is recorded at fair value based on the quoted price of the Ordinary Shares at the date of issue. The acquisition is then recorded as an asset or expensed in accordance with accounting standards.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

(continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Mine rehabilitation

Mine rehabilitation costs include the dismantling and removal of mining plant, equipment and building structures, waste removal and rehabilitation of the site in accordance with the requirements of the mining permits. Such costs are determined using estimates of future costs, current legal requirements and technology. Mine rehabilitation costs are recognised in full at present value as a non-current liability. An equivalent amount is capitalised as part of the cost of the asset when an obligation arises to decommission or restore a site to a certain condition after abandonment as a result of bringing the assets to its present location. The capitalised cost is amortised over the life of the project and the provision is accreted periodically as the discounting of the liability unwinds. The unwinding of the discount is recorded as a finance cost.

Any changes in the estimates for the costs or other assumptions against the cost of relevant assets are accounted for on a prospective basis. In determining the costs of site restoration there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation.

(z) Use and Revision of Accounting Estimates, Judgements and Assumptions

The preparation of the financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Commencement of 'commercial production' (refer Note 1(h));
- Depreciation and amortisation of property, plant and equipment (refer Note 1(h));
- Provision for mine rehabilitation (refer Note 12);
- Share-based payments (refer Note 19); and
- Recognition of deferred tax asset (refer Note 2).

(aa) Discontinued Operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the group and which:

- Represents a separate major line of business or geographic area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

(bb) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets or deferred tax assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-in-distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property plant and equipment are no longer amortised or depreciated, and any interest in associate is no longer equity accounted.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020
(continued)

2. INCOME TAX

| | 2020 US\$000 | 2019 US\$000 |
|---|-----------------|-----------------|
| Recognised in profit or loss | | |
| Current income tax: | | |
| Current income tax benefit in respect of the current year | - | - |
| Deferred income tax: | | |
| Origination and reversal of temporary differences | - | - |
| Income tax expense reported in profit or loss | - | - |
| Reconciliation between tax expense and accounting loss before income tax | | |
| Accounting loss before income tax | (130,181) | (13,097) |
| At the domestic income tax rate of 30% (2019: 27.5%) | (39,054) | (3,602) |
| Effect of different income tax rate in the United States | 6,705 | 261 |
| Effect of change in income tax rate | (119) | 2,202 |
| Expenditure not allowable for income tax purposes | 33,133 | 615 |
| Income not assessable for income tax purposes | (1,030) | - |
| Capital allowances | - | (652) |
| Effect of assets and liabilities classified as held-for-sale | (7,389) | - |
| Adjustments in respect of deferred income tax of previous years | 45 | (160) |
| Effect of deferred tax assets not brought to account | 7,709 | 1,336 |
| Income tax expense reported in profit or loss | - | - |
| Deferred Tax Assets and Liabilities | | |
| Deferred Tax Liabilities: | | |
| Property, plant and equipment | - | 17,670 |
| Deferred tax assets used to offset deferred tax liabilities | - | (17,670) |
| | - | - |
| Deferred Tax Assets: | | |
| Assets and liabilities held for sale | 14,720 | - |
| Accrued expenditure | 5 | 59 |
| Capital allowances | 199 | 676 |
| Provisions | - | 495 |
| Tax losses available to offset against future taxable income | 1,474 | 25,136 |
| Deferred tax assets used to offset deferred tax liabilities | - | (17,670) |
| Deferred tax assets not brought to account ⁽¹⁾ | (16,398) | (8,696) |
| | - | - |

Notes:

- ⁽¹⁾ The benefit of deferred tax assets not brought to account will only be brought to account if: (a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised; (b) the conditions for deductibility imposed by tax legislation continue to be complied with; and (c) no changes in tax legislation adversely affect the Group in realising the benefit. The Group will assess the recoverability of the unrecognised deferred tax assets once 'commercial production' has been declared.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020
(continued)

3. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

No dividends have been paid or proposed for the year ended 30 June 2020 (2019: Nil).

4. CASH AND CASH EQUIVALENTS

| | Note | 2020 US\$000 | 2019 US\$000 |
|--------------------------------|------|-----------------|-----------------|
| Cash at bank and on hand | | 80 | 12,038 |
| Total cash at bank and on hand | | 80 | 12,038 |

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

| | Note | 2020 US\$000 | 2019 US\$000 |
|--|------|-----------------|-----------------|
| Cash at bank and on hand | | 80 | 12,038 |
| Cash at bank and on hand attributable to discontinued operations | 25 | 3,577 | - |
| | | 3,657 | 12,038 |

| | Note | 2020 US\$000 | 2019 US\$000 |
|---|------|-----------------|-----------------|
| Reconciliation of loss before income tax to net cash flows from operations | | | |
| Net loss for the year | | (130,181) | (13,097) |
| Adjustment for non-cash income and expense items: | | | |
| Depreciation and amortisation charges | | 3,986 | 1,524 |
| Amortisation of borrowing costs | | - | 3,570 |
| Impairment of property, plant and equipment | | 102,172 | 545 |
| Loss on disposal of assets held for sale | | 155 | 24 |
| Provision for employee entitlements | | (49) | 171 |
| Share based payments | 19 | (3,114) | 1,504 |
| Net foreign exchange loss | | 14 | 47 |
| Write-off of capitalised borrowing costs | | 4,096 | - |
| Write-off of advance royalties | | 3,282 | - |
| Write-down of inventories | | 401 | - |
| Write-off of advance payments for equipment | | 191 | - |
| Gain on derecognition of right-of-use assets | | (18) | - |
| Change in working capital: | | | |
| (Increase)/decrease in trade and other receivables | | (1,171) | (766) |
| (Increase)/decrease in inventories | | (145) | (730) |
| (Increase)/decrease in other current assets | | 47 | (509) |
| Increase/(decrease) in trade and other payables | | 7,569 | 102 |
| Net cash outflow from operating activities | | (12,765) | (7,615) |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020
(continued)

5. TRADE AND OTHER RECEIVABLES

| | 2020 | 2019 |
|-------------------|----------------|----------------|
| | US\$000 | US\$000 |
| Trade receivables | - | 6 |
| Unbilled revenues | - | 719 |
| GST receivable | 6 | 109 |
| | 6 | 834 |

6. INVENTORIES

| | 2020 | 2019 |
|----------------------|----------------|----------------|
| | US\$000 | US\$000 |
| Coal stockpiles | - | 190 |
| Consumables & spares | - | 540 |
| | - | 730 |

7. OTHER ASSETS

| | 2020 | 2019 |
|---|----------------|----------------|
| | US\$000 | US\$000 |
| Current | | |
| Prepayments | - | 465 |
| Advance royalties ¹ | - | 54 |
| Total current | - | 519 |
| Non-Current | | |
| Restricted cash (security deposits and bonds) | - | 1,407 |
| Advance royalties ¹ | - | 2,854 |
| Total non-current | - | 4,261 |
| Total other assets | - | 4,780 |

Notes:

- ⁽¹⁾ The Group's coal leases require the payment of annual minimum advance royalties prior to the commencement of mining operations and the payment of earned royalties once mining operations commence. The advance royalties paid became recoupable against any earned royalties due under the coal leases on a lease-by-lease basis once the Company determined to move forward with development. The Group's coal leases require the payment of annual minimum advance royalties prior to the commencement of mining operations and the payment of earned royalties once mining operations commence. The advance royalties paid are recoupable against earned royalties on a lease-by-lease basis. At 30 June 2020, the Group wrote-off all advance royalties on the basis that there is no reasonable expectation of recovery following the operational and technical challenges at the Poplar Grove mine that resulted in production levels failing to reach expected volumes.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020
(continued)

8. PROPERTY, PLANT AND EQUIPMENT

| | Mine development properties US\$000 | Plant and equipment US\$000 | Other property, plant and equipment US\$000 | Right-of- use assets US\$000 | Total US\$000 |
|--|--|-----------------------------------|---|---------------------------------------|------------------|
| 2020 | | | | | |
| Net book value at 1 July 2019 | 63,062 | 52,434 | 71 | - | 115,567 |
| Effect of adoption of AASB 16 | - | - | - | 192 | 192 |
| Additions ⁽¹⁾ | 12,684 | 8,291 | - | - | 20,975 |
| Disposals | (468) | - | - | - | (468) |
| Depreciation and amortisation charges ⁽²⁾ | - | (3,946) | (2) | (38) | (3,986) |
| Impairment ⁽³⁾ | (72,806) | (29,297) | (69) | - | (102,172) |
| De-recognition of right of use asset | - | - | - | (154) | (154) |
| Reclassification to assets held for sale | (2,472) | (27,482) | - | - | (29,954) |
| Net book value at 30 June 2020 | - | - | - | - | - |
| - at cost | - | - | - | - | - |
| - accumulated depreciation and impairment | - | - | - | - | - |
| 2019 | | | | | |
| Net book value at 1 July 2018 | 42,096 | 16,883 | 86 | - | 59,065 |
| Additions | 20,966 | 37,617 | 12 | - | 58,595 |
| Disposals | - | - | (24) | - | (24) |
| Depreciation charges | - | (1,521) | (3) | - | (1,524) |
| Impairment | - | (545) | - | - | (545) |
| Net book value at June 30, 2019 | 63,062 | 52,434 | 71 | - | 115,567 |
| - at cost | 63,062 | 54,500 | 74 | - | 117,636 |
| - accumulated depreciation and impairment | - | (2,066) | (3) | - | (2,069) |

Notes:

- ⁽¹⁾ During the period, mine operating costs, net of proceeds from coal sales, amounting to approximately US\$5,477,000 (30 June 2019: US\$3,413,000) relating to the Poplar Grove mine incurred prior to the commencement of 'commercial production', were capitalised under 'mine development properties'.
- ⁽²⁾ No depreciation is recognised in respect of 'mine development properties' until 'commercial production' has been achieved. At 30 June 2020, the Group determined that 'commercial production' at the Poplar Grove mine had not yet been reached.
- ⁽³⁾ The carrying value of mine development properties and plant and equipment are assessed on a cash generating unit (CGU) basis at each reporting date to determine whether there is any indication of impairment. If any such indications of impairment exist, an estimate of the recoverable amount is performed. In assessing whether an impairment is required, the carrying value of the asset or CGU is compared with its recoverable amount. An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. The recoverable amount is the higher of the CGU's fair value less costs of disposal (FVLCD) and value in use (VIU). An impairment loss of approximately US\$102,172,000 has been recognised in respect of the Poplar Grove mine for the year ended 30 June 2020. The trigger for the impairment test was the market capitalisation of Paringa being less than the net asset value of the Group as at 30 June 2020. The Group has been impacted by operational and technical challenges at the Poplar Grove mine that resulted in production levels failing to reach expected volumes. The Group also triggered an event of default on 31 December 2019 under its TLF giving Tribeca the right to demand immediate full repayment. The recoverable amount of mine development properties and plant and equipment was based on management's estimates of FVLCD, represented by the estimated net sales proceeds from the sale of assets pursuant to the Chapter 11 bankruptcy.

9. TRADE AND OTHER PAYABLES

| | 2020 US\$000 | 2019 US\$000 |
|------------------|-----------------|-----------------|
| Trade creditors | - | 2,596 |
| Retainage | - | 1,597 |
| Accrued expenses | 175 | 835 |
| | 175 | 5,028 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020
(continued)

10. INTEREST-BEARING LOANS AND BORROWINGS

| | 2020 US\$000 | 2019 US\$000 |
|---|-----------------|-----------------|
| Current | | |
| Equipment finance facility ¹ | - | 4,140 |
| Other | - | 134 |
| Total current | - | 4,274 |
| Non-Current | | |
| Term loan facility ² | - | 35,904 |
| Equipment finance facility ¹ | - | 18,498 |
| Other | - | 39 |
| Total non-current | - | 54,441 |
| Total borrowings | - | 58,715 |

(a) Reconciliation

| | Balance at 1 July 2019 US\$000 | Proceeds US\$000 | Repayments US\$000 | Write-off of borrowing costs US\$000 | Re- classification as held for sale US\$000 | Balance at 30 June 2020 US\$000 |
|---|---|---------------------|-----------------------|---|---|--|
| Equipment finance facility ⁽¹⁾ | 22,638 | 1,467 | (3,179) | - | 20,926 | - |
| Term loan facility ⁽²⁾ | 35,904 | - | - | 4,096 | 40,000 | - |
| Debtor-in-possession loan ⁽³⁾ | - | 7,431 | - | - | 7,431 | - |
| Other | 173 | - | (7) | - | 166 | - |
| Total borrowings | 58,715 | 8,898 | (3,186) | 4,096 | 68,523 | - |

Notes:

¹ The Company has entered into a secured financing facility with Komatsu Financial Limited Partnership ("Komatsu") (and its subsidiary Joy Underground Mining) to finance the purchase of up to US\$19.0 million of equipment from Komatsu for use at the Poplar Grove Mine, on instalment terms. Komatsu has also agreed to provide an additional equipment financing facility of up to US\$7.5 million for the purchase of non-Komatsu equipment. Interest rates vary for each piece of equipment, based on standard commercial rates for leased mining equipment in the United States.

² At 31 December 2019, the Company had a US\$40 million TLF from Tribeca (as agent), which was amended during the period. In order to maintain the Group's cash position to continue its operations, and after consultation with Tribeca, the Group decided to defer payment of the 31 December 2019 quarterly interest and fees required under its TLF, totalling approximately US\$1,462,000. This deferral triggered an event of default under the TLD which gives Tribeca the right to demand immediate full repayment of the TLF. Tribeca has issued a letter to Hartshorne and the Company (as a guarantor of Hartshorne's obligations under the TLF) that notifies the existence of the event of default and reserving its rights in respect of such default.

³ Hartshorne obtained debtor-in-possession financing comprising post-petition secured financing of US\$7.431 million from certain of its current senior secured lenders with Tribeca serving as agent.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020
(continued)

11. OTHER FINANCIAL LIABILITIES

| | 2020 US\$000 | 2019 US\$000 |
|--|-----------------|-----------------|
| Current | | |
| Royalty payable ⁽¹⁾ | - | - |
| Lease liabilities | - | - |
| Total other financial liabilities | - | - |

(a) Reconciliation

| | Balance at 1 July 2019 US\$000 | Adoption of AASB 16 US\$000 | Grant of royalty US\$000 | Principle re- payments US\$000 | De- recognition of right-of use-assets US\$000 | Re- classification as held for sale US\$000 | Balance at 30 June 2020 US\$000 |
|--------------------------------|---|--------------------------------------|--------------------------------|---|--|---|--|
| Royalty payable ⁽¹⁾ | - | - | 9,000 | - | - | (9,000) | - |
| Lease liabilities | - | 206 | - | (34) | (172) | - | - |
| Total borrowings | - | 206 | 9,000 | (34) | (172) | (9,000) | - |

Notes:

⁽¹⁾ During the interim period, the Company granted a royalty over the Company's Buck Creek Mining Complex to SP2 Royalty Co, LLC (an entity of which certain funds advised by Tribeca are members) to raise US\$9.0 million (before costs). The key terms of the royalty are 2.0% of gross revenue from all coal leases within the Buck Creek Mining Complex for the life of the mine. At 31 December 2019, the event of default existing under the Term Loan Facility gives SP2 Royalty Co, LLC the right to demand an immediate whole payment of US\$9.0 million.

12. PROVISIONS

| | 2020 US\$000 | 2019 US\$000 |
|--------------------------|-----------------|-----------------|
| Current | | |
| Employee entitlements | - | 193 |
| Total current | - | 193 |
| Non-Current | | |
| Mine rehabilitation | - | 2,708 |
| Total non-current | - | 2,708 |
| Total provisions | - | 2,901 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

(continued)

13. CONTRIBUTED EQUITY

| | Note | 2020 US\$000 | 2019 US\$000 |
|--|-------|-----------------|-----------------|
| Issued capital | | | |
| 632,782,393 fully paid ordinary shares (30 June 2019: 461,251,181) | 13(a) | 109,520 | 104,050 |
| | | 109,520 | 104,050 |

Notes:

¹ Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

(a) Movements in issued capital

| | Thousands of Shares | US\$000 |
|--|------------------------|----------------|
| 2020 | | |
| Opening balance at 1 July 2019 | 461,251 | 104,050 |
| Institutional entitlement offer (September 2019) | 62,405 | 2,106 |
| Entitlement offer (November 2019) | 101,165 | 3,438 |
| Issue of shares to advisors | 7,961 | 271 |
| Share issue costs | - | (345) |
| Closing balance at 30 June 2020 | 632,782 | 109,520 |
| 2019 | | |
| Opening balance at 1 July 2018 | 454,386 | 102,278 |
| Issue of shares to advisors and consultants | 3,030 | 319 |
| Conversion of employee performance rights | 3,835 | 1,465 |
| Share issue costs | - | (16) |
| Share based payment expense | - | 4 |
| Closing balance at 30 June 2019 | 461,251 | 104,050 |

(b) Rights Attaching to Shares

The rights attaching to fully paid ordinary shares ("Shares") arise from a combination of the Company's Constitution, statute and general law.

- (i) *Shares* - The issue of shares in the capital of the Company and options over unissued shares by the Company is under the control of the Directors, subject to the Corporations Act 2001, ASX Listing Rules and any rights attached to any special class of shares.
- (ii) *Meetings of Members* - Directors may call a meeting of members whenever they think fit. Members may call a meeting as provided by the Corporations Act 2001. The Constitution contains provisions prescribing the content requirements of notices of meetings of members and all members are entitled to a notice of meeting. A meeting may be held in two or more places linked together by audio-visual communication devices. A quorum for a meeting of members is two shareholders. The Company holds annual general meetings in accordance with the Corporations Act 2001 and the Listing Rules.
- (iii) *Voting* - Subject to any rights or restrictions at the time being attached to any shares or class of shares of the Company, each member of the Company is entitled to receive notice of, attend and vote at a general meeting. Resolutions of members will be decided by a show of hands unless a poll is demanded. On a show of hands each eligible voter present has one vote. However, where a person present at a general meeting represents personally or by proxy, attorney or representative more than one member, on a show of hands the person is entitled to one vote only despite the number of members the person represents. On a poll, each eligible member has one vote for each fully paid share held and a fraction of a vote for each partly paid share determined by the amount paid up on that share.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020
(continued)

13. CONTRIBUTED EQUITY (continued)

(b) Rights Attaching to Shares (continued)

- (iv) *Changes to the Constitution* - The Company's Constitution can only be amended by a special resolution passed by at least three quarters of the members present and voting at a general meeting of the Company. At least 28 days' written notice specifying the intention to propose the resolution as a special resolution must be given.
- (v) *Listing Rules* - Provided the Company remains admitted to the Official List, then despite anything in its Constitution, no act may be done that is prohibited by the Listing Rules, and authority is given for acts required to be done by the Listing Rules. The Company's Constitution will be deemed to comply with the Listing Rules as amended from time to time.

14. RESERVES

| | Note | 2020 US\$000 | 2019 US\$000 |
|--------------------------------------|-------|-----------------|-----------------|
| Share-based payments reserve | 14(b) | 3,299 | 6,684 |
| Foreign currency translation reserve | | (2,353) | (2,353) |
| | | 946 | 4,331 |

(a) Nature and Purpose of Reserves

- (i) *Share-based payments reserve* - The share-based payments reserve is used to record the fair value of options and rights issued by the Group to officers, employees, consultants, lenders and advisors.
- (ii) *Foreign currency translation reserve* - Exchange differences arising on translation of foreign controlled entities are taken to the foreign currency translation reserve, as described in Note 1(w). The reserve is recognised in profit or loss when the net investment is disposed of.

(b) Movements in share-based payments reserve

| | Thousands of Options | Thousands of Rights | US\$000 |
|--|-------------------------|------------------------|--------------|
| 2020 | | | |
| Opening balance at 1 July 2019 | 42,188 | 16,395 | 6,684 |
| Forfeiture/lapse of performance rights | (2,300) | (11,635) | - |
| Cancellation of lender options | (25,000) | - | - |
| Grant of lender options | 30,000 | - | 292 |
| Reversal of prior share-based payment expense ⁽¹⁾ | - | - | (3,677) |
| Closing balance at 30 June 2020 | 44,888 | 4,760 | 3,299 |
| 2019 | | | |
| Opening balance at 1 July 2018 | 11,944 | 13,630 | 5,356 |
| Grant of employee options/rights | 2,300 | 7,300 | - |
| Grant of lender options | 29,444 | - | 1,505 |
| Conversion of employee performance rights | - | (3,835) | (1,465) |
| Forfeiture/lapse of employee options/performance rights | (1,500) | (700) | (212) |
| Share-based payments expense | - | - | 1,500 |
| Closing balance at June 30, 2019 | 42,188 | 16,395 | 6,684 |

Notes:

- ⁽¹⁾ The Group has recognised a share-based payment benefit of approximately US\$3,677,000 due to the reversal of prior year share-based payment expenses, relating to the forfeiture of certain unvested performance rights and the determination by Directors that certain remaining unvested performance rights previously granted to employees and contractors are considered unlikely to ever ultimately vest.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

(continued)

14. RESERVES (continued)

(c) Terms and Conditions of Options

Unlisted share options ("Options") are granted based upon the following terms and conditions:

- Each Option entitles the holder to the right to subscribe for one Share upon the exercise of each Option;
- The Options have the following exercise prices and expiry dates:
 - 4,444,444 lender Options exercisable at A\$0.60 each on or before April 6, 2021;
 - 4,444,444 lender Options exercisable at A\$0.34 each on or before September 10, 2022;
 - 6,000,000 underwriter Options exercisable at A\$0.33 each on or before June 30, 2021; and
 - 30,000,000 lender Options exercisable at A\$0.06 each on or before February 21, 2024.
- The Options are exercisable at any time prior to the expiry date, subject to vesting conditions being satisfied (if applicable);
- Shares issued on exercise of the Options rank equally with the then Shares of the Company;
- Application will be made by the Company to ASX for official quotation of the Shares issued upon the exercise of the Options;
- If there is any reconstruction of the issued share capital of the Company, the rights of the Option holders may be varied to comply with the ASX Listing Rules which apply to the reconstruction at the time of the reconstruction; and
- No application for quotation of the Options will be made by the Company.

(d) Terms and Conditions of Rights

Unlisted performance rights ("Rights") are granted based upon the following terms and conditions:

- Each Right automatically converts into one Share upon vesting of the Right;
- Each Right is subject to performance conditions (as determined by the Board from time to time) which must be satisfied in order for the Right to vest;
- The Rights have the following expiry dates:
 - 4,760,000 employee Rights subject to the Nameplate Production Milestone expiring on December 31, 2020.
- Shares issued on conversion of the Rights rank equally with the then Shares of the Company;
- Application will be made by the Company to ASX for official quotation of the Shares issued upon conversion of the Rights;
- If there is any reconstruction of the issued share capital of the Company, the rights of the Right holders may be varied to comply with the ASX Listing Rules which apply to the reconstruction at the time of the reconstruction; and
- No application for quotation of the Rights will be made by the Company.

15. ACCUMULATED LOSSES

| | 2020 US\$000 | 2019 US\$000 |
|--|-----------------|-----------------|
| Balance at 1 July | (41,076) | (28,191) |
| Net loss for the year attributable to members of Paringa Resources Limited | (130,181) | (13,097) |
| Effect of adoption of AASB 16 | (14) | - |
| Adjustment to accumulated losses for expired options | - | 212 |
| Balance at 30 June | (171,271) | (41,076) |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

(continued)

16. EARNINGS PER SHARE

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

| | 2020 US\$000 | 2019 US\$000 |
|--|-----------------|-----------------|
| Net profit/(loss) attributable to members of the parent: | | |
| Continuing operations | 2,598 | (2,852) |
| Discontinued operations | (132,779) | (10,245) |
| Net profit/(loss) attributable to members of the parent used in calculating basic and diluted earnings per share | (130,181) | (13,097) |

| | 2020 Thousands of Shares | 2019 Thousands of Shares |
|---|--------------------------------|--------------------------------|
| Weighted average number of Ordinary Shares used in calculating basic and diluted loss per share | 573,698 | 456,480 |

(a) Non-Dilutive Securities

As at balance date, 44,888,888 Options (including 38,888,888 lender options, and 6,000,000 underwriter options) and 4,760,000 employee rights, which together represent 58,248,888 potential Shares (2019: 58,583,888), were considered anti-dilutive as they would decrease the loss per share.

(b) Conversions, Calls, Subscriptions or Issues after 30 June 2020

There have been no conversions to, calls of, subscriptions for, or issues of Shares or potential Shares since the reporting date and before the completion of this financial report.

17. RELATED PARTIES

(a) Subsidiaries

| Name | Country of Incorporation | % Equity Interest | |
|--|-----------------------------|-------------------|------|
| | | 2020 | 2019 |
| Hartshorne Coal Mining Pty Ltd | Australia | 100 | 100 |
| HCM Resources Pty Ltd | Australia | 100 | 100 |
| Hartshorne Holdings LLC ⁽¹⁾ | USA | 100 | 100 |
| Hartshorne Mining Group LLC ⁽¹⁾ | USA | 100 | 100 |
| Hartshorne Mining LLC ⁽¹⁾ | USA | 100 | 100 |
| Hartshorne Land LLC ⁽¹⁾ | USA | 100 | 100 |

Notes:

⁽¹⁾ Refer to Note 25 for details of these discontinued operations.

(b) Ultimate Parent

Paringa Resources Limited is the ultimate parent of the Group.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

(continued)

17. RELATED PARTIES (continued)

(c) Key Management Personnel

The aggregate compensation made to Key Management Personnel of the Group is set out below:

| | 2020 US\$000 | 2019 US\$000 |
|------------------------------|-----------------|-----------------|
| Short-term employee benefits | 1,716 | 1,225 |
| Post-employment benefits | 35 | 33 |
| Termination benefits | 48 | 32 |
| Share-based payments | (2,817) | 1,156 |
| Total compensation | (1,018) | 2,446 |

No loans were provided to or received from Key Management Personnel during the year ended 30 June 2020 (2019: Nil).

Further details relating to Key Management Personnel, including remuneration details and equity holdings, are included in the Remuneration Report.

(d) Transactions with Related Parties

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

18. PARENT ENTITY DISCLOSURES

| | 2020 US\$000 | 2019 US\$000 |
|--|------------------|-----------------|
| (a) Financial Position | | |
| Assets | | |
| Current assets | 86 | 161 |
| Non-current assets | - | 67,639 |
| Total assets | 86 | 67,800 |
| Liabilities | | |
| Current liabilities | 60,891 | 495 |
| Total liabilities | 60,891 | 495 |
| Equity | | |
| Contributed equity | 109,520 | 104,050 |
| Reserves | (2,341) | 1,044 |
| Accumulated losses | (167,984) | (37,789) |
| Total equity | (60,805) | 67,305 |
| (b) Financial Performance | | |
| Profit/(Loss) for the year | (130,195) | (13,097) |
| Other comprehensive income/(loss) | - | - |
| Total comprehensive income/(loss) | (130,195) | (13,097) |

(c) Other information

Refer to Note 23 for details of contingent assets and liabilities.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

(continued)

19. SHARE-BASED PAYMENTS

(a) Recognised Share-based Payment Expense

From time to time, the Group grants shares, options and rights to officers, employees, consultants, lenders, and advisors as part of remuneration and incentive arrangements. The number of shares, options or rights granted, and the terms of the options or rights granted are determined by the Board. Shareholder approval is sought where required.

During the past two years, the following expenses arising from share-based payments have been recognised:

| | 2020 US\$000 | 2019 US\$000 |
|---|-----------------|-----------------|
| Expense arising from equity-settled share-based payment transactions – options and rights ⁽¹⁾ | (292) | (1,500) |
| Reversal of prior year expense arising from equity-settled share-based payment transactions – rights and options ⁽²⁾ | 3,677 | - |
| Expense arising from equity-settled share-based payment transactions – shares ⁽³⁾ | (271) | (4) |
| Net benefit/(expense) arising from equity-settled share-based payment transactions | 3,114 | (1,504) |

Notes:

⁽¹⁾ During fiscal 2020, the Group recognised a share-based payment expense of approximately US\$292,000 relating to 30,000,000 lender options granted as consideration for the provision of the US\$40 million Term Loan Facility from Tribeca (as agent).

⁽²⁾ During fiscal 2020, the Group recognised a share-based payment benefit of approximately US\$3,677,000 due to the reversal of prior year share-based payment expenses, relating to the forfeiture of certain unvested performance rights and the determination by Directors that certain remaining unvested performance rights previously granted to employees and contractors are considered unlikely to ever ultimately vest.

⁽³⁾ During fiscal 2020, the Group recognised a share-based payment expense of approximately US\$271,000 relating to 7,961,079 shares issued to Argonaut Capital Limited for the provision of financial advisory services in connection with the completion of the US\$9 million royalty financing.

(b) Summary of Options and Rights Granted as Share-based Payments

The following table illustrates the number and weighted average exercise prices ("WAEP") of options and rights granted as share-based payments at the beginning and end of the financial year:

| | 2020 Thousands of Options and Rights | 2020 WAEP A\$ | 2019 Thousands of Options and Rights | 2019 WAEP A\$ |
|-------------------------------------|---|---------------------|---|---------------------|
| Outstanding at beginning of year | 58,583 | \$0.21 | 25,574 | \$0.22 |
| Granted during the year | 30,000 | \$0.06 | 39,044 | \$0.19 |
| Forfeited or lapsed during the year | (38,935) | \$0.16 | (2,200) | \$0.38 |
| Exercised/converted during the year | - | - | (3,835) | - |
| Outstanding at end of year | 49,648 | \$0.16 | 58,583 | \$0.21 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020
(continued)

19. SHARE-BASED PAYMENTS (continued)

The following options and rights were granted as share-based payments during the past two years:

| Series | Security Type | Number | Grant Date | Expiry Date | Exercise Price \$ | Grant Date Fair Value \$ |
|-------------|---------------|------------|------------|-------------|-------------------|--------------------------|
| 2020 | | | | | | |
| Series 1 | Options | 30,000,000 | 31-Dec-19 | 21-Feb-24 | A\$0.06 | A\$0.0142 |
| 2019 | | | | | | |
| Series 1 | Rights | 100,000 | 19-Dec-18 | 31-Dec-19 | - | A\$0.192 |
| Series 2 | Rights | 400,000 | 19-Dec-18 | 31-Dec-20 | - | A\$0.192 |
| Series 3 | Rights | 200,000 | 11-Jul-18 | 31-Dec-18 | - | A\$0.217 |
| Series 4 | Rights | 300,000 | 11-Jul-18 | 31-Dec-19 | - | A\$0.217 |
| Series 5 | Rights | 700,000 | 11-Jul-18 | 31-Dec-20 | - | A\$0.217 |
| Series 6 | Rights | 100,000 | 19-Dec-18 | 31-Dec-18 | - | A\$0.192 |
| Series 7 | Rights | 2,500,000 | 10-Dec-18 | 31-Dec-20 | - | A\$0.192 |
| Series 8 | Rights | 3,000,000 | 10-Dec-18 | 31-Dec-21 | - | A\$0.192 |
| Series 9 | Options | 575,000 | 10-Dec-18 | 31-Dec-23 | A\$0.30 | A\$0.074 |
| Series 10 | Options | 575,000 | 10-Dec-18 | 31-Dec-23 | A\$0.40 | A\$0.059 |
| Series 11 | Options | 575,000 | 10-Dec-18 | 31-Dec-23 | A\$0.50 | A\$0.049 |
| Series 12 | Options | 575,000 | 10-Dec-18 | 31-Dec-23 | A\$0.60 | A\$0.041 |
| Series 13 | Options | 4,444,444 | 10-Sep-18 | 10-Sep-22 | A\$0.34 | A\$0.056 |
| Series 14 | Options | 18,000,000 | 30-Apr-19 | 30-Apr-23 | A\$0.20 | A\$0.075 |
| Series 15 | Options | 7,000,000 | 30-Apr-19 | 13-Jun-23 | A\$0.20 | A\$0.076 |

(c) Weighted Average Remaining Contractual Life

At 30 June 2020, the weighted average remaining contractual life of options and rights on issue that had been granted as share-based payments was 3.9 years (2019: 2.8 years).

(d) Range of Exercise Prices

At 30 June 2020, the range of exercise prices of options on issue that had been granted as share-based payments was A\$0.06 to A\$0.60 (2019: A\$0.20 to A\$0.60).

(e) Weighted Average Fair Value

The weighted average fair value of options and rights granted as share-based payments by the Group during the year ended 30 June 2020 was A\$0.09 (2019: A\$0.09).

(f) Option and Performance Share Right Pricing Model

The fair value of employee options and lender options granted is estimated as at the date of grant using the Black-Scholes option valuation model taking into account the terms and conditions upon which the options were granted. The fair value of employee rights granted is estimated as at the date of grant based on the underlying share price (being the volume weighted average share price over the five trading days prior to issuance).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (continued)

19. SHARE-BASED PAYMENTS (continued)

The table below lists the inputs to the valuation model used for share options and performance share rights granted by the Group during the last two years:

| Inputs | 2020 | 2019 | | | | | | |
|------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | Series 1 | Series 1 | Series 2 | Series 3 | Series 4 | Series 5 | Series 6 | Series 7 |
| Exercise price | A\$0.06 | - | - | - | - | - | - | - |
| Grant date share price | A\$0.041 | A\$0.195 | A\$0.195 | A\$0.21 | A\$0.21 | A\$0.21 | A\$0.195 | A\$0.195 |
| Dividend yield ¹ | - | - | - | - | - | - | - | - |
| Volatility ² | - | - | - | - | - | - | - | - |
| Risk-free interest rate | - | - | - | - | - | - | - | - |
| Grant date | 31-Dec-19 | 19-Dec-18 | 19-Dec-18 | 11-Jul-18 | 11-Jul-18 | 11-Jul-18 | 19-Dec-18 | 10-Dec-18 |
| Expiry date | 21-Feb-24 | 31-Dec-19 | 31-Dec-20 | 31-Dec-18 | 31-Dec-19 | 31-Dec-20 | 31-Dec-18 | 31-Dec-20 |
| Expected life (years) ³ | 4.0 | 1.03 | 2.03 | 0.47 | 1.47 | 2.47 | 0.03 | 2.06 |
| Fair value at grant date | A\$0.0142 | A\$0.192 | A\$0.192 | A\$0.217 | A\$0.217 | A\$0.217 | A\$0.192 | A\$0.192 |

| Inputs (continued) | 2019 (continued) | | | | | | | |
|------------------------------------|------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | Series 8 | Series 9 | Series 10 | Series 11 | Series 12 | Series 13 | Series 14 | Series 15 |
| Exercise price | - | A\$0.30 | A\$0.40 | A\$0.50 | A\$0.60 | A\$0.34 | A\$0.20 | A\$0.20 |
| Grant date share price | A\$0.195 | A\$0.195 | A\$0.195 | A\$0.195 | A\$0.195 | A\$0.195 | A\$0.175 | A\$0.175 |
| Dividend yield ¹ | - | - | - | - | - | - | - | - |
| Volatility ² | - | 55% | 55% | 55% | 55% | 55% | 60% | 60% |
| Risk-free interest rate | - | 2.11% | 2.11% | 2.11% | 2.11% | 2.02% | 1.38% | 1.38% |
| Grant date | 10-Dec-18 | 10-Dec-18 | 10-Dec-18 | 10-Dec-18 | 10-Dec-18 | 10-Sep-18 | 30-Apr-19 | 30-Apr-19 |
| Expiry date | 31-Dec-21 | 31-Dec-23 | 31-Dec-23 | 31-Dec-23 | 31-Dec-23 | 10-Sep-22 | 30-Apr-23 | 13-Jun-23 |
| Expected life (years) ³ | 3.06 | 5.06 | 5.06 | 5.06 | 5.06 | 4.00 | 4.00 | 4.12 |
| Fair value at grant date | A\$0.192 | A\$0.074 | A\$0.059 | A\$0.049 | A\$0.041 | A\$0.056 | A\$0.075 | A\$0.076 |

Notes:

¹ The dividend yield reflects the assumption that the current dividend payout will remain unchanged.

² The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

³ The expected life of the options and rights is based on the expiry date of the options or rights.

20. AUDITORS' REMUNERATION

The auditor of Paringa Resources Limited is William Buck.

| | 2020 US\$000 | 2019 US\$000 |
|--|-----------------|-----------------|
| Amounts received or due and receivable by the auditor, William Buck, for: | | |
| • Australian audit or review of the financial report of the entity and any other entity in the Group | 27 | - |
| Amounts received or due and receivable by the previous auditor, Deloitte, for: | | |
| • Australian audit or review of the financial report of the entity and any other entity in the Group | 103 | 89 |
| • United States audit or review of financial statements of the entity and any other entity in the Group in accordance with Public Company Accounting Oversight Board (PCAOB) standards as part of the Company's U.S. listing | - | 87 |
| | 130 | 176 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

(continued)

21. SEGMENT INFORMATION

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Consolidated Entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

During the reporting period, the Consolidated Entity operated in one segment, being mineral exploration and development of mineral resource projects. This is the basis on which internal reports are provided to the Directors for assessing performance and determining the allocation of resources within the Consolidated Entity.

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Overview

The Group's principal financial instruments comprise receivables, payables, loans and borrowings, security deposits, cash and short-term deposits. The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk, commodity price risk and foreign currency risk.

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Other than as disclosed, there have been no significant changes since the previous financial year to the exposure or management of these risks.

The Group manages its exposure to key financial risks in accordance with the Group's financial risk management policy. Key risks are monitored and reviewed as circumstances change and policies are revised as required. The overall objective of the Group's financial risk management policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

Given the nature and size of the business and uncertainty as to the timing and amount of cash inflows and outflows, the Group does not enter into derivative transactions to mitigate the financial risks. In addition, the Group's policy is that no trading in financial instruments shall be undertaken for the purposes of making speculative gains. As the Group's operations change, the Directors will review this policy periodically going forward.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board reviews and agrees policies for managing the Group's financial risks as summarised below.

(b) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This arises principally from cash and cash equivalents, security deposits and trade and other receivables.

There are no significant concentrations of credit risk within the Group. The carrying amount of the Group's financial assets represents the maximum credit risk exposure, as represented below:

| | 2020 US\$000 | 2019 US\$000 |
|------------------------------------|-----------------|-----------------|
| Cash and cash equivalents | 80 | 12,038 |
| Trade and other receivables | - | 834 |
| Other non-current financial assets | - | 1,407 |
| | 80 | 14,279 |

With respect to credit risk arising from cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Where possible, the Group invests its cash and cash equivalents with banks that are rated the equivalent of investment grade and above. The Group's exposure and the credit ratings of its counterparties are monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

(c) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Board's approach to managing liquidity is to ensure, as far as possible, that the Group will always have sufficient liquidity to meet its liabilities when due.

Refer to Note 1(a) "Going Concern" for further details.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

(continued)

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Interest Rate Risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash and short-term deposits with a floating interest rate. These financial assets with variable rates expose the Group to cash flow interest rate risk. All other financial assets and liabilities, in the form of receivables, payables, and fixed interest borrowings are either non-interest bearing or have a fixed interest rate.

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments with variable rates was:

| | 2020 US\$000 | 2019 US\$000 |
|---|-----------------|-----------------|
| Financial assets | | |
| Cash and cash equivalents | 80 | 12,038 |
| Financial liabilities | | |
| Interest-bearing loans and borrowings (floating rate) | - | (35,904) |
| Liabilities held for sale (floating rate) | (45,182) | - |
| Net exposure | (45,102) | (23,866) |

The Group currently does not engage in any hedging or derivative transactions to manage interest rate risk.

Interest rate sensitivity

A sensitivity of 1% (100 basis points) has been selected as this is considered reasonable given the current level of both short term and long-term interest rates. A 1% (100 basis points) movement in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2019.

| | Profit or loss | |
|---|-------------------------------|-------------------------------|
| | + 100 basis points US\$000 | - 100 basis points US\$000 |
| 2020 | | |
| Financial assets | | |
| Cash and cash equivalents | - | - |
| Financial liabilities | | |
| Liabilities held for sale (floating rate) | (452) | 452 |
| | (452) | 452 |
| 2019 | | |
| Financial assets | | |
| Cash and cash equivalents | 119 | (119) |
| Financial liabilities | | |
| Interest-bearing loans and borrowings (floating rate) | (400) | 400 |
| | (281) | 281 |

(e) Commodity Price Risk

The Group's major commodity price exposure is to the price of coal. The price of coal is affected by numerous factors beyond the control of the Group. During fiscal 2020, the Group commenced selling coal product from its Poplar Grove Mine. We currently do not enter into hedging or derivative transactions to manage commodity price risk.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

(continued)

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(f) Fair Value

At 30 June 2020 and 2019 the Group has no material financial assets and liabilities that are measured at fair value on a recurring basis.

All financial assets and financial liabilities of the Group at the reporting date are recorded at amounts approximating their carrying amount. No financial instruments are subsequently carried at fair value.

(g) Capital Management

The Group defines its Capital as total equity of the Group, being negative equity of US\$60.8 million for the year ended 30 June 2020 (2019: US\$67.3 million). The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while financing the development of its projects through primarily debt and equity based funding. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

Refer to Note 1(a) "Going Concern" for further details.

(h) Foreign Currency Risk

Foreign currency risk is the risk that the fair value of future cash flows will fluctuate because of changes in foreign currency exchange rates.

It is the Group's policy not to enter into any hedging or derivative transactions to manage foreign currency risk.

At 30 June 2020, approximately half of the Group's cash reserves were denominated in US\$, being US\$40,070.

At the reporting date, the Group's exposure to financial instruments denominated in foreign currencies arose from the Australian parent entities operations, as follows:

| | 2020 A\$ exposure US\$000 | 2019 A\$ exposure US\$000 |
|------------------------------|---------------------------------|---------------------------------|
| Exposure to A\$ | | |
| Financial assets | | |
| Cash and cash equivalents | 40 | - |
| Trade and other receivables | 6 | 110 |
| Financial liabilities | | |
| Trade and other payables | (92) | (395) |
| Net exposure | (46) | (285) |

Foreign exchange rate sensitivity

At the reporting date, had the A\$ appreciated or depreciated against the US\$, as illustrated in the table below, profit and loss and equity would have been affected by the amounts shown below. This analysis assumes that all other variables remain constant.

| | Profit or loss | |
|-----------------------|-------------------------|-------------------------|
| | 10% Increase US\$000 | 10% Decrease US\$000 |
| 2020 Group | (5) | 5 |
| 2019 Group | (29) | 29 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

(continued)

23. CONTINGENT ASSETS AND LIABILITIES

Contractor dispute

During the year ended 30 June 2018, the Group entered into a fixed price contract with Frontier-Kemper Constructors, Inc. ("Contractor") to construct the initial slope for the Poplar Grove mine and related matters. To-date the Group has paid the Contractor approximately US\$9.9 million, but has disputed several invoices, primarily related to water excavation, concrete backfilling, and, pursuant to the terms of the contract, the quantum of liquidated damages to be paid by the Contractor to the Group as a result of construction delays. During the year ended 30 June 2020, the Contractor filed a claim for arbitration pursuant to the terms of the contract and initially claimed that it is owed approximately US\$2.6 million. Subsequent to 30 June 2020, the Contractor amended its claim to approximately US\$4.7 million. At 30 June 2020, retainage of approximately US\$1.1 million has been recognised as a liability in the Group's financial statements as a liability held for sale, being the amount specified in the contract that has been withheld from payments to the Contractor to ensure that the Contractor satisfies its obligations. The Group will pursue resolution of the arbitration and believes that it is not probable that the claim by the Contractor will be successful and accordingly, other than the retainage of US\$1.1 million, no provision for any liability has been recognised in the financial statements.

Parent entity disclosures

The parent entity, Paringa Resources Limited, has guaranteed to an unrelated party, Tribeca (as agent), the performance of its subsidiary, Hartshorne, a US\$40.0 million term loan facility payable to Tribeca (as agent) ("Term Loan Facility") and a US\$9.0 million royalty payable to SP2 Royalty Co, LLC ("SP2") (an entity of which certain funds advised by Tribeca are members) ("Royalty"). The effect of the guarantee is that Paringa Resources Limited has guaranteed to pay any outstanding amounts if Hartshorne does not meet their obligations under the terms of Term Loan Facility and related finance documents. In February 2020, Hartshorne and its U.S. affiliates filed voluntary Chapter 11 petitions in the United States Bankruptcy Court and in February 2021 the Bankruptcy Court confirmed Hartshorne's plan of liquidation. On 23 February 2021, Hartshorne executed a liquidation trust agreement and transferred its remaining assets and liabilities to a liquidation trust. The Hartshorne entities were dissolved on the effective date. Subsequently, the Company has entered into a deed of release ("Deed of Release") with the Group's secured lenders (the "Tribeca Parties"), whereby the Group's secured lenders will release Paringa from all obligations and liabilities as parent company guarantor to Hartshorne's Term Loan Facility and related finance documents. Tribeca have entered into the Deed of Release in return for being issued 35.0 million shares and 20.0 million options (10.0 million exercisable at \$0.07 each and 10.0 million exercisable at \$0.09 each, expiring 5 years from date of issue) in the Company on a post Share Consolidation basis, subject to shareholder approval. The Deed of Release remains conditional upon completion of the Share Consolidation and Capital Raising, the appointment of two directors nominated by the Tribeca Parties to the Board of Directors of Paringa, and issue of the Consideration Securities to the Tribeca Parties.

24. COMMITMENTS

Management have identified the following material commitments for the consolidated group as at 30 June 2020 and 30 June 2019:

| | Payable within 1 year US\$000 | Payable later than 1 year within 5 years US\$000 | Total US\$000 |
|-----------------------------|--|--|------------------|
| 2020 | | | |
| Operating lease commitments | - | - | - |
| 2019 | | | |
| Operating lease commitments | 258 | 336 | 594 |

(a) Operating lease commitments

Operating lease commitments include contracts for leased equipment. These lease commitments were a part of the discontinued operations, see Note 25 for details.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

(continued)

25. DISCONTINUED OPERATIONS

During the financial year, in February 2020, the Company's wholly owned subsidiary, Hartshorne, and its U.S. affiliates, filed voluntary Chapter 11 petitions in the United States Bankruptcy Court to facilitate a sale of its operating Poplar Grove coal mine, undeveloped Cypress coal project and other business assets. Despite the Group's best efforts, the marketing and auction process for Hartshorne's assets was not successful. In June 2020, Hartshorne filed a notice that it did not designate a stalking horse bidder, did not receive any qualified bids for their assets by the bid deadline and, in accordance with Hartshorne's rights under the Bankruptcy Court-approved bidding procedures, Hartshorne cancelled the auction.

Subsequent to the end of the financial year, in September 2020, Hartshorne filed a proposed plan of liquidation, disclosure statement, and proposed plan solicitation procedures motion for the expedited wind down of their estates. In February 2021, the Bankruptcy Court confirmed the plan of liquidation and, on 23 February 2021, the plan became effective. On the effective date, Hartshorne executed a liquidation trust agreement and transferred its remaining assets and liabilities to a liquidation trust, as well as assigning remaining critical contracts and insurance policies. Hartshorne funded the carve-out escrow with the majority of Hartshorne's cash-on-hand and transferred any remaining cash to the liquidation trust. The Hartshorne entities were dissolved on the effective date. The remaining assets will be liquidated by the trustee over time.

Hartshorne has been classified as a discontinued operation and held-for-sale.

(a) Results of discontinued operations

The results of Hartshorne for the year are presented below. The comparative consolidated statement of profit or loss and other comprehensive income has been re-presented to show the discontinued operation separately from continuing operations.

| | Note | 2020 US\$000 | 2019 US\$000 |
|--|------|------------------|-----------------|
| Discontinued operations | | | |
| Cost of sales, net of coal sales | | (1,562) | - |
| Corporate and administrative expenses | | (8,206) | (620) |
| Employment expenses | | (3,726) | (3,319) |
| Business development expenses | | (168) | (268) |
| Finance income | | 60 | 174 |
| Finance expenses | | (5,839) | (558) |
| Loss on disposal of assets held for sale | | (155) | (24) |
| Other income | | 927 | 9 |
| Gain on de-recognition of right-of-use assets | | 18 | - |
| Write-off of advance payments for equipment | | (191) | - |
| Amortisation of borrowing costs | | - | (3,570) |
| Depreciation and amortisation charges | | (3,986) | (1,524) |
| Impairment of property, plant and equipment | | (102,172) | (545) |
| Write-off of capitalised borrowing costs | | (4,096) | - |
| Write-off of advance royalties | | (3,282) | - |
| Write-down of inventories | | (401) | - |
| Loss before tax from discontinued operations | | (132,779) | (10,245) |
| Income tax expense | | - | - |
| Loss for the year from discontinued operations | | (132,779) | (10,245) |
| Loss for the year from discontinued operations attributable to members of Paringa Resources Limited | | (132,779) | (10,245) |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020
(continued)

25. DISCONTINUED OPERATIONS (continued)

(b) Cash flows from discontinued operations

| | Note | 2020 US\$000 | 2019 US\$000 |
|---|------|-----------------|-----------------|
| Net cash used in operating activities | | (12,047) | (6,156) |
| Net cash used in investing activities | | (14,813) | (64,917) |
| Net cash from financing activities | | 14,012 | 80,597 |
| Net cash flows for the year from discontinued operations | | (12,848) | 9,524 |

(c) Assets and liabilities of the disposal group held for sale

At 30 June 2020, the disposal group was stated at fair value less costs to sell and comprised of the following assets and liabilities.

| | US\$000 |
|----------------------------------|---------------|
| Property, plant and equipment | 29,954 |
| Cash and cash equivalents | 3,577 |
| Trade and other receivables | 1,355 |
| Other assets | 3,413 |
| Inventories | 610 |
| Assets held for sale | 38,909 |
| Trade and other payables | 19,631 |
| Loans and borrowings | 68,522 |
| Other financial liabilities | 9,000 |
| Provision for rehabilitation | 2,472 |
| Liabilities held for sale | 99,625 |

(d) Impairment losses relating to the disposal group

Impairment losses of approximately US\$102.2 million for write-downs of the disposal group to the lower of its carrying amount and its fair value less costs to sell have been incurred. The impairment losses have been applied to reduce the carrying amount of property, plant and equipment within the disposal group.

(e) Cumulative income or expenses included in OCI

There are no cumulative income or expenses included in OCI relating to the disposal group.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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(continued)

26. EVENTS SUBSEQUENT TO BALANCE DATE

- (i) On 17 August 2020, Hartshorne requested authority from the Bankruptcy Court to sell its dock site equipment, raw coal stacker, and clean coal stacker located in McLean County, Kentucky to Castlen Marine, LLC for an aggregate cash consideration of US\$435,000. On 10 September 2020, the Bankruptcy Court approved the sale. Hartshorne is continuing to dispose of its remaining assets pursuant to the Sale Procedures and via private sale motions to the extent such sales exceed US\$250,000;
- (ii) On 28 September 2020, Hartshorne filed their proposed plan of liquidation, disclosure statement, and proposed plan solicitation procedures motion for the expedited wind down of their estates. The proposed plan of liquidation sets forth the manner in which Hartshorne will complete its wind down through a liquidation trust. On 5 October 2020, the Bankruptcy Court approved the solicitation procedures and conditionally approved the disclosure statement. Hartshorne has begun the process of soliciting votes to accept or reject the plan of liquidation. A hearing to consider confirmation of the plan of liquidation and seek related relief has been scheduled for 9 November 2020;
- (iii) On 2 December 2020, the Bankruptcy Court approved the sale of: (a) certain coal washing structures and material handling structures, and all related assets located in McLean County, Kentucky; (b) Hartshorne's cash and other assets pledged as collateral for its reclamation and similar obligations, to the extent such cash or other assets are released to Hartshorne; (c) all cash or other funds held, deposited, or otherwise retained in connection with Hartshorne's workers' compensation insurance policies, to the extent such cash or other funds are released to Hartshorne; and (d) any claims of Hartshorne under chapter 5 of the Bankruptcy Code to Frozen Star Holdings II LLC ("Frozen Star"), an affiliate of Hartshorne's prepetition and postpetition secured financier, Tribeca (as agent), for an aggregate credit bid consideration of US\$4.5 million;
- (iv) On 29 December 2020, Hartshorne conducted a public auction for six tracts of real property (the "Real Property"). On 3 January 2021, Hartshorne notified the auction results, which included three sales totalling approximately 94.2 acres for an aggregate sale price of US\$507,310. No further Bankruptcy Court approval is required for the three sales to close;
- (v) On 29 January 2021, the Company announced that it had applied for an exploration licence in the Pilbara region of Western Australia considered prospective for gold and copper. The exploration licence (application pending) covers approximately 115 km² and is located in the north western extension of the Proterozoic Capricorn Orogen where nearby 1990's historic exploration identified the potential for Proterozoic banded iron formation ("BIF") hosted gold and iron oxide copper-gold mineralisation;
- (vi) On 17 February 2021, the Bankruptcy Court confirmed the plan of liquidation and, on 23 February 2021, the plan of liquidation became effective. On 23 February 2021, Hartshorne executed a liquidation trust agreement and transferred its remaining assets and liabilities to a liquidation trust to be liquidated by the trustee over time, as well as assigning remaining critical contracts and insurance policies. The Hartshorne entities were dissolved on 23 February 2021; and
- (vii) On 26 February 2021, the Company announced that Mr Gregory Swan had been appointed as a Director of the Company following the resignations of Messrs David Gay, Jonathan Hjelte, Richard McCormick and Thomas Todd. Messrs Ian Middlemas and Todd Hannigan remain as Directors of the Company;
- (viii) On 8 April 2021, the Company announced that William Buck Audit (WA) Pty Ltd had been appointed as auditor of the Company, following the resignation of Deloitte Touche Tohmatsu ("Deloitte") and ASIC's consent to the resignation in accordance with s329(5) of the Corporations Act 2001;
- (ix) On 9 September 2021, the Company accepted an offer from Arredo Pty Ltd, a company associated with Mr Ian Middlemas, to provide a \$400,000 loan facility to the Company to provide working capital to facilitate the Company's shares being reinstated to trading on the ASX. The loan is unsecured, interest-free, and repayable at call; and
- (x) On 30 September 2021, the Company announced that it would seek shareholder approval to undertake a share consolidation and capital raising to recapitalise the Company and to facilitate its shares being reinstated to trading on the Australian Securities Exchange ("ASX"). The Company will also make several Board changes and seek approval to change its name to 'GCX Metals Limited'. The Company has also entered into an agreement to increase its gold-copper footprint in the Pilbara region of Western Australia by acquiring an 80% interest in granted exploration license E08/3197 located adjacent to the Company's Onslow Gold Project ("Acquisition"). The ASX has confirmed that the Company's shares will be reinstated to trading on the ASX, subject to satisfying a number of conditions, including shareholder approval and raising additional funds to pursue the exploration of the Onslow Gold Project.

Other than the above, at the date of this report, there are no matters or circumstances, which have arisen since 30 June 2020 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2020, of the Group;
- the results of those operations, in financial years subsequent to 30 June 2020, of the Group; or
- the state of affairs, in financial years subsequent to 30 June 2020, of the Group.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Paringa Resources Limited:

1. In the opinion of the Directors:
 - (a) the attached financial statements, notes and the additional disclosures included in the Directors' report designated as audited, are in accordance with the Corporations Act 2001, including:
 - (i) section 296 (compliance with accounting standards and Corporations Regulations 2001); and
 - (ii) section 297 (gives a true and fair view of the financial position as at 30 June 2020 and of the performance for the year ended on that date of the consolidated group); and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1(a) to the financial statements.
3. The Directors have been given a declaration required by section 295A of the Corporations Act 2001 for the financial year ended 30 June 2020.

On behalf of the Board



GREG SWAN
Director

25 February 2022

Paringa Resources Limited

Independent auditor's report to members

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Paringa Resources Limited (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

ACCOUNTANTS & ADVISORS

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Paringa Resources Limited

Independent auditor's report to members

Material Uncertainty Related to Going Concern

We draw attention to Note 1(a) of the financial statements which indicates that the Group incurred a net loss of US\$130.2 million for the year ended 30 June 2020 and as at 30 June 2020 has net liabilities of US\$60.8 million. As stated in Note 1(a), these events or conditions, along with other matters set forth in Note 1(a), indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. This matter was addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Sale of United States coal project, liquidation of Hartshorne Holdings, LLC and impairment assessment | |
|---|--|
| Area of focus Refer also to Directors' Report page 5 to 8, 11 and 12, notes 1(t), 1(aa), 1(bb), 5 to 12, 25 and 26. | How our audit addressed it |
| <p>In February 2020, the Company's wholly owned subsidiary, Hartshorne Holdings, LLC ("Hartshorne") and its U.S. affiliates, filed for voluntary Chapter 11 in the U.S. Bankruptcy Court for the Western District of Kentucky to facilitate the sale of its operating Poplar Grove coal mine, undeveloped Cypress coal project and other business assets.</p> <p>The net loss of the Group for the year ended 30 June 2020 was US\$130.2 million (2019: US\$13.1 million). The major item contributing to the financial loss was impairment losses of US\$102.2 million in respect of the Poplar Grove mine.</p> <p>At 30 June 2020, the disposal group was stated at fair value less costs to sell and the following were written off:</p> <ul style="list-style-type: none"> - The Group has written-off all capitalised borrowing costs at 30 June 2020 on the basis that there is no reasonable expectation of recovery following Hartshorne deferring payment of approximately US\$1.5 million under the Terms Loan Facility. - The Group has written-off all advance royalties at 30 June 2020 on the basis that there is no reasonable expectation | <p>Our procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> - Reviewed the signed agreements and deeds in relation to the liquidation of Hartshorne, royalties and the term loan facilities. - Considered and assessed the appropriateness of management's identification of the indicators for impairment. - Held discussions with management to understand the basis for assumptions applied to the recoverable amounts of inventories, mine development properties and plant and equipment. - Tested on a sample basis, the accuracy and carrying values of the inventories, mine development properties, and plant and equipment at 30 June 2020 by agreeing to subsequent sales invoices. - Reviewed the ASX announcements and Meeting Minutes. - Examined the appropriateness of the presentation and disclosures made in the financial report for the year ended 30 June 2020. |

Paringa Resources Limited

Independent auditor's report to members

| | |
|--|--|
| <p>of recovery following the operational and technical challenges at the Poplar Grove mine that resulted in production levels failing to reach expected volumes.</p> <ul style="list-style-type: none">- The Group has written-down its consumables and spares inventories at 30 June 2020 to their net realisable value on the basis that the consumables and spares are for use in the production of coal inventories whose cost exceeds net realisable value.- The Group has written-off and reassessed the carrying value of its mine development properties and plant and equipment. <p>The recoverable amount of mine development properties and plant and equipment was based on management's estimates of fair value less costs of disposal, represented by the estimated net sales proceeds from the sale of assets pursuant to the Chapter 11 bankruptcy.</p> <p>Furthermore, significant auditor attention was required regarding the presentation and disclosures required per the Australian Accounting Standards in relation to the above events.</p> | |
|--|--|

Other Information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for

Paringa Resources Limited

Independent auditor's report to members

such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our independent auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 14 to 19 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Paringa Resources Limited, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

A stylized, handwritten-style signature of 'William Buck' in black ink.

William Buck Audit (WA) Pty Ltd
ABN 67 125 012 124

A stylized, handwritten-style signature of 'CM' in black ink.

Conley Manifis
Director
Dated this 25th day of February 2022

CORPORATE GOVERNANCE

Paringa Resources Limited (“**Company**” or “**Paringa**”) and the entities it controls believe corporate governance is important for the Company in conducting its business activities.

The Board of Paringa has adopted a suite of charters and key corporate governance documents which articulate the policies and procedures followed by the Company. These documents are available in the Corporate Governance section of the Company’s website, www.paringaresources.com. These documents are reviewed at least annually to address any changes in governance practices and the law.

The Company’s 2020 Corporate Governance Statement, which explains how Paringa complies with the ASX Corporate Governance Council’s ‘*Corporate Governance Principles and Recommendations – 3rd Edition*’ (“**ASX Principles and Recommendations**”) in relation to the year ended 30 June 2020, is available in the Corporate Governance section of the Company’s website, www.paringaresources.com, and will be lodged with ASX together with an Appendix 4G at the same time that this Annual Report is lodged with ASX.

In addition to the ASX Principles and Recommendations, the Board has taken into account a number of important factors in determining its corporate governance policies and procedures, including the:

- relatively simple operations of the Company, which is focussed on production from a single coal property;
- cost verses benefit of additional corporate governance requirements or processes;
- Board’s experience in the relevant sector;
- organisational reporting structure and limited number of reporting functions, divisions and employees;
- relatively simple financial affairs with limited complexity and quantum;
- relatively moderate market capitalisation; and
- direct shareholder feedback.

MINERAL RESOURCES AND ORE RESERVES STATEMENT

1. COAL RESOURCES

The Company's Coal Resources (inclusive of the Company's Coal Reserves) as at 30 June 2020 and 2019, reported in accordance with the 2012 Edition of the JORC Code, are as follows:

| Buck Creek Complex Coal Resources as at 30 June 2020 | | | | | Buck Creek Complex Coal Resources as at 30 June 2019 | | | | |
|---|--------------------|---------------------------|----------|------------|---|--------------------|---------------------------|-------------|-------------|
| Category | Coal Resource (Mt) | Calorific Value* (Btu/lb) | Ash* (%) | Yield* (%) | Category | Coal Resource (Mt) | Calorific Value* (Btu/lb) | Ash* (%) | Yield* (%) |
| Measured | - | - | - | - | Measured | 103.0 | 11,945 | 8.52 | 90.9 |
| Indicated | - | - | - | - | Indicated | 227.3 | 11,945 | 8.52 | 90.9 |
| Inferred | - | - | - | - | Inferred | - | - | - | - |
| Total | - | - | - | - | Total | 330.3 | 11,945 | 8.52 | 90.9 |

* Coal quality specifications include an addition of 4% moisture to the equilibrium moisture which is intended to represent the true moisture of a saleable product (to approximate the as received basis).

As a result of the annual review of the Company's Coal Resources it has withdrawn the Coal Resource previously reported for the Buck Creek Complex, due to the Company's wholly owned subsidiary, Hartshorne, and its U.S. affiliates, filing voluntary Chapter 11 petitions in the United States Bankruptcy Court during the financial year and the subsequent dissolution of Hartshorne, and its U.S. affiliates, after the end of the financial year.

2. COAL RESERVES

The Company's Coal Reserves as at 30 June 2020 and 2019, reported in accordance with the 2012 Edition of the JORC Code, are as follows:

| Buck Creek Complex Coal Reserves as at 30 June 2020 | | | | Buck Creek Complex Coal Reserves as at 30 June 2019 | | | |
|--|--------------------------------|------------------------------|-------------------|--|--------------------------------|------------------------------|-------------------|
| Category | Recoverable* Coal Reserve (Mt) | Marketable Coal Reserve (Mt) | Product Yield (%) | Category | Recoverable* Coal Reserve (Mt) | Marketable Coal Reserve (Mt) | Product Yield (%) |
| Proven | - | - | - | Proven | 44.3 | 33.9 | 76.54 |
| Probable | - | - | - | Probable | 91.4 | 70.0 | 76.54 |
| Total | - | - | - | Total | 135.7 | 103.9 | 76.54 |

* Includes dilution.

As a result of the annual review of the Company's Coal Reserves, it has withdrawn the Coal Reserve previously reported for the Buck Creek Complex, due to the Company's wholly owned subsidiary, Hartshorne, and its U.S. affiliates, filing voluntary Chapter 11 petitions in the United States Bankruptcy Court during the financial year and the subsequent dissolution of Hartshorne, and its U.S. affiliates, after the end of the financial year.

3. GOVERNANCE OF RESOURCES AND RESERVES

The Company engages external consultants and competent persons (as determined pursuant to the JORC Code) to prepare and calculate estimates of its Coal Resources and Coal Reserves. Management and the Board review these estimates and underlying assumptions for reasonableness and accuracy. The results of the Coal Resource and Coal Reserve estimates are then reported in accordance with the requirements of the JORC Code and other applicable rules (including ASX Listing Rules).

Where material changes occur during the year to a project, including the project's size, title, exploration results or other technical information, then previous Coal Resource and Coal Reserve estimates and market disclosures are reviewed for completeness. The Company reviews its Coal Resources and Coal Reserves as at June 30, each year. Where a material change has occurred in the assumptions or data used in previously reported Coal Resources or Coal Reserves, then where possible a revised Coal Resource or Coal Reserve estimate will be prepared as part of the annual review process. However, there are circumstances where this may not be possible (e.g. an ongoing drilling program), in which case a revised Coal Resource or Coal Reserve estimate will be prepared and reported as soon as practicable.

1. TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest shareholders as at January 31, 2022 are listed below:

| Name | Number of Ordinary Shares | Percentage of Ordinary Shares |
|---|---------------------------|-------------------------------|
| HSBC CUSTODY NOMINEES <AUSTRALIA> LIMITED | 129,998,965 | 20.54 |
| J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 87,198,401 | 13.78 |
| CITICORP NOMINEES PTY LIMITED | 80,814,183 | 12.77 |
| ARREDO PTY LTD | 16,800,000 | 2.65 |
| SILVER LAKE RESOURCES LIMITED | 15,102,663 | 2.39 |
| BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP> | 9,058,246 | 1.43 |
| MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED | 8,339,884 | 1.32 |
| ARGONAUT PCF LIMITED | 7,500,000 | 1.19 |
| AWJ FAMILY PTY LTD <A W JOHNSON FAMILY A/C> | 7,263,873 | 1.15 |
| BOUCHI PTY LTD | 7,243,181 | 1.14 |
| JAMAX HOLDINGS PTY LTD | 7,000,000 | 1.11 |
| LEAVER TRADING PTY LTD | 6,389,550 | 1.01 |
| HAWKES BAY NOMINEES LIMITED <WILLIAMS FAMILY NO 2 A/C> | 6,176,081 | 0.98 |
| TLG TRADING PTY LTD | 5,945,239 | 0.94 |
| NORFOLK ENCHANTS PTY LTD <TROJAN RETIREMENT FUND A/C> | 5,500,000 | 0.87 |
| WESTBLOCK SERVICES PTY LTD <WESTBLOCK INVESTMENT A/C> | 5,200,001 | 0.82 |
| ENERVIEW PTY LTD | 5,120,001 | 0.81 |
| ARGONAUT SECURITIES (NOMINEES) PTY LTD <ASPL CLIENT NO 6 A/C> | 4,819,441 | 0.76 |
| SILVER LAKE RESOURCES LIMITED | 4,764,683 | 0.75 |
| JETOSEA PTY LTD | 4,029,406 | 0.64 |
| Total Top 20 | 424,263,798 | 67.05 |
| Others | 208,518,595 | 32.95 |
| Total Ordinary Shares on Issue | 632,782,393 | 100 |

2. DISTRIBUTION OF EQUITY SECURITIES

An analysis of numbers of holders of listed securities by size of holding as at January 31, 2022 is listed below:

| Distribution | Ordinary Shares | |
|------------------|------------------------|---------------------------|
| | Number of Shareholders | Number of Ordinary Shares |
| 1 - 1,000 | 30 | 4,734 |
| 1,001 - 5,000 | 88 | 273,960 |
| 5,001 - 10,000 | 131 | 1,053,000 |
| 10,001 - 100,000 | 515 | 20,590,868 |
| 100,001 Over | 339 | 610,859,831 |
| Totals | 1,103 | 632,782,393 |

There were 282 holders of less than a marketable parcel of Ordinary Shares.

3. VOTING RIGHTS

See Note 13(b) of the Notes to the Financial Statements.

4. SUBSTANTIAL SHAREHOLDERS

Substantial shareholder notices have been received from the following at 31 January 2022:

| Substantial Holder | Number of Ordinary Shares |
|---|---------------------------|
| The Bank of New York Mellon Corporation and each group entity | 115,667,350 |
| Australian Super Pty Ltd | 91,701,520 |
| Mitsubishi UFJ Financial Group, Inc. and associates | 68,246,170 |

5. UNQUOTED SECURITIES

The names of the security holders holding 20% or more of an unlisted class of security at January 31, 2022, other than those securities issued or acquired under an employee incentive scheme, are listed below:

| Holder | \$0.06 Unlisted Options Expiring 21-Feb-24 | \$0.34 Lender Options Expiring 10-Sep-22 |
|---|--|--|
| J P Morgan Nominees Australia Pty Limited | 21,510,000 | - |
| UBS Nominees Pty Ltd | 8,490,000 | - |
| Macquarie Bank Limited | - | 4,444,444 |
| Total | 30,000,000 | 4,444,444 |
| <i>Total holders</i> | 2 | 1 |

6. ON-MARKET BUY BACK

There is currently no on-market buyback program for any of Paringa Resources Limited's listed securities.

7. INTERESTS IN MINING PROPERTIES

As at 31 January 2022, the Company holds an interest in the following exploration tenements:

| Project Name | Permit Number | Percentage Interest | Status |
|---|---------------|---------------------|---------|
| Onslow gold project (Western Australia) | E08/3311 | 100% | Granted |

8. FORWARD LOOKING STATEMENTS

This report 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.

9. COMPETENT PERSONS STATEMENT

The information in this report that relates to exploration results for the Onslow gold project is based on, and fairly represents, information compiled by Mr Peter Woodman, a Competent Person who is a member Australian Institute of Mining and Metallurgy. Mr Woodman is a consultant to Paringa Resources Limited. Mr Woodman 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 Woodman consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.