PARINGA RESOURCES LIMITED

Interim Financial Report for the Half-Year Ended 31 December 2015

ABN 44 155 933 010

CORPORATE DIRECTORY

DIRECTORS:

Mr Ian Middlemas – Chairman
Mr David Gay – President & CEO
Mr Anastasios Arima – Executive Director
Mr Jonathan Hjelte – Non-Executive Director
Mr David Griffiths – Non-Executive Director
Mr Todd Hannigan – Non-Executive Director
Mr Thomas Todd – Alternate Director

COMPANY SECRETARY:

Mr Gregory Swan – Company Secretary

OFFICES:

Head Office:
Suite B, 6724 East Morgan Avenue
Evansville IN 47715
UNITED STATES
Tel: +1 812 406 4400

New York Office:
3rd Floor, 6 East 46th Street
New York NY 10017
UNITED STATES
Tel: +1 347 577 9497

Registered Office:
Level 9, 28 The Esplanade
Perth WA 6000
AUSTRALIA
Tel: +61 8 9322 6322

STOCK EXCHANGE LISTINGS:

United States:
OTCQX® Best Market (OTCQX Code: **PNGZF**)

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

SHARE REGISTRIES:

United States:
Computershare Investor Services
211 Quality Circle, Suite 210
College Station TX 77845
UNITED STATES
Tel: +1 781 575 4247

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

LAWYERS:

United States:
Frost Brown Todd Attorneys
Baker & McKenzie

Australia:
DLA Piper Australia

BANKERS:

United States:
Old National Bank

Australia:
Australian and New Zealand Banking Group Limited

AUDITOR:

Deloitte Touche Tohmatsu

WEBSITE:

www.paringaresources.com

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DIRECTORS' REPORT

The Directors of Paringa Resources Limited present their report on the Consolidated Entity consisting of Paringa Resources Limited ("**Company**" or "**Paringa**") and the entities it controlled during the half-year ended 31 December 2015 ("**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 half-year are as follows:

Current directors

Mr Ian Middlemas	Chairman
Mr David Gay	President, Chief Executive Officer and Managing Director
Mr Anastasios Arima	Executive Director
Mr David Griffiths	Non-Executive Director
Mr Todd Hannigan	Non-Executive Director
Mr Jonathan Hjelte	Non-Executive Director (*appointed 11 January 2016*)

Alternate and former directors

Mr Thomas Todd	Alternate Director
Mr David Chapman	Non-Executive Director (*resigned 11 January 2016*)

Unless otherwise shown, all Directors were in office from the beginning of the half-year until the date of this report.

OPERATING AND FINANCIAL REVIEW

Operations

During the half-year, the Company continued to focus on progressing the Buck Creek coal mining complex ("**Buck Creek Mine Complex**" or "**Project**"), an advanced coal project located in the Western Kentucky region of the growing Illinois Coal Basin ("**ILB**") which is one of the most prolific coal producing regions in the United States.

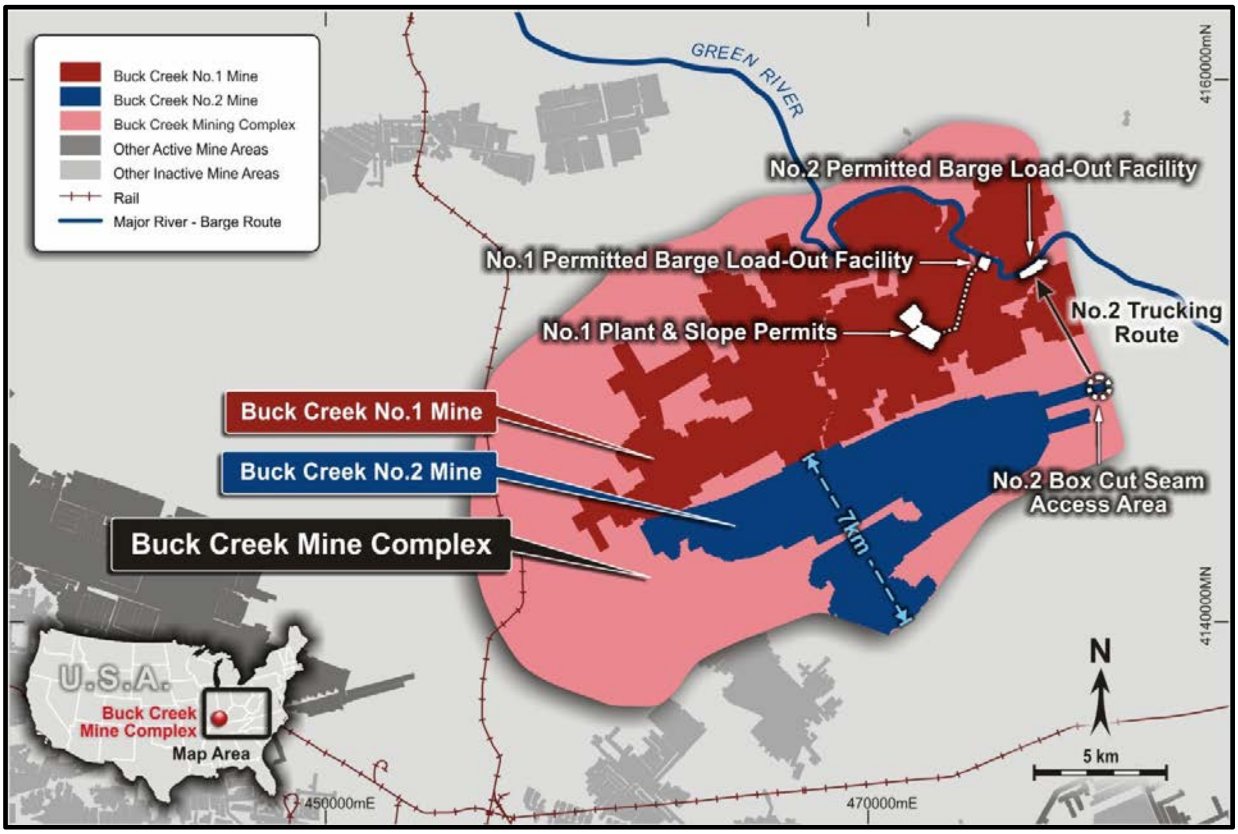

Figure 1: Buck Creek Mine Complex

DIRECTORS' REPORT (Continued)

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Highlights

Highlights during, and since the end of, the half year include:

(i) Emergence of the Buck Creek No.2 Mine has transformed the economics of the Buck Creek Mine Complex and a new staged development strategy will ultimately allow Paringa to become a 5.6 Mtpa supplier of high quality coal into the growing Eastern US power market, with capex to initial production of only US$44 million;

(ii) Execution of a cornerstone coal sales agreement with LG&E and KU, two of the largest fuel buyers within the Company's initial target Ohio River Market, with future contracted coal sales totalling US$220 million over a 7-year contract period;

(iii) Completion of a Scoping Study which confirmed that the Buck Creek No.2 Mine will be a high margin 1.8 million tons per annum ("Mtpa") mine with extremely low capex of only US$44 million due to favourable geology and shallow depth of coal seam from surface at the proposed No.2 Mine site;

(iv) Completion of a Bankable Feasibility Study which confirmed that Buck Creek No.1 Mine will be a high margin 3.8 Mtpa mine and will generate average earnings before interest, taxes, depreciation, and amortization ("EBITDA") of over US$87 million per annum, even at current depressed coal prices;

(v) Completion of a share placement of 15 million shares to US institutional investors and Australian and New Zealand institutional and sophisticated investors to raise gross proceeds of A$5.1 million;

(vi) Paringa's ordinary shares commenced trading in the United States on the OTCQX® Best Market under the symbol "PNGZF", enabling new and existing US investors to trade Paringa's ordinary shares in US dollars; and

(vii) Appointment of highly respected New York-based fund manager, Mr Jonathan Hjelte, as a Non-Executive Director of Paringa. Mr Hjelte has extensive experience in investment and portfolio management specializing in the mining, utilities, and energy sectors at some of the most notable investment funds in New York.

Buck Creek Mine Complex

The Buck Creek Mine Complex is located in the Western Kentucky region of the ILB which is one of the most prolific coal producing regions in the United States. Paringa controls approximately 35,000 gross acres of coal leases within an area of interest of approximately 72,000 acres. The Buck Creek Mine Complex has a JORC Measured and Indicated Coal Resource Estimate ("CRE") of 224 million tons of high quality thermal coal.

Buck Creek Mine Complex: Coal Resource Estimate (Mt)					Product Quality (+4% Eq. Moisture)		
Measured	Indicated	**Total Measured & Indicated**	Inferred	Total	Calorific Value	Ash	Yield
60.5	163.6	**224.1**	0.7	224.8	11,893 Btu/lb	8.4%	92.9%

The Buck Creek Mine Complex is one of the few remaining contiguous high quality thermal coal projects within the Western Kentucky No. 9 ("WK No. 9") seam that is not controlled by one of the major United States coal companies. It offers one of the highest quality, highest heating value products in the ILB. The WK No. 9 is now the second largest producer of coal in the United States by coal seam.

Based on results of the recently completed Scoping Study, the No.2 Mine will be an extremely low capex development with total initial capital cost of only US$44 million due to the shallow depth of the WK No.9 coal seam from the surface at the proposed mine site and coal seam access area.

The emergence of the No.2 Mine has transformed the economics of the Buck Creek Mine Complex and Paringa will now look to develop the No.2 Mine first, followed by the No.1 Mine, as part of a staged multi-project development strategy to become a strategic 5.6 Mtpa supplier of high quality coal into the growing Eastern US power market, with capex to initial production of only US$44 million.

Buck Creek Mine Complex: Key Metrics	No.2 Mine (Scoping Study)	No.1 Mine (Bankable Feasibility Study)
Average Annual Production	1.8 Mtpa	3.8 Mtpa
Mine Life	20 years	18 years
"All-in" Opex (FOB Barge Green River)	US$32.94 per ton	US$29.34 per ton
Average Annual EBITDA (steady-state production)	US$33 million	US$88 million

DIRECTORS' REPORT (Continued)

OPERATING AND FINANCIAL REVIEW (Continued)

Results of Operations

The Group recorded a consolidated operating loss before tax of A$3,418,932 (31 December 2014: A$2,703,569) for the half-year ended 31 December 2015. This result is largely attributable to:

(i) Exploration and evaluation expenses of A$2,239,429 (31 December 2014: A$1,963,746), which is attributable to the Group's accounting policy of expensing exploration and evaluation expenditure incurred by the Group subsequent to the acquisition of the rights to explore and up to the successful completion of definitive feasibility studies for each separate area of interest; and

(ii) Non-cash share-based payment expenses of A$603,960 (31 December 2014: A$76,991), which is attributable to the Group's accounting policy of expensing the value (estimated using an option pricing model) of unlisted options and performance rights granted to key employees and consultants. The value is measured at grant date and recognised over the period during which the option and rights holders become unconditionally entitled to the options and/or rights.

Financial Position

At 31 December 2015, the Company had cash reserves of A$3,699,287 (30 June 2015: A$2,104,414) and no debt. The Company is in a strong financial position to conduct its current and planned exploration and development activities.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

(i) On 11 January 2016, the Company appointed highly respected New York-based fund manager, Mr Jonathan Hjelte, as a Non-Executive Director of Paringa and Mr David Chapman stepped down as Non-Executive Director; and

(ii) On 15 February 2016, the Company announced the results of a Scoping Study which confirmed that the No.2 Mine will be a high margin 1.8 Mtpa mine with extremely low capex of only US$44 million due to favourable geology and shallow depth of coal seam from surface at the proposed No.2 Mine site.

Other than the above, at the date of this report there were no significant events occurring after balance date requiring disclosure.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, Deloitte Touche Tohmatsu, to provide the directors of Paringa Resources Limited with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is on page 13 and forms part of this Directors' Report.

Signed in accordance with a resolution of the Directors.

DAVID GAY
President and CEO

3 March 2016

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Paringa Resources Limited, I state that:

In the opinion of the Directors:

(a) the attached financial statements and notes thereto for the period ended 31 December 2015 are in accordance with the Corporations Act 2001, including:

  (i) section 304 (compliance with accounting standards and Corporations Regulations 2001); and

  (ii) section 305 (true and fair view); 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.

On behalf of the Board

DAVID GAY
President and CEO

3 March 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Half-Year Ended 31 December 2015 $	Half-Year Ended 31 December 2014 $
Continuing operations		
Interest income	**52,266**	117,485
Exploration and evaluation expenses	**(2,239,429)**	(1,963,746)
Corporate and administration expenses	**(334,036)**	(391,062)
Business development expenses	**(293,773)**	(389,255)
Share based payment expenses	**(603,960)**	(76,991)
Loss before income tax	**(3,418,932)**	(2,703,569)
Income tax expense	**-**	-
Net loss for the period	**(3,418,932)**	(2,703,569)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**214,682**	407,253
Total other comprehensive income for the period	**214,682**	407,253
Total comprehensive loss for the period	**(3,204,250)**	(2,296,316)
Loss per share		
Basic and diluted loss per share (cents per share)	**(2.3)**	(2.0)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	31 December 2015 $	30 June 2015 $
ASSETS			
Current Assets			
Cash and cash equivalents		**3,699,287**	2,104,414
Trade and other receivables		**21,698**	19,688
Other current financial assets		**6,851**	6,532
Total Current Assets		**3,727,836**	2,130,634
Non-Current Assets			
Exploration and evaluation assets	3	**20,113,654**	19,462,285
Plant and equipment		**246,833**	188,916
Other non-current financial assets		**39,241**	148,906
Total Non-Current Assets		**20,399,728**	19,800,107
TOTAL ASSETS		**24,127,564**	21,930,741
LIABILITIES			
Current Liabilities			
Trade and other payables		**173,764**	252,827
Provisions		**-**	1,112
Other current financial liabilities		**1,370,238**	1,306,336
Total Current Liabilities		**1,544,002**	1,560,275
Non-Current Liabilities			
Other non-current financial liabilities		**1,361,614**	1,290,529
Total Non-current Liabilities		**1,361,614**	1,290,529
TOTAL LIABILITIES		**2,905,616**	2,850,804
NET ASSETS		**21,221,948**	19,079,937
EQUITY			
Contributed equity	4	**34,649,678**	29,605,511
Reserves	5	**2,106,860**	1,590,084
Accumulated losses		**(15,534,590)**	(12,115,658)
TOTAL EQUITY		**21,221,948**	19,079,937

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Contributed Equity	Share-based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
	$	$	$	$	$
Balance at 1 July 2015	**29,605,511**	**1,016,660**	**573,424**	**(12,115,658)**	**19,079,937**
Net loss for the period	**-**	**-**	**-**	**(3,418,932)**	**(3,418,932)**
Other comprehensive income for the period	**-**	**-**	**214,764**	**-**	**214,764**
Total comprehensive income/(loss) for the period	**-**	**-**	**214,764**	**(3,418,932)**	**(3,204,168)**
Transactions with owners recorded directly in equity					
Share placement	**5,100,000**	**-**	**-**	**-**	**5,100,000**
Share issue costs	**(357,781)**	**-**	**-**	**-**	**(357,781)**
Vesting of performance rights	**301,948**	**(301,948)**	**-**	**-**	**-**
Share based payments expense	**-**	**603,960**	**-**	**-**	**603,960**
Balance at 31 December 2015	**34,649,678**	**1,318,672**	**788,188**	**(15,534,590)**	**21,221,948**
Balance at 1 July 2014	24,725,079	581,941	(58,026)	(6,230,856)	19,018,138
Net loss for the period	-	-	-	(2,703,569)	(2,703,569)
Other comprehensive income for the period	-	-	407,253	-	407,253
Total comprehensive income/(loss) for the period	-	-	407,253	(2,703,569)	(2,296,316)
Transactions with owners recorded directly in equity					
Share placement	5,000,000	-	-	-	5,000,000
Share issue costs	(348,894)	-	-	-	(348,894)
Share based payments expense	-	76,991	-	-	76,991
Balance at 31 December 2014	29,376,185	658,932	349,227	(8,934,425)	21,449,919

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Note	Half-Year Ended 31 December 2015 $	Half-Year Ended 31 December 2014 $
Cash flows from operating activities			
Payments to suppliers and employees		**(2,919,875)**	(2,662,549)
Interest received		**48,392**	111,820
Net cash outflow from operating activities		**(2,871,483)**	(2,550,729)
Cash flows from investing activities			
Payments for exploration and evaluation assets		**(190,224)**	(224,715)
Payments for plant and equipment		**(71,545)**	(19,573)
Net cash outflow from investing activities		**(261,769)**	(244,288)
Cash flows from financing activities			
Proceeds from issue of shares	4(b)	**5,100,000**	5,000,000
Payments for share issue costs	4(b)	**(357,779)**	(348,894)
Net cash inflow from financing activities		**4,742,221**	4,651,106
Net increase in cash and cash equivalents		**1,608,969**	1,856,089
Net foreign exchange differences		**(13,463)**	32,341
Cash and cash equivalents at beginning of the period		**2,103,781**	4,511,985
Cash and cash equivalents at the end of the period		**3,699,287**	6,400,415

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

This general purpose financial report for the interim half-year reporting period ended 31 December 2015 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report of Paringa Resources Limited for the year ended 30 June 2015 and any public announcements made by Paringa Resources Limited and its controlled entities during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

(b) Basis of preparation of half-year financial report

The financial statements have been prepared on an accruals basis and are based on historical cost. All amounts are presented in Australian dollars.

The financial statements for the half-year have been prepared on the basis of going concern, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

For the half year ended 31 December 2015, the Group incurred a net loss of $3,418,932 (31 December 2014: $2,703,569) and had net cash outflows from operating and investing activities of $3,133,252 (31 December 2014: $2,795,017). As at 31 December 2015, the Group had cash and cash equivalents of $3,699,287 (30 June 2015: $2,104,414) and net current assets of $2,183,834 (30 June 2015: $570,359).

The Directors consider that the Group is a going concern and recognise that additional capital is required to ensure that it can continue to fund its operations during the twelve month period from the date of signing this report, and that certain expenditures may need to be deferred to coincide with any such capital raising activity. In this regard, the Group is already in discussions with debt financiers in North America and Australia in relation to financing the development of its Buck Creek Mine Complex and the Group has plans to raise additional equity within the next twelve months to fund its planned operations.

The Directors are satisfied that they will be able to raise additional capital as required to enable the Group to meet its obligations as and when they fall due, and defer expenditure to coincide with any such capital raising activity, and accordingly, consider that it is appropriate to prepare the financial statements on a going concern basis.

Should the Group be unable to achieve the matters referred to above, significant uncertainty would arise as to whether the Group could 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.

These half-year consolidated financial statements do 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 be unable to continue as a going concern.

(c) New standards, interpretations and amendments

In the current period, the Group has adopted all of the new and revised standards, interpretations and amendments that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2015. New and revised standards and amendments thereof and interpretations effective for the current half-year that are relevant to the Group include:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) New standards, interpretations and amendments (continued)

- AASB 1 *First-time Adoption of Australian Accounting Standards* (meaning of 'effective IFRSs');
- AASB 2 *Share-based Payment* (definitions of vesting conditions);
- AASB 3 *Business Combinations* (accounting for contingent consideration in a business combination);
- AASB 3 *Business Combinations* (scope exceptions for joint ventures);
- AASB 8 *Operating Segments* (aggregation of operating segments);
- AASB 8 *Operating Segments* (reconciliation of the total of the reportable segments' assets to the entity's assets);
- AASB 13 *Fair Value Measurement* (scope of paragraph 52 – portfolio exception);
- AASB 13 *Fair Value Measurement* (short term receivables and payables);
- AASB 116 *Property, Plant and Equipment* and AASB 138 *Intangible Assets* (revaluation method – proportionate restatement of accumulated depreciation/amortisation); and
- AASB 124 *Related Party Disclosures* (key management personnel).

The adoption of new and revised standards and amendments has not affected the amounts reported for the current or prior half year periods. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2. 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.

The Consolidated Entity operates in one segment, being mineral exploration in the United States of America. 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.

3. EXPLORATION AND EVALUATION ASSETS

	31 December 2015 $	30 June 2015 $
(a) Areas of interest		
Buck Creek Mine Complex	**19,422,254**	18,811,296
Arkoma Coal Project	**691,400**	650,989
Carrying amount at end of the period[1]	**20,113,654**	19,462,285
(b) Reconciliation		
Carrying amount at start of year	**19,462,285**	15,594,564
Additions	**296,614**	409,700
Change in fair value of deferred consideration payable	**8,107**	53,770
Amended deferred consideration payable	**-**	2,375,314
Exchange differences on translation of foreign operations	**346,648**	1,028,937
Carrying amount at end of the period[1]	**20,113,654**	19,462,285

Notes:

[1] The ultimate recoupment of costs carried forward for exploration and evaluation is dependent on the successful development and commercial exploitation or sale of the respective areas of interest.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015
(Continued)

4. CONTRIBUTED EQUITY

(a) Issued capital

	Note	31 December 2015 $	30 June 2015 $
154,899,000 fully paid ordinary shares (30 June 2015:138,816,667)	4(b)	**34,649,678**	29,605,511

(b) Movements in fully paid ordinary shares during the past six months

Date	Details	Number of Shares	$
1 Jul 2015	Opening Balance	**138,816,667**	**29,605,511**
Jul 2015 to Sep 2015	Share placement	**15,000,000**	**5,100,000**
22 Dec 2015	Vesting of performance rights	**1,082,333**	**301,948**
Jul 2015 to Dec 2015	Share issue costs	**-**	**(357,781)**
31 Dec 2015	**Closing Balance**	**154,899,000**	**34,649,678**

5. RESERVES

(a) Capital reserves

	Note	31 December 2015	30 June 2015
Share based payments reserve	5(b)	**1,318,672**	1,016,660
Foreign currency translation reserve		**788,106**	573,424
		2,106,778	1,590,084

(b) Movements in options and rights during the past six months

Date	Details	Number of Options	Number of Rights	$
1 Jul 2015	Opening Balance	**3,900,000**	**8,346,667**	**1,016,660**
Jul 2015 to Sep 2015	Share placement	**7,500,000**	**-**	**-**
22 Dec 2015	Vesting of performance rights	**-**	**(1,082,333)**	**(301,948)**
22 Dec 2015	Issue of incentive options	**500,000**	**-**	**-**
Jul 2015 to Dec 2015	Share based payments expense	**-**	**-**	**603,960**
31 Dec 2015	**Closing Balance**	**11,900,000**	**7,264,334**	**1,318,672**

6. DIVIDENDS PAID OR PROVIDED FOR

No dividend has been paid or provided for during the half year (31 December 2014: nil).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015
(Continued)

7. CONTINGENT ASSETS AND LIABILITIES

There have been no changes in contingent assets or liabilities since the date of the last annual report.

8. COMMITMENTS

Management have identified the following material commitments for the consolidated group as at 31 December 2015:

	Payable within 1 year $	Payable later than 1 year within 5 years $	Total $
Operating lease commitments	**94,583**	**97,533**	**192,116**

(a) Operating lease commitments

Operating lease commitments include contracts for leased offices in the United States.

9. FINANCIAL INSTRUMENTS

(a) Fair value measurement

At 31 December 2015 the Group had no material financial assets and liabilities that are measured on a recurring basis, and at 31 December 2015, the carrying amount of financial assets and financial liabilities for the Group is considered to approximate their fair values.

10. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

(i) On 11 January 2016, the Company appointed highly respected New York-based fund manager, Mr Jonathan Hjelte, as a Non-Executive Director of Paringa and Mr David Chapman stepped down as Non-Executive Director; and

(ii) On 15 February 2016, the Company announced the results of a Scoping Study which confirmed that the No.2 Mine will be a high margin 1.8 Mtpa mine with extremely low capex of only US$44 million due to favourable geology and shallow depth of coal seam from surface at the proposed No.2 Mine site.

Other than the above, at the date of this report there were no significant events occurring after balance date requiring disclosure.

AUDITOR'S INDEPENDENCE DECLARATION

PARINGA RESOURCES LIMITED

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Brookfield Place, Tower 2
123 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

Tel: +61 8 9365 7000
Fax: +61 (0) 9365 7001
www.deloitte.com.au

The Board of Directors
Paringa Resources Limited
Level 9, BGC Centre
28 The Esplanade
Perth WA 6000

3 March 2016

Dear Board Members

Paringa Resources Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Paringa Resources Limited.

As lead audit partner for the review of the financial statements of Paringa Resources Limited for the financial half-year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

David Newman
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Brookfield Place, Tower 2
123 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

Tel: +61 8 9365 7000
Fax: +61 (0) 9365 7001
www.deloitte.com.au

Independent Auditor's Review Report to the members of Paringa Resources Limited

We have reviewed the accompanying half-year financial report of Paringa Resources Limited, which comprises the condensed statement of financial position as at 31 December 2015, and the condensed statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 4 to 12.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Paringa Resources Limited's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Paringa Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

INDEPENDENT AUDITOR'S REVIEW REPORT
(Continued)

Deloitte.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Paringa Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Paringa Resources Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 1(b) in the half-year financial report, which indicates that the Consolidated Entity incurred a net loss of $3,418,932 and had net cash outflows from operating and investing activities of $3,133,252 during the half-year ended 31 December 2015. These conditions, along with other matters as set forth in Note 1(b), indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Consolidated Entity to continue as going concern and therefore the Consolidated Entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

David Newman
Partner
Chartered Accountants
Perth, 3 March 2016

FORWARD LOOKING STATEMENTS AND COMPETENT PERSONS STATEMENTS

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 report, to reflect the circumstances or events after the date of that report.

Competent Persons Statements

The information in this report that relates to Exploration Results, Coal Resources, Coal Reserves, Mining, Coal Preparation, Infrastructure, Production Targets and Cost Estimation was extracted from Paringa's ASX announcements dated December 2, 2015 entitled 'BFS Confirms Buck Creek will be a Low Capex, High Margin Coal Mine' and February 15, 2016 entitled 'Buck Creek Transforms to a Staged Low Capex Development' which are available to view on the Company's website at www.paringaresources.com.au.

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

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

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