PARINGA RESOURCES LIMITED

Interim Financial Report for the Half-Year Ended December 31, 2017

ABN 44 155 933 010

CORPORATE DIRECTORY

DIRECTORS:

Mr Ian Middlemas - Chairman
Mr Todd Hannigan - Deputy Chairman
Mr Grant Quasha - Managing Director & CEO
Mr David Gay - Executive Director and President
Mr Jonathan Hjelte - Non-Executive Director
Mr Richard McCormick - Non-Executive Director
Mr Thomas Todd - Non-Executive Director

COMPANY SECRETARY:

Mr Gregory Swan – Company Secretary

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STOCK EXCHANGE LISTINGS:

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

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

SHARE REGISTRIES:

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Tel: +1 781 575 4247

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LAWYERS:

United States:
Gibson Dunn
Frost Brown Todd Attorneys

Australia:
DLA Piper Australia

BANKERS:

United States:
Old National Bank

Australia:
Australia 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 Paringa Resources Limited ("Company" or "Paringa") and the entities it controlled during the half-year ended December 31, 2017 ("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:

Mr Ian Middlemas	Chairman
Mr Todd Hannigan	Deputy Chairman
Mr Grant Quasha	Managing Director & Chief Executive Officer
Mr David Gay	Executive Director and President
Mr Jonathan Hjelte	Non-Executive Director
Mr Richard McCormick	Non-Executive Director
Mr Thomas Todd	Non-Executive Director

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

Buck Creek Mine Complex

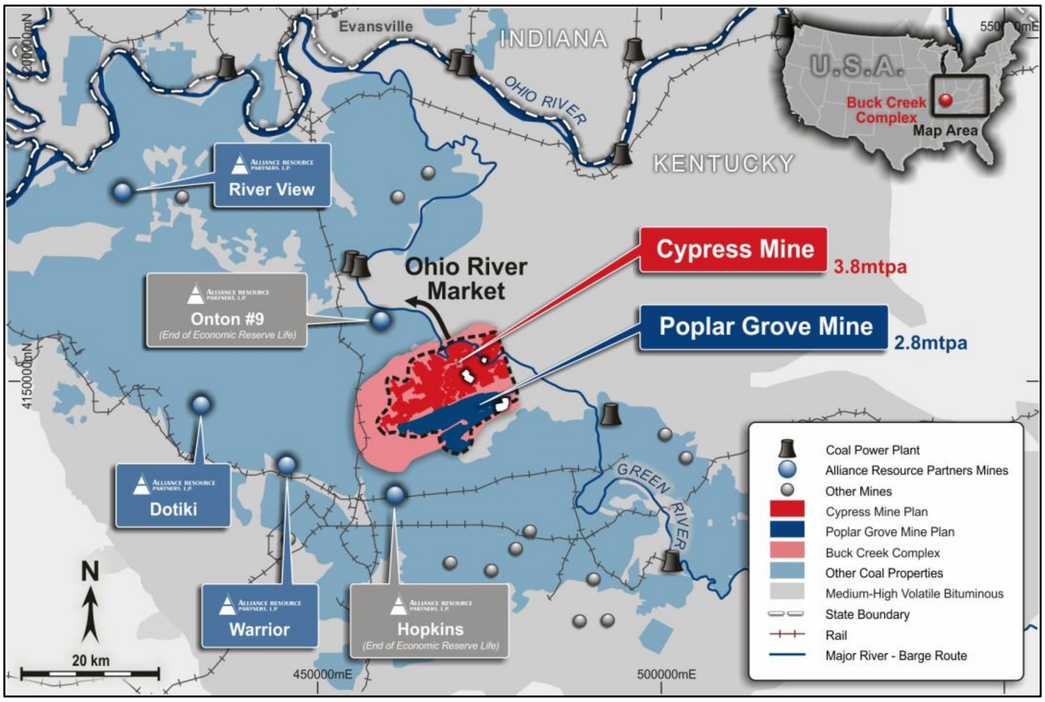
Paringa is an emerging U.S. energy provider developing the high margin, low capex Buck Creek Mine Complex ("Buck Creek Complex") located in the growing Illinois Coal Basin ("ILB").

The Buck Creek Complex includes two fully permitted thermal coal mines: (1) the Poplar Grove Mine with planned production of 2.8 million tons per annum ("Mtpa"); and (2) the Cypress Mine with planned production of 3.8 Mtpa.

Construction has now commenced at the Poplar Grove Mine, with first coal expected to be produced during H2 2018, following which the Group has plans to commence construction of the Cypress Mine.

The Group's objective is to become the next major Illinois Coal Basin producer by developing low capital and operating cost mines located near low cost river transportation in the ILB.

The simplicity of the Poplar Grove mine construction, coal mining operations and coal processing techniques provide relatively low execution and operational risks compared to other new mine developments.



Map of Buck Creek Complex and Local Mining Operations in Western Kentucky (Illinois Basin)

DIRECTORS' REPORT (Continued)

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Highlights

Highlights during the half-year include:

(i) Commenced construction of the Poplar Grove Mine, and completed a majority of the excavation and site development works at the Poplar Grove Mine and barge load-out facility on the Green River;

(ii) Completed the foundations for the coal handling and preparation plant ("CHPP") and commenced erection of structural steel and installation of key coal processing infrastructure at the CHPP;

(iii) Following completed installation of structural support steel sheet piling, Company has commenced construction of the slope decline to access the underground coal;

(iv) Completed detailed value engineering and optimization review of the Poplar Grove Mine, which provided improvements in safety, operating costs, and mine economics;

(v) Access to the Poplar Grove coal seam has been simplified via one decline from surface instead of a box-cut development with three declines;

(vi) Awarded approximately 90% of the total capex for the development of Poplar Grove on a fixed price basis, significantly reducing pricing and timing risk;

(vii) Finalizing discussions in securing finance for all leased equipment at the Poplar Grove mine with the world leader in underground coal mining equipment;

(viii) Issued purchase orders for major underground mining equipment;

(ix) Continued progress in building long term relationships with our tier-1 customer base;

(x) Renewed the options to acquire the surface property area to construct the adjacent and permitted Cypress Mine, which have a term of 5 years; and

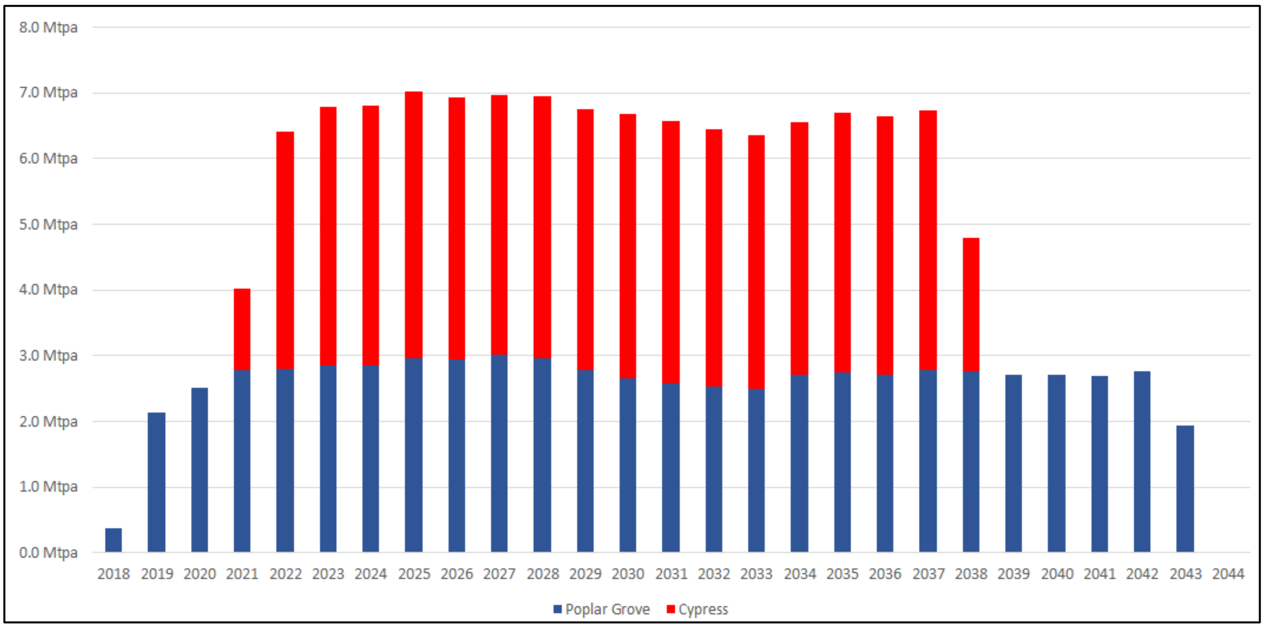
(xi) Continued to strengthen the construction and operational team with key appointments, including the promotion of Mr. Rick Kim to COO and the addition of Mr. Adam Anderson as Sr. Vice President of Coal Sales & Marketing.

Installation of Infrastructure at the Preparation Plant

DIRECTORS' REPORT (Continued)

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Construction of the Slope Portal to Access Underground Coal



Production Profile of the Poplar Grove and Cypress Mines (2018 to 2044)

DIRECTORS' REPORT (Continued)

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Results of Operations

The Group recorded a consolidated operating loss before tax of US$3.4 million for the half-year ended December 31, 2017 (December 31, 2016: US$1.9 million). Significant items contributing to the current period loss and the differences from the previous financial period include:

(i) Employment expenses of US$1.4 million (December 31, 2016: US$0.9 million) relating to the Group's significant staffing and travel required to support the development of (and previously the exploration of) the Buck Creek Complex; and

(ii) Share-based payment expenses of US$1.2 million (December 31, 2016: reversal/credit of US$0.3 million) relating to the non-cash expense of the value of incentive securities granted to key employees and consultants over the period during which the employees and consultants become entitled to the incentive securities.

Financial Position

At December 31, 2017, the Company had cash reserves of US$24.5 million (June 30, 2017: US$34.8 million) and no debt.

During fiscal 2017, the Company accepted a Committed Letter of Offer ("CLOO") from Macquarie Bank Limited (''Macquarie'') to provide a five-year $20 million Project Loan Facility (''Project Loan Facility'') to develop the Poplar Grove Mine. Provision of the Project Loan Facility is currently subject to execution of formal documentation in a form satisfactory to us and Macquarie and satisfaction of a number of conditions precedent. We expect to execute formal documentation in the March 2018 quarter and it is anticipated that the Project Loan Facility will be drawn during the 2018 calendar year.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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 16 and forms part of this Directors' Report.

Signed in accordance with a resolution of the Directors.

GRANT QUASHA
Managing Director and CEO

March 15, 2018

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 December 31, 2017 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

GRANT QUASHA
Managing Director and CEO

March 15, 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED DECEMBER 31, 2017

	Note	Half-Year Ended December 31, 2017 US$000	Half-Year Ended December 31, 2016 US$000
Continuing operations			
Interest income		**233**	30
Exploration and evaluation expenses		**-**	(991)
Corporate and administration expenses		**(455)**	(267)
Business development expenses		**(202)**	(24)
Foreign stock exchange listing expenses		**(459)**	-
Employment expenses		**(1,370)**	(927)
Share based payment expenses		**(1,224)**	300
Other income and expenses.	3	**44**	(10)
Loss before income tax		**(3,433)**	(1,889)
Income tax expense		**-**	-
Net loss for the period		**(3,433)**	(1,889)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**-**	(201)
Total other comprehensive income for the period		**-**	(201)
Total comprehensive loss for the period		**(3,433)**	(2,090)
Loss per share			
Basic and diluted loss per share (US$ per share)		**(0.01)**	(0.01)

The above Condensed Consolidated Statement of Profit or Loss and other Comprehensive Income should be read in conjunction with the accompanying notes. Prior period has been restated, refer to note 1(c) for further information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017

	Note	As at December 31, 2017 US$000	As at June 30, 2017 US$000
ASSETS			
Current Assets			
Cash and cash equivalents	4	**24,544**	34,802
Trade and other receivables		**81**	265
Total Current Assets		**24,621**	35,067
Non-Current Assets			
Property, plant and equipment	5	**40,586**	26,068
Other assets	6	**4,613**	4,044
Total Non-Current Assets		**45,199**	30,112
TOTAL ASSETS		**69,824**	65,179
LIABILITIES			
Current Liabilities			
Trade and other payables		**10,534**	837
Provisions		**-**	17
Other liabilities		**-**	3,750
Total Current Liabilities		**10,534**	4,604
Non-Current Liabilities			
Provisions	7	**806**	-
Total Non-Current Liabilities		**806**	-
TOTAL LIABILITIES		**11,340**	4,604
NET ASSETS		**58,484**	60,575
EQUITY			
Contributed equity	8	**81,312**	81,194
Reserves	9	**1,681**	457
Accumulated losses		**(24,509)**	(21,076)
TOTAL EQUITY		**58,484**	60,575

The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes. Prior period has been restated, refer to note 1(c) for further information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED DECEMBER 31, 2017

	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 July 1, 2017	**81,194**	**2,810**	**(2,353)**	**(21,076)**	**60,575**
Net loss for the period	**-**	**-**	**-**	**(3,433)**	**(3,433)**
Other comprehensive income for the period	**-**	**-**	**-**	**-**	**-**
Total comprehensive income/(loss) for the period	**-**	**-**	**-**	**(3,433)**	**(3,433)**
Transactions with owners recorded directly in equity					
Exercise of options	**120**	**-**	**-**	**-**	**120**
Share issue costs	**(2)**	**-**	**-**	**-**	**(2)**
Share based payments expense	**-**	**1,224**	**-**	**-**	**1,224**
Balance at December 31, 2017	**81,312**	**4,034**	**(2,353)**	**(24,509)**	**58,484**
Balance at July 1, 2016	32,833	1,151	(2,540)	(15,121)	16,323
Net loss for the period	-	-	-	(1,889)	(1,889)
Other comprehensive income for the period	-	-	(201)	-	(201)
Total comprehensive income/(loss) for the period	32,833	1,151	(201)	(1,889)	(2,090)
Transactions with owners recorded directly in equity					
Share placements	10,854	-	-	-	10,854
Share issue costs	(633)	-	-	-	(633)
Exercise of options	523	(269)	-	-	254
Share based payments expense	-	(300)	-	-	(300)
Balance at December 31, 2016	43,577	582	(2,741)	(17,010)	24,408

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes. Prior period has been restated, refer to note 1(c) for further information.

PARINGA RESOURCES LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED DECEMBER 31, 2017

	Half-Year Ended December 31, 2017 US$000	Half-Year Ended December 31, 2016 US$000
Cash flows from operating activities		
Payments to suppliers and employees	**(742)**	(2,028)
Interest received	**233**	21
Net cash outflow from operating activities	**(509)**	(2,007)
Cash flows from investing activities		
Payments for property, plant and equipment	**(5,466)**	(1)
Payments for exploration and evaluation assets	**-**	(709)
Payments for deferred consideration	**(3,750)**	-
Payments for advanced royalties	**(140)**	-
Payments for capitalized borrowing costs	**(460)**	-
Payments for security deposits and bonds	**(66)**	-
Net cash outflow from investing activities	**(9,882)**	(710)
Cash flows from financing activities		
Proceeds from share placements	**-**	10,854
Proceeds from exercise of options	**120**	254
Payments for share issue costs	**(38)**	(614)
Net cash inflow from financing activities	**82**	10,494
Net (decrease)/increase in cash and cash equivalents	**(10,309)**	7,777
Net foreign exchange differences	**51**	(203)
Cash and cash equivalents at beginning of the period	**34,802**	303
Cash and cash equivalents at the end of the period	**24,544**	7,877

The above Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes. Prior period has been restated, refer to note 1(c) for further information.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

This general purpose financial report for the interim half-year reporting period ended December 31, 2017 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 June 30, 2017 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 report has been prepared on a historical cost basis. The financial report is presented in United States dollars (US$).

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's annual financial report for the financial year ended June 30, 2017, except as disclosed below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument, dated March 24, 2016, and in accordance with that Corporations Instrument amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Going concern

The half-year financial report has 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 half-year ended December 31, 2017, the Consolidated Entity incurred a net loss of US$3.4 million (December 31, 2016: US$1.9 million) and experienced net cash outflows from operating and investing activities of US$10.4 million (December 31, 2016: US$2.7 million). As at December 31, 2017, the Group had cash and cash equivalents of US$24.5 million (June 30, 2017: US$34.8 million) and net current assets of US$14.1 million (June 30, 2017: US$30.5 million).

The Consolidated Entity commenced development of the Poplar Grove Mine in August 2017 and expects to commence coal production before the end of calendar year 2018. Until commercial production is achieved, the Consolidated Entity will generate no revenues from coal sales, and will continue to incur operating cash outflows, as well as investing cash outflows associated with the development of Poplar Grove.

To enable the Consolidated Entity to commence development of the Poplar Grove Mine, the Consolidated Entity accepted a Committed Letter of Offer ("CLOO") from Macquarie Bank Limited ("Macquarie") to provide a five-year US$20 million Project Loan Facility ("PLF"). Provision of the Macquarie facility is currently subject to execution of formal documentation in a form satisfactory to the Consolidated Entity and Macquarie and satisfaction of a number of conditions precedent. The Company expects to execute formal documentation in the March 2018 quarter and it is anticipated that the PLF will be drawn down during the 2018 calendar year, however certain conditions precedent are outside of the Consolidated Entity's control, and as such there can be no certainty that this will come to fruition.

Additionally, the Consolidated Entity plans to seek a foreign stock exchange listing and is preparing for a public offering to increase liquidity and provide additional working capital. Such plans are underway, although no formal plan has been approved and no funds are currently committed, therefore there is no guarantee that the Consolidated Entity will successfully raise the additional funding.

The Directors are confident that they will be able to execute the formal documentation associated with the Macquarie facility in a form acceptable to both the Consolidated Entity and Macquarie and satisfy all conditions precedent to allow execution of the formal documentation in line with the expected timetable above.

The Directors consider that the Consolidated Entity is a going concern and recognise that additional funding will be required during the twelve-month period from the date of signing this half-year report. The Directors are confident that the Consolidated Entity will be able to raise additional funding to enable the Consolidated Entity to meet its obligations as and when they fall due, and accordingly, consider that it is appropriate to prepare the half-year report on the going concern basis.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED DECEMBER 31, 2017
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Should the Consolidated Entity be unable to achieve the matters referred to above, the Consolidated Entity would need to reduce or defer capital and operational expenditure and a material uncertainty may exist that could cast substantial doubt on the ability of the Consolidated Entity 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 consolidated half-year 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 Consolidated Entity be unable to continue as a going concern.

(c) Restatement of comparatives

Presentational currency

As disclosed in the Company's annual financial report for the year ended June 30, 2017, the functional and presentation currency of the Company was changed from Australian dollars to US$ with effect from April 5, 2017. Accordingly, all comparative financial information as at, and for the half-year ended, December 31, 2016 has been restated to reflect the Company's results as if they had been historically reported in US$. Refer to the Annual Report for the year ended June 30, 2017 for further information.

Advanced royalties

The Group's coal leases require the payment of annual minimum advanced royalties prior to the commencement of mining operations and the payment of earned royalties once mining operations commence. The advanced 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. During the year ended June 30, 2017, the Group made a decision to proceed with development of the Poplar Grove Mine, located within the Buck Creek Complex.

Accumulated advanced royalties in respect of the Buck Creek Complex (totalling $2,030,000) had initially been transferred from 'exploration and evaluation assets' to 'mine development properties', a component of 'property, plant and equipment' within the Company's June 30, 2017 annual financial statements. These amounts have been reclassified from property, plant and equipment to 'advance royalties', a component of 'other assets' as at June 30, 2017. This reclassification has no impact on the profit or loss or cash flows for any period presented.

(d) 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 July 1, 2017.

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.

(e) 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.

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. OTHER INCOME AND EXPENSES

	Half-year ended December 31, 2017 US$000	Half-year ended December 31, 2016 US$000
Other income		
Net foreign exchange gain	**51**	-
Total other income included in profit or loss	**51**	-
Other expenses		
Depreciation of plant and equipment	**(7)**	(10)
Total other expenses included in profit or loss	**(7)**	(10)

4. CASH AND CASH EQUIVALENTS

	As at December 31, 2017 US$000	As at June 30, 2017 US$000
Cash at bank and on hand	**6,699**	34,802
Deposits at call	**17,845**	-
	24,544	34,802

5. PROPERTY, PLANT AND EQUIPMENT

	Mine development properties US$000	Mine plant and equipment US$000	Other plant and equipment US$000	Total US$000
Net book value at July 1, 2017 (restated) [1]	**25,969**	**-**	**99**	**26,068**
Additions	**5,652**	**8,804**	**69**	**14,525**
Impairment	**-**	**-**	**-**	**-**
Depreciation charges [2]	**-**	**-**	**(7)**	**(7)**
Net book value at December 31, 2017	**31,621**	**8,804**	**161**	**40,586**
- at cost	**31,621**	**8,804**	**273**	**40,698**
- accumulated depreciation and impairment	**-**	**-**	**(112)**	**(112)**

Notes:
1 Refer to Note 1(c) regarding restatement of comparatives.
2 No depreciation is recognised in respect of 'mine development properties' or 'mine plant and equipment' until mining operations have commenced.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED DECEMBER 31, 2017
(Continued)

6. OTHER ASSETS (NON-CURRENT)

	As at December 31, 2017 US$000	As at June 30, 2017 US$000
Restricted cash (security deposits and bonds)	**512**	446
Advance royalties (restated) [1]	**2,213**	2,073
Capitalised borrowing costs [2]	**1,893**	1,525
	4,618	4,044

Notes:

[1] The Group's coal leases require the payment of annual minimum advanced 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. Refer to Note 1(c) regarding restatement of comparatives.

[2] Borrowing costs relate to the committed US$20 million Project Loan Facility (''PLF'') from Macquarie Bank Limited to develop the Poplar Grove Mine, which have been capitalised. These costs will be offset against the related borrowing when drawn down.

7. PROVISIONS (NON-CURRENT)

	As at December 31, 2017 US$000	As at June 30, 2017 US$000
Mine rehabilitation [1]	**806**	-
	806	-

Notes:

[1] The Group commenced construction of the Poplar Grove Mine during the period, which has resulted in the creation of a rehabilitation obligation as at December 31, 2017. The Group will assess its mine rehabilitation provision as development activities progress, and subsequently on at least an annual basis, or where evidence exists that the provision should be reviewed. Significant judgement is required in determining the provision for mine rehabilitation and closure as there are many factors that will affect the ultimate liability payable to rehabilitate the mine site, including future disturbances caused by further development, changes in technology, changes in regulations, price increases, changes in timing of cash flows which are based on life of mine plans and changes in discount rates. When these factors change or become known in the future, such differences will impact the mine rehabilitation provision in the period in which the change becomes known.

8. CONTRIBUTED EQUITY

	Note	As at December 31, 2017 US$000	As at June 30, 2017 US$000
Issued capital			
316,925,699 fully paid ordinary shares (June 30, 2017: 316,425,699)	8(a)	**81,312**	81,194
		81,312	81,194

Notes:

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED DECEMBER 31, 2017 (Continued)

(a) Movements in issued capital

	Thousands of Shares	US$000
Opening balance at July 1, 2017	**316,426**	81,194
Exercise of employee options	**500**	120
Share issue costs	**-**	(2)
Closing balance at December 31, 2017	**316,926**	81,312

9. RESERVES

		As at December 31, 2017 US$000	As at June 30, 2017 US$000
Share-based payments reserve	9(a)	**4,034**	2,810
Foreign currency translation reserve		**(2,353)**	(2,353)
		1,681	457

(a) Movements in share-based payments reserve

	Thousands of Options	Thousands of Rights	US$000
Opening balance at July 1, 2017 [1]	**7,694**	**16,410**	**2,810**
Forfeiture/lapse of employee options	**(1,750)**	**-**	**-**
Share based payments expense	**-**	**-**	**1,224**
Closing balance at December 31, 2017 [2]	**5,944**	**16,410**	**4,034**

Notes:

[1] During the 2017 financial year, the Company issued 4,444,444 lender options (with an exercise price of A$0.66 and expiring 4 years from their date of issue) to Macquarie Bank Limited in consideration for an offer to provide a five-year US$20 million Project Loan Facility ("PLF") to develop the Poplar Grove Mine. Upon drawdown of the PLF, the Company will issue a further 4,444,444 options to Macquarie Bank Limited on the same terms.

[2] At December 31, 2017, the Company also had on issue 8,994,000 placement options (7,494,000 exercisable at $0.50 each on or before July 31, 2018 and 1,500,000 exercisable at $0.45 each on or before June 30, 2018) which are not considered share-based payments under AASB 2 as they were issued as part of a share placement. Any value related to these placement options is included within contributed equity as part of the related placement value.

10. DIVIDENDS PAID OR PROVIDED FOR

No dividend has been paid or provided for during the half-year (December 31, 2016: nil).

11. CONTINGENT ASSETS AND LIABILITIES

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED DECEMBER 31, 2017
(Continued)

12. COMMITMENTS

Management have identified the following material commitments for the consolidated group as at December 31, 2017:

	Payable within 1 year US$000	Payable later than 1 year within 5 years US$000	Total US$000
Operating lease commitments	49	-	49
Coal lease commitments	558	2,424	2,982
Total	607	2,424	3,031

(a) Operating lease commitments

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

(b) Coal lease commitments

Coal lease commitments include advanced annual minimum royalties payable under the Group's coal leases.

13. FINANCIAL INSTRUMENTS

(a) Fair value measurement

At December 31, 2017, the Group had no material financial assets and liabilities that are measured on a recurring basis, and at December 31, 2017, the carrying amount of financial assets and financial liabilities for the Group is considered to approximate their fair values.

14. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

At the date of this report there were no significant events occurring after balance date requiring disclosure.

Deloitte.

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

15 March 2018

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 half-year ended 31 December 2017, 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

D Newman

David Newman
Partner
Chartered Accountants

Deloitte.

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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 Consolidated Statement of Financial Position as at 31 December 2017, and the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Condensed Consolidated Statement of Cash Flows and the Condensed Consolidated 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.

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 – Reduced Disclosure Requirements 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 the company's and the consolidated entity's financial position as at 31 December 2017 and their 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.

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 2017 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*.

Material uncertainty related to Going Concern

We draw attention to Note 1 in the half year financial report, which indicates that the Group has recurring losses from operations, negative cash flows from both operating and investing activities and is reliant on raising additional debt or equity funding in order to generate sufficient cash flow to meet its obligations and sustain its operations. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

D Newman.

David Newman
Partner
Chartered Accountants
Perth, 15 March 2018

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 this 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 March 28, 2017 entitled "Expanded BFS Results Confirms Development Pathway to A$850 million NPV" and December 2, 2015 entitled 'BFS Confirms Buck Creek will be a Low Capex, High Margin Coal Mine' 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 report have not been materially modified from the original ASX announcements.