PARINGA RESOURCES LIMITED

Interim Financial Report for the Half-Year Ended 31 December 2013

ABN 44 155 933 010

PARINGA RESOURCES LIMITED

CORPORATE DIRECTORY

DIRECTORS:

Mr Ian Middlemas – Chairman
Mr Anastasios Arima – Executive Director
Mr David Chapman – Executive Director
Mr David Griffiths – Non-Executive Director

COMPANY SECRETARY:

Mr Gregory Swan

REGISTERED OFFICE:

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STOCK EXCHANGE LISTING:

Australian Securities Exchange
ASX Code: PNL – Fully paid ordinary shares

SHARE REGISTRY:

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SOLICITORS:

Hardy Bowen Lawyers

BANKERS:

Westpac Banking Corporation Limited

AUDITOR:

Deloitte Touche Tohmatsu

CONTENTS

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 2013 ("**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	Non-Executive Chairman (appointed 16 October 2013)
Mr Anastasios Arima	Executive Director (appointed 16 October 2013)
Mr David Chapman	Executive Director
Mr David Griffiths	Non-Executive Director
Mr Luis Azevedo	Non-Executive Director (resigned 16 October 2013)

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

REVIEW AND RESULTS OF OPERATIONS

Review of Operations

During the half-year, the Company completed its acquisition of the Buck Creek Coal Project ("**Buck Creek Project**"), an advanced coal project located in the Western Kentucky region of the Illinois Coal Basin ("**ILB**") which is one of the most prolific coal producing regions in the USA.

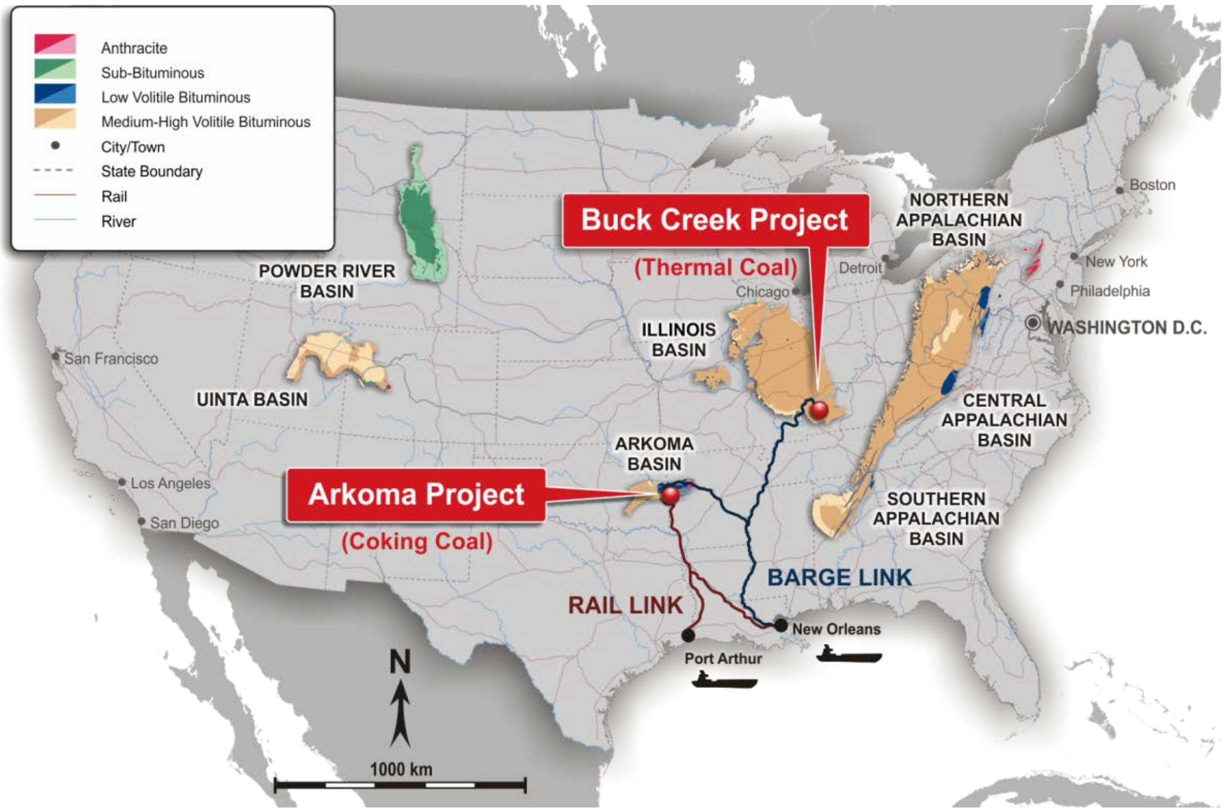

Figure 1: Location of the Buck Creek Project

DIRECTORS' REPORT (Continued)

REVIEW AND RESULTS OF OPERATIONS (Continued)

Highlights

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

(i) Completion of the acquisition of the Buck Creek Project, an advanced coal project located in the Illinois Coal Basin in Kentucky, and the Arkoma Coal Project, an expanding low volatile bituminous coking coal project in the untapped Arkoma Basin in Arkansas;

(ii) Delineation of a Maiden Coal Resource Estimate of 154 million tons (~140 million tonnes) at the Buck Creek Project with over 88% in the Measured & Indicated categories;

(iii) Completion of a nine core hole drilling program across a distance of over 12km, targeting the WK No.9 coal seam within the Buck Creek Project's controlled leases;

(iv) Drilling results confirmed that the Springfield Western Kentucky No.9 seam ("**WK No.9**") within the Buck Creek Project area, is a flat and laterally consistent coal seam with actual coal seam thicknesses of up to 19% greater than that previously modelled in the Company's maiden Coal Resource Estimate;

(v) Coal quality results confirmed the Buck Creek Project to be an attractive Illinois Coal Basin product that is highly suitable for domestic and seaborne markets with a high average coal seam calorific value of 6,564 kcal/kg and low chlorine content of 0.17%;

(vi) Commencement of a Scoping Study on the Buck Creek Project located in the high growth Illinois Coal Basin in Kentucky, USA which is due to for completion during the March 2014 quarter;

(vii) Results from the drilling program at the Minaçu Gold Project located in Brazil include grade near-surface intersections including 1.1m @ 28.41g/t Au and 1m @ 6.29g/t Au in drillhole MID-005-13;

(viii) Granted an exploration licence for the São Luis Gold Project located in Brazil and three new exploration licences at the Santo Antônio de Pádua Graphite Project located in Brazil;

(ix) Appointment of Mr Ian Middlemas as Non-Executive Chairman and Mr Taso Arima as Executive Director of Paringa; and

(x) Appointment of Mr David Gay, a senior US coal executive, as Chief Executive Officer of the Company. Mr Gay was most recently head of mergers and acquisitions for Alpha Natural Resources, a major US coal producer.

Buck Creek Project

The Buck Creek Project is located in the Western Kentucky region of the ILB which is one of the most prolific coal producing regions in the USA. Paringa controls over 25,000 gross acres (~10,000 ha) of coal leases within an area of interest of approximately 72,000 acres (~28,000 ha). The Buck Creek Project has a JORC Coal Resource Estimate of 154 million tons (~140 million tonnes) of high quality coal with over 88% in the Measured & Indicated categories.

The Buck Creek Project is one of the few remaining contiguous high quality coal projects within the WK No.9 Seam that is not controlled by one of the major USA coal companies and offers one of the highest quality, highest heating value products in the ILB. The Buck Creek Project is located adjacent to the Green River which provides year round linkage to the Ohio and Mississippi rivers systems which feed domestic coal-fired power plants and coastal export coal terminals in the Gulf of Mexico.

Table 1: Buck Creek Project – Coal Resource Estimate (WK No.9 Seam)

CRE Tonnage (Mt)				
Measured	Indicated	**Total Measured and Indicated**	Inferred	**Total**
32.1	104.8	**136.9**	17.5	**154.4**

DIRECTORS' REPORT (Continued)

REVIEW AND RESULTS OF OPERATIONS (Continued)

Corporate

The following material corporate events occurred during the half-year ended 31 December 2013:

(i) On 16 October 2013, the Company completed its acquisition of Hartshorne Coal Mining Limited ("**Hartshorne**") which holds the Buck Creek and Arkoma Coal Projects located in the USA. Consideration for the acquisition comprised 61,000,000 Paringa shares; and

(ii) On 16 October 2013, following completion of the acquisition of Hartshorne, Messrs Ian Middlemas and Taso Arima were appointed as Directors of the Company and Mr Luis Azevedo resigned as a Director of the Company.

Operating Results

The Group recorded a consolidated operating loss before tax of $1,516,466 (31 December 2012 restated: $618,467) for the half-year ended 31 December 2013. This result is largely attributable to:

(i) Exploration and evaluation expenses of $905,926 (31 December 2012: $341,090 restated), 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 $343,818 (31 December 2012 restated: nil), which is attributable to the Group's accounting policy of expensing the value (estimated using a Binomial 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.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

(i) On 7 January 2014, Mr Ian Middlemas was appointed as Chairman of the Company and Mr David Gay was appointed as Chief Executive Officer of the Company; and

(ii) On 31 January 2014, the Company granted 450,000 performance rights to employees pursuant to the Paringa Employee Performance Rights Plan.

Other than as disclosed 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 17 and forms part of this Directors' Report.

Signed in accordance with a resolution of the Directors.

ANASTASIOS ARIMA
Executive Director

5 March 2014

DIRECTORS' REPORT (Continued)

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

Competent Persons Statement (North American Projects)

The information in this report that relates to Exploration Results and Coal Resources is extracted from Paringa's ASX announcements dated 4 November 2013 entitled 'Maiden Coal Resource of 154 Million Tons Defined in the Illinois Coal Basin, 5 December 2013 titled 'Excellent Results from Buck Creek Drilling Program', and 11 February 2013 titled 'Excellent Coal Quality Results' which are available to view on the Company's website at www.paringaresources.com. The information in the original ASX announcements that related to Exploration Results and Coal Resources was based on, and fairly represents, information compiled 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 MM&A. 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". Paringa confirms that it is not aware of any new information or data that materially affects the information included in the original ASX announcements. Paringa confirms that the form and context in which the Competent Person's findings are presented in this report have not been materially modified from the original ASX announcements.

Competent Persons Statement (South American Projects)

This information in this report that relates to Exploration Results was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. The information in this report that relates to Exploration Results is based on, and fairly represents, information compiled or reviewed by Mr David Chapman, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Chapman is employed by Paringa. Mr Chapman has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which is being undertaken to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Chapman consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. Mr Chapman accepts responsibility for the accuracy of the statements disclosed in this report.

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 2013 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

ANASTASIOS ARIMA
Executive Director

5 March 2014

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Note	Half-Year Ended 31 December 2013 $	Restated Half-Year Ended 31 December 2012 $
Continuing operations			
Interest revenue		**143,528**	15,939
Corporate and administration expenses		**(338,700)**	(293,316)
Exploration and evaluation expenses		**(905,926)**	(341,090)
Business development expenses		**(60,645)**	-
Share based payment expenses	**5(b)**	**(343,818)**	-
Other expenses		**(10,905)**	-
Loss before income tax		**(1,516,466)**	(618,467)
Income tax expense		**-**	-
Net loss for the period		**(1,516,466)**	(618,467)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**96,898**	-
Total other comprehensive income for the period		**96,898**	-
Total comprehensive loss for the period		**(1,419,568)**	(618,467)
Loss per share			
Basic and diluted loss per share (cents per share)		**(1.9)**	(6.3)

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 2013

	Note	31 December 2013 $	Restated 30 June 2013 $
ASSETS			
Current Assets			
Cash and cash equivalents		**6,510,621**	8,007,091
Trade and other receivables		**240,615**	116,684
Other current assets		**117,018**	10,000
Total Current Assets		**6,868,254**	8,133,775
Non-Current Assets			
Exploration and evaluation assets	**3**	**15,891,968**	218,618
Plant and equipment		**68,145**	39,065
Other non-current assets		**-**	10,900
Total Non-current Assets		**15,960,113**	268,583
TOTAL ASSETS		**22,828,367**	8,402,358
LIABILITIES			
Current Liabilities			
Trade and other payables		**215,018**	57,217
Deferred consideration payable	**6**	**845,115**	-
Provisions		**13,669**	10,939
Total Current Liabilities		**1,073,802**	68,156
Non-Current Liabilities			
Deferred consideration payable	**6**	**1,076,113**	-
Total Non-current Liabilities		**1,076,113**	-
TOTAL LIABILITIES		**2,149,915**	68,156
NET ASSETS		**20,678,452**	8,334,202
EQUITY			
Contributed equity	**4**	**23,820,784**	10,400,784
Reserves	**5**	**445,891**	5,175
Accumulated losses		**(3,588,223)**	(2,071,757)
TOTAL EQUITY		**20,678,452**	8,334,202

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 2013

	Ordinary Shares	Share-based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
	$	$	$	$	$
Balance at 1 July 2013 originally stated	**10,400,784**	**-**	**11,969**	**(686,404)**	**9,726,349**
Change in accounting policy opening balance adjustment	-	-	(6,794)	(1,385,353)	(1,392,147)
At 1 July 2013 restated	**10,400,784**	**-**	**5,175**	**(2,071,757)**	**8,334,202**
Net loss for the period	-	-	-	(1,516,466)	(1,516,466)
Other comprehensive income for the period	-	-	96,898	-	96,898
Total comprehensive loss for the period	-	**-**	**96,898**	**(1,516,466)**	**(1,419,568)**
Transactions with owners recorded directly in equity					
Shares issued to acquire controlled entity	13,420,000	-	-	-	13,420,000
Recognition of share based payments	-	343,818	-	-	343,818
Balance at 31 December 2013	**23,820,784**	**343,818**	**102,073**	**(3,588,223)**	**20,678,452**
Balance at 1 July 2012 originally stated	**(26,352)**	**-**	**-**	**(25,389)**	**(51,741)**
Change in accounting policy opening balance adjustment	-	-	-	(177,760)	(177,760)
At 1 July 2012 restated	**(26,352)**	**-**	**-**	**(203,149)**	**(229,501)**
Net loss for the period	-	-	-	(618,467)	(618,467)
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive loss for the period	**-**	**-**	**-**	**(618,467)**	**(618,467)**
Transactions with owners recorded directly in equity					
Share placements	11,257,701	-	-	-	11,257,701
Share issue costs	(808,615)	-	-	-	(808,615)
Balance at 31 December 2012	**10,422,734**	**-**	**-**	**(821,616)**	**9,601,118**

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 2013

	Note	Half-Year Ended 31 December 2013 $	Restated Half-Year Ended 31 December 2012 $
Cash flows from operating activities			
Payments to suppliers and employees		**(1,319,765)**	(67,566)
Interest received		**46,577**	15,939
Net cash outflow from operating activities		**(1,273,188)**	(51,627)
Cash flows from investing activities			
Net cash inflow on acquisition of controlled entity	6	**47,130**	-
Payment for plant and equipment		**(7,238)**	-
Proceeds on sale of plant and equipment		**500**	-
Payments for exploration and evaluation assets		**(81,304)**	-
Payments for refundable deposits		**(96,118)**	(10,900)
Net cash outflow from investing activities		**(137,030)**	(10,900)
Cash flows from financing activities			
Repayment of borrowings	6	**(100,000)**	-
Proceeds from issue of shares		**-**	10,310,557
Payments for share issue costs		**-**	(512,500)
Net cash (outflow)/inflow from financing activities		**(100,000)**	9,798,057
Net increase/(decrease) in cash and cash equivalents		**(1,510,218)**	9,735,530
Net foreign exchange differences		**13,748**	-
Cash and cash equivalents at beginning of the period		**8,007,091**	-
Cash and cash equivalents at the end of the period		**6,510,621**	9,735,530

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 2013 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 2013 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.

(c) New Standards, Interpretations and Amendments

The accounting policies and methods of computation adopted in the preparation of the consolidated half-year financial report are consistent with those adopted and disclosed in the company's annual financial report for the year ended 30 June 2013, other than as set out in note 1(d) Change in Accounting Policy and as detailed below.

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2013.

New and revised standards and amendments thereof and interpretations effective for the current half-year that are relevant to the Group include:

- AASB 13 Fair Value Measurement and AASB2011-8 Amendments to Australian Accounting Standards arising from AASB 13; and

- AASB 119 Employee Benefits (2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (2011).

The adoption of new and revised Standards and Interpretations has not affected the amounts reported for the current or prior year. However the application of AASB 13 has resulted in a change to the Group’s disclosure in its half year financial statements.

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

The Group has updated the classification of expenses to make the Statement of Profit and Loss and Other Comprehensive Income more relevant to users of the financial report. This has resulted in the reclassification of some items in the prior period, however, has not impacted upon the reported loss for the period or earnings per share.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Change in Accounting Policy

The policy for accounting for exploration and evaluation expenditure has changed from the policy applied in previous reporting periods.

In previous reporting periods, all costs incurred in connection with the exploration and evaluation of areas with current rights of tenure were capitalised and recognised as an exploration and evaluation asset. Costs carried forward in respect of an area of interest that was abandoned were written off in the year in which the decision to abandon was made.

The policy has now changed, and the new policy has been applied retrospectively (with comparative information restated accordingly). Under the new policy:

- exploration and evaluation expenditure incurred in the acquisition of the rights to explore (including payments to landowners required under the Group's mineral leases) is capitalised and recognised as an exploration and evaluation asset; and
- exploration and evaluation expenditure incurred subsequent to the acquisition of the rights to explore will now be expensed as incurred, up to and until the preparation of a technical feasibility study.

The Directors are of the opinion that the change in accounting policy provides users with more relevant and no less reliable information as the policy is more transparent and less subjective. The policy is common of exploration focussed companies where exploration and evaluation expenditure is viewed as an ongoing expense of discovery, until a technical feasibility study has been completed. The impact of this change in accounting policy is reflected below.

For comparative purposes the accounts within the Consolidated Statement of Financial Position have changed by:

	1 July 2012 $	31 December 2012 $	30 June 2013 $
Decrease in exploration and evaluation assets	(177,760)	(518,850)	(1,392,147)
Net decrease in equity	**(177,760)**	**(518,850)**	**(1,392,147)**

For comparative purposes the loss after tax has changed by:

	Half-year ended 31 December 2012 $
Recognised exploration expenditure	(341,090)
Increase in loss	**(341,090)**

Basic and diluted loss per share have also been restated. The amount of the impact on basic and diluted loss per share for the restated result for the half-year ended 31 December 2012 due to the change in accounting policy is an increase in loss per share of 3.5 cents.

The impact of the change in accounting policy has not been quantified for the current period as these accounting records have not been maintained.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Change in Accounting Policy (Continued)

For comparative purposes the Statement of Cash Flows has changed by:

	31 December 2012 $
Payments to suppliers	(20,424)
Increase in net cash outflow from operating activities	**(20,424)**
Payment for exploration expenditure	20,424
Decrease in net cash outflow from investing activities	**20,424**

2. SEGMENT NOTE

The Group has two operating segments being exploration and development of its USA coal assets and exploration of its Brazil gold and graphite assets. The operating results of the segments are regularly reviewed by the Board of Directors in order to make decisions about the allocation of resources and asses the performance of the segments.

The following table presents revenue and loss information about the Group's operating segments for the six months ended 31 December 2013 and 2012, respectively:

	USA $	Brazil $	Unallocated $	Total $
31 December 2013				
Segment revenue	**-**	**-**	**143,528**	**143,528**
Segment loss before income tax	**(472,104)**	**(282,274)**	**762,088**	**1,516,466**
31 December 2012				
Segment revenue	-	-	15,939	15,939
Segment loss before income tax	-	(341,090)	(277,377)	(618,467)

The following table presents segments assets and liabilities of the Group's operating segments as at 31 December 2013 and 30 June 2013:

	USA $	Brazil $	Unallocated $	Total $
31 December 2013				
Segments assets	**16,140,166**	**249,199**	**6,439,002**	**22,828,367**
Segment liabilities	**2,032,240**	**15,671**	**102,004**	**2,149,915**
30 June 2013				
Segments assets	-	239,018	8,163,340	8,402,358
Segment liabilities	-	37,883	30,273	68,156

3. EXPLORATION AND EVALUATION ASSETS

	Note	31 December 2013 $	Restated 30 June 2013 $
(a) Areas of Interest			
Buck Creek Coal Project		**15,128,773**	-
Arkoma Coal Project		**544,577**	-
Minaçu Gold Project		**218,618**	218,618
Carrying amount at end of the period[1]		**15,891,968**	218,618
(b) Reconciliation			
Carrying amount at start of period		**218,618**	31,416
Acquisition of controlled entity	**6**	**15,358,092**	-
Other additions		**99,569**	187,202
Exchange differences on translation of foreign operations		**215,689**	-
Carrying amount at end of the period[1]		**15,891,968**	218,618

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

4. CONTRIBUTED EQUITY

(a) Issued Capital

	Note	31 December 2013	30 June 2013
122,083,334 fully paid ordinary shares (30 June 2013: 61,083,334)	**4(b)**	**23,820,784**	10,400,784

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

Date	Details	Note	Number of Shares	$
1 Jul 2013	**Opening Balance**		**61,083,334**	**10,400,784**
16 Oct 2013	Acquisition of controlled entity	**6**	61,000,000	13,420,000
31 Dec 2013	**Closing Balance**		**122,083,334**	**23,820,784**

5. RESERVES

(a) Reserves

	Note	31 December 2013	30 June 2013
Share based payments reserve	**5(b)**	**343,818**	-
Foreign currency translation reserve		**102,073**	5,175
		445,891	5,175

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

Date	Details	Number of Options	Number of Rights	$
1 Jul 2013	**Opening Balance**	**2,250,000**	**-**	**-**
6 Sept 2013	Grant of employee incentive securities	150,000	-	-
21 Nov 2013	Grant of employee incentive securities	1,500,000	3,950,000	-
31 Dec 2013	Recognition of share based payments	-	-	343,818
31 Dec 2013	**Closing Balance**	**3,900,000**	**3,950,000**	**343,818**

6. ACQUISITION OF CONTROLLED ENTITY

On 16 October 2013, the Group completed the acquisition of Hartshorne Coal Mining Limited ("**Hartshorne**") which holds the Buck Creek and Arkoma Coal Projects located in the USA. The transaction has been accounted for as an asset acquisition in accordance with the Group's accounting policy for exploration and evaluation expenditure.

The total cost of the acquisition was $13,512,258 and comprised of an issue of equity instruments and costs directly attributable to the transaction. The fair values of net assets acquired at the date of acquisition were:

	Note	16 October 2013 $
Net assets acquired:		
Cash and cash equivalents		139,388
Trade and other receivables		9,805
Exploration and evaluation assets	**3**	15,358,092
Property plant and equipment		36,495
Trade and other payables		(141,101)
Borrowings		(100,000)
Deferred consideration payable [1]		(1,790,421)
		13,512,258
Cost of the acquisition:		
61,000,000 fully paid ordinary shares [2]	**4**	13,420,000
Directly attributable costs		92,258
		13,512,258
Net cash inflow on acquisition:		
Net cash acquired		139,388
Cash cost of the acquisition		(92,258)
		47,130

Notes:

[1] Deferred consideration of US$750,000 is payable by the Group on or before 28 March 2014 and deferred consideration of US$1,000,000 is payable by the Group on or before 28 March 2015 in relation to the Buck Creek Project. At the date of the acquisition by Hartshorne, the fair value of these deferred consideration payments were estimated to be US$1,705,000 (A$1,790,421 at 16 October 2013 and A$1,921,228 at 31 December 2013).

[2] The fair value of fully paid ordinary shares issued at the acquisition date has been determined based on the closing share price of the Company as quoted on the ASX on 16 October 2013 being $0.22 per ordinary share.

7. CONTINGENT ASSETS AND LIABILITIES

(a) Contingent Assets

As at the date of this report, no contingent assets have been identified in relation to the half-year ended 31 December 2013.

(b) Contingent Liabilities

Buck Creek Coal Project

On 16 October 2013, the Group acquired Hartshorne which itself had acquired the Buck Creek Project on 28 March 2013. In accordance with the terms of the acquisition, at Hartshorne's option, a further payment of US$9,770,096 is to be made by 28 March 2016 to acquire the Buck Creek Project, and the vendor is entitled to a royalty equal to 0.5% of the sales revenue generated from the sale of coal produced from Buck Creek. No provision for any liability has been recognised in these financial statements for these payments.

Minaçu Gold Project

On 13 June 2012, the Company's Brazilian subsidiary, Paringa Mineração Limitada, entered into an option agreement in relation to the Minaçu Gold Project. In accordance with the terms of the option agreement, at the Brazilian subsidiary's option, further option payments totalling $1,040,000 are due before 30 June 2016 to transfer the mineral rights to the Group, and the Group has also agreed to pay a 2% royalty over the monthly net results of the production on the mineral rights areas. The option agreement can be terminated at any time with appropriate notice. No provision for any liability has been recognised in these financial statements for these payments.

8. DIVIDENDS PAID OR PROVIDED FOR

No dividend has been paid or provided for during the half year (31 December 2012: nil).

9. FINANCIAL INSTRUMENTS

(a) Fair value measurement

At 31 December 2013 the Group had no material financial assets and liabilities that are measured on a recurring basis, and at 31 December 2013, 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 7 January 2014, Mr Ian Middlemas was appointed as Chairman of the Company and Mr David Gay was appointed as Chief Executive Officer of the Company; and

(ii) On 31 January 2014, the Company granted 450,000 performance rights to employees pursuant to the Paringa Employee Performance Rights Plan.

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

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

5 March 2014

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 2013, 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 statement of financial position as at 31 December 2013, 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, selected explanatory notes 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 5 to 16.

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 2013 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.

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 2013 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.*

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

D Newman.

David Newman
Partner
Chartered Accountants
Perth, 5 March 2014