2016 ANNUAL REPORT

PARINGA RESOURCES LIMITED

ABN 44 155 933 010

CORPORATE DIRECTORY

DIRECTORS:

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

Mr Gregory Swan – Company Secretary

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Evansville IN 47715
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Tel: +1 812 406 4400

New York Office:
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Tel: +1 347 577 9497

Registered Office:
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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
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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

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 at the end of, or during, the year ended 30 June 2016 ("**Consolidated Entity**" or "**Group**").

DIRECTORS

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

Current directors	
Mr Ian Middlemas	Chairman
Mr David Gay	President, Chief Executive Officer and Managing Director
Mr Anastasios Arima	Executive Director
Mr Todd Hannigan	Non-Executive Director
Mr Jonathan Hjelte	Non-Executive Director *(appointed 11 January 2016)*
Mr Richard McCormick	Non-Executive Director *(appointed 12 August 2016)*
Alternate and former directors	
Mr Thomas Todd	Alternate Director for Mr Todd Hannigan
Mr David Chapman	Non-Executive Director *(resigned 11 January 2016)*
Mr David Griffiths	Non-Executive Director *(resigned 12 August 2016)*

Unless otherwise stated, Directors held their office from 1 July 2015 until the date of this report.

CURRENT DIRECTORS AND OFFICERS

Mr Ian Middlemas *B.Com, CA*
Chairman

Mr Middlemas is a Chartered Accountant, a member of the Financial Services Institute of Australasia and holds a Bachelor of Commerce degree. He worked for a large international Chartered Accounting firm before joining the Normandy Mining Group where he was a senior group executive for approximately 10 years. He has had extensive corporate and management experience, and is currently a Director with a number of publicly listed companies in the resources sector.

Mr Middlemas was appointed a Director of the Company on 16 October 2013. During the three year period to the end of the financial year, Mr Middlemas has held directorships in Cradle Resources Limited (May 2016 – present), Berkeley Energia Limited (April 2012 – present), Prairie Mining Limited (August 2011 – present), Syntonic Limited (April 2010 – present), Salt Lake Potash Limited (January 2010 – present), Equatorial Resources Limited (November 2009 – present), WCP Resources Limited (September 2009 – present), Sovereign Metals Limited (July 2006 – present), Odyssey Energy Limited (September 2005 – present), Papillon Resources Limited (May 2011 – October 2014), Sierra Mining Limited (January 2006 – June 2014) and Decimal Software Limited (July 2013 – April 2014).

Mr David Gay *B.Eng, MBA, P.E.*
President, Chief Executive Officer and Managing Director

Mr Gay is a Professional Mining Engineer with an MBA and has over 35 years of experience in developing coal projects in the USA. Mr Gay's experience covers the entire coal development chain including leasing, permitting, exploration, construction, commissioning, production, mergers & acquisitions and financing activities (including project finance, high yield bonds, bank debt, structured finance and equity). Prior to joining the Group, he was Vice President, Mergers and Acquisitions and Business Development at Alpha Natural Resources, one of the USA's largest coal producers. During his time, Alpha completed over US$10 billion worth of mergers and acquisitions and transitioned into one of the largest coal companies in the US and the third largest coking coal exporter globally. Prior to that, Mr Gay led several large regional coal companies and was Business Unit President at Pittston Coal Group (20 years' experience) which at the time was the largest coking coal exporter worldwide.

Mr Gay was appointed Managing Director of the Company on 23 June 2015. During the three year period to the end of the financial year, Mr Gay has not held any other directorships in listed companies.

DIRECTORS' REPORT (Continued)

CURRENT DIRECTORS AND OFFICERS (Continued)

Mr Anastasios (Taso) Arima
Executive Director

Mr Arima was a founder and former Executive Director of Coalspur Mines Limited ("Coalspur"), having been instrumental in the identification and acquisition of Coalspur's coal projects, as well as the corporate strategy and marketing of the company. At the time of his resignation from the Board, Coalspur's fully diluted market capitalisation was approximately A$1.2 billion. Mr Arima has previously worked in the hydrocarbon division at WorleyParsons Limited, and was also an analyst for an investment banking firm, where he specialised in the technical and financial requirements of bulk commodity and other resource projects.

Mr Arima was appointed a Director of the Company on 16 October 2013. During the three year period to the end of the financial year, Mr Arima held a directorship in Prairie Mining Limited (September 2012 – September 2015).

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

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

Mr Hannigan was appointed a Director of the Company on 21 May 2014. During the three year period to the end of the financial year, Mr Hannigan held a directorship in Prairie Mining Limited (September 2014 – present).

Mr Jonathan (Jon) Hjelte *M.S., B.S., CFA*
Non-Executive Director

Mr Hjelte is Portfolio Manager of the Utilities, Metals and Mining division at Citadel LLC, one of the largest, most successful alternative investment management firms, specializing in utilities, metals and mining. Prior to this, Mr Hjelte was with Millennium Management LLC, a global investment management firm with approximately US$30 billion in assets under management. Mr Hjelte managed an equity portfolio focused on a diverse mix of sectors including power and mining. Mr Hjelte began his career at Lehman Brothers as an investment banker. Mr Hjelte graduated Summa Cum Laude from Lehigh University where he received an M.S. in Statistics and a B.S. in the Integrated Business and Engineering honors program. He also holds the Chartered Financial Analyst (CFA) designation.

Mr Hjelte was appointed as a Director of the Company on 11 January 2016. During the three year period to the end of the financial year, Mr Hjelte has not held any other directorships in listed companies.

Mr Richard (Rick) McCormick *BSc, PE*
Non-Executive Director

Mr McCormick has spent the last 20 years of his career specializing in large-scale coal preparation plants and materials handling systems in the U.S., including the Illinois Basin. He has over 30 years' of experience in coal preparation and coal preparation equipment, including operations, process and material handling design, construction, and process equipment design and application. Mr McCormick was previously Chief Executive Officer of DRA Taggart (the US operating arm of DRA Global) a large and highly respected coal mining services firm with significant experience in the Illinois Basin having conducted operational and construction activities of many coal handling and preparation plants, including those owned by Alliance Resource Partners, LP. Mr McCormick is also a consultant to Concentrate Capital Partners, the fund management and investment arm of DRA Global. Prior to this, Mr McCormick served as Chief Executive Officer and President of Taggart Global for over 10 years' until DRA Global's acquisition of Taggart Global in 2014. Mr McCormick is a registered Professional Engineer and has a Bachelor of Science degree in Mechanical Engineering from West Virginia University.

Mr McCormick was appointed as a Director of the Company on 12 August 2016. During the three year period to the end of the financial year, Mr McCormick has not held any other directorships in listed companies.

Mr Thomas (Tom) Todd *BSc (Hons), CA*
Alternate Director for Mr Todd Hannigan

Mr Todd was the Chief Financial Officer of Aston Resources from 2009 to November 2011. Prior to Aston Resources, Mr Todd was Chief Financial Officer of Custom Mining, where his experience included project acquisition and funding of project development for the Middlemount project prior to the sale of the company to Macarthur Coal. A graduate of Imperial College, Mr Todd holds a Bachelor of Physics with first class Honours. He is a chartered accountant (Institute of Chartered Accountants in England and Wales) and a graduate of the Australian Institute of Company Directors.

Mr Todd was appointed as alternate Director for Mr Todd Hannigan on 21 May 2014. During the three year period to the end of the financial year, Mr Todd held a directorship in Prairie Mining Limited (September 2014 – present).

Mr Gregory (Greg) Swan *B.Com, CA, ACIS, AFin*
Company Secretary

Mr Swan is a member of the Institute of Chartered Accountants and Institute of Chartered Secretaries. He commenced his career with a large international chartered accounting firm and has since worked in the corporate office of several listed companies that operate in the resources sector. He has been involved with a number of exploration and development companies, including Mantra Resources Limited, Coalspur Mines Limited, Equatorial Resources Limited, and Papillon Resources Limited.

Mr Swan was appointed Company Secretary of the Company on 25 November 2013.

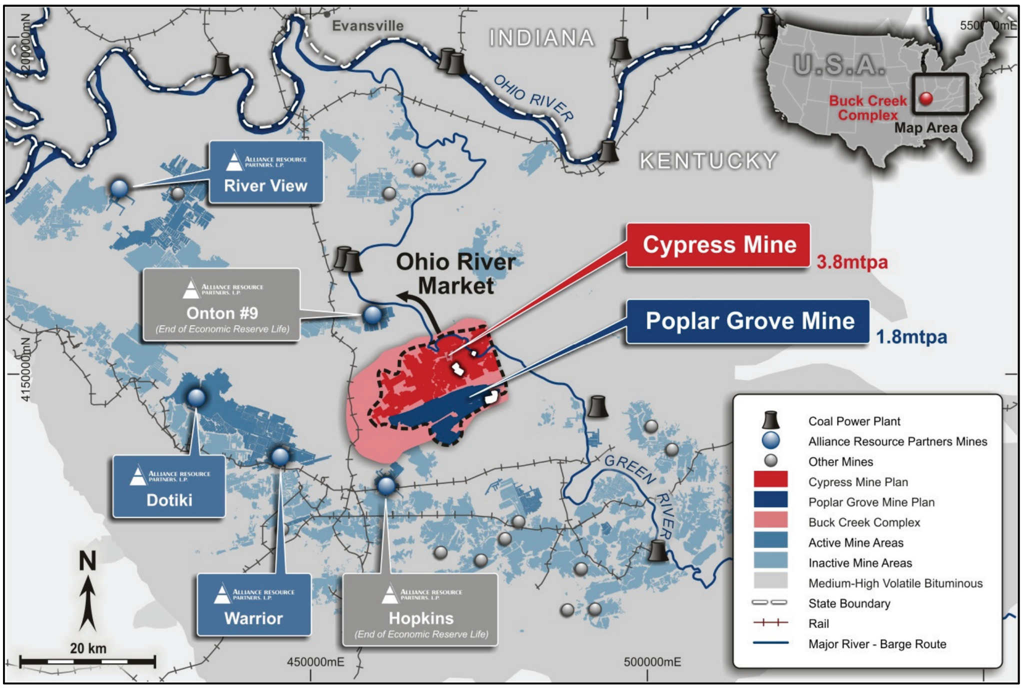
PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year consisted of the exploration and development of resource projects. No significant change in the nature of these activities occurred during the year.

OPERATING AND FINANCIAL REVIEW

Operations

During the year, the Company continued to focus on the advancement of the Buck Creek coal mining complex ("Buck Creek Complex"), located in the western Kentucky region of the Illinois Coal Basin ("ILB"), comprising two undeveloped coal mines, the Poplar Grove Mine and Cypress Mine. Once completed, the Poplar Grove Mine and Cypress Mine will allow Paringa to become a 5.6 million tons per annum ("Mtpa") supplier of high quality coal into the growing Eastern US power market, with capex to initial production of only US$39 million.



DIRECTORS' REPORT (Continued)

OPERATING AND FINANCIAL REVIEW (Continued)

Highlights

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

Poplar Grove Mine:

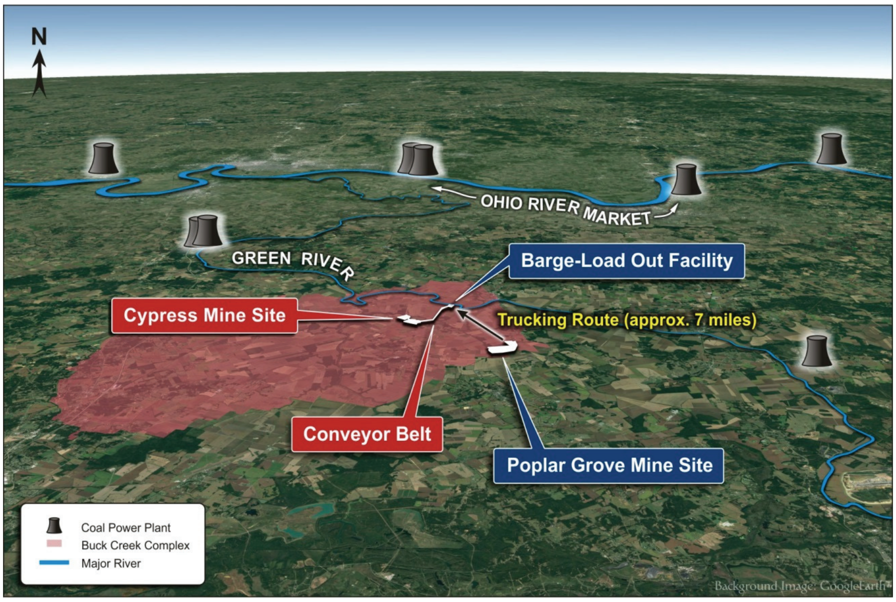
- Emergence of the Poplar Grove Mine has transformed the economics of the Buck Creek Complex and a new staged development strategy will allow Paringa to become a 5.6 Mtpa supplier of high quality coal into the growing Eastern US power market, with capex to initial production of only US$39 million.
- Executed 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$205 million. Importantly, almost 60% of Poplar Grove Mine's annual production during the 5 year sales agreement is now contracted with LG&E and KU, significantly de-risking the project for potential financiers.
- Completed a Scoping Study which confirmed that the Poplar Grove Mine will be a high margin 1.8 Mtpa mine, with extremely low capex of only US$39 million due to favourable geology and shallow depth of coal seam from surface at the proposed Poplar Grove Mine site.
- Commenced a Bankable Feasibility Study ("BFS") on the Poplar Grove Mine which is on track for completion in the coming months, with the mine permitting process progressing as planned, paving the way for construction of the Poplar Grove Mine to begin in early-2017.

Cypress Mine:

- Completed a BFS which confirmed that Cypress 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.
- Paringa will build the Poplar Grove Mine first followed by the shovel-ready Cypress Mine, as part of a staged multi-project development strategy for building a new mid-tier, high margin Illinois Basin coal company.

Corporate:

- Completed a placement of 38.2 million shares to Institutional and sophisticated investors in Australia and the U.S. to raise gross proceeds of A$6.5 million, leaving the Company fully funded to complete the BFS on the Poplar Grove Mine and to commence development of the Poplar Grove Mine, subject to the outcome of the BFS.
- 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.
- Appointed highly respected U.S. coal executive, Mr Rick McCormick, and highly respected New York fund manager, Mr Jonathan Hjelte, as Non-Executive Directors of the Company.



Buck Creek Complex

The Buck Creek 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 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.

The Buck Creek Complex has a JORC Measured and Indicated Coal Resource Estimate ("CRE") of 224 million tons of high quality thermal coal.

Buck Creek 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%

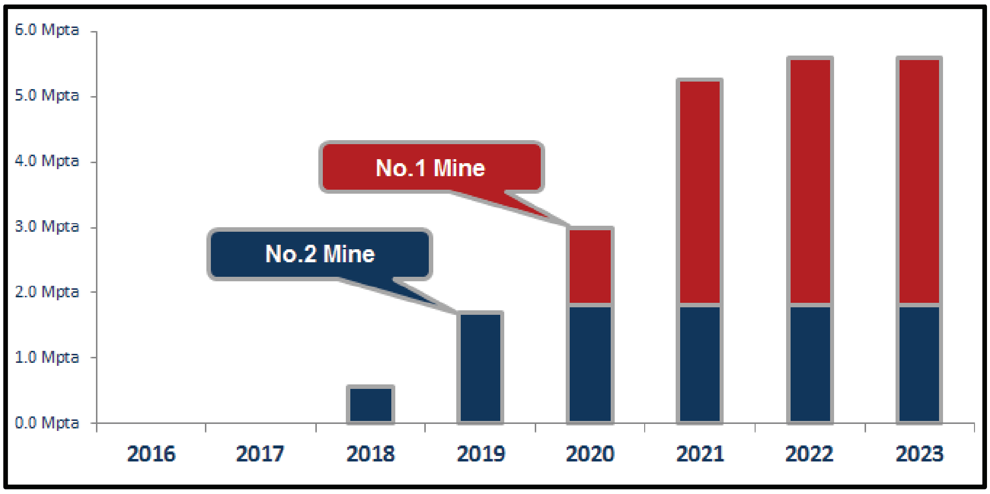
Staged Multi-Project Development

The Poplar Grove Mine will be an extremely low capex development with total initial capital cost of only US$39 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 Poplar Grove Mine has transformed the economics of the Buck Creek Complex and Paringa will now look to develop the Poplar Grove Mine first, followed by the Cypress 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$39 million.

Buck Creek Complex: Key Metrics	Poplar Grove Mine (Scoping Study)	Cypress 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

Based on the results from the Poplar Grove Scoping Study, the proposed coal production profile of the Poplar Grove and Cypress Mines is shown below:



DIRECTORS' REPORT (Continued)

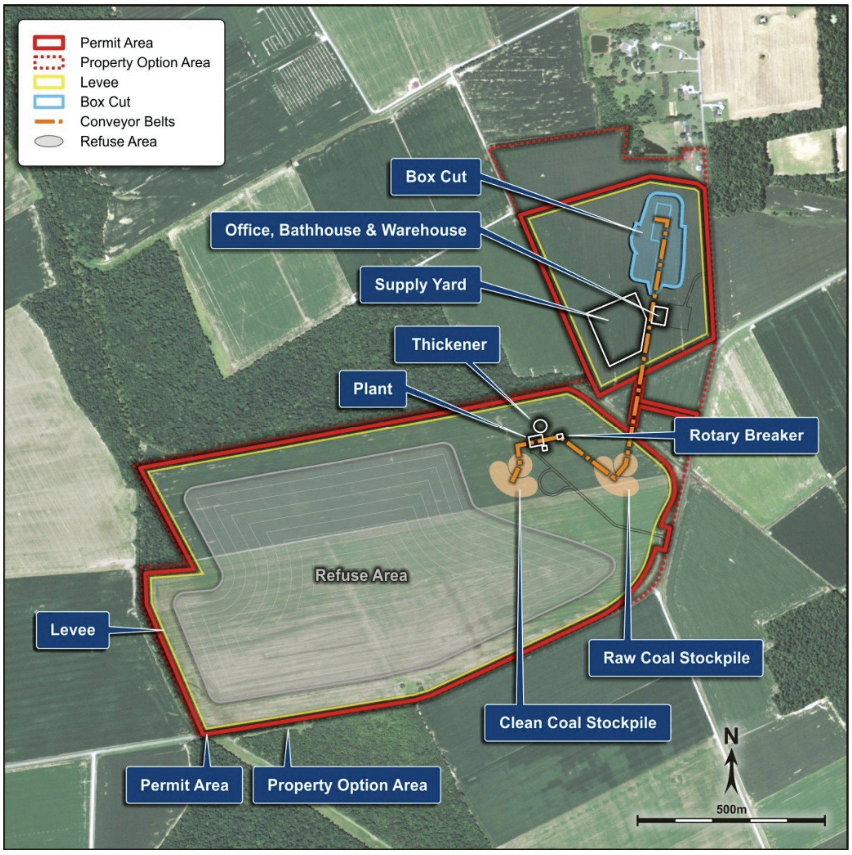
OPERATING AND FINANCIAL REVIEW (Continued)

Poplar Grove Mine

During the year, the Company completed a Scoping Study and commenced a BFS on the Poplar Grove Mine, the results of which have confirmed that the Poplar Grove Mine has the potential for low capital development, with a final initial capital cost estimate of only US$39 million (based on the results to-date from the BFS).

Key results from the Poplar Grove Mine Scoping Study were as follows:

Poplar Grove Mine: Scoping Study Key Metrics		
Production (tons)		
Average Run-of-Mine ("ROM") Coal Production Steady State	2.3 Mtpa	
Total ROM Coal Produced Life-of-Mine ("LOM")	43.7 million	
Product Heating Content	11,200 Btu/lb	
Average Product Yield	76.7%	
Mine Life	20 years	
Average Saleable Coal Production Steady State	1.8 Mtpa	
Total Saleable Coal Produced LOM	33.5 million	
Construction Period	approx. 12 months	
Ramp-up Period to Full Production	approx. 12 months	
Cash Flow		
Average Sales Price Received (US$11,200 btu/lb)	**2018**	**2035**
	US$44.50 /t	US$54.60 /t
Average Annual Operating Costs (steady state)	US$32.94 per ton	
Average Annual EBITDA (steady state)	US$33 million	



Utilizing the Buck Creek Complex's Coal Resource Estimate of 224.8 million tons of coal, the Project can support production of 2.3 Mtpa ROM coal yielding approximately 1.8 Mtpa of saleable clean coal at steady state production.

Based on the results from the Poplar Grove Scoping Study, the low capex, high margin Project is expected to achieve average EBITDA of US$33 million per annum (steady state) with average annual total operating costs (steady state; inclusive of royalties and severance taxes) of US$32.94 per ton Free On Board Barge ("FOB Barge") at the Project's barge load-out facility. This "all-in" operating cost includes trucking costs from the Project's Coal Handling Preparation Plant ("CHPP") to the Green River barge load-out facility totalling US$2.14 per ton.

Coal quality results from the 2015 drilling at the proposed Poplar Grove Mine demonstrate particularly attractive coal quality properties compared to existing and new mines being developed in the Illinois Basin. On a product basis, together with a 4% addition to equilibrium moisture, the coal has a high weighted average heat content of 11,813 btu/lb (6,563 kcal/kg) which compares very favourably with the larger producing mines in the Illinois Basin. The weighted average ash content of the 2015 drilling results averages 9.10% and is in line with typical Illinois Basin coal products. In addition, the sulphur content at 2.65% is slightly lower than the average typically seen across the Illinois Basin.

In September 2016, the Company finalised the mine design for its Poplar Grove Mine and secured all surface property rights needed for construction of the mine and refuse area. The BFS remains on track for completion in the coming months with the mine site permitting progressing as planned, paving the way for construction of the Poplar Grove Mine to begin in early-2017.

Cypress Mine

During the year, the Company completed a BFS on the Cypress Mine (formally called the Buck Creek No.1 Mine), the results of which confirm that the Cypress Mine will be a world class, low capex, high margin coal mine, and will generate EBITDA of over US$87 million (A$121million) per annum.

Utilizing the Project's Marketable Ore Reserve Estimate of 63.5 million tons of coal, the Project can support production of 5.2 Mtpa ROM coal yielding approximately 3.8Mtpa of saleable clean coal at steady state production.

The low capex, high margin Project is expected to achieve average EBITDA of US$87 million per annum (steady state) with average annual total operating costs (steady state; inclusive of royalties and severance taxes) of US$29.37 per ton FOB Barge at the Project's barge load-out facility.

Key results from the Cypress Mine BFS were as follows:

Cypress Mine: BFS Key Metrics		
Initial Capital Costs		
Mine Site Development and Infrastructure	US$61 million	
CHPP & Barge Load-Out Facility	US$44 million	
Total Initial Capital Cost	**US$105 million**	
Production (tons)		
Average ROM Coal Production Steady State	5.2 Mtpa	
Total ROM Coal Produced LOM	86.4 million	
Average Product Yield	73.5%	
Mine Life	18 years	
Average Saleable Coal Production Steady State	3.8 Mtpa	
Total Saleable Coal Produced LOM	63.4 million	
Start of Construction	Q1 2016	
Start of Production Ramp-Up	Q4 2017	
Construction Period	19 months	
Cashflow		
Average Sales Price Received (per ton)	**2018**	**2035**
	US$45.99 /t	US$55.63 /t
Average Annual Operating Costs (steady state)	US$29.74 per ton	
Average Annual Operating Cashflow (steady state)	US$83 million	

OPERATING AND FINANCIAL REVIEW (Continued)

Other Projects

The Company has secured over 14,000 gross acres (~5,600 ha) of coal leases in the Arkoma Coal Basin in Arkansas, USA ("**Arkoma Coking Project**"). Regional mapping and analysis of past coal production in the Arkoma basin led to the definition of this high value coking coal target area. Preliminary coal quality testing confirms low volatile hard coking coal with low ash and low sulfur contents which is highly desirable in the global coking coal markets.

Results of Operations

The net loss of the Consolidated Entity for the year ended 30 June 2016 was A$6,166,454 (2015: A$5,884,802). This loss is mainly attributable to:

(i) Exploration and evaluation expenses of A$4,585,985 (2015: A$4,262,751) 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;

(ii) Non-cash share-based payment expenses of A$709,927 (2015: A$664,612) which is attributable to the Group's accounting policy of expensing the value (estimated using an option pricing model) of Incentive 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; and

(iii) Business development and investor relations expenses of A$407,843 (2015: A$630,909) which are attributable to additional business development and investor relations activities required to support the growth and development of the Buck Creek Complex, including travel costs associated with representing the Company at international conferences, investor briefings, and meetings with equity and debt financiers.

Financial Position

At the date of this report, the Company has cash reserves of approximately A$4.7 million following the completion of a placement to institutional and sophisticated investors in Australia and the United States which raised gross proceeds of A$6.5 million, subsequent to the end of the 2016 financial year. At 30 June 2016, the Company had cash reserves of A$0.4 million (2015: A$2.1 million) and no debt. The Company is in a strong financial position to conduct its current and planned exploration and development activities.

At 30 June 2016, the Company had net assets of A$18.5 million (2015: A$19.1 million), a decrease of 3.1% compared with the previous year.

Business Strategies and Prospects for Future Financial Years

The objective of the Group is to create long-term shareholder value through the discovery, exploration and development of its projects.

To date, the Group has not commenced production of any minerals. To achieve its objective, the Group currently has the following business strategies and prospects:

(i) Complete the BFS for the Poplar Grove Mine;

(ii) Continue advanced discussions with potential equity and debt financiers to fund the construction of the Poplar Grove Mine;

(iii) Expedite permitting process for the Poplar Grove Mine and secure remaining coal leases;

(iv) Continue discussions with local utilities who operate scrubbed coal fired power plants within the Ohio River and South East Markets for additional future coal sales; and

(v) Assess other mine development opportunities within the Buck Creek Complex.

All of these activities are inherently risky and the Board is unable to provide certainty of the expected results of these activities, or that any or all of these likely activities will be achieved.

The material business risks faced by the Group that could have an effect on the Group's future prospects, and how the Group manages these risks, include:

- *The Company's activities will require further capital* – The development of the Company's exploration properties will require substantial additional financing. Failure to obtain sufficient financing may result in delaying or indefinite postponement of exploration and any development of the Company's properties or even a loss of property interest. The Company's Board is experienced in capital markets and financing resource projects, however there can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company;
- *The Company's projects are not yet in production* - The exploration for, and development of, mineral deposits involve a high degree of risk. To mitigate this risk, the Company will undertake systematic and staged exploration and testing programs on its mineral properties and, subject to the results of these exploration programs, the Company will then progressively undertake a number of technical and economic studies with respect to its projects prior to making a decision to mine. However there can be no guarantee that the studies will confirm the technical and economic viability of the Company's mineral properties;
- *The Company may be adversely affected by fluctuations in commodity prices* – The price of coal and base metals fluctuates widely and is affected by numerous factors beyond the control of the Company. Future production, if any, from the Company's mineral properties and its profitability will be dependent upon the price of coal and/or base metals being adequate to make these properties economic. The Company currently does not engage in any hedging or derivative transactions to manage commodity price risk. As the Company's operations change, this policy will be reviewed periodically going forward;
- *The Company's title to its projects could be challenged* – The Company conducts its exploration and development activities in the US on properties that it has leased. As is standard industry practice in the USA, title to most of the Company's leased properties and mineral rights is not thoroughly verified until construction commences, and in some cases, title is not verified at all. Accordingly, actual or alleged defects in title or boundaries may exist, which could adversely affect its business and profitability. In addition, the Company is continuing with its leasing program to secure additional leased properties within the project area to enable the Company to undertake further technical and economic studies, however there can be no guarantee that the Company will secure any additional leasing which could impact on the results of further technical studies and/or operations;
- *The Company's activities are subject to Government regulations* – Any material adverse changes in government policies or legislation of the United States that affect coal mining, processing, development and mineral exploration activities, income tax laws, royalty regulations, government subsidies and environmental issues may affect the viability and profitability of Paringa's current and future projects. The mining, processing, development and mineral exploration activities of Paringa are subject to various laws governing exploration, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use, indigenous land claims, and other matters. Furthermore, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could adverse impact the Company's mineral properties; and
- *Global financial conditions may adversely affect the Company's growth and profitability* – Many industries, including the mineral resource industry, are impacted by these market conditions. Some of the key impacts of the current financial market turmoil include contraction in credit markets resulting in a widening of credit risk, devaluations and high volatility in global equity, commodity, foreign exchange and precious metal markets, and a lack of market liquidity. Due to the current nature of the Company's activities, a slowdown in the financial markets or other economic conditions may adversely affect the Company's growth, or rate of growth, and ability to fund its activities.

EARNINGS PER SHARE

	2016 (Cents)	2015 (Cents)
Basic and diluted loss per share	**(4.03)**	(4.30)

DIVIDENDS

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

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group's operations are subject to various environmental laws and regulations under the relevant government's legislation. Full compliance with these laws and regulations is regarded as a minimum standard for all operations to achieve. Instances of environmental non-compliance by an operation are identified either by external compliance audits or inspections by relevant government authorities. There have been no significant known breaches by the Group during the financial year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

(i) On 6 August 2015, the Company's ordinary shares commenced trading in the United States on the OTCQX® Best Market under the symbol "PNGZF";

(ii) On 3 September 2015, the Company completed a placement of 15,000,000 shares at A$0.34 each and 7,500,000 free-attaching Unlisted Options to institutional and sophisticated investors in the United States, Australia and New Zealand to raise gross proceeds of A$5,100,000;

(iii) On 2 December 2015, the Company announced an updated Coal Resource Estimate of 224 million tons (~203 million tonnes) in the Measured and Indicated categories;

(iv) On 2 December 2015, the Company announced the results of a BFS for the Cypress Mine which confirmed that Cypress Mine will be a high margin 3.8 Mtpa mine and will generate average EBITDA of over US$87 million per annum;

(v) On 11 January 2016, the Company appointed highly respected New York fund manager, Mr Jonathan Hjelte, as a Non-Executive Director of the Company. Mr David Chapman resigned as Non-Executive Director; and

(vi) On 15 February 2016, the Company announced the results of a Scoping Study for the Poplar Grove Mine which confirmed that the Poplar Grove Mine will be a high margin 1.8 Mtpa mine, with extremely low capex of only US$39 million due to favourable geology and shallow depth of coal seam from surface at the proposed Poplar Grove Mine site.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

(i) On 4 August 2016, the Company completed a placement of 38,200,000 shares at an issue price of A$0.17 per share to Institutional and sophisticated investors in Australia and the United States to raise gross proceeds of A$6,494,000; and

(ii) On 11 August 2016, the Company appointed highly respected and experienced US coal executive, Mr Richard McCormick, as a Non-Executive Director of Paringa. Mr David Griffiths resigned as Non-Executive Director.

Other than as outlined above, at the date of this report, there are no matters or circumstances, which have arisen since 30 June 2016 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2016, of the Consolidated Entity;
- the results of those operations, in financial years subsequent to 30 June 2016, of the Consolidated Entity; or
- the state of affairs, in financial years subsequent to 30 June 2016, of the Consolidated Entity.

DIRECTORS' INTERESTS

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

	Interest in securities at the date of this report		
	Shares[1]	Options[2]	Rights[3]
Mr Ian Middlemas	8,200,000	-	-
Mr David Gay	2,910,338	1,500,000	2,300,000
Mr Anastasios Arima	11,105,000	-	-
Mr Todd Hannigan	7,782,581	1,875,000	-
Mr Jonathan Hjelte	1,344,000	500,000	-
Mr Richard McCormick	1,000,000	-	-
Mr Thomas Todd	4,100,000	1,875,000	-

Notes:

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

2 "Options" means an unlisted option to subscribe for one Share in the capital of the Company.

3 "Rights" means an unlisted performance right that converts into one Share in the capital of the Company upon the satisfaction of various performance conditions.

SHARE OPTIONS AND RIGHTS

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

- 1,500,000 Incentive Options exercisable at A$0.20 each on or before 31 December 2016;
- 150,000 Incentive Options exercisable at A$0.30 each on or before 31 December 2016;
- 2,250,000 Incentive Options exercisable at A$0.30 each on or before 31 August 2017;
- 500,000 Incentive Options exercisable at A$0.50 each on or before 31 December 2018;
- 1,500,000 Placement Options exercisable at A$0.45 each on or before 30 June 2018;
- 7,500,000 Placement Options exercisable at A$0.50 each on or before 31 July 2018;
- 450,000 Performance Rights subject to the Financing Milestone expiring on 31 December 2016;
- 1,806,000 Performance Rights subject to the Construction Milestone expiring on 31 December 2016; and
- 3,668,334 Performance Rights subject to the Production Milestone expiring on 31 December 2017.

During the year ended 30 June 2016, 1,082,333 Shares were issued as a result of the exercise of Options or conversion of Rights. Subsequent to year end, and up until the date of this report, no Shares have been issued as a result of the exercise of Options or conversion of Rights.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

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

During or since the end of the financial year, no amounts have been paid by the Company or Group in relation to the above indemnities. During the year the Company paid an insurance premium of A$17,760 (2015: A$22,126) to provide adequate insurance cover for Directors and officers of the Company and its subsidiaries against any potential liability and the associated legal costs of a proceeding.

REMUNERATION REPORT (AUDITED)

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

Details of Key Management Personnel

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

Directors

Mr Ian Middlemas	Chairman
Mr David Gay	President, Chief Executive Officer and Managing Director
Mr Anastasios Arima	Executive Director
Mr Todd Hannigan	Non-Executive Director
Mr Jonathan Hjelte	Non-Executive Director *(appointed 11 January 2016)*
Mr Richard McCormick	Non-Executive Director *(appointed 12 August 2016)*
Mr Thomas Todd	Alternate Director for Mr Todd Hannigan
Mr David Chapman	Non-Executive Director *(resigned effective 11 January 2016)*
Mr David Griffiths	Non-Executive Director *(resigned effective 12 August 2016)*

Other KMP

Mr Mathew Haaga	Chief Operating Officer
Mr Rick Kim	General Manager
Mr Nathan Ainsworth	Vice President, Business Development
Mr James Plaisted	Vice President, Coal Sales and Marketing
Mr Mark Pearce	Director of Hartshorne Coal Mining Pty Ltd
Mr Gregory Swan	Company Secretary
Mr Scott Cole	Chief Financial Officer *(terminated effective from 27 September 2016)*

Unless otherwise disclosed, the KMP held their position from 1 July 2015 until the date of this report.

DIRECTORS' REPORT (Continued)

REMUNERATION REPORT (AUDITED) (Continued)

Remuneration Policy

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

In addition to considering the above general factors, the Board has also placed emphasis on the following specific issues in determining the remuneration policy for KMP:

(a) the Group is currently focused on undertaking exploration, appraisal and development activities;

(b) risks associated with developing resource companies whilst exploring and developing projects; and

(c) other than profit which may be generated from asset sales, the Company does not expect to be undertaking profitable operations until sometime after the commencement of commercial production on any of its projects.

Executive Remuneration

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

Fixed Remuneration

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

Fixed remuneration is reviewed annually by the Board. The process consists of a review of company and individual performance, relevant comparative remuneration externally and internally and, where appropriate, external advice on policies and practices.

As part of the annual remuneration review conducted by the Board at the end of the 2016 financial year, the Company has reduced executives' fixed remuneration by a combined total of US$140,000 per annum (representing an average reduction of 13.3% per executive) to reduce costs given the current market conditions. These changes were made effective between 23 May 2016 and 1 August 2016. The Company will consider further changes to executive remuneration as the Company's circumstances change.

Performance Based Remuneration – Short Term Incentives ("STI")

Some executives are entitled to a semi-annual cash bonus upon achieving various key performance indicators ("**KPI's**"), as set by the Board. Having regard to the current size, nature and opportunities of the Company, the Board has determined that these KPI's will include measures such as successful commencement and/or completion of exploration activities (e.g. completion of exploration programs within budgeted timeframes and costs), development activities (e.g. completion of technical studies), corporate activities (e.g. recruitment of key personnel) and business development activities (e.g. successful investor relations activities and capital raisings). These measures were chosen as the Board believes these represent the key drivers in the short and medium term success of the project's development. The Board currently assesses performance against these criteria annually.

During the 2016 financial year, a total bonus sum of US$110,000 was paid to executives in respect of the six months ended 31 December 2015 after achievement of KPIs set by the Board, which included: (a) completion of positive exploration and development drilling programs at the Buck Creek Complex; (b) completion of a positive BFS for the Cypress Mine; (c) advancement of a positive Scoping Study for the Poplar Grove Mine; (d) completion of positive investor marketing activities; and (e) completion of successful capital raisings.

As part of the annual remuneration review conducted by the Board at the end of the 2016 financial year, the Company has cancelled all cash bonuses to executives to reduce costs given the current market conditions. These changes were made effective from May 23, 2016. As a result, no cash bonuses were paid to executives in respect of the six months ended 30 June 2016. The Company will consider re-instating cash bonuses as the Company's circumstances change.

Performance Based Remuneration – Long Term Incentives

The Group has adopted a long-term incentive plan ("**LTIP"**) comprising the "Paringa Performance Rights Plan" (the "**Plan"**) to reward KMP and key employees for long-term performance. Shareholders approved the Plan in October 2013 at a General Meeting of Shareholders.

The Plan provides for the issuance of performance rights ("**Performance Rights**") which, upon satisfaction of the relevant performance conditions attached to the Performance Rights, will result in the issue of an Ordinary Share for each Performance Right. Performance Rights are issued for no consideration and no amount is payable upon conversion thereof.

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

(a) enable the Company to recruit, incentivise and retain KMP and other eligible employees to assist with the completion of feasibility studies for the Buck Creek Coal Project to achieve the Company's strategic objectives;

(b) link the reward of eligible employees with the achievements of strategic goals and the long term performance of the Company;

(c) align the financial interests of eligible participants of the proposed Plan with those of Shareholders; and

(d) provide incentives to eligible employees of the Plan to focus on superior performance that creates Shareholder value.

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

During the 2016 financial year, no Performance Rights were granted by the Company. During the 2016 financial year, 1,082,333 Performance Rights previously granted to certain KMP and other employees and contractors vested upon satisfaction of the Definitive Feasibility Study Milestone for the Buck Creek Complex under the Paringa's Performance Rights Plan. At 30 June 2016, KMP and other employees and contractors held 5,924,334 Performance Rights that will vest upon achievement of certain performance conditions in relation to the Buck Creek Complex including: (a) completion of financing for construction; (b) commencement of construction activities; and (c) achievement of an agreed monthly coal production level.

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

Other than service-based vesting conditions (if any), there are no additional performance criteria on the Incentive Options granted to KMP, as given the speculative nature of the Group's activities at the time and the previously small management team responsible for its running, it is considered the performance of the KMP and the performance and value of the Group are closely related.

The Company prohibits executives entering into arrangements to limit their exposure to Incentive Options and Performance Rights granted as part of their remuneration package.

DIRECTORS' REPORT (Continued)

REMUNERATION REPORT (AUDITED) (Continued)

Non-Executive Director Remuneration

The Board's policy is for fees to Non-Executive Directors to be no greater than market rates for comparable companies for time, commitment and responsibilities. Given the current size, nature and risks of the Company, Incentive Options and Performance Rights may also be used to attract and retain Non-Executive Directors. The Board determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at a General Meeting. Director's fees paid to Non-Executive Directors accrue on a daily basis. Fees for Non-Executive Directors are not linked to the performance of the economic entity. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company and given the current size, nature and opportunities of the Company, Non-Executive Directors may receive Incentive Options and Performance Rights in order to secure their initial or ongoing holding and retain their services.

Fees for the Chairman are presently A$50,000 per annum (2015: A$50,000), however given recent market conditions, the Chairman, Mr Middlemas, elected to only receive fees of $24,000 for the 2016 financial year.

Fees for Non-Executive Directors' are presently set at A$30,000 per annum (2015: A$30,000). These fees cover main board activities only. Non-Executive Directors may receive additional remuneration for other services provided to the Company, including but not limited to, membership of committees.

The Company prohibits non-executives entering into arrangements to limit their exposure to Incentive Options and Performance Rights granted as part of their remuneration package.

Relationship between Remuneration of KMP and Shareholder Wealth

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

The Board did not determine, and in relation to, the nature and amount of remuneration of the KMP by reference to changes in the price at which shares in the Company traded between the beginning and end of the current and the previous financial years. Discretionary annual cash bonuses are based upon achieving various non-financial key performance indicators as detailed under "Performance Based Remuneration – Short Term Incentive" and are not based on share price or earnings. However, as noted above, certain KMP are granted Incentive Options and Performance Rights which generally will be of greater value to KMP if the value of the Company's shares increases (subject to vesting conditions being met).

Relationship between Remuneration of KMP and Earnings

As discussed above, the Company is currently undertaking exploration and development activities, and does not expect to be undertaking profitable operations (other than by way of material asset sales, none of which is currently planned) until sometime after the successful commercialisation, production and sales of commodities from one or more of its projects. Accordingly the Board does not consider earnings during the current and previous financial years when determining, and in relation to, the nature and amount of remuneration of KMP.

Emoluments of Directors and Other KMP

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

2016	Short-term benefits Salary & fees A$	Cash Bonus[8] A$	Other A$	Post-employment benefits A$	Share-based payments A$	Total A$	Performance related %
Directors							
Mr Ian Middlemas	24,000	-	-	2,280	-	26,280	-
Mr David Gay	412,052	68,658	23,618	11,813	194,661	710,802	37%
Mr Anastasios Arima	150,071	35,057	869	7,493	-	193,491	18%
Mr Todd Hannigan	30,000	-	-	2,850	-	32,850	-
Mr Jonathan Hjelte [1]	14,375	-	-	-	43,500	57,875	75%
Mr Thomas Todd	-	-	-	-	-	-	-
Mr David Chapman [3]	15,875	-	-	1,508	-	17,383	-
Mr David Griffiths [4]	30,000	-	-	2,850	-	32,850	-
Other KMP							
Mr Mathew Haaga	166,046	-	16,011	-	54,246	236,303	23%
Mr Richard Kim	233,701	20,597	18,303	9,892	107,669	390,162	33%
Mr Nathan Ainsworth	227,547	27,463	14,571	-	70,218	339,799	29%
Mr James Plaisted	43,680	-	-	-	58,296	101,976	57%
Mr Mark Pearce [5]	-	-	-	-	-	-	-
Mr Gregory Swan [6]	-	-	-	-	38,457	38,457	100%
Mr Scott Cole [7]	226,042	34,329	3,948	8,871	88,209	361,399	34%
Total	1,573,389	186,104	77,320	47,557	655,256	2,539,626	33%

Notes:
1 Mr Jonathan Hjelte was appointed on 11 January 2016.
2 Mr Richard McCormick was appointed on 11 August 2016.
3 Mr David Chapman resigned effective 11 January 2016.
4 Mr David Griffiths resigned effective 11 August 2016.
5 During the year, Apollo Group Pty Ltd, a company associated with Mr Pearce, was paid A$198,000 for the provision of a fully serviced office and administrative, accounting and company secretarial services to the Group, based on a monthly retainer of A$15,000 (from 1 January 2016).
6 Mr Swan provides services as the Company Secretary through a services agreement with Apollo Group Pty Ltd as described above.
7 Mr Scott Cole's employment will terminate effective from 27 September 2016.
8 Refer to page 12 for further details of Short Term Incentives ("STI") provided to executives.

2015	Short-term benefits Salary & fees A$	Cash Bonus A$	Other A$	Post-employment benefits A$	Share-based payments A$	Total A$	Performance related %
Directors							
Mr Ian Middlemas	50,000	-	-	4,750	-	54,750	-
Mr David Gay	358,466	119,489	19,100	14,706	249,962	761,723	49%
Mr Anastasios Arima	95,000	-	-	9,025	-	104,025	-
Mr David Chapman	30,000	-	-	2,850	-	32,850	-
Mr David Griffiths	30,000	-	-	2,850	-	32,850	-
Mr Todd Hannigan	30,000	-	-	2,850	-	32,850	-
Mr Thomas Todd	-	-	-	-	-	-	-
Other KMP							
Mr Scott Cole [1]	15,625	3,389	27	-	19,843	38,884	60%
Mr Mathew Haaga	194,858	9,463	15,388	-	73,026	292,735	28%
Mr James Plaisted	76,096	7,886	-	-	31,381	115,363	34%
Mr Richard Kim [2]	187,505	27,852	12,939	6,739	62,080	297,115	30%
Mr Mark Pearce [3]	-	-	-	-	-	-	-
Mr Nathan Ainsworth	193,997	40,772	3,249	15,042	100,503	353,563	40%
Mr Gregory Swan [4]	-	-	-	-	46,100	46,100	100%
Total	1,261,547	208,851	50,703	58,812	582,895	2,162,808	37%

Notes:
1 Mr Scott Cole was appointed on 2 June 2015.
2 Mr Kim was appointed on 21 July 2014.
3 During the year, Apollo Group Pty Ltd ('Apollo'), a company associated with Mr Pearce, was paid, or is payable, A$240,000 for the provision of a fully serviced office and administrative, accounting and company secretarial services to the Group, based on a monthly retainer of A$20,000. From 1 July 2015, the monthly retainer has been reduced to $18,000.
4 Mr Swan provides services as the Company Secretary through a services agreement with Apollo as described above.

DIRECTORS' REPORT (Continued)

REMUNERATION REPORT (AUDITED) (Continued)

Options and Rights Granted to KMP

Details of the values of Incentive Options and Performance Rights granted, exercised or lapsed for each KMP of the Group during the 2016 financial year are as follows:

2016	Value of Options/Rights Granted during the Year[1] A$	Value of Options/Rights exercised during the year A$	Value of Options/Rights lapsed during the year A$	Value of Options/ Rights included in remuneration report for the year A$	Remuneration for the year that consists of Options/Rights %
Directors					
Mr David Gay	-	104,000	93,500	194,661	27%
Mr Jonathan Hjelte	43,500	-	-	43,500	75%
Other KMP					
Mr Mathew Haaga	-	41,600	-	54,246	23%
Mr Richard Kim	-	20,800	-	107,669	28%
Mr Nathan Ainsworth	-	24,267	34,000	70,218	21%
Mr James Plaisted	-	10,400	-	58,296	57%
Mr Gregory Swan	-	16,900	-	38,457	100%
Mr Scott Cole	-	26,000	68,000	88,209	24%
Total	**43,500**	**243,967**	**195,500**	**655,256**	**26%**

Notes:

1 For details on the valuation of Incentive Options and Performance Rights, including models and assumptions used, please refer to Note 22 of the financial statements.

Details of Incentive Options and Performance Rights granted by the Company to each KMP of the Group during the financial year are as follows:

2016	Options/ Rights	Grant Date	Expiry Date	Exercise Price A$	Grant Date Fair Value[1] A$	Number Granted	Number Vested
Directors							
Mr Jonathan Hjelte	Options	11-Jan-16	31-Dec-18	0.50	0.087	500,000	500,000

Notes:

1 For details on the valuation of Incentive Options and Performance Rights, including models and assumptions used, please refer to Note 22 of the financial statements.

Option and Right holdings of Key Management Personnel

2016	Held at 1 July 2015	Granted as Remuneration	Exercised/ Converted	Expired/ Lapsed	Purchases	Held at 30 June 2016	Vested and exercisable at 30 June 2016
Directors							
Mr Ian Middlemas	-	-	-	-	-	-	-
Mr David Gay	4,750,000	-	(400,000)	(550,000)	-	3,800,000	1,500,000
Mr Anastasios Arima	-	-	-	-	-	-	-
Mr Todd Hannigan	1,500,000	-	-	-	375,000	1,875,000	1,875,000
Mr Jonathan Hjelte	-[1]	500,000	-	-	-	500,000	500,000
Mr Tom Todd	1,500,000	-	-	-	375,000	1,875,000	1,875,000
Mr David Chapman	1,000,000	-	-	-	-	1,000,000[2]	1,000,000[2]
Mr David Griffiths	250,000	-	-	-	-	250,000	250,000
Other KMP							
Mr Mathew Haaga	800,000	-	(160,000)	-	-	640,000	-
Mr Rick Kim	760,000	-	(80,000)	-	-	680,000	-
Mr James Plaisted	400,000	-	(40,000)	-	-	360,000	-
Mr Mark Pearce	-	-	-	-	-	-	-
Mr Nathan Ainsworth	1,066,667	-	(93,333)	(200,000)	-	773,334	-
Mr Gregory Swan	320,000	-	(65,000)	-	-	255,000	-
Mr Scott Cole	900,000	-	(100,000)	(400,000)	-	400,000	-
	13,246,667	**500,000**	**(938,333)**	**(1,150,000)**	**750,000**	**12,408,334**	**6,250,000**

Notes:

1 As at date of appointment.

2 As at date of resignation.

Shareholdings of Key Management Personnel

2016	Held at 1 July 2015	Granted as Remuneration	Options Exercised/ Rights Converted	Sales [3]	Purchases	Net Change Other	Held at 30 June 2016
Directors							
Mr Ian Middlemas	8,200,000	-	-	-	-	-	8,200,000
Mr David Gay	2,636,335	-	400,000	(125,997)	-	-	2,910,338
Mr Taso Arima	14,825,000	-	-	-	-	(1,920,000)	12,905,000
Mr Todd Hannigan	5,458,581	-	-	-	824,000	-	6,282,581
Mr Jonathan Hjelte	845,000 [1]	-	-	-	180,000	-	1,025,000
Mr Tom Todd	3,350,000	-	-	-	750,000	-	4,100,000
Mr David Chapman	3,096,667	-	-	-	-	-	3,096,667 [2]
Mr David Griffiths	1,863,000	-	-	-	-	-	1,863,000
Other KMP							
Mr Matthew Haaga	633,111	-	160,000	(46,269)	-	-	746,842
Mr Rick Kim	64,412	-	80,000	(24,756)	-	-	119,656
Mr James Plaisted	31,105	-	40,000	(15,529)	-	-	55,576
Mr Mark Pearce	5,493,722	-	-	-	-	-	5,493,722
Mr Nathan Ainsworth	939,330	-	93,333	(29,265)	178,609	-	1,182,007
Mr Greg Swan	2,300,000	-	65,000	-	329,000	-	2,694,000
Mr Scott Cole	-	-	100,000	(31,213)	-	-	68,787
	49,736,263	-	938,333	(273,029)	2,261,609	(1,920,000)	50,743,176

Notes:

1 As at date of appointment.

2 As at date of resignation.

3 These Shares were sold by U.S. employees to satisfy their US withholding tax obligations imposed on them upon vesting of Performance Rights previously granted to them under the Paringa Performance Rights Plan.

Employment Contracts with Directors and Other KMP

Mr Gay, President and Chief Executive Officer, is an employee of the Group. The arrangement may be terminated by either party at any time for any or no reason. No amount is payable in the event of termination by the Company for cause. In the event of termination by the Company without cause, Mr Gay is entitled to receive his salary and benefits for a period of 3 months. Effective from 23 May 2016, Mr Gay receives a fixed remuneration component of US$280,000 per annum.

Mr Arima, Executive Director, is an employee of the Group. The arrangement may be terminated by either party at any time for any or no reason. No amount is payable in the event of termination by the Company for cause. In the event of termination by the Company without cause, Mr Arima is entitled to receive his salary and benefits for a period of 3 months. Effective from 23 May 2016, Mr Arima receives a fixed remuneration component of US$120,000 per annum.

Mr Haaga, Chief Operating Officer, is a consultant to the Group. The arrangement may be terminated by either party at any time for any or no reason by providing 30 days written notice to the other party. No amount is payable in the event of termination by the Company. Effective from 1 August 2016, Mr Haaga receives a fixed remuneration component of US$80,000 per annum.

Mr Kim, General Manager, is an employee of the Group. The arrangement may be terminated by either party at any time for any or no reason. No amount is payable in the event of termination by the Company for cause. In the event of termination by the Company without cause, Mr Kim is entitled to receive his salary and benefits for a period of 3 months. Effective from 23 May 2016, Mr Kim receives a fixed remuneration component of US$160,000 per annum.

Mr Ainsworth, Vice President, Business Development, is an employee of the Group. The arrangement may be terminated by either party at any time for any or no reason. No amount is payable in the event of termination by the Company for cause. In the event of termination by the Company without cause, Mr Ainsworth is entitled to receive his salary and benefits for a period of 3 months. Effective from 23 May 2016, Mr Ainsworth receives a fixed remuneration component of US$160,000 per annum.

Mr Plaisted, Vice President, Coal Sales and Marketing, is an employee of the Group. The arrangement may be terminated by either party at any time for any or no reason. No amount is payable in the event of termination by the Company. Mr Plaisted receives remuneration of US$100 per hour.

Mr Cole, Chief Financial Officer, is an employee of the Group. The Group has provided notice of termination of Mr Cole's employment effective from 27 September 2016. Mr Cole will continue to receive his salary and benefits up to 27 September 2016. Effective from 23 May 2016, Mr Cole receives a fixed remuneration component of US$110,000 per annum.

DIRECTORS' REPORT (Continued)

REMUNERATION REPORT (AUDITED) (Continued)

Loans with KMP

No loans were provided to or received from Key Management Personnel during the year ended 30 June 2016.

Other Transactions with KMP

Apollo Group Pty Ltd, a Company of which Mr Pearce is a director and beneficial shareholder, was paid A$198,000 for the provision of serviced office facilities and administration services during the year, which was fully paid as of the reporting date. The amount is based on a monthly retainer of A$15,000 per month (from 1 January 2016) due and payable in arrears, with no fixed term and able to be terminated with one months' notice.

End of Remuneration Report.

DIRECTORS' MEETINGS

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

	Board Meetings	
	Number eligible to attend	Number attended
Mr Ian Middlemas	2	2
Mr David Gay	2	2
Mr Anastasios Arima	2	2
Mr Todd Hannigan	2	2
Mr Jonathan Hjelte	1	1
Mr Richard McCormick	-	-
Mr Thomas Todd	2	2
Mr David Chapman	1	1
Mr David Griffiths	2	1

There were no Board committees during the financial year.

NON-AUDIT SERVICES

During the year, the Company's auditor, Deloitte, received, or is due to receive, nil (2015: nil) for the provision of non-audit services.

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2016 has been received and can be found on page 19 of the Directors' Report.

Signed in accordance with a resolution of the Directors.

DAVID GAY
President and CEO

22 September 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 A$	2015 A$
Continuing Operations			
Interest income		**68,877**	171,146
Other income	2	**4,978**	122,711
Exploration and evaluation expenses		**(4,585,985)**	(4,262,751)
Corporate and administrative expenses		**(536,554)**	(620,387)
Business development expenses		**(407,843)**	(630,909)
Share based payment expense	3	**(709,927)**	(664,612)
Loss before income tax		**(6,166,454)**	(5,884,802)
Income tax expense	4	**-**	-
Net loss for the year		**(6,166,454)**	(5,884,802)
Net loss attributable to members of Paringa Resources Limited		**(6,166,454)**	(5,884,802)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**125,055**	754,161
Exchange differences reclassified to profit or loss on disposal of controlled entity		**-**	(122,711)
Total other comprehensive income for the year, net of tax		**125,055**	631,450
Total comprehensive loss for the year, net of tax		**(6,041,399)**	(5,253,352)
Total comprehensive loss attributable to members of Paringa Resources Limited		**(6,041,399)**	(5,253,352)
Basic and diluted earnings/(loss) per share from continuing operations (cents per share)	18	**(4.03)**	(4.30)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

PARINGA RESOURCES LIMITED

	Note	30 June 2016 A$	30 June 2015 A$
ASSETS			
Current Assets			
Cash and cash equivalents	6	**406,881**	2,104,414
Trade and other receivables	7	**13,131**	19,688
Other current financial assets	8	**6,720**	6,532
Total Current Assets		**426,732**	2,130,634
Non-Current Assets			
Exploration and evaluation assets	9	**20,132,138**	19,462,285
Plant and equipment	10	**161,547**	188,916
Other non-current financial assets	8	**38,488**	148,906
Total Non-current Assets		**20,332,173**	19,800,107
TOTAL ASSETS		**20,758,905**	21,930,741
LIABILITIES			
Current Liabilities			
Trade and other payables	11	**252,336**	252,827
Provisions	12	**-**	1,112
Other current financial liabilities	13	**2,015,885**	1,306,336
Total Current Liabilities		**2,268,221**	1,560,275
Non-Current Liabilities			
Other non-current financial liabilities	13	**-**	1,290,529
Total Non-current Liabilities		**-**	1,290,529
TOTAL LIABILITIES		**2,268,221**	2,850,804
NET ASSETS		**18,490,684**	19,079,937
EQUITY			
Contributed equity	14	**34,649,678**	29,605,511
Reserves	15	**2,123,118**	1,590,084
Accumulated losses	16	**(18,282,112)**	(12,115,658)
TOTAL EQUITY		**18,490,684**	19,079,937

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	Contributed Equity	Share-based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
	A$	A$	A$	A$	A$
Balance at 1 July 2015	**29,605,511**	**1,016,660**	**573,424**	**(12,115,658)**	**19,079,937**
Net loss for the year	**-**	**-**	**-**	**(6,166,454)**	**(6,166,454)**
Exchange differences on translation of foreign operations	**-**	**-**	**125,055**	**-**	**125,055**
Total comprehensive income/(loss) for the year	**-**	**-**	**125,055**	**(6,166,454)**	**(6,041,399)**
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	**-**	**709,927**	**-**	**-**	**(709,927)**
Balance at 30 June 2016	**34,649,678**	**1,424,639**	**698,479**	**(18,282,112)**	**18,490,684**
Balance at 1 July 2014	24,725,079	581,941	(58,026)	(6,230,856)	19,018,138
Net loss for the year	-	-	-	(5,884,802)	(5,884,802)
Exchange differences on translation of foreign operations	-	-	754,161	-	754,161
Exchange differences transferred to profit or loss on disposal of controlled entity	-	-	(122,711)	-	(122,711)
Total comprehensive income/(loss) for the year	-	-	631,450	(5,884,802)	(5,253,352)
Share placement	5,000,000	-	-	-	5,000,000
Share issue costs	(349,461)	-	-	-	(349,461)
Vesting of performance rights	229,893	(229,893)	-	-	-
Share based payments expense	-	664,612	-	-	664,612
Balance at 30 June 2015	29,605,511	1,016,660	573,424	(12,115,658)	19,079,937

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016

PARINGA RESOURCES LIMITED

	Note	Year Ended 30 June 2016 A$	Year Ended 30 June 2015 A$
Cash flows from operating activities			
Payments to suppliers and employees		**(5,348,020)**	(5,545,771)
Interest received		**72,377**	181,686
Royalties received		**4,978**	-
Net cash outflow from operating activities	17(a)	**(5,270,665)**	(5,364,085)
Cash flows from investing activities			
Payment for plant and equipment		**(71,010)**	(148,005)
Proceeds from sale of plant and equipment		**25,266**	-
Payment for exploration and evaluation assets		**(445,768)**	(418,978)
Payment of deferred consideration		**(686,577)**	(1,194,886)
Net cash outflow from investing activities		**(1,178,089)**	(1,761,869)
Cash flows from financing activities			
Proceeds from issue of shares	14(b)	**5,100,000**	5,000,000
Payments for share issue costs	14(b)	**(357,781)**	(349,461)
Net cash inflow from financing activities		**4,742,219**	4,650,539
Net decrease in cash and cash equivalents		**(1,706,535)**	(2,475,415)
Net foreign exchange differences		**9,002**	67,844
Cash and cash equivalents at beginning of the year		**2,104,414**	4,511,985
Cash and cash equivalents at the end of the year	17(b)	**406,881**	2,104,414

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in preparing the financial report of Paringa Resources Limited ("Paringa" or "Company") and its consolidated entities ("Consolidated Entity" or "Group") for the year ended 30 June 2016 are stated to assist in a general understanding of the financial report.

Paringa is a Company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange ("ASX").

The financial report of the Group for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the Directors on 21 September 2016.

(a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards ("**AASBs**") and other authoritative pronouncements of the Australian Accounting Standards Board ("**AASB**") and the *Corporations Act 2001*. The Group is a for-profit entity for the purposes of preparing the consolidated financial statements.

The financial report has been prepared on a historical cost basis. The financial report is presented in Australian dollars (A$).

The consolidated financial statements have been prepared on a 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.

At 30 June 2016, the Group had current financial assets of A$426,732 and current financial liabilities of A$2,268,221, however subsequent to the end of the 2016 financial year, the Company completed a placement of 38,200,000 shares at an issue price of A$0.17 per share to raise gross proceeds of A$6,494,000. At reporting date, the Group had sufficient liquid assets to meet its financial obligations.

(b) Statement of Compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board.

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

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

(i) AASB 2015-3 *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality* which completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that standard to be effectively withdrawn.

The adoption of these new and revised standards has not resulted in any significant changes to the Group's accounting policies or to the amounts reported for the current or prior periods. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2016. Those which may be relevant to the Group are set out in the table below, but these are not expected to have any significant impact on the Group's financial statements.

Standard/Interpretation	Application Date of Standard	Application Date for Group
AASB 2014-4 *Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016	1 July 2016
AASB 2015-1 *Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012– 2014 Cycle*	1 January 2016	1 July 2016
AASB 2015-2 *Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101*	1 January 2016	1 July 2016
AASB 2016-2 *Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107*	1 January 2017	1 July 2017

(c) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2016 and the results of all subsidiaries for the year then ended.

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

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

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

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

A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction.

(d) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(e) Trade and Other Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due and are interest free.

(f) Investments and Other Financial Assets

(i) Classification

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than twelve months after the reporting date which are classified as non-current assets. Loans and receivables are included in receivables in the statement of financial position.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Investments and Other Financial Assets (Continued)

Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the reporting date.

(ii) Recognition and derecognition

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Subsequent measurement

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest rate method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the Statement of Profit or Loss and other Comprehensive Income in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity in the investments available-for-sale reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments previously reported in equity are included in the Statement of Profit or Loss and other Comprehensive Income as gains and losses on disposal of investment securities.

(iv) Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in Profit or loss – is transferred from equity to the Statement of Profit or Loss and other Comprehensive Income. Impairment losses recognised in the Statement of Profit or Loss and other Comprehensive Income on equity instruments classified as held for sale are not reversed through the Statement of Profit or Loss and other Comprehensive Income.

(g) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases where a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 27). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(h) Property, Plant and Equipment

(i) Cost and valuation

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

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

(ii) Depreciation and Amortisation

Depreciation is provided on a straight line basis on all property, plant and equipment.

	2016	2015
Major depreciation and amortisation periods are:		
Plant and equipment:	**22%- 40%**	22%- 40%

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

(iii) Derecognition

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

(i) Exploration and Development Expenditure

Expenditure on exploration and evaluation is accounted for in accordance with the 'area of interest' method and with AASB 6 *Exploration for and Evaluation of Mineral Resources*.

Exploration and evaluation expenditure encompasses expenditures incurred by the Group in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

For each area of interest, expenditure incurred in the acquisition of rights to explore is capitalised, classified as tangible or intangible, and recognised as an exploration and evaluation asset. Exploration and evaluation assets are measured at cost at recognition and are recorded as an asset if:

(i) the rights to tenure of the area of interest are current; and

(ii) at least one of the following conditions is also met:

- the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and

- exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation expenditure incurred by the Group subsequent to acquisition of the rights to explore is expensed as incurred, up to costs associated with the preparation of a bankable feasibility study.

Impairment

Capitalised exploration costs are reviewed each reporting date to establish whether an indication of impairment exists. If any such indication exists, the recoverable amount of the capitalised exploration costs is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development, accumulated expenditure is tested for impairment and transferred to development properties, and then amortised over the life of the reserves associated with the area of interest once mining operations have commenced. Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

(j) Payables

Liabilities are recognised for amounts to be paid in the future for goods and services received. Trade accounts payable are normally settled within 60 days.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Provisions

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

(l) Revenue Recognition

Interest income

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

(m) Income Tax

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

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

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

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

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

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

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

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

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

(n) Employee Entitlements

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled wholly within 12 months have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than 12 months have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(o) Earnings per Share

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

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

(p) Goods and Services Tax

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

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

(q) Segment Reporting

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

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

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

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

(r) Acquisition of Assets

A group of assets may be acquired in a transaction which is not a business combination. In such cases the cost of the group is allocated to the individual identifiable assets (including intangible assets that meet the definition of and recognition criteria for intangible assets in AASB 138) acquired and liabilities assumed on the basis of their relative fair values at the date of purchase.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Impairment of Assets

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

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

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

(t) Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

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

(u) Issued and Unissued Capital

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

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

(v) Foreign Currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

(iii) Group companies

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

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

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

(w) Share-Based Payments

Equity-settled share-based payments are provided to officers, employees, consultants and other advisors. These share-based payments are measured at the fair value of the equity instrument at the grant date. Fair value is determined using the Binomial option pricing model. Further details on how the fair value of equity-settled share based payments has been determined can be found in Note 22.

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

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

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

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

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

- Exploration and Evaluation Assets (Note 9)
- Share-Based Payments (Note 22)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016
(Continued)

2. INCOME

	2016 $	2015 $
(a) Other income		
Royalty income	**4,978**	-
Gain on disposal of controlled entity	**-**	122,711
	4,978	122,711

3. EXPENSES

	Note	2016 $	2015 $
(a) Other expenses			
Loss on disposal of plant and equipment		**37,899**	-
(b) Depreciation included in profit or loss			
Depreciation of plant and equipment	10	**41,363**	43,083
(c) Employee benefits expense (including KMP)			
Salaries and wages		**2,329,429**	1,946,573
Defined contribution plans		**67,174**	76,408
Termination benefits		**5,757**	-
Share-based payment expense		**709,927**	664,612
Other employee benefits		**152,760**	121,893
Total employment expenses included in profit or loss		**3,265,047**	2,809,486

4. INCOME TAX

	2016 $	2015 $
(a) Recognised in profit or loss		
Current income tax		
Current income tax benefit in respect of the current year	**-**	-
Deferred income tax		
Origination and reversal of temporary differences	**(1,771,522)**	(1,413,598)
Adjustments in respect of deferred income tax of previous years	**93,403**	(567,794)
Deferred tax assets not brought to account	**1,678,119**	1,981,392
Income tax expense reported in profit or loss	**-**	-

4. INCOME TAX (Continued)

	2016 $	2015 $
(b) Reconciliation between tax expense and accounting loss before income tax		
Accounting loss before income tax	**(6,166,454)**	(5,884,802)
At the domestic income tax rate of 30% (2015: 30%)	**(1,849,936)**	(1,765,441)
Expenditure not allowable for income tax purposes	**347,345**	388,656
Income not assessable for income tax purposes	**-**	(36,813)
Effect of different tax rates in foreign jurisdictions	**(231,783)**	-
Exchange differences on translation of foreign operations	**(37,148)**	-
Adjustments in respect of deferred income tax of previous years	**93,403**	(567,794)
Deferred tax assets not brought to account	**1,678,119**	1,981,392
Income tax expense reported in profit or loss	**-**	-
(c) Deferred Tax Assets and Liabilities		
Deferred income tax at 30 June relates to the following:		
Deferred Tax Liabilities		
Accrued income	**138**	1,188
Deferred tax assets used to offset deferred tax liabilities	**(138)**	(1,188)
	-	-
Deferred Tax Assets		
Accrued expenditure	**8,700**	9,450
Capital allowances	**882,615**	111,218
Provisions	**-**	334
Tax losses available to offset against future taxable income	**4,251,170**	3,344,415
Deferred tax assets used to offset deferred tax liabilities	**(138)**	(1,188)
Deferred tax assets not brought to account	**(5,142,347)**	(3,464,229)
	-	-

The benefit of deferred tax assets not brought to account will only be brought to account if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect the Group in realising the benefit.

(d) Tax Consolidation

The Company and its wholly-owned Australian resident entities have not yet formed a tax consolidated group and are therefore not taxed as a single entity.

5. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

No dividends have been paid or proposed for the year ended 30 June 2016 (2015: Nil). The balance of the franking account as at 30 June 2016 is Nil (2015: Nil).

6. CASH AND CASH EQUIVALENTS

	2016 $	2015 $
Cash at bank and on hand	**406,881**	141,017
Deposits at call	**-**	1,963,397
	406,881	2,104,414

7. TRADE AND OTHER RECEIVABLES

	2016 $	2015 $
Accrued interest	**459**	3,959
GST and other receivables	**12,672**	15,729
	13,131	19,688

8. OTHER FINANCIAL ASSETS

	2016 $	2015 $
Security deposits (current)	**6,720**	6,532
Security deposits (non-current)	**38,488**	148,906
	45,208	155,438

9. EXPLORATION AND EVALUATION ASSETS

	2016 $	2015 $
(a) Areas of Interest		
Buck Creek Complex	**19,450,838**	18,811,296
Arkoma Coal Project	**681,300**	650,989
Carrying amount at end of the year [1]	**20,132,138**	19,462,285
(b) Reconciliation		
Carrying amount at start of year	**19,462,285**	15,594,564
Additions	**457,717**	409,700
Change in fair value of deferred consideration payable	**16,615**	53,770
Amended deferred consideration payable	**-**	2,375,314
Impairment	**-**	-
Exchange differences on translation of foreign operations	**195,521**	1,028,937
Carrying amount at end of the year[1]	**20,132,138**	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.

[2] Under the amended terms of the Group's 2012 acquisition of the Buck Creek Complex, at 30 June 2016 the remaining deferred consideration payable by the Group was: (a) US$500,000 (paid in August 2016); (b) US$1,000,000 (payable in March 2017); and US$12,000,000 (payable in March 2018). The US$500,000 and US$1,000,000 payments have been recorded as liabilities at 30 June 2016. No liability has been recorded for the US$12,000,000 payment, as this is to be paid at the Group's option only if it elects to complete the acquisition (refer to Note 26 for further details of contingent liabilities).

10. PLANT AND EQUIPMENT

	Note	2016 $	2015 $
(a) Plant and Equipment			
At cost		**263,730**	**248,891**
Accumulated depreciation		**(102,183)**	**(59,975)**
Carrying amount at end of year, net of accumulated depreciation		**161,547**	**188,916**
(b) Reconciliation			
Carrying amount at beginning of year, net of accumulated depreciation		**188,916**	**59,659**
Additions		**71,010**	**148,005**
Disposals		**(63,165)**	**-**
Depreciation charge	3(b)	**(41,363)**	**(43,083)**
Exchange differences on translation of foreign operations		**6,149**	**24,335**
Carrying amount at end of year, net of accumulated depreciation		**161,547**	**188,916**

11. TRADE AND OTHER PAYABLES

	2016 $	2015 $
Trade creditors	223,336	221,327
Accrued expenses	29,000	31,500
	252,336	252,827

12. PROVISIONS

	2016 $	2015 $
Employee annual leave provision	-	1,112
	-	1,112

13. OTHER FINANCIAL LIABILITIES

	2016 $	2015 $
Deferred consideration payable (current)[1]	2,015,885	1,306,336
Deferred consideration payable (non-current)[1]	-	1,290,529
	2,015,885	2,596,865

Notes:

[1] Under the amended terms of the Group's 2012 acquisition of the Buck Creek Complex, at 30 June 2016 the remaining deferred consideration payable by the Group was: (a) US$500,000 (paid in August 2016); (b) US$1,000,000 (payable in March 2017); and US$12,000,000 (payable in March 2018). The US$500,000 and US$1,000,000 payments have been recorded as liabilities at 30 June 2016. No liability has been recorded for the US$12,000,000 payment, as this is to be paid at the Group's option only if it elects to complete the acquisition (refer to Note 26 for further details of contingent liabilities).

14. CONTRIBUTED EQUITY

	Note	2016 $	2015 $
(a) Issued Capital			
154,899,000 fully paid ordinary shares (30 June 2015: 138,816,667)	14(b)	**34,649,678**	29,605,511
		34,649,678	29,605,511

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

(b) Movements in Ordinary Shares During the Past Two Years Were as Follows:

Date	Details	Number of Ordinary Shares	Issue Price $	$
01-Jul-15	**Opening balance**	**138,816,667**	**-**	**29,605,511**
Jul-15 to Sep-15	Share placement	**15,000,000**	**$0.34**	**5,100,000**
Jul-15 to Sep-15	Share issue costs	**-**	**-**	**(357,781)**
22-Dec-15	Vesting of Performance Rights	**1,082,333**	**$0.28**	**301,948**
30-Jun-16	**Closing balance**	**154,899,000**	**-**	**34,649,678**
01-Jul-14	**Opening balance**	125,083,334	-	24,725,079
29-Jul-14	Share placement	12,500,000	$0.40	5,000,000
29-Jul-14	Share issue costs	-	-	(349,461)
17-Mar-15	Vesting of Performance Rights	1,233,333	$0.19	229,893
30-Jun-15	**Closing balance**	138,816,667	-	29,605,511

(c) Rights Attaching to Ordinary Shares

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

Copies of the Company's Constitution are available for inspection during business hours at the Company's registered office. The clauses of the Constitution contain the internal rules of the Company and define matters such as the rights, duties and powers of its shareholders and directors, including provisions to the following effect (when read in conjunction with the Corporations Act 2001 or Listing Rules).

(i) Shares

The issue of shares in the capital of the Company and options over unissued shares by the Company is under the control of the Directors, subject to the Corporations Act 2001, ASX Listing Rules and any rights attached to any special class of shares.

(ii) Meetings of Members

Directors may call a meeting of members whenever they think fit. Members may call a meeting as provided by the Corporations Act 2001. The Constitution contains provisions prescribing the content requirements of notices of meetings of members and all members are entitled to a notice of meeting. A meeting may be held in two or more places linked together by audio-visual communication devices. A quorum for a meeting of members is two shareholders.

The Company holds annual general meetings in accordance with the Corporations Act 2001 and the Listing Rules.

(iii) Voting

Subject to any rights or restrictions at the time being attached to any shares or class of shares of the Company, each member of the Company is entitled to receive notice of, attend and vote at a general meeting. Resolutions of members will be decided by a show of hands unless a poll is demanded. On a show of hands each eligible voter present has one vote. However, where a person present at a general meeting represents personally or by proxy, attorney or representative more than one member, on a show of hands the person is entitled to one vote only despite the number of members the person represents.

On a poll each eligible member has one vote for each fully paid share held and a fraction of a vote for each partly paid share determined by the amount paid up on that share.

14. CONTRIBUTED EQUITY (Continued)

(c) Rights Attaching to Ordinary Shares (Continued)

(iv) Changes to the Constitution

The Company's Constitution can only be amended by a special resolution passed by at least three quarters of the members present and voting at a general meeting of the Company. At least 28 days' written notice specifying the intention to propose the resolution as a special resolution must be given.

(v) Listing Rules

Provided the Company remains admitted to the Official List, then despite anything in its Constitution, no act may be done that is prohibited by the Listing Rules, and authority is given for acts required to be done by the Listing Rules. The Company's Constitution will be deemed to comply with the Listing Rules as amended from time to time.

15. RESERVES

	Note	30 June 2016	30 June 2015
Share based payments reserve	15(b)	**1,424,639**	1,016,660
Foreign currency translation reserve		**698,479**	573,424
		2,123,118	1,590,084

(a) Nature and Purpose of Reserves

(i) Share-based payments reserve

The share-based payments reserve is used to record the fair value of Incentive Options and Performance Rights issued by the Group.

(ii) Foreign currency translation reserve

Exchange differences arising on translation of foreign controlled entities are taken to the foreign currency translation reserve, as described in Note 1(v). The reserve is recognised in profit or loss when the net investment is disposed of.

(b) Movements in share-based payments reserve during the past two years

Date	Details	Number of Options	Number of Rights	$
1-Jul-15	**Opening Balance**	**3,900,000**	**8,346,667**	**1,016,660**
22-Dec-15	Vesting of Performance Rights	**-**	**(1,082,333)**	**(301,948)**
22-Dec-15	Issue of Incentive Options	**500,000**	**-**	**-**
15-Apr-16	Lapse of Performance Rights	**-**	**(190,000)**	**-**
30-Jun-16	Lapse of Performance Rights	**-**	**(1,150,000)**	**-**
Jul-15 to Jun-16	Share based payments expense	**-**	**-**	**709,927**
30-Jun-16	**Closing Balance**	**4,400,000**	**5,924,334**	**1,424,639**

Date	Details	Number of Options	Number of Rights	$
1-Jul-14	**Opening Balance**	3,900,000	4,400,000	581,941
31-Oct-14	Grant of Performance Rights	-	2,630,000	-
31-Dec-14	Lapse of Performance Rights	-	(1,233,333)	-
30-Jan-15	Grant of Performance Rights	-	1,233,333	-
17-Mar-15	Vesting of Performance Rights	-	(1,233,333)	(229,893)
2-Jun-15	Grant of Performance Rights	-	2,550,000	-
30-Jun-15	Share based payments expense	-	-	664,612
30-Jun-15	**Closing Balance**	3,900,000	8,346,667	1,016,660

(c) Terms and Conditions of Incentive Options

The Incentive Options are granted based upon the following terms and conditions:

- Each Incentive Option entitles the holder to the right to subscribe for one Ordinary Share upon the exercise of each Incentive Option;
- The Incentive Options have the following exercise prices and expiry dates[1]:
  - 1,500,000 Incentive Options exercisable at $0.20 each on or before 31 December 2016;
  - 150,000 Incentive Options exercisable at $0.30 each on or before 31 December 2016;
  - 2,250,000 Incentive Options exercisable at $0.30 each on or before 31 August 2017; and
  - 500,000 Incentive Options exercisable at A$0.50 each on or before 31 December 2018;
- The Incentive Options are exercisable at any time prior to the Expiry Date, subject to vesting conditions being satisfied (if applicable);
- Ordinary Shares issued on exercise of the Incentive Options rank equally with the then Ordinary Shares of the Company;
- Application will be made by the Company to ASX for official quotation of the Ordinary Shares issued upon the exercise of the Incentive Options;
- If there is any reconstruction of the issued share capital of the Company, the rights of the Incentive Option holders may be varied to comply with the ASX Listing Rules which apply to the reconstruction at the time of the reconstruction; and
- No application for quotation of the Incentive Options will be made by the Company.

Notes:

[1] At 30 June 2016, the Company also had on issue 9,000,000 Placement Options (7,500,000 exercisable at $0.50 each on or before 31 July 2018 and 1,500,000 exercisable at $0.45 each on or before 30 June 2018) which are not share based payments under AASB 2 as they were issued as part of a share placement. These options have the same terms and conditions as Incentive Options (other than exercise price and expiry date).

(d) Terms and Conditions of Performance Rights

The Performance Rights are granted based upon the following terms and conditions:

- Each Performance Right automatically converts into one Ordinary Share upon vesting of the Performance Right;
- Each Performance Right is subject to performance conditions (as determined by the Board from time to time) which must be satisfied in order for the Performance Right to vest;
- The Performance Rights have the following expiry dates:
  - 450,000 Performance Rights subject to the Financing Milestone expiring on 31 December 2016;
  - 1,806,000 Performance Rights subject to the Construction Milestone expiring on 31 December 2016; and
  - 3,668,334 Performance Rights subject to the Production Milestone expiring on 31 December 2017.
- Ordinary Shares issued on conversion of the Performance Rights rank equally with the then Ordinary Shares of the Company;
- Application will be made by the Company to ASX for official quotation of the Ordinary Shares issued upon conversion of the Performance Rights;
- If there is any reconstruction of the issued share capital of the Company, the rights of the Performance Right holders may be varied to comply with the ASX Listing Rules which apply to the reconstruction at the time of the reconstruction; and
- No application for quotation of the Performance Rights will be made by the Company.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016
(Continued)

16. ACCUMULATED LOSSES

	2016 $	2015 $
Balance at 1 July	**(12,115,658)**	(6,230,856)
Net loss for the year attributable to members of Paringa Resources Limited	**(6,166,454)**	(5,884,802)
Balance at 30 June	**(18,282,112)**	(12,115,658)

17. STATEMENT OF CASH FLOWS

(a) Reconciliation of the Loss after Tax to the Net Cash Flows from Operations

	Note	2016 $	2015 $
Net loss for the year		**(6,166,454)**	(5,884,802)
Adjustment for non-cash income and expense items			
Depreciation of plant and equipment	10	**41,363**	43,083
Loss on disposal of plant and equipment		**37,899**	-
Provision for employee entitlements		**(1,112)**	(25,927)
Share based payment expense	22	**709,927**	664,612
Net foreign exchange differences		**-**	(61,366)
Gain on disposal of controlled entity		**-**	(122,711)
Change in operating assets and liabilities			
Decrease in trade and other receivables		**123,753**	24,824
Decrease in trade and other payables		**(16,041)**	(1,798)
Net cash outflow from operating activities		**(5,270,665)**	(5,364,085)

(b) Reconciliation of Cash

Cash at bank and on hand	**406,881**	141,017
Deposits at call	**-**	1,963,397
	406,881	2,104,414

(c) Non-cash Financing and Investing Activities

30 June 2016

There were no non-cash financing or investing activities during the year ended 30 June 2016.

30 June 2015

There were no non-cash financing or investing activities during the year ended 30 June 2015.

18. EARNINGS PER SHARE

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

	2016 $	2015 $
Net loss attributable to members of the Parent Entity used in calculating basic and diluted earnings per share	**(6,166,454)**	(5,884,802)

	Number of Ordinary Shares 2016	Number of Ordinary Shares 2015
Weighted average number of Ordinary Shares used in calculating basic and diluted loss per share	**153,123,294**	136,982,602

(a) Non-Dilutive Securities

As at balance date, 13,400,000 Options (including 4,400,000 Incentive Options and 9,000,000 Placement Options) and 5,924,334 Performance Rights, which together represent 19,324,334 potential Ordinary Shares (2015: 13,746,667), were considered non-dilutive as they would decrease the loss per share.

(b) Conversions, Calls, Subscriptions or Issues after 30 June 2016

Since 30 June 2016, the Company has issued 38,200,000 Ordinary Shares at an issue price of A$0.17 per share.

Other than as outlined above, there have been no other conversions to, calls of, or subscriptions for Ordinary Shares or issues of potential Ordinary Shares since the reporting date and before the completion of this financial report.

19. RELATED PARTIES

(a) Subsidiaries

Name	Country of Incorporation	% Equity Interest 2016 %	 2015 %
Hartshorne Coal Mining Pty Ltd	Australia	100	100
HCM Resources Pty Ltd	Australia	100	100
Hartshorne Holdings LLC	USA	100	100
Hartshorne Mining Group LLC	USA	100	100
Hartshorne Mining LLC	USA	100	100
Hartshorne Land LLC	USA	100	100
HCM Operations LLC	USA	100	100

(b) Ultimate Parent

Paringa Resources Limited is the ultimate parent of the Group.

(c) Key Management Personnel

Transactions with Key Management Personnel, including remuneration, are included at Note 20.

(d) Transactions with Related Parties

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

20. KEY MANAGEMENT PERSONNEL

(a) Details of Key Management Personnel

The KMP of the Group during or since the end of the financial year were as follows:

Directors

Mr Ian Middlemas	Chairman
Mr David Gay	President, CEO and Managing Director
Mr Anastasios Arima	Executive Director
Mr Todd Hannigan	Non-Executive Director
Mr Jonathan Hjelte	Non-Executive Director *(appointed 11 January 2016)*
Mr Richard McCormick	Non-Executive Director *(appointed 12 August 2016)*
Mr Thomas Todd	Alternate Director for Mr Todd Hannigan
Mr David Chapman	Non-Executive Director *(resigned effective 11 January 2016)*
Mr David Griffiths	Non-Executive Director *(resigned effective 12 August 2016)*

Other KMP

Mr Mathew Haaga	Chief Operating Officer
Mr Rick Kim	General Manager
Mr Nathan Ainsworth	Vice President, Business Development
Mr James Plaisted	Vice President, Coal Sales and Marketing
Mr Mark Pearce	Director of Hartshorne Coal Mining Pty Ltd
Mr Gregory Swan	Company Secretary
Mr Scott Cole	Chief Financial Officer (*terminated effective 27 September 2016*)

Unless otherwise disclosed, the KMP held their position from 1 July 2015 until the date of this report.

	2016 $	2015 $
Short-term employee benefits	**1,836,813**	1,521,101
Post-employment benefits	**47,557**	58,812
Share-based payments	**655,256**	582,895
Total compensation	**2,539,626**	2,162,808

(b) Loans with Key Management Personnel

No loans were provided to or received from Key Management Personnel during the year ended 30 June 2016 (2015: Nil).

(c) Related Party Transactions with Key Management Personnel

30 June 2016:

Apollo Group Pty Ltd, a Company of which Mr Pearce is a director and beneficial shareholder, was paid $198,000 for the provision of serviced office facilities and administration services during the year, which was fully paid as of the reporting date. The amount is based on a monthly retainer of $15,000 per month (from 1 January 2016) due and payable in advance, with no fixed term.

30 June 2015:

Apollo Group Pty Ltd, a Company of which Mr Pearce is a director and beneficial shareholder, was paid $240,000 for the provision of serviced office facilities and administration services during the year, which was fully paid as of the reporting date. The amount is based on a monthly retainer of $20,000 per month due and payable in advance, with no fixed term ($18,000 per month effective from 1 July 2015).

21. PARENT ENTITY DISCLOSURES

	2016 $	2015 $
(a) Financial Position		
Assets		
Current assets	**208,357**	1,989,012
Non-current assets	**18,321,004**	17,189,010
Total assets	**18,529,361**	19,178,022
Liabilities		
Current liabilities	**38,677**	98,085
Total liabilities	**38,677**	98,085
Equity		
Contributed equity	**34,649,678**	29,605,511
Accumulated losses	**(17,583,633)**	(11,542,234)
Reserves	**1,424,639**	1,016,660
Total equity	**18,490,684**	19,079,937
(b) Financial Performance		
Profit/(loss) for the year	**(6,041,399)**	(8,547,216)
Other comprehensive income/(loss)	**-**	-
Total comprehensive income/(loss)	**(6,041,399)**	(8,547,216)

(c) Other information

The Company has not entered into any guarantees in relation to its subsidiaries.

Refer to Note 26 for details of contingent assets and liabilities.

22. SHARE-BASED PAYMENTS

(a) Recognised Share-based Payment Expense

From time to time, the Group provides Incentive Options and Performance Rights to officers, employees, consultants and other key advisors as part of remuneration and incentive arrangements. The number of options or rights granted, and the terms of the options or rights granted are determined by the Board. Shareholder approval is sought where required.

During the past two years, the following equity-settled share-based payments have been recognised:

	2016 $	2015 $
Expense arising from equity-settled share-based payment transactions	**709,927**	664,612

22. SHARE-BASED PAYMENTS (Continued)

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

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

	2016 Number	2016 WAEP	2015 Number	2015 WAEP
Outstanding at beginning of year	**12,246,667**	**$0.11**	8,300,000	$0.17
Granted during the year	**500,000**	**$0.50**	6,413,333	-
Lapsed/expired during the year	**(1,340,000)**	**-**	(1,233,333)	-
Exercised/converted during the year	**(1,082,333)**	**-**	(1,233,333)	-
Outstanding at end of year	**10,324,334**	**$0.12**	12,246,667	$0.11

At 30 June 2016, the Company also had on issue 9,000,000 unlisted Placement Options (7,500,000 exercisable at $0.50 each on or before 31 July 2018 and 1,500,000 exercisable at $0.45 each on or before 30 June 2018) which are not share based payments under AASB 2 as they were issued as part of a share placement.

The following Incentive Options and Performance Rights were granted as share-based payments during the past two years:

Option Series	Security Type	Number	Grant Date	Expiry Date	Exercise Price $	Grant Date Fair Value $
2016						
Series 1	Options	500,000	22-Dec-15	31-Dec-18	A$0.50	0.087
2015						
Series 2	Rights	333,333	31-Oct-14	31-Dec-14	-	0.314
Series 3	Rights	282,333	31-Oct-14	31-Dec-15	-	0.314
Series 4	Rights	416,000	31-Oct-14	31-Dec-16	-	0.314
Series 5	Rights	698,334	31-Oct-14	31-Dec-17	-	0.314
Series 6	Rights	450,000	31-Oct-14	30-Jun-16	-	0.314
Series 7	Rights	450,000	31-Oct-14	31-Dec-16	-	0.314
Series 8	Rights	1,233,333	30-Jan-15	30-Jun-15	-	0.186
Series 9	Rights	100,000	2-Jun-15	31-Dec-15	-	0.352
Series 10	Rights	700,000	2-Jun-15	30-Jun-16	-	0.352
Series 11	Rights	410,000	2-Jun-15	31-Dec-16	-	0.352
Series 12	Rights	1,340,000	2-Jun-15	31-Dec-17	-	0.352

(c) Weighted Average Remaining Contractual Life

At 30 June 2016, the weighted average remaining contractual life of Incentive Options and Performance Rights on issue that had been granted as share-based payments was 1.10 years (2015: 1.66 years).

(d) Range of Exercise Prices

At 30 June 2016, the range of exercise prices of Incentive Options on issue that had been granted as share-based payments was $0.20 to $0.50 (2015: $0.20 to $0.30).

(e) Weighted Average Fair Value

The weighted average fair value of Incentive Options and Performance Rights granted as share-based payments by the Group during the year ended 30 June 2016 was $0.087 (2015: $0.30).

(f) Option and Performance Share Right Pricing Model

The fair value of Incentive Options granted is estimated as at the date of grant using the Binomial option valuation model taking into account the terms and conditions upon which the Incentive Options were granted. The fair value of Performance Rights granted is estimated as at the date of grant based on the underlying share price (being the seven day volume weighted average share price prior to issuance).

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

Inputs	Series 1	Series 2	Series 3	Series 4	Series 5	Series 6
Exercise price	A$0.50	-	-	-	-	-
Grant date share price	$0.260	A$0.33	A$0.33	A$0.33	A$0.33	A$0.33
Dividend yield[1]	-	N/A	N/A	N/A	N/A	N/A
Volatility[2]	75%	N/A	N/A	N/A	N/A	N/A
Risk-free interest rate	2.03%	N/A	N/A	N/A	N/A	N/A
Grant date	22-Dec-15	31-Oct-14	31-Oct-14	31-Oct-14	31-Oct-14	31-Oct-14
Issue date	22-Dec-15	31-Oct-14	31-Oct-14	31-Oct-14	31-Oct-14	31-Oct-14
Expiry date	31-Dec-18	31-Dec-14	31-Dec-15	31-Dec-16	31-Dec-17	30-Jun-16
Expected life [3]	3.03 years	0.2 years	1.2 years	2.2 years	3.2 years	1.7 years
Fair value at grant date	0.087	$0.314	$0.314	$0.314	$0.314	$0.314

Inputs	Series 7	Series 8	Series 9	Series 10	Series 11	Series 12
Exercise price	-	-	-	-	-	-
Grant date share price	A$0.33	A$0.185	A$0.355	A$0.355	A$0.355	A$0.355
Dividend yield[1]	N/A	N/A	N/A	N/A	N/A	N/A
Volatility[2]	N/A	N/A	N/A	N/A	N/A	N/A
Risk-free interest rate	N/A	N/A	N/A	N/A	N/A	N/A
Grant date	31-Oct-14	30-Jan-15	2-Jun-15	2-Jun-15	2-Jun-15	2-Jun-15
Issue date	31-Oct-14	30-Jan-15	2-Jun-15	2-Jun-15	2-Jun-15	2-Jun-15
Expiry date	31-Dec-16	30-Jun-15	31-Dec-15	30-Jun-16	31-Dec-16	31-Dec-17
Expected life [3]	2.2 years	0.4 years	0.6 years	1.1 years	1.6 years	2.6 years
Fair value at grant date	$0.314	$0.186	$0.352	$0.352	$0.352	$0.352

Notes:

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

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

[2] The expected life of the options and rights is based on the expiry date of the options or rights.

23. AUDITORS' REMUNERATION

The auditor of Paringa Resources Limited is Deloitte Touche Tohmatsu.

	2016 $	2015 $
Amounts received or due and receivable by Deloitte Touche Tohmatsu for:		
• an audit or review of the financial report of the entity and any other entity in the consolidated group	**29,500**	29,000
• other services	**-**	-
	29,500	29,000

24. 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. 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.

(a) Reconciliation of Non-current Assets by geographical location

	2016 $	2015 $
United States of America	**20,332,173**	19,800,107
Australia	**-**	-
	20,332,173	19,800,107

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Overview

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

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

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

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

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

(b) Credit Risk

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

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

	2016 $	2015 $
Cash and cash equivalents	406,881	2,104,414
Trade and other receivables	13,131	19,688
Other current financial assets	6,720	6,532
Other non-current financial assets	38,488	148,906
	465,220	2,279,540

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

The Group does not have any significant customers and accordingly does not have significant exposure to bad or doubtful debts.

Trade and other receivables comprise trade receivables, interest accrued and GST refunds due. Where possible the Consolidated Entity trades only with recognised, creditworthy third parties. It is the Group's policy that, where possible, customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. At 30 June 2016, none (2015: Nil) of the Group's receivables are past due.

(c) Liquidity Risk

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

At 30 June 2016, the Group had current financial assets of A$426,732 (2015: $2,130,634) and current financial liabilities of A$2,268,221 (2015: $1,559,163), however subsequent to the end of the 2016 financial year, the Company completed a placement of 38,200,000 shares at an issue price of A$0.17 per share to raise gross proceeds of A$6,494,000. At reporting date, the Group had sufficient liquid assets to meet its financial obligations.

The contractual maturities of financial liabilities, including estimated interest payments, are provided below. There are no netting arrangements in respect of financial liabilities.

	≤6 Months $	6-12 Months $	1-5 Years $	≥5 Years $	Total $
2016					
Group					
Financial Assets					
Cash and cash equivalents	406,881	-	-	-	406,881
Trade and other receivables	13,131	-	-	-	13,131
Other current financial assets	6,720	-	-	-	6,720
Other non-current financial assets	-	-	38,488	-	38,488
	426,732	-	38,488	-	465,220
Financial Liabilities					
Trade and other payables	252,336	-	-	-	252,336
Other current financial liabilities	671,962	1,343,923	-	-	2,015,885
	924,298	1,343,923	-	-	2,268,221

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Liquidity Risk (Continued)

	≤6 Months $	6-12 Months $	1-5 Years $	≥5 Years $	Total $
2015					
Group					
Financial Assets					
Cash and cash equivalents	2,104,414	-	-	-	2,104,414
Trade and other receivables	19,688	-	-	-	19,688
Other financial assets	6,532	-	148,906	-	155,438
	2,130,634	-	148,906	-	2,279,540
Financial Liabilities					
Trade and other payables	252,827	-	-	-	252,827
Other financial liabilities	-	1,306,336	1,290,529		2,596,865
	252,827	1,306,336	1,290,529		2,849,692

(d) Interest Rate Risk

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

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

	2016 $	2015 $
Interest-bearing financial instruments		
Cash at bank and on hand	**406,881**	168,017
Deposits at Call	**-**	1,936,397
	406,881	2,104,414

The Group's cash at bank and on hand and short term deposits had a weighted average floating interest rate at year end of 0.99% (2015: 2.33%).

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

Interest rate sensitivity

A sensitivity of 1% (100 basis points) has been selected as this is considered reasonable given the current level of both short term and long term interest rates. A 1% (100 basis points) movement in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2015.

	Profit or loss	
	+ 100 basis points	- 100 basis points
2016		
Group		
Cash and cash equivalents	**4,069**	**(2,033)**
2015		
Group		
Cash and cash equivalents	21,044	(21,044)

(e) Commodity Price Risk

The Group is exposed to commodity price risk. These commodity prices can be volatile and are influenced by factors beyond the Group's control. As the Group is currently engaged in exploration and business development activities, no sales of commodities are forecast for the next 12 months, and accordingly, no hedging or derivative transactions have been used to manage commodity price risk.

(f) Capital Management

The Group defines its Capital as total equity of the Group, being $18,490,684 for the year ended 30 June 2016 (2015: $19,079,937). The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while financing the development of its projects through primarily equity based financing. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Given the stage of development of the Group, the Board's objective is to minimise debt and to raise funds as required through the issue of new shares.

The Group is not subject to externally imposed capital requirements.

There were no changes in the Group's approach to capital management during the year. During the next 12 months, the Group will continue to explore project financing opportunities, primarily consisting of additional issues of equity.

(g) Fair Value

At 30 June 2016 and 30 June 2015 the Group has no material financial assets and liabilities that are measured at fair value on a recurring basis.

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

(h) Foreign Currency Risk

As a result of activities overseas, the Group's Statement of Financial Position and Statement of Profit or Loss and Other Comprehensive Income can be affected by movements in exchange rates. The Group also has transactional currency exposures. Such exposure arises from transactions denominated in currencies other than the functional currency of the entity.

The Group’s exposure to foreign currency risk throughout the current and prior year primarily arose from controlled entities of the Company whose functional currency is US Dollars (“USD”). Foreign currency risk arises on translation of the net assets of a controlled entity to Australian dollars. In the Group accounts, the foreign currency gains or losses arising from this risk are recorded through the foreign currency translation reserve.

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

At the reporting date, the Group’s exposure to financial instruments denominated in foreign currencies was:

2016	USD Currency ($AUD Equivalent)	Total ($AUD Equivalent)
Financial assets		
Cash and cash equivalents	**198,984**	**406,881**
Other current financial assets	**6,720**	**6,720**
Other non-current financial assets	**38,488**	**38,488**
Financial liabilities		
Trade and other payables	**(200,987)**	**(252,336)**
Other current financial liabilities	**(2,015,885)**	**(2,015,885)**
Net exposure	**(1,972,680)**	**(1,816,132)**

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(h) Foreign Currency Risk (Continued)

2015	USD Currency ($AUD Equivalent)	Total ($AUD Equivalent)
Financial assets		
Cash and cash equivalents	135,091	2,104,416
Trade and other receivables	6,532	19,688
Other financial assets	155,438	155,438
Financial liabilities		
Trade and other payables	(155,854)	(252,827)
Other financial liabilities	(2,596,865)	(2,596,865)
Net exposure	(2,455,658)	(570,150)

Foreign exchange rate sensitivity

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

	Profit or loss		Other Comprehensive Income	
	10% Increase	10% Decrease	10% Increase	10% Decrease
2016				
Group				
AUD to USD	**223,242**	**(272,851)**	**223,242**	**(272,851)**
2015				
Group				
AUD to USD	1,423	(1,423)	618,673	(618,673)

26. CONTINGENT ASSETS AND LIABILITIES

(i) Contingent Assets

As at the date of this report, no contingent assets had been identified in relation to the 30 June 2016 financial year.

(ii) Contingent Liability

The Group acquired the Buck Creek Complex in March 2013. In accordance with the amended terms of the acquisition, a final vendor payment of US$12,000,000 is to be made by 28 March 2018 to complete the acquisition. As the further payment of US$12,000,000 is to be paid at the Group's option only if it elects to complete the acquisition, no provision for any liability has been recognised in these financial statements for this payment.

27. COMMITMENTS

Management have identified the following material commitments for the consolidated group as at 30 June 2016 and 30 June 2015:

	Payable within 1 year $	Payable later than 1 year within 5 years $	Total $
2016			
Operating lease commitments	**129,484**	**57,711**	**187,195**
2015			
Operating lease commitments	122,172	129,362	251,534

(a) Operating lease commitments

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

28. EVENTS SUBSEQUENT TO BALANCE DATE

(i) On 4 August 2016, the Company completed a placement of 38,200,000 shares at an issue price of A$0.17 per share to Institutional and sophisticated investors in Australia and the United States to raise gross proceeds of A$6,494,000; and

(ii) On 11 August 2016, the Company appointed highly respected and experienced US coal executive, Mr Richard McCormick, as a Non-Executive Director of Paringa. Mr David Griffiths resigned as Non-Executive Director.

Other than as outlined above, at the date of this report, there are no matters or circumstances, which have arisen since 30 June 2016 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2016, of the Consolidated Entity;
- the results of those operations, in financial years subsequent to 30 June 2016, of the Consolidated Entity; or
- the state of affairs, in financial years subsequent to 30 June 2016, of the Consolidated Entity.

DIRECTORS' DECLARATION

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

1. In the opinion of the Directors:

   (a) the attached financial statements, notes and the additional disclosures included in the Directors' report designated as audited, are in accordance with the Corporations Act 2001, including:

      (i) section 296 (compliance with accounting standards and Corporations Regulations 2001); and
      (ii) section 297 (gives a true and fair view of the financial position as at 30 June 2016 and of the performance for the year ended on that date of the consolidated group); and

   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1(b) to the financial statements.

3. The Directors have been given a declaration required by section 295A of the Corporations Act 2001 for the financial year ended 30 June 2016.

On behalf of the Board

DAVID GAY
President and CEO

22 September 2016

CORPORATE GOVERNANCE

Paringa Resources Limited ("**Company**" or "**Paringa**") and the entities it controls believe corporate governance is a critical pillar on which business objectives and, in turn, shareholder value must be built.

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

The Company's 2016 Corporate Governance Statement, which explains how Paringa complies with the ASX Corporate Governance Council's '*Corporate Governance Principles and Recommendations – 3rd Edition*' ("**ASX Principles and Recommendations**") in relation to the year ended 30 June 2016, is available in the Corporate Governance section of the Company's website, www.paringaresources.com, and will be lodged with ASX together with an Appendix 4G at the same time that this Annual Report is lodged with ASX.

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

- relatively simple operations of the Company, which currently only undertakes mineral exploration and development activities;
- cost verses benefit of additional corporate governance requirements or processes;
- size of the Board;
- Board's experience in the resources sector;
- organisational reporting structure and number of reporting functions, operational divisions and employees;
- relatively simple financial affairs with limited complexity and quantum;
- relatively small market capitalisation and economic value of the entity; and
- direct shareholder feedback.

MINERAL RESOURCES AND ORE RESERVES STATEMENT

1. COAL RESOURCES

The Company's Coal Resources as at 30 June 2016 and 2015, reported in accordance with the 2012 Edition of the JORC Code, are as follows:

Buck Creek Complex Coal Resources as at 30 June 2016					Buck Creek Complex Coal Resources as at 30 June 2015				
Category	**Coal Resource (Mt)**	**Calorific Value* (Btu/lb)**	**Ash* (%)**	**Yield* (%)**	**Category**	**Coal Resource (Mt)**	**Calorific Value* (Btu/lb)**	**Ash* (%)**	**Yield* (%)**
Measured	60.5	11,893	8.4	92.9	Measured	57.7	11,855	8.4	92.9
Indicated	163.6	11,893	8.4	92.9	Indicated	153.5	11,855	8.4	92.9
Inferred	0.7	11,893	8.4	92.9	Inferred	5.3	11,855	8.4	92.9
Total	**224.8**	**11,893**	**8.4**	**92.9**	**Total**	**216.5**	**11,855**	**8.4**	**92.9**

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

During the year, the Company reported an increase in Coal Resources for its Buck Creek Complex to 224.8 million tons (refer ASX announcement dated 2 December 2015). The updated Coal Resource estimate incorporates results from an additional 7 air rotary holes drilled by Paringa in 2015.

As a result of the annual review of the Company's Coal Resources, there has been no change to the Coal Resources reported for the Buck Creek Complex.

2. COAL RESERVES

The Company's Coal Reserves as at 30 June 2016 and 2015, reported in accordance with the 2012 Edition of the JORC Code, are as follows:

Cypress Mine Coal Reserves as at 30 June 2016				Cypress Mine Coal Reserves as at 30 June 2015			
Category	**Recoverable Coal Reserve (Mt)**	**Marketable Coal Reserve (Mt)**	**Product Yield (%)**	**Category**	**Recoverable Coal Reserve (Mt)**	**Marketable Coal Reserve (Mt)**	**Product Yield (%)**
Proven	22.49	16.54	73.54	Proven	22.25	16.36	73.54
Probable	63.84	46.95	73.54	Probable	62.91	46.27	73.54
Total	**86.33**	**63.49**	**73.54**	**Total**	**85.16**	**62.63**	**73.54**

During the year, the Company reported an increase in Coal Reserves for its Buck Creek Complex to 86.3 million tons of coal (refer ASX announcement dated 2 December 2015). The updated Coal Reserve estimate was generated from the Cypress Mine BFS mine plan completed during the 2016 financial year which was based the updated Measured and Indicated Coal Resources of 224.1 million tons (refer above).

As a result of the annual review of the Company's Coal Reserves, there has been no change to the Coal Reserves reported for the Cypress Mine.

3. GOVERNANCE OF RESOURCES AND RESERVES

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

Where material changes occur during the year to a project, including the project's size, title, exploration results or other technical information, then previous Coal Resource and Coal Reserve estimates and market disclosures are reviewed for completeness.

The Company reviews its Coal Resources and Coal Reserves as at 30 June each year. Where a material change has occurred in the assumptions or data used in previously reported Coal Resource or Coal Reserves, then where possible a revised Coal Resource or Coal Reserve estimate will be prepared as part of the annual review process. However, there are circumstances where this may not be possible (e.g. an ongoing drilling programme), in which case a revised Coal Resource or Coal Reserve estimate will be prepared and reported as soon as practicable.

4. COMPETENT PERSONS STATEMENT

The information in this Mineral Resources and Ore Reserves Statement that relates to 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. Mr. Suehs consents to the inclusion in this Mineral Resources and Ore Reserves Statement of the matters based on his information in the form and context in which it appears.

The information in this Mineral Resources and Ore Reserves Statement that relates to Coal Reserves 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. Messrs. Douthat and Enigk consent to the inclusion in this Mineral Resources and Ore Reserves Statement of the matters based on their information in the form and context in which it appears.

Messrs. Suehs, Douthat and Enigk have approved this Mineral Resources and Ore Reserves Statement as a whole and consent to its inclusion in the form and context in which it appears.

ASX ADDITIONAL INFORMATION

1. TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest shareholders as at 31 August 2016 are listed below:

Name	Number of Ordinary Shares	Percentage of Ordinary Shares
J P Morgan Nominees Australia Limited	20,993,538	10.87
Silver Lake Resources Limited	16,000,000	8.29
Moshos Family Investments Pty Ltd <Moshos Family A/C>	11,105,000	5.75
Bouchi Pty Ltd	10,873,982	5.63
Arredo Pty Ltd	8,200,000	4.25
HSBC Custody Nominees <Australia>	5,972,611	3.09
RBC Investor Services Australia Nominees Pty Limited <BKCUST A/C>	5,882,353	3.05
Citicorp Nominees Pty Limited	5,251,940	2.72
Mr Mark Pearce + Mrs Natasha Pearce <NMLP Family A/C>	5,000,000	2.59
Silver Lake Resources Limited	4,764,683	2.47
Enerview Pty Ltd	3,200,000	1.66
Parati Pty Ltd <Parati A/C>	3,000,000	1.55
T2 Resources Pty Limited	3,000,000	1.55
Mr David Gay	2,910,338	1.51
Westblock Services Pty Ltd <Westblock Investment A/C>	2,800,000	1.45
Mr Terry Patrick Coffey + Hawkes Bay Nominees Limited <Williams Family No 2 A/C>	2,023,685	1.05
Nefco Nominees Pty Ltd	1,800,000	0.93
Chapman Hill Investments Pty Ltd	1,500,000	0.78
Bean Investments (Aust) Pty Ltd <Todd Family A/C>	1,450,000	0.75
Verve Investments Pty Ltd	1,450,000	0.75
Total Top 20	**117,178,130**	**60.68**
Others	75,920,870	39.32
Total Ordinary Shares on Issue	**193,099,000**	**100.00**

2. DISTRIBUTION OF EQUITY SECURITIES

An analysis of numbers of holders of listed securities by size of holding as at 31 August 2016 is listed below:

	Ordinary Shares	
Distribution	Number of Shareholders	Number of Ordinary Shares
1 – 1,000	14	2,065
1,001 – 5,000	25	84,847
5,001 – 10,000	128	1,021,152
10,001 – 100,000	371	15,636,332
More than 100,000	176	176,354,604
Totals	**714**	**193,099,000**

There were 25 holders of less than a marketable parcel of Ordinary Shares.

3. VOTING RIGHTS

See Note 14(c) of the Notes to the Financial Statements.

4. SUBSTANTIAL SHAREHOLDERS

Substantial shareholder notices have been received from the following at 31 August 2016:

Substantial Holder	Number of Ordinary Shares
Silver Lake Resources Limited	20,764,683
AustralianSuper Pty Ltd	17,647,059
Moshos Family Investments Pty Ltd	11,105,000
Bouchi Pty Ltd	11,400,000

5. UNQUOTED SECURITIES

The names of the security holders holding 20% or more of an unlisted class of security at 31 August 2016, other than those securities issued or acquired under an employee incentive scheme, are listed below:

Holder	$0.30 Options Expiring 31-Dec-16	$0.30 Options Expiring 31-Aug-17	$0.45 Options Expiring 30-Jun-18	$0.50 Options Expiring 31-Jul-18	$0.50 Options Expiring 31-Dec-18
T2 Resources Pty Ltd	-	-	1,500,000	-	-
The Siebels Hard Asset Fund Ltd	-	-	-	2,000,000	-
Mr Jonathan Hjelte	-	-	-	-	500,000
Parati Pty Ltd	-	1,000,000	-	-	-
Mr Paulo Ilidio Brito	-	500,000	-	-	-
Mr Luis Azevedo	-	500,000	-	-	-
Mr Nicholas Day	100,000	-	-	-	-
Ms Emma Curnow	50,000	-	-	-	-
Others (less than 20%)	-	250,000	-	5,500,000	-
Total	**150,000**	**2,250,000**	**1,500,000**	**7,500,000**	**500,000**
Total holders	*2*	*4*	*1*	*47*	*1*

6. ON-MARKET BUY BACK

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

7. EXPLORATION INTERESTS

Buck Creek Coal Leases

At 30 June 2016, Paringa controlled approximately 35,913 gross acres (~14,534 ha) of coal leases in Kentucky, United States which comprise the Buck Creek Mining Complex. The area is controlled by Paringa through approximately 254 individual coal leases with private mineral owners.

Arkoma Coal Leases

At 30 June 2016, Paringa controlled approximately 14,000 gross acres (~5,600 ha) of coal leases in Arkansas, United States, which comprise the Arkoma Project. The area is controlled by Paringa through approximately 400 individual coal leases with private mineral owners.

8. FORWARD LOOKING STATEMENTS

This report may include forward-looking statements. These forward-looking statements are based on Paringa's expectations and beliefs concerning future events. Forward looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of Paringa, which could cause actual results to differ materially from such statements. Paringa makes no undertaking to subsequently update or revise the forward-looking statements made in this announcement, to reflect the circumstances or events after the date of that announcement.

9. COMPETENT PERSONS 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.