
Paringa Resources Limited

ABN 44 155 933 010

Interim Financial Report for the Six Months Ended 31 December 2019

CORPORATE DIRECTORY

DIRECTORS:

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

COMPANY SECRETARY:

Mr Gregory Swan – Company Secretary

REGISTERED OFFICE:

Level 9, 28 The Esplanade
Perth WA 6000

WEBSITE:

www.paringaresources.com

STOCK EXCHANGE LISTING:

Australian Securities Exchange (ASX: PNL)

SHARE REGISTRY:

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

LAWYERS:

Thomson Geer Lawyers

AUDITOR:

William Buck Audit (WA) Pty Ltd

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

DIRECTORS' REPORT

The Directors of Paringa Resources Limited present their report on Paringa Resources Limited ("Company" or "Paringa") and the entities it controlled during the six months ended 31 December 2019 ("Consolidated Entity" or "Group").

DIRECTORS

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

Current Directors

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

Former Directors

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

Unless otherwise shown, all Directors were in office from the beginning of the interim period until the date of this report.

OPERATING AND FINANCIAL REVIEW

Acquisition of Australian gold project

Subsequent to the end of the interim period, in December 2020, the Company's wholly owned subsidiary, Onslow Gold Pty Ltd, applied for an exploration licence (E08/3311) in the Pilbara region of Western Australia considered prospective for gold and copper.

The exploration licence (application pending) covers approximately 115 km² and is located in the north western extension of the Proterozoic Capricorn Orogen where nearby 1990's historic exploration identified the potential for Proterozoic banded iron formation ("BIF") hosted Au and Iron Oxide Cu-Au mineralisation.

Following a review of an historic (2006) airborne electromagnetic ("AEM") survey data that covers the entire tenement, two priority bedrock late time AEM anomalies and two second order late time anomalies have been assessed to be worthy of further exploration.

Paringa will now focus its efforts on exploring the Onslow gold project and has plans to raise additional funds to pursue this purpose (refer below for further details).

Reinstatement to trading on ASX

Paringa is assessing its options to raise additional funds to pursue the exploration of its Onslow gold project and for general working capital requirements, following the dissolution of the Company's wholly owned subsidiary, Hartshorne Holdings LLC, and its U.S. affiliates ("Hartshorne") on 23 February 2021.

Subject to Australian Securities Exchange ("ASX") approval, Paringa has plans to seek shareholder approval for a consolidation of its shares ("Share Consolidation") and then undertake a capital raising by way of pro-rata entitlements issue and/or share placement to raise a minimum of A\$2.5 million before costs ("Capital Raising").

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

The Company's securities currently remain suspended from trading on the ASX. Paringa will seek reinstatement to trading on ASX following completion of the Share Consolidation, Capital Raising and Deed of Release.

DIRECTORS' REPORT

(Continued)

OPERATING AND FINANCIAL REVIEW (Continued)

Sale of United States coal projects

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

Hartshorne obtained debtor-in-possession financing comprising post-petition secured financing of US\$7.625 million from certain of its current senior secured lenders with Tribeca Global Resources Credit Pty Ltd ("Tribeca") serving as agent.

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

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

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

In February 2021, the Bankruptcy Court confirmed the plan of liquidation and, on 23 February 2021, the plan became effective and Hartshorne commenced the final stages of winding up the estates.

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

Poplar Grove mine operations

The Poplar Grove mine commenced operations during the fiscal year ended 30 June 2019. Production ramp-up continued during the half-year period ended 31 December 2019, utilizing two mining units ("Units"). Unit 1 entered production in March 2019 and Unit 2 entered production in July 2019.

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

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

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

Subsequent to the end of the half-year period, in February 2020, the Poplar Grove mine transitioned from operations utilizing two Units to one Unit, following the decision to place Unit 2 on standby.

Subsequent to the end of the half-year period, in June 2020, Hartshorne began winding down mining operations of the remaining Unit at the Poplar Grove mine and shifting to care and maintenance. Hartshorne has returned mining equipment to those parties that have asserted liens on such equipment, including Komatsu Financial, LP and Ally Bank.

DIRECTORS' REPORT

(Continued)

OPERATING AND FINANCIAL REVIEW (Continued)

Poplar Grove mine operations (Continued)

A summary of the Group's coal production and sales for the six months ended 31 December 2019 is below:

Poplar Grove Production Summary ¹	Quarter ended 30 September 2019	Quarter ended 31 December 2019	6 months ended 31 December 2019
Run-of-mine ("ROM") coal production (kt)	272.9	323.0	595.9
Saleable coal production (kt) ²	145.3	173.6	318.9
ROM stockpiles (kt)	3.7	2.5	2.5
Saleable coal stockpiles (kt)	9.9	4.8	4.8
Saleable coal loaded (kt)	135.8	182.0	317.8
Realized sales per ton (US\$)	\$41.98	\$41.17	\$41.52

Corporate

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

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

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

Results of Operations

The Group recorded a consolidated operating loss before tax of US\$110.1 million for the six months ended 31 December 2019 (31 December 2018: US\$3.3 million). The major item contributing to the current period loss was impairment losses of US\$98.3 million (31 December 2018: nil) recognised in respect of the Poplar Grove mine.

Financial Position

At 31 December 2019, the Group had cash reserves of US\$6.9 million (30 June 2019: US\$12.0 million), net liabilities of US\$40.7 million (30 June 2019: net assets of US\$67.3 million), and debt of US\$62.2 million (30 June 2019: \$58.7 million).

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

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

¹ Units of mass in U.S. short tons.

² Coal processed by the preparation plant.

DIRECTORS' REPORT

(Continued)

OPERATING AND FINANCIAL REVIEW (Continued)

Financial Position (continued)

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

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

Paringa is assessing its options to raise additional funds to pursue the exploration of its Onslow gold project and for general working capital requirements, following the dissolution of the Company's wholly owned subsidiary, Hartshorne, and its U.S. affiliates on 23 February 2021. Subject to ASX approval, Paringa has plans to seek shareholder approval for the Share Consolidation and then undertake the Capital Raising by way of pro-rata entitlements issue and/or share placement to raise a minimum of A\$2.5 million before costs.

To facilitate the Capital Raising, the Company has entered into the Deed of Release with Hartshorne's secured lenders, whereby Hartshorne's secured lenders will release Paringa from all obligations and liabilities as parent company guarantor to the Group's Term Loan Facility and related finance documents, in return for being issued the Consideration Securities, subject to shareholder approval. The Deed of Release is conditional upon completion of the Share Consolidation and Capital Raising, the appointment of two directors nominated by the Tribeca Parties to the Board of Paringa, and issue of the Consideration Securities to the Tribeca Parties.

The Company's securities currently remain suspended from trading on the Australian Securities Exchange ("ASX"). Paringa will seek reinstatement to trading on ASX following completion of the Share Consolidation, Capital Raising and Deed of Release.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

- (i) On 8 January 2020, the Company announced that Hartshorne had retained FTI Consulting, Inc. ("FTI") to perform a review of Hartshorne's near-term financial outlook and operational performance, including an assessment of additional financing required for operational needs or a potential trade sale. Hartshorne's focus had been on ramping up mining operations at the Poplar Grove mine. Operational and technical challenges had resulted in production levels which had yet to reach expected volumes;
- (ii) On 8 January 2020, the Company announced that, in order to maintain Hartshorne's cash position, and after consultation with Tribeca, the agent for Hartshorne's secured lenders, Hartshorne had deferred payment of the 31 December 2019 quarterly interest and fees required under its term loan facility, totalling approximately US\$1.5 million. This deferral has triggered an event of default under the term loan facility which gave Tribeca the right to demand immediate full repayment of the term loan facility. Tribeca issued a letter to Hartshorne and the Company (as a guarantor of Hartshorne's obligations under the term loan facility) that notified the existence of the event of default and reserved its rights in respect of such default;
- (iii) On 21 February 2020, Hartshorne filed voluntary Chapter 11 petitions in the United States Bankruptcy Court for the Western District of Kentucky to facilitate a sale of its operating Poplar Grove coal mine, undeveloped Cypress coal project and other business assets;

DIRECTORS' REPORT

(Continued)

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD (Continued)

- (iv) On 21 February 2020, the Company announced that Hartshorne had obtained a commitment for a debtor-in-possession financing from several of its current secured lenders for which Tribeca will serve as agent. On 30 March 2020, the Bankruptcy Court approved, on a final basis, Hartshorne's debtor-in-possession financing, which authorised Hartshorne to, among other things, obtain post-petition secured financing of US\$7.625 million. The financing was expected to provide sufficient liquidity to fund Hartshorne's operations while it executed a sale process of its assets under section 363 of the United States Bankruptcy Code;
- (v) On 21 February 2020, the Company announced that, in connection with the debtor-in-possession financing agreement, Hartshorne would commence a marketing process for the sale of its assets pursuant to section 363 of the Bankruptcy Code, with the assistance of Hartshorne's investment bank, Perella Weinberg Partners LP. On 6 March 2020, Hartshorne filed a motion to authorize the sale of substantially all of their assets through one or more sales and to establish bidding procedures for the sale of substantially all of their assets. On 25 March 2020, the Bankruptcy Court approved the order authorizing Hartshorne to proceed with the bidding procedures relating to the sale of all or a portion of Hartshorne's assets;
- (vi) On 28 February 2020, the Company advised that it had received a notice from The Nasdaq Stock Market ("Nasdaq") notifying the Company that, as a result of Hartshorne filing for protection under Chapter 11 of the U.S. Bankruptcy Code, and in accordance with Nasdaq Listing Rule 5101, the Company would be delisted from Nasdaq. Accordingly, trading of the Company's American Depositary Shares ("ADSs") was suspended on 5 March 2020, and the Company was delisted from Nasdaq, effective 30 April 2020;
- (vii) On 30 March 2020, the Company announced that Mr. Egan Antill, Managing Director and Chief Executive Officer of the Company, had resigned from his executive and Board roles effective 31 March 2020;
- (viii) On 15 June 2020, Hartshorne filed a notice that it did not receive any qualified bids for their assets by the bid deadline, did not designate a stalking horse bidder, and, in accordance with Hartshorne's rights under the Bankruptcy Court-approved bidding procedures, Hartshorne was cancelling the auction;
- (ix) On 29 June 2020, Worker Adjustment and Retraining Notification ("WARN") letters were issued to 111 employees of Hartshorne. Subsequently the workforce was reduced by 68 employees and Hartshorne began winding down mining operations at the Poplar Grove mine and shifting to care and maintenance. Hartshorne began the process of returning mining equipment to those parties that had asserted liens on such equipment, including Komatsu Financial, LP and Ally Bank;
- (x) On 17 August 2020, Hartshorne requested authority from the Bankruptcy Court to sell its dock site equipment, raw coal stacker, and clean coal stacker located in McLean County, Kentucky to Castlen Marine, LLC for an aggregate cash consideration of US\$435,000. On 10 September 2020, the Bankruptcy Court approved the sale. Hartshorne continued to dispose of its remaining assets pursuant to the Sale Procedures and via private sale motions to the extent such sales exceed US\$250,000;
- (xi) On 28 September 2020, Hartshorne filed their proposed plan of liquidation, disclosure statement, and proposed plan solicitation procedures motion for the expedited wind down of their estates. The proposed plan of liquidation set forth the manner in which Hartshorne will complete its wind down through a liquidation trust. On 5 October 2020, the Bankruptcy Court approved the solicitation procedures and conditionally approved the disclosure statement. Hartshorne commenced the process of soliciting votes to accept or reject the plan of liquidation. A hearing to consider confirmation of the plan of liquidation and seek related relief was scheduled for 9 November 2020;
- (xii) On 2 December 2020, the Bankruptcy Court approved the sale of: (a) certain coal washing structures and material handling structures, and all related assets located in McLean County, Kentucky; (b) Hartshorne's cash and other assets pledged as collateral for its reclamation and similar obligations, to the extent such cash or other assets were released to Hartshorne; (c) all cash or other funds held, deposited, or otherwise retained in connection with Hartshorne's workers' compensation insurance policies, to the extent such cash or other funds were released to Hartshorne; and (d) any claims of Hartshorne under chapter 5 of the Bankruptcy Code to Frozen Star Holdings II LLC ("Frozen Star"), an affiliate of Hartshorne's prepetition and postpetition secured financier, Tribeca (as agent), for an aggregate credit bid consideration of US\$4.5 million;
- (xiii) On 29 December 2020, Hartshorne conducted a public auction for six tracts of real property (the "Real Property"). On 3 January 2021, Hartshorne notified the auction results, which included three sales totaling approximately 94.2 acres for an aggregate sale price of US\$507,310. No further Bankruptcy Court approval was required for the three sales to close;

DIRECTORS' REPORT

(Continued)

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD (Continued)

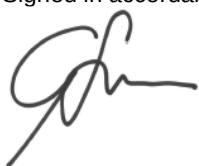
- (xiv) On 29 January 2021, the Company announced that it had applied for an exploration licence in the Pilbara region of Western Australia considered prospective for gold and copper. The exploration licence (application pending) covers approximately 115 km² and is located in the north western extension of the Proterozoic Capricorn Orogen where nearby 1990's historic exploration identified the potential for Proterozoic BIF hosted gold and iron oxide copper-gold mineralisation;
- (xv) On 17 February 2021, the Bankruptcy Court confirmed the plan of liquidation and, on 23 February 2021, the plan of liquidation became effective. On 23 February 2021, Hartshorne executed a liquidation trust agreement and transferred its remaining assets and liabilities to a liquidation trust to be liquidated by the trustee over time, as well as assigning remaining critical contracts and insurance policies. The Hartshorne entities were dissolved on 23 February 2021; and
- (xvi) On 26 February 2021, the Company announced that Mr Gregory Swan had been appointed as a Director of the Company following the resignations of Messrs David Gay, Jonathan Hjelte, Richard McCormick and Thomas Todd. Messrs Ian Middlemas and Todd Hannigan remain as Directors of the Company;
- (xvii) On 8 April 2021, the Company announced that William Buck Audit (WA) Pty Ltd had been appointed as auditor of the Company, following the resignation of Deloitte Touche Tohmatsu ("Deloitte") and ASIC's consent to the resignation in accordance with s329(5) of the Corporations Act 2001; and
- (xviii) On 30 April 2021, the Company announced that it had entered into the Deed of Release with Hartshorne's secured lenders, whereby Hartshorne's secured lenders will release Paringa from all obligations and liabilities as parent company guarantor to the Group's Term Loan Facility and related finance documents, in return for being issued the Consideration Securities, subject to shareholder approval. The Deed of Release is conditional upon completion of the Share Consolidation and Capital Raising, the appointment of two directors nominated by the Tribeca Parties to the Board of Paringa, and issue of the Consideration Securities to the Tribeca Parties.

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

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, William Buck Audit (WA) Pty Ltd, to provide the directors of Paringa Resources Limited with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is on page 23 and forms part of this Directors' Report.

Signed in accordance with a resolution of the Directors.



GREGORY SWAN
Director

30 April 2021

DIRECTORS' DECLARATION

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

In the opinion of the Directors:

- (a) the attached financial statements and notes thereto for the six month period ended 31 December 2019 are in accordance with the *Corporations Act 2001*, including:
 - (i) section 304 (compliance with accounting standards and Corporations Regulations 2001); and
 - (ii) section 305 (true and fair view); and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



GREGORY SWAN
Director

30 April 2021

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

	Note	Six Months Ended 31 December 2019 US\$000	Six Months Ended 31 December 2018 US\$000
Finance income/(expenses)		(732)	104
Corporate and administration expenses		(1,696)	(625)
Employment expenses		(1,659)	(1,670)
Business development expenses		(133)	(139)
Foreign stock exchange listing expenses		-	(249)
Share based payment benefit/(expense)	11(a)	3,646	(631)
Depreciation and amortisation expenses	3	(3,980)	(39)
Impairment losses	3	(98,271)	-
Other income/(expenses)	3	(7,313)	(60)
Loss before income tax		(110,138)	(3,309)
Income tax expense		-	-
Net loss for the period		(110,138)	(3,309)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss		-	-
Total other comprehensive income for the period		-	-
Total comprehensive loss for the period		(110,138)	(3,309)
Loss per share			
Basic and diluted loss per share (US\$ per share)		(0.21)	(0.01)

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

**CONDENSED CONSOLIDATED STATEMENT OF
FINANCIAL POSITION**
AS AT 31 DECEMBER 2019

	Note	As at 31 December 2019 US\$000	As at 30 June 2019 US\$000
ASSETS			
Current Assets			
Cash and cash equivalents	4	6,881	12,038
Trade and other receivables		1,235	834
Inventories		627	730
Other assets	5	889	519
Total Current Assets		9,632	14,121
Non-Current Assets			
Property, plant and equipment	6	31,207	115,567
Other assets	5	1,599	4,261
Total Non-Current Assets		32,806	119,828
TOTAL ASSETS		42,438	133,949
LIABILITIES			
Current Liabilities			
Trade and other payables		9,003	5,028
Interest-bearing loans and borrowings	7	44,632	4,274
Other financial liabilities	8	9,066	-
Provisions	9	51	193
Total Current Liabilities		62,752	9,495
Non-Current Liabilities			
Interest-bearing loans and borrowings	7	17,556	54,441
Other financial liabilities	8	110	-
Provisions	9	2,740	2,708
Total Non-Current Liabilities		20,406	57,149
TOTAL LIABILITIES		83,158	66,644
NET LIABILITIES		(40,720)	67,305
EQUITY			
Contributed equity	10	109,531	104,050
Reserves	11	977	4,331
Accumulated losses		(151,228)	(41,076)
TOTAL EQUITY		(40,720)	67,305

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

		Contributed Equity	Share-based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
	Note	US\$000	US\$000	US\$000	US\$000	US\$000
Balance at 1 July 2019		104,050	6,684	(2,353)	(41,076)	67,305
Effect of adoption of AASB 16	1(c)	-	-	-	(14)	(14)
Balance at 1 July 2019 (restated)		104,050	6,684	(2,353)	(41,090)	67,291
Net loss for the period		-	-	-	(110,138)	(110,138)
Other comprehensive income for the period		-	-	-	-	-
Total comprehensive loss for the period		-	-	-	(110,138)	(110,138)
Transactions with owners recorded directly in equity:						
Issue of shares	10	5,816	-	-	-	5,816
Share issue costs	10	(335)	-	-	-	(335)
Grant of lender options	11	-	292	-	-	292
Share based payment benefit	11	-	(3,646)	-	-	(3,646)
Balance at 31 December 2019		109,531	3,330	(2,353)	(151,228)	(40,720)
Balance at 1 July 2018		102,278	5,356	(2,353)	(28,191)	77,090
Net loss for the period		-	-	-	(3,309)	(3,309)
Other comprehensive income for the period		-	-	-	-	-
Total comprehensive loss for the period		-	-	-	(3,309)	(3,309)
Transactions with owners recorded directly in equity:						
Conversion of employee rights		1,465	(1,465)	-	-	-
Expiry of employee options		-	(212)	-	212	-
Grant of lender options		-	181	-	-	181
Share based payments expense		4	627	-	-	631
Share issue costs		(13)	-	-	-	(13)
Balance at 31 December 2018		103,734	4,487	(2,353)	(31,288)	74,580

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

**CONDENSED CONSOLIDATED STATEMENT OF
CASH FLOWS**
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

	Six Months Ended 31 December 2019 US\$000	Six Months Ended 31 December 2018 US\$000
Cash flows from operating activities		
Payments to suppliers and employees	(4,603)	(2,775)
Interest received	42	164
Interest paid	(767)	(3)
Other income received	3	7
Net cash outflow from operating activities	(5,325)	(2,607)
Cash flows from investing activities		
Payments for property, plant and equipment	(11,902)	(24,410)
Payments for advanced royalties	(166)	(146)
Payments for security deposits and bonds	(192)	(2,338)
Proceeds from insurance recoveries	774	-
Net cash outflow from investing activities	(11,486)	(26,894)
Cash flows from financing activities		
Proceeds from borrowings	5,330	20,589
Repayment of borrowings	(2,078)	-
Proceeds from royalty financing	9,000	-
Payment of principal portion of lease liabilities	(30)	-
Proceeds from issue of ordinary shares	5,815	-
Payments for share issue costs	(322)	(99)
Payments for borrowing costs	(6,047)	(1,620)
Net cash inflow from financing activities	11,668	18,870
Net decrease in cash and cash equivalents	(5,143)	(10,631)
Net foreign exchange differences	(14)	(53)
Cash and cash equivalents at beginning of the period	12,038	22,623
Cash and cash equivalents at the end of the period	6,881	11,939

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim consolidated financial statements of Paringa Resources Limited and its consolidated entities for the six-months ended 31 December 2019 were authorised for issue in accordance with the resolution of the directors on 30 April 2021.

Paringa Resources Limited is a for profit company limited by shares, incorporated and domiciled in Australia, whose shares are listed on the ASX. The Group's principal activities are the exploration and development of mineral resource projects.

(a) Basis of Preparation

This general-purpose financial report for the interim six-month reporting period ended 31 December 2019 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report of the Company for the year ended 30 June 2019 and any public announcements made by the Company and its controlled entities during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies and methods of computation adopted in the preparation of the interim financial report are consistent with those adopted and disclosed in the Company's annual financial report for the financial year ended 30 June 2019, except as disclosed below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The financial report has been prepared on a historical cost basis and is presented in United States dollars (US\$).

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

Going concern

The consolidated financial statements have been prepared on the going concern basis.

For the six-months ended 31 December 2019, the Consolidated Entity incurred a net loss of US\$110.1 million and experienced net cash outflows from operating and investing activities of US\$16.8 million. As at 31 December 2019, the Group had current assets of US\$9.6 million and current liabilities of US\$62.7 million.

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

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

The Company requires additional funding to continue as a going concern. In this regard, the Company plans to seek shareholder approval for the Share Consolidation and then undertake the Capital Raising by way of pro-rata entitlements issue and/or share placement to raise a minimum of \$2.5 million before costs.

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2019 (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of Preparation (Continued)

To facilitate the planned Capital Raising, the Company has entered into the Deed of Release with Hartshorne's secured lenders, whereby Hartshorne's secured lenders will release Paringa from all obligations and liabilities as parent company guarantor to the Group's Term Loan Facility and related documents, in return for being the Consideration Securities, subject to shareholder approval. The Deed of Release is conditional upon completion of the Share Consolidation and Capital Raising, the appointment of two directors nominated by the Tribeca Parties to the Board of Paringa, and issue of the Consideration Securities to the Tribeca Parties.

The Directors are confident that they will be able to complete the Share Consolidation and Capital Raising and satisfy all conditions precedent to the Deed of Release, and accordingly, consider that it is appropriate to prepare the financial statements on the going concern basis.

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

(b) Statement of Compliance

In the current period, the Group has adopted all of the new and revised standards, interpretations and amendments that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2019. New and revised standards and amendments thereof and interpretations effective for the current reporting period that are relevant to the Group include:

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

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. Other than AASB 16, the other new standards do not have a material effect. A discussion on the adoption of AASB 16 is included in Note 1(c).

(c) Changes in Accounting Policies

The accounting policies adopted in the preparation of the half-year financial report are consistent with those applied in the preparation of the Group's annual financial report for the year ended 30 June 2019, except for new standards, amendments to standards and interpretations effective 1 July 2019 as set out in Note 1(b).

AASB 16 *Leases*

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

Definition of a lease

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in Accounting Policies (Continued)

AASB 16 Leases (Continued)

As a lessee

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

Leases classified as operating leases under AASB 117

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

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

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

Leases classified as finance leases under AASB 117

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

Impact on transition

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Issued standards and interpretations not early adopted

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 reporting period ended 31 December 2019. 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 Company
AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business	1 January 2020	1 July 2020
AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material	1 January 2020	1 July 2020
<i>Conceptual Framework for Financial Reporting</i> (Conceptual Framework)	1 January 2020	1 July 2020
2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework	1 January 2020	1 July 2020

(e) 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:

- Recoverable amount of carrying value of property, plant and equipment;
- Share-based payments;
- Provision for mine rehabilitation;
- Commencement of commercial production;
- Depreciation and amortization of property, plant and equipment; and
- Classification of liabilities as current or non-current.

2. SEGMENT INFORMATION

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019
(Continued)

3. OTHER INCOME AND EXPENSES

	Six Months ended 31 December 2019 US\$000	Six Months ended 31 December 2018 US\$000
Other income/(expenses)		
Insurance proceeds ⁽¹⁾	774	-
Loss on disposal of property, plant and equipment	(155)	(13)
Net foreign exchange loss	(13)	(54)
Write-off of capitalised borrowing costs ⁽²⁾	(4,166)	-
Write-off of advance royalties ⁽³⁾	(3,042)	-
Write-down of inventories ⁽⁴⁾	(713)	-
Other income	2	7
Total other income and expenses included in profit or loss	(7,313)	(60)
Depreciation, amortisation and impairment		
Amortisation of borrowing costs	(33)	(2)
Depreciation of plant and equipment	(3,947)	(37)
Impairment of property, plant and equipment ⁽⁵⁾	(98,271)	-
Total Depreciation, amortisation and impairment included in profit or loss	(102,251)	(39)

Notes:

- ⁽¹⁾ The Group received insurance proceeds of approximately US\$774,000 relating to storm damage to the raw and clean coal radial stackers that occurred in June 2019.
- ⁽²⁾ The Group has written-off all capitalised borrowing costs at 31 December 2019 on the basis that there is no reasonable expectation of recovery following Hartshorne triggering an event of default on 31 December 2019 under its Term Loan Facility.
- ⁽³⁾ The Group has written-off all advance royalties at 31 December 2019 on the basis that there is no reasonable expectation of recovery following the operational and technical challenges at the Poplar Grove mine that resulted in production levels failing to reach expected volumes. Refer to note 5 for further details.
- ⁽⁴⁾ The Group has written-down its consumables and spares inventories at 31 December 2019 to their net realisable value on the basis that the consumables and spares are for use in the production of coal inventories whose cost exceeds net realisable value.
- ⁽⁵⁾ An impairment loss of approximately US\$98,271,000 has been recognised in respect of the Poplar Grove mine for the half year ended 31 December 2019. Refer to note 6 for further details.

4. CASH AND CASH EQUIVALENTS

	As at 31 December 2019 US\$000	As at 30 June 2019 US\$000
Cash at bank and on hand	6,881	12,038
	6,881	12,038

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

(Continued)

5. OTHER ASSETS

	As at 31 December 2019 US\$000	As at 30 June 2019 US\$000
Current		
Prepayments	838	465
Advance royalties ⁽¹⁾	-	54
Other	51	-
Total current	889	519
Non-Current		
Restricted cash (security deposits and bonds)	1,599	1,407
Advance royalties ⁽¹⁾	-	2,854
Total non-current	1,599	4,261
Total other assets	2,488	4,780

Notes:

- ⁽¹⁾ The Group's coal leases require the payment of annual minimum advance royalties prior to the commencement of mining operations and the payment of earned royalties once mining operations commence. The advance royalties paid are recoupable against earned royalties on a lease-by-lease basis. At 31 December 2019, the Group wrote-off all advance royalties on the basis that there is no reasonable expectation of recovery following the operational and technical challenges at the Poplar Grove mine that resulted in production levels failing to reach expected volumes.

6. PROPERTY, PLANT AND EQUIPMENT

	Mine development properties US\$000	Plant and equipment US\$000	Right-of-use assets US\$000	Total US\$000
Net book value at 1 July 2019	63,062	52,505	-	115,567
Effect of adoption of AASB 16	-	-	192	192
Additions ⁽¹⁾	11,730	6,169	-	17,899
Disposals	(200)	-	-	(200)
Depreciation and amortisation charges ⁽²⁾	-	(3,947)	(33)	(3,980)
Impairment of property, plant and equipment ⁽³⁾	(72,120)	(26,151)	-	(98,271)
Net book value at 31 December 2019	2,472	28,576	159	31,207
- at cost	74,592	58,674	192	133,458
- accumulated depreciation and impairment	(72,120)	(30,098)	(33)	(102,251)

Notes:

- ⁽¹⁾ During the six months ended 31 December 2019, mine operating costs, net of proceeds from coal sales, amounting to approximately US\$7,615,000 (30 June 2019: US\$3,413,000) relating to the Poplar Grove mine incurred prior to the commencement of 'commercial production', have been capitalised under 'mine development properties'.
- ⁽²⁾ No depreciation is recognised in respect of 'mine development properties' until 'commercial production' has been achieved. At 31 December 2019, the Group determined that 'commercial production' at the Poplar Grove mine had not yet been reached.
- ⁽³⁾ The carrying value of mine development properties and plant and equipment are assessed on a cash generating unit (CGU) basis at each reporting date to determine whether there is any indication of impairment. If any such indications of impairment exist, an estimate of the recoverable amount is performed. In assessing whether an impairment is required, the carrying value of the asset or CGU is compared with its recoverable amount. An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. The recoverable amount is the higher of the CGU's fair value less costs of disposal (FVLCD) and value in use (VIU). An impairment loss of approximately US\$98,271,000 has been recognised in respect of the Poplar Grove mine for the half year ended 31 December 2019. The trigger for the impairment test was the market capitalisation of Paringa being less than the net asset value of the Group as at 31 December 2019. The Group has been impacted by operational and technical challenges at the Poplar Grove mine that resulted in production levels failing to reach expected volumes. The Group also triggered an event of default on 31 December 2019 under its term loan facility giving Tribeca the right to demand immediate full repayment. The recoverable amount of mine development properties and plant and equipment was based on management's estimates of FVLCD, represented by the estimated net sales proceeds from the sale of assets pursuant to the Chapter 11 bankruptcy.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019
(Continued)

7. INTEREST BEARING LOANS AND BORROWINGS

	As at 31 December 2019 US\$000	As at 30 June 2019 US\$000
Current		
Term loan facility ⁽¹⁾	40,000	-
Equipment finance facility ⁽²⁾	4,498	4,140
Other	134	134
Total current	44,632	4,274
Non-Current		
Term loan facility ⁽¹⁾	-	35,904
Equipment finance facility ⁽²⁾	17,522	18,498
Other	34	39
Total non-current	17,556	54,441
Total interest-bearing loans and borrowings	62,188	58,715

Notes:

- ⁽¹⁾ At 31 December 2019, the Company had a US\$40 million Term Loan Facility from Tribeca (as agent), which was amended during the period. In order to maintain the Group's cash position to continue its operations, and after consultation with Tribeca, the Group decided to defer payment of the 31 December 2019 quarterly interest and fees required under its Term Loan Facility, totalling approximately US\$1,462,000. This deferral triggered an event of default under the term loan facility which gives Tribeca the right to demand immediate full repayment of the term loan facility. Tribeca has issued a letter to Hartshorne and the Company (as a guarantor of Hartshorne's obligations under the term loan facility) that notifies the existence of the event of default and reserving its rights in respect of such default. Accordingly, the Term Loan Facility has been classified as a current liability at 31 December 2019.
- ⁽²⁾ The Company has entered into a secured financing facility with Komatsu Financial Limited Partnership ("Komatsu") (and its subsidiary Joy Underground Mining) to finance the purchase of up to US\$19.0 million of equipment from Komatsu for use at the Poplar Grove Mine, on instalment terms. Komatsu has also agreed to provide an additional equipment financing facility of up to US\$7.5 million for the purchase of non-Komatsu equipment. Interest rates vary for each piece of equipment, based on standard commercial rates for leased mining equipment in the United States.

8. OTHER FINANCIAL LIABILITIES

	As at 31 December 2019 US\$000	As at 30 June 2019 US\$000
Current		
Royalty payable ⁽¹⁾	9,000	-
Lease liabilities	66	-
Total current	9,066	-
Non-Current		
Lease liabilities	110	-
Total non-current	110	-
Total other financial liabilities	9,176	-

Notes:

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019
(Continued)

9. PROVISIONS

	As at 31 December 2019 US\$000	As at 30 June 2019 US\$000
Current		
Employee entitlements	51	193
Total current	51	193
Non-Current		
Mine rehabilitation ⁽¹⁾	2,740	2,708
Total non-current	2,740	2,708
Total provisions	2,791	2,901

Notes:

- ⁽¹⁾ The Group commenced construction of the Poplar Grove Mine during fiscal 2018, which has resulted in the creation of a rehabilitation obligation. The Group will assess its mine rehabilitation provision as development activities progress, and subsequently on an annual basis, or where evidence exists that the provision should be reviewed. Significant judgement is required in determining the provision for mine rehabilitation and closure as there are many factors that will affect the ultimate liability payable to rehabilitate the mine site, including future disturbances caused by further development, changes in technology, changes in regulations, price increases, changes in timing of cash flows which are based on life of mine plans and changes in discount rates. When these factors change or become known in the future, such differences will impact the mine rehabilitation provision in the period in which the change becomes known. Accretion of the provision will commence when development has been completed.

10. CONTRIBUTED EQUITY

	Note	As at 31 December 2019 US\$000	As at 30 June 2019 US\$000
Issued capital			
632,782,393 fully paid ordinary shares ⁽¹⁾ (30 June 2019: 461,251,181)	10(a)	109,531	104,050
		109,531	104,050

Notes:

- ⁽¹⁾ Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

(a) Movements in issued capital

	Thousands of Shares	US\$000
Opening balance at 1 July 2019	461,251	104,050
Entitlement offers	163,570	5,545
Issue of shares to advisors	7,961	271
Share issue costs	-	(335)
Closing balance at 31 December 2019	632,782	109,531

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019
(Continued)

11. RESERVES

		As at 31 December 2019 US\$000	As at 30 June 2019 US\$000
Share-based payments reserve	11(a)	3,330	6,684
Foreign currency translation reserve		(2,353)	(2,353)
		977	4,331

(a) Movements in share-based payments reserve

	Thousands of Options	Thousands of Rights	US\$000
Opening balance at 1 July 2019	42,188	16,395	6,684
Forfeiture/lapse of performance rights	-	(5,335)	-
Cancellation of lender options	(25,000)	-	-
Grant of lender options	30,000	-	292
Share based payment expense/(benefit) ⁽¹⁾	-	-	(3,646)
Closing balance at 31 December 2019	47,188	11,060	3,330

Notes:

⁽¹⁾ The Group has recognised a share-based payment benefit of approximately US\$3,646,000 due to the reversal of prior year share based payment expenses, relating to the forfeiture of certain unvested performance rights and the determination by Directors that certain remaining unvested performance rights previously granted to employees and contractors are considered unlikely to ever ultimately vest.

12. DIVIDENDS PAID OR PROVIDED FOR

No dividend has been paid or provided for during the six months ended 31 December 2019 (31 December 2018: nil).

13. CONTINGENT ASSETS AND LIABILITIES

Contractor dispute

During the year ended 30 June 2018, the Group entered into a fixed price contract with Frontier-Kemper Constructors, Inc. ("Contractor") to construct the initial slope for the Poplar Grove mine and related matters. To-date the Group has paid the Contractor approximately US\$9.9 million, but has disputed several invoices, primarily related to water excavation, concrete backfilling, and, pursuant to the terms of the contract, the quantum of liquidated damages to be paid by the Contractor to the Group as a result of construction delays. During the six months ended 31 December 2019, the Contractor filed a claim for arbitration pursuant to the terms of the contract and initially claimed that it is owed approximately US\$2.6 million. Subsequent to 31 December 2019, the Contractor amended its claim to approximately US\$4.7 million. At 31 December 2019, retainage of approximately US\$1.1 million has been recognised as a liability in the Group's financial statements, being the amount specified in the contract that has been withheld from payments to the Contractor to ensure that the Contractor satisfies its obligations. The Group will pursue resolution of the arbitration and believes that it is not probable that the claim by the Contractor will be successful and accordingly, other than the retainage of US\$1.1 million, no provision for any liability has been recognised in the financial statements.

Parent entity disclosures

The parent entity, Paringa Resources Limited, has guaranteed to an unrelated party, Tribeca (as agent), the performance of its subsidiary, Hartshorne, in relation to the US\$40.0 million Term Loan Facility. The effect of the guarantee is that Paringa Resources Limited has guaranteed to pay any outstanding amounts if Hartshorne does not meet their obligations under the terms of Term Loan Facility.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

(Continued)

14. FINANCIAL INSTRUMENTS

(a) Fair value measurement

At 31 December 2019, the Group had no material financial assets and liabilities that are measured on a recurring basis, and therefore the carrying amount of financial assets and financial liabilities for the Group is considered to approximate their fair values.

15. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

- (i) On 8 January 2020, the Company announced that Hartshorne had retained FTI Consulting, Inc. ("FTI") to perform a review of Hartshorne's near-term financial outlook and operational performance, including an assessment of additional financing required for operational needs or a potential trade sale. Hartshorne's focus had been on ramping up mining operations at the Poplar Grove mine. Operational and technical challenges had resulted in production levels which had yet to reach expected volumes;
- (ii) On 8 January 2020, the Company announced that, in order to maintain Hartshorne's cash position, and after consultation with Tribeca, the agent for Hartshorne's secured lenders, Hartshorne had deferred payment of the 31 December 2019 quarterly interest and fees required under its term loan facility, totalling approximately US\$1.5 million. This deferral has triggered an event of default under the term loan facility which gave Tribeca the right to demand immediate full repayment of the term loan facility. Tribeca issued a letter to Hartshorne and the Company (as a guarantor of Hartshorne's obligations under the term loan facility) that notified the existence of the event of default and reserved its rights in respect of such default;
- (iii) On 21 February 2020, Hartshorne filed voluntary Chapter 11 petitions in the United States Bankruptcy Court for the Western District of Kentucky to facilitate a sale of its operating Poplar Grove coal mine, undeveloped Cypress coal project and other business assets;
- (iv) On 21 February 2020, the Company announced that Hartshorne had obtained a commitment for a debtor-in-possession financing from several of its current secured lenders for which Tribeca will serve as agent. On 30 March 2020, the Bankruptcy Court approved, on a final basis, Hartshorne's debtor-in-possession financing, which authorised Hartshorne to, among other things, obtain post-petition secured financing of US\$7.625 million. The financing was expected to provide sufficient liquidity to fund Hartshorne's operations while it executed a sale process of its assets under section 363 of the United States Bankruptcy Code;
- (v) On 21 February 2020, the Company announced that, in connection with the debtor-in-possession financing agreement, Hartshorne would commence a marketing process for the sale of its assets pursuant to section 363 of the Bankruptcy Code, with the assistance of Hartshorne's investment bank, Perella Weinberg Partners LP. On 6 March 2020, Hartshorne filed a motion to authorize the sale of substantially all of their assets through one or more sales and to establish bidding procedures for the sale of substantially all of their assets. On 25 March 2020, the Bankruptcy Court approved the order authorizing Hartshorne to proceed with the bidding procedures relating to the sale of all or a portion of Hartshorne's assets;
- (vi) On 28 February 2020, the Company advised that it had received a notice from The Nasdaq Stock Market ("Nasdaq") notifying the Company that, as a result of Hartshorne filing for protection under Chapter 11 of the U.S. Bankruptcy Code, and in accordance with Nasdaq Listing Rule 5101, the Company would be delisted from Nasdaq. Accordingly, trading of the Company's American Depositary Shares ("ADSs") was suspended on 5 March 2020, and the Company was delisted from Nasdaq, effective 30 April 2020;
- (vii) On 30 March 2020, the Company announced that Mr. Egan Antill, Managing Director and Chief Executive Officer of the Company, had resigned from his executive and Board roles effective 31 March 2020;
- (viii) On 15 June 2020, Hartshorne filed a notice that it did not receive any qualified bids for their assets by the bid deadline, did not designate a stalking horse bidder, and, in accordance with Hartshorne's rights under the Bankruptcy Court-approved bidding procedures, Hartshorne was cancelling the auction;
- (ix) On 29 June 2020, Worker Adjustment and Retraining Notification ("WARN") letters were issued to 111 employees of Hartshorne. Subsequently the workforce was reduced by 68 employees and Hartshorne began winding down mining operations at the Poplar Grove mine and shifting to care and maintenance. Hartshorne began the process of returning mining equipment to those parties that had asserted liens on such equipment, including Komatsu Financial, LP and Ally Bank;

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

(Continued)

15. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD (Continued)

- (x) On 17 August 2020, Hartshorne requested authority from the Bankruptcy Court to sell its dock site equipment, raw coal stacker, and clean coal stacker located in McLean County, Kentucky to Castlen Marine, LLC for an aggregate cash consideration of US\$435,000. On 10 September 2020, the Bankruptcy Court approved the sale. Hartshorne continued to dispose of its remaining assets pursuant to the Sale Procedures and via private sale motions to the extent such sales exceed US\$250,000;
- (xi) On 28 September 2020, Hartshorne filed their proposed plan of liquidation, disclosure statement, and proposed plan solicitation procedures motion for the expedited wind down of their estates. The proposed plan of liquidation set forth the manner in which Hartshorne will complete its wind down through a liquidation trust. On 5 October 2020, the Bankruptcy Court approved the solicitation procedures and conditionally approved the disclosure statement. Hartshorne commenced the process of soliciting votes to accept or reject the plan of liquidation. A hearing to consider confirmation of the plan of liquidation and seek related relief was scheduled for 9 November 2020;
- (xii) On 2 December 2020, the Bankruptcy Court approved the sale of: (a) certain coal washing structures and material handling structures, and all related assets located in McLean County, Kentucky; (b) Hartshorne's cash and other assets pledged as collateral for its reclamation and similar obligations, to the extent such cash or other assets were released to Hartshorne; (c) all cash or other funds held, deposited, or otherwise retained in connection with Hartshorne's workers' compensation insurance policies, to the extent such cash or other funds were released to Hartshorne; and (d) any claims of Hartshorne under chapter 5 of the Bankruptcy Code to Frozen Star Holdings II LLC ("Frozen Star"), an affiliate of Hartshorne's prepetition and postpetition secured financier, Tribeca (as agent), for an aggregate credit bid consideration of US\$4.5 million;
- (xiii) On 29 December 2020, Hartshorne conducted a public auction for six tracts of real property (the "Real Property"). On 3 January 2021, Hartshorne notified the auction results, which included three sales totaling approximately 94.2 acres for an aggregate sale price of US\$507,310. No further Bankruptcy Court approval was required for the three sales to close;
- (xiv) On 29 January 2021, the Company announced that it had applied for an exploration licence in the Pilbara region of Western Australia considered prospective for gold and copper. The exploration licence (application pending) covers approximately 115 km² and is located in the north western extension of the Proterozoic Capricorn Orogen where nearby 1990's historic exploration identified the potential for Proterozoic BIF hosted gold and iron oxide copper-gold mineralisation;
- (xv) On 17 February 2021, the Bankruptcy Court confirmed the plan of liquidation and, on 23 February 2021, the plan of liquidation became effective. On 23 February 2021, Hartshorne executed a liquidation trust agreement and transferred its remaining assets and liabilities to a liquidation trust to be liquidated by the trustee over time, as well as assigning remaining critical contracts and insurance policies. The Hartshorne entities were dissolved on 23 February 2021; and
- (xvi) On 26 February 2021, the Company announced that Mr Gregory Swan had been appointed as a Director of the Company following the resignations of Messrs David Gay, Jonathan Hjelte, Richard McCormick and Thomas Todd. Messrs Ian Middlemas and Todd Hannigan remain as Directors of the Company;
- (xvii) On 8 April 2021, the Company announced that William Buck Audit (WA) Pty Ltd had been appointed as auditor of the Company, following the resignation of Deloitte Touche Tohmatsu ("Deloitte") and ASIC's consent to the resignation in accordance with s329(5) of the Corporations Act 2001; and
- (xviii) On 30 April 2021, the Company announced that it had entered into the Deed of Release with Hartshorne's secured lenders, whereby Hartshorne's secured lenders will release Paringa from all obligations and liabilities as parent company guarantor to the Group's Term Loan Facility and related finance documents, in return for being issued the Consideration Securities, subject to shareholder approval. The Deed of Release is conditional upon completion of the Share Consolidation and Capital Raising, the appointment of two directors nominated by the Tribeca Parties to the Board of Paringa, and issue of the Consideration Securities to the Tribeca Parties.

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

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

I declare that, to the best of my knowledge and belief during the half-year ended 31 December 2019 there have been:

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

William Buck

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

CM

Conley Manifis
Director

Dated this 30th day of April 2021

ACCOUNTANTS & ADVISORS

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Paringa Resources Limited

Independent auditor's review report to members

Report on the Review of the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Paringa Resources Limited (the Company) and the entities it controlled at the half-year's end or from time to time during the half year (the consolidated group), which comprises the condensed consolidated statement of financial position as at 31 December 2019, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half year ended on that date; and
- b) complying with Australian Accounting Standard 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 (a) in the half-year financial report, which indicates that the consolidated entity incurred a net loss of US\$110.1 million and a net cash outflows from operating and investing activities of US\$16.8 million for the period ended 31 December 2019. As stated in Note 1 (a), these events or conditions, along with other matters as set forth in Note 1 (a), indicate that a material uncertainty exists that may cast significant doubt on the consolidated entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

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Responsibility of Management for the Financial Report

The directors of Paringa Resources Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting

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

Auditor's Responsibilities for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2019 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

A handwritten signature in black ink that reads "William Buck".

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

A handwritten signature in black ink that appears to read "CM".

Conley Manifis
Director

Dated this 30th day of April 2021