PARINGA RESOURCES LIMITED

29 April 2014

ASX Announcement

MARCH 2014 QUARTERLY REPORT

Paringa Resources Ltd ("Paringa" or "Company") (ASX:PNL) is pleased to present its quarterly report for the period ending 31 March 2014. Highlights during the quarter include:

Buck Creek Coal Project

- Positive Scoping Study confirms potential of the Buck Creek Project to be developed as a high margin, low cost mine in the growing Illinois Coal Basin, with key results including:
    - Average annual production of 3.4 million tons of saleable coal (steady state);
    - Average annual operating cash costs of US$28 per ton (steady state);
    - Average annual operating cashflows of US$88 million (steady state);
    - Low mine development capital costs of US$109 million;
    - Minimum mine life of 16 years;
    - Potential for scalability of mine to increase production rate; and
    - Potential for additional leasing to allow for development of an additional mine.
- Excellent coal quality results confirm the Buck Creek Project to be an attractive Illinois Basin thermal coal product that is highly suitable for domestic and seaborne markets;
- Independent marketing study confirms Buck Creek coal to be to be a highly marketable product with attractive properties and logistics suitable for the domestic and seaborne markets;
- Geotechnical results confirms the potential for the Buck Creek Project to support a high productivity underground room-and-pillar mining operation using continuous miners; and
- Infrastructure review confirms potential for low cost capital development of Buck Creek Project given proximity to existing and underutilised barge waterways, rail and road infrastructure and utilities.

Corporate

- Appointment of Mr Ian Middlemas as Non-Executive Chairman and Mr David Gay, a senior US coal executive, as Chief Executive Officer of the Company; and
- As at 31 March 2014, the Company had $4.7 million in cash, with no debt.

Going Forward

- Commencement of Pre-Feasibility Study for the Buck Creek Project, which is expected to be completed by the end of 2014;
- Additional drilling to assist in the geotechnical design of the proposed shaft and slope workings for the proposed Buck Creek mine; and
- Continuation of the Company's active leasing program, focusing on the western half of the Buck Creek area of interest.

For further information contact:

David Gay
Chief Executive Officer

Nathan Ainsworth
Business Development

NORTH AMERICAN PROJECTS

The North American Projects consist of two projects, the Buck Creek Coal Project ("**Buck Creek Project**") and the Arkoma Coking Coal Project ("**Arkoma Coking Project**").

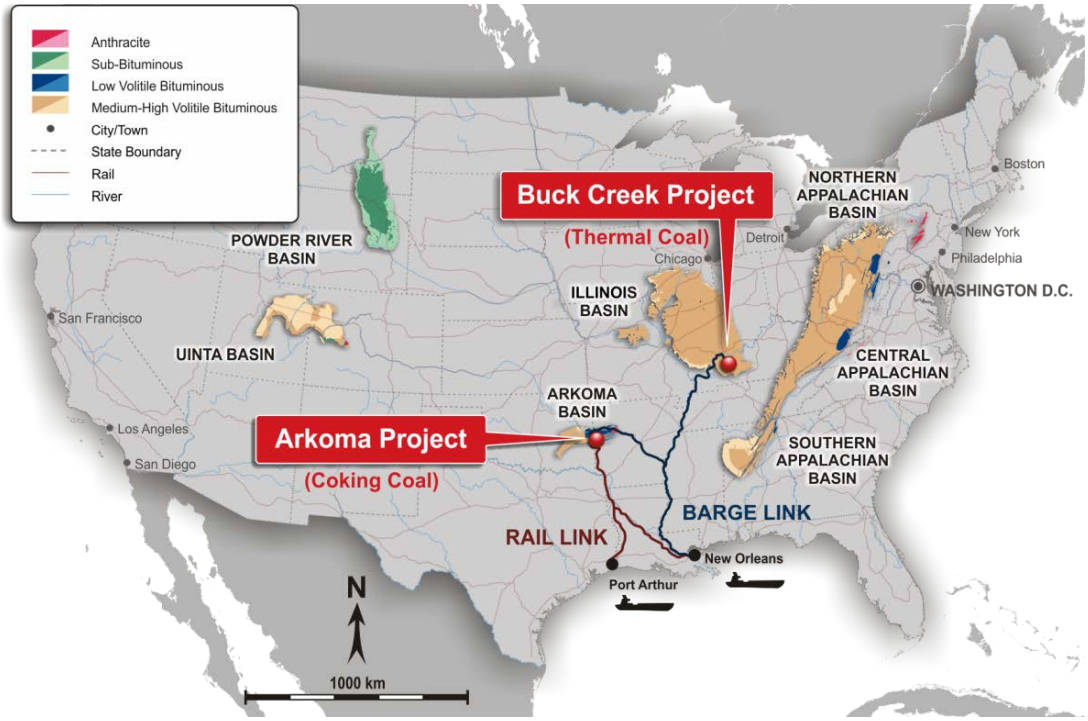

Figure 1: Location of the Buck Creek and Arkoma Coking Projects

Buck Creek Project

The Buck Creek Project is located in the Western Kentucky region of the Illinois Basin ("**ILB**") which is one of the most prolific coal producing regions in the USA. Paringa controls over 26,000 gross acres (~10,500 ha) of coal leases within an area of interest of approximately 72,000 acres (~29,100 ha).

The Buck Creek Project is one of the few remaining contiguous high quality thermal coal projects within the Springfield West Kentucky No.9 ("**WK No.9**") Seam that is not controlled by one of the major USA coal companies and offers one of the highest quality, highest heating value products in the ILB.

The Buck Creek Project is located adjacent to the Green River which provides year round linkage to the Ohio and Mississippi rivers systems which feed domestic coal-fired power plants and coastal export coal terminals in the Gulf of Mexico.

Scoping Study

During the quarter, the Company completed a Scoping Study ("**Study**") on the Buck Creek Project which was prepared by Cardno MM&A ("**Cardno MM&A**"), with input from local experts. The study was prepared in accordance with JORC Code 2012 Edition and the requirements for a Preliminary Economic Assessment report in accordance with NI43-101. The Study has been conducted on the northeastern quadrant of the Company's Buck Creek thermal coal project ("**Buck Creek Project**") located in the low cost and proven Illinois Coal Basin in Kentucky, USA.

Utilising the Buck Creek Project's current Coal Resource Estimate ("**CRE**") of 154 million tons of coal, the Buck Creek Project can support production of 4.7 million tons per annum ("**Mtpa**") Run-of-Mine ("**ROM**") coal yielding approximately 3.4Mtpa of saleable clean coal at steady state production.

The Buck Creek Project's fundamentals from this initial development are extremely encouraging with average annual operating cash costs during steady state production of US$28/ton Free On Board Barge ("**FOB Barge**"), inclusive of leased equipment costs and exclusive of royalties and severance taxes, and the potential to achieve average annual pre-tax operating cashflows during steady state of production of US$88 million per annum.

The Buck Creek Project is located in a well serviced and infrastructure advantaged coal region in the US, offering the potential for a low operating and capital cost environment. The surface and underground mine site infrastructure development capital cost is approximately US$76 million and the capital cost of the 800 tons per hour ("**tph**") wash plant, barge load-out and surface facilities is approximately US$33 million. The total initial capital cost to develop the Buck Creek mine is approximately US$109 million, which does not include mobile mining equipment as it is assumed that this will be leased as is common for underground coal mines in the region.

Key results of the Study were as follows:

Table 1: Strong Project Fundamentals ***(to a maximum accuracy variation +/- 30%)***	
Initial Capital Costs	
Mine Site Development and Infrastructure	US$76 million
Coal Handling & Preparation Plant ("**CHPP**") & Barge Load-Out Facility	US$33 million
Total Initial Capital Cost	**US$109 million**
Production (tons)	
Average ROM Coal Production Steady State	4.7 Mtpa
Total ROM Coal Produced Life-of-Mine ("**LOM**")	66.9 million
CHPP Yield	71%
Life of Mine	16.0 years
Average Clean Coal Production Steady State	3.4 Mtpa
Total Clean Coal Produced LOM	47.7 million
Start of Construction	Late 2015
Start of Production Ramp-Up	Mid-2017
Cashflow	
Average Sales Price Received (per ton) - 2015	US$51/t
Average Sales Price Received (per ton) - 2030	US$58/t
Average Annual Operating Costs (steady state)	US$28 per ton
Average Annual Operating Cashflow (steady state)	US$88 million

Mining Method

Proposed production from the Buck Creek mine will come exclusively from four super-section units with eight continuous miners (i.e. two continuous miners per one super-section mine unit) using the room-and-pillar method. The selection of underground room-and-pillar mining is validated by examining the method of mining used by adjacent operations which are some of the highest productivity room-and-pillar mines in world.

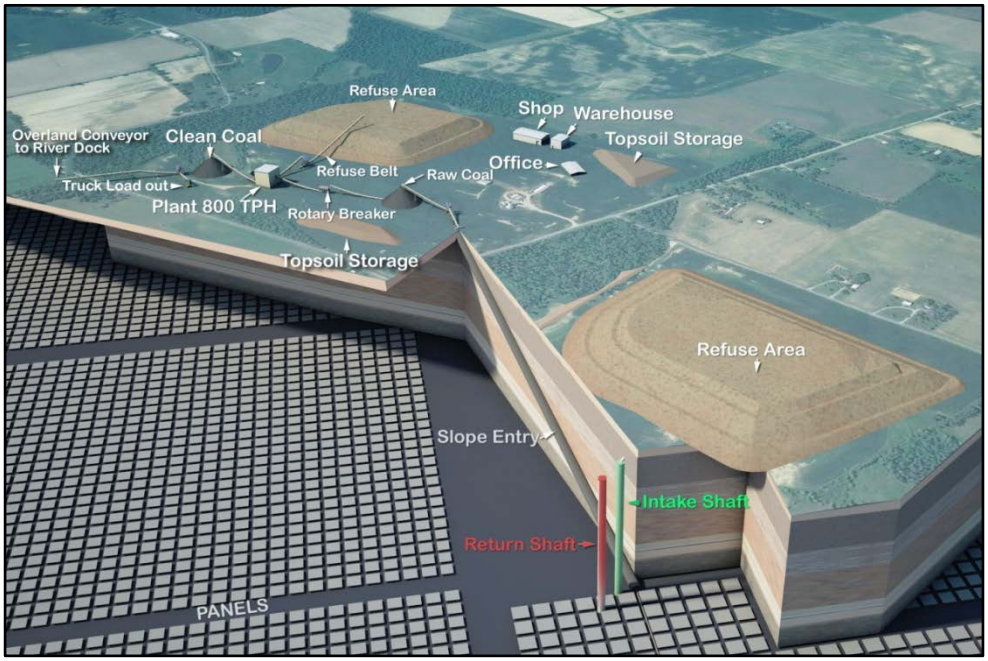

Figure 2: Conceptual Buck Creek Project Underground Mine Plan and Surface Facilities

Mine Plan

The mine plan in the Study includes total production of 66.9 million raw tons and 47.7 million clean tons over a 16-year period. The mine plan schedule includes a two-year ramp-up period and a period of approximately two years when production declines (years 15 through 16) as the mine approaches completion.

At the planned forecast steady state of production rate of 4.7Mtpa of ROM coal, each super-section mine unit will produce approximately 2,200 tons of raw material each shift. Clean coal recovery from the raw material production will be approximately 71 percent including dilution, yielding 1,600 tons of clean coal from each super-section, per mine unit shift of production. Annual production will total approximately 3.4 million tons of saleable clean coal.

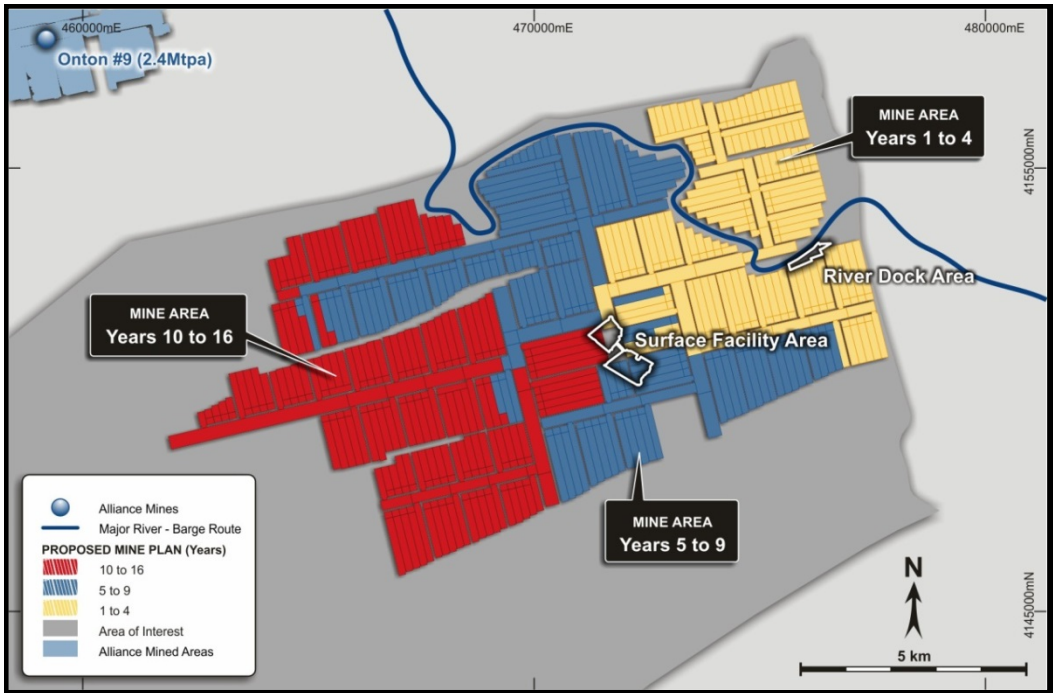

Figure 3: Buck Creek Project Mine Plan Overview with Proposed Mine Panels

Geotechnical Results

During the quarter, the Company announced results of geotechnical studies in relation to the Buck Creek Project. The main roof of the WK No. 9 seam within the Buck Creek Project is described as intact and competent, generally consisting of thin black shale that is overlain by thick grey shale followed by sandstone. Occasionally the black shale is absent and the grey shale becomes the immediate roof rock. Testing of the immediate roof of the WK No.9 seam within the Buck Creek Project indicates a Coal Mine Roof Rating that is comparable to adjacent underground mines. Floor strata of the WK No.9 seam within the Buck Creek Project are typically shale, sandy shale, or underclay. The pillar dimensions are varied to find the minimum pillar dimensions required to obtain a 1.30 safety factor for the Vesic-Gadde equation. Testing and evaluation has also concluded that significant horizontal stresses are not expected to be an issue.

Coal Quality Results

The Buck Creek Project has particularly attractive coal quality properties compared to existing and new mines being developed in the Illinois Basin. During the quarter, the Company announced coal quality results from the nine core hole drilling program targeting the WK No.9 seam. On a product basis, together with a 4% addition to equilibrium moisture, the coal has a high heat content of 6,564kcal/kg which compares very favourably with the larger producing mines in the Illinois Basin. Since thermal coal mines are ultimately selling energy this factor makes the Buck Creek Project's quality very attractive as a new independent source of energy from the Illinois Basin.

One of the most important characteristics to be considered in the Illinois Basin is the chlorine content. The Buck Creek Project's chlorine content is a relatively low 0.17% and thus has a significant advantage over many other new developments in the Illinois Basin which typically have values exceeding 0.3%.

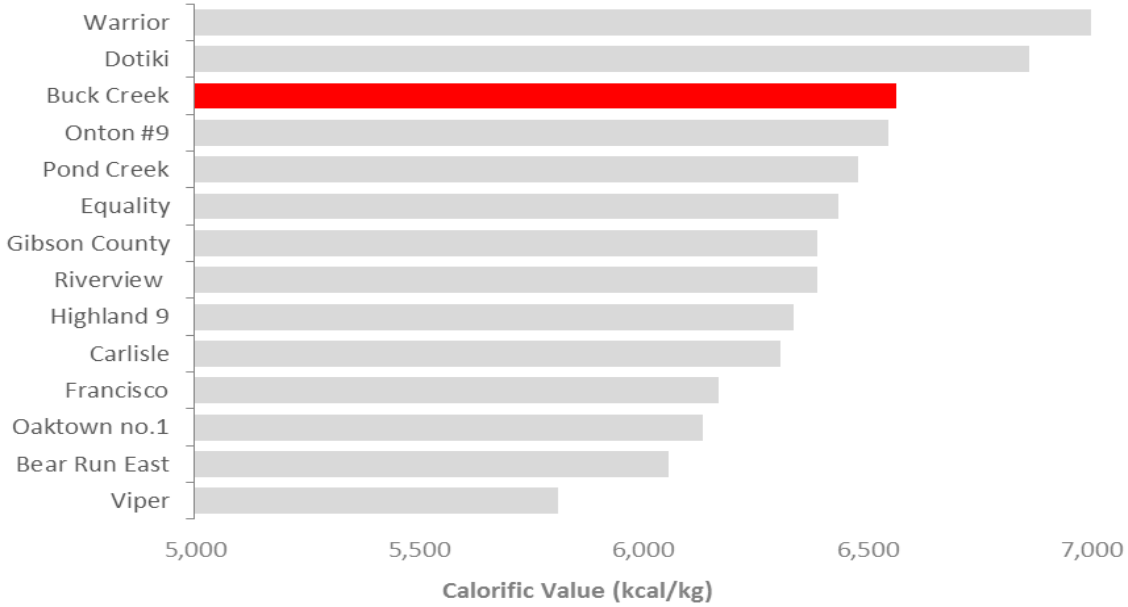

Figure 4: Buck Creek Project Quality Comparison

(Source: Hanou Energy Consulting, LLC: Illinois Basin Coal Supply Study 2012 – 2021)

Transportation Infrastructure

During the quarter, the Company completed a review of regional infrastructure for the Buck Creek Project which confirmed the availability of low cost barge waterways, rail and road coal transportation infrastructure providing the potential for low capital cost development. In addition, the review indicated the Buck Creek Project to be in close proximity to coal mining equipment and services industries and highly skilled population centres with access to very competitive power and water utilities.

Product Markets and Pricing

During the quarter, the Company commissioned an independent marketing study for the Buck Creek Project. The results of the marketing study have been incorporated into the Study. The initial target market for Buck Creek's coal is the lucrative Ohio River market consisting of large, scrubbed domestic power plants currently receiving Illinois Basin coal by barge along the Green, Ohio and Cumberland Rivers. Access to Illinois Basin coal provides a significant cost advantage for coal fired power plants. The delivered cost of coal transportation via barge using the major waterways in the US (e.g. Ohio River) is significantly lower than the delivered cost of transporting coal via rail.

Permitting and Socioeconomic Position

Paringa is currently in the process of transferring an active mining permit for the proposed Buck Creek mine from the vendor, Buck Creek Resources, LLC to a wholly owned subsidiary of Paringa. The permitted property consists of two individual areas. The surface is controlled on both of these areas. The larger of the two areas, along Cypress Creek, is the proposed location of the mine site and coal preparation facilities. The other location along the Green River is the proposed (alternate) site for a barge load-out.

Cardno MM&A performed an Environmental Audit for the Buck Creek Project. As part of this Environmental Audit, Cardno reviewed federal, state, and local regulatory records, investigated historical uses of the subject property and potential sources of environmental contamination of the parcel and conducted interviews with State agency personnel to evaluate whether Recognized Environmental Conditions (RECs) or conditions indicative of releases and threatened releases of hazardous substances are on, at, in, or adjacent to the subject property. This Environmental Audit did not reveal the presence of any RECs associated with the subject property or operations proposed at the subject property.

Next Steps

Paringa will commence the Pre-Feasibility Study ("**PFS**") on the Buck Creek Project over the coming weeks and anticipates completion of the PFS during the December 2014 quarter. During the PFS phase, the Company will undertake further mine scheduling, geotechnical, coal processing, ventilation, project infrastructure and utility studies aimed at identifying opportunities to further enhance the production rate and project fundamentals.

Additional drilling will be undertaken during the June 2014 quarterto aid in the geotechnical design of the proposed shaft and slope workings.

The Company will continue with the remainder of its leasing program, focusing on the western half of the Area of Interest. Additional leasing may enable Paringa to undertake further technical studies evaluating the possibility of building a new mine adjacent to the Buck Creek Project. Paringa will also continue to build its in-country team focusing on highly skilled coal professionals with experience and knowledge of the Illinois Coal Basin.

Arkoma Coking Project

The Arkoma Coking Project is located in Sebastian County along the Arkansas River Valley in the State of Arkansas, USA. The Company has secured over 14,000 gross acres (~5,600 ha) of coal leases out of an area of interest of approximately 25,000 acres (~10,100 ha). 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.

CORPORATE

Board and Management Changes

During the quarter, Mr Middlemas was appointed as Non-Executive Chairman and Mr David Gay was appointed as Chief Executive Officer of the Company. Mr Gay is a senior US coal executive and was most recently head of mergers and acquisitions for Alpha Natural Resources, one of the USA's largest coal producers.

Remuneration of CEO

The Board has now resolved, that effective from 1 April 2014, Mr David Gay, Chief Executive Officer of the Company, will receive a salary of US$300,000 per annum and a discretionary cash bonus of up to US$100,000 per annum upon successful completion of key performance indicators as determined by the Company. Mr Gay will be paid a cash bonus of US$50,000 for the six months ended 30 June 2014.

Cash Position

Paringa is in a strong financial position with approximately $4.7 million in cash and cash equivalents at 31 March 2014.

EXPLORATION INTERESTS

Buck Creek Coal Leases

At the end of the quarter, Paringa controlled approximately 26,150 gross acres (~10,583 ha) of coal leases in Kentucky, USA which comprise the Buck Creek Project. The area is controlled by Paringa through approximately 160 individual coal leases with private mineral owners. During the quarter, Paringa directly leased an additional approximately 800 gross acres (~32 ha) of coal leases from individual mineral owners at the Buck Creek Project.

Arkoma Coal Leases

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

Brazil Tenements

During the quarter, one exploration licence application within the São Luis Gold Project covering approximately 90km^2 was granted to the Company. During the quarter, Paringa conducted a technical review of the exploration licence applications within the São Luis Gold Project and has retained two of the twelve remaining licence applications based on their interpreted prospectively, in addition to the newly granted exploration licence.

During the quarter, three exploration licences covering approximately 2,422ha were granted within the Santo Antônio de Pádua Graphite Project.

At the end of the quarter, Paringa had an interest in the following mining tenements:

Project	Location	Tenement Number	% Held	Status
Minaçu Gold Project	Brazil	864.466/08	100%	Granted
Minaçu Gold Project	Brazil	864.508/10	100%	Granted
Minaçu Gold Project	Brazil	860.341/09	100%	Granted
São Luis Gold Project	Brazil	851.141/11	100%	Granted
São Luis Gold Project	Brazil	806.596/11	100%	Application
São Luis Gold Project	Brazil	851.139/11	100%	Application
Santo Antônio de Pádua Graphite Project	Brazil	890.779/13	100%	Granted
Santo Antônio de Pádua Graphite Project	Brazil	890.785/13	100%	Granted
Santo Antônio de Pádua Graphite Project	Brazil	890.790/13	100%	Granted
Santo Antônio de Pádua Graphite Project	Brazil	831.809/12	100%	Application
Santo Antônio de Pádua Graphite Project	Brazil	890.387/12	100%	Application
Santo Antônio de Pádua Graphite Project	Brazil	890.388/12	100%	Application
Santo Antônio de Pádua Graphite Project	Brazil	890.389/12	100%	Application
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Santo Antônio de Pádua Graphite Project	Brazil	890.395/12	100%	Application
Santo Antônio de Pádua Graphite Project	Brazil	890.396/12	100%	Application
Santo Antônio de Pádua Graphite Project	Brazil	890.397/12	100%	Application
São Fidélis Graphite Project	Brazil	890.400/12	100%	Application
São Fidélis Graphite Project	Brazil	890.401/12	100%	Application

Forward Looking Statements
This announcement 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.

The Company advises that the information relating to the Scoping Study referred to in this announcement is based on lower-level technical and preliminary economic assessments, and is insufficient to support estimation of Ore Reserves or to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the Scoping Study will be realised.

Competent Persons Statement (North American Projects)
The information in this announcement that relates to the Exploration Results, Coal Resources, Mining, Coal Preparation, Infrastructure, Production Targets and Cost Estimation was extracted from Paringa's ASX announcements dated 24 March 2014 entitled 'Scoping Study Confirms Strong Fundamentals of the Buck Creek Project' and 4 November 2013 entitled 'Maiden Coal Resource of 154 Million Tons Defined in Illinois Coal Basin' 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 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 MM&A. Mr. Suehs has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' 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 Mining, Coal Preparation, Infrastructure, Production Targets and Cost Estimation is based on information compiled or reviewed by Messrs. Justin S. Douthat, Gerard J. Enigk and George Oberlick, all of whom are Competent Persons and are Registered Members of the Society for Mining, Metallurgy & Exploration (SME). Messrs. Douthat, Enigk and Oberlick are employed by Cardno MM&A. Messrs. Douthat, Enigk and Oberlick have sufficient experience that is relevant to the type of mining, coal preparation and cost estimation 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, 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.

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