



NEWS RELEASE | 29 JANUARY 2016

DECEMBER 2015 QUARTERLY REPORT

Prairie Mining Limited is pleased to present its quarterly report for the period ending 31 December 2015.

Highlights during, and subsequent to, the quarter include:

HIGHLIGHTS:

- **Strong Financial Position** – Cash reserves and listed securities in excess of \$17.5 million placing the Company in a strong position to rapidly progress its planned development activities;
- **Increased Liquidity due to European Listings** – Following successful listings in London and Warsaw, Prairie has enjoyed high volumes and good liquidity on the Warsaw Stock Exchange highlighting strong local market support;
- **Pre-Feasibility Study** – Work continued on the PFS for the Lublin Coal Project with the study expected to be completed and released to the market during the current quarter;
- **Shaft Sinking and Equipping** – Substantial progress of shaft sinking study for inclusion in the upcoming PFS;
- **Railway Spur Line Studies** – The study is advancing and is currently being reviewed for inclusion in the upcoming PFS;
- **Bulk Power Supply** – Stage two study for the 110 kV power supply to operations is being finalised prior to inclusion in the upcoming PFS; and
- **Environmental and Social Impact Assessment** – Continued baseline studies for the ESIA, the completion of which is a pre-requisite for the grant of a mining concession at the LCP.

GOING FORWARD:

The Company has an exciting quarter ahead with a substantial amount of activity scheduled including the following:

- Complete the PFS for the world class, high margin Lublin Coal Project;
- Following release of the PFS, conduct a number of comprehensive marketing activities that leverage off the successful listings on WSE and LSE and the strong local market support. This will include targeted investor presentations, Polish focused roadshows and Project site visits;
- Continuation of Environmental Baseline Studies as part of the ongoing ESIA;
- Progression of work on the Deposit Development Plan which forms a key part of the Polish requirement for a mining concession application; and
- Continue the successful project permitting program including site selection, land acquisition and applications for re-zoning.



Figure 1: LCP Target Export Locations

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LUBLIN COAL PROJECT

The Lublin Coal Project (“LCP” or “Project”) is a large scale premium coal project located in the Lublin Coal Basin in south east Poland. The Lublin Coal Basin is an established coal producing province which is well serviced by modern and highly efficient infrastructure, offering the potential for low capital intensity mine development. The LCP is situated adjacent to the Bogdanka coal mine which has been in commercial production since 1982 and is the lowest cost hard coal producer in Europe.

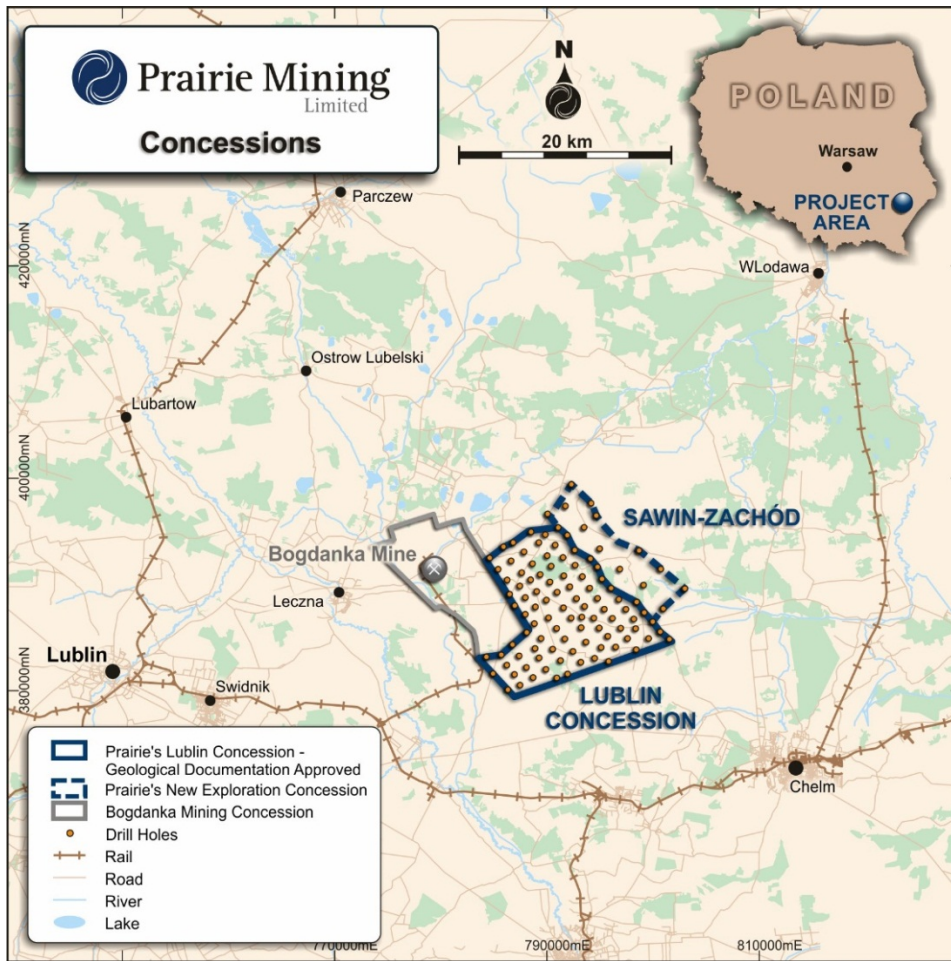


Figure 2: LCP Exploration Concessions

Pre-Feasibility Study

During the quarter the Company progressed with the Pre-Feasibility Study (“PFS”). A joint team of consultants from Golder Associates (UK) Ltd (“Golder”) and Royal HaskoningDHV (“RHDHV”) are managing the PFS which has been designed to comply with international best practise in all study areas in order to support detailed technical and financial due diligence by strategic equity partners, offtakers, financial institutions and to promote a seamless transition to the Definitive Feasibility Study (“DFS”).

During the quarter the Company progressed with the following work streams:

- Completed preliminary layout for the CHPP and waste and product handling facilities;
- Conducted review of Polish coal industry salaries with findings to be incorporated into the PFS financial model;
- Finalised organisational structure and manning levels that comply with Polish statutory requirements and meet commercial operational requirements;
- Reviewed costings for transport corridor link between mine site and main rail line;
- Stage one and stage two report of 110kV power supply option advanced with multi attribute decision analysis carried out to determine best option(s) – Stage two being finalised on best options basis and currently being reviewed prior to incorporation into upcoming publication of the PFS;
- Draft shaft sinking and hoist designs ongoing with a review underway prior to incorporating into the PFS;
- Geotechnical parameters for roof support system and optimised longwall panel layouts conducted;
- Deposit Development Plan 50% completed; and
- Collated and updated capital and operational cost data from Polish suppliers.

Going forward, Prairie's PFS team will now focus on the completion of the PFS during early 2016 including the following study requirements:

- Mine development and production scheduling;
- Subsidence predictions;
- Ventilation design;
- Finalisation of all surface engineering and transport systems;
- Finalising CHPP design;
- Finalising waste management;
- Input estimates of capital and operating costs into financial model; and
- Study reporting.

Environmental & Social Impact Assessment

Prairie recently completed a number of major work program items in relation to its ongoing Environmental & Social Impact Assessment ("ESIA") for the LCP. The ESIA, being conducted by Multiconsult (formerly WS Atkins), is an extensive study that includes a wide range of environmental monitoring programs, field surveys, ecosystem sensitivity assessments, socio-economic surveys and a detailed community study and stakeholder engagement plan. The scope of the ESIA has been defined to meet Polish, European Union and international standards, including compliance with the Equator Principles to support the future financing of the Project.

Prior to the commencement of environmental baseline field work studies for the LCP, Prairie's ESIA study team completed a desktop review of the available environmental and social data for its concession areas. Given the fact that there is an existing mining operation adjacent to Prairie's concessions, Prairie has benefited from the existence of significant baseline data for the region which represent actual mining conditions, including surface water flows and quality, information on groundwater and ground levels after subsidence, noise and waste characteristics.

Following completion of this desktop review, Multiconsult immediately commenced with the required baseline studies to obtain data that was not already available. The baseline studies are now underway for all concession areas at the LCP, and will continue for some time to capture seasonal differences. Field studies relating to nature inventory for concession areas were completed in October 2015 with detailed nature inventory reports currently being finalised. One-year surface water monitoring for the concession areas were also completed in October 2015 together with preparation of a specific surface water monitoring report. The company has commenced an initial hydrogeological study with approximately 1,500 existing shallow wells (located mainly in quaternary deposits) having been tested. On this basis, a map of the first ground water table contours has been created. The map will be included in the upcoming Deposit Development Plan.

The Company has also completed its internal Stakeholder Engagement Plan which is a key component of the ESIA process, and will ensure that the Company communicates effectively with all relevant stakeholders of the Project. In October 2015 the Company also commenced preliminary work on the Acquisition and Livelihood Restoration Framework in line with the International Finance Corporation Performance Standards. The Framework will further strengthen effective community engagement and assess impacts and opportunities for stakeholders through the life of the Project. Prairie is on track to complete all environmental baseline studies and submit its completed ESIA to the Polish authorities during 2016.

The submitted ESIA will provide the Polish authorities with sufficient information to award an Environmental Consent Decision, which is a pre-requisite for the granting of a mining concession over the Project's Mine Plan Area.

The new Regional Spatial Development Plan of Lublin, which was passed by the Lublin Regional Assembly in October 2015, established that a leading strategy in the Lublin region is the development of coal mine infrastructure. This resolution significantly facilitates and encourages the development of the LCP.

Drilling Programme for Sawin-Zachód

In December 2015, Prairie commenced drilling its Sawin-Zachód concession, as required by the exploration concession agreement held with the Polish Ministry of Environment (“MoE”). The Sawin-Zachód concession is valid until 31 December 2017, with the right to obtain further extensions upon satisfying a drilling program as outlined by the MoE. Subject to the results of the drilling program, Prairie will look to undertake further geological mapping and core drilling.

Corporate

Shareholding in B2Gold

As at 31 December 2015, the Company continued to hold 3.75 million fully paid shares in B2Gold Corp. (TSX:BTO) (“B2Gold”). The B2Gold shares are classified as held-for-trading current financial assets in Prairie’s Statement of Financial Position.

Financial Position

As at 31 December 2015, the Company had cash reserves and listed securities of approximately \$17.8 million, placing the Company in a strong position to complete its planned development activities at the LCP.

Exploration Tenement Information

On 1 July 2015, Prairie announced that it had secured the Exclusive Right to apply for, and consequently be granted, a mining concession for the LCP.

As a result of its geological documentation being approved, Prairie is now the only entity that can lodge a mining concession application over the LCP within a three (3) year period.

The approved geological documentation covers an area comprising all four of the original exploration concessions granted to Prairie (K-4-5, K-6-7, K-8 and K-9) and includes the full extent of the targeted resources within the mine plan for the Project. Prairie’s geological documentation did not include the Sawin-Zachód concession which may be added at a later date.

As at 31 December 2015, the Company has an interest in the following tenements:

Location	Tenement	Percentage Interest	Status	Tenement Type
Lublin Coal Project	Lublin Coal Project Mine Plan Area	100	Granted	Exclusive Right to apply for a mining concession
Lublin Coal Project	Kulik (K-4-5)	100	Granted	Exploration
Lublin Coal Project	Cycow (K-6-7)	100	First Instance Decision Granted	Exploration
Lublin Coal Project	Syczyn (K-8)	100	Granted	Exploration
Lublin Coal Project	Kopina (K-9)	100	Granted	Exploration
Lublin Coal Project	Sawin-Zachód	100	Granted	Exploration
Prairie Downs	E52/1758	100*	Granted	Exploration
Prairie Downs	E52/1926	100*	Granted	Exploration

* The Company has entered into a farm-in agreement to assign and divest up to 100% interest in the Prairie Downs Project.

Forward Looking Statements

This release may include forward-looking statements. These forward-looking statements are based on Prairie'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 Prairie, which could cause actual results to differ materially from such statements. Prairie makes no undertaking to subsequently update or revise the forward-looking statements made in this release, to reflect the circumstances or events after the date of that release.

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Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

Prairie Mining Limited

ABN

23 008 677 852

Quarter ended ("current quarter")

31 December 2015

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(1,178)	(2,371)
(b) development	-	-
(c) production	-	-
(d) administration	(347)	(505)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	57	63
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
(a) Business development costs	(428)	(598)
(b) Listing on LSE and WSE costs	(407)	(520)
Net Operating Cash Flows	(2,303)	(3,931)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(1)	(1)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	(1)	(1)
1.13 Total operating and investing cash flows (carried forward)	(2,304)	(3,932)

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Appendix 5B**Mining exploration entity and oil and gas exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(2,304)	(3,932)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)		
	(a) proceeds from issue of convertible notes	-	15,000
	(b) costs in relation to issue of convertible notes	(342)	(545)
	(c) Share issue transaction costs	-	(13)
	Net financing cash flows	(342)	14,442
	Net increase (decrease) in cash held	(2,646)	10,510
1.20	Cash at beginning of quarter/year to date	15,234	2,077
1.21	Exchange rate adjustments to item 1.20	(2)	(1)
1.22	Cash at end of quarter	12,586	12,586

Payments to directors of the entity and associates of the directors**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	(333)
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

Payments include executive remuneration (including bonuses), director fees, superannuation and provision of a fully serviced office.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Not applicable

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Not applicable

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	Nil	Nil
3.2	Credit standby arrangements	Nil	Nil

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Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,500
4.2 Development	-
4.3 Production	-
4.4 Administration	200
Total	1,700

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	2,186	3,434
5.2 Deposits at call	10,400	11,800
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	12,586	15,234

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed				
6.2 Interests in mining tenements acquired or increased				

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Appendix 5B
Mining exploration entity and oil and gas exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3)	Amount paid up per security (see note 3)
7.1 Preference +securities (<i>description</i>)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	149,844,969	149,844,969		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	1,492,537	1,492,537	N/A	N/A
7.5 +Convertible debt securities (<i>description</i>)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options (<i>description and conversion factor</i>)	<u>Options:</u> 1,250,000 1,500,000 1,600,000 4,460,000 765,000 1,400,000 <u>Rights:</u> 1,764,000 1,200,000 3,197,000 2,150,000 1,650,000 1,200,000	- - - - - - - - - - - -	<i>Exercise price</i> \$0.25 \$0.40 \$0.35 \$0.45 \$0.60 \$0.45 - - - - - -	<i>Expiry date</i> 30 Jun 2016 30 Jun 2016 30 Jun 2017 30 Jun 2017 30 Jun 2017 30 Jun 2018 31 Mar 2016 31 Dec 2016 30 Jun 2017 31 Dec 2017 31 Dec 2018 31 Dec 2020
7.8 Issued during quarter	<u>Rights:</u> 1,764,000 1,500,000 2,150,000 1,650,000	- - - -	<i>Exercise price</i> - - - -	<i>Expiry date</i> 31 Mar 2016 30 Jun 2017 31 Dec 2017 31 Dec 2018
7.9 Exercised during quarter				
7.10 Expired during quarter	<u>Options:</u> (1,500,000) <u>Rights:</u> (50,000)	- -	<i>Exercise price</i> - -	<i>Expiry date</i> 30 Jun 2017 31 Dec 2016
7.11 Debentures (<i>totals only</i>)				
7.12 Unsecured notes (<i>totals only</i>)				

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Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does ~~not~~* (*delete one*) give a true and fair view of the matters disclosed.

Sign here: Date: **29 January 2016**
 (~~Director~~/Company secretary)

Print name: **Dylan Browne**

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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