



NEWS RELEASE | 29 July 2016

## JUNE 2016 QUARTERLY REPORT

### HIGHLIGHTS:

- **Coal 2.0** – The Polish Government has outlined plans to unlock the industrial potential of the Lublin Coal Basin, under the catchphrase “Coal 2.0”, where the Ministry of Development will support the development of modern installations for coal utilisation
- **Coal Markets Continue to Improve** – Global coal prices have improved by 30% in 2016 and are forecast to recover further over the medium to long term. Coal is set to remain critical to Poland’s energy future, currently providing over 80% of the country’s energy needs
- **Development Funding Commences** – Preliminary discussions with strategic partners, EPC contractors, global project finance banks and potential offtakers have now commenced following the excellent results of the pre-feasibility study published last quarter
- **Permitting Milestones** – Prairie completed a number of significant work streams in relation to the ongoing Mining Concession application including:
  - Completed a draft Deposit Development Plan, which was submitted to Polish experts for initial review and optimisation
  - Made substantial progress on the ESIA, with the environmental consent procedure officially initiated by the Regional Director for Environment Protection in Lublin
  - Commenced local land rezoning amendments with municipal authorities in the Project mine area
  - Continued the land acquisition process aimed at securing access to the planned surface infrastructure sites for Project development
  - Lodged an Application for a power grid connection for the Jan Karski Mine with the regional power distributor
  - Progressed with the planned railway spur line connection to the national railway network which was officially included in the Lublin Regional Development Strategy during the quarter
- **Hydrogeological analysis continued** in order to provide enhanced hydrogeological data for the ESIA
- **Jan Karski Mine Location was formally announced which received strong** government and community support

### Corporate:

- **Strong Financial Position** – Prairie has cash on hand of A\$18.1 million and is in a strong financial position to progress with its planned development activities
- **Strong Warsaw market following** – Prairie continues to receive extensive and positive media coverage as well as a growing following in the Warsaw market

**GOING FORWARD:**

- Advance discussions with strategic partners, project debt providers and offtakers to structure a development financing package for the Jan Karski Mine
- Definitive Feasibility Study to commence after all Project options have been suitably examined and an ultimate “go forward” case has been selected
- Project permitting activities including the ESIA, spatial planning and land acquisition will progress as part of the mining concession application
- Continued development activity across the LCP specifically aimed at improving knowledge of hydrogeological conditions and confirming engineering and design requirements for the shafts
- Progress with the planned railway spur line connection from the Project into the national railway network based on cooperation with Lublin regional authorities



**Figure 1: 3D Render of the PFS Mine Site Design**

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## **JAN KARSKI MINE AT THE LUBLIN COAL PROJECT (Project)**

### **Mining Concession Application & Project Permitting**

Prairie Mining Limited (Prairie or Company) is currently working towards completing a mining concession application which in Poland comprises of the submission of a Deposit Development Plan (DDP), an Environmental Social Impact Assessment (ESIA) that is to be approved by regional authorities and approval of a spatial development plan (rezoning of land for mining use). The DDP is a Polish standard mine technical-economic study as prescribed in the Polish mining regulations. Under Polish law, the environmental consent decision has to be obtained prior to the obtaining of the mining concession. The environmental consent decision is issued by a specialised environmental authority (the Regional Director for Environmental Protection).

#### *Deposit Development Plan*

During the quarter, the DDP was completed and submitted to local Polish experts for their review and optimisation. The DDP is then expected to be submitted for final review and approval by the relevant government authorities in early 2017.

The DDP is a standard mine technical and economic study as prescribed by Polish mining regulations. The DDP is required to document the proper management and extraction of resources and will be submitted to the relevant Polish government mining authority for their review prior to the grant of a mining concession at the Project.

The DDP includes economic assumptions based on the Project's pre-feasibility study (PFS) published in March 2016 and is required to meet specific Polish geological standards as well as conforming with existing Polish mining regulation requirements.

As part of preparation of the DDP, the final selection of the site for mine surface infrastructure has been formally confirmed and will be used in both the spatial development permitting and the application for the environmental consent decision for the Project.

#### *Environmental and Social Impact Assessment*

An application for an environmental consent decision for the Project has been submitted to the Regional Director for Environmental Protection in Lublin along with a Project Information Card, which sets out the environmental procedure and project specific issues of emphasis to be included in the ESIA. The Regional Director of Environmental Protection has now officially initiated the environmental consent procedure.

The ESIA, which is currently progressing, will provide the relevant authorities with sufficient information to award the environmental consent decision. Prairie is currently on track to complete all environmental requirements and submit its ESIA to the regional authorities in late 2016 and expects to receive the Environmental Decision over the Project's mining area in 2017.

The ESIA 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, EU and international standards, including compliance with the Equator Principles to support the future financing of the Project.

#### *Land Rezoning*

As part of the PFS and DDP, Prairie finalised the site location for the Jan Karski Mine, which was selected based on geological, mining, transport and commercial considerations. In relation to the site location, a motion for the amendment of local land rezoning has been lodged by the Company with the local commune, which allows for the rezoning of land for the purpose of "deep hard coal mining" and conversion of agriculture land where the surface mine infrastructure will be located to be designated for "industrial use". The commencement of the spatial planning procedure has been initiated following substantial progress in acquiring land for the planned mine site.

In June Prairie submitted a formal application for the inclusion of a spur line, power line and the waste disposal site at the Project to local communes.

## Significant government support for the Project continues

During the quarter, Prairie held a conference in Lublin to announce the final site selection for the future Jan Karski Mine at the Lublin Coal Project. During the conference, Prairie presented to local authorities, media and community the progress the Company has made in its Project permitting (refer announcement 25 May 2016), Regional politicians confirmed their support for the Jan Karski Mine, which will be located in the Siedliszcze municipality in the Chelm Shire and has the potential to create a large number of jobs as well as creating significant economic benefits to the regional and national economy. The conference received wide coverage in both local and national media, including major newspapers and television, and was attended by senior Polish and Australian officials.

The support also comes amid a recent Polish Government announcement to unlock the industrial potential of the Lublin Coal Basin, where the Ministry of Development outlined plans to support the development of transport infrastructure and modern installations for coal utilisation. Tagged the “Responsible Development Plan” by Polish Minister of Development and Deputy Prime Minister, Mr Mateusz Morawiecki, he further acknowledged the need for infrastructure development in Eastern Poland. Specific solutions outlined for the region included:

- Unlock the industrial potential of the Lublin Coal Basin under a catch phrase Coal 2.0;
  - Develop infrastructure, especially express motorways being part of international road routes and the Wilno-Lublin-Rzeszów railway;
  - Enhance clean coal technologies by building modern installations for coal utilisation in Lublin; and
  - Establish companies with export potential, offering high quality jobs.
- The Plan prioritizes the need to establish a long-term energy policy to ensure the Poland’s energy security, avoid power shortages and improve the economic and labour conditions in Eastern Poland, while encompassing support for development of industries based on natural resources.

## Additional Drilling Program at the Project

During the quarter, Prairie conducted additional drilling at the Project to provide relevant hydrogeological data for the ESIA. Subject to the results of the drilling program, Prairie will look to undertake further geological mapping and core drilling.

## CORPORATE

### Strong Warsaw Market Following

Following the Company’s listing on the Warsaw Stock Exchange in September 2015, the Company continues to receive extensive media coverage and a strong following in the Warsaw market.

During the quarter, the development of the Project continued to be followed by local and national Polish media with extensive positive coverage and commentary being received in numerous publications and from Polish market analysts.

During the quarter Prairie held a number of successful press conferences and workshops with Polish fund managers and research analysts as a follow-up to the PFS results published in March 2016.

### Financial Position

As at 30 June 2016, the Company had cash reserves of approximately A\$18.1 million, placing the Company in a strong position to complete its planned development activities at the Project.

During the quarter, Prairie sold its remaining 2.55 million fully paid shares held in B2Gold Corp. (TSX:BTO) to raise proceeds of A\$6.2 million.

## Board Changes

Effective 31 July 2016, Mr Emil Morfett will resign as a Non-Executive Director of the Company. The board would like to thank Mr Morfett for his excellent service to the Company and wish him well in his future endeavours.

## 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 for the Lublin deposit 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 30 June 2016, the Company has an interest in the following tenements:

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

### **Competent Person Statements**

The information in this report that relates to Exploration Results, Coal Resources, Coal Reserves, Mining, Coal Preparation, Infrastructure, Production Targets and Cost Estimation was extracted from Prairie's announcement dated 8 March 2016 entitled 'Pre-Feasibility Study Confirms LCP as One of the Lowest Cost Global Coal Suppliers Into Europe' which is available to view on the Company's website at [www.pdz.com.au](http://www.pdz.com.au).

The information in the original announcement that related to Coal Reserves, Mining, Coal Preparation, Infrastructure, Production Targets and Cost Estimation is based on, and fairly represents, information compiled or reviewed by Mr Stephen Newson, a Competent Person who is a Chartered Engineer and Fellow of the Institute of Materials, Minerals and Mining (UK) and has a 1st Class Mine Manager's Certificate of Competency. Mr Newson is employed by independent consultants Golder Associates (UK). Mr Newson has sufficient experience that is relevant to the style of mineralisation 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'.

The information in the original announcement that related to Exploration Results and Coal Resources is based on, and fairly represents, information compiled or reviewed by, Mr Samuel Moorhouse, a Competent Person who is a Chartered Geologist and is employed by independent consultants Royal HaskoningDHV UK Limited. Mr Moorhouse has sufficient experience that is relevant to the style of mineralisation 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'. Mr Moorhouse consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Prairie confirms that: a) it is not aware of any new information or data that materially affects the information included in the original announcement; b) all material assumptions and technical parameters underpinning the Coal Resource, Coal Reserve, Production Target, and related forecast financial information derived from the Production Target included in the original announcement 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 announcement.

## 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")

30 June 2016

#### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration & evaluation	(998)	(4,588)
(b) development	-	-
(c) production	-	-
(d) administration	(353)	(1,188)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	91	254
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)		
(a) Investor relations	(184)	(881)
(b) Listing on LSE and WSE costs	(52)	(696)
<b>Net Operating Cash Flows</b>	<b>(1,496)</b>	<b>(7,100)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(2)	(7)
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)	-	-
<b>Net investing cash flows</b>	<b>(2)</b>	<b>(7)</b>
1.13 Total operating and investing cash flows (carried forward)	(1,498)	(7,107)

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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)	(1,498)	(7,107)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	6,249	8,660
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	-	(545)
	(c) Share issue transaction costs	(3)	(19)
	<b>Net financing cash flows</b>	<b>6,246</b>	<b>23,096</b>
	<b>Net increase (decrease) in cash held</b>	<b>4,748</b>	<b>15,989</b>
1.20	Cash at beginning of quarter/year to date	13,315	2,077
1.21	Exchange rate adjustments to item 1.20	(1)	(4)
1.22	<b>Cash at end of quarter</b>	<b>18,062</b>	<b>18,062</b>

**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	(216)
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

+ See chapter 19 for defined terms.



**Estimated cash outflows for next quarter**

		\$A'000
4.1	Exploration and evaluation	800
4.2	Development	-
4.3	Production	-
4.4	Administration	200
<b>Total</b>		<b>1,000</b>

**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	10,062	3,315
5.2 Deposits at call	8,000	10,000
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>18,062</b>	<b>13,315</b>

**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 <b>Preference</b> <b>+securities</b> (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	151,608,969	151,608,969		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 <b>+Convertible debt</b> <b>securities</b> (description)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> (description and conversion factor)	<u>Options:</u> 1,600,000 4,460,000 765,000 1,400,000 <u>Rights:</u> 1,200,000 3,197,000 2,150,000 1,650,000 1,200,000	- - - - - - - - -	<i>Exercise price</i> \$0.35 \$0.45 \$0.60 \$0.45 - - - - -	<i>Expiry date</i> 30 Jun 2017 30 Jun 2017 30 Jun 2017 30 Jun 2018 31 Dec 2016 30 Jun 2017 31 Dec 2017 31 Dec 2018 31 Dec 2020
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter	<u>Options:</u> (1,250,000) (1,500,000)	- - -	<i>Exercise price</i> \$0.25 \$0.40	<i>Expiry date</i> 30 Jun 2016 30 Jun 2016
7.11 <b>Debentures</b> (totals only)				
7.12 <b>Unsecured notes</b> (totals only)				

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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 ~~does not~~\* (*delete one*) give a true and fair view of the matters disclosed.

Sign here: ..... Date: **29 July 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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