



NEWS RELEASE | 11 OCTOBER 2016

ACQUISITION OF THE STRATEGIC LARGE SCALE DEBIENSKO HARD COKING COAL PROJECT IN SOUTHERN POLAND

Prairie Mining is pleased to announce that it has acquired the Debiensko Hard Coking Coal Project, a fully permitted, “mine ready” project of significant global scale. This is a transformational acquisition marking Prairie’s entry into the hard coking coal sector, complementing Prairie’s advanced Lublin Coal Project, and creating a multi-project coal development company based in Poland to fuel European industry.

Prairie believes Debiensko has the potential to become a strategically important supplier to the European steelmaking industry and will actively pursue Debiensko’s development alongside its continued progress at its flagship Lublin Coal Project.

HIGHLIGHTS:

- *Debiensko is a world class, fully permitted, hard coking coal project situated in Upper Silesia in Poland, a strategic location in the steelmaking heartland of Europe where more than 80% of current coking coal usage is imported and the commodity is classified by the EC as a “Critical Raw Material”.*
- *A large scale Coal Exploration Target has been estimated based on historical drilling and resource work completed to Polish standards, as well as data from adjacent operating mines. Coal seam qualities are indicative of internationally traded benchmark premium hard coking coals.*

Table 1: Exploration Target Range

Depth				Exploration Target Tonnage Range (Mt)	
All seams to depth approx. 1,100 m*				120 Mt – 150 Mt	
Depth 1,100 – 1,250 m				90 Mt – 110 Mt	
Total				210 Mt – 260 Mt**	
Quality***	Moisture	Ash	Volatile Matter	Sulphur	FSI
Weighted Average Whole Exploration Target Range (+/-20%)	0.7 – 1.1	6.3 – 9.5	18.1 – 27.1	0.6 – 0.8	5.4 – 8.2

* Depths are from surface – c250 m above datum

**Figures are reported to the nearest 10 Mt which is deemed appropriate for this level of estimation

***Figures are reported to one decimal place which is deemed appropriate for this level of estimation

The potential quantity and grade of the exploration targets are conceptual in nature and there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

- *Debiensko is fully permitted with a 50-year mining concession, established on-site facilities including rail, road and power infrastructure, comprehensive historical drilling data and all environmental consents. As a brownfield development project, significant historical capital investment positions Debiensko to become a meaningful, near-term regional hard coking coal producer.*
- *Prairie intends to undertake a work program to review all historic data, undertake an in-fill drill program, provide an updated resource to JORC standards and deliver a re-engineered mine plan to produce a Feasibility Study to international standards with a focus on near term production.*

- *Prairie has acquired the Debiensko project through the purchase of 100% of the shares in NWR Karbonia S.A for an upfront cash consideration of €0.5m (~A\$0.7m) and deferred cash consideration of €1.5m (~A\$2.2m).*
- *Through this acquisition, Prairie acquires a highly experienced team of Polish mining specialists including engineers, mine managers, mine planners, geologists, surveyors and environmental specialists that brings substantial synergies to expedite permitting and development of Prairie's flagship Lublin Coal Project.*



Figure 1 – Debiensko Project Location

*“For a long time, Debiensko has been regarded as the last major undeveloped hard coking coal project in Europe” said **Ben Stoikovich, Chief Executive Officer of Prairie.** “This transaction not only marks Prairie’s entry into the hard coking coal sector through ownership of a strategically located and fully permitted asset on the doorstep of Central European steelmakers, but also further cements our belief in the future of the Polish coal mining industry.”*

Founder and Managing Partner of CD Capital, Carmel Daniele said: *“CD Capital, as a cornerstone investor in Prairie, is very excited about the company’s successful addition of a second coking coal project. We are long-term investors and partners in the group and we are committed to working with Prairie’s management team to realise the full development potential of its projects. The acquisition of the Debiensko hard coking coal project, together with the semi-soft coking coal from Prairie’s flagship Lublin Coal Project, will position Prairie to be the next strategic coking coal supplier to Europe’s steel industry.”*

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DEBIENSKO HARD COKING COAL PROJECT

The Debiensko Hard Coking Coal Project (“**Debienkso**” or “**Project**”) is a fully permitted, hard coking coal project located in the Upper Silesian Coal Basin in the south west of the Republic of Poland. It is approximately 40km from the city of Katowice and 30km from the Czech Republic.

The Project is bordered by the Knurów-Szczygłowice Mine in the north west and the Budryk Mine in the north east, both owned and operated by Jastrzębska Spółka Węglowa SA (“**JSW**”), Europe’s leading producer of hard coking coal.

The Debiensko mine was originally opened in 1898 and was operated by various Polish mining companies until 2000 when mining operations were terminated due to a major government lead restructuring of the coal sector caused by a downturn in global coal prices. In early 2006 New World Resources Plc (“**NWR**”) acquired the Project and commenced planning for the Project to comply with Polish mining standards, with the aim of accessing and mining hard coking coal seams. In 2007, the Minister of Environment of Poland approved the Group’s development plan and in 2008 granted NWR a 50-year mine license for Debiensko.

Revised Development Approach

Following detailed technical due diligence by Prairie Mining Limited (“**Prairie**” or “**Company**”), the Company is confident that a revised development approach would allow for the early mining of profitable coal seams, whilst minimising upfront capital costs. This is likely to include focusing on a smaller area of Debiensko to target coal seams that are more readily accessible. Prairie has proven expertise in defining commercially robust projects and applying international standards in Poland.

Prairie has reported an Exploration Target for this target area in accordance with the JORC Code (2012).

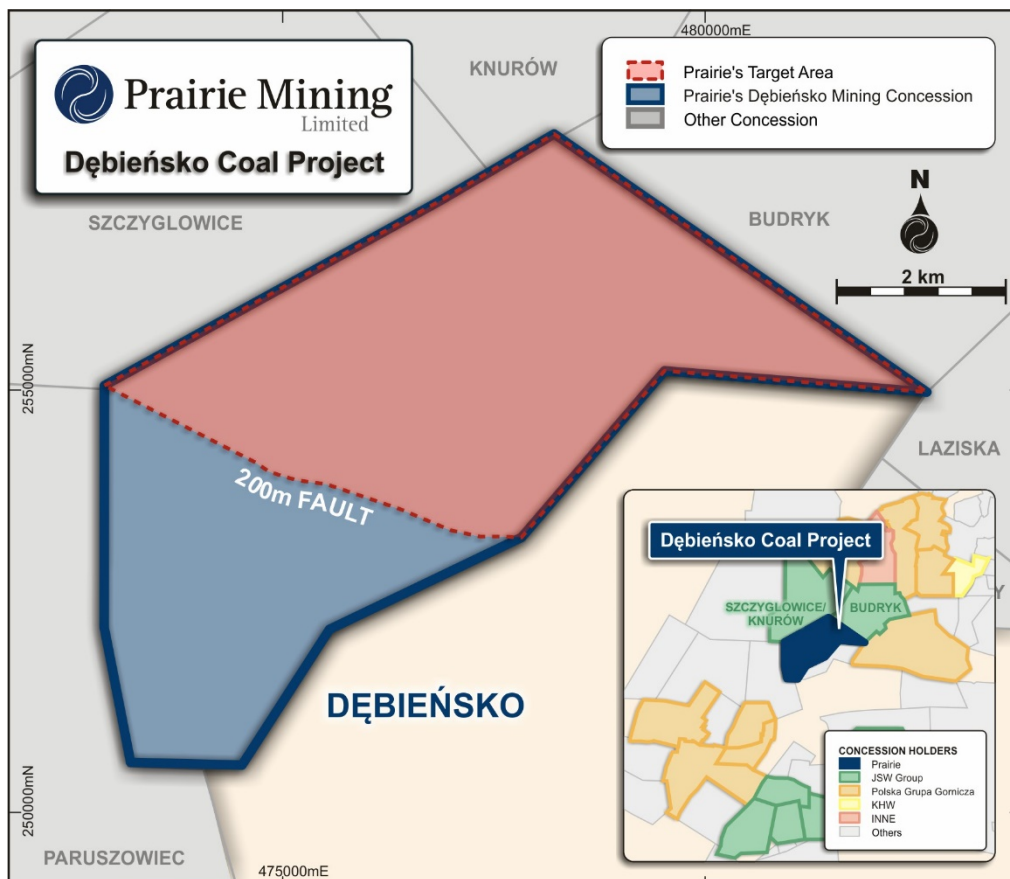


Figure 2 – Debiensko Project Licence and Target Area

Exploration Target Range

Extensive drilling was carried out historically at Debiensko and historical resources published to Polish reporting standards (non-JORC). Prairie's Exploration Target has been estimated for the following seams 401/1, 401/2, 402/1, 403/1, 403/2, 404/3, 404/5, 404/9, 405, 406/1, 407/2, 407/3, 408/1, 408/3, 408/5 and 409/1. To allow for possible geological and modelling uncertainty a deduction of 20% has been applied to give the range of tonnages reported below.

The tonnages in Table 2 below are for the seams that have been assessed and for which there has been insufficient exploration to be considered as resources at this time. The figures therefore represent the potential which is dependent on further exploration and reviews of the area.

Table 2: Exploration Target Range	
Depth	Exploration Target Tonnage Range (Mt)
All seams to depth approx. 1,100 m*	120 Mt – 150 Mt
Depth 1,100 – 1,250 m	90 Mt- 110 Mt
Total	210 Mt -260 Mt**

* Depths are from surface – c250 m above datum

**Figures are reported to the nearest 10 Mt which is deemed appropriate for this level of estimation

Potential Coal Quality

Historical coal quality analysis completed at the Project, and based on Polish reporting standards, has demonstrated coal qualities indicative of internationally traded benchmark premium hard coking coals.

Table 3 below gives the potential range of weighted average seam qualities. These are on an air dried basis. It was standard practice, at the time of sampling, to include dirt partings up to 5 cm in thickness in the coal sample, however, if the percentage ash was greater than 12% the sample was washed before further analysis. Partings greater than 5 cm in thickness were not analysed.

Table 3: Potential Debiensko Coal Qualities			
Quality*	Exploration Target Range to 1,100 m	Exploration Target Range from 1,100 to 1,250 m	Weighted Average Whole Exploration Target Range (+/- 20%)
Moisture	0.6 – 1.7	0.7 – 1.6	0.7 – 1.1
Ash	5.2 – 15.9	4.8 – 14.9	6.3 – 9.5
Volatile Matter	20.3 – 27.1	17.8 – 26.1	18.1 – 27.1
Sulphur	0.4 – 1.2	0.4 – 1.1	0.6 – 0.8
FSI	6 – 7½	5 – 8	5½ – 8

*Figures are reported to one decimal place which is deemed appropriate for this level of estimation

The above potential ranges of weighted average seam qualities are comparable to qualities of internationally traded benchmark Medium Volatile Matter and Low Volatile Matter coals. This is illustrated in Table 4 overleaf.

Table 4: Coking Coals Comparison including Debiensko Weighted Average Range to 1,250m

Quality	Debiensko (Poland) (+/- 20% weighted ave. range)	Goonyella (Australia) Mid Vol	Peace River (Canada) Mid Vol	Peak Downs (Australia) Low Vol	Blue Creek (USA) Low Vol	JSW-Zofiwka (Poland) Type 35	JSW-Jas Mos (Poland) Type 35
Ash	6.3 – 9.5	8.9	8.0	10.0	8.4	8.5	7.8
Volatile Matter	18.1 – 27.1	23.8	27.5	20.5	19.0	22.2	21.4
Sulphur	0.6 – 0.8	0.52	0.70	0.60	0.60	0.55	0.56
FSI	5½ – 8	8	7	8½	7	7	7½

Infrastructure

As part of the transaction, Prairie has acquired approximately 15Ha of land and all related facilities critical to the development of the Project. Significant historical capital investment positions Debiensko to become a meaningful and near term regional hard coking coal producer.



Figure 3 – Existing Site Facilities



Figure 4 – Railway Siding at Debiensko

With existing site facilities and necessary infrastructure including power, water, rail and road in addition to the mining concession, environmental consent and local planning all being in place, the Project is considered “development-ready”.

The Debiensko mine was previously connected to the main Polish rail network and a currently inactive railway siding is still in place and in sound condition. Poland is served by ~23,420 kilometres (14,550 mi) of railway tracks using standard international gauge, and provides rail connections to major regional end users of coking coal and for export. Further, asphalt roads surround and connect the Debiensko mine site to the major road network.

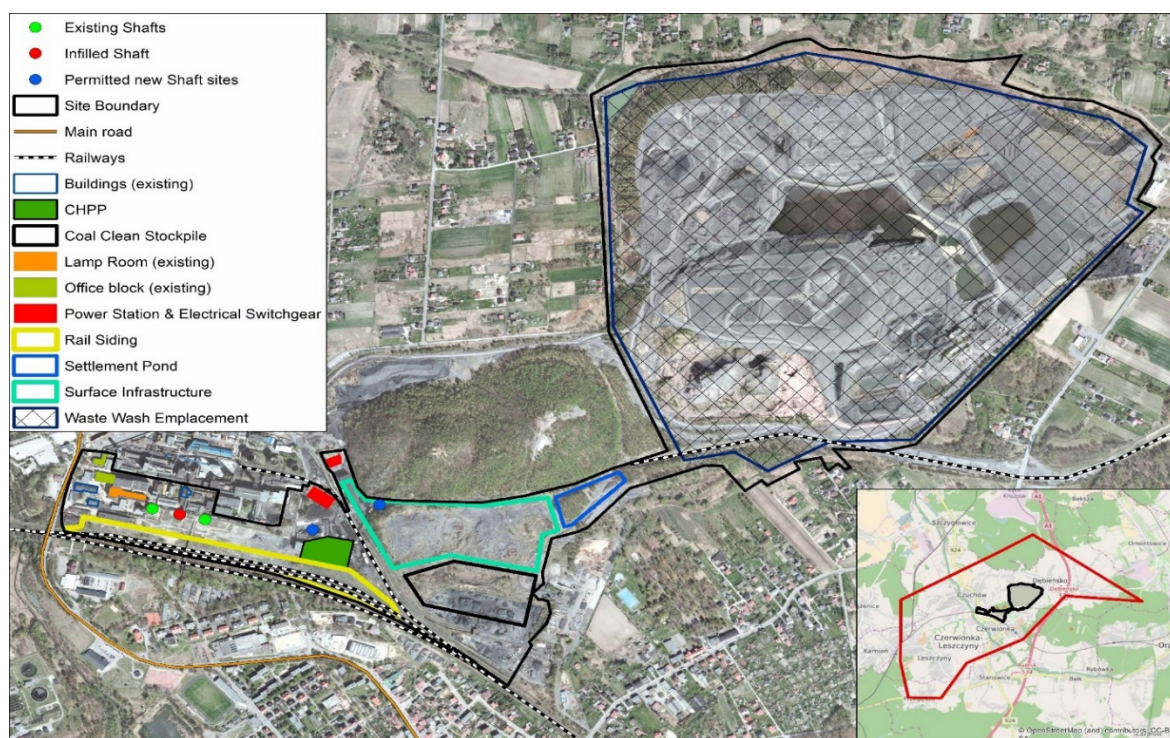


Figure 5 – Existing Site Facilities and Infrastructure

Next Steps and Work Program

The first priority of the Company is to undertake a detailed review of historic exploration, geophysical survey, drilling, coal quality, and development data acquired through this transaction. This will be followed by an infill core drilling program and 3D geological modelling in order to successfully delineate hard coking coal resource in accordance with the JORC Code (2012).

Through this transaction, Prairie has successfully acquired a full project team of Polish mining specialists who are part of the existing Debiensko team. Since, under Polish Law, Debiensko is a fully permitted mine site, Prairie now retains the employment of a mine manager and chief engineer amongst other crucial positions who will integrate with Prairie’s world class team to re-engineer the Project.

EUROPEAN HARD COKING COAL MARKET

European industry relies on imports for approximately 80% of its coking coal needs, and with the recent price rise of more than 150% for hard coking coal during 2016, security of supply is a growing concern.

In 2010 and 2014, the European Commission (“EC”) carried out a criticality assessment at European Union (“EU”) level to identify “Critical Raw Materials” based on:

- **Economic importance** – the proportion of each material associated with industrial megasectors such as construction, combined with its gross value added to EU GDP to define the overall economic importance of a material.
- **Supply risk** – based on accountability, political stability, regulatory quality etc.

The EC concluded that coking coal is a critical raw material for Europe with its economic importance to the continent only surpassed by tungsten and vanadium.

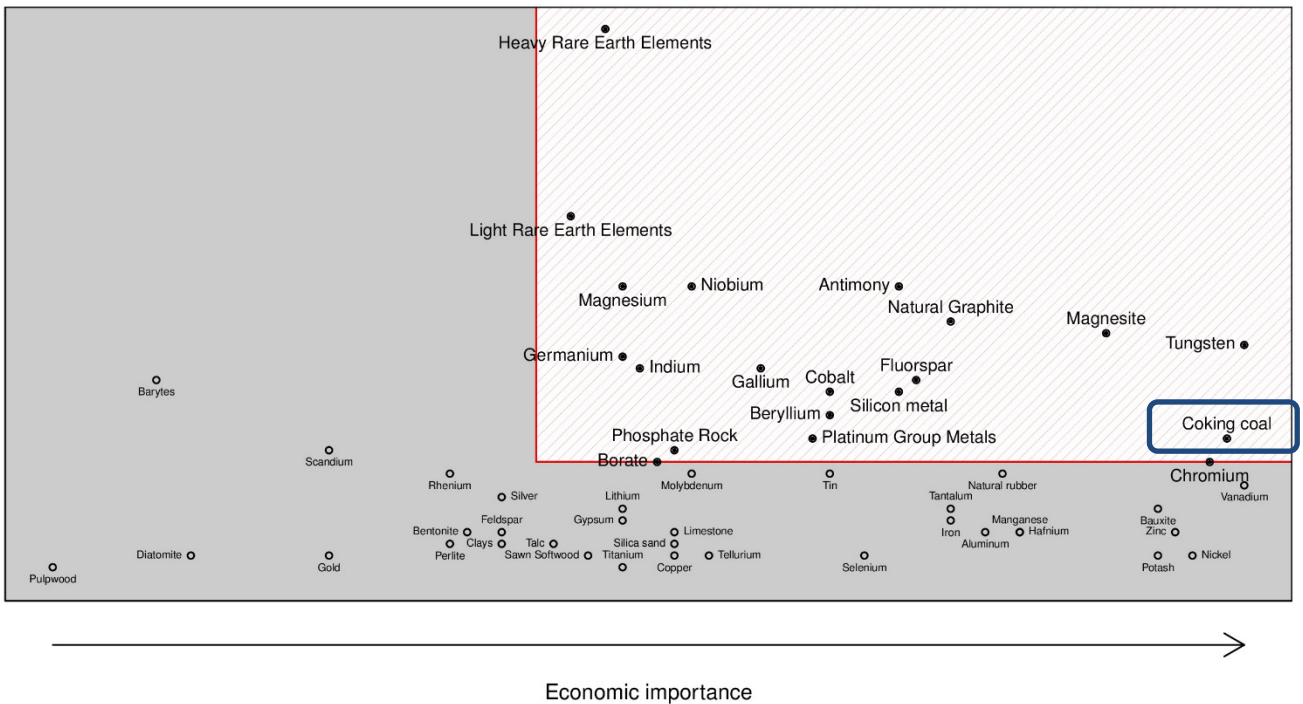
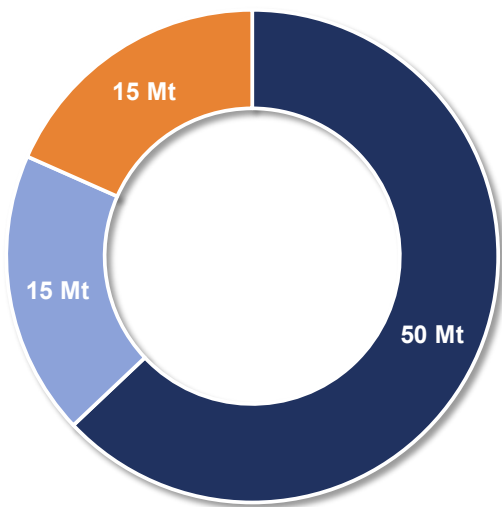


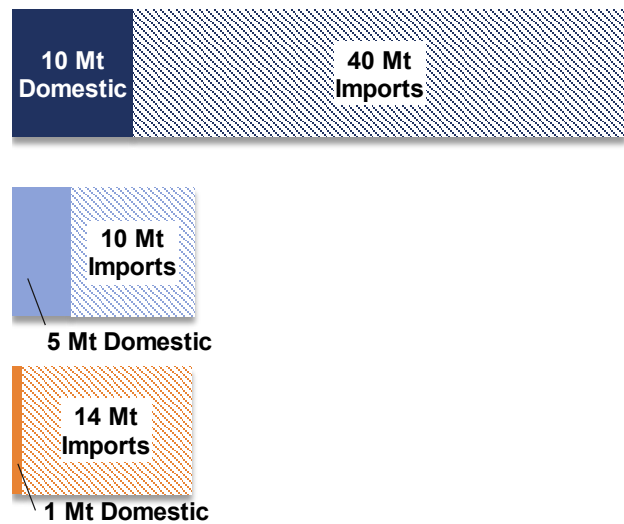
Figure 6 – European Commission Criticality Assessment

In 2015 Europe consumed a total of 80Mt of coking coal, of which 50Mt was hard coking coal. Europe relies heavily on imports of coking coal primarily from the USA, Australia and Russia. Poland and the Czech Republic are the only European producers, however their domestic production is in rapid decline. In 2015, 64Mt (i.e. 80%) of total European coking coal consumption was imported, including 40Mt of hard coking coal and 10Mt of semi-soft coking coal.

European Coking Coal Consumption (2015)



European Coking Coal Supply 2015 (Domestic vs. Imports)



● Hard Coking Coal ● Semi Soft Coking Coal ● PCI

Figure 7 – European Coking Coal Supply / Demand Fundamentals

Central Europe – which encompasses Poland, the Czech Republic, Slovakia, Hungary, Austria and Germany – accounts for approximately 50% of European coking coal consumption. In 2015, these countries consumed over 25 Mt of hard coking coal of which over 15 Mt was imported.

Regional Market

Debiensko’s strategically competitive location means that about half of Central Europe’s coking plants and steelmaking capacity is within 250km of the Project and connected by existing road and rail infrastructure.

With a well-established rail network providing ease of transport to end users based in close proximity to Debiensko, Prairie will benefit from a significant pricing “netback” advantage over USA and Australian imported hard coking coal.

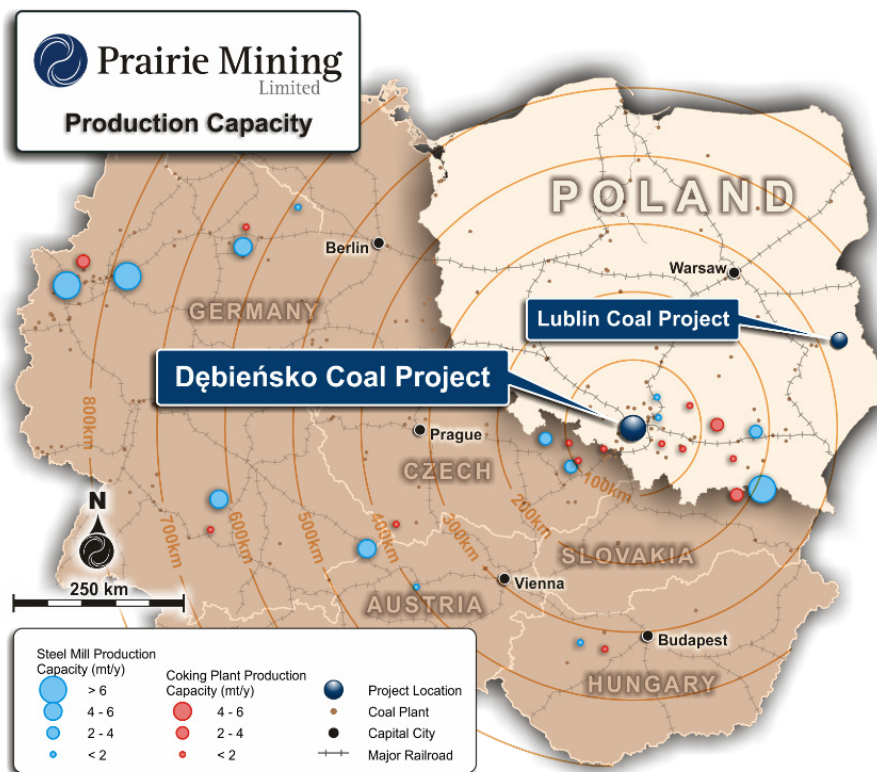


Figure 8 – Central European Production Capacity

- Poland** – the main steel plants producing coke are Huta Czestochowa owned by ISD and situated in Czestochowa, producing ~0.6 Mtpa coke and Tadeusza Sendzimira, situated in Cracow, with a capacity of ~1.4 Mtpa coke. ArcelorMittal owns the Zdzesowice coke plant, the largest in Europe with a total coke capacity of 4.2 Mtpa. JSW owns the coking plants Debiensko, Radlin and Jadwiga and the Przyjazn merchant coke plant with a total capacity of some 4 Mtpa coke.
- Czech Republic** – the largest exporter of coking coal in the region from NWR’s Czech subsidiary, OKD a.s. (“OKD”), now subject to insolvency proceedings and where coking coal production is estimated to cease by 2023.

- **Slovakia** - hosts US Steel's Kosice works which has a coke capacity of 1.7 Mtpa i.e. coking coal requirement of 2.4 Mtpa.
- **Hungary** – hosts one integrated steelmaker, Dunafer, situated at Dunaujvavos which requires 1.4 Mtpa coking coal to meet its coke output capacity of ~1.0 Mtpa. The plant is currently supplied by Poland, the Czech Republic and Russia.
- **Austria** - has one major integrated steelmaker, Voestalpine, which operates one coke oven plant located at Linz and has an annual output capacity of 2.1 Mtpa coke implying a coking coal consumption rate of production is 3 Mtpa. The plant secures rail-delivered supply from Poland, the Czech Republic and Russia.
- **Germany** - is the largest market for coking coal in Europe with current consumption of coking coal amounting to ~15 Mtpa.

COMMERCIAL TERMS OF THE ACQUISITION

Prairie has acquired all of the issued shares of NWR Karbonia S.A. ("**Karbonia**"), owner of the Debiensko Project and wholly owned subsidiary of NWR. NWR commenced the sale process in May 2016 following an assessment of the likely impacts of filing for insolvency by OKD which included winding up or breaking up the NWR Group.

The transaction has been implemented by Citibank N.A. ("**Citibank**") in its capacity as Security Agent and acting in accordance with the instructions of the secured creditor group of NWR (collectively, the "**Ad Hoc Group**"). The Ad Hoc Group also controls the majority voting rights of NWR.

Prairie has paid and will make future payments to Citibank, acting for the Ad Hoc Group as follows:

- upfront consideration of €0.5m (~A\$0.7m) in cash upon signing of the share transfer agreement; and
- deferred consideration of €1.5m (~A\$2.2m) in cash payable upon certain project specific milestones being achieved, including approval of an amendment of the Debiensko mining concession to extend the start date of commencement of mining operations beyond 2018, and therefore facilitating Prairie's forward work program aimed at defining a "bankable" project at Debiensko according to international standards. Prairie fully expects such approval in due course and to commence infill drilling and technical studies.

Following the payment of the upfront consideration, Prairie has a cash balance of over A\$16.0m, which is more than sufficient to cover the working capital requirements for both the Lublin Coal Project ("**LCP**") and Debiensko over the medium term, while continuing to enjoy strong support from its cornerstone private equity investor CD Capital, which has been intimately involved and fully supportive of this acquisition.

UPDATE ON LUBLIN COAL PROJECT

In March 2016, the Company completed a Pre-Feasibility Study at the LCP, confirming the robust economics and technical viability of the LCP to be developed as an ultra-low cost supplier of hard coal into major European markets (refer news release on 8th March 2016). Permitting activities are continuing at the project.

Development of the LCP remains a top priority for Prairie and with the acquisition of Karbonia, Prairie has acquired further experienced Polish mining specialists including mechanical / electrical engineers, mine managers, mine planners, geologists, surveyors and environmental specialists familiar with Polish coal mining and regulations. The integration of the Karbonia team complements the operational capability of Prairie and is expected to deliver significant synergies in permitting and development of both our flagship LCP, and of Debiensko.

In advancing the LCP in accordance with standards of international best practice, Prairie is progressing:

- the mining concession process for the LCP, including the rezoning of land for mining use and the Environmental and Social Impact Assessment for the project and submission of these to the relevant authorities for approval. Once approved the Company will formally lodge its mining concession application for the LCP;
- financing discussions with strategic partners, EPC contractors, global project finance banks and potential offtakers following the excellent results of the pre-feasibility study;
- other required project development activities including land acquisition; and
- study activity across the LCP specifically aimed at improving knowledge of hydrogeological conditions and confirming the definitive shaft site location.

DUE DILIGENCE AND RISK FACTORS

Whilst Prairie has undertaken a detailed due diligence process with respect to the acquisition of Karbonia, it should be noted that the usual risks associated with undertaking exploration and development activities of coal projects in Poland remain at completion of the acquisition. A number of additional risk factors specific to Karbonia and Debiensko and its activities have also been identified including the following:

- (a) The Company's mining exploration and development activities at Debiensko are dependent upon the alteration of, or as the case may be, the maintenance of appropriate licences, concessions, leases, claims, permits and regulatory consents which may be withdrawn or made subject to limitations. The maintaining of concessions, obtaining renewals, or attaining concessions alterations, often depends on the Company being successful in obtaining required statutory approvals for its proposed activities and that the licences, concessions, leases, claims, permits or consents it holds will be renewed and altered as and when required. There is no assurance that such renewals or alterations of concessions will be granted or that such renewals, alterations, rights and title interests will not be revoked or significantly altered. If such renewals or alterations of concessions applied for are not granted or are in fact revoked in the future, there is a risk that this may have a material adverse effect on the financial performance and operations of Debiensko, the Company and on the value of the Company's securities.
- (b) Exploration and development work conducted at Debiensko includes the completion of technical and Polish studies in order to be granted a mining licence. The Company intends to reassess the resource base at Debiensko over the next two to three years with new technical studies being undertaken at the same time. However, there can be no assurances that the Company will identify mineral resources or establish economic quantities of mineral reserves at Debiensko, or in fact if Debiensko will be economical.

It should also be noted that some of the additional risks may be mitigated by the use of appropriate safeguards and systems, whilst others are outside the control of the Company and cannot be mitigated. Should any of the risks eventuate, then it may have a material adverse impact on the financial performance of Debiensko, the Company and the value of the Company's securities.

Appendix 1 – Exploration Target Additional Information

Sources of Information

Seam thicknesses and depths are derived from the historical borehole cards (strip logs), overlying and adjacent mine workings and the New World Resources Karbonia (NWRK) database. Information on seam quality is taken from the official Polish Government approved “Geological Documentation”, which was approved by the State in 2009. There are 9 deep boreholes within the concession. In addition data from 15 boreholes and mine workings in the surrounding area have been used in the model. Co-ordinates are in Poland 2000, zone 6 system.

Site Visits

The site was visited by the Competent Person and other members of the Prairie Team on 6 September 2016.

Topography, Elevation, Vegetation and Climate

The Upper Silesian Coal Basin is located in the south-western part of Poland and towards the border with the Czech Republic. The concessions are located in a relatively flat-lying area at elevations of between 230 – 320 mASL (metres above sea level). The Bierawka River flows northwards through the area eventually joining the Odra River.

The dominant land use comprises of arable land and partly forested areas with mature and immature trees making up some 80% of the area. The remaining area is largely rural housing with small villages and industrial/post industrial (mining) development.

The climate in Poland is influenced by both European maritime and Eastern Europe continental air masses. The region in the south west of Poland can be categorised as having a cool continental climate. The warmest months are from May to September, with temperatures ranging 10°C to 25°C. The coldest months are usually from November to March with temperatures in the range 7°C to -7°C.

History of Exploration

The Upper Silesian Coal Basin has a long history of exploration and exploitation with work starting in the 18th Century culminating with the drilling of nine deep boreholes between 1982 and 1989. Within the Debiensko Licence area the upper coals in the Upper 300 Series have been extensively worked providing good structural control.

Historical Tonnage Estimates

The area was assessed in the Geological Documentation carried out in 2009 under the official Polish system for seams 401 to 410 to a depth of 1,400 m. More recently in 2014 and 2015, the previous owner also delineated resource and reserve estimates for the Debiensko deposit based on the historical Polish Government approved Geological Documentation. However, Prairie has opted to estimate tonnages for a smaller area of the Debiensko Project that has the potential to be more readily accessible for early mining.

Geological Setting and Coal Seams

The Debiensko Licence area is situated in The Upper Silesian Coal Basin which contains a thick, up to 8,500 m, sequence of Upper Carboniferous sediments. These have been subject to folding and faulting during the Variscan Orogeny. The upper surface of the Carboniferous sediments now forms an angular unconformity overlain by strata with ages varying from Permian to Quaternary. Igneous intrusions occur in some parts of the Basin but are not known in the area of Debiensko.

The sediments of the 400 Series are mudstone/claystone/siltstone dominated with occasional fine to medium grained sandstones from a few to several 10s of metres in thickness. Seam roofs and floors are generally mudstone/claystone. There are over 30 seams within the series varying from a few centimetres to several metres in thickness. This Estimation has focussed on 16 of the thicker and more laterally consistent seams.

Structural Geology

The structure of the Coal Measures within the Debiensko licence is generally well known from overworking. The seams dip south east at 2 to 15 degrees.

Assessment of Coal Seams

Geological modelling

GEOVIA MINEX™ modelling software was used to undertake modelling as it is particularly adept at modelling stratiform deposits such as coal. The model was based on the NWRK database which contains all necessary borehole data (collar location, seam depth and thickness, coal quality data). Prairie has conducted spot checks on the data base to ensure data veracity. 3D modelling procedure was conducted in following stages: 1. Raw data loading and validation; 2. Interpolation of borehole data; 3. Seam structure and coal quality modelling; 4. Fault modelling (3D faulting with various throws); 5. Final model validation; 6. Target estimation. For basic modelling fault location and throw was adopted from latest deposit documentation. The basic Minex model provides information relating to coal extent, quality and quantity and allows a Resource to be reliably estimated.

Constraints/Cut Offs

For the estimation of the Exploration Target the following constraints have been used –

- a minimum clean coal seam thickness of 1 m
- depth cut off at c 1,250 m
- exclusion pillar under Czerwlonka-Leszczyny
- coal to the south of the Belski Fault (200 m downthrow south) has been excluded
- Seams designated Polish Type 36 (meta coking coal) have been excluded

Future Exploration

Prairie Mining has programmed to drill up to five additional boreholes (including a shaft centreline borehole) to improve confidence in seam continuity and confirm quality. Prairie Mining will also conduct a full review and verification of the data and seam correlations.

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 announcement that relates to Exploration Targets is based on, and fairly represents information compiled or reviewed by Mr Jonathan O'Dell, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy. Mr O'Dell is a full time consultant of the Company. Mr O'Dell has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking 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 O'Dell consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.