



Prairie Mining
Limited

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**ANNUAL REPORT
ROZNY RAPORT 2019**

CORPORATE DIRECTORY

ZBIÓR DANYCH KORPORACYJNYCH

DIRECTORS:

Mr Ian Middlemas	Chairman
Mr Benjamin Stoikovich	Director and CEO
Ms Carmel Daniele	Non-Executive Director
Mr Thomas Todd	Non-Executive Director
Mr Mark Pearce	Non-Executive Director
Mr Todd Hannigan	Alternate Director
Mr Dylan Browne	Company Secretary

PRINCIPAL OFFICES:

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United Kingdom:

DLA Piper UK LLP

Australia:

DLA Piper Australia

AUDITOR:

Poland:

Ernst & Young Audyt Polska sp. z. o.o.

Australia:

Ernst & Young – Perth

BANKERS:

Poland:

Bank Zachodni WBK S.A. – Santander Group

Australia:

Australia and New Zealand Banking Group Ltd

SHARE REGISTRIES:

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STOCK EXCHANGE LISTINGS:

Poland:

Warsaw Stock Exchange
GPW Code: PDZ

United Kingdom:

London Stock Exchange (Main Board)
LSE Code: PDZ

Australia:

Australian Securities Exchange
ASX Code: PDZ

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The Directors of Prairie Mining Limited present their report on the Consolidated Entity consisting of Prairie Mining Limited ("Company" or "Prairie") and the entities it controlled at the end of, or during, the year ended 30 June 2019 ("Consolidated Entity" or "Group").

OPERATING AND FINANCIAL REVIEW

Operations

Highlights during, and since the end of the financial year include:

Debiensko Mine (Premium Hard Coking Coal)

- In December 2016, following the acquisition of Debiensko, Prairie applied to the Ministry of Environment to amend the 50-year Debiensko mining concession to extend the time stipulated in the mining concession for first production of coal from 2018 to 2025. In January 2019, Prairie received a final "second instance" decision from the MoE that has denied the amendment application which the Company believes is fundamentally flawed and fails to comply with Polish and international law.
- Whilst the 50-year Debiensko mining concession remains in place and despite Prairie holding a valid environmental consent decision enabling mine construction, the actions of the Polish government have effectively blocked any pathway to production for Prairie at Debiensko. Prairie will continue to take relevant actions to pursue its legal rights regarding the Debiensko concession.

Jan Karski Mine (Semi-Soft Coking Coal)

- During the year, an Appeal Court in Warsaw overturned the District Court's injunction that was previously awarded in Prairie's favour preventing the MoE from granting a mining usufruct or exploration/mining concession to another party except Prairie. Prairie believes that the Appeal Court's decision is fundamentally flawed and will therefore continue to take relevant actions to pursue its legal rights regarding Jan Karski.

Possible Co-operation between Prairie and JSW

- Mr Daniel Ozon, CEO of JSW, was dismissed in June 2019, following his appointment in 2017. Mr Włodzimierz Hereźniak has since been appointed as JSW's new CEO.
- There has been no communication or discussion with JSW since Daniel Ozon's dismissal. The Company will continue to comply with its continuous disclosure obligations and will make announcements to the market as required.

Corporate

- Prairie remains in a financially strong position with cash reserves of A\$7 million on hand.
- In February 2019, the Company formally notified the Polish Government that there exists an investment dispute between Prairie and the Government that has arisen out of certain measures taken by Poland in breach of the Energy Charter Treaty and the Australia-Poland Bilateral Investment Treaty. Prairie will strongly defend its position and continue to take relevant actions to pursue its legal rights regarding both the Debiensko and Jan Karski projects, including pursuing claims against Poland under the relevant international treaties.

DIRECTORS' REPORT

(Continued)

OPERATING AND FINANCIAL REVIEW (Continued)

Operations (Continued)

Debiensko Mine

The Debiensko Mine ("Debiensko"), is a hard coking coal project located in the Upper Silesian Coal Basin in the south west of the Republic of Poland. It is approximately 40 km from the city of Katowice and 40 km from the Czech Republic.

Debiensko 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 historically operated by various Polish mining companies until 2000 when mining operations were terminated due to a major government led restructuring of the coal sector caused by a downturn in global coal prices. In early 2006 New World Resources Plc ("NWR") acquired Debiensko and commenced planning for Debiensko to comply with Polish mining standards, with the aim of accessing and mining hard coking coal seams. In 2008, the Polish Ministry of Environment ("MoE") granted a 50-year mine license for Debiensko.

In October 2016, Prairie acquired Debiensko with a view that a revised development approach would potentially allow for the early mining of profitable premium hard coking coal seams, whilst minimising upfront capital costs.

Update on Debiensko Concession

In December 2016, following the acquisition of Debiensko, Prairie applied to the MoE to amend the 50-year Debiensko mining concession.

The purpose of the concession amendment was to extend the time stipulated in the mining concession for first production of coal from 2018 to 2025. During the year, Prairie has now received a final "second instance" decision from the MoE that has denied the Company's amendment application. Despite Prairie holding a valid environmental consent decision enabling mine construction, the actions of the Polish government have effectively blocked any pathway to production for Prairie therefore making it impossible for the Company to continue with development at Debiensko.

Jan Karski Mine

The Jan Karski Mine ("Jan Karski") is a large scale semi-soft coking 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. Jan Karski is situated adjacent to the Lubelski Węgiel BOGDANKA S.A.'s ("Bogdanka") coal mine which has been in commercial production since 1982 and is the lowest cost hard coal producer in Europe.

With the use of modern exploration techniques including latest drill results, Prairie has affirmed the capability of the project to produce high value ultra-low ash semi-soft coking coal ("SSCC"), known as Type 34 coal in Poland whilst confirming Jan Karski as a globally significant SSCC / Type 34 coking coal deposit with the potential to produce a high value ultra-low ash SSCC with a coking coal product split of up to 75%.

Key benefits for the local community and the Lublin and Chelm regions associated with the development, construction and operation of Jan Karski have been recognised as the following:

- creation of 2,000 direct employment positions and 10,000 indirect jobs for the region once operational;
- increasing skills of the workforce through the implementation of International Standard training programmes;
- stimulating the development of education, health services and communications within the region; and
- building a mine that creates new employment for generations to come and career paths for families to remain in the region.

Positive Rulings in Supreme Administrative Court

Poland's Supreme Administrative Court has finally and fully rejected Bogdanka's administrative complaints against Poland's MoE regarding the refusal of Bogdanka's 2013 application for a mining concession over the K-6-7 deposit at Jan Karski.

This Supreme Administrative Court decision is final, cannot be appealed and has upheld the 2016 Regional Administrative Court decision that confirms the original 2015 decision, which denied Bogdanka's mining concession application. It has been concluded that granting a mining concession to Bogdanka would be a serious violation of the provisions of Poland's Geological and Mining Law ("GML") and would be contrary to the rule of law as embodied in the Polish constitution.

In a second ruling, the Supreme Administrative Court has upheld the 2016 Regional Administrative Court decision that obliged the MoE to approve Prairie's submitted Addendum No.3 for the K-6-7 deposit. Addendum No.3 is a detailed resource estimate for the K-6-7 deposit according to Polish geological reporting standards and is based on the results of Prairie's exploration program at the deposit.

The Court's ruling has been passed back to the MoE, and the Company is now waiting on the MoE to reassess the original decision taking into account the court's verdict.

The Supreme Administrative Court's rulings re-affirm, beyond doubt, that Bogdanka's 2013 claims over K-6-7 are without merit and inadmissible.

Injunction against Poland's Ministry of Environment has been over-turned

In April 2018, Prairie filed a civil law claim against the MoE due to its failure to grant Prairie a mining usufruct agreement over the Jan Karski concessions in order to protect the Company's security of tenure over the project.

The Company had been awarded the Priority Right to apply for a mining concession at Jan Karski in 2015 following its full compliance with Poland's GML.

Subsequent to Prairie's filing of the civil law claim discussed above, the Polish District Court granted Prairie an injunction preventing the MoE from granting prospecting, exploration or mining concessions and concluding usufruct agreements with any other party until full court proceedings were concluded.

In April 2019, an Appeal Court in Warsaw overturned the District Court's decision and lifted the injunction. Prairie believes that the Appeal Court's decision is fundamentally flawed. The Appeal Court's decision is further evidence of the unfair and inequitable treatment faced by Prairie as a foreign investor in Poland and these and other measures directed against Prairie by the Polish government, with respect to the Company's permitting process and licenses, have blocked Prairie's pathway to any future production from Jan Karski. The Company is therefore considering all actions necessary to pursue its legal rights regarding Jan Karski.

Corporate

Possible Co-Operation between Prairie and JSW

During the year, Prairie and JSW signed an extension to a Non-Disclosure Agreement ("NDA"), with the term of the NDA now ending on 28 September 2019, in order to discuss a deal structure and commercial terms for any co-operation or transaction and for the adaption of mine plans for both Debiensko and Jan Karski to align with JSW's development concepts and to maximise potential synergies at Debiensko.

In June 2019, Mr Daniel Ozon, CEO of JSW, was dismissed following his appointment in 2017. Mr Włodzimierz Hereźniak has since been appointed as the new CEO of JSW. There has been no communication or discussion with JSW since Daniel Ozon's dismissal. The Company will continue to comply with its continuous disclosure obligations and will make announcements to the market as required.

Dispute with the Polish Government

In February 2019 Prairie formally notified the Polish government that there exists an investment dispute between Prairie and the Polish government.

Prairie's notification calls for prompt negotiations with the government to amicably resolve the dispute and indicates Prairie's right to submit the dispute to international arbitration in the event the dispute is not resolved amicably. The dispute arises out of certain measures taken by Poland in breach of the Energy Charter Treaty and Australia-Poland Bilateral Investment Treaty. The Company remains open to resolving the dispute with the Polish government amicably. As of the date of this report, no amicable resolution of the dispute has occurred, since the Polish government has declined to participate in substantive discussions related to the dispute.

Prairie can confirm that it is taking all necessary actions to pursue its legal rights regarding its investments in Poland.

Prairie will continue to update the market in relation to this matter as required.

DIRECTORS' REPORT

(Continued)

OPERATING AND FINANCIAL REVIEW (Continued)

Results of Operations

The net loss of the Consolidated Entity for the year ended 30 June 2019 was \$3,550,672 (2018: \$19,382,454). Significant items contributing to the current year loss and the substantial differences from the previous financial year include:

- (i) Non-cash exploration expenditure impairment expense of \$2,721,198 (2018: nil) has been recognised during the year following an Appeal Court in Warsaw decision which overturned the District Court's injunction that was previously awarded in Prairie's favour which prevented the MoE from granting a mining usufruct or exploration/mining concession to another party except Prairie at Jan Karski. Furthermore, a final "second instance" decision was received by the Company from the MoE that denied the Debiensko Mining Concession amendment application which was submitted in 2016. The Company believes that these actions and others by the Polish Government are evidence of the discriminatory treatment faced by Prairie as a foreign investor in Poland with respect to Debiensko and Jan Karski effectively blocked any pathway to production for Prairie at both Jan Karski and Debiensko. For this and other reasons, Prairie has formally notified the Polish government that there exists an investment dispute between Prairie and the Polish Government that has arisen out of certain measures taken by Poland in breach of the Energy Charter Treaty and the Australia-Poland Bilateral Investment Treaty. Accordingly, the Company has recognised an impairment expense for the total amount of exploration and evaluation assets previously capitalised; and
- (ii) Non-cash fair value loss of nil (2018: \$9,884,328) attributable to the conversion right of the original CD Capital convertible loan note ("Loan Note 1") accounted for as a financial liability at fair value through profit and loss which was derecognised during the prior year following the conversion of Loan Note 1. The instrument was a non-cash derivative liability which was settled during the prior year via the issue of 44,776,120 Ordinary Shares and 22,388,060 unlisted options exercisable at \$0.60 each on or before 30 May 2021 ("CD Options") to CD Capital pursuant to the investment agreement completed in September 2015.

In 2018, the Company did not pay any cash to settle the liability with the Company's cash reserve unaffected by the derecognition of the conversion right

The commercial intentions of both CD Capital and the Company were to always enter into an equity type arrangement however to be in compliance with the accounting standards, the conversion right has, up and until derecognition, been accounted for as a financial liability with the non-cash fair value movements being recognised in profit and loss.

- (iii) Exploration and Evaluation expenses of \$3,319,878 (2018: \$6,774,136), which is attributable to the Group's accounting policy of expensing exploration and evaluation expenditure incurred by the Group subsequent to the acquisition of rights to explore and up to the commencement of a bankable feasibility study for each separate area of interest;
- (iv) Business development expenses of \$408,948 (2018: \$738,097) which includes expenses in relation to the Group's investor relations activities, including brokerage fees, public relations, digital marketing, travel costs, attendances at conferences and business development consultant costs;
- (v) Non-cash share-based payment reversal of \$1,599,118 (2018: expense \$1,316,624) due to incentive securities issued to key management personnel and other key employees and consultants of the Group as part of the long-term incentive plan to reward key management personnel and other key employees and consultants for the long term performance of the Group. The expense/reversal results from the Group's accounting policy of expensing the fair value (determined using an appropriate pricing model) of incentive securities granted on a straight-line basis over the vesting period of the options and rights. The change from an expense in 2018 to a reversal in 2019 is attributable to the forfeiture of 3.1 million unvested performance rights following the impairment of exploration and evaluation, it was deemed that the performance rights with vesting conditions milestones relating to Debiensko and Jan Karski are now unachievable resulting in a \$3.4 million being reversed from the reserve to profit and loss;
- (vi) Revenue of \$557,400 (2018: \$826,883) consisting of interest income of \$203,160 (2018: \$333,291) and the receipt of \$354,170 (2018: \$493,592) of gas and property lease income derived at Debiensko; and
- (vii) Other income of \$1,945,800 (2018: nil) relating to the gain on extinguishment of the contingent consideration related to the Karbonia acquisition following the receipt of a final "second instance" decision from the MoE that denied the Mining Concession amendment application at Debiensko which was a condition for Prairie to pay the contingent consideration.

Financial Position

At 30 June 2019, the Company had cash reserves of \$6,628,371 (2018: \$11,022,333) placing it in a strong financial position.

At 30 June 2019, the Company had net assets of \$7,308,588 (2018: \$12,445,698), a decrease of 42% compared with the previous year. This is largely attributable to the net loss for the year.

Business Strategies and Prospects for Future Financial Years

Prairie's strategy is to create long-term shareholder. This is likely to now include pursuing various claims against Poland through international arbitration.

As discussed throughout this report, various measures directed against Prairie by the Polish government in breach of Polish and international law with respect to the Company's permitting process and licenses, have blocked Prairie's pathway to any future production from its Polish projects.

To achieve its objective, the Group currently has the following business strategies and prospects:

- Continue to assess its options for international arbitration in relation to the investment dispute between Prairie and the Polish Government that has arisen out of certain measures taken by Poland in breach of the Energy Charter Treaty, and the Australia-Poland Bilateral Investment Treaty;
- To continue to work with Prairie's lawyers (including international arbitration legal experts) to prepare submissions and finalise funding arrangements for the international arbitration claim(s);
- Continue to assess corporate options for Prairie's investments in Poland; and
- Identify and assess other suitable business opportunities in the resources sector.

All of these activities are inherently risky and the Board is unable to provide certainty of the expected results of these activities, or that any or all of these likely activities will be achieved. Furthermore, Prairie will continue to take all necessary actions to pursue the Company's legal rights regarding its investments in Poland, if and as required. The material business risks faced by the Group that could have an effect on the Group's future prospects, and how the Group manages these risks, include the following:

- *Litigation risk* – All industries, including the mining industry, are subject to legal and arbitration claims. Specifically, in February 2019, the Company formally notified the Polish Government that there exists an investment dispute between Prairie and the Government that has arisen out of certain measures taken by Poland in breach of the Energy Charter Treaty and the Australia-Poland Bilateral Investment Treaty. Prairie will strongly defend its position and continue to take relevant actions to pursue its legal rights regarding both the Debiensko and Jan Karski projects, including pursuing claims against Poland under the relevant international treaties. There is no certainty that any claim, should it be made in the future, will be successful.
- *Co-operation between Prairie and JSW may not occur* – The Company and JSW have previously been in discussions for over 18 months in relation to a co-operation transaction however in June 2019 Mr Daniel Ozon, CEO of JSW, was dismissed following his appointment in 2017. Following his dismissal there has been no communication or discussion between Prairie and JSW. Any transaction(s), should it/they occur, may be subject to a number of conditions including, but not limited to, obtaining positive evaluations and expert opinions, necessary corporate approvals, consents and approvals related to funding, consents from Poland's Office of Competition and Consumer Protection (UOKiK) if required, and any other requirements that may relate to the strategy, objectives and regulatory regimes applicable to the respective issuers, and which could also prevent a transaction from occurring or even completing.
- *The Company may be adversely affected by fluctuations in foreign exchange* – Current and planned activities are predominantly denominated in Stirling and/or Euros and the Company's ability to fund these activities may be adversely affected if the Australian dollar continues to fall against these currencies. The Company currently does not engage in any hedging or derivative transactions to manage foreign exchange risk. As the Company's operations change, this policy will be reviewed periodically going forward.

DIRECTORS' REPORT

(Continued)

OPERATING AND FINANCIAL REVIEW (Continued)

Business Strategies and Prospects for Future Financial Years (Continued)

- *The Company may not successfully acquire new projects* – the Company may pursue and assess other new business opportunities in the resources sector. These new business opportunities may take the form of direct project acquisitions, joint ventures, farm-ins, acquisition of tenements/permits, or direct equity participation. The Company's success in its acquisition activities depends on its ability to identify suitable projects, acquire them on acceptable terms, and integrate the projects successfully, which the Company's Board is experienced in doing. However, there can be no guarantee that any proposed acquisition will be completed or be successful. If a proposed acquisition is completed the usual risks associated with a new project and/or business activities will remain.

DIRECTORS

The names and details of the Group's Directors in office at any time during the financial year or since the end of the financial year are:

Directors:

Mr Ian Middlemas	Chairman
Mr Benjamin Stoikovich	Director and CEO
Ms Carmel Daniele	Non-Executive Director
Mr Thomas Todd	Non-Executive Director
Mr Mark Pearce	Non-Executive Director
Mr Todd Hannigan	Alternate Director

Unless otherwise stated, Directors held their office from 1 July 2018 until the date of this report.

CURRENT DIRECTORS AND OFFICERS

Mr Ian Middlemas *B.Com, CA*

Chairman

Mr Middlemas is a Chartered Accountant, a member of the Financial Services Institute of Australasia and holds a Bachelor of Commerce degree. He worked for a large international Chartered Accounting firm before joining the Normandy Mining Group where he was a senior group executive for approximately 10 years. He has had extensive corporate and management experience, and is currently a Director with a number of publicly listed companies in the resources sector.

Mr Middlemas was appointed a Director of the Company on 25 August 2011. During the three year period to the end of the financial year, Mr Middlemas has held directorships in Constellation Resources Limited (November 2017 – present), Apollo Minerals Limited (July 2016 – present), Paringa Resources Limited (October 2013 – present), Berkeley Energia Limited (April 2012 – present), Salt Lake Potash Limited (January 2010 – present), Equatorial Resources Limited (November 2009 – present), Piedmont Lithium Limited (September 2009 – present), Sovereign Metals Limited (July 2006 – present), Odyssey Energy Limited (September 2005 – present), Cradle Resources Limited (May 2016 – July 2019) and Syntonic Limited (April 2010 – June 2017).

Mr Benjamin Stoikovich *B.Eng, M.Eng, M.Sc, CEng, CEnv*

Director and CEO

Mr Stoikovich is a mining engineer and professional corporate finance executive. He has extensive experience in the resources sector gained initially as an underground Longwall Coal Mining Engineer with BHP Billiton where he was responsible for underground longwall mine operations and permitting, and more recently as a senior executive within the investment banking sector in London where he gained experience in mergers and acquisitions, debt and off take financing.

He has a Bachelor of Mining Engineering degree from the University of NSW; a Master of Environmental Engineering from the University of Wollongong; and a M.Sc in Mineral Economics from Curtin University. Mr Stoikovich also holds a 1st Class Coal Mine Managers Ticket from the Coal Mine Qualifications Board (NSW, Australia) and is a registered Chartered Engineer (CEng) and Chartered Environmentalist (CEnv) in the United Kingdom.

Mr Stoikovich was appointed a Director of the Company on 17 June 2013. During the three year period to the end of the financial year, Mr Stoikovich has not held any other directorships in listed companies.

Ms Carmel Daniele B.Ec, CA
Non-Executive Director

Ms Carmel Daniele is the founder and Chief Investment Officer of CD Capital in London. Ms Daniele has over 20 years of global natural resources investment experience, ten of which was spent with Newmont Mining/Normandy Mining and acquired companies. As a Senior Executive (Corporate Advisory) at Newmont she structured cross-border M&As including the three-way merger between Franco-Nevada, Newmont and Normandy. Post-merger Ms Daniele structured the divestment of various non-core mining assets around the world for the merchant banking arm, Newmont Capital. Ms Daniele started off her career at Deloitte Touche Tohmatsu. Prior to setting up CD Capital in London in 2006, Ms Daniele was an investment advisor to RAB Capital's Special Situations Fund on sourcing and negotiating natural resource private equity investments. Ms Daniele holds a Master of Laws (Corporate & Commercial) and Bachelor of Economics from the University of Adelaide and is a Fellow of the Institute of Chartered Accountants.

Ms Daniele was appointed a Director on 21 September 2015. During the three year period to the end of the financial year, Ms Daniele has not held any other directorships in listed companies.

Mr Thomas Todd B.Sc (Hons), CA
Non-Executive Director

Mr Todd was the Chief Financial Officer of Aston Resources from 2009 to November 2011. Prior to Aston Resources, Mr Todd was Chief Financial Officer of Custom Mining, where his experience included project acquisition and funding of project development for the Middlemount project to the sale of the company to Macarthur Coal. A graduate of Imperial College, Mr Todd holds a Bachelor of Physics with first class Honours. He was a Chartered Accountant (The Institute of Chartered Accountants in England and Wales) and a graduate of the Australian Institute of Company Directors.

Mr Todd was appointed a Director on 16 September 2014. During the three year period to the end of the financial year, Mr Todd has held a directorship in Paringa Resources Limited (May 2014 – Present).

Mr Mark Pearce B.Bus, CA, FCIS, FFin
Non-Executive Director

Mr Pearce is a Chartered Accountant and is currently a Director of several listed companies that operate in the resources sector. He has had considerable experience in the formation and development of listed resource companies. Mr Pearce is also a Fellow of the Institute of Chartered Secretaries and Administrators and a Fellow of the Financial Services Institute of Australasia.

Mr Pearce was appointed a Director of the Company on 25 August 2011. During the three year period to the end of the financial year, Mr Pearce has held directorships in Constellation Resources Limited (July 2016 – present), Apollo Minerals Limited (July 2016 – present), Salt Lake Potash Limited (August 2014 – present), Equatorial Resources Limited (November 2009 – present), Sovereign Metals Limited (July 2006 – present), Odyssey Energy Limited (September 2005 – present), Piedmont Lithium Limited (September 2009 – August 2018) and Syntonic Limited (April 2010 – October 2016).

Mr Todd Hannigan B.Eng (Hons)
Alternate Director for Mr Thomas Todd

Mr Hannigan was the Chief Executive Officer of Aston Resources from 2010 to 2011. During this time, the company significantly progressed the Maules Creek project, including upgrades to the project's resources and reserves, completion of all technical and design work for the Definitive Feasibility Study, negotiation of two major project stake sales and joint venture agreements, securement of port and rail access and progression of planning approvals to final stages. Mr Hannigan has worked internationally in the mining and resources sector for over 18 years with Aston Resources, Xstrata Coal, Hanson PLC, BHP Billiton and MIM.

Mr Hannigan was appointed as Alternate for Mr Thomas Todd on 16 September 2014. During the three year period to the end of the financial year, Mr Hannigan has held a directorship in Paringa Resources Limited (May 2014 – Present).

DIRECTORS' REPORT

(Continued)

CURRENT DIRECTORS AND OFFICERS (Continued)

Mr Dylan Browne *B.Com, CA, AGIA*
Company Secretary

Mr Browne is a Chartered Accountant and Associate Member of the Governance Institute of Australia (Chartered Secretary) who is currently Company Secretary for a number of ASX and European listed companies that operate in the resources sector. He commenced his career at a large international accounting firm and has since been involved with a number of exploration and development companies operating in the resources sector, based from London and Perth, including Apollo Minerals Limited, Berkeley Energia Limited and Papillon Resources Limited. Mr Browne successfully listed Prairie on the Main Board of the London Stock Exchange and the Warsaw Stock Exchange in 2015 and recently oversaw Berkeley's listings on the Main Board LSE and the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges. Mr Browne was appointed Company Secretary of the Company on 25 October 2012.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year consisted of the exploration and development of Debiensko and Jan Karski. No significant change in nature of these activities occurred during the year.

EARNINGS PER SHARE

	2019 Cents	2018 Cents
Basic and diluted loss per share	(1.63)	(10.99)

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group's operations are subject to various environmental laws and regulations under the relevant government's legislation. Full compliance with these laws and regulations is regarded as a minimum standard for all operations to achieve.

Instances of environmental non-compliance by an operation are identified either by external compliance audits or inspections by relevant government authorities.

There have been no significant known breaches by the Group during the financial year.

DIVIDENDS

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made (2018: nil).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the year other than the following:

- (i) On 18 January 2019, the Company announced that Poland's Supreme Administrative Court had finally and fully rejected Bogdanka's appeal against Poland's MoE regarding the rejection of Bogdanka's 2013 application for a mining concession over the K-6-7 deposit at the Jan Karski;
- (ii) On 18 January 2019, the Company announced that it had received a final "second instance" decision from the MoE denying the Company's amendment application to extend the time stipulated in the Debiensko mining concession for first production of coal from 2018 to 2025. Prairie will strongly defend its position and continue to take relevant actions to pursue its legal rights regarding the Debiensko concession.

- (iii) On 13 February 2019, the Company announced that it had formally notified the Polish government that there exists an investment dispute between Prairie and the Government. Prairie's notification calls for prompt negotiations with the government to amicably resolve the dispute, and indicates Prairie's right to submit the dispute to international arbitration in the event the dispute is not resolved; and
- (iv) On 9 April 2019, the Company announced that an Appeal Court in Warsaw overturned the Civil Court's injunction that was previously awarded in Prairie's favour preventing the MoE from granting a mining usufruct or exploration/mining concession to another party except Prairie. Prairie believes that the Appeal Court's decision is fundamentally flawed and will continue to take relevant actions to pursue its legal rights regarding Jan Karski.

SIGNIFICANT EVENTS AFTER BALANCE DATE

At the date of this report, there are no matters or circumstances, which have arisen since 30 June 2019 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2019, of the Consolidated Entity;
- the results of those operations, in financial years subsequent to 30 June 2019, of the Consolidated Entity; or
- the state of affairs, in financial years subsequent to 30 June 2019, of the Consolidated Entity.

DIRECTORS' INTERESTS

As at the date of this report, the Directors' interests in the securities of the Company are as follows:

	Interest in securities at the date of this report		
	Ordinary Shares ¹	Options ²	Performance Rights ³
Mr Ian Middlemas	10,600,000	-	-
Mr Benjamin Stoikovich	1,492,262	-	2,100,000
Ms Carmel Daniele ⁴	44,776,120	22,388,060	-
Mr Thomas Todd	2,800,000	-	-
Mr Mark Pearce	3,000,000	-	-
Mr Todd Hannigan	3,504,223	-	-

Notes:

¹ "Ordinary Shares" means fully paid Ordinary Shares in the capital of the Company.

² "Incentive Options" means an option to subscribe for one Ordinary Share in the capital of the Company.

³ "Performance Rights" means Performance Rights issued by the Company that convert to one Ordinary Share in the capital of the Company upon vesting of various performance conditions.

⁴ As founder and controller of CD Capital, Ms Daniele has an indirect interest in the Ordinary shares and Options. CD Capital also hold the right to acquire 5,711,804 Ordinary shares through the issue of a \$0.46 convertible note (Loan Note 2).

SHARE OPTIONS AND PERFORMANCE RIGHTS

At the date of this report the following Incentive Options and Performance Rights have been issued over unissued Ordinary Shares of the Company:

- 200,000 Incentive Options exercisable at \$0.50 each on or before 31 March 2020;
- 900,000 Incentive Options exercisable at \$0.60 each on or before 31 March 2020;
- 700,000 Incentive Options exercisable at \$0.80 each on or before 31 March 2020;
- 22,388,060 CD Options exercisable at \$0.60 each on or before 30 May 2021;
- 9,425,000 Performance Rights with various vesting conditions and expiry dates between 31 December 2019 and 31 December 2020; and
- Convertible loan note with a principal amount of \$2,627,430, convertible into 5,711,805 ordinary shares at a conversion price of \$0.46 per share with no expiry date (Loan Note 2).

During the year ended 30 June 2019, no Ordinary Shares have been issued as a result of the exercise/conversion of Incentive Options, CD options, Performance Rights and Loan Note 2. Subsequent to year end and up until the date of this report, no Ordinary Shares have been issued as a result of the exercise/conversion of CD options, Performance Rights and Loan Note 2.

DIRECTORS' REPORT

(Continued)

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

The Constitution of the Company requires the Company, to the extent permitted by law, to indemnify any person who is or has been a Director or officer of the Company or Group for any liability caused as such a Director or officer and any legal costs incurred by a Director or officer in defending an action for any liability caused as such a Director or officer.

During or since the end of the financial year, no amounts have been paid by the Company or Group in relation to the above indemnities.

During the financial year, an annualised insurance premium was paid to provide adequate insurance cover for directors and officers against any potential liability and the associated legal costs of a proceeding.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

REMUNERATION REPORT (AUDITED)

This Remuneration Report, which forms part of the Directors' Report, sets out information about the remuneration of Key Management Personnel ("KMP") of the Group.

Details of Key Management Personnel

Details of the KMP of the Group during or since the end of the financial year are set out below:

Directors

Mr Ian Middlemas	Chairman
Mr Benjamin Stoikovich	Director and CEO
Ms Carmel Daniele	Non-Executive Director
Mr Thomas Todd	Non-Executive Director
Mr Mark Pearce	Non-Executive Director
Mr Todd Hannigan	Alternate Director

Other KMP

Mr Miroslaw Taras	Group Executive – Poland
Mr Simon Kersey	Chief Financial Officer
Mr Dylan Browne	Company Secretary

Unless otherwise disclosed, the KMP held their position from 1 July 2018 until the date of this report.

Remuneration Policy

The Group's remuneration policy for its KMP has been developed by the Board taking into account the size of the Group, the size of the management team for the Group, the nature and stage of development of the Group's current operations, and market conditions and comparable salary levels for companies of a similar size and operating in similar sectors. In addition to considering the above general factors, the Board has also placed emphasis on the following specific issues in determining the remuneration policy for KMP:

- (a) the Group is currently focused on undertaking exploration, appraisal and development activities;
- (b) risks associated with small cap resource companies whilst exploring and developing projects; and
- (c) other than profit which may be generated from asset sales, the Company does not expect to be undertaking profitable operations until sometime after the commencement of commercial production on any of its projects.

Executive Remuneration

The Group's remuneration policy is to provide a fixed remuneration component and a performance-based component (short term incentive and long term incentive). The Board believes that this remuneration policy is appropriate given the considerations discussed in the section above and is appropriate in aligning executives' objectives with shareholder and business objectives.

Fixed Remuneration

Fixed remuneration consists of base salaries, as well as employer contributions to superannuation funds and other non-cash benefits. Non-cash benefits may include provision of car parking and health care benefits.

Fixed remuneration is reviewed annually by the Board. The process consists of a review of company and individual performance, relevant comparative remuneration externally and internally and, where appropriate, external advice on policies and practices.

Performance Based Remuneration – Short Term Incentive (“STI”)

Some executives are entitled to an annual cash incentive payment upon achieving various key performance indicators (“KPI’s”), as set by the Board. Having regard to the current size, nature and opportunities of the Company, the Board has determined that these KPI’s will include measures such as successful commencement and/or completion of exploration activities (e.g. commencement/completion of exploration programs within budgeted timeframes and costs), establishment of government relationship (e.g. establish and maintain sound working relationships with government and officialdom), development activities (e.g. completion of infrastructure studies and commercial agreements), corporate activities (e.g. recruitment of key personnel and representation of the company at international conferences) and business development activities (e.g. corporate transactions and capital raisings). These measures were chosen as the Board believes they represent the key drivers in the short and medium-term success of the Company’s development. On an annual basis, and subsequent to year end, the Board assesses performance against each individual executive’s KPI criteria. During the 2019 financial year, no cash incentive (2018: \$134,361) was paid, or is payable, to KMP.

Performance Based Remuneration – Long Term Incentive

The Group has adopted a long-term incentive plan (“LTIP”) comprising the grant of Performance Rights and/or Incentive Options to reward KMP and key employees and contractors for long-term performance of the Company. Shareholders approved the renewal of a Performance Rights Plan” (the “Plan”) in 17 August 2017.

To achieve its corporate objectives, the Group needs to attract, incentivise, and retain its key employees and contractors. The Board believes that grants of Performance Rights and/or Incentive Options to KMP will provide a useful tool to underpin the Group’s employment and engagement strategy.

(i) Performance Rights

The Group has a Plan that provides for the issuance of unlisted Performance Rights which, upon satisfaction of the relevant performance conditions attached to the Performance Rights, will result in the issue of an Ordinary Share for each Performance Right. Performance Rights are issued for no consideration and no amount is payable upon conversion thereof.

The Plan enables the Group to: (a) recruit, incentivise and retain KMP and other key employees and contractors needed to achieve the Group’s business objectives; (b) link the reward of key staff with the achievement of strategic goals and the long-term performance of the Group; (c) align the financial interest of participants of the Plan with those of Shareholders; and (d) provide incentives to participants of the Plan to focus on superior performance that creates Shareholder value.

Performance Rights granted under the Plan to eligible participants will be linked to the achievement by the Company of certain performance conditions as determined by the Board from time to time. These performance conditions must be satisfied in order for the Performance Rights to vest. The Performance Rights also vest where there is a change of control of the Company. Upon Performance Rights vesting, Ordinary Shares are automatically issued for no consideration. If a performance condition of a Performance Right is not achieved by the expiry date then the Performance Right will lapse.

During the financial year, 900,000 Performance Rights were granted to certain KMP. 1,100,000 Performance Rights previously granted to KMP were forfeited during the financial year.

(ii) Incentive Options

The Group has also chosen to issue Incentive Options to some KMP and key employees and contractors as part of their remuneration and incentive arrangements in order to attract and retain their and to provide an incentive linked to the performance of the Company.

DIRECTORS' REPORT

(Continued)

REMUNERATION REPORT (AUDITED) (Continued)

Performance Based Remuneration – Long Term Incentive (Continued)

The Board's policy is to grant Incentive Options to KMP with exercise prices at or above market share price (at the time of agreement). As such, any Incentive Options granted to KMP are generally only of benefit if the KMP performed to the level whereby the value of the Group increased sufficiently to warrant exercising the Incentive Options granted.

Other than service-based vesting conditions (if any), there are generally no additional performance criteria attached to any Incentive Options granted to KMP, as given the speculative nature of the Group's activities and the small management team responsible for its running, it is considered that the performance of the KMP and the performance and value of the Group are closely related.

The Company prohibits executives entering into arrangements to limit their exposure to Incentive Options and Performance Rights granted as part of their remuneration package.

During the financial year, no Incentive Options were granted to KMP and key employees. No Incentive Options were exercised by KMP during the financial year. No Incentive Options previously granted to KMP lapsed during the financial year.

Non-Executive Director Remuneration

The Board's policy is for fees to Non-Executive Directors to be no greater than market rates for comparable companies for time, commitment and responsibilities. Given the current size, nature and risks of the Company, Incentive Options may also be used to attract and retain Non-Executive Directors. The Board determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at a General Meeting. Director's fees paid to Non-Executive Directors accrue on a daily basis. Fees for Non-Executive Directors are not linked to the performance of the economic entity. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company and given the current size, nature and opportunities of the Company, Non-Executive Directors may receive Incentive Options in order to secure and retain their services.

Fees for the Chairman were set at \$36,000 per annum (2018: \$36,000) (excluding post-employment benefits).

Fees for Non-Executive Directors' were set at \$20,000 per annum (2018: \$20,000) (excluding post-employment benefits). These fees cover main board activities only. Non-Executive Directors may receive additional remuneration for other services provided to the Company, including but not limited to, membership of committees.

During the 2019 financial year, no Incentive Options or Performance Rights were granted to Non-Executive Directors.

The Company prohibits Non-Executive Directors entering into arrangements to limit their exposure to Incentive Options granted as part of their remuneration package.

Relationship between Remuneration of KMP and Shareholder Wealth

During the Company's exploration and development phases of its business, the Board anticipates that the Company will retain earnings (if any) and other cash resources for the exploration and development of its resource projects. Accordingly, the Company does not currently have a policy with respect to the payment of dividends and returns of capital. Therefore, there was no relationship between the Board's policy for determining, or in relation to, the nature and amount of remuneration of KMP and dividends paid and returns of capital by the Company during the current and previous four financial years.

The Board did not determine, and in relation to, the nature and amount of remuneration of the KMP by reference to changes in the price at which shares in the Company traded between the beginning and end of the current and the previous four financial years. Discretionary annual cash incentive payments are based upon achieving various non-financial key performance indicators as detailed under "Performance Based Remuneration – Short Term Incentive" and are not based on share price or earnings. However, as noted above, certain KMP may receive Incentive Options in the future which generally will be of greater value to KMP if the value of the Company's shares increases sufficiently to warrant exercising the Incentive Options.

Relationship between Remuneration of KMP and Earnings

As discussed above, the Company is currently undertaking exploration and development activities, and does not expect to be undertaking profitable operations (other than by way of material asset sales, none of which is currently planned) until sometime after the successful commercialisation, production and sales of commodities from one or more of its projects. Accordingly, the Board does not consider earnings during the current and previous four financial years when determining, and in relation to, the nature and amount of remuneration of KMP.

Remuneration of Directors and other KMP

Details of the nature and amount of each element of the remuneration of each Director and other KMP of Prairie Mining Limited are as follows:

		Short-term benefits			Non-Cash	Total	Performance related %
		Salary & fees	Cash Incentive Payments	Post-employment benefits	Share-based payments		
		\$	\$	\$	\$	\$	
Directors							
Ian Middlemas	2019	36,000	-	3,420	-	39,420	-
	2018	36,000	-	3,420	-	39,420	-
Benjamin Stoikovich	2019	453,972	-	-	(325,050)	128,922	19.2
	2018	436,396	134,361	-	75,003	645,760	32.4
Carmel Daniele ¹	2019	-	-	-	-	-	-
	2018	-	-	-	-	-	-
Thomas Todd	2019	20,000	-	1,425	-	21,425	-
	2018	20,000	-	1,900	-	21,900	-
Mark Pearce	2019	20,000	-	1,900	-	21,900	-
	2018	20,000	-	1,900	-	21,900	-
Todd Hannigan	2019	-	-	-	-	-	-
	2018	-	-	-	-	-	-
Other KMP							
Miroslaw Taras	2019	119,698	-	-	(203,689)	(83,991)	-
	2018	117,213	-	-	72,582	189,795	38.2
Simon Kersey	2019	290,566	-	-	(118,936)	171,630	-
	2018	278,927	-	-	107,455	386,382	27.8
Dylan Browne ²	2019	-	-	-	(80,134)	(80,134)	-
	2018	118,393	-	-	14,133	132,526	10.7
Total	2019	940,236	-	6,745	(727,809)	219,172	
	2018	1,026,929	134,361	7,220	269,173	1,437,683	

Notes:

¹ During the year Ms Daniele waived her Non-Executive Director remuneration.

² Company Secretary services are provided through a services agreement with Apollo Group Pty Ltd ("Apollo Group") a company of which Mr Mark Pearce is a Director and beneficial shareholder of. During the year, Apollo Group was paid or is payable A\$240,000 (2018: A\$150,000) for the provision of serviced office facilities and administrative, accounting, company secretarial and transaction services to the Group.

DIRECTORS' REPORT

(Continued)

REMUNERATION REPORT (AUDITED) (Continued)

Options and Performance Rights Granted to KMP

Details of the value of Incentive Options and Performance Rights granted, exercised or lapsed for KMP of the Group during the year ended 30 June 2019 are as follows:

2019	No. of rights granted	No. of rights vested	No. of rights lapsed	Value of rights granted ¹ \$	Value of rights lapsed \$	Value of rights included in remuneration \$
Other KMP						
Benjamin Stoikovich	500,000	-	(2,100,000)	165,000	(930,880)	(325,050)
Miroslaw Taras	250,000	-	(1,050,000)	93,750	(460,250)	(203,689)
Simon Kersey	-	-	(660,000)	-	(336,600)	(118,936)
Dylan Browne	150,000	-	(475,000)	56,250	(209,750)	(80,134)

Details of Incentive Options and Performance Rights granted as part of remuneration by the Company to each KMP of the Group during the financial year is as follows:

2019	Security	Grant Date	Expiry Date	Vesting Date	Exercise Price \$	Grant Date Fair Value ¹ \$	Number Granted	Number Vested
Other KMP								
Benjamin Stoikovich	Rights	5 Jun 19	30 Sep 20	- ²	-	0.330	500,000	-
Miroslaw Taras	Rights	12 Apr 19	30 Sep 20	- ²	-	0.375	250,000	-
Dylan Browne	Rights	12 Apr 19	30 Sep 20	- ²	-	0.375	150,000	-

Notes:

¹ For details on the valuation of the Incentive Options and Performance Rights, including models and assumptions used, please refer to Note 19 to the financial statements.

² Vest on satisfaction of the Strategic Investor Milestone.

There were no Incentive Options granted or exercised by any KMP of the Group during the 2019 financial year.

Employment Contracts with Directors and KMP

Mr Stoikovich has an appointment letter dated 21 June 2018, under the terms of which he agrees to serve as a Director of the Company. Mr Stoikovich's appointment letter is terminable, pursuant to the Company's Constitution, by giving the Company notice in writing. Under the updated appointment letter, Mr Stoikovich receives a fixed fee of £25,000 per annum.

During the financial year, Selwyn Capital Limited, a company of which Mr Stoikovich is a director and shareholder, had a consulting agreement with the Company to provide project management and capital raising services (CEO services) related to Debiensko and Jan Karski. Under this agreement, Selwyn Capital Limited ("Selwyn") is paid a fixed annual consultancy fee of £225,000 per annum and an annual incentive payment of up to £100,000 payable upon the successful completion of key project milestones as determined by the Board. In addition, Selwyn, is entitled to receive a payment incentive worth the aggregate fixed yearly directors fees and consultancy fee in the event of a change of control clause being triggered with the Company. The consulting contract can be terminated by either Selwyn Limited or the Company by giving twelve months' notice. No amount is payable to Selwyn in the event of termination of the contract arising from negligence or incompetence in regard to the performance of services specified in the contract.

Mr Taras, was appointed as Group Executive – Poland on 13 October 2016. He has a consultancy agreement with the Company dated 1 March 2015 and amended effective 1 September 2015, which provides for a consulting fee of PLN22,500 per month for strategic advisory services. The contract may be terminated by either party by giving one months' notice. Mr Taras also receives a fixed Management Board fee for PD Co sp. z o.o. (Jan Karski) of PLN4,400 per month.

Mr Simon Kersey, Chief Financial Officer, is engaged under a consultancy deed with Cheyney Resources Limited ("Cheyney") dated 1 April 2017. The agreement specifies the duties and obligations to be fulfilled by Mr Kersey as the Chief Financial Officer. The Company may terminate the agreement with six months written notice. No amount is payable in the event of termination for material breach of contract, gross misconduct or neglect. Cheyney receives an annual consultancy fee of £160,000 and will be eligible for a cash incentive of up to £50,000 per annum to be paid upon successful completion of KPIs. In addition, Cheyney, will be entitled to receive a payment incentive worth six months of the annual consultancy fee in the event of a change of control clause being triggered with the Company.

Mr Browne, Company Secretary, has a services agreement with the Company to provide corporate and financial services with the Company. Either party may terminate the agreement by giving one month written notice. Under the services agreement, Mr Browne receive cash and/or incentive securities in the Company. Mr Browne is also entitled to receive a fee worth \$100,000 in the event of a change of control clause being triggered with the Company.

Loans from Key Management Personnel

No loans were provided to or received from Key Management Personnel during the year ended 30 June 2019 (2018: Nil).

Other Transactions

Apollo Group Pty Ltd, a company of which Mr Mark Pearce is a Director and beneficial shareholder, was paid or is payable \$240,000 (2018: \$150,000) for the provision of serviced office facilities and administration services. The amount is based on a monthly retainer of \$20,000 (2018: \$12,500) due and payable in advance, with no fixed term, and is able to be terminated by either party with one month's notice. This item has been recognised as an expense in the Statement of Profit or Loss and other Comprehensive Income. At 30 June 2019, \$20,000 (2018: \$12,500) was included as a current liability in the Statement of Financial Position.

As founder and controller of CD Capital, Ms Daniele has an interest in 22,388,060 \$0.60 CD Options (which may result in the issue of an additional 22,388,060 Ordinary Shares) and an interest for CD Capital to convert Loan Note 2 into 5,711,804 Ordinary shares through the issue of the \$0.46 convertible note.

Equity instruments held by KMP

Incentive Option and Performance Right holdings of Key Management Personnel

2019	Held at 1 July 2018	Granted as Remuner- ation	Options Exercised/ Rights Converted	Net Other Change	Held at 30 June 2019	Vested and exercise- able at 30 June 2019
Directors						
Ian Middlemas	-	-	-	-	-	-
Benjamin Stoikovich	2,100,000	500,000	-	(500,000) ¹	2,100,000	-
Carmel Daniele ²	22,388,060	-	-	-	22,388,060	22,388,060
Thomas Todd	-	-	-	-	-	-
Mark Pearce	-	-	-	-	-	-
Todd Hannigan	-	-	-	-	-	-
Other KMP						
Miroslaw Taras	1,050,000	250,000	-	(450,000) ¹	850,000	-
Simon Kersey	660,000	-	-	-	660,000	-
Dylan Browne	475,000	150,000	-	(150,000) ¹	475,000	-

Notes:

¹ Forfeiture of Performance Rights on 31 December 2018 following the performance condition not being achieved prior to the expiry date.

² As founder and controller of CD Capital, Ms Daniele is deemed to have an interest in the CD Options.

DIRECTORS' REPORT

(Continued)

REMUNERATION REPORT (AUDITED) (Continued)

Shareholdings of Key Management Personnel

2019	Held at 1 July 2018	Granted as Remuneration	Options Exercised/ Rights Converted	Net Other Change	Held at 30 June 2019
Directors					
Ian Middlemas	10,600,000	-	-	-	10,600,000
Benjamin Stoikovich	1,500,000	-	-	(7,738) ¹	1,492,262
Carmel Daniele ²	44,776,120	-	-	-	44,776,120
Thomas Todd	2,800,000	-	-	-	2,800,000
Mark Pearce	3,000,000	-	-	-	3,000,000
Todd Hannigan	3,504,223	-	-	-	3,504,223
Other KMP					
Miroslaw Taras	150,000	-	-	-	150,000
Simon Kersey	-	-	-	-	-
Dylan Browne	-	-	-	-	-

Notes:

¹ Loss of shares following the Beaufort Securities Limited ("Beaufort") administration proceedings and the inability of administrators to fully reconcile the ordinary shares (held as depository receipts) Mr Stoikovich formerly held in the Beaufort account. Mr Stoikovich now holds these ordinary shares in an alternative broking account. Mr Stoikovich is likely to receive compensation from the UK government for the loss of these shares but the amount and timing of receipt of compensation is currently unknown.

² As founder and controller of CD Capital, Ms Daniele is deemed to have an interest in the 44,776,120 Ordinary Shares issued to CD Capital on conversion of Loan Note 1 in 2018.

End of Remuneration Report

DIRECTORS' MEETINGS

The number of meetings of Directors held during the year and the number of meetings attended by each Director was as follows:

	Board Meetings	
	Number eligible to attend	Number attended
Ian Middlemas	2	2
Benjamin Stoikovich	2	2
Carmel Daniele	2	1
Thomas Todd	2	2
Mark Pearce	2	2
Todd Hannigan (Alternate director to Mr Todd)	-	-

There were no Board committees during the financial year. The Board as a whole currently performs the functions of an Audit Committee, Risk Committee, Nomination Committee, and Remuneration Committee, however this will be reviewed should the size and nature of the Company's activities change.

NON-AUDIT SERVICES

Non-audit services provided by our auditors, Ernst & Young and related entities, are set out below. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

	2019 \$	2018 \$
Preparation of income tax return	11,000	11,124

DIVIDENDS

No dividends have been declared, provided for or paid in respect of the financial year ended 30 June 2019 (2018: nil).

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2019 has been received and can be found on page 18 of the Directors' Report.

Signed in accordance with a resolution of the Directors.



Benjamin Stoikovich
Director

26 September 2019

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 was extracted from Prairie's announcement dated 21 February 2018 entitled "Drill Results Affirm Jan Karski's Status As A Globally Significant Semi-Soft (Type 34) Coking Coal Project" which is available to view on the Company's website at www.pdz.com.au.

The information in the original announcement that relates to Exploration Results 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 part 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'.

Prairie confirms that: a) it is not aware of any new information or data that materially affects the information included in the original announcements; b) all material assumptions and technical parameters of the Exploration Results included in the original 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 announcements.

AUDITOR'S INDEPENDENCE DECLARATION



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Auditor's Independence Declaration to the Directors of Prairie Mining Limited

As lead auditor for the audit of the financial report of Prairie Mining Limited for the financial year ended 30 June 2019, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Prairie Mining Limited and the entities it controlled during the financial year.

Ernst & Young

T S Hammond
Partner
26 September 2019

**CONSOLIDATED STATEMENT OF PROFIT OR
LOSS AND OTHER COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 30 JUNE 2019



	Note	2019 \$	2018 \$
Revenue	2(a)	557,330	826,883
Other income	2(b)	1,945,080	-
Exploration and evaluation expenses		(3,319,878)	(6,774,136)
Employment expenses	3	(426,446)	(539,471)
Administration and corporate expenses		(298,200)	(380,021)
Occupancy expenses		(506,410)	(595,103)
Business development expenses		(408,948)	(738,097)
Share-based payment (expenses)/reversal	19	1,599,118	(1,316,624)
Exploration expenditure impairment expense	8	(2,721,198)	-
Other expenses		28,880	18,443
Non-cash fair value movements	4	-	(9,884,328)
Loss before income tax		(3,550,672)	(19,382,454)
Income tax expense	5	-	-
Net loss for the year		(3,550,672)	(19,382,454)
Net loss attributable to members of Prairie Mining Limited		(3,550,672)	(19,382,454)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		47,067	368,311
Total other comprehensive income/(loss) for the year, net of tax		47,067	368,311
Total comprehensive loss for the year, net of tax		(3,503,605)	(19,014,143)
Total comprehensive loss attributable to members of Prairie Mining Limited		(3,503,605)	(19,014,143)
Basic and diluted loss per share from (cents per share)	14	(1.63)	(10.99)

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

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Note	2019 \$	2018 \$
ASSETS			
Current Assets			
Cash and cash equivalents	15(b)	6,628,371	11,022,333
Trade and other receivables	6	827,478	953,528
Total Current Assets		7,455,849	11,975,861
Non-current Assets			
Property, plant and equipment	7	2,371,028	2,363,151
Exploration and evaluation assets	8	-	2,656,968
Total Non-current Assets		2,371,028	5,020,119
TOTAL ASSETS		9,826,877	16,995,980
LIABILITIES			
Current Liabilities			
Trade and other payables	9	1,050,862	865,265
Provisions	11	286,006	532,820
Other financial liabilities	10	-	1,891,573
Total Current Liabilities		1,336,868	3,289,658
Non-Current Liabilities			
Provisions	11	1,181,421	1,260,624
Total Non-Current Liabilities		1,181,421	1,260,624
TOTAL LIABILITIES		2,518,289	4,550,282
NET ASSETS		7,308,588	12,445,698
EQUITY			
Contributed equity	12	75,491,413	75,525,800
Reserves	13	2,031,423	3,583,474
Accumulated losses		(70,214,248)	(66,663,576)
TOTAL EQUITY		7,308,588	12,445,698

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 30 JUNE 2019



	Contributed Equity	Share-Based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$	\$
Balance at 1 July 2018	75,525,800	2,486,718	1,096,756	(66,663,576)	12,445,698
Net loss for the year	-	-	-	(3,550,672)	(3,550,672)
Other comprehensive income:					
Exchange differences on translation of foreign operations	-	-	47,067	-	47,067
Total comprehensive income/(loss) for the period	-	-	47,067	(3,550,672)	(3,503,605)
Share issue costs	(34,387)	-	-	-	(34,387)
Forfeiture of unvested Performance Rights	-	(1,266,881)	-	-	(1,266,881)
Reversal of share-based payments	-	(2,158,464)	-	-	(2,158,464)
Recognition of share-based payments	-	1,826,227	-	-	1,826,227
Balance at 30 June 2019	75,491,413	887,600	1,143,823	(70,214,248)	7,308,588
Balance at 1 July 2017	58,477,713	1,529,894	728,445	(47,640,922)	13,095,130
Net loss for the year	-	-	-	(19,382,454)	(19,382,454)
Other comprehensive income:					
Exchange differences on translation of foreign operations	-	-	368,311	-	368,311
Total comprehensive income/(loss) for the period	-	-	368,311	(19,382,454)	(19,014,143)
Conversion right of Loan Note 1	8,283,582	-	-	-	8,283,582
Share issue costs	(43,000)	-	-	-	(43,000)
Issue of convertible note (note 12(a))	2,627,430	-	-	-	2,627,430
Convertible note issue costs	(27,418)	-	-	-	(27,418)
Issue of CD Options	6,207,493	-	-	-	6,207,493
Expiry of vested Incentive Options	-	(359,800)	-	359,800	-
Forfeiture of unvested Performance Rights	-	(1,194,000)	-	-	(1,194,000)
Recognition of share-based payments	-	2,510,624	-	-	2,510,624
Balance at 30 June 2018	75,525,800	2,486,718	1,096,756	(66,663,576)	12,445,698

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

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**CONSOLIDATED STATEMENT OF
CASH FLOWS**
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 \$	2018 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(4,979,226)	(9,589,237)
Proceeds from property and gas sales		433,426	504,702
Interest received from third parties		218,838	370,106
NET CASH FLOWS USED IN OPERATING ACTIVITIES	15(a)	(4,326,962)	(8,714,429)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		-	(65,450)
Proceeds from sale of property		3,346	495,008
NET CASH FLOWS FROM INVESTING ACTIVITIES		3,346	429,558
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	-
Payments for share issue costs		(70,346)	(92,469)
Proceeds from issues of convertible note		-	2,627,430
Payments for issue of convertible note		-	(54,611)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(70,346)	2,480,350
Net increase/(decrease) in cash and cash equivalents		(4,393,962)	(5,804,521)
Net foreign exchange differences		-	-
Cash and cash equivalents at beginning of year		11,022,333	16,826,854
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	15(b)	6,628,371	11,022,333

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

**NOTES TO AND FORMING PART OF
THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**



1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in preparing the financial report of Prairie Mining Limited ("Prairie" or "Company") and its consolidated entities ("Consolidated Entity" or "Group") for the year ended 30 June 2019 are stated to assist in a general understanding of the financial report.

Prairie Mining is a Company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange ("ASX"), the London Stock Exchange and the Warsaw Stock Exchange.

The financial report of the Group for the year ended 30 June 2019 was authorised for issue in accordance with a resolution of the Directors.

(a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards ("AASBs") and other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. The Group is a for-profit entity for the purposes of preparing the consolidated financial statements.

The financial report has been prepared on a historical cost basis, except for certain financial liabilities which have been measured at fair value. The financial report is presented in Australian dollars.

The consolidated financial statements have been prepared on a going concern basis which assumes the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

(b) Statement of Compliance

The financial report complies with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

New and revised standards and amendments thereof and interpretations effective for the current reporting period that are relevant to the Group include:

- AASB 9 *Financial Instruments*, and relevant amending standards;
- AASB 15 *Revenue from Contracts with Customers*, and relevant amending standards;
- AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*; and
- AASB Interpretation 22 *Foreign Currency Transactions and Advance Consideration*.

The adoption of these new and revised standards has not resulted in any significant changes to the Group's accounting policies or to the amounts reported for the current or prior periods. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

(c) Changes in Accounting Policies

AASB 9 replaces parts of AASB 139 bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The accounting policies have been updated to reflect the application of AASB 9 for the period from 1 July 2018.

The Consolidated Entity has applied AASB 9 retrospectively, with the initial application date being 1 July 2018. The cumulative impact of applying AASB 9 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. The Consolidated Entity has elected not to adjust comparative information.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

(Continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in Accounting Policies (Continued)

Impact of Changes – AASB 9 Financial Instruments

The Company has adopted AASB 9 from 1 July 2018 which have resulted in changes to accounting policies and the analysis for possible adjustments to amounts recognised in the financial reports. In accordance with the transitional provisions in AASB 9, the reclassifications and adjustments are not reflected in the balance sheet as at 30 June 2018 but recognised in the opening balance sheet as at 1 July 2018. As per the new impairment model introduced by AASB 9, the Company has not recognised a loss allowance on trade and other receivables.

Classification and Measurement

On 1 July 2018, the Company has assessed which business models apply to the financial instruments held by the Company and have classified them into the appropriate AASB 9 categories. The main effects resulting from this reclassification are shown in the table below.

On adoption of AASB 9, the Company classified financial assets and liabilities as subsequently measured at either amortised cost or fair value, depending on the business model for those assets and on the asset's contractual cash flow characteristics. There were no changes in the measurement of the Company's financial instruments.

There was no impact on the statement of comprehensive income or the statement of changes in equity on adoption of AASB 9 in relation to classification and measurement of financial assets and liabilities.

The following table summarises the impact on the classification and measurement of the Group's financial instruments at 1 July 2018:

Presented in statement of financial position	AASB 139	AASB 9	Original carrying amount under	New carrying amount under
			AASB 139	AASB 9
			\$	\$
Cash and cash equivalents	Loans and receivables	Amortised Cost	11,022,333	11,022,333
Trade and other receivables	Loans and receivables	Amortised Cost	953,528	953,528
Trade and other payables	Amortised Cost	Amortised Cost	865,265	865,265
Financial liabilities	Fair Value	Fair Value	1,891,573	1,891,573

The Company does not currently enter into any hedge accounting and therefore there is no impact to the Company's Interim Financial Reports.

Impairment

AASB 9 introduces a new expected credit loss ("ECL") impairment model that requires the Company to adopt an ECL position across the Company's financial assets at 1 July 2018. The Company's receivables balance consists of GST refunds from the Australian Tax Office, interest receivables from recognised Australian banking institutions and gas and property income from a single customer. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, all bank balances are assessed to have low credit risk as they are held with reputable financial institutions that are rated the equivalent of investment grade and above.

The loss allowances for financial assets are based on the assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Given the Company's counterparties are government entities, recognised Australian banking institutions and a single customer with no history of non-payment, the Company has assessed that the risk of default is minimal and as such, no impairment loss has been recognised against financial assets as at 1 July 2018.

Impact of Changes – AASB 15 Revenue

AASB 15 established a comprehensive framework for determining whether, how much, and when revenue is recognised. It replaced AASB 118 *Revenue* and AASB 111 *Construction Contracts* and related interpretations. The Group has adopted AASB 15 from 1 July 2018 which has resulted in changes to its accounting policy. However, there have been no adjustments to amounts recognised in the consolidated financial statements as revenue from customer contracts is considered to be immaterial.

(d) Issued standards and interpretations not early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2019. These are outlined in the table overleaf, but these are not expected to have any significant impact on the Group's financial statements.

Standard/Interpretation	Application date of standard	Application date for Group
AASB 16 <i>Leases</i>	1 January 2019	1 July 2019
<i>Interpretation 23 Uncertainty over Income Tax Treatments</i>	1 January 2019	1 July 2019
AASB 2017-7 <i>Amendments – Long-term Interests in Associates and Joint Venture Amendments to IAS 28 and Illustrative Example – Long-term Interests in Associates and Joint Ventures</i>	1 January 2019	1 July 2019
AASB 2018-1 <i>Amendments – Annual Improvements 2015-2017 Cycle</i>	1 January 2019	1 July 2019

AASB 16 Leases

AASB 16 will replace existing accounting requirements for leases under AASB 117 *Leases*. Under current requirements, leases are classified based on their nature as either finance leases which are recognised on the Statement of Financial Position, or operating leases, which are not recognised on the Statement of Financial Position.

Under AASB 16 *Leases*, the Company's accounting for operating leases as a lessee will result in the recognition of a right-of-use ("ROU") asset and an associated lease liability on the Statement of Financial Position. The lease liability represents the present value of future lease payments, with the exception of short-term and low value leases. An interest expense will be recognised on the lease liabilities and a depreciation charge will be recognised for the ROU assets. There will also be additional disclosure requirements under the new standard.

Based on the Company's assessment to date, adoption of AASB 16 is expected to have an immaterial impact on the financial statements of the Company due to the minimal number, if any, of non-cancellable leases currently entered into by the Company which do not fall under a short-term or low value exception.

Transition

The Company will initially apply AASB 16 on 1 July 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under AASB 117, the Company can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Company is assessing the potential impact of using these practical expedients.

Based on the Company's assessment to date, it is expected that the adoption of AASB 16 will have minimal impact if any on the financial statements of the Company.

(e) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2019 and the results of all subsidiaries for the year then ended.

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

(Continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Principles of Consolidation (Continued)

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases. Intercompany transactions and balances, income and expenses and profits and losses between Group companies, are eliminated.

(f) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(g) Trade and Other Receivables

Trade receivables are recognised and carried at amortised costs amount less any ECL.

Receivables from related parties are recognised and carried at amortised costs and are interest free.

(h) Financial Assets

(i) Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("OCI"), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, less transaction costs.

(ii) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost;
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (not relevant to the Group);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments – not relevant to the group); and
- Financial assets at fair value through profit or loss (equity instruments – not relevant to the group).

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes GST and other taxes receivables, interest receivable and security deposits.

Impairment

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For receivables due in less than 12 months, the Group recognises a loss allowance based on the financial asset's lifetime ECL at each reporting date.

Given the nature of financial assets held by the Group, it considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

(i) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term. Leases where a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(j) Property, Plant and Equipment

(i) Recognition and measurement

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in the Statement of Profit or Loss and other Comprehensive Income as incurred.

(ii) Depreciation and Amortisation.

Depreciation is provided on a straight-line basis on all property, plant and equipment.

	2019	2018
Major depreciation and amortisation periods are:		
Buildings:	2% - 40%	2% - 40%
Plant and equipment:	22% - 40%	22% - 40%

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(iii) Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

(Continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Exploration and Evaluation Expenditure

Expenditure on exploration and evaluation is accounted for in accordance with the 'area of interest' method.

Exploration and evaluation expenditure encompasses expenditures incurred by the Group in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

For each area of interest, expenditure incurred in the acquisition of rights to explore is capitalised, classified as tangible or intangible, and recognised as an exploration and evaluation asset. Exploration and evaluation assets are measured at cost at recognition and are recorded as an asset if:

- (i) the rights to tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met:
 - the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and
 - exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation expenditure incurred by the Group subsequent to acquisition of the rights to explore is expensed as incurred, up to costs associated with the preparation of a feasibility study.

Impairment

Capitalised exploration costs are reviewed each reporting date to establish whether an indication of impairment exists. If any such indication exists, the recoverable amount of the capitalised exploration costs is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development, accumulated expenditure is tested for impairment and transferred to development properties, and then amortised over the life of the reserves associated with the area of interest once mining operations have commenced. Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

(l) Payables

Liabilities are recognised for amounts to be paid in the future for goods and services received. Trade accounts payable are normally settled within 60 days. Payables are carried at amortised cost.

(m) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(n) Financial Liabilities

(i) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings (amortised cost) or payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and financial liabilities at fair value through profit or loss.

(ii) Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Amortised cost liabilities

This is the category most relevant to the Group. After initial recognition, amortised cost liabilities are subsequently measured at amortised cost using the effective interest rate ("EIR") method. Gains and losses are then recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

The contingent consideration has been classified as an amortised cost liability.

Financial liabilities at fair value through profit or loss

This is the category least relevant to the Group. Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in AASB 9 are satisfied.

(iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

(o) Revenue Recognition

Revenue is recognised when control of goods is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled to in exchange for those goods.

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

(Continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Income Tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose on goodwill or in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against tax liabilities and the deferred tax liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation

Prairie Mining Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the group recognises its own current and deferred tax liabilities, except for any deferred tax assets resulting from unused tax losses and tax credits, which are immediately assumed by the Company. The current tax liability of each group entity is then subsequently assumed by the Company. The tax consolidated group has entered a tax sharing agreement whereby each company in the Group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

(q) Employee Entitlements

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within 12 months have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than 12 months have been measured using the projected unit credit valuation method.

(r) Earnings per Share

Basic earnings per share ("EPS") is calculated by dividing the net profit attributable to members of the Company for the reporting period, after excluding any costs of servicing equity, by the weighted average number of Ordinary Shares of the Company, adjusted for any bonus issue.

Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after tax effect of financing costs associated with dilutive potential Ordinary Shares and the effect on revenues and expenses of conversion to Ordinary Shares associated with dilutive potential Ordinary Shares, by the weighted average number of Ordinary Shares and dilutive Ordinary Shares adjusted for any bonus issue.

(s) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(t) Acquisition of Assets

A group of assets may be acquired in a transaction which is not a business combination. In such cases the cost of acquisition is allocated to the individual identifiable assets (including intangible assets that meet the definition of and recognition criteria for intangible assets in AASB 138) acquired and liabilities assumed on the basis of their relative fair values at the date of purchase.

(u) Impairment of non-current Assets

The Group assesses at each reporting date whether there is an indication that a non-current asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount.

That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(v) Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The net carrying value of trade receivables and payables are short term in nature and approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(w) Issued and Unissued Capital

Ordinary Shares and unissued milestone shares are classified as equity. Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

(Continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Foreign Currencies

(i) Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction.

Exchange differences arising on the translation of monetary items are recognised in the Statement Profit or Loss and other Comprehensive Income.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the other Comprehensive Income.

(iii) Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- items of equity are translated at the historical exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the Statement of Profit or Loss and other Comprehensive Income in the period in which the operation is disposed.

(y) Share-Based Payments

Equity-settled share-based payments are provided to officers, employees, consultants and other advisors. These share-based payments are measured at the fair value of the equity instrument at the grant date. Fair value is determined using the Binomial option pricing model. Further details on how the fair value of equity-settled share-based payments has been determined can be found in Note 19.

The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At each reporting date, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the option premium reserve.

Equity-settled share-based payments may also be provided as consideration for the acquisition of assets. Where Ordinary Shares are issued, the transaction is recorded at fair value based on the quoted price of the Ordinary Shares at the grant date. The acquisition is then recorded as an asset or expensed in accordance with accounting standards.

(z) Use and Revision of Accounting Estimates, Judgements and Assumptions

The preparation of the financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Exploration and Evaluation Assets (Note 8) - the Group's accounting policy for exploration and evaluation assets is set out in Note 1(k). The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves have been found. The determination of an area of interest requires judgement. As disclosed in Note 8, the Company has impaired all capitalised exploration and evaluation assets during the year.
- Financial liabilities at fair value through Profit or Loss (Note 10 and Note 22(g)) - Convertible notes and financial liabilities at fair value through Profit or Loss – accounting for convertible notes requires judgement in respect of whether the host contract is debt or equity. Estimating fair value for embedded derivatives requires the determination of the most appropriate valuation model and the determination of the most appropriate inputs to the valuation model. The assumptions used for estimating the fair value of the embedded derivative is disclosed in Note 22(g).
- Share-Based Payments (Note 19) - The Group initially measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instrument at the date at which they are granted. Estimating fair value for share-based payment transactions requires the determination of the most appropriate valuation model. This estimate also requires the determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield. The assumption and models used for estimating the fair value for share-based payment transactions are disclosed in Note 19.
- Functional currency of foreign operations (Note 22(h)) - determination of the functional currency of foreign subsidiaries requires judgement regarding the primary currency of labour, material and exploration spend in that subsidiary.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

(Continued)

2. REVENUE AND OTHER INCOME

		2019	2018
		\$	\$
(a) Revenue			
Interest income		203,160	333,291
Gas and property lease income		354,170	493,592
		557,330	826,883
(b) Other income			
Gain on extinguishment of financial liability	10	1,945,080	-
		1,945,080	-

3. EXPENSES

		2019	2018
	Note	\$	\$
(a) Employee benefits expense			
Salaries and wages		(415,783)	(528,333)
Superannuation expense		(6,745)	(7,220)
Other employee expenses		(3,918)	(3,918)
Employment expenses		(426,446)	(539,471)
Share-based payment (expense)/reversal	19(a)	1,599,118	(1,316,624)
Employment expenses recorded in exploration and evaluation expenses		(573,669)	(687,970)
Total employment expenses included in profit or loss		599,003	(2,544,065)

4. FAIR VALUE MOVEMENTS

	2019	2018
	\$	\$
Fair value loss on financial liabilities at fair value through profit and loss	-	(9,884,328)
	-	(9,884,328)

Notes:

¹ The fair value movements were previously as result of the fair value measurements of the conversion rights (i.e. the right to receive Ordinary Shares and the CD Options) associated with Loan Note 1. During the 2018 financial year, Loan Note 1 was converted into Ordinary Shares, the Company issued the CD Options and the associated financial liabilities were reclassified from a liability to equity and required no cash settlement.

5. INCOME TAX

	2019	2018
	\$	\$
(a) Recognised in the statement of comprehensive income		
Current income tax		
Current income tax benefit in respect of the current year	-	-
Deferred income tax		
Relating to origination and reversal of temporary differences	-	-
Income tax expense/(benefit) reported in the statement of Profit or Loss and other Comprehensive income	-	-
(b) Reconciliation between tax expense and accounting loss before income tax		
Accounting loss before income tax	(3,550,672)	(19,382,454)
At the domestic income tax rate of 30.0% (2018: 27.5%)	(1,065,154)	(5,330,175)
Expenditure not allowable for income tax purposes	728,179	3,272,302
Income not assessable for income tax purposes	(599,690)	-
Effect of increase in Australian tax rate	103,821	-
Adjustments in respect of deferred income tax of previous years	(1,305,877)	-
Deferred tax assets not brought to account	1,837,984	1,508,087
Effect of different tax rates of subsidiaries operating in other jurisdictions	300,737	549,786
Income tax expense/(benefit) reported in the statement of Profit or Loss and other Comprehensive income	-	-
(c) Deferred Tax Assets and Liabilities		
Deferred income tax at 30 June relates to the following:		
Deferred Tax Liabilities		
Receivables	6,807	10,564
Deferred tax assets used to offset deferred tax liabilities	(6,807)	(10,564)
	-	-
Deferred Tax Assets		
Accrued expenditure	14,400	9,900
Capital allowances	3,720,697	3,423,873
Tax losses available to offset against future taxable income	4,739,672	3,206,769
Deferred tax assets used to offset deferred tax liabilities	(6,807)	(10,564)
Movement in deferred tax assets not brought to account	(8,467,962)	(6,629,978)
	-	-

The benefit of deferred tax assets not brought to account will only be brought to account if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect the Group in realising the benefit.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

(Continued)

5. INCOME TAX (Continued)

(e) Tax Consolidation

The Company and its wholly-owned Australian resident entities have formed a tax consolidated group and are therefore taxed as a single entity. The head entity within the tax consolidated group is Prairie Mining Limited.

(f) Polish tax Losses

Losses from one source of profits may offset income from other sources in the same tax year. Losses may be carried forward to the following five tax years to offset profits from all sources that are derived in those years. Up to 50% of the original loss may offset profits in any of the five tax years. Losses may not be carried back.

6. TRADE AND OTHER RECEIVABLES

	2019 \$	2018 \$
Trade receivables	198,609	309,545
Accrued interest	22,691	38,414
Deposits/prepayments	445,541	437,402
GST and other receivables	160,637	168,167
	827,478	953,528

Note:

¹ As at 30 June 2019, no amounts are past due or impaired.

7. PROPERTY, PLANT AND EQUIPMENT

	Note	2019 \$	2018 \$
(a) Property, Plant and Equipment			
Gross carrying amount at cost		2,660,382	2,605,064
Accumulated Depreciation		(289,354)	(241,913)
Carrying amount at end of year		2,371,028	2,363,151
(b) Reconciliation			
Carrying amount at the start of the year		2,363,151	2,779,526
Additions		-	65,450
Disposals		(15,285)	(457,979)
Depreciation charge		(97,241)	(106,716)
Exchange rate differences on translation of foreign operations		120,403	82,870
Carrying amount at end of year		2,371,028	2,363,151

8. EXPLORATION AND EVALUATION ASSETS

	Note	2019 \$	2018 \$
(a) Areas of Interest			
Jan Karski Mine ¹		-	530,000
Debiensko Mine ¹		-	2,126,968
Carrying amount at end of year¹		-	2,656,968
(b) Reconciliation			
Carrying amount at the start of the year		2,656,968	2,603,172
Impairment of exploration expenditure ¹		(2,721,198)	-
Exchange rate differences on translation of foreign operations		64,230	53,796
Carrying amount at end of year¹		-	2,656,968

Note:

¹ The ultimate recoupment of costs carried forward for exploration and evaluation is dependent on the successful development and commercial exploitation or sale of the respective areas of interest. During the year an Appeal Court in Warsaw overturned the District Court's injunction that was previously awarded in Prairie's favour which prevented the MoE from granting a mining usufruct or exploration/mining concession to another party except Prairie at Jan Karski. Furthermore, a final "second instance" decision was received by the Company from the MoE that denied the Debiensko Mining Concession amendment application which was submitted in 2016. Taking this into account, Prairie has impaired its exploration and evaluation assets in full following the measures discussed above directed against Prairie by the Polish government which the Company believes is in breach of Polish and international law. These measures, with respect to the Company's permitting process and licenses, have blocked any pathway to future production from both Debiensko and Jan Karski. For this and other reasons, Prairie has formally notified the Polish government that there exists an investment dispute between Prairie and the Polish Government that has arisen out of certain measures taken by Poland which the Company believes is in breach of the Energy Charter Treaty and the Australia-Poland Bilateral Investment Treaty.

9. TRADE AND OTHER PAYABLES

	2019 \$	2018 \$
Trade and other payables	1,050,862	865,265
	1,050,862	865,265

Notes:

¹ Trade payables are non-interest bearing and are normally settled on 30-day terms.

² Other payables are non-interest bearing and have an average term of six months.

10. OTHER FINANCIAL LIABILITIES

	2019 \$	2018 \$
<i>Financial liabilities at fair value through profit or loss:</i>		
Contingent consideration ¹	-	1,891,573

Note:

¹ In the 2017 financial year the Company acquired 100% of the shares of Karbonia for upfront cash consideration of €500,000 (\$742,367) and by agreeing to pay a contingent cash consideration component of €1,500,000 upon certain project specific milestones being achieved. As at the acquisition date, the fair value of the contingent consideration was estimated to be €1,200,000 (\$1,781,680) based on the probability of meeting the project milestones and being granted approval to amend the Debiensko Mining Concession. As at the reporting date, following the receipt of final "second instance" decision from the MoE that denied the Mining Concession amendment application, the Company believes there is no probability of meeting the project milestones which would trigger the contingent consideration and that there is longer any present obligation to pay the contingent consideration. Accordingly, the liability has been derecognised which has resulted in a gain to the profit and loss of \$1,945,080 (2018: nil).

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

(Continued)

11. PROVISIONS

	2019 \$	2018 \$
PROVISIONS		
(a) Current Provisions:		
Provisions for the protection against mining damage at Debiensko ¹	259,990	195,463
Annual leave provision	26,016	122,251
Other ²	-	215,106
	286,006	532,820
(b) Non-Current Provisions:		
Provisions for the protection against mining damage at Debiensko ¹	1,181,421	1,260,624
	1,181,421	1,260,624

Notes:

¹ As Debiensko was previously an operating mine, Karbonia is required to pay out mining land damages to any surrounding land owners who makes a legitimate claim under Polish law.

² In April 2012, Karbonia signed a power connection contract with the local power grid operator. The purpose of the contract was to connect Karbonia's future mining facilities at Debiensko to the power operator's power lines. The operator has incurred expenses amounting to PLN597,614 (\$215,106) of which Karbonia would owe to the operator in the event that the contract is terminated (which both parties are entitled to do), or if power is not purchased from Tauron prior to 30 November 2019. During the year, the Company successfully negotiated the cancellation of the contract with Tauron.

12. CONTRIBUTED EQUITY

	Note	2019 \$	2018 \$
(a) Issued and Unissued Capital			
212,275,089 (2018: 212,275,089) fully paid Ordinary Shares	12(b)	66,683,908	66,718,295
Loan Note 2 exchangeable into fully paid ordinary shares at \$0.46 per share, net of transaction costs ¹		2,600,012	2,600,012
Issue of CD Options		6,207,493	6,207,493
Total Contributed Equity		75,491,413	75,525,800

Notes:

- ¹ On 2 July 2017, Prairie and CD Capital completed an investment of US\$2.0 million (A\$2.6 million) in the form of the non-redeemable, non-interest-bearing convertible Loan Note 2. The Loan Note 2 is convertible into ordinary shares of Prairie at an issue price of A\$0.46 per share and is accounted for as equity (in full).
- Other key terms of the Loan Note 2 include the following:
- Loan Note 2 is non-interest bearing;
 - Loan Note 2 is only repayable in an event of breach of the terms of the Loan Note 2 agreements;
 - Loan Note 2 cannot be converted until after 1 April 2018 by either party;
 - Prairie has the right, whilst no Event of Default exists, to convert all or part of the outstanding principal amount of Loan Note 2 into shares at the conversion price of \$0.46 per share:
 - in the event of an unconditional takeover of the Company (acquisition of a relevant interest in at least 50% of Prairie shares pursuant to a takeover bid or by an Australian court approving a merger by way of a scheme of arrangement); or
 - at any time after 1 April 2018 provided that the 30 day VWAP of Prairie's shares exceeds the conversion price of \$0.46 per share.
 - Loan Note 2 does not provide CD Capital with any right to participate in any new issues of securities.
 - CD Capital has the right to convert all or part of the outstanding principal amount of the Notes into shares at the conversion price of \$0.46 per share provided that:
 - Loan Note 1 has been converted into Prairie shares; and
 - The CD Options have been exercised into Prairie shares.
 - If the Company reorganises its capital structure, such as by subdividing or consolidating the number of its shares, conducts a pro-rata offer to existing shareholders or distributes assets or securities to Shareholders, then the conversion price of \$0.46 of Loan Note 2 will be adjusted so that the number of Prairie shares received by CD Capital on conversion of Loan Note 2 is the same as if Loan Note 2 were converted prior to relevant event.
 - The occurrence of an Event of Default entitles CD Capital to declare the principal amount of the Loan Note 2 immediately due and payable and exercise any other rights or remedies (including bringing proceedings) against the Company.
 - Each of the following events is an "Event of Default" in relation to the Loan Note 2:
 - If any representation or warranty made by Prairie is false or misleading which is reasonably likely to be a Material Adverse Effect, and if such breach is capable of remedy, it is not remedied within 45 days;
 - If the Company breaches a covenant or condition of the Notes or associated agreements which is a Material Adverse Effect, and if such breach is capable of remedy, it is not remedied within 45 days;
 - An Insolvency Event occurs (i.e. winding up) in relation to the Group;
 - If the Group ceases to carry on a business; or
 - If the Group does not maintain the listing and trading of its shares on at least one of the ASX, LSE or WSE.
 - CD Capital may assign, transfer or encumber in whole or in part (in amounts of at least A\$1 million) its rights under Loan Note 2 to any third party by giving written notice to Prairie provided the third party has provided a deed of assumption. Assignment of Loan Note 2 will not result in the assignment of the rights and obligations under the subscription agreement or investment agreement from Loan Note 1.
 - A Material Adverse Effect means a material adverse effect on:
 - the Company or PDZ Holding's ability to perform any of their obligations under Loan Note 2, the and all other Transaction Document;
 - the validity or enforceability of a Transaction Document; or
 - the assets, business, condition (financial or otherwise), prospects or operations of the Group.
 - An Insolvency Event in relation to the Group means:
 - An order being made, or the Group passing a resolution, for its winding up.

(b) Movements in Ordinary Shares During the Past Two Years Were as Follows:

Date	Details	Number of Ordinary Shares	\$
1 Jul 18	Opening balance	212,275,089	66,718,295
Jul 18 to Jun 19	Share issue costs	-	(34,387)
30 Jun 19	Closing balance	212,275,089	66,683,908

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

(Continued)

12. CONTRIBUTED EQUITY (Continued)

(b) Movements in Ordinary Shares During the Past Two Years Were as Follows (Continued):

Date	Details	Number of Ordinary Shares	\$
1 Jul 17	Opening balance	167,498,969	45,349,612
30 May 18	Issue of shares on conversion of Loan Note 1, net of transaction costs	44,776,120	13,128,101
30 May 18	Conversion right of Loan Note 1 reclassified to equity	-	8,283,582
Jul 17 to Jun 18	Share issue costs	-	(43,000)
30 Jun 18	Closing balance	212,275,089	66,718,295

(c) Rights Attaching to Ordinary Shares

The rights attaching to fully paid Ordinary Shares arise from a combination of the Company's Constitution, statute and general law.

Ordinary Shares issued following the exercise of Incentive Options in accordance with Note 13(c) or the conversion of Performance Rights in accordance with Note 13(d) will rank equally in all respects with the Company's existing Ordinary Shares.

Copies of the Company's Constitution are available for inspection during business hours at the Company's registered office. The clauses of the Constitution contain the internal rules of the Company and define matters such as the rights, duties and powers of its shareholders and directors, including provisions to the following effect (when read in conjunction with the Corporations Act 2001 or Listing Rules).

(i) Shares

The issue of shares in the capital of the Company and options over unissued shares by the Company is under the control of the Directors, subject to the Corporations Act 2001, ASX Listing Rules and any rights attached to any special class of shares.

(ii) Meetings of Members

Directors may call a meeting of members whenever they think fit. Members may call a meeting as provided by the Corporations Act 2001. The Constitution contains provisions prescribing the content requirements of notices of meetings of members and all members are entitled to a notice of meeting. A meeting may be held in two or more places linked together by audio-visual communication devices. A quorum for a meeting of members is two shareholders.

The Company holds annual general meetings in accordance with the Corporations Act 2001 and the Listing Rules.

(iii) Voting

Subject to any rights or restrictions at the time being attached to any shares or class of shares of the Company, each member of the Company is entitled to receive notice of, attend and vote at a general meeting. Resolutions of members will be decided by a show of hands unless a poll is demanded. On a show of hands each eligible voter present has one vote. However, where a person present at a general meeting represents personally or by proxy, attorney or representative more than one member, on a show of hands the person is entitled to one vote only despite the number of members the person represents.

On a poll each eligible member has one vote for each fully paid share held and a fraction of a vote for each partly paid share determined by the amount paid up on that share.

(iv) *Changes to the Constitution*

The Company's Constitution can only be amended by a special resolution passed by at least three quarters of the members present and voting at a general meeting of the Company. At least 28 days' written notice specifying the intention to propose the resolution as a special resolution must be given.

(v) *Listing Rules*

Provided the Company remains admitted to the Official List, then despite anything in its Constitution, no act may be done that is prohibited by the Listing Rules, and authority is given for acts required to be done by the Listing Rules. The Company's Constitution will be deemed to comply with the Listing Rules as amended from time to time.

13. RESERVES

	Note	2019 \$	2018 \$
Share-based-payments reserve	13(b)	887,600	2,486,718
Foreign currency translation reserve		1,143,823	1,096,756
		2,031,423	3,583,474

(a) **Nature and Purpose of Reserves**

(i) *Share-based payments reserve*

The share-based payments reserve is used to record the fair value of Incentive Options and Performance Rights issued by the Group.

(ii) *Foreign Currency Translation Reserve*

Exchange differences arising on translation of foreign controlled entities are taken to the foreign currency translation reserve, as described in Note 10. The reserve is recognised in the Statement of Profit or Loss and other Comprehensive Income when the net investment is disposed of.

(b) **Movements in share-based payments reserve during the past two years were as follows:**

Date	Details	Number of Incentive Options	Number of Performance Rights	\$
1 Jul 18	Opening balance	1,800,000	10,675,000	2,486,718
31 Dec 18	Forfeiture of Performance Rights	-	(3,075,000)	(1,266,881)
12 Apr 19	Grant of Performance Rights	-	1,325,000	-
5 Jun 19	Grant of Performance Rights	-	500,000	-
Jul 18 to Jun 19	Reversal of share-based payments (Note 19)	-	-	(2,158,464)
Jul 18 to Jun 19	Share-based payments expense	-	-	1,826,227
30 Jun 19	Closing balance	1,800,000	9,425,000	887,600

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

(Continued)

13. RESERVES (Continued)

(b) Movements in share-based payments reserve during the past two years were as follows (Cont'd):

Date	Details	Number of Incentive Options	Number of Performance Rights	\$
1 Jul 17	Opening balance	2,700,000	6,800,000	1,529,894
21 Aug 17	Grant of Performance Rights	-	5,775,000	-
15 Sep 17	Grant of Incentive Options	500,000	-	-
31 Dec 17	Forfeiture of Performance Rights	-	(3,150,000)	(1,134,010)
7 Apr 18	Grant of Performance Rights	-	1,500,000	-
23 Mar 18	Forfeiture of Performance Rights	-	(250,000)	(59,990)
30 Jun 18	Expiry of Incentive Options	(1,400,000)	-	(359,800)
Jul 17 to Jun 18	Share-based payments expense	-	-	2,510,624
30 Jun 18	Closing balance	1,800,000	10,675,000	2,486,718

(c) Terms and Conditions of Incentive Options

The Incentive Options are granted based upon the following terms and conditions:

- Each Incentive Option entitles the holder the right to subscribe for one Ordinary Share upon the exercise of each Incentive Option;
- The Incentive Options outstanding at the end of the financial year have the following exercise prices and expiry dates:
 - 200,000 Incentive Options exercisable at \$0.50 each on or before 31 March 2020;
 - 900,000 Incentive Options exercisable at \$0.60 each on or before 31 March 2020; and
 - 700,000 Incentive Options exercisable at \$0.80 each on or before 31 March 2020.
- The Incentive Options are exercisable at any time prior to the Expiry Date, subject to vesting conditions being satisfied (if applicable);
- Ordinary Shares issued on exercise of the Incentive Options rank equally with the then Ordinary Shares of the Company;
- application will be made by the Company to ASX for official quotation of the Ordinary Shares issued upon the exercise of the Incentive Options;
- If there is any reconstruction of the issued share capital of the Company, the rights of the Incentive Option holders may be varied to comply with the ASX Listing Rules which apply to the reconstruction at the time of the reconstruction; and
- No application for quotation of the Incentive Options will be made by the Company.

The Company also has a number of other unlisted securities (not accounted for as share-based payments) on issue which includes the following:

- 22,388,060 CD Options exercisable at \$0.60 each expiring 30 May 2021; and
- A convertible loan note with a principal amount of \$2,627,430, convertible into 5,711,805 ordinary shares at a conversion price of \$0.46 per share with no expiry date (Loan Note 2) (Terms disclosed at Note 12(a)).

(d) Terms and Conditions of Performance Rights

The unlisted performance share rights ("Performance Rights") are granted based upon the following terms and conditions:

- Each Performance Right automatically converts into one Ordinary Share upon vesting of the Performance Right;
- Each Performance Right is subject to performance conditions (as determined by the Board from time to time) which must be satisfied in order for the Performance Right to vest;
- The Performance Rights outstanding at the end of the financial year have the following expiry dates:
 - 3,200,000 Performance Rights expiring 31 December 2019;
 - 1,825,000 Performance Rights expiring 30 September 2020; and
 - 4,400,000 Performance Rights expiring on 31 December 2020.
- Ordinary Shares issued on conversion of the Performance Rights rank equally with the then Ordinary Shares of the Company;
- Application will be made by the Company to ASX for official quotation of the Ordinary Shares issued upon conversion of the Performance Rights;
- If there is any reconstruction of the issued share capital of the Company, the rights of the Performance Right holders may be varied to comply with the ASX Listing Rules which apply to the reconstruction at the time of the reconstruction;
- No application for quotation of the Performance Rights will be made by the Company; and
- Without approval of the Board, Performance Rights may not be transferred, assigned or novated, except, upon death, a participant's legal personal representative may elect to be registered as the new holder of such Performance Rights and exercise any rights in respect of them.

14. EARNINGS PER SHARE

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

	2019 \$	2018 \$
The following reflects the income and share data used in the calculations of basic and diluted earnings/(loss) per share:		
Net loss attributable to members of the Parent used in calculating basic and diluted earnings per share	(3,550,672)	(19,382,454)

	Number of Ordinary Shares 2019	Number of Ordinary Shares 2018
Weighted average number of Ordinary Shares used in calculating basic and diluted loss per share	212,275,089	171,424,547
Weighted average number of Ordinary Shares upon conversion of Loan Note 2	5,711,805	4,898,068
	217,986,894	176,322,615

(a) Non-Dilutive Securities

As at balance date, 1,800,000 Incentive Options, 9,425,000 Performance Rights and 22,388,060 CD Options (which represent 33,613,060 potential Ordinary Shares) were considered non-dilutive as they would decrease the loss per share.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

(Continued)

14. EARNINGS PER SHARE (Continued)

(b) Conversions, Calls, Subscriptions or Issues after 30 June 2019

There have been no other conversions to, calls of, or subscriptions for Ordinary Shares or issues of potential Ordinary Shares since the reporting date and before the completion of this financial report.

15. STATEMENT OF CASH FLOWS

(a) Reconciliation of the Profit after Tax to the Net Cash Flows from Operations

	2019 \$	2018 \$
Net loss for the year	(3,550,672)	(19,382,454)
Adjustments		
Depreciation of plant and equipment	97,241	106,716
Share-based payment expense/(reversal)	(1,599,118)	1,316,624
Unrealised foreign exchange movement	(28,880)	496,706
Exploration expenditure written-off	2,721,198	-
Gain on extinguishment of financial liability	(1,945,080)	-
Fair value (gain)/loss on financial liabilities at fair value through profit and loss	-	9,884,328
Change in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	126,050	141,470
Increase/(decrease) in trade and other payables	185,754	(1,310,664)
Increase/(decrease) in provisions	(333,455)	32,845
Net cash outflow from operating activities	(4,326,962)	(8,714,429)
(b) Reconciliation of Cash		
Cash at bank and on hand	1,128,371	3,022,333
Deposits at call	5,500,000	8,000,000
	6,628,371	11,022,333

16. RELATED PARTIES

(a) Subsidiaries

Name	Country of Incorporation	% Equity Interest	
		2019 %	2018 %
Mineral Investments Pty Ltd	Australia	100	100
PDZ Holdings Pty Ltd	Australia	100	100
PDZ (UK) Limited	UK	100	100
PD CO Holdings (UK) Limited	UK	100	100
PD Co Sp. z o.o.	Poland	100	100
Karbonia S.A.	Poland	100	100
Karski Nieruchomości Sp. z o.o.	Poland	100	100

(b) Ultimate Parent

Prairie Mining Limited is the ultimate parent of the Group.

(c) Transactions with Related Parties

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Transactions with Key Management Personnel, including remuneration, are included at Note 17 below.

17. KEY MANAGEMENT PERSONNEL

(a) Details of Key Management Personnel

The KMP of the Group during or since the end of the financial year were as follows:

Directors

Mr Ian Middlemas	Chairman
Mr Benjamin Stoikovich	Director and CEO
Ms Carmel Daniele	Non-Executive Director
Mr Thomas Todd	Non-Executive Director
Mr Mark Pearce	Non-Executive Director
Mr Todd Hannigan	Alternate Director

Other KMP

Mr Miroslaw Taras	Group Executive – Poland
Mr Simon Kersey	Chief Financial Officer
Mr Dylan Browne	Company Secretary

Unless otherwise disclosed, the KMP held their position from 1 July 2018 until the date of this report.

	2019	2018
	\$	\$
Short-term employee benefits	940,236	1,161,290
Post-employment benefits	6,745	7,220
Share-based payments	(727,809)	269,173
Total compensation	219,172	1,437,683

(b) Loans from Key Management Personnel

No loans were provided to or received from Key Management Personnel during the year ended 30 June 2019 (2018: Nil).

(c) Other Transactions

Apollo Group Pty Ltd, a Company of which Mr Mark Pearce is a Director and beneficial shareholder, was paid \$240,000 (2018: \$150,000) for the provision of serviced office facilities and administration services. The amount is based on a monthly retainer due and payable in advance, with no fixed term, and is able to be terminated by either party with one month's notice. This item has been recognised as an expense in the Statement of Profit or Loss and other Comprehensive Income.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

(Continued)

18. PARENT ENTITY DISCLOSURES

	2019	2018
	\$	\$
(a) Financial Position		
Assets		
Current assets	6,747,033	10,897,769
Non-current assets	91,721	662,721
Total assets	6,838,754	11,560,490
Liabilities		
Current liabilities	546,467	412,414
Total liabilities	546,467	412,414
Equity		
Contributed equity	72,891,359	64,642,162
Reserves	887,600	2,486,718
Accumulated losses	(67,486,672)	(55,980,804)
Total equity	6,292,287	11,148,076
(b) Financial Performance		
Profit/(loss) for the year	(11,505,868)	(27,059,678)
Other comprehensive income/(loss)	-	-
Total comprehensive income/(loss)	(11,505,868)	(27,059,678)

(c) Other information

The Company has not entered into any guarantees in relation to its subsidiaries. Refer to Note 23 for details of contingent assets and liabilities.

19. SHARE-BASED PAYMENTS

(a) Recognised Share-based Payments

From time to time, the Group provides Incentive Options and Performance Rights to officers, employees, consultants and other key advisors as part of remuneration and incentive arrangements. The number of options or rights granted, and the terms of the options or rights granted are determined by the Board. Shareholder approval is sought where required. During the past two years, the following equity-settled share-based payments have been recognised:

	2019	2018
	\$	\$
Expense reversed upon the forfeiture of performance rights	1,266,880	-
Expense reversed upon performance rights deemed un-vestable	2,158,464	-
Expense arising from equity-settled share-based payment transactions	(1,826,226)	(1,316,624)
Total share-based payments recognised during the year	1,599,118	(1,316,624)

(b) Summary of Incentive Options and Performance Rights Granted as Share-based Payments

No Incentive Options were granted in 2019. The following Incentive Options were granted as share-based payments in 2018:

2018 Option Series	Number	Grant Date	Expiry Date	Vesting Date	Exercise Price \$	Grant Date Fair Value \$
Series 1	500,000	15 Sep 17	31 Mar 20	30 Jun 18	0.600	0.300

The following table illustrates the number and weighted average exercise prices ("WAEP") of Incentive Options granted as share-based payments at the beginning and end of the financial year:

Incentive Options	2019 Number	2019 WAEP	2018 Number	2018 WAEP
Outstanding at beginning of year	1,800,000	\$0.667	2,700,000	\$0.567
Granted by the Company during the year	-	-	500,000	\$0.600
Forfeited/cancelled/lapsed	-	-	(1,400,000)	\$0.450
Outstanding at end of year	1,800,000	\$0.667	1,800,000	\$0.667

The outstanding balance of options as at 30 June 2019 is represented by:

- 200,000 Incentive Options exercisable at \$0.50 each on or before 31 March 2020;
- 900,000 Incentive Options exercisable at \$0.60 each on or before 31 March 2020; and
- 700,000 Incentive Options exercisable at \$0.80 each on or before 31 March 2020.

The following Performance Rights were granted as share-based payments during the past two years:

2019 Rights Series	Number	Grant Date	Expiry Date	Vesting Date	Exercise Price \$	Grant Date Fair Value \$
Series 1	1,325,000	12 Apr 19	30 Sep 20	30 Sep 20	-	0.375
Series 2	500,000	5 Jun 19	30 Sep 20	30 Sep 20	-	0.330

2018 Rights Series	Number	Grant Date	Expiry Date	Vesting Date	Exercise Price \$	Grant Date Fair Value \$
Series 1	925,000	21 Aug 17	31 Dec 18	31 Dec 18	-	0.500
Series 2	2,130,000	21 Aug 17	31 Dec 19	31 Dec 19	-	0.500
Series 3	2,720,000	21 Aug 17	31 Dec 20	31 Dec 20	-	0.500
Series 4	750,000	6 Feb 18	31 Dec 18	31 Dec 18	-	0.520
Series 5	750,000	6 Feb 18	31 Dec 19	31 Dec 19	-	0.520

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

(Continued)

19. SHARE-BASED PAYMENTS (Continued)

(b) Summary of Incentive Options and Performance Rights Granted as Share-based Payments (Cont'd)

The following table illustrates the number and WAEP of Performance Rights granted as share-based payments at the beginning and end of the financial year:

Performance Rights	2019 Number	2019 WAEP	2018 Number	2018 WAEP
Outstanding at beginning of year	10,675,000	-	6,800,000	-
Granted by the Company during the year	1,825,000	-	7,275,000	-
Forfeited/cancelled/lapsed/expired	(3,075,000)	-	(3,400,000)	-
Outstanding at end of year	9,425,000	-	10,675,000	-

The outstanding balance of Performance Rights as at 30 June 2019 is represented by:

- 3,200,000 Performance Rights expiring 31 December 2019;
- 1,825,000 Performance Rights expiring 30 September 2020; and
- 4,400,000 Performance Rights expiring on 31 December 2020.

(c) Weighted Average Remaining Contractual Life

At 30 June 2019, the weighted average remaining contractual life of Incentive Options on issue that had been granted as share-based payments was 0.75 years (2018: 1.75 years) and of Performance Rights granted as share-based payments was 1.12 years (2018: 1.63 years).

(d) Range of Exercise Prices

At 30 June 2019, the range of exercise prices of Incentive Options on issue that had been granted as share-based payments was \$0.50 to \$0.80 (2018: \$0.50 to \$0.80). Performance Rights have a nil exercise price.

(e) Weighted Average Fair Value

The weighted average fair value of Incentive Options granted as share-based payments by the Group during the year ended 30 June 2019 was nil (2018: \$0.300). The weighted average fair value of Performance Rights granted as share-based payments by the Group during the year ended 30 June 2019 was \$0.363 (2018: \$0.504).

(f) Option and Rights Pricing Models

The fair value of the equity-settled share Incentive Options granted is estimated as at the date of grant using the binomial option valuation model taking into account the terms and conditions upon which the Incentive Options were granted. The fair value of the equity-settled share Performance Rights granted is estimated as at the date of grant with reference to the share price on that date.

No Incentive options were issued in 2019. The table below lists the inputs to the valuation model used for Incentive options granted by the Group in 2018:

2018 Inputs	Series 1
Exercise price	\$0.600
Grant date share price	\$0.610
Dividend yield ¹	-
Volatility ²	90%
Risk-free interest rate	2.08%
Grant date	15 Sep 17
Issue date	15 Sep 17
Expiry date	31 Mar 20
Expected life of option ³	2.54 years
Fair value at grant date	\$0.300

Notes:

¹ The dividend yield reflects the assumption that the current dividend payout will remain unchanged.

² The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

³ The expected life of the options is based on the expiry date of the options as there is limited track record of the early exercise of options.

The table below lists the inputs to the valuation model used for Performance Rights granted by the Group during the last two years:

2019 Inputs	Series 1	Series 2
Grant date share price	\$0.375	\$0.330
Grant date	12 Apr 19	5 Jun 19
Expiry date	30 Sep 20	30 Sep 20
Expected life of right ¹	1.47 years	1.32 years
Fair value at grant date	\$0.375	\$0.330

2018 Inputs	Series 1	Series 2	Series 3	Series 4	Series 5
Grant date share price	\$0.500	\$0.500	\$0.500	\$0.520	\$0.520
Grant date	21 Aug 17	21 Aug 17	21 Aug 17	6 Feb 18	6 Feb 18
Expiry date	31 Dec 18	31 Dec 19	31 Dec 20	31 Dec 18	31 Dec 19
Expected life of right ¹	1.36 years	2.36 years	3.36 years	0.90 years	1.9 years
Fair value at grant date	\$0.500	\$0.500	\$0.500	\$0.520	\$0.520

Notes:

¹ The expected life of the rights is based on the expiry date of the rights as there is limited track record of the early exercise of rights.

20. AUDITORS' REMUNERATION

The auditor of Prairie Mining Limited is Ernst & Young.

	2019	2018
	\$	\$
Amounts received or due and receivable by Ernst & Young for:		
• Ernst and Young – Australia: an audit or review of the financial report of the Company and any other entity in the consolidated group	33,500	30,300
• Ernst and Young – Australia: preparation of income tax return for FY2018 and FY2019	11,000	11,124
• Ernst and Young related practises: an audit or review of the financial report of any other entity in the consolidated group	11,209	31,000
	55,709	72,424

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

(Continued)

21. SEGMENT INFORMATION

The Consolidated Entity operates in one segment, being mineral exploration. This is the basis on which internal reports are provided to the Directors for assessing performance and determining the allocation of resources within the Consolidated Entity.

	2019 \$	2018 \$
(a) Reconciliation of Non-Current Assets by Geographical Location		
Poland	2,279,307	4,887,397
United Kingdom	91,721	132,721
	2,371,028	5,020,118
(b) Revenue by Geographical Location		
Poland	354,170	493,592
Australia	203,160	333,291
	557,330	826,883

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Overview

The Group's principal financial instruments comprise receivables, payables, cash and short-term deposits. The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk and foreign currency risk.

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Other than as disclosed, there have been no significant changes since the previous financial year to the exposure or management of these risks.

The Group manages its exposure to key financial risks in accordance with the Group's financial risk management policy. Key risks are monitored and reviewed as circumstances change (e.g. acquisition of a new project) and policies are revised as required. The overall objective of the Group's financial risk management policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

Given the nature and size of the business and uncertainty as to the timing and amount of cash inflows and outflows, the Group does not enter into derivative transactions to mitigate the financial risks. In addition, the Group's policy is that no trading in financial instruments shall be undertaken for the purposes of making speculative gains. As the Group's operations change, the Directors will review this policy periodically going forward.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board reviews and agrees policies for managing the Group's financial risks as summarised below.

(b) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This arises principally from cash and cash equivalents and trade and other receivables. There are no significant concentrations of credit risk within the Group. The carrying amount of the Group's financial assets represents the maximum credit risk exposure, as represented below:

	2019 \$	2018 \$
Cash and cash equivalents	6,628,371	11,022,333
Trade and other receivables	827,478	953,528
	7,455,849	11,975,861

With respect to credit risk arising from cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Where possible, the Group invests its cash and cash equivalents with banks that are rated the equivalent of investment grade and above. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group does not have any significant customers and accordingly does not have significant exposure to bad or doubtful debts.

Trade and other receivables comprise trade receivables, interest accrued and GST refunds due. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to impairment is not significant. At 30 June 2019, none (2018: none) of the Group's receivables are impaired.

(c) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Board's approach to managing liquidity is to ensure, as far as possible, that the Group will always have sufficient liquidity to meet its liabilities when due. At 30 June 2019 and 2018, the Group had sufficient liquid assets to meet its financial obligations.

The contractual maturities of financial liabilities, including estimated interest payments, are provided below. There are no netting arrangements in respect of financial liabilities.

	≤6 Months \$	6-12 Months \$	1-5 Years \$	≥5 Years \$	Total \$
2019					
Financial Liabilities					
Trade and other payables	1,050,862	-	-	-	1,050,862
	1,050,862	-	-	-	1,050,862
2018					
Financial Liabilities					
Trade and other payables	865,265	-	-	-	865,265
Contingent consideration	-	1,891,573	-	-	1,891,573
	865,265	1,891,573	-	-	2,756,838

(d) Interest Rate Risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the cash and short-term deposits with a variable interest rate.

These financial assets with variable rates expose the Group to cash flow interest rate risk. All other financial assets and liabilities, in the form of receivables and payables and available-for-sale investments are non-interest bearing.

At the reporting date, the Group's exposure to variable interest rates was:

	2019 \$	2018 \$
Interest-bearing financial instruments		
Cash at bank and on hand	1,128,371	3,022,333
Deposits at Call	5,500,000	8,000,000
	6,628,371	11,022,333

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

(Continued)

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Interest Rate Risk (Continued)

The Group's cash at bank and on hand and short term deposits had a weighted average floating interest rate at year end of 2.11% (2018: 2.23%).

The Group currently does not engage in any hedging or derivative transactions to manage interest rate risk.

Interest rate sensitivity

A sensitivity of 1% (100 basis points) has been selected as this is considered reasonable given the current level of both short term and long term interest rates. A 1% (100 basis points) movement in interest rates at the reporting date would have increased/(decreased) Profit or Loss and Other Comprehensive Income by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2018.

	Profit or loss		Other Comprehensive Income	
	+ 100 basis points \$	- 100 basis points \$	+ 100 basis points \$	- 100 basis points \$
2019				
Group				
Cash and cash equivalents	68,068	(68,068)	-	-
2018				
Group				
Cash and cash equivalents	111,983	(111,983)	-	-

(e) Commodity Price Risk

The Group has no exposure to commodity price risk on its financial instruments at 30 June 2019. No hedging or derivative transactions have been used to manage commodity price risk.

(f) Capital Management

The Group defines its Capital as total equity of the Group, being \$7,308,588 as at 30 June 2019 (2018: \$12,445,698). The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while financing the development of its projects through primarily equity based financing. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Given the stage of development of the Group, the Board's objective is to minimise debt and to raise funds as required through the issue of new shares.

The Group is not subject to externally imposed capital requirements.

There were no changes in the Group's approach to capital management during the year. During the next 12 months, the Group will continue to explore project financing opportunities, primarily consisting of additional issues of equity.

(g) Fair Value

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

- Level 1 – the fair value is calculated using quoted prices in active markets.
- Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

- Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

At 30 June 2019 and 30 June 2018, the carrying value of the Group's financial assets and liabilities approximate their fair value.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in following table:

	Quoted Market Price (Level 1) \$	Valuation Technique (Level 2) \$	Valuation Technique (Level 3) \$	Total \$
Other financial liabilities:				
2019				
Financial liabilities at fair value through profit and loss:				
Conversion right attached to Loan Note 1 at fair value through profit and loss at date of conversion	-	-	-	-
2018				
Financial liabilities at fair value through profit and loss:				
Conversion right and derivative liability attached to Loan Note 1 at fair value through profit and loss	-	14,485,075	-	14,485,075

An appropriate option pricing model was used to fair value the conversion rights attached to Loan Note 1. The assumptions used to determine the fair value of the CD Options attached to Loan Note 1 for the past two years are as follows (Please refer to note 10 for further details):

	2019 Assumptions	2018 Assumptions ¹
Exercise price	-	\$0.60
Valuation date share price	-	\$0.52
Dividend yield ²	-	-
Volatility ³	-	90%
Risk-free interest rate	-	2.16%
Number of CD Options	-	22,388,060
Issue date	-	-
Estimated Expiry date	-	30-May-21
Expected life of CD Option	-	3 years
Discount Applied ⁴	-	-
Fair value per CD Option	-	\$0.277

Notes:

¹ At measurement date of 25 May 2018

² The dividend yield reflects the assumption that the current dividend payout will remain unchanged.

³ The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

⁴ Based on management's best estimates of Loan Note 1 converting.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

(Continued)

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(g) Fair Value (Continued)

In 2018 the conversion right also included a fair value calculation of Loan Note 1 at the date of conversion, being 25 May 2018 was as follows:

	Loan Note 1
Conversion price	\$0.335
Valuation date share price	\$0.520
Number of Ordinary Shares	44,776,120
Fair value per share	\$0.185

(h) Foreign Currency Risk

As a result of activities overseas, the Group's Statement of Financial Position and Statement of Profit or Loss and Other Comprehensive Income can be affected by movements in exchange rates. The Group has transactional currency exposures. Such exposure arises from transactions denominated in currencies other than the functional currency of the entity.

The Group's exposure to foreign currency risk throughout the current and prior year primarily arose from controlled entities of the Company whose functional currency is the Polish Zloty ("PLN").

It is the Group's policy not to enter into any hedging or derivative transactions to manage foreign currency risk. However, the Group does hold some PLN cash and cash equivalents to fund its planned Polish operations over the next 12 months, given the majority of the Group's expenditure over this period is expected to be in PLN.

At the reporting date, the Group's exposure to financial instruments denominated in foreign currencies was:

2019	PLN	AUD	Total Equivalent AUD
Financial assets			
Cash and cash equivalents	402,061	6,475,599	6,628,371
Trade and other receivables	996,430	448,863	827,478
	1,398,491	6,924,462	7,455,849
Financial liabilities			
Trade and other payables	(1,312,723)	(593,261)	(1,050,862)
	(1,312,723)	(593,261)	(1,050,862)
Net exposure	85,768	6,331,202	6,404,987

Foreign exchange rate sensitivity

At the reporting date, had the Australian Dollar appreciated or depreciated against the PLN, as illustrated in the table below, Profit or Loss and other Comprehensive Income would have been affected by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit or loss		Other Comprehensive Income	
	10% Increase	10% Decrease	10% Increase	10% Decrease
2019 Group AUD to PLN	3,259	(3,259)	3,259	(3,259)

23. CONTINGENT ASSETS AND LIABILITIES

(i) *Contingent Assets*

As at the date of this report, no contingent assets had been identified in relation to the 30 June 2019 financial year.

(ii) *Contingent Liability*

As at the date of this report, no contingent liabilities had been identified in relation to the 30 June 2019 financial year except for the following:

Historical Exploration Data

In the year ended 30 June 2014, the Company announced that it had entered into an agreement with the Polish MoE to obtain a right to use a completed set of detailed historical exploration data for the K-6-7 concession at the Jan Karski. Under the terms of the agreement, the Company was required to make a payment to the MoE of PLN1,911,709 (~A\$690,500) for the right to use the historical exploration data. This amount constitutes 10% of the overall fee for the data. Upon the grant of a mining license at the Jan Karski by the MoE, the balance is then payable in 12 equal quarterly instalments commencing 30 days subsequent to the grant of a mining license.

In the year ended 30 June 2015, the Company entered into further agreements with the MoE to obtain full rights to use a completed set of detailed historical exploration data for the K-4-5, K-8 and K-9 concessions at the LCP. These agreements also give Prairie the legal title to use this data as part of the mine permitting process. Under the terms of the agreements, the Company was required to make a payment to the MoE of PLN3,682,248 (~A\$1,292,017) for the right to use the historical exploration data. This amount constitutes 10% of the overall fee for the data. Upon the grant of a mining concession at Jan Karski by the MoE, the balance is payable in 12 equal quarterly instalments commencing 30 days subsequent to the grant of the mining concession.

Following measures directed against Prairie by the Polish government, which the Company believes is in breach of Polish and international law with respect to the Company's permitting process and licenses which have blocked Prairie's pathway to any future production from Jan Karski, the Company believes it is highly unlikely that Prairie will be required to settle the Historical Exploration data agreements in the future, and accordingly no liability has been recognised in relation to these.

24. EVENTS SUBSEQUENT TO BALANCE DATE

At the date of this report, there are no matters or circumstances, which have arisen since 30 June 2019 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2019 of the Consolidated Entity;
- the results of those operations, in financial years subsequent to 30 June 2019, of the Consolidated Entity;
or
- the state of affairs, in financial years subsequent to 30 June 2019, of the Consolidated Entity.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Prairie Mining Limited:

1. In the opinion of the Directors and to the best of their knowledge:
 - (a) the attached financial statements, notes and the additional disclosures included in the Directors' report designated as audited, are in accordance with the Corporations Act 2001, including:
 - (i) Complying with the applicable Accounting Standards; and
 - (ii) Giving a true and fair view of the assets, liabilities, financial position and profit or loss of the consolidated group and the undertakings included in the consolidation taken as a whole as at 30 June 2019 and of its performance for the year ended 30 June 2019; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1(b) to the financial statements; and
3. To the best of the Directors' knowledge, the Directors' report includes a fair review of the development and performance of the business and the financial position of the Group, together with a description of the principal risks and uncertainties that the Group faces.

The Directors have been given a declaration required by section 295A of the Corporations Act 2001 for the financial year ended 30 June 2019.

On behalf of the Board



Benjamin Stoikovich
Director

26 September 2019



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Independent auditor's report to the members of Prairie Mining Limited

Opinion

We have audited the financial report of Prairie Mining Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

- a. giving a true and fair view of the consolidated financial position of the Group as at 30 June 2019 and of its consolidated financial performance for the year ended on that date; and
- b. complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

INDEPENDENT AUDITOR'S REPORT (Continued)



1. Exploration and evaluation expenditure assets

Why significant	How our audit addressed the KAM
<p>As disclosed in Note 8 to the financial statements, during the year, the Group determined that there had been indicators of impairment with respect to both the Debiensko and Jan Karski projects in Poland. As a result, the Group has fully impaired its capitalised exploration and evaluation assets (30 June 2018: capitalised exploration and evaluation expenditure of \$2,656,968).</p> <p>The determination as to whether there are any indicators to require an exploration and evaluation asset to be assessed for impairment, involves a number of judgements including whether the Group has tenure, intends to perform ongoing exploration and evaluation activity and whether there is sufficient information for a decision to be made that the area of interest is not commercially viable.</p>	<p>In performing our procedures, we:</p> <ul style="list-style-type: none"> ▶ Considered the Group's right to explore in the relevant exploration area, which included obtaining and assessing supporting documentation such as license agreements and correspondence with relevant government agencies ▶ Assessed management's consideration of impairment indicators and rationale for impairing the capitalised exploration and evaluation assets in full, and ▶ Assessed the adequacy of the disclosure included in the financial report.

2. Share-based payments

Why significant	How our audit addressed the KAM
<p>In the current year, the Group granted share-based payments awards in the form of performance rights. The awards vest subject to the achievement of certain vesting conditions. Several share-based payments awards from previous years lapsed during the year.</p> <p>In determining the fair value of the awards and related expense, the Group uses assumptions in respect of the achievement of future non-market performance conditions.</p> <p>Details of the group's share-based payments are disclosed in Note 19.</p> <p>Due to the significance of the amount, and the judgements involved in determining the valuation of the share-based payments, the vesting period and whether vesting conditions will be met, we considered the Group's calculation of the share-based payments expense to be a key audit matter.</p>	<p>For awards granted or lapsing during the year, in performing our audit procedures we:</p> <ul style="list-style-type: none"> ▶ Assessed the appropriateness of the grant date ▶ Assessed the assumptions used in the fair value calculation, being the share price of the underlying equity at grant date ▶ Assessed the vesting period assumptions and probability of achievement ▶ Assessed the impact of the lapse of previously awarded share-based payments, and ▶ Assessed the adequacy of the disclosure included in the financial report.

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Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

INDEPENDENT AUDITOR'S REPORT (Continued)



- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors
- ▶ Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on the audit of the Remuneration Report

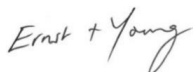
Opinion on the Remuneration Report

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Prairie Mining Limited for the year ended 30 June 2019, complies with section 300A of the Corporations Act 2001.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Ernst & Young



T S Hammond
Partner
Perth
26 September 2019

CORPORATE GOVERNANCE

Prairie Mining Limited and the entities it controls believe corporate governance is important for the Company in conducting its business activities.

The Board of Prairie has adopted a suite of charters and key corporate governance documents which articulate the policies and procedures followed by the Company. These documents are available in the Corporate Governance section of the Company's website, www.pdz.com.au. These documents are reviewed annually to address any changes in governance practices and the law.

The Company's Corporate Governance Statement 2019, which explains how Prairie complies with the ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations – 3rd Edition' in relation to the year ended 30 June 2019, is available in the Corporate Governance section of the Company's website, www.pdz.com.au and will be lodged with ASX together with an Appendix 4G at the same time that this Annual Report is lodged with ASX.

In addition to the ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations – 3rd Edition' the Board has taken into account a number of important factors in determining its corporate governance policies and procedures, including the:

- relatively simple operations of the Company, which is focused on developing its two coal properties;
- cost verses benefit of additional corporate governance requirements or processes;
- size of the Board;
- Board's experience in the relevant sector;
- organisational reporting structure and number of reporting functions, operational divisions and employees;
- relatively simple financial affairs with limited complexity and quantum;
- relatively moderate market capitalisation and economic value of the entity; and
- direct shareholder feedback.

MINERAL RESOURCE AND ORE RESERVES STATEMENT

1. COAL RESOURCES – JAN KARSKI

During the year, Prairie recognised a provision for impairment with respect to Jan Karski's capitalised exploration expenditure following measures directed against Prairie by the Polish government in breach of Polish and international law. These measures, with respect to the Company's permitting process and licenses, have blocked Prairie's pathway to any future production from Jan Karski. Accordingly, the Company considers it prudent following the review of its Coal Resources and Coal Reserves as at 30 June 2019 to retract the Coal Resource previously estimated for Jan Karski for 2019.

The Company's Coal Resources as at 30 June 2019 and 2018, reported in accordance with the 2012 Edition of the JORC Code, therefore are as follows:

Jan Karski Coal Resource Estimate for 30 June 2019				Jan Karski Coal Quality Statistics (Air Dried) of In-situ Coal Resources for 30 June 2019		
Coal Seam	Indicated (Mt)	Inferred (Mt)	Total (Mt)	Parameter	391 Seam	389 Seam
391	-	-	-	Calorific Value kcal/kg:(MJ/Kg)	N/A	N/A
389	-	-	-	Ash %	N/A	N/A
Other Seams	-	-	-	Sulphur %	N/A	N/A
Total	-	-	-			

Jan Karski Coal Resource Estimate for 30 June 2018				Jan Karski Coal Quality Statistics (Air Dried) of In-situ Coal Resources for 30 June 2018		
Coal Seam	Indicated (Mt)	Inferred (Mt)	Total (Mt)	Parameter	391 Seam	389 Seam
391	164	87	251	Calorific Value kcal/kg:(MJ/Kg)	7,062 (29.57)	6,623 (27.73)
389	17	54	71	Ash %	10.27	14.43
Other Seams	171	235	406	Sulphur %	1.27	1.62
Total	352	376	728			

* The tonnage calculations for the Indicated Resource have included allowances for geological uncertainty (15%)

* Note: Apparent differences in totals may occur due to rounding

2. COAL RESOURCES – DEBIENSKO

During the year, Prairie recognised a provision for impairment with respect to Debiensko's capitalised exploration expenditure following measures directed against Prairie by the Polish government in breach of Polish and international law. These measures, with respect to the Company's permitting process and licenses, have blocked Prairie's pathway to any future production from Debiensko. Accordingly, the Company considers it prudent following the review of its Coal Resources and Coal Reserves as at 30 June 2019 to retract the Coal Resource previously estimated for Debiensko for 2019.

The Company's Coal Resources as at 30 June 2019 and 2018, reported in accordance with the 2012 Edition of the JORC Code, therefore are as follows:

30 June 2019 Debiensko Hard Coking Coal Resource (air dried basis)				30 June 2018 Debiensko Hard Coking Coal Resource (air dried basis)			
Seam	Indicated (Mt)	Inferred (Mt)	Total Coal Resource In-Situ (Mt)	Seam	Indicated (Mt)	Inferred (Mt)	Total Coal Resource In-Situ (Mt)
401/1	-	-	-	401/1	20	22	42
402/1	-	-	-	402/1	-	53	53
403/1	-	-	-	403/1	-	34	34
403/2	-	-	-	403/2	-	39	39
404/1	-	-	-	404/1	-	30	30
404/9	-	-	-	404/9	35	20	55
405	-	-	-	405	38	10	48
Total	-	-	-	Total	93	208	301

* Rounding errors may occur

** The Indicated and Inferred Resource tonnage calculations are reported with geological uncertainty of +/-10% and +/-15% respectively

MINERAL RESOURCE AND ORE RESERVES STATEMENT
(Continued)

30 June 2018 Debiensko Coal Quality Parameters at Debiensko							
Seam	Parameters	Indicated			Inferred		
		Range		Weighted Average	Range		Weighted Average
		From	To		From	To	
401/1	Moisture%	0.33	1.24	0.68	0.45	1.25	0.60
	Ash%	3.15	24.24	9.24	5.89	24.03	7.47
	VM%	24.69	31.51	27.75	20.86	31.92	25.42
	Sulphur%	0.37	1.60	0.74	0.48	1.58	0.63
	GCV	26,478	34,082	31,416	26,543	33,584	32,881
402/1	Moisture%	-	-	-	0.10	1.02	0.62
	Ash%	-	-	-	3.47	29.68	11.49
	VM%	-	-	-	19.36	31.61	25.28
	Sulphur%	-	-	-	0.27	2.18	0.72
	GCV	-	-	-	23,547	33,797	30,538
403/1	Moisture%	-	-	-	0.35	1.02	0.66
	Ash%	-	-	-	3.73	23.74	11.52
	VM%	-	-	-	16.73	32.13	25.83
	Sulphur%	-	-	-	0.29	0.75	0.49
	GCV	-	-	-	27,511	32,627	31,017
403/2	Moisture%	-	-	-	0.35	1.12	0.73
	Ash%	-	-	-	3.25	33.36	11.38
	VM%	-	-	-	23.64	31.28	26.75
	Sulphur%	-	-	-	0.40	1.87	0.67
	GCV	-	-	-	22,328	33,760	30,581
404/1	Moisture%	-	-	-	0.25	1.10	0.65
	Ash%	-	-	-	6.50	27.38	12.89
	VM%	-	-	-	17.81	31.58	25.04
	Sulphur%	-	-	-	0.35	0.81	0.54
	GCV	-	-	-	25,432	33,025	30,012
404/9	Moisture%	0.56	0.76	0.68	0.53	0.86	0.69
	Ash%	9.45	19.54	11.75	9.65	19.89	13.80
	VM%	20.97	32.95	26.80	15.57	31.05	23.20
	Sulphur%	0.20	1.14	0.60	0.20	1.14	0.41
	GCV	29,145	32,516	31,269	29,067	32,748	30,604
405	Moisture%	0.35	1.09	0.65	0.48	0.87	0.65
	Ash%	5.63	17.40	9.61	5.42	12.47	9.17
	VM%	19.40	28.33	23.52	15.33	28.70	22.47
	Sulphur%	0.29	0.48	0.35	0.27	0.93	0.37
	GCV	29,760	34,137	32,198	31,538	34,113	32,427

Note: all qualities are on an air dried basis except for volatile matter which is given on a dry ash free basis.

3. COAL RESERVES – JAN KARSKI

As per the discussion at paragraph 1 above, the Company has, following the review of its Coal Resources and Coal Reserves as at 30 June each year, retracted its Coal Reserve estimated at Jan Karski.

The Company's Coal Reserves as at 30 June 2019 and 2018, reported in accordance with the 2012 Edition of the JORC Code, are as follows:

Summary of Coal Reserves - Seams 389 and 391 at Jan Karski for 30 June 2019		
Probable Coal Reserves	Basis	
Recoverable Coal Reserves	As Received	-
Marketable Reserves (Saleable Product)	As Received	-
Product Yield		N/A

Summary of Coal Reserves - Seams 389 and 391 at Jan Karski for 30 June 2018		
Probable Coal Reserves	Basis	
Recoverable Coal Reserves	As Received	170Mt
Marketable Reserves (Saleable Product)	As Received	139Mt
Product Yield		81.9%

Notes

- Coal Reserves are stated on an as-received moisture content basis and include partings, interburden, out of seam dilution and 2% mining losses
- Marketable Reserves are stated on an as-received moisture content basis; estimated average clean coal moisture is 9.5%
- This table contains roundings and background weighted calculations

4. GOVERNANCE OF COAL RESOURCES AND COAL RESERVES

The Company engages external consultants and competent persons (as determined pursuant to the JORC Code) to prepare and calculate estimates of its Coal Resources and Coal Reserves. Management and the Board review these estimates and underlying assumptions for reasonableness and accuracy. The results of the Coal Resource and Coal Reserve estimates are then reported in accordance with the requirements of the JORC Code and other applicable rules (including ASX Listing Rules).

Where material changes occur during the year to a project, including project's size, title, exploration results or other technical information then previous Coal Resource and Coal Reserve estimates and market disclosures are reviewed for completeness.

The Company reviews its Coal Resources and Coal Reserves as at 30 June each year. Where a material change has occurred in the assumptions or data used in previously reported Coal Resources or Coal Reserve, then where possible a revised Coal Resource or Coal Reserve estimate will be prepared as part of the annual review process. However, there are circumstance where this may not be possible (e.g. an ongoing drilling programme), in which case a revised Coal Resource or Coal Reserve estimate will be prepared and reported as soon as practicable.

5. COMPETENT PERSON STATEMENT

Jan Karski

The information in this report that relates to Coal Resources is based on, and fairly represents, information compiled or reviewed by, Jonathan O'Dell, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy who is a consultant of the Company and a holder of shares and performance rights. Mr O'Dell 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 O'Dell consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

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MINERAL RESOURCE AND ORE RESERVES STATEMENT

(Continued)

The information in this report that relates to Coal Reserves is based on, and fairly represents, information compiled or reviewed by Mr Ben Stoikovich, a Competent Person, Member of the Institute of Materials, Minerals and Mining (IOM³). Mr Stoikovich is the CEO of the Company and a holder of shares and performance rights in Prairie. Mr Stoikovich 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 Stoikovich consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Debiensko

The information in this report that relates to Coal Resources 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 who is a 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 their information in the form and context in which it appears.

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The shareholder information set out below was applicable as at 31 August 2019.

1. TWENTY LARGEST HOLDERS OF LISTED SECURITIES

The names of the twenty largest holders of listed securities are listed below:

Ordinary Shares

Name	Number of Ordinary Shares	Percentage of Ordinary Shares
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	70,804,611	33.36
CD CAPITAL NATURAL RESOURCES FUND III LP	44,776,120	21.09
COMPUTERSHARE CLEARING PTY LTD <CCNL DI A/C>	20,363,749	9.59
ARREDO PTY LTD	10,600,000	4.99
CITICORP NOMINEES PTY LIMITED	9,227,785	4.35
BOUCHI PTY LTD	2,845,601	1.34
T2 RESOURCES PTY LTD	2,800,000	1.32
MR MARK PEARCE + MRS NATASHA PEARCE <NMLP FAMILY A/C>	2,500,000	1.18
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,415,856	1.14
MR ANGUS WILLIAM JOHNSON + MRS LINDY JOHNSON <THE DENA SUPER FUND A/C>	1,542,106	0.73
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	1,487,814	0.70
ROSS LANGDON DIVETT + LINDA ALISON DIVETT	1,393,000	0.66
CABBDEG INVESTMENTS PTY LTD	1,285,000	0.61
MR JAMES HOWARD NIGEL SMALLEY	850,000	0.40
JETOSEA PTY LIMITED	842,955	0.40
MR ARTHUR DOUGLAS WAYE + MRS JANICE BERYL WAYE <DAISY BLUE SUPER FUND A/C>	830,000	0.39
BNP PARIBAS NOMINEES PTY LTD <JARVIS A/C NON TREATY DRP>	804,000	0.38
MR JOHN PAUL WELBORN	800,000	0.38
WHITAKER WRIGHT NL	800,000	0.38
MONEX BOOM SECURITIES (HK) LTD <CLIENTS ACCOUNT>	753,305	0.35
Total Top 20	177,721,902	83.72
Others	34,553,187	16.28
Total Ordinary Shares on Issue	212,275,089	100.00

2. DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of holders by size of holding:

Distribution	Ordinary Shares	
	Number of Shareholders	Number of Ordinary Shares
1 – 1,000	614	141,253
1,001 – 5,000	254	717,653
5,001 – 10,000	143	1,199,865
10,001 – 100,000	294	11,278,393
More than 100,000	98	198,937,925
Totals	1,403	212,275,089

There were 725 holders of less than a marketable parcel of Ordinary Shares.

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ASX ADDITIONAL INFORMATION (Continued)

3. VOTING RIGHTS

See Note 12(c) of the Notes to the Financial Statements.

4. SUBSTANTIAL SHAREHOLDERS

Substantial Shareholder notices have been received by the following:

Substantial Shareholder	Number of Shares
CD Capital Natural Resources Fund III LP	44,776,120

5. UNQUOTED SECURITIES

The names of the security holders holding 20% or more of an unlisted class of security at 31 August 2019, other than those securities issued or acquired under an employee incentive scheme, are listed below:

Holder	\$0.50 Unlisted Options Expiring 31 March 2020	\$0.60 Unlisted Options Expiring 31 March 2020	\$0.80 Unlisted Options Expiring 31 March 2020	\$0.60 Unlisted Options Expiring 31 May 2021
Mr Sapan Ghai	200,000	400,000	700,000	-
Mr Hannes Huster	-	500,000	-	-
CD Capital Natural Resources Fund III LP	-	-	-	22,388,060
Others (holding less than 20%)	-	-	-	-
Total	200,000	900,000	700,000	22,388,060
<i>Total holders</i>	<i>1</i>	<i>2</i>	<i>1</i>	<i>1</i>

6. ON-MARKET BUY BACK

There is currently no on-market buy back program for any of Prairie Mining Limited's listed securities.

7. EXPLORATION INTERESTS

As at 31 August 2019, the Company has an interest in the following tenements:

Location	Tenement	Percentage Interest	Status	Tenement Type
Jan Karski, Poland	Jan Karski Mine Plan Area (K-4-5, K-6-7, K-8 and K-9) ^{1,2}	100	Granted	Exclusive Right to apply for a mining concession
Debiensko, Poland	Debiensko 1 ^{1,3}	100	Granted	Mining
Debiensko, Poland	Kaczyce 1	100	Granted	Mining & Exploration (includes gas rights)

Notes:

¹ During the financial year, Prairie recognised a provision for impairment with respect to its exploration and evaluation assets following the measures discussed above directed against Prairie by the Polish government in breach of Polish and international law. These measures, with respect to the Company's permitting process and licenses, have blocked Prairie's pathway to any future production from both Debiensko and Jan Karski. For this and other reasons, Prairie has formally notified the Polish government that there exists an investment dispute between Prairie and the Polish Government that has arisen out of certain measures taken by Poland in breach of the Energy Charter Treaty and the Australia-Poland Bilateral Investment Treaty.

² In July 2015, Prairie announced that it had secured the Exclusive Right to apply for a Mining Concession for Jan Karski as a result of its Geological Documentation for the Jan Karski deposit being approved by Poland's MoE. The approved Geological Documentation covers areas of all four 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 Jan Karski. The K-4-5, K-8 and K-9 Exploration Concessions expired in November 2018 but these were separate to and had no bearing on the Company's access to land and the Exclusive Right (tenure) to apply for a mining concession at Jan Karski, however as noted below, this position is the subject of Prairie's Mining Usufruct Agreement proceedings in front of the Civil Court. As a result of the Exclusive Right, Prairie was the only entity with a legal right to lodge a Mining Concession application over Jan Karski for the period up and until 2 April 2018.

The approval of Prairie's Geological Documentation in 2015 also conferred upon Prairie the legal right to apply for a Mining Usufruct Agreement over Jan Karski for an additional 12-month period beyond April 2018, which precludes any other parties being granted any licence over all or part of the Jan Karski concessions. Under Polish law, the MoE is strictly obligated, within three months of Prairie making an application for a Mining Usufruct Agreement, to grant the agreement. It should be noted that the MoE confirmed Prairie's priority right in two written statements (i.e. in a final administrative decision dated 11 February 2016 and in a formal letter dated 13 April 2016). Prairie applied to the MoE for a Mining Usufruct Agreement over Jan Karski in late December 2017. As of the date of this report the MoE has not made available to Prairie a Mining Usufruct Agreement for Jan Karski, therefore breaching the three-month obligatory period for the agreement to be concluded. Advice provided to Prairie concludes that failure of the MoE to grant Prairie the Mining Usufruct Agreement is a breach of Polish law. Accordingly, the Company commenced legal proceedings, which remain ongoing, against the MoE through the Polish courts in order to protect the Company's security of tenure over the Jan Karski concessions. Since the MoE has not provided a decision within three months regarding Prairie's Mining Usufruct Agreement application, the Polish civil court has the power to enforce conclusion of a Usufruct Agreement in place of the MoE. In the event that a Mining Usufruct Agreement is not made available to the Company on acceptable terms or the Company does not enter into a Mining Usufruct Agreement for any other reason, other parties may be able to apply for exploration or mining rights for all or part of the Jan Karski concession area. In April 2018, the Civil Court approved Prairie's motion for an injunction against the MoE, which prevented them from entering into a usufruct agreement or a concession with any other party besides Prairie. A decision by an Appeal Court in Warsaw has now overturned the injunction in place against the MoE. Prairie believes that the Appeal Court's decision is fundamentally flawed. Prairie will continue to take relevant actions to pursue its legal rights regarding Jan Karski.

³ Under the terms of the Debiensko Mining Concession issued in 2008 by the MoE (which is valid for 50 years from grant date), commencement of production was to occur by 1 January 2018. In December 2016, following the acquisition of Debiensko, Prairie applied to the MoE to amend the 50 year Debiensko Mining Concession. The purpose of the concession amendment was to extend the time stipulated in the Mining Concession for first production of coal from 2018 to 2025. Prairie has now received a final "second instance" decision from the MoE that has denied the Company's amendment application. However, Prairie also holds a valid environmental consent decision enabling mine construction and continues to have valid tenure and ownership of land at Debiensko. Not meeting the production timeframe stipulated in the concession does not automatically infringe on the validity and expiry date of the Debiensko mining concession, which is June 2058. However, the concession authority now has the right to request the concession holder to remove any infringements related to non-compliance with the conditions of the mining concession and determine a reasonable date for removal of the infringements. The Company will consider any actions necessary to pursue its legal rights regarding Debiensko. For this and other reasons, Prairie has formally notified the Polish government that there exists an investment dispute between Prairie and the Polish Government. The dispute arises out of certain measures taken by Poland in breach of the Energy Charter Treaty and the Australia-Poland Bilateral Investment Treaty. Prairie's notification calls for prompt negotiations with the government to amicably resolve the dispute, and indicates Prairie's right to submit the dispute and lodge a claim to international arbitration in the event the dispute is not resolved amicably.

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For more information or to obtain a hard copy of the full Annual Report, contact us at:

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