



Prairie Mining
Limited

ANNUAL REPORT
ROCZNY RAPORT

2020

For personal use only



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:

PD Co sp. z o.o. (Warsaw):

Wiejska 17/11
00-480 Warszawa

Karbonia S.A. (Czerwionka – Leszczyny)

Ul. 3 Maja 44,
44-230 Czerwionka- Leszczyny

London:

Unit 3C, 38 Jermyn Street
London SW1Y 6DN United Kingdom

Australia (Registered Office):

Level 9, BGC Centre, 28 The Esplanade
Perth WA 6000

Tel: +61 8 9322 6322
Fax: +61 8 9322 6558

SOLICITORS:

Poland:

Linklaters Warszawa

Australia:

Thomson Geer

AUDITOR:

Australia:

Ernst & Young – Perth

BANKERS:

Poland:

Bank Zachodni WBK S.A. – Santander Group

Australia:

Australia and New Zealand Banking Group Ltd

SHARE REGISTRIES:

Poland:

Komisja Nadzoru Finansowego (KNF)
Plac Powstańców Warszawy 1, skr. poczt. 419
00-950 Warszawa
Tel: +48 22 262 50 00

United Kingdom:

Computershare Investor Services PLC
The Pavilions, Bridgewater Road
Bristol BS99 6ZZ
Tel: +44 370 702 0000

Australia:

Computershare Investor Services Pty Ltd
Level 11, 172 St Georges Terrace
Perth WA 6000
Tel: +61 8 9323 2000

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

ZAWARTOŚĆ

Page | Strona

1	Directors' Report
18	Auditor's Independence Declaration
19	Consolidated Statement of Profit or Loss and other Comprehensive Income
20	Consolidated Statement of Financial Position
21	Consolidated Statement of Changes in Equity
22	Consolidated Statement of Cash Flows
23	Notes to and Forming Part of the Financial Statements
53	Directors' Declaration
54	Independent Auditor's Report
59	Corporate Governance
60	ASX Additional Information

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 2020 ("Consolidated Entity" or "Group").

OPERATING AND FINANCIAL REVIEW

Operations

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

- Prairie has now formally commenced with international arbitration claims ("Claim") by serving Notices of Arbitration under both the Energy Charter Treaty and the Australia–Poland Bilateral Investment Treaty ("Treaties") on the Republic of Poland
 - The Claim will allege that the Republic of Poland has breached its obligations under the Treaties through its actions to block the development of the Company's Jan Karksi and Debiensko mines in Poland
 - The Republic of Poland's actions have deprived Prairie the entire value of its investments in Poland
 - Claim for damages may include but is not limited to the value of Prairie's historic expenditure in developing both the Jan Karski and Debiensko mines, lost profits and damages, which is linked to the net present value of both mines, and accrued interest related to any damages
- Prairie secured A\$18 million of litigation funding to pursue its damages Claim against the Polish government
 - Prairie signed a Litigation Funding Agreement ("LFA") with a subsidiary of London listed Litigation Capital Management Limited ("LCM") to pursue the Claim against the Republic of Poland
 - The LFA facility is available for immediate draw down and provides funding to cover legal, tribunal and external expert costs and defined operating expenses associated with the Claim
 - A\$18 million was provided as a limited recourse facility, being repayable in the event that the damages award is recovered from the Republic of Poland
- Completed a Share Purchase Plan ("SPP") to raise A\$4 million (before costs) for working capital requirements and business development opportunities
- During the year, Prairie continued to identify and assess other suitable business opportunities in the resources sector

DIRECTORS' REPORT

(Continued)

OPERATING AND FINANCIAL REVIEW (Continued)

Operations (Continued)

Dispute with Polish Government

On 1 July 2020, Prairie announced it had executed a LFA for A\$18m (US\$12.3m) with LCM Funding UK Limited (a subsidiary of LCM). The facility is available for immediate draw down for Prairie to pursue damages claims 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 Treaties.

On 9 September 2020, the Company announced that it has now formally commenced with the Claim by serving the Notices of Arbitration against the Republic of Poland.

Prairie's dispute alleges that the Republic of Poland has breached its obligations under both domestic law and the applicable Treaties through its actions to block the development of the Company's Jan Karski and Debiensko mines in Poland which effectively deprives Prairie of the entire value of its investments in Poland.

In February 2019, Prairie formally notified the Polish Government that there exists an investment dispute between Prairie and the Polish Government. Prairie's notification called for prompt negotiations with the Government to amicably resolve the dispute and indicated Prairie's right to submit the dispute to international arbitration in the event of the dispute not being resolved amicably. The Company remains open to resolving the dispute with the Polish Government amicably. However, as of the date of this report, no amicable resolution of the dispute has occurred, since the Polish Government has declined to participate in discussions related to the dispute and accordingly the Company has formerly submitted its Claim as discussed above.

The quantum of any Claim for compensation may include, but will not be limited to:

- the value of Prairie's historic expenditure in developing both the Jan Karski and Debiensko mines;
- Lost profits and damages that the Company has suffered as a result of Poland's acts and omissions which have resulted in the expropriation of both the Jan Karski and Debiensko mines, which is linked to the considerable net present value of both mines at the time of Poland's international treaty breaches; and
- Accrued interest related to any damages award and all costs associated with pursuing the Claims to Arbitration.

The Company is not able to make any further comment in relation to the potential quantum of any claim for compensation at this point.

Please refer to ASX announcements dated 26 April 2018, 28 May 2018, 18 January 2019, 13 February 2019, 4 April 2019 and 31 December 2019 for further details regarding the Company's dispute with the Republic of Poland.

Prairie's investment dispute with the Republic of Poland is not unique, with international media widely reporting that the political environment and investment climate in Poland has deteriorated since the change in Government in 2015. As a result, there are a significant number of International arbitration claims being brought against Poland in the natural resources and energy sectors with damages claims ranging from US\$120 million to over US\$1.3 billion and includes Bluegas NRG Holding (gas), Lumina Copper (copper) and InvEnergy (wind farms).

Background to the Jan Karski Mine

The Jan Karski mine 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 Bogdanka coal mine which has been in commercial production since 1982 and is the lowest cost hard coal producer in Europe.

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.

In March 2016, Prairie released the results of a JORC compliant Pre-Feasibility Study (“PFS”) for the Jan Karski mine prepared by independent international mining consultancies Golder Associates and Royal HaskoningDHV. The PFS demonstrated the technical viability and robust economics of Jan Karski to be developed as a large scale long life strategic coal supplier. Further details about the PFS are contained in the Company’s announcement dated 8 March 2016.

Background to the Debiensko Mine

The Debiensko mine, is a premium 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.

In March 2017, Prairie released the results of a JORC compliant Scoping Study prepared by independent international mining consultancy Royal HaskoningDHV. The Scoping Study demonstrated the technical viability and robust economics for the fully permitted Debiensko mine to be a large scale, lowest cost and long life premium hard coking coal supplier. Further details of the Scoping Study are contained in the Company’s announcement dated 16 March 2017.

Share Purchase Plan

Subsequent to the end of the year, the Company completed a SPP to raise A\$4 million before costs for working capital requirements and business development opportunities.

Results of Operations

The net loss of the Consolidated Entity for the year ended 30 June 2020 was \$3,307,600 (2019: \$3,550,672). Significant items contributing to the current year loss and the substantial differences from the previous financial year include:

- (i) Arbitration related costs of \$906,036 (2019: nil) relating to preparation of the Claim that was formally served on the Republic of Poland subsequent to the end of the year;
- (ii) Exploration and Evaluation expenses of \$1,854,827 (2019: \$3,319,878), 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;
- (iii) Non-cash exploration expenditure impairment expense of nil (2019: \$2,721,198) was recognised during the in the prior year following the Republic of Poland’s actions which the Company believes has breached its obligations under both domestic law and the Treaties through its actions to block the development of the Company’s Jan Karski and Debiensko mines in Poland which which effectively deprives Prairie of the entire value of its investments in Poland;
- (iv) Business development expenses of \$299,241 (2019: \$408,948) which includes expenses in relation to the costs associated with looking for new business opportunities, including execution of the LCM financing facility, and the Group’s investor relations activities, including brokerage fees, public relations, digital marketing, travel costs, attendances at conferences and business development consultant costs;

DIRECTORS' REPORT

(Continued)

OPERATING AND FINANCIAL REVIEW (Continued)

Results of Operations (Continued)

- (v) Non-cash share-based payment expense of \$163,613 (2019: reversal of \$1,599,118) 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 to an expense in 2020 from a reversal in 2019 is attributable to the forfeiture of 3.1 million unvested performance rights in 2019 following the impairment of exploration and evaluation discussed above. In 2019 it was determined that the performance rights with vesting conditions milestones relating to Debiensko and Jan Karski were unachievable resulting in \$3.4 million being reversed from the reserve to profit and loss;
- (vi) Revenue of \$456,726 (2019: \$557,400) consisting of interest income of \$60,423 (2019: \$203,160) and the receipt of \$396,303 (2019: \$354,170) of gas and property lease income derived at Debiensko; and
- (vii) Other income of nil (2019: \$1,945,800) relating to the gain on extinguishment of the contingent consideration in 2019 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 2020, the Company had cash reserves of \$2,566,518 (2019: \$6,628,371). With the A\$18 million LFA facility now in place and the SPP completed subsequent to the end of the year, the Company is in a strong financial position to continue with the Claim and business development activities.

At 30 June 2020, the Company had net assets of \$3,998,552 (2019: \$7,308,588), a decrease of 56% compared with the previous year. This is largely attributable to the decrease in cash and net loss for the year.

Business Strategies and Prospects for Future Financial Years

Prairie's strategy is to create long-term shareholder value. This now includes pursuing the Claim against the Republic of 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 enforce its rights through an established and enforceable legal framework in relation to international arbitration for the investment dispute between Prairie and the Polish Government that has arisen out of certain measures taken by Poland in breach of the Treaties;
- 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 and subsequent to the end of the year, the Company formally commenced its Claim following lodgement of its notices of arbitration with against the Republic of Poland. Prairie will strongly defend its position and continue to take all relevant actions to pursue its legal rights regarding both the Debiensko and Jan Karski projects. There is however no certainty that the Claim will be successful. If the Claim is unsuccessful, then this may have a material impact on the value of the Company's securities.

- *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.
- *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 2019 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 member of the Australian Institute of Company Directors 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) and Cradle Resources Limited (May 2016 – July 2019).

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.

DIRECTORS' REPORT

(Continued)

CURRENT DIRECTORS AND OFFICERS (Continued)

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 – August 2020) and Piedmont Lithium Limited (September 2009 – August 2018).

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).

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 in 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

	2020 Cents	2019 Cents
Basic and diluted loss per share	(1.52)	(1.63)

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 (2019: 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 31 December 2019, Bogdanka announced that the Polish Government had awarded Bogdanka a mining concession for the K6-7 coal deposit in Lublin. The K6-7 deposit had previously formed an integral part of Prairie's Lublin concession at Jan Karski. These actions by the Polish government provide evidence of their breach of Polish law and the Treaties;
- (ii) On 31 January 2020, the Company announced Prairie received a favorable judgement from the Polish Administrative Court that found the Ministry of Environment had violated provisions of law in refusing to grant Prairie the Debiensko concession amendment. The court judgement formally revokes the Ministry of Environment's April 2018 decision denying the Debiensko concession amendment, and requires the body to reconsider Prairie's application; and
- (iii) On 30 June 2020, the Company signed an A\$18 million LFA with LCM to pursue the Claims against the Republic of Poland for breaches of its obligations under the Treaties.

DIRECTORS' REPORT

(Continued)

SIGNIFICANT EVENTS AFTER BALANCE DATE

- (i) Commenced with the drawdown of the LCM finance facility prior to the submission of the Claim as noted below in point (ii) below;
- (ii) On 9 September 2020, the Company announced that it had formally commenced with its international arbitration Claim following serving of its notices of arbitration under the Treaties against the Republic of Poland; and
- (iii) On 17 September 2020, the Company completed a SPP to A\$4 million (before costs) for working capital requirements and business development opportunities.

Other than as outlined above, at the date of this report, there are no matters or circumstances, which have arisen since 30 June 2020 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2020, of the Consolidated Entity;
- the results of those operations, in financial years subsequent to 30 June 2020, of the Consolidated Entity; or
- the state of affairs, in financial years subsequent to 30 June 2020, 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	-	1,460,000
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:

- 22,388,060 CD Options exercisable at \$0.60 each on or before 30 May 2021;
- 6,225,000 Performance Rights with various vesting conditions and expiry dates between 30 September 2020 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 2020, no Ordinary Shares have been issued as a result of the exercise/conversion of Incentive Options, CD Options, Performance Rights or 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 or Loan Note 2.

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 of \$14,308 (2019: \$12,300) 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 2019 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:

- the Group is currently focused on undertaking exploration, appraisal and development activities;
- risks associated with small cap resource companies whilst exploring and developing projects; and
- 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.

DIRECTORS' REPORT

(Continued)

REMUNERATION REPORT (AUDITED) (Continued)

Executive Remuneration (Continued)

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 2020 financial year, no cash incentive (2019: nil) 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”) on 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 interests 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 them and to provide an incentive linked to the performance of the Company.

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.

Subsequent to the end of the year and following the LFA with LCM being signed, the Company established a Management Incentive Program ("MIP") which is a LTIP to retain key company personnel who have important historical information and knowledge to contribute towards the Claim. The MIP provides that if the Claim is successful and the Company receives damages proceeds, 6% of these proceeds will be directed to the MIP for distribution to its participants. The MIP requires that each participant must satisfy specific Claim related duties and if they do so, each participant may be entitled to a pre-defined percentage of the proceeds received by the MIP. In this regard, of the 6% of any future Claim proceeds, Mr Stoikovich (or his nominee personal services entity) will be entitled to 30% of the MIP distribution (ie 30% of the 6% Claim proceeds), Mr Kersey (or his nominee personal services entity) will be entitled to 20% of the MIP distribution (ie 20% of the 6% Claim proceeds), Mr Taras will be entitled to 10% of the MIP distribution (ie 10% of the 6% Claim proceeds) and Mr Pearce and Mr Browne will each be entitled to 7.5% of the MIP distribution (ie 7.5% of the 6% Claim proceeds). The remaining 25% of the MIP distribution has been allocated to other key staff who will contribute to the Claim.

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 (2019: \$36,000) (excluding post-employment benefits).

Fees for Non-Executive Directors' were set at \$20,000 per annum (2019: \$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 2020 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.

DIRECTORS' REPORT

(Continued)

REMUNERATION REPORT (AUDITED) (Continued)

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	2020	36,000	-	-	-	36,000	-
	2019	36,000	-	3,420	-	39,420	-
Benjamin Stoikovich	2020	470,991	-	-	112,041	583,032	19.2
	2019	453,972	-	-	(325,050)	128,922	-
Carmel Daniele ¹	2020	-	-	-	-	-	-
	2019	-	-	-	-	-	-
Thomas Todd	2020	20,000	-	-	-	20,000	-
	2019	20,000	-	1,425	-	21,425	-
Mark Pearce	2020	20,000	-	1,900	-	21,900	-
	2019	20,000	-	1,900	-	21,900	-
Todd Hannigan	2020	-	-	-	-	-	-
	2019	-	-	-	-	-	-
Other KMP							
Miroslaw Taras	2020	121,961	-	-	63,778	185,739	34.3
	2019	119,698	-	-	(203,689)	(83,991)	-
Simon Kersey	2020	301,465	-	-	-	301,465	-
	2019	290,566	-	-	(118,936)	171,630	-
Dylan Browne ²	2020	-	-	-	38,267	38,267	100.0
	2019	-	-	-	(80,134)	(80,134)	-
Total	2020	970,418	-	1,900	214,085	1,186,403	
	2019	940,236	-	6,745	(727,809)	219,172	

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\$232,000 (2019: A\$240,000) for the provision of serviced office facilities and administrative, accounting, company secretarial and transaction services to the Group.

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 2020 are as follows:

2020	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	-	-	(960,000)	-	(480,000)	112,041
Miroslaw Taras	-	-	(300,000)	-	(150,000)	63,778
Simon Kersey	-	-	(264,000)	-	(134,640)	-
Dylan Browne	-	-	(130,000)	-	(65,000)	38,267

No Incentive Options or Performance Rights were granted as part of remuneration by the Company to KMP of the Group during the financial year.

There were no Incentive Options granted or exercised by any KMP of the Group during the 2020 financial year.

DIRECTORS' REPORT

(Continued)

REMUNERATION REPORT (AUDITED) (Continued)

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 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 2020 (2019: 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 \$232,000 (2019: \$240,000) for the provision of serviced office facilities and administration services. The amount is based on a monthly retainer of \$20,000 (2019: \$20,000) 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 2020, \$20,000 (2019: \$20,000) 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 in 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

2020	Held at 1 July 2019	Granted as Remuneration	Vested Securities Exercised/ Converted	Expired/ Lapsed	Held at 30 June 2020	Vested and exercisable at 30 June 2020
Directors						
Ian Middlemas	-	-	-	-	-	-
Benjamin Stoikovich	2,100,000	-	-	(640,000) ¹	1,460,000	-
Carmel Daniele ²	22,388,060	-	-	-	22,388,060	22,388,060
Thomas Todd	-	-	-	-	-	-
Mark Pearce	-	-	-	-	-	-
Todd Hannigan	-	-	-	-	-	-
Other KMP						
Miroslaw Taras	850,000	-	-	(300,000) ¹	550,000	-
Simon Kersey	660,000	-	-	(264,000) ¹	396,000	-
Dylan Browne	475,000	-	-	(130,000) ¹	345,000	-

Notes:

¹ Forfeiture of Performance Rights 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.

Shareholdings of Key Management Personnel

2020	Held at 1 July 2019	Granted as Remuneration	Options Exercised/ Rights Converted	Net Other Change	Held at 30 June 2020
Directors					
Ian Middlemas	10,600,000	-	-	-	10,600,000
Benjamin Stoikovich	1,492,262	-	-	-	1,492,262
Carmel Daniele ¹	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 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' REPORT

(Continued)

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	3	3
Benjamin Stoikovich	3	2
Carmel Daniele	3	3
Thomas Todd	3	3
Mark Pearce	3	3
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.

	2020	2019
	\$	\$
Preparation of income tax return and other tax related advice	25,875	11,000

DIVIDENDS

No dividends have been declared, provided for or paid in respect of the financial year ended 30 June 2020 (2019: nil).

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2020 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

29 September 2020

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.

For personal use only

AUDITOR'S INDEPENDENCE DECLARATION



Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

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 2020, 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.

A stylized signature in black ink, appearing to read 'Ernst & Young', written over a light grey rectangular background.

Ernst & Young

A handwritten signature in black ink, appearing to read 'Pierre Dreyer', written over a light grey rectangular background.

Pierre Dreyer
Partner
29 September 2020

For personal use only

**CONSOLIDATED STATEMENT OF PROFIT OR
LOSS AND OTHER COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 30 JUNE 2020



	Note	2020 \$	2019 \$
Revenue	2(a)	456,726	557,330
Other income	2(b)	906,036	1,945,080
Exploration and evaluation expenses		(1,854,827)	(3,319,878)
Employment expenses	3	(453,025)	(426,446)
Administration and corporate expenses		(245,773)	(298,200)
Occupancy expenses		(526,231)	(506,410)
Business development expenses		(299,241)	(408,948)
Share-based payment (expenses)/reversal	18	(163,613)	1,599,118
Exploration expenditure impairment expense	7	-	(2,721,198)
Arbitration related expenses	8	(906,036)	-
Impairment expenses		(154,850)	-
Other (losses)/gains		(66,766)	28,880
Loss before income tax		(3,307,600)	(3,550,672)
Income tax expense	4	-	-
Net loss for the year		(3,307,600)	(3,550,672)
Net loss attributable to members of Prairie Mining Limited		(3,307,600)	(3,550,672)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		(56,043)	47,067
Total other comprehensive income/(loss) for the year, net of tax		(56,043)	47,067
Total comprehensive loss for the year, net of tax		(3,363,643)	(3,503,605)
Total comprehensive loss attributable to members of Prairie Mining Limited		(3,363,643)	(3,503,605)
Basic and diluted loss per share from (cents per share)	13	(1.52)	(1.63)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Note	2020 \$	2019 \$
ASSETS			
Current Assets			
Cash and cash equivalents	14(b)	2,566,518	6,628,371
Trade and other receivables	5	1,631,500	827,478
Total Current Assets		4,198,018	7,455,849
Non-current Assets			
Property, plant and equipment	6	2,438,254	2,371,028
Exploration and evaluation assets	7	-	-
Total Non-current Assets		2,438,254	2,371,028
TOTAL ASSETS		6,636,272	9,826,877
LIABILITIES			
Current Liabilities			
Trade and other payables	8	1,601,109	1,050,862
Provisions	10	257,562	286,006
Other financial liabilities	9	271,195	-
Total Current Liabilities		2,129,866	1,336,868
Non-Current Liabilities			
Provisions	10	340,873	1,181,421
Other financial liabilities	9	166,981	-
Total Non-Current Liabilities		507,854	1,181,421
TOTAL LIABILITIES		2,637,720	2,518,289
NET ASSETS		3,998,552	7,308,588
EQUITY			
Contributed equity	11	75,476,543	75,491,413
Reserves	12	1,636,525	2,031,423
Accumulated losses		(73,114,516)	(70,214,248)
TOTAL EQUITY		3,998,552	7,308,588

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020



	Contributed Equity	Share-Based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$	\$
Balance at 1 July 2019	75,491,413	887,600	1,143,823	(70,214,248)	7,308,588
Effect of adoption of AASB 16	-	-	-	(95,137)	(95,137)
Balance at 1 July 2019 – restated	75,491,413	887,600	1,143,823	(70,309,385)	7,213,451
Net loss for the year	-	-	-	(3,307,600)	(3,307,600)
Other comprehensive income:					
Exchange differences on translation of foreign operations	-	-	(56,043)	-	(56,043)
Total comprehensive loss for the year	-	-	(56,043)	(3,307,600)	(3,363,643)
Prepaid SPP share issue costs	(14,870)	-	-	-	(14,870)
Expiry of Incentive Options	-	(502,469)	-	502,469	-
Lapse of Performance Rights	-	(286,450)	-	-	(286,450)
Recognition of share-based payments	-	450,064	-	-	450,064
Balance at 30 June 2020	75,476,543	548,745	1,087,780	(73,114,516)	3,998,552
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 year	-	-	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

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

For personal use only

**CONSOLIDATED STATEMENT OF
CASH FLOWS**
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 \$	2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(4,249,738)	(4,979,226)
Proceeds from property and gas sales		396,303	433,426
Interest received from third parties		80,807	218,838
NET CASH FLOWS USED IN OPERATING ACTIVITIES	14(a)	(3,772,628)	(4,326,962)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property		-	3,346
NET CASH FLOWS FROM IN INVESTING ACTIVITIES		-	3,346
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments for share issue costs		(14,870)	(70,346)
Payments for lease liability		(274,355)	-
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(289,225)	(70,346)
Net decrease in cash and cash equivalents		(4,061,853)	(4,393,962)
Cash and cash equivalents at beginning of year		6,628,371	11,022,333
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	14(b)	2,566,518	6,628,371

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

For personal use only

**NOTES TO AND FORMING PART OF
THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**



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 2020 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 2020 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 16 Leases;*
- *Interpretation 23 Uncertainty over Income Tax Treatments;*
- *AASB 2017-7 Amendments – Long-term Interests in Associates and Joint Venture Amendments to IAS 28 and Illustrative Example – Long-term Interests in Associates and Joint Ventures;*
- *AASB 2018-1 Amendments – Annual Improvements 2015-2017 Cycle; and*
- *AASB 2018-2 Amendments – Plan Amendment, Curtailment or Settlement (AASB 119).*

Other than the adoption of AASB16, 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. A discussion on the adoption of AASB 16 is included below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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 2020. Those which may be relevant to the Group are set out in the table below, but these are not expected to have any significant impact on the Group's financial statements as detailed overpage.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

(Continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Statement of Compliance (Continued)

Standard/Interpretation	Application date of standard	Application date for Group
AASB 2018-6 <i>Amendments to Australian Accounting Standards – Definition of a Business</i>	1 January 2020	1 July 2020
AASB 2018-7 <i>Amendments to Australian Accounting Standards – Definition of Material</i>	1 January 2020	1 July 2020
Conceptual Framework and Financial Reporting	1 January 2020	1 July 2020
2019-1 <i>Amendments to Australian Accounting Standards – References to the Conceptual Framework</i>	1 January 2020	1 July 2020

(c) Changes in Accounting Policies

AASB 16 Leases

The Group applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for 2019 is not restated – i.e. it is presented, as previously reported, under AASB 117 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in AASB 16 have not generally been applied to comparative information.

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in AASB 16.

On transition to AASB 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and IFRIC 4 were not reassessed for whether there is a lease under AASB 16.

As a lessee

As a lessee, the Group leases primarily property assets. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under AASB 16, the Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are now on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of property the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component

Leases classified as operating leases under AASB 117

Previously, the Group classified property leases as operating leases under AASB 117. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 July 2019. Right-of-use assets are measured at:

- their carrying amount as if AASB 16 had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application: the Group applied this approach to its property leases.

The Group used a number of practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- used hindsight when determining the lease term.

Leases classified as finance leases under AASB 117

The Group did not have any leases that were previously classified as finance leases under AASB 117.

Impact on transition

On transition to AASB 16, the Group recognised additional right-of-use assets and additional lease liabilities, recognising the difference in accumulated losses. The impact on transition is summarised below:

	As previously reported \$	AASB 16 adjustment \$	As restated at 1 July 2019 \$
Property, plant and equipment	2,371,028	601,164	2,972,192
Other financial liabilities	-	(696,302)	(696,302)
Accumulated losses	(70,214,248)	(95,137)	(70,309,385)

When measuring liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied is 7%.

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as at 30 June 2019 as follows:

	\$
Operating lease commitments as at 30 June 2019	767,449
Weighted average incremental borrowing rate	7%
Discounted operating lease commitments at 1 July 2019	696,302

(d) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2020 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.

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.

(e) 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.

(f) Trade and Other Receivables

Trade receivables are recognised and carried at amortised costs amount less any expected credit loss ("ECL").

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

For personal use only

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

(Continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) 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.

(h) 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

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

	2020	2019
Major depreciation periods (per annum) 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.

(i) 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.

For personal use only

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

(Continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Exploration and Evaluation Expenditure (Continued)

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.

(j) 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.

(k) 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.

(l) 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 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.

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.

(m) 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.

(n) 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 at balance date 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

(Continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Income Tax (Continued)

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 tax consolidated 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 (which is the head entity in the tax consolidated group). 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.

(o) 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.

(p) 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.

(q) Goods and Services Tax ("GST")

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.

(r) 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.

(s) 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. 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.

(t) 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 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.

(u) 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.

(v) 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.

For personal use only

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

(Continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Foreign Currencies (Continued)

(iii) Group companies (Continued)

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.

(w) 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 18.

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.

(x) 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 7) - the Group's accounting policy for exploration and evaluation assets is set out in Note 1(i). 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 7, the Company has impaired all capitalised exploration and evaluation assets during the year.
- Share-Based Payments (Note 18) - 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 18.
- Functional currency of foreign operations (Note 21(h)) - determination of the functional currency of foreign subsidiaries requires judgement regarding the primary currency of labour, material and exploration spend in that subsidiary.

2. REVENUE AND OTHER INCOME

		2020	2019
		\$	\$
(a) Revenue			
Interest revenue		60,423	203,160
Gas and property lease revenue		396,303	354,170
		456,726	557,330
(b) Other income			
LCM finance facility income	5&8	906,036	-
Gain on extinguishment of financial liability		-	1,945,080
		906,036	1,945,080

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. In the prior period and following the receipt of final "second instance" decision from the MoE that denied the Debiensko mining concession amendment application, the Company determined that there was no probability of meeting the project milestones which would trigger the contingent consideration and that there was longer any present obligation to pay the contingent consideration. Accordingly, the liability was derecognised which resulted in a gain to the profit and loss of \$1,945,080 (2020: nil).

3. EXPENSES

		2020	2019
		\$	\$
(a) Employee benefits expense			
Salaries and wages		(451,125)	(415,783)
Superannuation expense		(1,900)	(6,745)
Other employee expenses		-	(3,918)
Employment expenses		(453,025)	(426,446)
Share-based payment (expense)/reversal	18(a)	(163,613)	1,599,118
Employment expenses recorded in exploration and evaluation expenses		(961,298)	(573,669)
Total employment expenses included in profit or loss		(1,577,936)	599,003

4. INCOME TAX

		2020	2019
		\$	\$
(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		-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

(Continued)

4. INCOME TAX (Continued)

	2020 \$	2019 \$
(b) Reconciliation between tax expense and accounting loss before income tax		
Accounting loss before income tax	(3,307,600)	(3,550,672)
At the domestic income tax rate of 30% (2019: 30%)	(992,280)	(1,065,154)
Expenditure not allowable for income tax purposes	495,464	728,179
Income not assessable for income tax purposes	20,030	(599,690)
Effect of increase in Australian tax rate	-	103,821
Adjustments in respect of deferred income tax of previous years	84,379	(1,305,877)
Deferred tax assets not brought to account	392,407	1,837,984
Effect of different tax rates of subsidiaries operating in other jurisdictions	-	300,737
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	692	6,807
Deferred tax assets used to offset deferred tax liabilities	(692)	(6,807)
	-	-
Deferred Tax Assets		
Accrued expenditure	109,473	14,400
Capital allowances	7,131	3,720,697
Tax losses available to offset against future taxable income	4,045,418	4,739,672
Deferred tax assets used to offset deferred tax liabilities	(692)	(6,807)
Deferred tax assets not brought to account	(4,161,330)	(8,467,962)
	-	-

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.

(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.

5. TRADE AND OTHER RECEIVABLES

	Note	2020 \$	2019 \$
Trade receivables		229,758	198,609
Arbitration expenses receivable (LCM finance facility)	8	906,036	-
Accrued interest		2,308	22,691
Deposits/prepayments		292,392	445,541
GST and other receivables		227,209	160,637
		1,631,500	827,478

Note:

¹ As at 30 June 2020, no amounts are past due or impaired.

6. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings \$	Plant and equipment \$	Right-of- use assets \$	Total \$
Carrying amount at 1 July 2019	2,276,366	94,662	-	2,371,028
Effect of adoption of AASB 16	-	-	601,164	601,164
Carrying amount at 1 July 2019 (adjusted)	2,276,366	94,662	601,164	2,972,192
Impairment	(154,850)	-	-	(154,850)
Depreciation and amortisation	(49,603)	(36,513)	(218,605)	(304,721)
Foreign exchange differences	(74,317)	(50)	-	(74,367)
Carrying amount at 30 June 30 2020	1,997,596	58,099	382,559	2,438,254
- at cost	2,047,198	329,112	601,164	2,977,474
- accumulated depreciation and amortisation	(49,603)	(271,012)	(218,605)	(539,220)
Carrying amount at 1 July 2018	2,220,823	142,328	-	2,363,151
Disposals	(11,598)	(3,687)	-	(15,285)
Depreciation and amortisation	(52,901)	(44,340)	-	(97,241)
Foreign exchange differences	120,042	361	-	120,403
Carrying amount at 30 June 2019	2,276,366	94,662	-	2,371,028
- at cost	2,329,267	331,115	-	2,660,382
- accumulated depreciation and amortization	(52,901)	(236,453)	-	(289,354)

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**
(Continued)

7. EXPLORATION AND EVALUATION ASSETS

	2020	2019
	\$	\$
(a) Areas of Interest		
Jan Karski Mine ¹	-	-
Debiensko Mine ²	-	-
Carrying amount at end of year	-	-
(b) Reconciliation		
Carrying amount at the start of the year	-	2,656,968
Impairment of exploration expenditure	-	(2,721,198)
Exchange rate differences on translation of foreign operations	-	64,230
Carrying amount at end of year	-	-

Notes:

¹ 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, K6-7, 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 and the award of a mining concession of K6-7 to Bogdanka. 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 should have precluded any other parties being granted any licence/concession 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 still 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 since overturned the injunction in place against the MoE. Prairie believes that the Appeal Court's decision is fundamentally flawed. Prairie has now received official notification from the Polish government that the K6-7 deposit, which forms an integral part of Prairie's Jan Karski project, has been granted to Bogdanka. Despite multiple applications by Prairie to the MoE to be admitted as a party of interest to Bogdanka's K6-7 mining concession proceedings, the MoE has denied Prairie the status of party of interest which effectively prevents Prairie from appealing the award of the K6-7 mining concession to Bogdanka. These events provide 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 entirely blocked Prairie's pathway to any future production from Jan Karski. 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 Treaties. Prairie has now formally commenced with the Claims against the Polish Government. The Claim alleges that the Republic of Poland has breached its obligations under the applicable Treaties through its actions to block the development of the Company's Jan Karski and Debiensko mines in Poland which effectively deprives Prairie of the entire value of its investments in Poland.

² 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. In 2018 Prairie received a final "second instance" decision from the MoE that denied the Company's amendment application. Prairie appealed this MoE decision to Poland's Administrative Court and in November 2019 the Administrative court ruled in Prairie's favour confirming that Prairie's concession amendment application fulfilled all formal requirements under Polish law and that the MoE was obliged to grant Prairie the requested concession amendment. The court verdict indicated that the MoE had not established legal grounds justifying rejection of Prairie's amendment application. The MoE has now appealed this decision to Poland's Supreme Administrative Court. Nevertheless, Prairie also holds a valid environmental consent decision 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. Nevertheless, the actions of the Polish government have effectively blocked any pathway to production for Prairie at Debiensko therefore making it impossible for the Company to continue with development at Debiensko. The Company will consider any actions necessary to pursue its legal rights regarding Debiensko. For this and other reasons, Prairie has now formally commenced with the Claims against the Polish Government. The Claim alleges that the Republic of Poland has breached its obligations under both domestic law and the applicable Treaties through its actions to block the development of the Company's Jan Karski and Debiensko mines in Poland which effectively deprives Prairie of the entire value of its investments in Poland.

Taking the above into account, the Company impaired its exploration and evaluation assets in full in the prior year.

For personal use only

8. TRADE AND OTHER PAYABLES

	Note	2020 \$	2019 \$
Trade and other payables		695,073	1,050,862
Arbitration expenses payable ³	5	906,036	-
		1,601,109	1,050,862

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.

³ On 30 June 2020, the Company signed an A\$18 million LFA with LCM to pursue the Claims against the Republic of Poland for breaches of its obligations under the Treaties. At 30 June 2020 (2019: nil), the Company had incurred \$906,035 (2019: nil) of costs in relation to the Claim and this amount has been drawn down under the LFA and paid for by LCM subsequent to the end of the year.

9. OTHER FINANCIAL LIABILITIES

	2020 \$	2019 \$
(a) Current Liabilities:		
Lease Liability	271,195	-
(b) Non-Current Liabilities:		
Lease Liability	166,981	-

10. PROVISIONS

	2020 \$	2019 \$
(a) Current Provisions:		
Provisions for the protection against mining damage at Debiensko ¹	230,332	259,990
Annual leave provision	27,230	26,016
	257,562	286,006
(b) Non-Current Provisions:		
Provisions for the protection against mining damage at Debiensko ¹	340,873	1,181,421
	340,873	1,181,421

Notes:

¹ As Debiensko was previously an operating mine, Karbonia S.A. (the Company's 100% owned Polish subsidiary) was required to pay out mining land damages to any surrounding land owners who made a legitimate claim under Polish law. 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. In 2018 Prairie received a final "second instance" decision from the MoE that denied the Company's amendment application meaning that from 1 January 2018, Debiensko does not have an approved mine operation plan. As a result and following legal advice and opinions, the Company has derecognised any mining damages claims which have not formally been lodged prior to 1 January 2018 and the Company will not be providing for or paying any mining damage claim lodged subsequent to 1 January 2018.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

(Continued)

11. CONTRIBUTED EQUITY

	Note	2020 \$	2019 \$
(a) Issued and Unissued Capital			
212,275,089 (2019: 212,275,089) fully paid Ordinary Shares	11(b)	66,669,038	66,683,908
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		75,476,543	75,491,413

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 19	Opening balance	212,275,089	66,683,908
June 2020	Prepaid SPP share issue costs	-	(14,870)
30 Jun 20	Closing balance	212,275,089	66,669,038
1 Jul 18	Opening balance	212,275,089	66,718,745
Jul 18 to Jun 19	Share issue costs	-	(34,837)
30 Jun 19	Closing balance	212,275,089	66,683,908

(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 12(c) or the conversion of Performance Rights in accordance with Note 12(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 poll.

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.

For personal use only

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

(Continued)

11. CONTRIBUTED EQUITY (Continued)

(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.

12. RESERVES

	Note	2020 \$	2019 \$
Share-based-payments reserve	12(b)	548,745	887,600
Foreign currency translation reserve		1,087,780	1,143,823
		1,636,525	2,031,423

(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 12. 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 19	Opening balance	1,800,000	9,425,000	887,600
31 Dec 19	Lapse of unvested Performance Rights	-	(3,200,000)	(286,450)
31 Mar 20	Expiry of vested Incentive Options	(1,800,000)	-	(502,469)
Jul 19 to Jun 20	Share-based payments expense	-	-	450,064
30 Jun 20	Closing balance	-	6,225,000	548,745
1 Jul 18	Opening balance	1,800,000	10,675,000	2,486,718
31 Dec 18	Lapse of unvested 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 18)	-	-	(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

(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;
- There were no Incentive Options outstanding at the end of the financial year
- 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 11(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:
 - 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

(Continued)

13. EARNINGS PER SHARE

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

	2020 \$	2019 \$
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	(3,307,600)	(3,550,672)

	Number of Ordinary Shares 2020	Number of Ordinary Shares 2019
Weighted average number of Ordinary Shares	212,275,089	212,275,089
Weighted average number of Ordinary Shares upon conversion of Loan Note 2	5,711,805	5,711,805
Weighted average number of Ordinary Shares used in calculating basic and diluted loss per share	217,986,894	217,986,894

(a) Non-Dilutive Securities

As at balance date, 6,225,000 Performance Rights and 22,388,060 CD Options (which represent 28,613,060 potential Ordinary Shares) were considered non-dilutive as they would decrease the loss per share.

(b) Conversions, Calls, Subscriptions or Issues after 30 June 2020

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.

14. STATEMENT OF CASH FLOWS

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

	2020 \$	2019 \$
Net loss for the year	(3,307,600)	(3,550,672)
Adjustments		
Depreciation and amortisation	304,721	97,241
Share-based payment expense/(reversal)	163,613	(1,599,118)
Unrealised foreign exchange movement	69,819	(28,880)
Exploration expenditure written-off	-	2,721,198
Gain on extinguishment of financial liability	-	(1,945,080)
Non-cash expenditure	154,850	-
Change in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	(803,984)	126,050
Increase/(decrease) in trade and other payables	514,037	185,754
Increase/(decrease) in provisions	(868,084)	(333,455)
Net cash outflow from operating activities	(3,772,628)	(4,326,962)
(b) Reconciliation of Cash		
Cash at bank and on hand	1,066,518	1,128,371
Deposits at call	1,500,000	5,500,000
	2,566,518	6,628,371

15. RELATED PARTIES

(a) Subsidiaries

Name	Country of Incorporation	% Equity Interest	
		2020 %	2019 %
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 16 below.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

(Continued)

16. 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 2019 until the date of this report.

	2020	2019
	\$	\$
Short-term employee benefits	970,418	940,236
Post-employment benefits	1,900	6,745
Share-based payments	214,085	(727,809)
Total compensation	1,186,403	219,172

(b) Loans from Key Management Personnel

No loans were provided to or received from Key Management Personnel during the year ended 30 June 2020 (2019: Nil).

(c) Other Transactions

Apollo Group Pty Ltd, a Company of which Mr Mark Pearce is a Director and beneficial shareholder, was paid \$232,000 (2019: \$240,000) 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.

17. PARENT ENTITY DISCLOSURES

	2020	2019
	\$	\$
(a) Financial Position		
Assets		
Current assets	2,766,515	6,747,033
Non-current assets	439,584	91,721
Total assets	3,206,099	6,838,754
Liabilities		
Current liabilities	641,822	546,467
Non-Current liabilities	166,981	-
Total liabilities	808,803	546,467
Equity		
Contributed equity	72,876,489	72,891,359
Reserves	548,745	887,600
Accumulated losses	(71,027,938)	(67,486,672)
Total equity	2,397,296	6,292,287
(b) Financial Performance		
Profit/(loss) for the year	(3,948,597)	(11,505,868)
Other comprehensive income/(loss)	-	-
Total comprehensive income/(loss)	(3,948,597)	(11,505,868)

(c) Other information

The Company has not entered into any guarantees in relation to its subsidiaries. Refer to Note 0 for details of contingent assets and liabilities.

18. 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:

	2020	2019
	\$	\$
Expense reversed upon the forfeiture of performance rights	286,450	1,266,880
Expense reversed upon performance rights deemed un-vestable	-	2,158,464
Expense arising from equity-settled share-based payment transactions	(450,064)	(1,826,226)
Total share-based (payments)/reversals recognised during the year	(163,614)	1,599,118

For personal use only

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

(Continued)

18. SHARE-BASED PAYMENTS (Continued)

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

No Incentive Options were granted in 2020 or 2019.

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	2020 Number	2020 WAEP	2019 Number	2019 WAEP
Outstanding at beginning of year	1,800,000	\$0.667	1,800,000	\$0.667
Granted by the Company during the year	-	-	-	-
Forfeited/cancelled/lapsed	(1,800,000)	\$0.667	-	-
Outstanding at end of year	-	-	1,800,000	\$0.667

The following Performance Rights were granted as share-based payments during the past two years (no Performance Rights were granted in 2020):

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

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	2020 Number	2020 WAEP	2019 Number	2019 WAEP
Outstanding at beginning of year	9,425,000	-	10,675,000	-
Granted by the Company during the year	-	-	1,825,000	-
Forfeited/cancelled/lapsed/expired	(3,200,000)	-	(3,075,000)	-
Outstanding at end of year	6,225,000	-	9,425,000	-

The outstanding balance of Performance Rights as at 30 June 2020 is represented by:

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

(b) Weighted Average Remaining Contractual Life

At 30 June 2020, the weighted average remaining contractual life of Incentive Options on issue that had been granted as share-based payments was nil (2019: 0.75 years) and of Performance Rights granted as share-based payments was 0.43 years (2019: 1.12 years).

(c) Range of Exercise Prices

At 30 June 2020, the range of exercise prices of Incentive Options on issue that had been granted as share-based payments was nil (2019: \$0.50 to \$0.80). Performance Rights have no exercise price.

(d) 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 2020 was nil (2019: nil). The weighted average fair value of Performance Rights granted as share-based payments by the Group during the year ended 30 June 2020 was nil (2019: \$0. 363).

(e) 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 pricing 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 2020 or 2019.

No Performance Rights were granted in 2020. The table below lists the inputs to the valuation model used for Performance Rights granted by the Group in 2019:

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

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.

19. AUDITORS' REMUNERATION

The auditor of Prairie Mining Limited is Ernst & Young.

	2020	2019
	\$	\$
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	40,500	33,500
• Ernst and Young – Australia: preparation of income tax return	11,000	11,000
• Ernst and Young – Australia: taxation advice	14,875	-
• Other entities: an audit or review of the financial report of any other entity in the consolidated group	14,662	11,209
	81,037	55,709

For personal use only

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

(Continued)

20. 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.

	2020	2019
	\$	\$
(a) Reconciliation of Non-Current Assets by Geographical Location		
Poland	1,998,670	2,279,307
United Kingdom	439,583	91,721
	2,438,253	2,371,028
(b) Revenue by Geographical Location		
Poland	396,303	354,170
Australia	966,459	203,160
	1,362,762	557,330

21. 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:

	2020	2019
	\$	\$
Cash and cash equivalents	2,566,518	6,628,371
Trade and other receivables	1,631,500	827,478
	4,198,018	7,455,849

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 other 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 2020, none (2019: 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 2020 and 2019, 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 \$
2020					
Financial Liabilities					
Trade and other payables	695,073	-	-	-	1,601,109
Arbitration expenses payable	906,036	-	-	-	906,036
Other financial liabilities	271,195	166,981	-	-	438,176
	1,872,304	166,981	-	-	2,945,321
2019					
Financial Liabilities					
Trade and other payables	1,050,862	-	-	-	1,050,862
	1,050,862	-	-	-	1,050,862

(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 are non-interest bearing.

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

	2020 \$	2019 \$
Interest-bearing financial instruments		
Cash at bank and on hand	1,066,518	1,128,371
Deposits at Call	1,500,000	5,500,000
	2,566,518	6,628,371

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

(Continued)

21. 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 0.59% (2019: 2.11%).

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 2019.

	Profit or loss		Other Comprehensive Income	
	+ 100 basis points \$	- 100 basis points \$	+ 100 basis points \$	- 100 basis points \$
2020				
Group				
Cash and cash equivalents	27,438	(27,438)	-	-
2019				
Group				
Cash and cash equivalents	68,068	(68,068)	-	-

(e) Commodity Price Risk

The Group has no exposure to commodity price risk on its financial instruments at 30 June 2020. 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 \$3,998,552 as at 30 June 2020 (2019: \$7,308,588). 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 2020 and 30 June 2019, the carrying value of the Group's financial assets and liabilities approximate their fair value.

(h) Foreign Currency Risk

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:

2020	PLN	AUD	Total Equivalent AUD
Financial assets			
Cash and cash equivalents	388,269	2,424,199	2,566,518
Trade and other receivables	566,615	1,423,808	1,631,500
	954,884	3,848,007	4,198,018
Financial liabilities			
Trade and other payables	(869,984)	(1,282,219)	(1,601,109)
Net exposure	84,900	2,565,788	2,596,908

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
2020 Group AUD to PLN	(3,112)	3,112	-	-

For personal use only

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

(Continued)

22. 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 2020 financial year (2019: None).

(ii) *Contingent Liability*

As at the date of this report, no contingent liabilities had been identified in relation to the 30 June 2020. Previously the Group had disclosed contingent payments as follows:

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 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.

Given Bogdanka was granted a mining licence over the K-6-7 concession (see Note 7) and following other 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 will not be required to settle the any of the Historical Exploration data agreements fees in the future, and accordingly no liability has been recognised in relation to these but also the contingent liability will no longer be recognised or disclosed in the future.

23. EVENTS SUBSEQUENT TO BALANCE DATE

- (i) Commenced with the drawdown of the LCM finance facility prior to the submission of the Claim as noted in point (ii) below;
- (ii) On 9 September 2020, the Company announced that it had formally commenced with international arbitration claims following serving of its notices of arbitration under the Treaties against the Republic of Poland; and
- (iii) On 17 September 2020, the Company completed a SPP to A\$4 million (before costs) for working capital requirements and business development opportunities.

Other than as outlined above, at the date of this report, there are no matters or circumstances, which have arisen since 30 June 2020 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2020 of the Consolidated Entity;
- the results of those operations, in financial years subsequent to 30 June 2020, of the Consolidated Entity; or
- the state of affairs, in financial years subsequent to 30 June 2020, 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 Consolidated Entity's financial position as at 30 June 2020 and of its performance for the year ended in that date; 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 2020.

On behalf of the Board



Benjamin Stoikovich
Director

29 September 2020

For personal use only

INDEPENDENT AUDITOR'S REPORT



**Building a better
working world**

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

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

Report on the audit of the financial report

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 2020, the consolidated statement of profit and 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 2020 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 (including Independence Standards)* (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.

1. Carrying value of property, plant and equipment

Why significant

As disclosed in Note 6, as at 30 June 2020, the Group held property, plant and equipment of \$2.4 million, which represented 37% of the total assets held by the Group at that date.

The determination as to whether there are any indicators to require property, plant and equipment to be assessed for impairment involves judgement in considering whether external or internal sources of information suggest that an asset may be impaired. At 30 June 2020, the Group determined that there were no indicators of impairment.

Due to the significance to the Company's financial report and the degree of judgement involved in determining whether indicators of impairment were present, this was considered a key audit matter.

How our audit addressed the key audit matter

In performing our procedures, we:

- ▶ Compared the Group's market capitalisation relative to its net assets.
- ▶ Considered the nature of the property, plant and equipment and challenged the Group's assessment that there were no potential indicators of impairment. This included involving our in-country EY real estate valuation specialists.

2. Provision for mining damage claims

Why significant

The Group held a provision for mining damage at the Debiensko mine of \$0.6 million at 30 June 2020. This provision, which is described in Note 10, was reduced from \$1.4 million at the previous financial year end.

The Group has, following the receipt of legal advice regarding its obligations to fund damages claims, concluded that no liability exists for mining damage claims that were not formally lodged prior to 1 January 2018.

It has, therefore, reversed all provisions for mining damage that were not formally lodged by 1 January 2018.

Given the degree of judgment involved in determining whether the Group's obligation to fund claims for mining damage ceased from 1 January 2018, this was considered a key audit matter.

How our audit addressed the key audit matter

In performing our procedures, we:

- ▶ Considered and assessed the Group's method of identifying and quantifying mining damage claims received up to 1 January 2018
- ▶ Assessed the scope, objectivity and competence of the Group's legal counsel providing the advice not to recognise mining damage claims lodged after 1 January 2018
- ▶ Assessed the adequacy of the steps implemented by the Group on the advice of legal counsel to mitigate the risk of further mining damage claims being made
- ▶ Assessed the adequacy of the disclosure included in the financial report

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

For personal use only

INDEPENDENT AUDITOR'S REPORT

(Continued)



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 Company's 30 June 2020 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:

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

For personal use only



- ▶ 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
- ▶ 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, actions taken to eliminate threats or safeguards applied.

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.

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

INDEPENDENT AUDITOR'S REPORT

(Continued)



Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 15 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Prairie Mining Limited for the year ended 30 June 2020, 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.

A handwritten signature in black ink, appearing to read 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink, appearing to read 'Pierre Dreyer'.

Pierre Dreyer
Partner
Perth
29 September 2020

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

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 2020, 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 2020, 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.

ASX ADDITIONAL INFORMATION

The shareholder information set out below was applicable as at 31 August 2020.

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	89,672,150	42.24
CD Capital Natural Resources Fund Iii LP	44,776,120	21.09
Computershare Clearing Pty Ltd <CCNL Di A/C>	11,307,840	5.33
Arredo Pty Ltd	10,600,000	4.99
Citicorp Nominees Pty Limited	7,713,387	3.63
Bouchi Pty Ltd	2,845,601	1.34
T2 Resources Pty Ltd	2,800,000	1.33
HSBC Custody Nominees (Australia) Limited	2,524,856	1.19
Mr Mark Pearce + Mrs Natasha Pearce <NMLP Family A/C>	2,500,000	1.18
Mr John Paul Welborn	1,550,000	0.73
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>	1,533,962	0.72
Ross Langdon Divett + Linda Alison Divett	1,393,000	0.66
CABBDEG Investments Pty Ltd	1,285,000	0.61
Monex Boom Securities (Hk) Ltd <Clients Account>	753,305	0.35
Mr James Howard Nigel Smalley	750,000	0.35
Brearley Holdings Pty Ltd <Brearley Super Fund A/C>	732,100	0.34
Mr Arthur Douglas Waye + Mrs Janice Beryl Waye <Daisy Blue Super Fund A/C>	700,000	0.33
Mr Darren Russell Brearley + Mrs Nicole Jean Brearley <Onshore Group Superfund A/C>	624,501	0.29
BNP Paribas NOMS Pty Ltd <DRP>	609,774	0.29
Total Top 20	186,213,702	87.72
Others	26,061,387	12.28
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	609	137,454
1,001 – 5,000	235	656,221
5,001 – 10,000	125	1,043,498
10,001 – 100,000	250	9,362,054
More than 100,000	79	201,075,862
Totals	1,298	212,275,089

There were 668 holders of less than a marketable parcel of Ordinary Shares.

3. VOTING RIGHTS

See Note 11(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 2020, other than those securities issued or acquired under an employee incentive scheme, are listed below:

Holder	\$0.60 Unlisted Options Expiring 31 May 2021
CD Capital Natural Resources Fund III LP	22,388,060
Others (holding less than 20%)	-
Total	22,388,060
<i>Total holders</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.

For personal use only

ASX ADDITIONAL INFORMATION (Continued)

7. EXPLORATION INTERESTS

As at 31 August 2020, 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, K6-7, K-8 and K-9) ¹	100	In dispute ¹	Exclusive Right to apply for a mining concession
Debiensko, Poland	Debiensko 1 ²	100	Granted	Mining
Debiensko, Poland	Kaczyce 1	100	Granted	Mining & Exploration (includes gas rights)

Notes:

¹ 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, K6-7, 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 and the award of a mining concession of K6-7 to Bogdanka. 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 should have precluded any other parties being granted any licence/concession 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 still 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 since overturned the injunction in place against the MoE. Prairie believes that the Appeal Court's decision is fundamentally flawed. Prairie has now received official notification from the Polish government that the K6-7 deposit, which forms an integral part of Prairie's Jan Karski project, has been granted to Bogdanka. Despite multiple applications by Prairie to the MoE to be admitted as a party of interest to Bogdanka's K6-7 mining concession proceedings, the MoE has denied Prairie the status of party of interest which effectively prevents Prairie from appealing the award of the K6-7 mining concession to Bogdanka. These events provide 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 entirely blocked Prairie's pathway to any future production from Jan Karski. 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 Treaties. Prairie has now formally commenced with the Claims against the Polish Government. The Claim alleges that the Republic of Poland has breached its obligations under both domestic law and the applicable Treaties through its actions to block the development of the Company's Jan Karski and Debiensko mines in Poland which effectively deprives Prairie of the entire value of its investments in Poland.

² 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. In 2018 Prairie received a final "second instance" decision from the MoE that denied the Company's amendment application. Prairie appealed this MoE decision to Poland's Administrative Court and in November 2019 the Administrative court ruled in Prairie's favour confirming that Prairie's concession amendment application fulfilled all formal requirements under Polish law and that the MoE was obliged to grant Prairie the requested concession amendment. The court verdict indicated that the MoE had not established legal grounds justifying rejection of Prairie's amendment application. The MoE has now appealed this decision to Poland's Supreme Administrative Court. Nevertheless, Prairie also holds a valid environmental consent decision 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. Nevertheless, the actions of the Polish government have effectively blocked any pathway to production for Prairie at Debiensko therefore making it impossible for the Company to continue with development at Debiensko. The Company will consider any actions necessary to pursue its legal rights regarding Debiensko. For this and other reasons, Prairie has now formally commenced with the Claims against the Polish Government. The Claim alleges that the Republic of Poland has breached its obligations under both domestic law and the applicable Treaties through its actions to block the development of the Company's Jan Karski and Debiensko mines in Poland which effectively deprives Prairie of the entire value of its investments in Poland.



Prairie Mining Limited

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

e: info@pdz.com.au

w: www.pdz.com.au

WARSAW OFFICE

Wiejska 17/11
00-480 Warszawa

KARBONIA S.A. OFFICE

Ul. 3 Maja 44,
44-230 Czerwionka- Leszczyny

LONDON OFFICE

Unit 3C, 38 Jermyn Street
London SW1Y 6DN
United Kingdom

t: +44 207 478 3900

REGISTERED OFFICE

Level 9
28 The Esplanade
Perth WA 6000

t: +61 8 9322 6322

f: +61 8 9322 6558

For personal use only