Lublin Basin - Europe's Next Strategic Source of Thermal Coal

2013 Coaltrans Poland Presentation

March 2013
Key Topics

The Future of European Coal Supply

A true need for a strategic, secure and European source of coal supply

Lublin – The Future for Polish Coal Exports

Massive, largely untapped, high productivity potential

Prairie’s Development Plan for the Lublin Coal Project

Straightforward, methodical and proven resource development model
Coal Fired Power Generation Will Continue

~250 Million tonnes per annum of hard coal burnt in European Union...

Annual coal burn in Europe is increasing

- Cheaper than natural gas
- Significant coal generation capacity build still occurring

EU Coal Supply Breakdown

- Coal Production
- Coal Imports

Source: Chalmers Coal Plant data base
Decreasing trend in historic coal basins – both hard coal and lignite...

- Decreasing long term production rate due to exhaustion of coal reserves, increasing costs, stricter environmental and permitting regimes for open pit lignite
- Specifically for hard coal, EU supply will be significantly affected by further Ruhr basin and Upper Silesian coal mine closures

Source: BP statistical review of world energy 2012
Imports will Dominate Future Supply

Import demand by European generators to be driven by mine closures and new build generation...

Current

130+ Mtpa
Current Imports

2020+

180+ Mtpa
Driven by generation build-out & mine closures

Source: Various, Company Estimates

But...
Global Coal Fired Build-Out Continues

255+ GW of coal Fired capacity being built in high growth economies e.g. China, India etc...

Will require significant amounts of imported coal supply

Source: Arsh Coal 2012
Traditional sources of European imports to be directed towards higher growth regions...

- Seaborne supply more competitive
- Increased demand for Russian Exports by Japan, South Korea etc
- No significant demand change into Asia for US Thermal Exports from Gulf and North East Ports
- Colombian exports to have slightly more demand by Asian customers
- Significant increased demand for South African Exports by Indian customers
Strategic Alternative – Poland

New European Coal Supply is required as a strategic alternative...

- Long, Coal mining and Export History
- Poland is well located for supply into Europe
- Secure European Union based coal supply
Poland has a distinct advantage to European coal fired power plants over internationally imported coal as there is no requirement for seaborne freight, insurance and import port loading/unloading costs.

Poland has the potential to maintain a position on the lower end of the delivered cash cost curve into Europe – leading to the maintenance of strong margins throughout all cycles.
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Lublin Coal Basin

Large Coal Basin with production from only one mining complex...

- Discovered during drilling campaigns in the 1960’s and explored extensively throughout the 1970’s and 1980’s
- First mining began in the 1980’s and has continued successfully through to today
- Successful deployment of plough technology has opened up potential exploitation of thinner seams in the basin
- Characterised by gentle geology, lower methane levels and lower thermal gradients as compared to the Upper Silesian Basin
- Remains largely untapped with Prairie holding a position of over 18,200 hectares of virgin coal resource
Untapped, 1.6 Billion tonne inferred strategic resource of high quality thermal coal...

- Maiden Coal Resource defined from over 200 core holes with cut-off seam thickness of 1.0 meters, a 20 meter buffer zone between the Jurassic and over 20 coal seams modeled.

- Current planned drilling program is expected to yield increases to the category of the resource over the coming months.
680 Million tonnes of the current inferred Coal Resource is contained within 3 high quality coal seams...

- **391 Seam**
  - 327 Million tonnes
  - 8.4% Ash
  - 6,894 kcal/kg

- **379 Seam**
  - 190 Million tonnes
  - 14.1% Ash
  - 6,307 kcal/kg

- **382 Seam**
  - 163 Million tonnes
  - 13.3% Ash
  - 6,352 kcal/kg

- Large scale potential from only 3 seams which display excellent thermal coal quality characteristics
High Quality, Low Ash Raw Coal

High quality thermal coal potential from low inherent ash coal qualities...

- **1,576Mt** 12.2% Ash
- **896Mt** 13.0%
- **163Mt** 13.3%
- **190Mt** 14.1%
- **327Mt** 8.4%
- **680Mt** 11.2% Ash 6,600kcal/kg

- Favoured by power generators as lower cost on the boilers
- Potential minimal processing required
- Higher expected yields
- Lower operating costs
**Lublin Coal Basin has the potential for production of import benchmark thermal coals...**

<table>
<thead>
<tr>
<th>Coal Seam/Benchmark Comparison</th>
<th>Calorific Value (kcal/kg, GAD)</th>
<th>Ash (%)</th>
<th>Sulphur (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>API 2/CIF ARA Typical Specification</td>
<td>6,700</td>
<td>11.0-15.0</td>
<td>&lt;1.00</td>
</tr>
<tr>
<td>Seam 391 (Unwashed)</td>
<td>6,894</td>
<td>8.4</td>
<td>1.16</td>
</tr>
<tr>
<td>Seam 391, 382, 379 Average (Unwashed)</td>
<td>6,600</td>
<td>11.2</td>
<td>1.34</td>
</tr>
</tbody>
</table>

- Lublin basin alternative will provide a thermal coal with similar qualities as those supplied by imports i.e. no quality disadvantage is expected for Lublin coals.
- Coal seams generally display lower ash contents and equivalent or higher calorific values as compared to the benchmark, whilst sulphur tends to be slightly higher than the benchmark (can be blended out by the offtake party).
- Processing of the combined 391, 382 & 379 seams could lead to above benchmark coal specifications.
High Productivity Region

Simple geology lends itself to high productivity longwalls

CROSS SECTION B

Quaternary>Alluvial Strata
Cretaceous Strata
Jurassic Strata
Carboniferous Strata
Devonian Strata
Silurian Strata
Drill Hole
Lease Boundary
Fault (projected)
Coal Seam (379)
Coal Seam (382)
Coal Seam (391)
Coal Seam

PDZ Group

Prairie Downs
Metals Limited
Proven Extraction Methods

*World record setting plow technology deployed in the Lublin Coal Basin...*

- Recommended technology for seam heights of <2.3 meters as compared to a traditional shearer longwall

- The basin has displayed the potential to be an ideal poster child for longwall plows with a world record set by Bogdanka of 24,900 tonnes in a single day from a single face!

Source: CAT website (Not Prairie’s equipment)
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Straightforward, methodical and proven resource development model
Commence and complete a 7 PQ sized core hole drilling program over our exploration concessions

Enhance our understanding of the coal resource, coal quality and coal washability characteristics from the results of the exploration concessions (update the geological data)

Plan for additional coal exploration core holes to further define the resource to measured and indicated categories (JORC coal standards ahead of technical studies)

Begin baseline data collection in the region

Commence assessment of socio-economic and environmental impacts of the development of a new mine in the Lublin region
Complete a scoping study which conceptualises the different alternatives for a new mine development in the Lublin coal basin which fully utilises the resource.

Complete a pre-feasibility study which refines the best alternative mine developments which have been defined in the scoping study – this provides a detailed mine plan, processing, infrastructure requirements and project economics.

Commence detailed marketing assessments of coal production with regard to future offtake partners.

Complete the Environmental Assessment of the project with regard to the development plan outlined in the scoping and pre-feasibility studies and commence rezoning within the selected local councils (Gminas).

Commence Community Consultation.

Lodge Mine Concession Application.
Complete full bankable feasibility studies to provide enough detail to allow project financing through the global capital and debt markets

Marketing of the project to potential debt and equity providers

Complete offtake and/or Joint Venture agreements for the coal production from the development

Finalise Government Approvals
Pathway to Production

- Board approval to commence construction
- Site preparation, civil works, foundations, etc
- Shaft sinking, surface facilities and Coal Handling and Preparation Plant (CHPP) Construction
- Large scale training and employment programmes
- Commissioning and Production
Resource Funding Options

*Australian capital markets have a long and extensive history of providing funds to undeveloped resource projects across the globe...*

- **Equity**
  - Fortescue Metals Group raised over **zł 1,200 million (US$ 378 million)** as part of its financing package for its undeveloped iron ore project.
  - Coalspur Mines Limited raised over **zł 570 million (US$ 180 million)** to fund exploration and feasibility studies.
  - Cockatoo Coal Limited raised over **zł 450 million (US$ 142 million)** to fund an acquisition of an undeveloped coal project.
  - Mantra Resources Limited raised over **zł 330 million (US$ 104 million)** to fund a “Greenfields” exploration program and feasibility studies.
  - Equatorial Resources Limited raised over **zł 250 million (US$ 79 million)** to fund a large scale drilling programme.

- **Hybrid Equity/Debt**
  - Aston Resources Limited raised **zł 1,400 million (US$ 442 million)** in convertible debt to fund the acquisition of a undeveloped coal project.
  - Coalspur Mines Limited raised over **zł 200 million (US$ 63 million)** in convertible debt to fund pre development work whilst off-take agreement were being finalised.

- **Offtake/Debt**
  - Fortescue Metals Group arranged **zł 6,400 million (US$ 2,018 million)** of unsecured bonds as part of its financing package.
  - Coalspur Mines Limited is currently finalising off-take agreements and equipment leasing arrangements to fund construction costs of over **zł 1,600 million (US$ 520 million)** for development of a 12mtpa thermal coal mine in Canada.
  - Aston Resources Limited completed two off-take agreements to provide funding of over **zł 2,400 million (US$ 757 million)**.
  - Foresight Energy arranged syndicated debt funding of over **zł 2,250 million (US$ 710 million)**.
  - Whitehaven Coal Limited completed four off-take arrangements to provide funding of over **zł 1,400 million (US$ 442 million)**.
  - Sandfire Resources recently arranged a **zł 1,300 million (US$ 410 million)** debt facility to fund construction of its copper project.
Board of Directors

Strong board with proven development experience in the small-cap resources sector...

Ian Middlemas
Chairman

- Highly respected resource executive with extensive finance, commercial and capital markets experience
- Current Chairman of Papillon Resources Limited, Equatorial Resources Limited, Berkeley Resources Limited & former Chairman of Coalspur Mines Limited and Mantra Resources Limited

Anastasios Arima
Executive Director

- Resource company executive with experience in development and funding of resource companies
- Founder & former Executive Director of Coalspur Mines Ltd having been instrumental in developing Coalspur from a A$3 million market capitalisation to a A$1.2 billion market capitalisation company upon his departure

John Welborn
Director

- Highly respected resource company executive with extensive experience in project development, investment banking and capital markets
- Current Managing Director of Equatorial Resources Ltd (ASX: EQX) and previously a senior executive at Investec

Mark Pearce
Director

- Resource company executive with substantial experience in the development and funding of listed resource companies
- Current director of a number of ASX listed companies including Equatorial Resources Limited and Sovereign Metals Limited & was formerly a Director and CFO of Coalspur Mines Limited and a founding director of Mantra Resources Limited
Executive Team

An experienced and Polish based management team…

Janusz Jakimowicz
Group Executive

- Geologist with over 30 years experience and a proven ability in the identification, exploration and appraisal of new resource projects
- Instrumental in identifying, negotiating and applying for the concessions and progressing the development of the project in Poland

Wladyslaw Kowalik
Mining Consultant

- Mining geologist with over 30 years experience in the hard coal prospecting, exploration and mining industry in Poland
- Specialist in preparation of coal concession applications, resource calculations and feasibility studies

Dr Jan Wierchowiec
Geological Consultant

- Geoscientist with over 15 years experience in the area of economic and environmental studies in relation to prospecting and exploration for mineral deposits
- Assisted with the exploration process for the Lublin Coal Basin

Wieslaw Kielbik
Drilling Supervisor

- Certified drilling engineer with 40 years experience working in Poland and internationally
- Highly skilled professional having worked on exploration projects across a multitude of resources including oil, gas and coal

Piotr Kolodziejski
Commercial & Finance Manager

- Accountant and former Senior Auditor with one of the largest international consulting firms in Poland
- Extensive financial and legal knowledge of the business and cultural processes in Poland
Summery

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Disclaimer

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Information in this announcement that relates to Exploration results is based on information compiled by Mr Peter Dryburgh (an employee of independent consultant Wardell Armstrong International) who is a Fellow of the Geological Society of London. Mr Dryburgh has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person under the 2004 Edition of the Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Dryburgh consents to the inclusion of the data in the form and context in which it appears.
Contact Details

Australia
Prairie Downs Metals Limited
Level 9, The BGC Centre
28 The Esplanade
Perth, WA, 6000

t: +61 8 9322 6322
f: +61 8 9322 6558
E: info@pdz.com.au
w: www.pdz.com.au

Poland
PD Co Sp. z o.o.
Rondo ONZ 1
Floor 5A
00-124 Warsaw

London
Unit 3C
38 Jermyn Street
London SW1Y 6DN

E: info@pdz.com.au
w: www.pdz.com.au