



ASX RELEASE | 8 April 2014

PRAIRIE SIGNS NEW AGREEMENT FOR PILBARA BASE METALS PROJECT

Potential Receipt of A\$1.5 million in Cash and Shares

HIGHLIGHTS:

- **New Agreement signed with Marindi Metals over wholly owned Prairie Downs Base Metals Project (“BMP”) located in the Pilbara region of Western Australia**
- **Prairie to receive A\$0.5 million cash within 60 days and a further A\$1 million in cash or shares in consideration for Marindi electing to acquire 100% of Prairie’s interest in the BMP**
- **Prairie to retain a 2.5% Net Smelter Royalty**
- **Agreement designed to accelerate Marindi’s development of the BMP allowing Prairie to focus 100% on its Lublin Coal Project in Poland**
- **The BMP is well positioned to advance under the Marindi team, led by highly experienced base metal mining executives with a proven track record of discovery and value creation**
- **Prairie is completing a Pre-Feasibility Study for the Lublin Coal Project which is on track for publication in mid-2015**

Prairie Mining Limited (“Prairie” or “Company”) is pleased to announce that it has entered into a new agreement (“**New Agreement**”) with Marindi Metals Pty Ltd (“**Marindi**”) in relation to Prairie’s 100% owned Base Metals Project (“**BMP**”), located approximately 60 kilometers southwest of Newman in the Pilbara region of Western Australia.

Since October 2013, Marindi has been conducting an exploration work program at the BMP under a Farm-In Agreement with Prairie (“**Original Farm-in Agreement**”). Under the Original Farm-In Agreement, Marindi was required to keep the licences in good standing for a period of three (3) years to earn a 51% interest in the BMP and could then meet a series of expenditure commitments to earn up to a 100% interest in the BMP.

The Original Farm-In Agreement has now been replaced with the New Agreement whereby Marindi can earn a 100% interest in the BMP by electing to pay Prairie A\$0.5 million in cash within 60 days of executing the New Agreement and a further A\$1 million in cash or shares by 30 September 2016 (“**Election**”), with Prairie retaining a 2.5% Net Smelter Royalty. In the event that Marindi chooses not to make its Election, the terms of the Original Farm-In Agreement will remain.

Prairie’s CEO Ben Stoikovich commented that “*The improved Agreement with Marindi over the historic Base Metals Project allows us to focus 100% of our time, energy and resources on our world class Lublin Coal Project in Poland and positions us to receive A\$0.5 million in cash within 60 days, and a further A\$1.0 million in either cash or un-escrowed listed shares if Marindi elects to acquire 100% of the project within the next 18 months. Importantly, Prairie will retain significant upside in any future project success in the form of a 2.5% Net Smelter Royalty. The New Agreement also provides the incentive for Marindi, which is led by highly experienced base metal mining executives, to rapidly advance the development of the Base Metals Project.*”

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Prairie Downs Base Metals Project

Prairie is the owner of two tenements (E52/1758 and E52/1926) together known as the BMP that cover an area of 550km², located approximately 60 kilometres southwest of Newman in the Pilbara region of Western Australia.

Original Farm-In Agreement with Marindi

In October 2013, Prairie entered into the Original Farm-In Agreement with Marindi to earn an equity interest in the BMP. The farm-in agreement provided for Marindi to farm-in to a joint venture with the Company, on the following terms:

- Earn a 51% interest in the BMP by keeping the exploration licences in good standing over a period of three (3) years;
- Earn a 70% interest in the BMP by spending an further A\$4 million over an additional three (3) years;
- Earn a 90% interest in the BMP by spending a total of A\$10 million over an additional three (3) years; and
- In the event Marindi earns a 90% interest, automatic conversion to a 100% interest, with the Company acquiring a 2.5% Net Smelter Royalty on all minerals mined on the BMP.

Prairie could elect to maintain its interest at each stage of the farm-in once Marindi had earned a 51% interest.

Marindi could withdraw during the farm-in period at any time by giving 90 days' notice without any liability to expend further moneys, provided Marindi had kept the licences in good standing at the date of withdrawal.

New Agreement

Prairie has now entered into the New Agreement with Marindi on the following terms, designed to accelerate the development of the BMP and position Prairie to receive cash and liquid share payments:

- Marindi can earn a 100% interest in the BMP by:
 - Paying Prairie A\$0.5 million in cash within 60 days of executing the New Agreement; and
 - Paying a further A\$1 million to Prairie in either cash or listed Marindi shares (or the shares of a holding company which includes the Tenements as part of the listed entity's assets) at its election on or before 30 September 2016. Marindi may only elect to issue shares to Prairie in the event that such shares are free from escrow.
- Upon Marindi obtaining a 100% interest in the BMP, Prairie would retain a 2.5% Net Smelter Royalty in the project.
- If Marindi fails to make the final A\$1 million payment, Prairie would retain the initial A\$0.5 million cash payment (if received upon Election) and the terms of the Original Farm-In Agreement will apply.
- Marindi will continue to keep the tenements in good standing as per the Original Farm-In Agreement.
- The BMP is defined to also include the camp at site, mining information and any material stored in Prairie's Perth warehouse.

About Marindi

Marindi is a private company led by highly experienced base metal mining executives and has been established to secure prospective exploration base metal assets in low risk jurisdictions.

Senior Marindi Executives include

- Ross Ashton – Previously Red Back Mining and PMI Gold
- Joe Treacy – Previously Kagara Limited and Mungana Goldmines
- Jeremy Robinson – Mungana Goldmines

ABOUT THE LUBLIN COAL PROJECT

The Lublin Coal Project is a large scale premium coal project with a current Coal Resource Estimate of 1.6 billion tonnes ("CRE") across four coal concessions in south eastern Poland. The CRE is based on the review and modelling of historic data over the Company's concessions, including the logs from 200 cored boreholes.

In April 2014 Prairie published the results of a Scoping Study for the Lublin Coal Project which confirmed the potential for a world class high margin premium coal operation (refer ASX announcement 28 April 2014). The Scoping Study assumed annual operating costs at US\$37 per tonne which would place the Project on the lowest position on the global cost curve for coal delivered into Europe.

The Project is located close to well established regional rail and port infrastructure with underutilised bulk cargo capacity for low transportation costs within Poland, to regional European markets by rail, and to the seaborne export market through underutilised ports in the north of Poland.

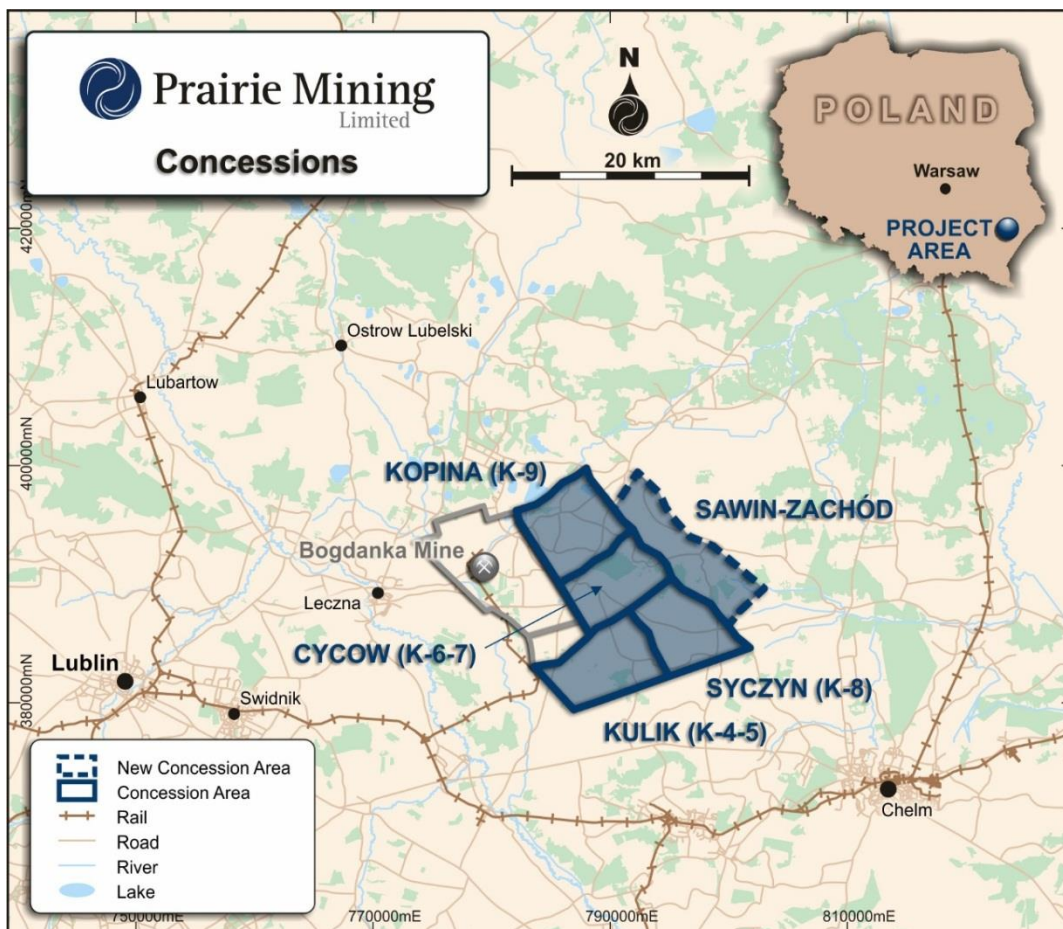


Figure 1: Lublin Coal Project Concessions

The Project is situated adjacent to the Bogdanka coal mine which has been in commercial production since 1982. Bogdanka has successfully demonstrated that the Lublin Coal Basin has the potential to host a new generation of large scale coal projects. The Lublin basin has ideal geological and mining conditions for high productivity longwall plow operations. As a result of these favourable conditions Bogdanka has previously achieved world record production rates and is currently the lowest operating cost hard coal mine in Europe. In FY2014 Bogdanka progressed its announced expansion program to increase nameplate production capacity to between 10.5 - 11.5 Mt per annum (depending on geological conditions). Bogdanka produced 9.2 Mt of saleable coal in 2014 and is targeting production of 9.3 to 9.5 Mt in 2015 with a focus on operational efficiency and cost reduction.

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.

The Company advises that the information relating to the Scoping Study referred to in this announcement is based on lower-level technical and preliminary economic assessments, and is insufficient to support estimation of Ore Reserves or to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the Scoping Study will be realised.

Prairie confirms that: a) it is not aware of any new information or data that materially affects the information included in the original ASX announcements; b) all material assumptions and technical parameters underpinning the Coal Resource, Production Target, and related forecast financial information derived from the Production Target included in the original ASX announcements continue to apply and have not materially changed; and c) the form and context in which the relevant Competent Persons' findings are presented in this announcement have not been materially modified from the original ASX announcements.

Competent Person Statements

The information in the original ASX announcements that relates to Production Targets and the Scoping Study is based on information compiled or reviewed by Mr Robin Dean who is a Competent Person and is a Member of the Institute of Materials, Minerals and Mining (UK). Mr Dean is employed by independent consultants Wardell Armstrong LLP which owns Wardell Armstrong Limited. Mr Dean has sufficient experience that is relevant to the type of mining operation under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

The information in this announcement that relates to Exploration Results, Coal Resources, Production Targets and the Scoping Study was extracted from Prairie's ASX announcements dated 23 September 2014 entitled 'Annual Report to shareholders', 28 April 2014 entitled 'Scoping Study Confirms Potential for World Class High Margin Met and Thermal Coal Project' and 13 March 2014 entitled 'Initial Washability Results Display Exceptionally High Yields' available to view on the company's website at www.pdz.com.au

The information in the original ASX announcements that related to Exploration Results and Coal Resources is based on information compiled or reviewed by Dr Richard Lowman, a Competent Person who is a Fellow of the Geological Society of London. Dr Lowman is employed by independent consultants Wardell Armstrong LLP which owns Wardell Armstrong Limited. Dr Lowman 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 as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

Lublin Coal Project - Coal Resource Estimate (based on net coal seam thickness)			
Coal Seam	Indicated (Mt)	Inferred (Mt)	Total (Mt)
391	137	177	314
389	20	84	104
Other Seams	-	1,141	1,141
Total – Project Area	157	1,402	1,559

Lublin Coal Project Coal Quality Statistics (Air Dried) of In-situ Indicated Coal Resources (based on gross coal seam thickness)		
Parameter	391 Seam	389 Seam
Ash %	9.37	17.61
Calorific Value GAD kcal/kg:(MJ/kg)	7,004 (29.33)	6,104 (25.56)
Sulphur %	1.27	1.25